



I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina, do hereby certify that: I have caused to Golden Insurance Company, A Risk Retention Group, as of December 31, 2019, 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 1st day July 2021.



Mike Causey
Commissioner of Insurance

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

Golden Insurance Company, A Risk Retention Group

Denver, North Carolina

Report on Examination

As of December 31, 2019

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June 30, 2021

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

Golden Insurance Company, A Risk Retention Group

(hereinafter referred to as the “Company”), at its main administrative office located at 20860 North Tatum Boulevard, Suite 260, Phoenix, Arizona. The Company’s statutory home office is located at 3638 North Highway 16, Denver, North Carolina. 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 January 1, 2015, to December 31, 2019, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. This is the Department’s first examination of the Company.

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:

Investments
Capital and Surplus
Reserves and Claims Handling
Underwriting and Premiums
Reinsurance Ceding
Related Parties

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). JDS Professional Group, Inc. of Englewood, Colorado, the designated independent public accountant of the Company, issued an unmodified opinion for each year subsequent to the Company's prior examination through, and including, the year ended December 31, 2019.

REPORT ACRONYMS

Arrowhead Insurance Agency Inc.	“Arrowhead”
Board of Directors	“Board”
Financial Condition Examiners Handbook	“Handbook”
Four Points Re SPC, Ltd.	“Four Points”
General Statutes of North Carolina	“GS”
Golden Insurance Company, A Risk Retention Group	“Company”
MS Amlin Underwriting Limited	“Amlin”
North Carolina Department of Insurance	“Department”
National Association of Insurance Commissioners	“NAIC”
SHW Insurance Services, Inc.	“SHWIS”
StrucSure Home Warranty, LLC	“SHW”

SUMMARY OF SIGNIFICANT FINDINGS

ANALYSIS OF EXAMINATION ADJUSTMENT

	December 31, 2019	
	Capital & Surplus	Net Income
As originally reported to the Department	\$ 3,094,128	683,989
a. Losses	401,000	401,000
Adjusted surplus and net income	\$ 2,693,128	\$ 282,989

- a. To increase the Company’s reported reserves for losses and loss adjustment expenses due to adverse development. (Refer to Comments, Recommendations and Directives)

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

- a. As part of the examination, we performed a review and analysis of the Company’s loss reserves at December 31, 2019, noting a significant adverse development in the reserves reported by the Company. The Department reviewed actuarial data from prior years through and including the year ended December 31, 2020, and concluded that an increase in the reserves totaling \$401,000 was necessary and appropriate based on the adverse development reported by the Company in its 2020 Annual Statement Schedule P. An examination adjustment was made to increase the reserves by \$401,000.
- b. The Company was in violation of GS § 58-7-170(a) which requires the Company to maintain liquid assets in an amount that equals its entire policyholder-related liabilities and its minimum capital and surplus. At December 31, 2019, the Company’s liquid assets were deficient by \$116,439. The

Company is directed to comply with GS § 58-7-170(a). This violation was also noted in March 2021. (Refer to Subsequent Events)

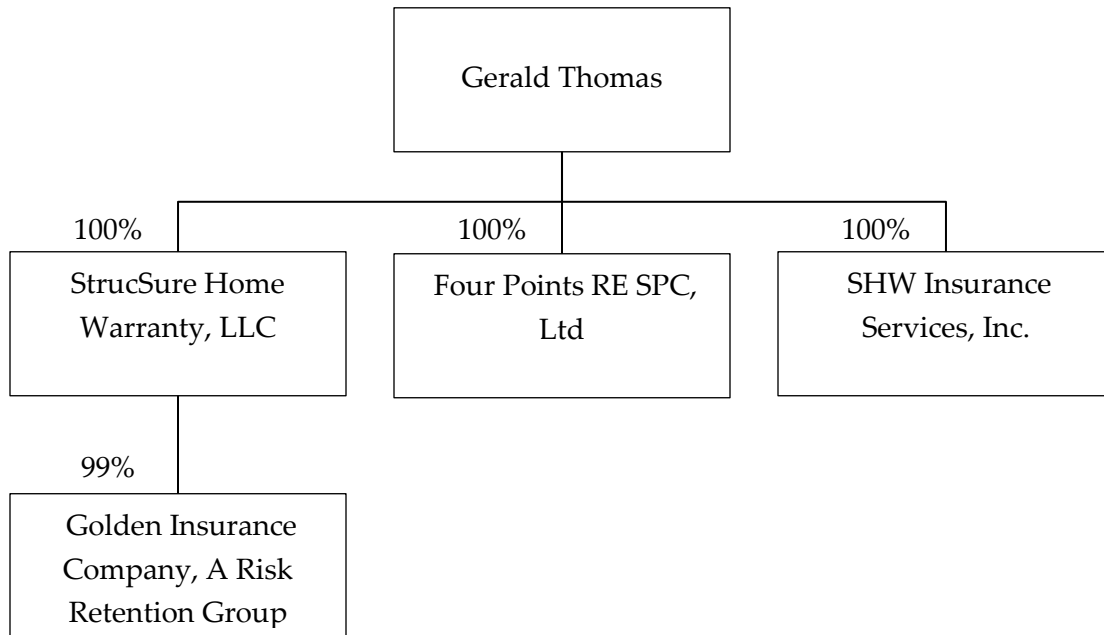
- c. The Company did not properly settle balances within thirty days with its affiliate, StrucSure Home Warranty, LLC (“SHW”), in violation of GS § 58-19-30(b) and the executed agreement with SHW. It was noted that the Company settled balances with SHW on a quarterly basis. The Company is directed to comply with the settlement provisions in its agreement pursuant to GS § 58-19-30(b).

ORGANIZATIONAL STRUCTURE

The Company became a licensed risk retention group as defined in GS (“§”) 58-10-340 (37) in 2001 in the state of Nevada. The Company is 99% owned by SHW, the Company’s home warranty administrator. SHW is owned by Gerald Thompson, who also wholly owns Four Points Re SPC, Ltd (“Four Points”), which is one of the Company’s reinsurers, and SHW Insurance Services, Inc (“SHWIS”), an affiliate which markets and administers the Company’s primary and excess liability insurance programs.

ORGANIZATIONAL CHART

The Company’s 2019 Annual Statement Schedule Y contains a complete organizational chart. The following is a summarized organizational chart of the Company within the holding company group as of December 31, 2019:



COMPANY HISTORY

The Company was organized as a captive risk retention group by SHW on behalf of its participating builders. The Company was licensed as a stock insurance company in Nevada on July 9, 2001, and re-domesticated to North Carolina on December 29, 2017.

CAPITAL STOCK

As of December 31, 2019, the Company's capitalization consisted of the following:

Description	Value
Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	9,996,730
Total common capital stock	\$99,967
Par value per share	\$0.01

No additional shares were issued during the period under examination. As of December 31, 2019, 99% of the Company's outstanding shares are owned by SHW which is wholly owned by Gerald Thompson.

The Company received \$240,000 in additional paid in surplus from its parent, SHW, in both 2019 and 2018. The Company's member insureds paid in additional surplus when their insurance policies were issued totaling \$26,226 and \$41,140 in 2019 and 2018, respectively. On December 31, 2019, the Company reported \$1,144,717 in gross paid-in and contributed surplus and \$1,599,479 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 2019 and 2018.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Stockholders

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

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 be five. Directors are elected annually, at the annual meeting of stockholders or by the written consent of the stockholders, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors as of December 31, 2019:

Name	Location	Principal Occupation
Gerald Thompson	Denver, Colorado	Chief Executive Officer, StrucSure Home Warranty, LLC
Wesley Deaton	Denver, North Carolina	Managing Member, The Deaton Law Firm, PLLC
Shane Bender	Fort Worth, Texas	Owner and President, Bender CFO Services
Leonard Clapp	Frederick, Maryland	Chief Financial Officer, NASW Assurance Services, Inc.
Richard Poling	Denver, Colorado	President, StrucSure Home Warranty, LLC

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

The following individuals served on the committee as of December 31, 2019:

Audit Committee

Leonard Clapp, Chair
Shane Bender
Wesley Deaton

Officers

The bylaws provide that the Board will elect the officers of the Company which consist of a President, a Secretary, a Treasurer, and other officers appointed by the Board. Each Officer will hold office until the officer's successor is elected and qualified or until the officer's earlier resignation or removal. One person may hold more than one of the offices specified.

The following individuals served as officers of the Company as of December 31, 2019:

Name	Title
Gerald Thompson	President
Glenn Cleek	Vice President
Richard Poling	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 the Company acted in accordance with its policy and procedures for disclosure of conflicts of interest.

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 29, 2017, the Company amended and restated its articles of incorporation and bylaws to re-domesticate from the state of Nevada to North Carolina.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company's 2019 Annual Statement Schedule E, Part 3 contains a complete description and listing of the Company's statutory deposits by state. The Company has statutory deposit only in North Carolina.

FIDELITY BOND AND LIABILITY INSURANCE

The Company is one of the name insureds on a professional liability insurance policy which provides \$1,000,000 coverage for the losses resulting from wrongful acts arising out of professional services provided by or on behalf of the Company and a management liability policy which provides \$1,000,000 coverage from a management liability and employment practices wrongful acts. The coverage exceeds the minimum amount of fidelity bond coverage recommended by the Handbook.

THIRD PARTY ADMINISTRATORS

The Company utilizes Strategic Risk Solutions (West) Inc., a North Carolina approved captive manager, to provide management services, which include general management, financial reporting, regulatory compliance, and investment accounting services. Under this contract, the Company incurred service fees of \$167,396 and \$155,396 in 2019 and 2018, respectively.

The Company utilizes American Claims Management, Inc., a third-party administrator, to provide claims handling services, which include investigating, posting reserves, notifying excess carriers, and managing litigation. Under this contract, the Company incurred service fees of \$20,988 and \$29,488 in 2019 and 2018, respectively. Beginning in 2016, the Company started to phase out the services provided by American Claims Management, Inc., which still handles legacy claims.

The Company utilizes York Risk Services Group, Inc., a third-party administrator, to provide claims handling services, which include establishing and monitoring case reserves, assisting in the preparation of claims for suit, trial, or subrogation, and submitting status and administrative reports. Under this contract, the Company incurred service fees of \$15,176 and \$24,406 in 2019 and 2018, respectively.

RELATED PARTY AGREEMENTS

Warranty Administration Agreement

The Company entered into a warranty administration agreement with SHW, effective January 1, 2018, whereby SHW provides various services to the Company including, but not limited to, marketing, processing applicants, underwriting risks, collecting premiums, administrating claims, arranging building inspections, setting building standards, and providing complaint and dispute resolution services. Under this agreement, the Company paid service fees totaling \$240,000 for claim administration services in 2019 and 2018.

Insurance Producer Agreement

The Company and Four Points entered into an Insurance Producer Agreement with SHWIS, effective November 1, 2018, whereby SHWIS provides services to market and administer primary and excess liability insurance programs including, but not limited to, solicitation, binding of risks, policy issuance, policy cancelation, premiums collection, and appointment of sub-producers. In exchange, SHWIS receives 15% of the commissions for all new and renewal business written direct and 12.5% for all new or renewal business written through approved third-party sub-producers. Under this agreement, the Company incurred commission fees totaling \$58,086 and \$10,828 in 2019 and 2018, respectively.

This agreement replaced the managing general agent and consulting contract with Arrowhead General Insurance Agency Inc. (“Arrowhead”). The initial contract with Arrowhead, former Onpoint Underwriting, Inc., was entered on June 16, 2014, and terminated on December 24, 2018.

Certificate of Contribution

The Company entered into a Contribution Agreement with SHW, effective December 19, 2018, whereby SHW advanced \$250,000 in cash to the Company. The annual interest rate of 2% is not compounded and the Company did not pay interest in 2019 and 2018. Any interest payment requires a prior written approval from the Department.

Demand Notes

On November 1, 2016, the Company renewed the demand note whereby SHW and SHWIS agree to pay the Company \$266,626 and \$281,016, respectively, at an interest rate of 8%, compounded semi-annually. SHW made principal payments to the Company totaling \$61,000 and \$25,000 in 2019 and 2018, respectively. SHWIS made principal payments totaling \$15,000 and \$0 in 2019 and 2018, respectively. The accrued interest was added to the principal of the notes.

On November 1, 2019, the Company renewed the demand note whereby SHW and SHWIS agree to pay the Company \$216,679 and \$307,165, respectively, at an interest rate of 4.64%, compounded semi-annually. The Company shall not demand the payment until at least 3 years. In 2019, SHW made principal payments totaling \$2,000. No principal payment was made SHWIS in 2019.

TERRITORY AND PLAN OF OPERATION

The Company writes insurance coverage for other liability exposures of builders arising from major structural defects. The insurance covers ten-year home warranties, with the level of coverage varying in year one, year two, and years three to ten. On January 30, 2004, the Company was approved to provide excess liability coverage to its member builders and, on September 26, 2006, was approved to provide primary liability coverage. The Company has no employees, and its daily operations are managed by a captive manager and service providers, some of which are affiliated.

SHW provides marketing and ancillary services to the Company as well as administers the warranty program for new home warranties issued to homebuyers. The liability program was sold through Arrowhead, former managing general agent, prior to December 24, 2018, and are marketed through SHWIS after the termination of the contract with Arrowhead.

The Company was registered in the following 44 states and jurisdictions under the provisions of the 1986 Federal Risk Retention Act at December 31, 2019:

Alabama	Alaska	Arizona	Arkansas	California
Colorado	Connecticut	District of Columbia	Florida	Georgia
Hawaii	Idaho	Illinois	Indiana	Iowa
Kansas	Kentucky	Louisiana	Maine	Maryland
Massachusetts	Michigan	Mississippi	Missouri	Montana
Nebraska	Nevada	New Jersey	New Mexico	New York
North Carolina	North Dakota	Ohio	Oklahoma	Oregon
Pennsylvania	South Carolina	South Dakota	Tennessee	Texas
Utah	Virginia	Washington	West Virginia	Wyoming

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 2019:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income(loss)
2019	\$15,209,680	\$3,094,128	\$5,025,394	\$3,657,748	\$683,989
2018	\$13,542,771	\$1,929,715	\$5,068,504	\$3,656,056	\$(394,873)
2017	\$15,192,292	\$2,183,096	\$5,125,592	\$3,995,417	\$(613,732)
2016	\$13,171,303	\$2,726,500	\$5,109,494	\$3,364,580	\$(519,841)
2015	\$11,492,968	\$3,546,289	\$5,221,890	\$4,302,945	\$235,968

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 2019 were reviewed and certified by the Company's Appointed Actuary, Brent M. Sallay, FCAS, MAAA of Taylor-Walker Consulting, LLC. 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

Quota Share

The Company has a claims-made quota share reinsurance contract with Four Points effective January 1, 2018, whereby the Company cedes 50% of the risk under warranty policies, general liabilities and excess liabilities and Four Points accepts a 50% quota share of the net losses paid by the Company. The Company retains the first \$100,000 of net losses paid and Four Points is liable for the net losses paid in excess of the Company's retention up to its quota share of \$1,900,000 for any one claim.

The Company ceded premiums totaling approximately \$370,000 in 2019 and 2018 to Four Points under this contract.

Excess of Loss

The Company has a 36-month excess of loss reinsurance contract with subscribing reinsurers, effective January 1, 2018, through January 1, 2021, whereby subscribing reinsurers are liable for up to \$900,000 of ultimate net loss in excess of the Company's retention of \$100,000 for any one claim under warranty and primary or excess commercial general liability policies with limits of liability up to \$1,000,000. The policyholders of excess commercial general liability policies have a self-insured retention limit of \$1,000,000.

For warranty and primary or excess commercial general liability policies with limits of liability in excess of \$1,000,000, subscribing reinsurers are liable for the ultimate net loss up to \$1,000,000 in excess of the initial \$1,000,000 for any one claim, subject to the following policy limits:

- Primary or excess commercial general liability policies with a maximum limit of \$2,000,000.
- Warranty policies with a maximum liability limit of \$3,000,000. The Company retains the liability for the ultimate net loss that exceeds \$2,000,000.

Under the contract, MS Amlin Underwriting Limited (“Amlin”), a Lloyd’s syndicate, shares only 50% of the liability underwritten. The remaining 50% of the liability is covered by Four Points under the quota share contracts.

In 2019 and 2018, the Company ceded premiums totaling approximately \$622,000 and \$750,000, respectively, to Amlin 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, 2019. 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, 2018, are unexamined and are presented for comparative purposes only.

Golden Insurance Company, A Risk Retention Group
Statutory Statement of Admitted Assets
December 31, 2019

	2019	2018 <i>(unexamined)</i>
Bonds	\$4,695,839	\$ 2,030,134
Common stocks	4,140,975	1,984,893
Cash, cash equivalents, and short-term investments	3,696,742	6,268,254
Total cash and invested assets	12,533,556	10,283,280
Investment income due and accrued	62,905	28,335
Uncollected premiums and agents' balances in the course of collection	547,046	800,573
Amounts recoverable from reinsurers	208,741	293,305
Other amounts receivable under reinsurance contracts	279,015	255,902
Net deferred tax asset	319,320	521,415
Receivable from parent, subsidiaries, and affiliates	525,877	579,383
Claims administration deposit	341,883	597,420
Deferred acquisition cost	41,608	80,399
Builders' receivables on warranty claims	276,153	28,786
Deductible receivable on general liability claims	-	16,190
Prepaid D&O insurance	17,059	17,059
Prepaid expense	43,724	40,724
Prefunded losses	12,793	-
Total admitted assets	\$15,209,680	\$13,542,771

Golden Insurance Company, A Risk Retention Group
Statutory Statement of Liabilities, Capital, and Surplus
December 31, 2019

	2019	2018 <i>(unexamined)</i>
Losses	\$2,543,890	\$2,745,234
Loss adjustment expenses	1,258,653	1,294,907
Commissions payable, contingent commissions and other similar charges	23,666	6,811
Other expenses	63,596	105,870
Taxes, licenses, and fees	36,412	-
Unearned premiums	6,790,913	6,415,363
Ceded reinsurance premiums payable	155,062	120,758
Funds held by company under reinsurance treaties	1,243,360	824,296
Provision for reinsurance	-	99,816
Total Liabilities	12,115,552	11,613,056
Common capital stock	99,932	99,926
Surplus notes	250,000	250,000
Gross paid in and contributed surplus	1,144,717	878,497
Unassigned funds	1,599,479	701,292
Total capital and surplus	3,094,128	1,929,715
Total Liabilities, Capital, and Surplus	\$15,209,680	\$13,542,771

Golden Insurance Company, A Risk Retention Group
Statutory Statement of Operations
December 31, 2019

	2019	2018 <i>(unexamined)</i>
Underwriting Income		
Premiums Earned	\$ 3,657,748	\$ 3,656,056
Deductions		
Losses incurred	(325,376)	1,926,623
Loss adjustment expenses incurred	2,998,063	1,351,196
Other underwriting expenses incurred	664,636	1,086,284
Reinsurance commutation	-	(10,000)
True-up expense to warranty and escrow accounts	125,322	-
Total underwriting deductions	3,462,646	4,354,103
Net underwriting gain (loss)	195,102	(698,047)
Investment Income		
Net investment income earned	207,746	130,130
Net realized capital gains	268,521	62,472
Net investment gain	476,267	192,602
Other Income		
Change in shared risk builder's receivable – warranty	-	(143,570)
Change in unrealized gain	113,077	-
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	784,446	(649,015)
Federal and foreign income taxes incurred	100,457	(254,142)
Net Income (Loss)	\$683,989	\$(394,873)

Golden Insurance Company, A Risk Retention Group
Statutory Statement of Capital and Surplus
December 31, 2019

	2019	2018 <i>(unexamined)</i>
Capital and surplus, beginning of year	\$ 1,929,715	\$ 2,183,096
Capital and surplus increases (decreases):		
Net Income (Loss)	683,989	(394,873)
Change in net unrealized capital gains or (losses)	134,816	(161,858)
Change in provision for reinsurance	99,816	41,812
Change in surplus notes	-	250,000
Capital changes to paid-in	6	(29)
Surplus adjustments to paid-in	266,220	281,169
Prior year audit adjustment – federal tax recoverable	-	(269,602)
Accounting Standards Update 2016-01 equity unrealized gain/loss at 1/1/2019 – net of tax	(20,434)	-
Rounding	6	-
Change in capital and surplus as regards policyholders for the year	1,164,413	(253,381)
Capital and surplus, end of year	\$3,094,128	\$1,929,715

Golden Insurance Company, A Risk Retention Group
Statutory Statement of Cash Flow
December 31, 2019

	2019	2018 <i>(unexamined)</i>
Cash from Operations		
Premiums collected net of reinsurance	\$ 4,298,016	\$ 4,430,025
Net investment income	252,520	156,315
Miscellaneous income	-	(143,570)
Total	4,550,536	4,442,770
Benefit and loss related payments	(208,596)	1,868,851
Commissions, expenses paid and aggregate write-ins	3,813,282	3,167,865
Federal income taxes paid	-	(319,602)
Total	3,604,686	4,717,113
Net cash from operations	945,850	(274,343)
Cash from Investments		
Proceeds from investments sold, matured, or repaid	5,921,367	5,087,457
Cost of investments acquired	10,198,346	3,456,818
Net cash (used by) investments	(4,276,979)	1,630,639
Cash from Financing and Miscellaneous Sources		
Surplus notes, capital notes	-	250,000
Cash from capital and paid-in surplus, less treasury stock	266,226	281,140
Other cash provided (applied)	493,391	(281,553)
Net cash from (used by) financing and miscellaneous sources	759,617	249,587
Reconciliation of Cash and Short-Term Investments		
Net change in cash and short-term investments	(2,571,512)	1,605,883
Cash and short-term investments, beginning of year	6,268,254	4,662,371
Cash and short-term investments, end of year	\$ 3,696,742	\$ 6,268,254

COMMENTS ON FINANCIAL STATEMENTS

There was a proposed adjustment to increase reserves to the losses as a result of this examination. (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 general accepted accounting principles or permitted by the Department.

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

Bonds and Common Stocks: Carried at amortized cost or at fair value if classified as available for sale.

Cash and short-term investments: Carried at fair value. Cash and cash equivalents consist of demand deposits and money market instruments with maturities three months or less and short-term investments include debt securities with maturities of less than one year.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a pro rata basis. Warranty premiums for 10-year products are to be earned pursuant to the actuarial loss emergency pattern with the assumption that expenses are on-third of losses and emerge entirely in year one of each 10-year warranty contract. The methodology and the actuarial emergency pattern are approved by the Department.

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. Changes to the provision are credited or charged directly to surplus.

Unpaid loss & loss adjustment expense: Includes amounts determined from individual case estimates and loss reports and amounts, based on actuarial assumptions and historical data, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses. Due to the nature and terms of the warranty coverage provided, the actuarial estimates of the liability for losses and loss adjustment expenses and unearned premiums at the reporting date, are subject to significant variability. Adjustments to these actuarial estimates are reflected in current operations.

Reinsurance Activity:

The Company has excess of loss and quota share contracts 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.

Direct and ceded premiums written and earned are as follows:

	2019	2018
Direct written	\$ 5,025,394	\$ 5,068,504
Ceded written	992,096	1,120,009
Net written	4,033,298	3,948,495
Direct earned	4,649,846	4,776,063
Ceded earned	992,098	1,120,007
Net earned	\$3,657,748	\$3,656,056

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:

	2019	2018
Reserve for losses and loss adjustment expenses, beginning of year	\$4,040,141	\$4,583,513
Add:		
Provision for losses and loss adjustment expenses, current year	2,742,562	2,793,629
Change in estimated losses and loss adjustment expenses, prior years	(69,873)	484,190
Total incurred	2,672,689	3,277,819
Deduct:		
Losses and loss adjustment expenses paid, current year	(1,183,716)	(1,034,092)
Losses and loss adjustment expenses paid, prior year	(1,726,571)	(2,787,099)
Total paid	(2,910,287)	(3,821,191)
Reserve for losses and loss adjustment expenses, end of year	3,802,543	4,040,141
Increase in reserve for losses and loss adjustment expenses	\$(237,598)	\$(543,372)

The Company does not consider 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. On December 31, 2019, and 2018, the liability for losses and loss adjustment expenses was reduced by \$1,798,067 and \$1,623,645, 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 last examination:

	2017	2016	2015
Capital and surplus, beginning of year	\$2,726,500	\$3,546,289	\$3,329,591
Capital and surplus increases (decreases):			
Net income(loss)	(613,732)	(519,841)	235,968
Change in net unrealized capital gain (loss)	(201,241)	127,329	(108,873)
Change in net deferred income tax	148,431	(43,292)	-
Change in provision for reinsurance	71,657	(213,285)	-
Capital transferred from surplus	7	1	4
Surplus adjustments to paid-in capital	51,476	86,252	89,599
Financial audit adjustment – Net Tax Assets	-	(22,017)	-
Financial audit adjustment – Unearned Premiums	-	(234,935)	-
Rounding	(2)	(1)	-
Change in surplus as regards policyholders for the year	(543,404)	(819,789)	216,698
Capital and surplus, end of year	\$2,183,096	\$2,726,500	\$3,546,289

SUBSEQUENT EVENTS

On February 26, 2021, InSure Homes Services, LLC, an entity ultimately owned by Milestone FS Insure GP LLC (“Milestone”), which is equally and jointly owned by Scott Warren, John Shoemaker, and Adam Curtin, submitted a Form A filing for the acquisition of SHW, the direct parent of the Company through ownership of 99% of the Company’s outstanding voting stock. The result of this acquisition is the indirect acquisition of the Company from Gerald Thompson by Milestone. The filed Form A was deemed completed on April 22, 2021. On June 11, 2021, the filed Form A was approved by an Order of the Commissioner, reiterating that no material changes will be made to the business operations of the Company, and the Company will continue to utilize the current third-party captive manager, claims administrators, actuarial firms, and affiliated warranty administrator, in addition to retaining existing Company management, including its directors and executive officers. The Company’s business operations, post-acquisition, are to continue without material change, unless approved otherwise by the Commissioner.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. During the fieldwork stage of this examination, we inquired of the Company as to the estimated impact the COVID-19 pandemic would have on the Company’s operations and financial results and determined that there is no significant impact of the COVID-19 pandemic on the Company’s business. It is possible that additional impact to the Company will occur in time, for which the assessment will be specific to the class and mix of business they underwrite. The Department will continue to monitor how the pandemic might impact the Company.

In March 2021, the Company was in violation of GS § 58-7-170(a), which requires the Company to maintain liquid assets in an amount that equals its entire policyholder-related liabilities and its minimum capital and surplus. At March 31, 2021, the Company’s liquid assets were deficient by \$868,596.

Golden Insurance Company, A Risk Retention Group
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2019

Gerald Thompson, President
Golden Insurance Company, A Risk Retention Group
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CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments 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,



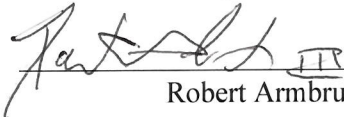
Ke Xu, CPA, CFE
Chief Financial Examiner
North Carolina Department of Insurance

June 30, 2021

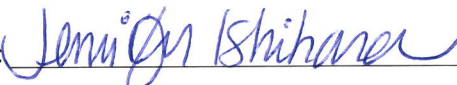
STATE OF NORTH CAROLINA

COUNTY OF WAKE

Robert Armbruster, Supervising Insurance Company Examiner, 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:  Date: 0/30/21
Robert Armbruster

Sworn and subscribed before me this 30th day of June, 2021.

Notary Public Signature:  Notary Public Seal:

