REPORT ON EXAMINATION
OF
AFFIRMATIVE DIRECT INSURANCE COMPANY

AS OF DECEMBER 31, 2024

EXAMINER: **LEE R. PROWELL**
DATE OF REPORT: **JUNE 15, 2026**

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June 15, 2026

Honorable Kaitlin Asrow
Acting 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 32602 dated March 1, 2024, attached hereto, I have made an examination into the condition and affairs of Affirmative Direct Insurance Company as of December 31, 2024, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Affirmative Direct Insurance Company.

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

This examination has determined that as of December 31, 2024, the Company was insolvent in the amount of $6,985,588 and its capital was impaired in the amount of $7,985,588. Additionally, the Company's minimum required to be maintained surplus of $2,500,000 was impaired in the amount of $9,485,588. During 2026, capital was injected in the aggregate amount of $18,000,000, consisting of $10,000,000 received by the Company on February 27, 2026, and $8,000,000 received by the Company on April 1, 2026.

1. SCOPE OF EXAMINATION

The Department has performed an examination of Affirmative Direct Insurance Company, a multi-state insurer. This examination covered the period from April 8, 2021, through December 31, 2024. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

Company history
Management and control
Territory and plan of operation
Reinsurance
Holding company description
Financial statement presentation
Loss review and analysis
Significant subsequent events
Summary of recommendations

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Affirmative Direct Insurance Company was incorporated under the laws of the State of New York on May 7, 1987. It became licensed March 31, 1989. The Company was a wholly owned subsidiary of Affirmative Casualty Insurance Company, a Louisiana property and casualty stock insurer that was ordered into liquidation on April 11, 2016. The Company stopped writing business in June 2007 and was ordered into rehabilitation on September 17, 2015. Effective April 8, 2021, the Company was acquired by WilYork,

LLC ("WilYork"), a joint venture between Freedom Advantage Insurance Company ("FAIC"), a Pennsylvania domiciled property and casualty insurance company, and Huntington Asset Management, Ltd. ("HAM"), a New York domiciled holding corporation.

Effective June 30, 2023, HAM acquired FAIC's membership interest in WilYork, resulting in HAM's exclusive management of WilYork.

A. Corporate Governance

Pursuant to the Company's charter, management of the Company is vested in a board of directors consisting of not less than seven nor more than 21 persons. This conflicts with the Company's by-laws, which state that the board of directors shall have no less than seven, nor more than 13 persons. The board met two times in 2021, three times in 2022, and quarterly (four times) during 2023 and 2024. At December 31, 2024, the board of directors was comprised of the following seven members:

Name and Residence	Principal Business Affiliation
Joseph Patrick Addabbo New York	New York State Senator, District 15
Thomas Willam Alfano New York	Partner, Abrams, Fensterman LLP
Andrew Christopher Carlton Florida	Vice President, Risk Services, LLC
Erez Dassa New York	Chief Executive Officer, American United Transportation
Fidel Francisco Del Valle New York	Retired
Michael Thomas Rogers Florida	Chief Executive Officer, Risk Services, LLC
Frank Rosario Seddio New York	Principal Attorney, Seddio & Associates PC

It was noted that the Company's charter and by-laws contained different requirements for the following:

1. The annual stockholders meeting date; and

2. The minimum and maximum number of directors comprising the board.

It is recommended that the Company amend either the charter or by-laws to allow consistent corporate guidance regarding the Company's corporate governance and business operations. Subsequent to the examination date, the Company has indicated that it will initiate steps to amend its governing documents to ensure consistency.

As of December 31, 2024, the principal officers of the Company were as follows:

Name	Title
Michael Thomas Rogers	President and Chief Executive Officer
Andrew Christopher Carlton	Chief Financial Officer and Secretary
Erez Dassa	Chairman of the Board

It was noted that the jurat page of the annual statements submitted to the Department during the examination period either omitted the middle name(s) or included only the first letter of the middle name(s) of officers, and directors of the Company.

It is recommended that the Company prepare the jurat page of the annual statement in compliance with the NAIC annual statement instructions for property and casualty insurance companies.

B. Territory and Plan of Operation

As of December 31, 2024, the Company was licensed to write business in 14 states.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
12	Collision
13	Personal injury liability
14	Property damage liability

Paragraph	Line of Business
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also empowered to transact such workers' compensation insurance as may be incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et. seq. as amended).

It was noted that Schedule T of the December 31, 2024, annual statement reported the Company was actively licensed or chartered in Illinois; however, the Company was unable to provide a valid certificate of authority for Illinois.

It is recommended that the Company obtain and maintain up to date certificates of authority.

It should be noted that the Company did not report any written premium in the State of Illinois during the examination period.

Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $2,500,000.

The following schedule shows the direct written premiums by the Company for the period under examination:

Calendar Year	Direct Premiums
2021	$17,068,535
2022	$ 9,502,821
2023	$27,004,755
2024	$27,691,966

The Company writes commercial auto liability insurance for fleet vehicle leasing companies that lease vehicles to transportation network company ("TNC") drivers that have been approved as an operator by the New York City Taxi and Limousine Commission ("TLC"). The primary insured/customer of the Company is an affiliated TNC in New York City named American United Transportation, Inc. ("AUT"), which is owned by the Company's ultimate controlling person, Erez Dassa. At December 31, 2024 the Company's written policies included 13 fleet policies and 71 individual policies.

The Company did not assume any premium.

C. Reinsurance Ceded

The Company has been writing insurance without the benefit of any reinsurance. The Company continues to evaluate risk management strategies, including potential use of reinsurance.

D. Holding Company System

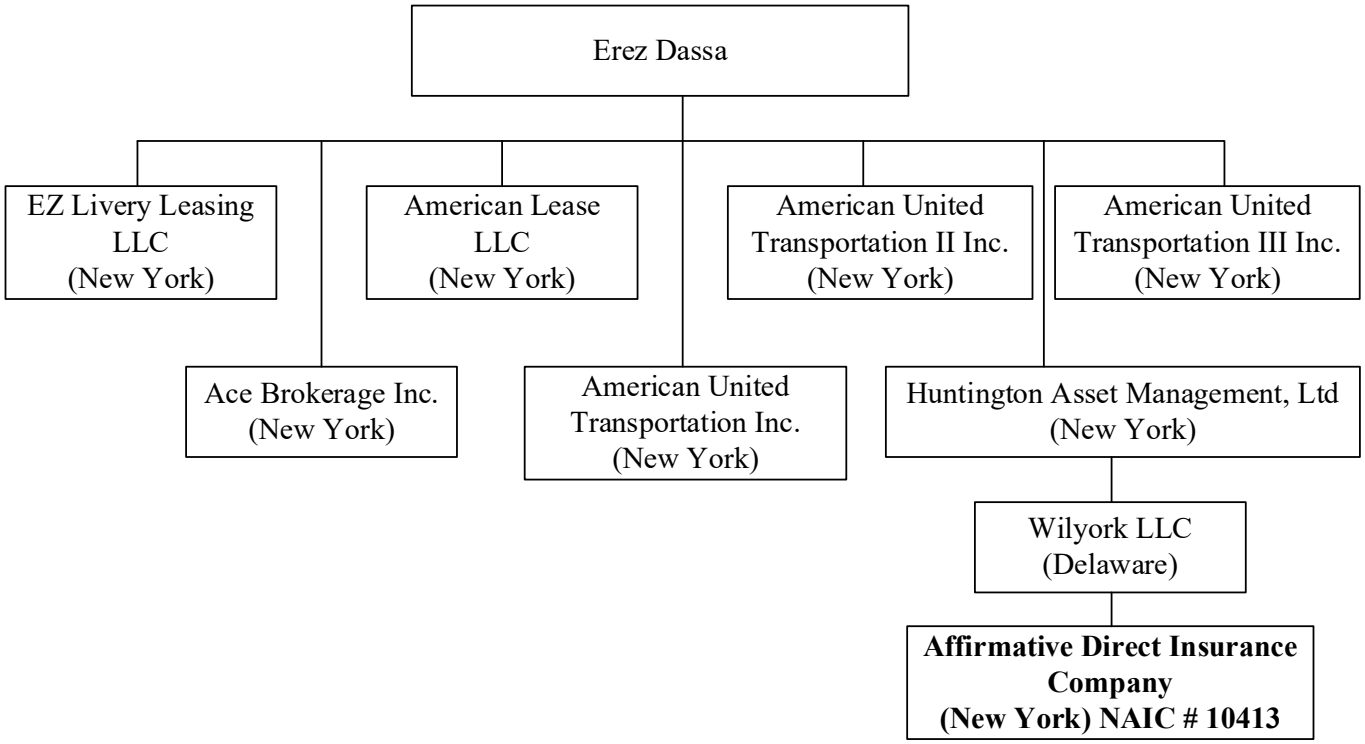
The Company is a member of the Erez Dassa Holding Company. The Company is a wholly owned subsidiary of WilYork, LLC, a Delaware domiciled corporation, which is ultimately controlled by Erez Dassa.

A review of the holding company registration statements filed with this Department indicated that such filings were complete, except as noted below, and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

It was noted that the Company's Schedule Y, Part 1, organizational chart included in both the December 31, 2024, annual statement and the holding company registration statement filing omitted certain affiliated entities including American United Transportation and Ace Brokerage, LLC, affiliated companies that are 100% owned by Erez Dassa.

It is recommended that the Company prepare its annual statement in compliance with the NAIC annual statement instructions for property and casualty insurance companies and prepare the holding company filing pursuant to New York Insurance Law Section 1503.

The following is an abridged chart of the holding company system at December 31, 2024:



E. Significant Ratios

The Company's operating ratios, as determined by this examination computed as of December 31, 2024, do not fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

Operating Ratios	Result	Benchmark Range
Net premiums written to policyholders' surplus	N/A	Not greater than 300%
Adjusted liabilities to liquid assets	128.95%	Not greater than 100%
Two-year overall operating	131.68%	Not greater than 100%

The net premiums written to policyholders' surplus ratio was not computed because it is not meaningful due to the Company's negative surplus, as determined by this examination.

There were financial adjustments as described herein under sections 3D, 4 and 5 of this report that impacted the Company's operating ratios.

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the period, April 8, 2021, through December 31, 2024, covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$ 88,916,520	110.09%
Other underwriting expenses incurred	11,182,204	13.85%
Net underwriting gain (loss)	$(19,329,310)	(23.94)%
Premiums earned	$ 80,769,414	100.00%

The Company's reported risk-based capital ("RBC") score was above the required regulatory action minimum amount of 200% at December 31, 2024. The RBC score is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile.

There were financial adjustments as described herein under sections 3D, 4 and 5 of this report that impacted the Company's RBC score.

The examination adjustment of $19,247,034 has placed the Company at a mandatory control level for RBC as of the examination date, pursuant to Section 1324(g) of the New York Insurance Law. During 2026, the Company received capital contributions in the aggregate amount of $18,000,000, which have improved the Company's RBC score and capital position, and are intended to support ongoing regulatory compliance.

The contributions are classified as capital contributions and do not constitute debt, a loan, advance, payable, or any other form of obligation requiring repayment by the Company. Accordingly, Affirmative Direct Insurance Company has no repayment obligation, contractual or otherwise to any affiliated party with respect to the capital contributions described above. These amounts are intended to remain with the Company as capital support unless otherwise addressed in accordance with applicable law, regulatory requirements, and any required corporate approvals.

F. Accounts and Records

i. Custodial Agreement

The 2025 NAIC Financial Condition Examiners Handbook ("FCEH") sets forth specific guidance that should be followed in the maintenance of custodial or safekeeping agreements. A review of the Company's custodial agreement with Deutsche Bank revealed the agreement did not contain all NAIC requirements for custody of assets. For example, the agreement does not contain the following provisions:

- In the event of a loss of the securities for which the custodian is obligated to indemnify the insurance company, the securities shall be promptly replaced or the value of the securities and the value of any loss of rights or privileges resulting from said loss of securities shall be promptly replaced.
- If the custodial agreement has been terminated or if 100% of the account assets in any one custody account have been withdrawn, the custodian shall provide written notification, within three business days of termination or withdrawal, to the insurer's domiciliary commissioner.

It is recommended that the Company enters into a custodial agreement with Deutsche Bank that includes all required provisions and complies with the Department and NAIC requirements. Subsequent to the examination date, the Company has indicated that it is in the process of amending its custodial agreement to incorporate required provisions.

ii. Annual Statement Preparation

The 2024 NAIC Property and Casualty Annual Statement Instructions state in part:

> "The term "holding company group" includes members of a holding company system and controlled groups.
>
> All insurer and reporting entity members of a holding company group shall prepare a common schedule for inclusion in each of the individual annual statements. If the company is required to file a registration statement under the provisions of the domiciliary state's Insurance Holding Company System Regulatory Act, then Schedule Y, Part 1, Organizational Chart must be included in the annual statement.
>
> NOTE: If the reporting entity completes this schedule, it should have answered "YES" to General Interrogatories, Part 1, Question 1.1.
>
> Attach a chart or listing presenting the identities of and interrelationships between the parent, all affiliated insurers and reporting entities; and other affiliates, identifying all insurers and reporting entities as such and listing the Federal Employer's Identification Number for each. The NAIC company code and two-character state abbreviation of the state of domicile should be included for all

domestic insurers. The relationships of the holding company group to the ultimate controlling person (if such person is outside the reported holding company) should be shown. Only those companies that were a member of a holding company group at the end of the reporting period should be shown on Schedule Y, Part 1, Organizational Chart.

Where interrelationships are a 50%/50% ownership, footnote any voting rights preferences that one of the entities may have.

However, any person(s) (that includes natural person) deemed to be an ultimate controlling person, must be included in the organizational chart. The Social Security number for individual persons should not be included on this schedule."

The Company's Schedule Y, Part 1, Organizational Chart included in the December 31, 2024, annual statement and holding company registration statement, filed with the Department, omitted several affiliated companies under common ownership with the Company. Further, the Company answered "No" to General Interrogatories, Part 1, Question 1.1.

It is recommended that the Company prepare financial statements schedules and corresponding interrogatories in compliance with NAIC annual statement instructions for property and casualty insurance companies.

iii. Premium Receivable Reporting

Statement of Statutory Accounting Principles ("SSAP") No. 6 states in part:

Paragraph 7

"The due date for all premium balances addressed by this statement is determined as follows:

a. Original and deposit premiums - governed by the effective date of the underlying insurance contract and not the agent/reporting entity contractual relationship;

b. Endorsement premiums - governed by the effective date of the insurance policy endorsement;

c. Installment premiums - governed by the contractual due date of the installment from the insured;

d. Audit premiums and retrospective premiums - governed by insurance policy or insurance contract provisions. If the due date for receivables relating to these policies is not addressed by insurance policy provisions or insurance

contract provisions, any uncollected audit premium (either accrued or billed) is nonadmitted."

Paragraph 9

"a. Uncollected Premium - To the extent that there is no related unearned premium, any uncollected premium balances which are over ninety days due shall be nonadmitted. If an installment premium is over ninety days due, the amount over ninety days due plus all future installments that have been recorded on that policy shall be nonadmitted;

b. Bills Receivable - Bills receivable shall be nonadmitted if either of the following conditions are present:

i. If any installment is past due, the entire bills receivable balance from that policy is nonadmitted; or

ii. If the bills receivable balance due exceeds the unearned premium on the policy for which the note was accepted, the amount in excess of the unearned premium is nonadmitted.

c. Agents' Balances - The uncollected agent's receivable on a policy-by-policy basis which is over ninety days due shall be nonadmitted regardless of any unearned premium;

i. If amounts are both payable to and receivable from an agent on the same underlying policy, and the contractual agreements between the agent and the reporting entity permit offsetting, the nonadmitted portion of amounts due from that agent shall not be greater than the net balance due, by agent;

ii. If reconciling items between a reporting entity's account and an agent's account are over ninety days due, the amounts shall be nonadmitted."

Paragraph 10

"After calculation of nonadmitted amounts, an evaluation shall be made of the remaining admitted assets in accordance with SSAP No. 5R - Liabilities, Contingencies and Impairments of Assets, to determine if there is impairment. If, in accordance with SSAP No. 5R, it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made. If it is reasonably possible a portion of the balance is uncollectible and is therefore not written off, disclosure requirements outlined in SSAP No. 5R shall be followed."

Paragraph 11

"Amounts classified as nonadmitted assets collected subsequent to the date of the statutory financial statements shall not be used to adjust the nonadmitted asset otherwise calculated."

It was noted that the premium receivable records provided by the Company do not contain aging receivable information by numbers of days outstanding as required to demonstrate compliance with NAIC Accounting Practices and Procedures Manual, SSAP No. 6.

It is recommended that the Company comply with the requirements of SSAP No. 6, all applicable paragraphs. Subsequent to the examination date, the Company has indicated that it has implemented procedures to track receivables by aging category in compliance with SSAP No. 6.

It is recommended that the Company establish control procedures to ensure that the premium receivable records are maintained to allow the Company to demonstrate compliance with the requirements of SSAP No. 6, all applicable paragraphs.

G. Risk Management and Internal Controls

The following control procedures are performed solely by the Chief Financial Officer as part of the quarterly financial statement required review:

1. Assess liquidity position and confirm sufficiency for ongoing operations and regulatory requirements.
2. Premium Deficiency Reserve ("PDR")
   - Confirm the PDR analysis is updated and accurate.
   - If future premiums are less than expected future losses and expenses a PDR should be recorded.
   - Ensure PDR documents methodology and assumptions in the analysis.
3. Review Risk-Based Capital ratio trends and surplus adequacy; confirm that RBC ratios meet or exceed regulatory thresholds.
4. Confirm that cash balances reconcile to bank statements and that all reconciling items are supported by documentation.
5. Confirm investment balances tie to appropriate supporting schedules and statements, including, if applicable, Clearwater Analytics.
6. Review investment holding schedule for reconciliation to balance sheet and income statement, including accuracy of classifications and reported balances.
7. Review Unearned Premium Reserve calculations for accuracy and reasonableness; confirm compliance with regulatory standards.
8. Obtain Clearwater Analytics reports indicating securities designation and possible impairment.

Management also communicated that no further/secondary reviews are performed of the control procedures and reports. Further, the board of directors/committee does not review the results of the control procedures.

It is recommended that the Company retain documentation showing the review by senior management of the control procedures. Further, it should be clearly stated, in the board or committee meeting minutes, that the board of directors/committee members review reports based on the control procedures performed.

The investment policy statement is not formally approved by the Board/committee.

It is recommended that the investment strategy/policy be approved by the board of directors. Documentation of periodic reviews and updates should be maintained, and approval and any subsequent updates/amendments should be reflected in the board/committee meeting minutes.

The Company does not have a formal reserving policy.

It is recommended that the Company establish a formal reserving policy. Subsequent to the examination date, the Company has indicated that it has implemented a formal reserving policy documenting methodologies, assumptions, and governance processes.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2024, as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$30,469,283	$0	$30,469,283
Cash, cash equivalents and short-term Investments	19,371,124	0	19,371,124
Investment income due and accrued	358,636	0	358,636
Uncollected premiums and agents' balances in the course of collection	6,938,101	0	6,938,101
Net deferred tax asset	536,034	0	536,034
Subrogation recoverable	83,134	0	83,134
Claims fund escrow	526,881	0	526,881
Total assets	$58,283,193	$0	$58,283,193

Liabilities, Surplus and Other Funds

Liabilities

Losses and loss adjustment expenses		$45,044,001
Commissions payable, contingent commissions and other similar charges		44,013
Other expenses (excluding taxes, licenses and fees)		109,001
Taxes, licenses and fees (excluding federal and foreign income taxes)		290,812
Current federal and foreign income taxes		35,257
Unearned premiums		498,663
Total liabilities		$46,021,747
Surplus and Other Funds		
Common capital stock	$2,500,000	
Surplus notes	5,000,000	
Gross paid in and contributed surplus	2,689,624	
Unassigned funds (surplus)	2,071,822	
Surplus as regards policyholders		$12,261,446
Total liabilities, surplus and other funds		$58,283,193

Note: The Internal Revenue Service has not audited tax returns covering tax years 2021 through 2024. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net income for the examination period as reported by the Company was $1,662,490, as detailed below:

Underwriting Income		
Premiums earned		$80,769,414
Deductions:		
Losses and loss adjustment expenses incurred	$70,205,520	
Other underwriting expenses incurred	11,182,204	
Total underwriting deductions		81,387,724
Net underwriting gain or (loss)		$ (618,310)
Investment Income		
Net investment income earned	$ 3,332,580	
Net realized capital gain	16,615	
Net investment gain or (loss)		3,349,195
Net income before federal and foreign income taxes		$ 2,730,885
Federal and foreign income taxes incurred		1,068,395
Net income		$ 1,662,490

C. Capital and Surplus

Capital paid in is $2,500,000 consisting of 2,500,000 shares of $1 par value per share common stock. Gross paid in and contributed surplus is $2,689,624.

Effective April 8, 2021, the company received a surplus note/loan of $5,000,000 from HAM, as part of the business plan and acquisition of the Company. At December 31, 2024, the entire principal is outstanding.

The surplus note was approved by the Department on November 24, 2020.

Surplus as regards policyholders increased $7,198,523 during the three and three-quarter years examination period of April 8, 2021, through December 31, 2024, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of April 8, 2021			$ 5,062,923
	Gains in Surplus	Losses in Surplus	
Net income	$1,662,490		
Change in net deferred income tax	536,033		
Change in surplus notes	5,000,000	$0	
Total gains and losses	$7,198,523	$0	
Net increase in surplus			7,198,523
Surplus as regards policyholders as reported by the Company as of December 31, 2024			$12,261,446

D. Analysis of Changes to Surplus

Surplus as regards policyholders as reported by the Company as of December 31, 2024			$12,261,446
	Surplus Increase	Surplus Decrease	
Losses and loss adjustment expenses		$18,711,000	
Net deferred tax asset	$0	536,034	
Net increase (decrease) in surplus			(19,247,034)
Surplus as regards policyholders as of December 31, 2024, after examination adjustments			$ (6,985,588)

This examination has determined that, as of December 31, 2024, the Company was insolvent in the amount of $6,985,588 and its capital was impaired in the amount of $7,985,588. Additionally, the Company's minimum required to be maintained surplus of $2,500,000 was impaired in the amount of $9,485,588. During 2026, capital was injected in the aggregate amount of $18,000,000.

E. Analysis of Changes to Income

Net income for the examination period, as reported by the Company			$1,662,490
	Income Increase	Income Decrease	
Losses and loss adjustment expenses		$18,711,000	
Net increase or (decrease) in income			(18,711,000)
Net gain (loss) for the examination period, after examination adjustments			$(17,048,510)

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $63,755,001 is $18,711,000 more than the $45,044,001 reported by the Company in its December 31, 2024, filed annual statement. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including SSAP No. 55. The examination change is primarily due to the following: (1) methods and assumptions for calculating loss adjustment expense reserves, (2) adjustments on claims associated with Racketeer Influenced and Corrupt Organizations Act (RICO) providers, and (3) Incurred But Not Reported (IBNR) projections for more recent accident years.

5. NET DEFERRED TAX ASSET

The Company reported an admitted asset under this caption in the amount of $536,034 as of the examination date. The Company's RBC ratio, based on the financials determined by this examination, is below 200%. SSAP No. 101 does not permit an insurer with an RBC ratio of less than 200% to admit any portion of a net deferred tax asset. As such, the captioned admitted asset as of December 31, 2024, has been nonadmitted in its entirety.

6. SUBSEQUENT EVENTS

During 2026, an affiliated company, EZ Livery Leasing LLC, an entity owned by Erez Dassa, provided capital contributions in the aggregate amount of $18,000,000, consisting of $10,000,000 received by the Company on February 27, 2026, and $8,000,000 received by the Company on April 1, 2026.

7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

This is the first report on examination following the Company's acquisition effective April 8, 2021.

8. CONCLUSION

This examination has determined that, as of December 31, 2024, the Company was insolvent in the amount of $6,985,588 and its capital was impaired in the amount of $7,985,588. Additionally, the Company's minimum required to be maintained surplus of $2,500,000 was impaired in the amount of $9,485,588. During 2026, the Company received capital contributions in the aggregate amount of

$18,000,000. The capital contributions were made to address the Company's financial condition per this examination.

9. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM			PAGE NO.
A.		Insolvency This examination has determined that, as of December 31, 2024, the Company was insolvent in the amount of $6,985,588 and its capital was impaired in the amount of $7,985,588. Additionally, the Company's minimum required to be maintained surplus of $2,500,000 was impaired in the amount of $9,485,588. During 2026, capital was injected in the aggregate amount of $18,000,000, consisting of $10,000,000 received by the Company on February 27, 2026, and $8,000,000 received by the Company on April 1, 2026.	18,19
B.		Corporate Governance	
	i.	It is recommended that the Company amend either the charter or by-laws to allow consistent corporate guidance regarding the Company's corporate governance and business operations. Subsequent to the examination date, the Company has indicated that it will initiate steps to amend its governing documents to ensure consistency.	4
	ii.	It is recommended that the Company prepare the jurat page of the annual statement in compliance with the NAIC annual statement instructions for property and casualty insurance companies.	4
C.		Territory and Plan of Operation It is recommended that the Company obtain and maintain up to date certificates of authority.	5
D.		Holding Company System It is recommended that the Company prepare its annual statement in compliance with the NAIC annual statement instructions for property and casualty insurance companies and prepare the holding company filing pursuant to New York Insurance Law Section 1503.	6
E.		Accounts and Records	
	i.	It is recommended that the Company enters into a custodial agreement with Deutsche Bank that includes all required provisions and complies with the Department and NAIC requirements. Subsequent to the examination date, the Company has indicated that it is in the process of amending its custodial agreement to incorporate required provisions.	9

ii. It is recommended that the Company prepare financial statements schedules and corresponding interrogatories in compliance with NAIC annual statement instructions for property and casualty insurance companies. 10

iii It is recommended that the Company comply with the requirements of SSAP No. 6, all applicable paragraphs. 12

Subsequent to the examination date, the Company has indicated that it has implemented procedures to track receivables by aging category in compliance with SSAP No. 6.

iv. It is recommended that the Company establish control procedures to ensure that the premium receivable records are maintained to allow the Company to demonstrate compliance with the requirements of SSAP No. 6, all applicable paragraphs. 12

F. Risk Management and Internal Controls

i. It is recommended that the Company retain documentation showing the review by senior management of the control procedures. Further, it should be clearly stated, in the board or committee meeting minutes, that the board of directors/committee members review reports based on the control procedures performed. 13

ii. It is recommended that the investment strategy/policy be approved by the board of directors. Documentation of periodic reviews and updates should be maintained, and approval and, any subsequent updates/amendments should be reflected in the board/committee meeting minutes. 13

iii. It is recommended that the Company establish a formal reserving policy. 13

Subsequent to the examination date, the Company has indicated that it has implemented a formal reserving policy documenting methodologies, assumptions, and governance processes.

Respectfully submitted,

_____/S/_____
Lee Prowell, Financial Services Examiner 5

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

Lee Prowell, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/S/_____
Lee Prowell

Subscribed and sworn to before me

this_____ day of_____, 2026.

APPOINTMENT NO. 32602

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **Adrienne A. Harris**, 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:*

Lee Prowell

as a proper person to examine the affairs of the

Affirmative Direct Insurance Company

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 1st day of March 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Joan Riddell

Joan Riddell
Deputy Bureau Chief