

I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused to County Hall Insurance Company, Inc., A Risk Retention Group as of December 31, 2020 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 17<sup>th</sup> day of June, 2022.



Mike Causey  
Commissioner of Insurance



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Ke Xu, CPA, CFE  
Chief Financial Examiner  
Financial Examination Division

**County Hall Insurance Company, Inc., A Risk Retention Group**

Charlotte, North Carolina

**Report on Examination**

As of December 31, 2020

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May 24, 2022

Honorable Mike Causey  
Commissioner of Insurance  
State of North Carolina  
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 and § 58-10-430(d) of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

**County Hall Insurance Company, Inc., A Risk Retention Group**

(hereinafter referred to as the “Company”), at its main administrative office and statutory home office located at 10130 Perimeter Parkway, Charlotte, North Carolina 28216. The following report on examination is respectfully submitted.

**SCOPE OF THE EXAMINATION**

We performed a full-scope statutory examination of the Company. This examination covers the period from April 22, 2016, to December 31, 2020, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s prior examination of the Company was a limited-scope examination as of December 31, 2018.

The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process and the following key functional activities were identified:

Underwriting  
Reserves and Claims  
Reinsurance Ceding  
Related Parties  
Investments  
Financial Reporting  
Capital and Surplus

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately from the Company's financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Company management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Urish Popeck & Co., LLC of Pittsburgh, Pennsylvania, the designated independent public accountant of the Company, issued an unmodified opinion for the years of 2019 and 2020. The books and records of the Company were audited annually by independent certified public accountants Johnson Lambert LLP of Burlington, Vermont, for years 2016 through 2018, and unmodified opinions were issued for each of those years.

## REPORT ACRONYMS

10-4 Preferred Risk Managers Inc.	“PRM”
Board of Directors	“Board”
County Hall Holdings, LLC	“CHH”
County Hall Insurance Company, Inc., A Risk Retention Group	“Company”
Criterion Claims Solutions of Omaha, Inc.	“Criterion”
CTC Transportation Insurance Services of Hawaii, LLC	“CTC”
Deferred Tax Asset	“DTA”
Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
Infinity Holdings Group, LLC	“Infinity”
Lexicon Insurance Management LLC	“Lexicon”
National Association of Insurance Commissioners	“NAIC”
North Carolina Department of Insurance	“Department”
Readington Holdings Group, LLC	“Readington”
TransStar Holdings Group, LLC	“TransStar”
Ultimate Controlling Person	“UCP”

## SUMMARY OF SIGNIFICANT FINDINGS

### ANALYSIS OF EXAMINATION ADJUSTMENTS

	December 31, 2020	
	Capital & Surplus	Net Loss
As originally reported to the Department	\$17,672,387	(\$2,061,907)
a. Net deferred tax asset	(1,000,000)	(1,000,000)
Adjusted surplus and net loss	\$16,672,387	(\$3,061,907)

- a. To decrease the Company’s net deferred tax asset (“DTA”). (Refer to Comments, Recommendations, and Directives)

### RECLASSIFICATION

The Company improperly reported Capital Contributions Receivable totaling \$1,019,267, as Uncollected Premiums and Agents’ Balances in the Course of Collection in its 2020 Annual Statement. The Company’s independent public accountant reclassified this amount in the Company’s audited financial statements in accordance with the NAIC Annual Statement Instructions. There was no impact to the Company’s capital and surplus. The Company is directed to provide accurate financial reporting in future filings with the Department pursuant to GS § 58-2-165(c).

## COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

- a. The Company overstated the net DTA reported in its 2020 Annual Statement by \$1,000,000. The Company's independent public accountant decreased the DTA and recognized federal income tax expense due to uncertainties regarding the future tax benefits on the Company's net operating loss carryforwards. The Company is directed to ensure accurate financial reporting in future filings with the Department, pursuant to the NAIC Annual Statement Instructions and GS § 58-2-165(c). (Refer to Subsequent Events)
- b. The Company did not properly maintain Conflict of Interest statements executed by all officers and directors for the year 2017. Pursuant to North Carolina Administrative Code Title 11 Chapter 11C.0117, the Company is directed to maintain executed Conflict of Interest statements for all officers and directors annually and properly disclose if conflicts exist.
- c. The Company did not maintain adequate fidelity bond coverage from July 1, 2020, through December 31, 2020. The NAIC's recommended minimum fidelity bond coverage is \$350,000. The Company is directed to maintain fidelity bond coverage for no less than the minimum recommended by the NAIC. (Refer to Subsequent Events)
- d. The Company did not report its regulatory deposit with the state of North Carolina in its 2020 Annual Statement Schedule E Part 3 in accordance with the NAIC Annual Statement Instructions. The Company is directed to properly report statutory deposits in future filings pursuant to GS 58-2-165(c). (Refer to Statutory Deposits)

## COMPANY HISTORY

The Company is a risk retention group as defined in GS § 58-10-340(37). The Company was initially licensed in the State of Hawaii on April 22, 2016, and began writing business on October 1, 2016. The Company re-domesticated to North Carolina on December 31, 2016.

The Company was acquired by Gerard C. Vince II on June 15, 2020, and controlling interest in the Company was transferred from Thomas Mulligan, the former Ultimate Controlling Person ("UCP").

Prior to July 1, 2020, the former UCP, Thomas Mulligan, wholly owned the following entities which provided various services to the Company: 1) CTC Transportation Insurance Services, LLC of Hawaii ("CTC"), which provided program administration services; 2) Criterion Claim Solutions of Omaha, Inc. ("Criterion"), which provided claims handling services; 3) Chelsea Financial, which provided premiums, capital and tax payment financing services; and 4) 10-4 Preferred Risk Managers, Inc. ("PRM"), which provided certain ancillary claims related services. The former UCP also owned 50% of Lexicon Insurance Management, LLC ("Lexicon"), which provided regulatory, compliance, accounting, records retention, and other related services. The agreements associated with the former UCP were terminated effective July 1, 2020. (Refer to Related Party Agreements)

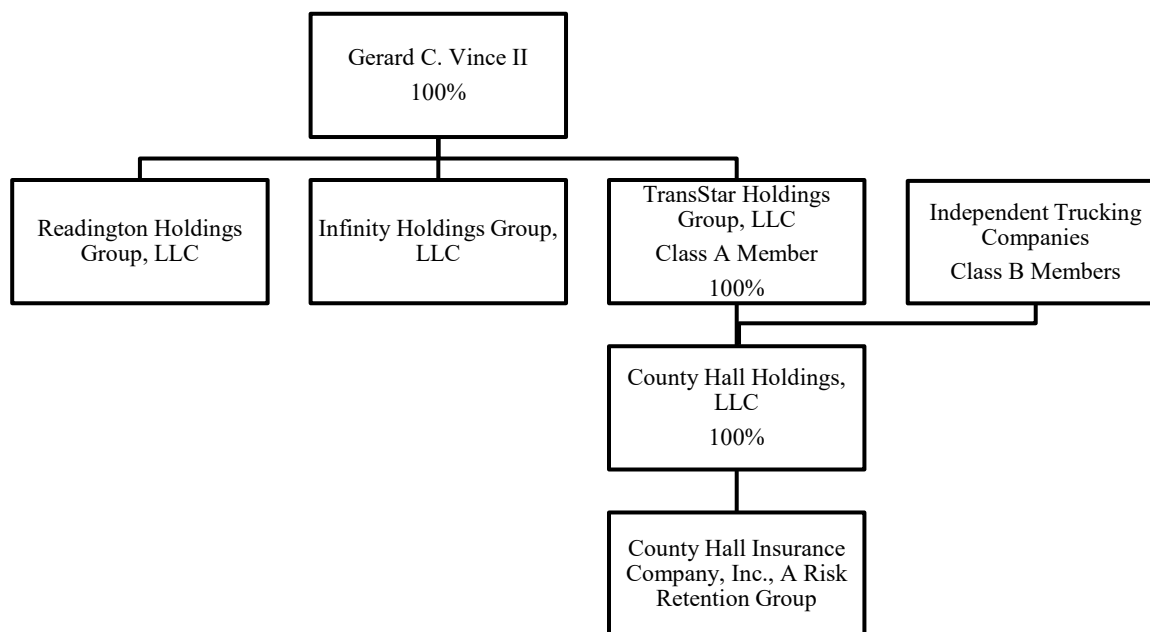
## ORGANIZATIONAL STRUCTURE

The Company is part of an insurance holding company system as defined in GS § 58-19. The Company is owned by County Hall Holdings, LLC (“CHH”), which is a North Carolina limited liability company incorporated on December 31, 2016. CHH is owned by TransStar Holdings Group, LLC (“TransStar”) and other independent trucking companies. CHH has two classes of stock: Class A (voting) and Class B (non-voting). TransStar owns 100% of the Class A voting shares of CHH. In order for the other independent trucking companies to purchase insurance from the Company, they are required to purchase a Class B share which does not have any voting rights. Class B shareholders are required to make annual capital contributions to CHH equal to 25% of the insurance premiums written by the Company.

Gerard C. Vince II wholly owns TransStar, Readington Holdings Group, LLC (“Readington”), and Infinity Holdings Group, LLC (“Infinity”). TransStar has an executive service agreement with the Company which governs services provided by the Company’s UCP. Readington provides office space to the Company for the underwriting, risk management, and agency relations operations in Butler Missouri. Infinity is an agency/broker which places auto physical damage, cargo, and other liability insurance coverages that cannot be written by the Company for insured members. (Refer to Related Party Agreements).

### ORGANIZATIONAL CHART

The Company’s 2020 Annual Statement Schedule Y contains a complete organizational chart. The following is a summarized organizational chart of the holding company group as of December 31, 2020:





## CAPITAL STOCK

As of December 31, 2020, the Company's capitalization consisted of the following:

Description	Value
Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$1,000,000
Par value per share	\$1.00

CHH owns all outstanding shares of the Company at December 31, 2020. The Company's policyholders own Class B shares of CHH and pay capital contributions to CHH at a rate of 25% of the insurance premiums written by the Company on an annual basis. As additional capital is raised, CHH intends to invest the capital into the Company as contributed surplus.

The Company received additional paid in surplus from its parent, CHH, totaling \$4,239,384 and \$10,749,640 in 2020 and 2019, respectively. At December 31, 2020, the Company reported \$32,432,957 in gross paid-in and contributed surplus and \$(15,760,570) in unassigned funds.

## DIVIDENDS TO STOCKHOLDER

Dividends on common stock are paid as declared by the Board of Directors ("Board") of the Company. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the Company may pay to shareholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts in excess of this are considered extraordinary. The Company paid no dividends in 2020 and 2019.

## MANAGEMENT AND CONTROL

### CORPORATE GOVERNANCE

#### Shareholder

The bylaws of the Company provide that an annual meeting of the shareholder be held at such time and place as the Board may appoint. Special meetings of the shareholder may be called at any time by the chairman of the Board, the president, or by any two members of the Board.

#### Board of Directors

The business of the Company is conducted by its management team and subject to review by the Board. The bylaws specify that the number of directors shall consist of at least one member. Directors are elected annually, at the annual meeting of shareholder or by vote at any special meeting.

The following individuals served as directors as of December 31, 2020:

<b>Name</b>	<b>Location</b>	<b>Principal Occupation</b>
Gerard C. Vince II	Edison, New Jersey	Attorney
Odes Stroupe Jr.	Raleigh, North Carolina	Attorney
Stephen Vlock	Mount Kisco, New York	Principal of Vlock & Associates, P.C.

The Board established an Audit Committee and an Investment Committee to act on behalf of the Company.

The following individuals served on the committees as of December 31, 2020:

**Audit Committee and Investment Committee**

Gerald C. Vince II, Chair

Odes Stroup Jr.

Stephen Vlock

**Officers**

The bylaws provide that the Board will elect the officers of the Company. The officers of the Company consist of a president, a secretary, a treasurer, and any other officers deemed necessary by the Board. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. An individual may simultaneously hold more than one office.

The following individuals served as officers of the Company as of December 31, 2020:

<b>Name</b>	<b>Title</b>
Gerard C. Vince II	President
Daniel George	Secretary and Treasurer

**CODE OF CONDUCT AND CONFLICT OF INTEREST**

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the Company did not properly execute conflict of interest statements for all directors and officers for the year of 2017. (Refer to Summary of Significant Findings)

**CORPORATE RECORDS**

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the Company's significant transactions and events, and that the directors approved these transactions and events.

The Company's articles of incorporation and bylaws were reviewed for any changes during the period under examination. On December 30, 2016, the Company amended its articles of incorporation and bylaws to re-domesticate to North Carolina.

## **STATUTORY DEPOSITS**

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company maintained a special deposit with the state of North Carolina totaling \$1,042,959 as of December 31, 2020; however, the Company did not report the deposit in its 2020 Annual Statement Schedule E, Part 3. (Refer to Summary of Significant Findings)

## **ACCOUNTS AND RECORDS**

The Company's books and records are maintained at the main administrative office at 10130 Perimeter Parkway, Charlotte, North Carolina.

## **FIDELITY BONDS**

The Company did not have fidelity bond coverage as of December 31, 2020. (Refer to the Summary of Significant Findings and Subsequent Events)

## **RELATED PARTY AGREEMENTS**

The Company had a program administration agreement with CTC, effective January 1, 2016, whereby CTC provided the following services to the Company: soliciting applications for new and renewal policies, reviewing and accepting or rejecting requests for new policies and to underwrite, bind and issue insurance policies, and act as an agent on behalf of the Company. Under this agreement, the Company incurred services fees totaling \$2,464,083 and \$8,852,099 in 2020 and 2019, respectively. The agreement with CTC was terminated on July 1, 2020.

The Company had a service agreement with PRM, effective October 16, 2018, whereby PRM provided ancillary claims services to the Company for a fee of \$125 per claim reported. Fees for these services were included as a component of paid loss and loss adjustment expenses. The Company incurred services fees totaling \$23,000 and \$199,275 in 2020 and 2019, respectively, under this agreement. The agreement with PRM was terminated on July 1, 2020.

The Company had a claims administration agreement with Criterion, effective September 1, 2016, whereby Criterion provided claims administrative services to the Company at a rate of 3.5% of gross written premiums. Under this agreement, the Company incurred administrative expenses totaling \$243,172 and \$1,318,398 in 2020 and 2019, respectively. The agreement with Criterion was terminated on July 1, 2020.

The Company has a lease agreement with Readington Holdings Group, LLC ("Readington"), effective November 1, 2020, whereby the Company rents office space in Butler, Missouri from Readington. Readington is owned by the Company's UCP. Under the agreement, the Company paid Readington \$7,800 in lease payments and \$11,700 in security deposits in 2020.

The Company has an executive services agreement with TransStar, effective July 1, 2020, whereby TransStar engages Gerald C. Vince II to act as the Company's Chief Executive Officer and President. Under the agreement, the Company paid TransStar a base salary for executive services totaling \$50,000 in 2020.

## MANAGEMENT AGREEMENT

The Company utilized Lexicon, a captive manager, to provide management, supervision, administrative, and other insurance services to the Company. Under this agreement, the Company incurred service fees totaling \$255,000 in both 2020 and 2019. The agreement with Lexicon was transferred to another company on April 1, 2021. (Refer to Subsequent Events)

## TERRITORY AND PLAN OF OPERATION

The Company is licensed in North Carolina and registered in all states except for California, Delaware, Massachusetts, Michigan, New York, and District of Columbia. The Company has the authority to write commercial auto liability insurance coverage, with limits up to \$1 million, for its members.

As a result of the acquisition, the Company changed its business plan, effective on July 1, 2020, and terminated the service agreements associated with the former UCP. The Company utilized in-house personnel for all underwriting, policy administration, claims handling, and program management operations after the transfer in ownership to a new UCP.

## TRENDS OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the five-year period ended 2020:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2020	\$69,541,758	\$17,672,387	\$13,269,876	\$18,267,070	\$(2,061,907)
2019	\$77,190,241	\$15,494,909	\$37,668,508	\$45,451,797	\$(11,769,084)
2018	\$67,959,647	\$16,651,290	\$50,732,507	\$22,186,294	\$(1,781,951)
2017	\$18,873,850	\$5,884,767	\$15,378,806	\$8,336,129	\$129,624
2016	\$6,375,080	\$1,937,812	\$4,258,507	\$234,928	\$(20,020)

## ACTUARIAL OPINION

Risk retention groups domiciled in the State of North Carolina shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-415(a), GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2020 were reviewed and certified by the Company's Appointed Actuary, Robert Van Epps, FCAS, MAAA, with The Actuarial Advantage, Inc. Actuarial opinions regarding the Company's reserves for losses and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Company for reasonableness and consistency of the losses and loss adjustment expense reserves. According to the actuarial opinions, the Company's reserve on the losses and loss adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid losses and loss expense obligations of the Company.

## **REINSURANCE PROGRAM OVERVIEW**

### **REINSURANCE CEDED**

The Company has a casualty excess of loss reinsurance contract with subscribing reinsurers effective June 15, 2020, whereby the Company cedes losses in excess of \$500,000 per occurrence. The contract provides coverage of up to \$500,000 on each and every insured, each occurrence, subject to an aggregate policy limit of 200% of the reinsurance premium received. In 2020 and 2019, the Company ceded premiums totaling \$3,992,849 and \$6,211,730, respectively, to the subscribing reinsurers under this contract.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2020. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules as of December 31, 2019, are unexamined and are presented for comparative purposes only.

**County Hall Insurance Company, Inc., A Risk Retention Group**  
**Statutory Statement of Admitted Assets**  
**December 31, 2020**

	<b>2020</b>	<b>2019</b> <i>(unexamined)</i>
Bonds	\$ 31,469,338	\$30,883,818
Common stocks	10,998,395	9,451,413
Cash and short-term investments	10,593,187	12,577,831
Receivable for securities	1,550	1,780
<b>Total cash and invested assets</b>	<b>\$53,062,470</b>	<b>\$52,914,842</b>
Investment income due and accrued	142,489	152,416
Premiums and agents' balances in course of collection	4,168,661	6,393,347
Premiums and agents' balances booked but deferred and not yet due	2,671,525	5,826,248
Reinsurance recoverable	2,502,961	2,000,550
Federal income tax recoverable	60,000	60,000
Net deferred tax asset	4,169,668	3,605,884
Furniture and equipment	8,333	25,000
Deferred policy acquisition costs	1,427,764	3,917,619
Capital contributions receivable	1,258,524	2,268,328
Prepaid expenses	39,218	26,007
Professional expenses	30,125	-
<b>Total Admitted Assets</b>	<b>\$69,541,758</b>	<b>\$77,190,241</b>

**County Hall Insurance Company, Inc., A Risk Retention Group**  
**Statutory Statement of Liabilities, Capital, and Surplus**  
**December 31, 2020**

	<b>2020</b>	<b>2019</b> <i>(unexamined)</i>
Losses	\$45,175,056	\$50,070,617
Loss adjustment expenses	2,621,173	217,303
Commissions payable, contingent commissions and other similar charges	59,793	140,543
Other expenses	87,558	(498,059)
Taxes, licenses, and fees	160,555	520,649
Unearned premiums	5,368,236	14,358,279
Ceded reinsurance premiums payable	(1,603,000)	(3,114,000)
<b>Total liabilities</b>	<b>\$51,869,371</b>	<b>\$61,695,332</b>
Common capital stock	1,000,000	1,000,000
Gross paid in and contributed surplus	32,432,957	28,193,573
Unassigned funds	(15,760,570)	(13,698,664)
<b>Total capital and surplus</b>	<b>17,672,387</b>	<b>15,494,909</b>
<b>Total Liabilities, Capital, and Surplus</b>	<b>\$69,541,758</b>	<b>\$77,190,241</b>

**County Hall Insurance Company, Inc., A Risk Retention Group**  
**Statutory Statement of Operations**  
**December 31, 2020**

	<b>2020</b>	<b>2019</b> <i>(unexamined)</i>
<b>Underwriting Income</b>		
Premiums Earned	\$18,267,070	\$45,451,797
<b>Deductions</b>		
Losses incurred	9,905,401	45,793,099
Loss adjustment expenses incurred	5,152,584	3,626,013
Other underwriting expenses incurred	7,326,567	13,060,815
Total underwriting deductions	22,384,552	62,479,927
Net underwriting loss	(4,117,482)	(17,028,130)
<b>Investment Income</b>		
Net investment income earned	715,478	735,704
Net realized capital gains	2,247,896	1,255,615
Net investment gain	2,963,374	1,991,319
<b>Other Income</b>		
Net loss from agents' or premium balances recovered	(1,500,000)	-
Finance and service charges not included in premiums	28,397	-
Total other income	(1,471,603)	-
Federal income taxes incurred	(563,804)	(3,267,727)
<b>Net Loss</b>	<b>\$(2,061,907)</b>	<b>\$ (11,769,084)</b>



**County Hall Insurance Company, Inc., A Risk Retention Group**  
**Statutory Statement of Capital and Surplus**  
**December 31, 2020**

	<b>2020</b>	<b>2019</b> <i>(unexamined)</i>
Capital and surplus, beginning of year	\$15,494,910	\$16,651,290
Capital and surplus increases(decreases):		-
Net Loss	(2,061,907)	(11,769,084)
Surplus adjustments to paid-in capital	4,239,384	10,749,640
Prior year adjustments	-	(136,936)
Change in capital and surplus as regards policyholders for the year	2,177,477	(1,156,380)
<b>Capital and surplus, end of year</b>	<b>\$17,672,387</b>	<b>\$15,494,910</b>

**County Hall Insurance Company, Inc., A Risk Retention Group**  
**Statutory Statement of Cash Flow**  
**December 31, 2020**

	<b>2020</b>	<b>2019</b> <i>(unexamined)</i>
<b>Cash From (Used By) Operations</b>		
Premiums collected net of reinsurance	\$16,167,436	\$34,084,541
Net investment income	822,451	631,579
Miscellaneous income	(1,471,608)	-
Total	15,518,279	34,716,120
Benefit and loss related payments	15,303,373	16,016,480
Commissions, expenses paid and aggregate write-ins	9,930,508	17,759,003
Federal income taxes paid	-	(136,637)
Total	25,233,881	33,638,846
<b>Net cash from (used by) operations</b>	<b>\$(9,715,602)</b>	<b>\$1,077,274</b>
<b>Cash From (Used By) Investments</b>		
Proceeds from investments sold, matured, or repaid	11,824,380	9,397,186
Cost of investments acquired	11,805,805	42,115,057
<b>Net cash (used by) investments</b>	<b>\$18,575</b>	<b>\$(32,717,871)</b>
<b>Cash From Financing and Miscellaneous Sources</b>		
Cash from capital and paid-in surplus	4,239,384	10,749,640
Other cash provided	3,472,999	6,935,132
<b>Net cash from financing and miscellaneous sources</b>	<b>\$7,712,383</b>	<b>17,684,772</b>
<b>Reconciliation of Cash and Short-Term Investment</b>		
Net change in cash and short-term investments	(1,984,644)	(13,955,825)
Cash and short-term investments, beginning of year	12,577,831	26,533,656
Cash and short-term investments, end of year	<b>\$10,593,187</b>	<b>\$12,577,831</b>

## COMMENTS ON FINANCIAL STATEMENTS

Department examiners recommended an asset reclassification and an adjustment resulting in a decrease in the Company's surplus and an increase in the Company's net loss as reported in the Company's 2020 Annual Statement. The examination adjustments, which are not reflected in the financial statements and related tables presented within this report, relate to the annual audit performed by the Company's independent public accountant. (Refer to Summary of Significant Findings)

### **Basis of Presentation and Summary of Significant Accounting Policies:**

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

**Bonds and Common stocks:** Classified as available-for-sale and are reported at market value.

**Business acquisition costs:** Charged to income as incurred.

**Premiums:** Insurance premiums are earned on a pro-rata basis over the term of the related insurance policies and reinsurance contracts. Unearned premiums reserves are established to cover the unexpired portion of premiums written. Expenses incurred in connections with acquiring new insurance business are deferred and charged to operations over the term of the policy.

**Reinsurance:** Premiums, commissions, expense reimbursements, and reserves are reported for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported as reductions of those items. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

**Unpaid loss & loss adjustment expense:** Calculated based on loss projections utilizing actuarial studies of a similar group of insureds and industry data. In establishing the liability for unpaid losses and loss adjustment expenses, the Company utilizes the finding of an independent consulting actuary.

### **Reinsurance Activity:**

The Company has an excess of loss contract to minimize its exposure to losses. Reinsurance contracts do not relieve the Company of its primary obligation to policyholders. Failure of the reinsurers to discharge their obligations could result in losses to the Company. The Company utilizes Aon Benefield Inc. as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct and ceded premiums written and earned are as follows:

	<b>2020</b>	<b>2019</b>
Direct written	\$13,269,876	\$37,668,508
Ceded written	3,992,849	6,211,730
<b>Net written</b>	<b>9,277,027</b>	<b>31,456,778</b>
Direct earned	23,677,211	53,850,242
Ceded earned	5,410,141	9,049,102
<b>Net earned</b>	<b>\$18,267,070</b>	<b>\$44,801,140</b>

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described under the Reinsurance Program Overview.

### **Summary of Reserves:**

The following provides a reconciliation of the Company's reserves for losses and loss adjustment expenses:

	<b>2020</b>	<b>2019</b>
Reserve for losses and loss adjustment expenses, beginning of year	\$ 50,287,919	\$ 18,397,799
<b>Add:</b>		
Provision for losses and loss adjustment expenses, current year	19,431,944	41,027,456
Change in estimated losses and loss adjustment expenses, prior years	(4,373,960)	8,391,695
<b>Total incurred</b>	<b>15,057,984</b>	<b>49,419,151</b>
<b>Deduct:</b>		
Losses and loss adjustment expenses paid, current year	(3,502,977)	(7,930,255)
Losses and loss adjustment expenses paid, prior year	(14,046,697)	(9,598,775)
<b>Total paid</b>	<b>(17,549,675)</b>	<b>(17,529,030)</b>
Reserve for losses and loss adjustment expenses, end of year	47,796,226	50,287,919
Increase (decrease) in reserve for losses and loss adjustment expenses	<b>\$ (2,491,693)</b>	<b>\$ 31,890,120</b>

The Company did not report any anticipated subrogation recoveries in its reserves.

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under the Company's reinsurance contracts. At December 31, 2020, and 2019, the Company's liability for losses and loss adjustment expenses was reduced by \$12,710,187 and \$11,377,709, respectively, for amounts to be recovered from reinsurers.

### **Capital and Surplus:**

The following, in conjunction with the Statutory Statement of Capital and Surplus, represents the changes in the Company's capital and surplus since the Company's inception:

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Capital and surplus, beginning of year	\$5,884,767	\$1,937,812	\$-
Capital and surplus increases (decreases):			
Net income(loss)	(1,781,951)	129,624	(22,020)
Change in net unrealized capital (loss)	(117,316)	(980)	-
Change in paid in capital	-	-	1,000,000
Surplus adjustments to paid-in capital	12,665,790	3,818,311	959,832
Change in surplus as regards policyholders for the year	10,766,523	3,946,955	1,937,812
Capital and surplus, end of year	\$16,651,290	\$5,884,767	\$1,937,812

### **Contingencies:**

Based upon an audit performed by Citrin Cooperman & Company, LLC, the Company has a reasonable belief that it can show that CTC failed to properly apply approximately \$5.3 million in premium receipts due to the Company.

On January 8, 2021, the Company filed legal action in Wake County, North Carolina Superior Court asserting claims against CTC and CTC Transportation Insurance Services, LLC to compel arbitration. In this action, CTC is alleged to either have not properly applied the premiums receipts to the accounts of appropriate members of the Company and/or not remitted funds to the Company that were premiums paid by policyholders. As part of its answer to the lawsuit, CTC asserted a counterclaim against the Company alleging that the Company failed to pay all commissions due to CTC under the contract between the parties. While the parties have agreed to arbitration, tentatively scheduled for July 25, 2022, the Company expects to fully recover the disputed amounts under CTC's errors and omissions insurance coverage.

## **SUBSEQUENT EVENTS**

On April 1, 2021, the Company transferred the management agreement from its former captive manager, Lexicon, to AVID Management Solutions LLC, a new entity which is not owned by the former UCP.

On September 30, 2021, the Company reduced its DTA by \$1,000,000 in the quarterly statement filed with the Department.

On December 31, 2021, the Company reported a premium deficiency reserve totaling \$1,730,830 in its

2021 Annual Statement.

Effective January 1, 2021, the Company entered into a lease agreement with Eastern Capital Funding, LLC, which is wholly owned by Gerard C. Vince, II, the Company's UCP. Under this agreement, Eastern Capital Funding, LLC provides corporate office space in New Jersey for the President, claims management, agency, and corporate accounting operations. The agreement has a 5-year term with leasing fees totaling \$30,000 for the first year and increasing by 2% each year for the remainder of the term.

Effective January 7, 2022, the Company obtained fidelity bond insurance in the amount of \$1,000,000.

**County Hall Insurance Company, Inc., A Risk Retention Group**  
**DISTRIBUTION OF REPORT ON EXAMINATION**  
**December 31, 2020**

Gerard C. Vince, II, President  
26 Second Street  
Edison, New Jersey 08837

Daniel George, Secretary  
PO Box 158  
East Montpelier, Vermont 05651

## CONCLUSION

The examination procedures, described, herein, revealed one material adjustment to surplus.

We conclude that the Company complies with the minimum capital and surplus requirements of GS § 58-10-370 for the kinds of insurance that the Company has been authorized to write, which is \$1,000,000.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



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Ke Xu, CPA, CFE  
Chief Financial Examiner  
North Carolina Department of Insurance

May 24, 2022



STATE OF NORTH CAROLINA

COUNTY OF WAKE

Rob Armbruster, Insurance Company Manager, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by him, is true and correct to the best of his knowledge and belief.

Signature: *[Handwritten Signature]* Date: 5/24/2022

Sworn and subscribed before me this 24<sup>th</sup> day of May, 2022.

Notary Public Signature: *[Handwritten Signature]* Notary Public Seal:

