



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Maxum Insurance Pool Examination Report (the "Report") of the Maxum Casualty Insurance Company and the Maxum Indemnity Company as of December 31, 2017, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

TO WIT:

1. I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("C.G.S").
2. The Companies are domestic insurers authorized to transact the business of insurance in the State of Connecticut.
3. On April 1, 2019, the verified Report of the Maxum Insurance Pool was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Companies were afforded a period of thirty (30) days within which to submit to the Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On April 25, 2019, the Companies notified the Department of certain responses and comments relating to matters contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Companies is hereby adopted as modified with the Department.
2. That the Companies shall comply with the recommendations set forth in the Report, and that failure by the Companies to so comply shall result in sanctions or administrative action as provided by Title 38a of the C.G.S.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the Board of Directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the Commissioner, in writing, that a copy of the report or summary has been provided to each director. "

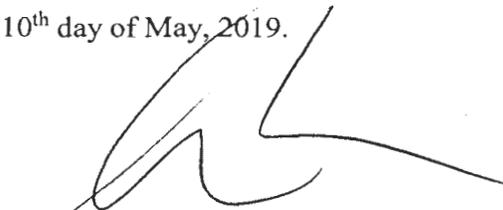
Please address the certification to the Commissioner, but send said certification to the care/attention of Mark Murphy, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary the chief executive officer or the chief financial officer of the entity examined shall present the report of summary to the entity's Board of Directors or similar governing body at a regular or special meeting. "

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 10th day of May, 2019.



Andrew N. Mais
Insurance Commissioner

Exhibit A

MULTI-ENTITY EXAMINATION REPORT OF:

NAIC#

26743 Maxum Indemnity Company

10784 Maxum Casualty Insurance Company

(collectively defined as Maxum Insurance Pool)

AS OF DECEMBER 31, 2017

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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March 1, 2019

The Honorable Andrew N. Mais
Insurance Commissioner
State of Connecticut Insurance Department
153 Market Street
Hartford, Connecticut 06103

Dear Commissioner:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the General Statutes of the State of Connecticut (CGS), the undersigned has conducted a financial examination of the condition and affairs of the Connecticut companies within the

MAXUM INSURANCE POOL

(hereinafter referred to as the Group or MIP) incorporated under the laws of the State of Connecticut and having its statutory home office located at One Hartford Plaza, Hartford, Connecticut and its main administrative located at 3655 North Point Parkway, Alpharetta, Georgia. The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Group was conducted by the State of Delaware Department of Insurance as of December 31, 2012. The current examination which covers the period from January 1, 2013 to December 31, 2017, was conducted by the Financial Regulation Division of the Connecticut Insurance Department (the Department), at its statutory home office in Hartford, Connecticut.

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Group:

- Board of Director (Board) minutes from 2013 through the latest 2018 meeting;
- statutory audit reports from 2013 through 2016, completed by the Group's independent certified public accountants, KPMG LLP (KPMG);
- statutory audit reports, completed by the Group's independent certified public accountants, Deloitte & Touche LLP (Deloitte) for 2017;
- Management's Discussion and Analysis from 2013 through 2017;
- Statements of Actuarial Opinion from 2013 through 2017; and
- Annual Statements from 2013 through 2017.

A comprehensive review was also made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, as well as reports from the National Association of Insurance Commissioners (NAIC) database which indicated no material concerns with respect to financial condition or regulatory compliance issues.

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Work papers prepared by KPMG and Deloitte in connection with its annual statutory audit were reviewed and relied upon to the extent deemed appropriate

Jennan Enterprises LLC (Jennan) was engaged by the Department to conduct an evaluation of the Group's Information Technology (IT) controls.

Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman) was engaged by the Department to conduct an evaluation of the Group's reserving and pricing and underwriting processes.

Baker Tilly Virchow Krause LLC (Baker Tilly) was engaged by the Department to conduct an evaluation of the Group's investment holdings and provided staff accounting services.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Condition Examiners Handbook (the Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Group by obtaining information about the Group, including corporate governance, identifying inherent risks within the Group, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management compliance with the NAIC Accounting Practices & Procedures Manual and the NAIC Property and Casualty Annual Statement Instructions.

Concurrent examinations were made of the following Connecticut and non-Connecticut domestic property and casualty companies within The Hartford Financial Services Group, Inc. (HFSG), collectively referred to as the Hartford Fire Insurance Pool (HFIP):

- Hartford Fire Insurance Company (CT)
- Trumbull Insurance Company (CT)
- Hartford Accident and Indemnity Company (CT)
- Hartford Insurance Company of Illinois (IL)
- Hartford Casualty Insurance Company (IN)
- Hartford Underwriters Insurance Company (CT)
- Pacific Insurance Company, Limited (CT)
- Twin City Fire Insurance Company (IN)
- Nutmeg Insurance Company (CT)
- Hartford Insurance Company of the Midwest (IN)
- Hartford Insurance Company of the Southeast (CT)
- Property and Casualty Insurance Company of Hartford (IN)
- Hartford Lloyd's Insurance Company (TX)
- Sentinel Insurance Company, Ltd. (CT)

The Department also performed concurrent financial examinations of three Connecticut domestic affiliates:

- First State Insurance Company
- New England Insurance Company
- New England Reinsurance Corporation

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The Department also performed an examination of the following Connecticut domestic life insurance affiliates, of which, certain entities were part of HFSG's run-off individual life and annuity business, and effective May 31, 2018, were sold (Divested Entity) to a group of investors led by Cornell Capital LLC, Atlas Merchant LLC, TRB Advisors LP, Global Atlantic Financial Group, Pine Brook and J. Safra Group:

Hartford Life Insurance Company (Divested Entity)
Hartford Life and Annuity Insurance Company (Divested Entity)
Hartford International Life Reassurance Corporation (Divested Entity)
American Maturity Life Insurance Company (Divested Entity)
Hartford Life and Accident Insurance Company

All accounts and activities of the Group were considered in accordance with the risk focused examination process.

Comments in this report are generally limited to exceptions noted or to items considered to be of a material nature.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

Maxum Indemnity Company (MIC)

On January 2, 2003, Northern Homelands Company (Northern Homelands), purchased MIC as a clean shell. The shell, Caliber One Indemnity Company was previously owned by PMA Capital Insurance Company. On July 9, 2004, MIC purchased 100% of the stock of Golden Isles Insurance Company (Golden), a property and casualty insurance company domiciled in Georgia. The name was changed from Golden to Maxum Casualty Insurance Company (MCIC) after the purchase was completed. The state of domicile was changed to Delaware in 2007.

On July 29, 2016, Hartford Fire Insurance Company (Hartford Fire) purchased, for \$169 million, Northern Homelands, the holding company of Maxum Specialty Insurance Group (Maxum) headquartered in Alpharetta, Georgia. Maxum is comprised of MIC, MCIC and Maxum Specialty Services Corporation (also a wholly owned subsidiary of MIC). Effective December 1, 2016, MIC re-domesticated from the state of Delaware to the state of Connecticut.

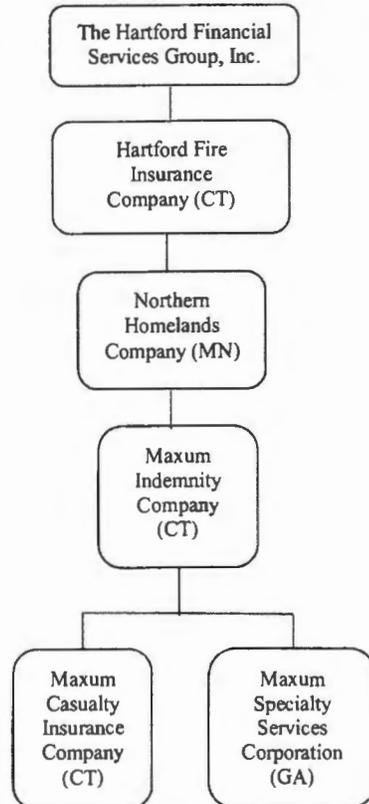
Maxum Casualty Insurance Company

The Company was incorporated on November 25, 1996, under the laws of the State of Georgia as Golden. The original owner of the Company was Strickland Group, LLC, a managing general agency in Duluth, Georgia. MIC purchased all the outstanding shares of Golden on July 9, 2004, and changed the name to MCIC. MCIC filed a Certificate of Conversion and Certificate of Incorporation on December 4, 2007, and re-domesticated to the State of Delaware. Effective December 1, 2016, MCIC re-domesticated from the state of Delaware to the state of Connecticut.

MAXUM INSURANCE POOL

ORGANIZATIONAL CHART

The following is a partial organizational chart of the Group and its parent, subsidiaries and affiliated companies within the HFSG as of December 31, 2017:



MANAGEMENT AND CONTROL

Annual Shareholders Meetings

According to the bylaws, an annual meeting of shareholders shall be held at such place (within or outside the state of Connecticut), date and hour as shall be determined by the Board and designated in the notice thereof.

Special meetings of the shareholders may be called for any purpose by the chairman, the president, the secretary or any assistant secretary, or by a majority of the entire Board and held at such place (within or outside the state of Connecticut), date and hour as shall be designated in the notice thereof.

Except as otherwise expressly required or permitted by applicable law, no fewer than ten and no more than sixty days before the date of every shareholders' meeting, the secretary or any assistant secretary shall cause to be delivered to each shareholder of record entitled to vote at such meetings, written notice stating the place, day and time of the meeting and in the case of a special meeting,

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the purpose or purpose for which the meeting is called. Said requirements of notice shall be deemed to have been waived by attendance at such meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting.

Board of Directors

The business and affairs of the Group shall be managed by or under the direction of the Board, which may exercise all the powers of the Group except such as are by applicable law, the Certificate, or the bylaws required to be exercised or performed by the shareholders. The Board may hold meetings both regular and special, either within or outside the state of Connecticut, at such places as from time to time may be determined by the Board or as may be designated in the respective notices or waivers of notice thereof.

The number of directors which shall constitute the whole Board shall be prescribed from time to time by resolution adopted by a majority of the entire Board, but the number shall not be less than three. The Board may from time to time elect or appoint a chairman, a president, one or more vice presidents, a treasurer, a secretary, and one or more assistant treasurers and assistant secretaries to serve at the pleasure of the Board or otherwise shall be specified by the Board at the time of such election and until their successors are elected and qualified or until their earlier death, retirement, resignation or removal from office in accordance with the bylaws or any applicable law or pursuant to an order of a court. Directors need not be shareholders of the Group or citizens of the United States. At each meeting of the shareholders for the election of directors at which a quorum is present, each Director shall be elected by a plurality of the votes cast. Unless otherwise expressly required by applicable law, at any meeting of the shareholders, a majority of the votes entitled to be cast on a matter shall constitute a quorum for action on that matter.

Directors serving the Group as of December 31, 2017, were:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
Douglas Graham Elliot	President The Hartford Financial Services Group, Inc.
Brion Scott Johnson	Chief Investment Officer The Hartford Financial Services Group, Inc.
Robert William Paiano	Chief Enterprise Risk Officer The Hartford Financial Services Group, Inc.

The president, or his or her designee, shall have authority to appoint any officer or agent of the Group, other than the chairman or president of the Group.

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Senior officers serving the Group as of December 31, 2017, were:

<u>Name</u>	<u>Title</u>
Douglas Graham Elliot	President
Sabra Rose Purtill	Senior Vice President and Treasurer
Jonathan Ross Bennett	Senior Vice President and Chief Financial Officer
Michael Robert Hazel	Vice President and Controller
Omar Arif Kitchlew	Vice President and Appointed Actuary
Lisa Sue Levin	Corporate Secretary

Board Committees

HFSG Board has a standing Audit Committee (HFSG Audit Committee). The HFSG Board determined that all members of the HFSG Audit Committee qualify as “independent” under applicable laws. HFSG’s Audit Committee’s principal responsibility is one of oversight. In addition, the HFSG Audit Committee reviews with management significant deficiencies, material weaknesses or significant solvency concerns identified at the group level for its insurance companies.

The Board of the insurance company has an audit committee (the Company Audit Committee) with the directors serving as its members. The Company Audit Committee oversees the accounting and financial reporting processes for the Company as appropriate and the audit of the financial statements for the Company or the Group as appropriate. In addition the Company Audit Committee received quarterly communication from management with respect to significant deficiencies, material weaknesses or significant solvency concerns, if any, and significant transactions, and financial results of the Company.

RELATED PARTY AGREEMENTS

Services and Cost Allocation Agreement

The Group is party to an amended and restated Services and Cost Allocation agreement with various insurance and non-insurance affiliates. This agreement provides for affiliates to obtain a variety of services from each other to conduct day to day business and be compensated on a fair and equitable basis for their services. Costs for services include, but shall not be limited to, employee salaries and benefits, taxes, fixed assets including furniture and personal computers, miscellaneous accounts payable including rent, travel and entertainment, insurance, advertising, taxes, licenses and fees, and other costs related to corporate services.

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Investment Management Agreement

The Group and other affiliates are party to an Amended and Restated Investment Management Agreement (Agreement) with Hartford Investment Management Company (HIMCO). Pursuant to the terms of the Agreement, HIMCO provides a broad spectrum of investment services, including but not limited to providing advice to the Group concerning the development of investment strategies and objectives, the development of investment policies and guidelines, the investment and management of assets, the measurement and evaluation of investment performance, cash management, the management of banking relationships, the management of a custodial relationship, and administrative support.

Investment Pooling Agreement

The Group as well as other affiliates participate in a Second Amended and Restated Investment Pooling Agreement with HIMCO. HIMCO acts as the investment manager to invest certain cash balances available to the participants in the investment pool known as the “Hartford Short-Term Investment Pool”. HIMCO is compensated at least quarterly for all incurred direct and indirect costs related to the services provided to the Group.

Liquidity Agreement

The Group entered in an intercompany Liquidity Agreement with insurance company affiliates domiciled in the states of Connecticut, Illinois and Indiana. The Agreement allows for short term advances of funds between affiliates for liquidity and other general corporate purposes.

Tax Allocation Agreement (TAA)

The Group is party to a TAA with HFSG and its direct and indirect subsidiaries. The TAA governs the tax return filing, payment and allocation of federal, state and local income tax liability between HFSG and its subsidiaries. Each member will calculate its separate tax liability, and the consolidated federal regular income tax liability will be apportioned among the members in accordance with the ratio which is consistent with the taxable income. Payment to the parent will be made by the due date of the consolidated return payment to the Internal Revenue Service.

INSURANCE COVERAGE

The Group is insured under a fidelity policy issued by three insurers (Travelers Casualty and Surety Company of America, Continental Casualty Insurance Company and Berkeley Regional Insurance Company). HFSG and its affiliates are listed as named insureds. The coverage includes an aggregate liability of \$40 million, a single loss limit of liability of \$20 million and a single loss deductible of \$5 million. These limits exceed the suggested minimum as outlined in the Handbook.

TERRITORY AND PLAN OF OPERATION

MIC is designated as a Domestic Surplus Lines Insurer in Connecticut and is approved as a Surplus Lines carrier in 48 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. MCIC

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writes multiple lines of property and casualty insurance products and is licensed to write in all states and the District of Columbia.

REINSURANCE

Assumed

Effective January 1, 2011, MIC assumed 100% of the business written under the Pooling Agreement with MCIC. MIC and MCIC pool their net written premiums and net liabilities with MIC assuming 84% of the pool and MCIC assuming 16% of the pool.

Ceded

MCIC cedes 100% of its written business to MIC pursuant to the terms of the Pooling Agreement. Cessions to non-affiliated reinsurers for both MIC and MCIC are made subsequent to the pooling agreement.

Effective January 1, 2017, the Group entered into a 100% quota share reinsurance agreement with Hartford Fire. Hartford Fire will reinsure all policies written by or on behalf of the Group with an effective date on or after March 1, 2003. Hartford Fire will be liable for the Group's net retained liability, but only to the extent that the insuring third party reinsurance is collected.

INFORMATION TECHNOLOGY CONTROLS

Jennan performed a risk-focused assessment and review of the Group's IT general controls (ITGCs) in accordance with NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Group's ITGCs was derived from Exhibit C Part One – Information Technology Planning Questionnaire (ITPQ) and Exhibit C Part Two – Information Technology Work Program (collectively Exhibit C). The Group's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether they were designed effectively and were functioning properly.

Jennan's objectives were to obtain reasonable assurance about whether Information Systems resources align with the Group's objectives and ensure that significant risks (strategic, operational, reporting, and compliance) arising out of its IT environment were appropriately mitigated by strategies and controls as outlined in the Handbook's Exhibit C Part Two – Evaluation of Controls in Information Technology Work Program.

The objectives above were achieved through a combination of reviewing the HFSG's policies and procedures, testing in key areas related to Exhibit C, interviewing the HFSG's IT senior management, reviewing IT risk assessment processes, and leveraging the risk assessment procedures performed by the HFSG's internal and external auditors.

The evaluation of IT controls focused on the following areas: management and organizational governance; data processing infrastructure; program change controls; system development controls; logical and physical security; business continuity plans; end user business developed applications; and cyber security and incident responses.

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Based upon the risk-based assessment and review, the ITGCs were determined to be effective.

ACCOUNTS AND RECORDS

The Group utilizes the Enterprise System (ES), a transactional system, to support policy and endorsement issuance, policy underwriting and claims processing. ES interfaces with the Data Warehouse (DW) and Great Plains (General Ledger). DW is the principle reporting system that provides functionality to close reporting periods and create journal entries for export into the General Ledger. The Group utilizes the DW to calculate reinsurance cessions. Data from the warehouse serves as a source for posting to the accounts receivable and General Ledger module.

The Booke Seminars' software package, "The Complete Package for Windows" (TCP) is used to create the annual statement. TCP receives data from multiple sources, including the EGL for creation of the balance sheet and income statement.

FINANCIAL STATEMENTS

The financial statements in Appendix A reflect the Group's financial positions, as filed by the Group as of December 31, 2017.

LOSSES AND LOSS ADJUSTMENT EXPENSES (LAE)

\$0

As mentioned in the "Reinsurance" section, Hartford Fire, through a 100% quota share reinsurance agreement, reinsures all policies written by or on behalf of the Group, with an effective date on or after March 1, 2003. Therefore all reserves are held by Hartford Fire.

Oliver Wyman conducted a comprehensive risk-focused actuarial analysis of the Group's loss and LAE reserves and pricing and underwriting methodology as of December 31, 2017. In performing the loss review and analysis, Oliver Wyman based its review on the following information provided by the Group:

- the Actuarial Report as of December 31, 2017, (including detailed calculations supporting the actuarial data to Schedule P - Part 1 – Summary of the Annual Statement);
- the 2017 Statements of Actuarial Opinion and Actuarial Opinion Summaries;
- Deloitte's actuarial work papers;
- the Group's internal analyses performed for selected business segments as discussed in this report; and
- the 2013-2017 Annual Statements and other information requested and obtained during the course of the review through emails, discussions and meetings with key personnel of the Group.

A review by the Department of the Group's underlying data integrity concluded that there were no indications of any significant inaccuracies or inconsistencies in the underlying data.

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Assessment of Reserve Risk

A review of the Group's reserve risk was conducted to form a conclusion regarding the risk that actual losses, LAE and other contractual payments reflected on the corresponding reserves would be greater than the carried liabilities. The reserving processes and controls were found to be reasonable, and the Group's actuarial approach, assumptions and methodologies were reasonable for estimating losses and LAE.

Assessment of Pricing and Underwriting Risk

Key risks relating to the pricing process were reviewed and tested along with a review of the appropriateness of the pricing methodologies, the reasonableness of the pricing assumptions and the pricing analysis used by the Group's underwriters. The actuarial pricing analysis and the underwriting processes and controls were found to be reasonable.

CONCLUSION

Based upon the risk-based assessment and review, no material findings were noted which affected the Group's ability to manage its reserving and pricing and underwriting risk.

GROWTH OF COMPANY

The reconciliation of the policyholders' surplus during the period under examination is reflected in Appendix B. Changes reflected in the Group's policyholder surplus over the examination period were largely due to results from operations and the payment of ordinary dividends.

CONCLUSION

As a result of the examination, there were no adjustments made to surplus.

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SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Edna Bosley; Mark Murphy, CFE; Wanchin Chou, FCAS, MAAA, CPCU, CSPA; Susan Gozzo-Andrews, FCAS, MAAA, RPLU+; Kenneth Roulier, AFE, CISA, AES; Michael Daniels, CFE; Grace Jiang, CFE; Chiffon King, AFE; Robert Linnell, CFE; Cecilia Arnold, CFE; Kent Krajick, CFE; Ronald Jankowski, CFE; and the professional services firms of Baker Tilly, Jennan, and Oliver Wyman.

I, Wayne Shepherd, CFE, do solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2017, to the best of my information, knowledge and belief.

Respectfully submitted,

Wayne Shepherd
Wayne Shepherd, CFE
Examiner-In-Charge
State of Connecticut
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford

Subscribed and sworn to before me, Nancy M. Mercier
Notary Public on this 1st day of April, 2019.

Nancy M. Mercier
Notary Public

My Commission Expires 6/30/2020

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APPENDIX A

ASSETS	1	2
	Maxum Casualty Insurance Company	Maxum Indemnity Company
Net Admitted Assets		
Bonds	\$16,369,922	\$44,415,044
Common stocks	0	17,271,558
Cash, cash equivalents and short-term investments	3,469,278	23,608,518
Receivables for securities	103	4
Subtotals, cash and invested assets	19,839,303	85,295,124
Investment income due and accrued	67,635	182,459
Premiums and considerations:		
Uncollected premiums and agents' balances in the course of collection	3,899,720	25,413,614
Deferred premiums, agents' balances and installments booked but deferred and not yet due	256,394	1,095,926
Reinsurance:		
Amounts recoverable from reinsurers	2,249,813	14,176,505
Current federal and foreign income tax recoverable and interest thereon	0	7,309,560
Net deferred tax asset	66,000	3,039,835
Electronic data processing equipment and software	0	435,148
Receivables from parent, subsidiaries and affiliates	1,144,950	0
Aggregate write-ins for other-than-invested assets	60,494	318,552
Totals	<u>\$27,584,309</u>	<u>\$137,226,723</u>

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LIABILITIES, SURPLUS AND OTHER FUNDS	1	2
	Maxum Casualty Insurance Company	Maxum Indemnity Company
Current Year Liabilities		
Losses	0	0
Reinsurance payable on paid losses and loss adjustment expenses	\$2,929,385	\$301,005
Other expenses (excluding taxes, licenses and fees)	0	1,214,493
Taxes, licenses and fees (excluding federal and foreign income taxes)	18,482	14,168
Current federal and foreign income taxes	2,655,461	0
Ceded reinsurance premiums payable (net of ceding commissions)	4,373,228	27,501,618
Funds held by company under reinsurance treaties	336,195	1,765,030
Amounts withheld or retained by company for account of others	0	16,369
Payable to parent, subsidiaries and affiliates	0	2,150,515
Total liabilities	10,312,751	32,963,198
Common capital stock	3,500,000	3,500,000
Gross paid in and contributed surplus	8,700,000	63,717,149
Unassigned funds (surplus)	5,071,558	37,086,376
Surplus as regards policyholders	17,271,558	104,303,525
Totals	<u>\$27,584,309</u>	<u>\$137,266,723</u>

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STATEMENT OF INCOME	1	2
	Maxum Casualty Insurance Company	Maxum Indemnity Company
Current Year Income		
Premiums earned	(\$22,273,209)	(\$116,968,908)
Losses incurred	(14,668,491)	(77,010,276)
Loss adjustment expenses incurred	(7,310,984)	(38,453,053)
Other underwriting expenses incurred	(293,734)	(1,505,579)
Total underwriting deductions	(22,273,209)	(116,968,908)
Net underwriting gain (loss)	0	0
Net investment income earned	300,482	1,128,203
Net realized capital gains (losses) less capital gains tax	183,043	606,093
Net investment gain (loss)	483,525	1,734,296
Net gain (loss) from agents' or premium balances charged off	0	(508)
Finance and service charges not included in premiums	0	221,067
Aggregate write-ins for miscellaneous income	(17,731)	0
Total other income	(17,731)	220,559
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	465,794	1,954,855
Dividends to policyholders	0	0
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	465,794	1,954,855
Federal and foreign income taxes incurred	(990,272)	(5,053,976)
Net Income	<u>\$1,456,066</u>	<u>\$7,008,831</u>

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APPENDIX B

Growth of the Company	1	2
Surplus	Maxum Casualty Insurance Company	Maxum Indemnity Company
Surplus as regards policyholders, December 31, 2012	\$14,953,196	\$96,704,313
Net income	3,310,384	11,459,973
Change in net unrealized capital gains or (losses) less capital gains tax	(11,129)	2,359,833
Change in net deferred income tax	(781,424)	(2,469,538)
Change in nonadmitted assets	(199,468)	(2,180,789)
Surplus adjustment: paid in	0	1,559,732
Dividends to stockholders	0	(3,130,000)
Net Change in Capital and Surplus	2,318,363	7,599,211
Capital and Surplus, December 31, 2017	<u>\$17,271,559</u>	<u>\$104,303,524</u>