REPORT ON EXAMINATION OF AGP SERVICES CORP.

AS OF DECEMBER 31, 2020

DATE OF REPORT **OCTOBER 29, 2021**
EXAMINER **WEI CAO**

TABLE OF CONTENTS

ITEM NO.		PAGE NO.
1.	Scope of examination	2
2.	Description of Company	2
	A. Articles of incorporation	2
	B. By-laws	3
	C. Capital structure	3
	D. Corporate records	3
	E. Operations	3
	F. Management and control	4
	G. Certified public accountant	5
3.	Financial statements	6
	A. Balance sheet	6
	B. Statement of income	7
	C. Capital and surplus account	8
4.	Losses and loss adjustment expenses	8
5.	Article 70 compliance	8
6.	Subsequent events	8
7.	Complaince with prior report on examination	9
8.	Summary of comments and recommednations	9

September 15, 2025

Honorable Adrienne A. Harris
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 32256 dated August 6, 2021, attached hereto, I have made an examination into the condition and affairs of AGP Services Corp. as of December 31, 2020, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate AGP Services Corp.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted remotely due to the outbreak of a novel coronavirus ("COVID-19") pandemic.

1. SCOPE OF EXAMINATION

The examination covers the period from January 1, 2016, through December 31, 2020, and was limited in its scope to a review or audit of only those balance sheet items considered by this Department to require analysis. Transactions occurring subsequent to this period were review where deemed appropriate. The examination included a review of Company records deemed necessary to accomplish such analysis or verification. Additionally, a review was performed to determine whether the captive insurer was operating within its by-laws, conforming with its plan of operation, as submitted to the New York State Department of Financial Services, and was in compliance with Article 70 of the New York Insurance Law ("the Law").

Comments and recommendations are limited to those items requiring financial adjustment, procedural recommendations, or instances where the Company was not conforming to the application submitted to the Department or Article 70 of the Law.

The report utilized work performed by the Company's independent certified public accountant and its opining actuary to the extent considered appropriate.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of New York State as a captive insurance company on November 15, 2005, and commenced business on that day. The Company is a wholly owned subsidiary of P.C. Richard and Son, Inc. ("the Parent"). The Parent is a retailer of home appliances, televisions, consumer electronics and home office products principally in the New York metropolitan area, New Jersey, Connecticut and Northeast Philadelphia, Pennsylvania.

A. Article of Incorporation

The Company is organized to transact the kinds of insurance specified in Section 1113(a) of the New York Insurance Law, subject at all times to the limitations on the business of pure captive insurance companies set forth in Article 70 of the Law.

B. By-Laws

The examination found that the Company was in compliance with its by-laws in all material respects.

C. Capital Structure

As a pure captive insurance company incorporated as a stock insurer, the Company is required to maintain a total surplus as regards policyholders of not less than $250,000, of which $100,000 shall represent paid-in capital pursuant to the provisions of Section 7004(a)(1) of the Law.

As of December 31, 2020, the Company's paid-in capital was 30,250,000, consisting of 100,000 shares of common stock with a par value of $1 per share and an additional paid-in capital amount of $30,150,000. The Company had retained earnings of $78,207,031 for a total capital and surplus (surplus as regards policyholders) of $108,457,031.

D. Corporate Records

The corporate records reviewed appeared to be substantially accurate and complete in all material respects.

E. Operations

As of December 31, 2020, the Company reported total net premiums written of $55,852,185. This consisted of $9,059,130 in direct premiums derived from an Integrated Insurance Policy covering multiple risks of the Parent and its subsidiaries, and $46,793,055 in assumed reinsurance premiums from P.C. Richard Service Company ("Service Company"), an affiliated entity that provides warranty coverage on products sold by the Parent.

The assumed premiums were generated pursuant to a 70% quota share reinsurance agreement under which the Company indemnifies the Service Company for warranty-related losses. However, as noted in the Department's report on examination as of December 31, 2015, the Service Company is not a licensed insurance company. As a result, the Company is not permitted to report business received from the Service Company as assumed premiums. Accordingly, premiums and related business arising from this arrangement should be classified as direct business written by the Company.

Subsequent to the period covered by the examination, the Company amended the agreement and updated its regulatory filings to reflect that the business generated under the arrangement constituted direct insurance rather than reinsurance. Following this reclassification, premium tax reporting was revised on a prospective basis to reflect the appropriate business classification and applicable tax rate.

F. Management and Control

(i) Captive Manager

Section 7003(b)(4) of the Law provides that no captive insurer shall do any captive insurance business in this State unless it utilizes a captive manager resident in this State that is licensed as an agent or broker under the provisions of Article 21 of the Law, or any other person approved by the Superintendent.

During the period covered by this examination, the Company was managed by Aon Insurance Managers (USA) Inc. ("Aon"), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, effective October 1, 2016, Aon has the responsibility for providing the Company with underwriting, policyholder, claims, and other general management and operational services for a fee. These responsibilities include assisting the Company in complying with the rules, regulations and requirements of the Law and maintaining true and complete books of account and records of all business conducted under this agreement.

(ii) Board of Directors

Pursuant to its by-laws, the Company's business and affairs shall be managed under the direction of a board of directors. The board shall be comprised of no fewer than three directors, of which at least two of whom shall be residents of New York State, and all shall be citizens of the United States. At December 31, 2020, the board of directors was comprised of the following three members:

Name and Residence	Principal Business Affiliation
Thomas P. Pohmer Mattituck, NY	Director, P.C. Richard & Son, Inc.
Gregg H. Richard Lloyd Harbor, NY	President, CEO & Director, P.C. Richard & Son, Inc.
Peter Richard Kings Park, NY	Vice President, Secretary & Director, P.C. Richard & Son, Inc.

During the period covered by the examination, the board of directors met once each year. A review of its meeting minutes indicated that all meetings were well attended.

(iii) Officers

As of December 31, 2020, the principal officers of the Company were as follows:

Name	Title
Gregg H. Richard	President
Cathy W. Inter	Vice President
Peter Richard	Secretary
Kevin Hughey	Treasurer

G. Certified Public Accountant

Crowe LLP was the Company's independent certified public accounting firm for the period covered by the examination. Crowe LLP expressed that the Company's financial statements present fairly, in all material respects, the financial position, results of operations and cash flow as of December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America.

Assets		
Cash and cash equivalents	$91,119,762	
Notes receivable from Parent	170,506,808	
Unexpensed ceding commission	24,283,543	
Deferred policy acquisition costs	272,900	
Deferred tax assets	1,926,483	
Total assets		$288,109,496
Liabilities		
Unearned premium	$166,419,851	
Unpaid losses and loss adjustment expenses	13,110,167	
Premium taxes payable	122,447	
Total liabilities		$179,652,465
Capital and Surplus		
Common stock	$100,000	
Additional paid-in capital	30,150,000	
Surplus	78,207,031	
Total capital and surplus		$108,457,031
Total liabilities, capital and surplus		$288,109,496

B. Statement of Income

The Company's net income for the period covered by the examination was $113,650,244 as detailed below:

Underwriting Income		
Net premiums earned		$283,869,382
Deductions:		
Incurred loss and loss adjustment expense	$108,827,527	
Ceding commission	35,789,575	
Premium tax expenses	554,546	
State assessment	281,030	
General and administrative expenses	531,741	
Total operating deductions		145,984,419
Total underwriting income		137,884,963
Total investment income		18,213,007
Total income before tax		156,097,970
Income tax		42,447,726
Net income		$113,650,244

C. Capital and Surplus Account

The Company's capital and surplus increased $3,650,244 during the period covered by this examination, detailed as follows:

Capital and surplus as of January 1, 2016			$104,806,787
	Increase in surplus	Decrease in surplus	
Net income	$113,650,244		
Dividends	_	$110,000,000	
Total increases and decreases in surplus	$113,650,244	$110,000,000	
Net increase in surplus			3,650,244
Capital and surplus as of December 31, 2020			$108,457,031

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2020, the Company reported outstanding losses and loss adjustment expense reserves of $13,110,167. The Company's opining actuarial firm, Aon Risk Solutions, indicated in its Statement of Actuarial Opinion that, in its opinion, the reported statutory reserves were computed in accordance with commonly accepted actuarial methods and principles and was based on actuarial assumptions that are relevant to its policy provisions.. It was also noted that reasonable provisions in the aggregate for all unpaid loss and loss adjustment expense obligations of the Company had been made under the terms of its insurance and warranty contracts and agreements.

5. ARTICLE 70 COMPLIANCE

Article 70 of the New York State Insurance Law is the governing section of the law for the formation and continued operation of captive insurers in New York State. A review was performed to test the Company's compliance with all applicable parts of Article 70. No significant areas of non-compliance were found.

6. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. The pandemic presented significant uncertainty to the U.S. and global insurance and reinsurance

industries. At the time of releasing this report, the examination's review noted that there has been no significant impact to the Company. With the full effect of the COVID-19 pandemic still unknown, the Department has been in communication with the Company regarding the impact on its operations and financial position.

7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained two recommendations as follows (page numbers refer to the prior report on examination):

ITEM		PAGE NO
A.	Operations It is recommended that the Company amend its agreement with P.C. Richard Service Company to reflect that it is providing insurance coverage for its risks. Accordingly, AGP Services Corp. must correct any impact to its financial statements caused by the misclassification of this agreement as a reinsurance arrangement. The Company has complied with this recommendation.	4
B.	Management and Control It is recommended that the Company amend its by-laws to comply with Section 7005(g) of the New York Insurance Law. The Company has complied with this recommendation.	5

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations in this report.

Respectfully submitted,

/S/
Wei Cao
Senior Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

WEI CAO, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

Wei Cao

Subscribed and sworn to before me

this_____ day of _____, 2025.

APPOINTMENT NO. 32256

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***Linda A. Lacewell****, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Wei Cao

as a proper person to examine the affairs of the

AGP Services Corp

and to make a report to me in writing of the condition of said

COMPANY

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name and affixed the official Seal of the Department at the City of New York

this 6th day of August, 2021

LINDA A. LACEWELL
Superintendent of Financial Services

By: Joan Riddell

Joan Riddell
Deputy Bureau Chief