



NC DEPARTMENT
of **INSURANCE**
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused Poseidon Group as of December 31, 2022 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 17th day of April, 2024.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner Financial
Examination Division

Poseidon Group

Charlotte, NC

Multi-Entity Report on Examination

As of December 31, 2022

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April 9, 2024

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 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

Poseidon Commercial Insurance Company (“**PCIC**”)
Poseidon Mortgage Guaranty Company (“**PMGC**”)
Poseidon Structured Mortgage Insurance Company (“**PSMIC**”)

(hereinafter referred to as the “Poseidon Group” or the “Group”), acknowledging that its main administrative office is located at 76 St. Paul Street, Suite 500, Burlington Vermont, and its statutory home office is located at 1001 Morehead Square, Suite 475, Charlotte, North Carolina.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of each company within the Poseidon Group. This examination covers the period from January 1, 2018, to December 31, 2022, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Poseidon Group was as of December 31, 2017.

The purpose of this examination is to review and evaluate the Group’s business processes and controls to assist in assessing and monitoring its current financial condition and prospective solvency. Pursuant to GS § 58-2-132, this Report on Examination comprises only facts appearing in the books, records, or other documents of the Poseidon Group (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 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 Poseidon Group, 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 Group were considered in accordance with the Handbook risk-focused surveillance process and the following key functional activities were identified:

Related Parties
Investments
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.

This examination report includes significant findings of fact and general information about the insurers and their 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 are separately communicated to the Group.

The Group's Annual Statements and work papers were reviewed and relied upon whenever possible. Trial balance reconciliations of the Annual Statements were 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 Group's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from the Group's management.

The books and records of PCIC and PMGC were audited and unmodified opinions were issued for the year ended December 31, 2018, by independent certified public accountants PricewaterhouseCoopers LLP of Charlotte, North Carolina, in accordance with GS § 58-10-185(a). PCIC and PMGC applied for and were granted exemptions from the annual audit requirement for each year ended December 31, 2019, through December 31, 2022, pursuant to GS § 58-10-185(b). PSMIC applied for and was granted an exemption from the annual audit for all the years under examination pursuant to GS § 58-10-185(b).

REPORT ABBREVIATIONS

AIG Structured Mortgage Insurance Company	“AIG SMIC”
Arch Structured Mortgage Insurance Company	“ASMIC”
Bayview MSR Opportunity Corp.	“Bayview MSR”
Board of Directors	“Board”
Financial Condition Examiners Handbook	“Handbook”
First Mortgage Commercial Insurance Company	“FMCIC”
First Mortgage Insurance Company	“FMIC”
General Statutes of North Carolina	“GS”
Information Technology General Controls	“ITGCs”
Information Technology Planning Questionnaire	“ITPQ”
Lakeview Loan Servicing, LLC	“Lakeview”
National Association of Insurance Commissioners	“NAIC”
North Carolina Department of Insurance	“Department”
Poseidon Group	“Group”
Poseidon Commercial Insurance Company	“PCIC”
Poseidon Credit Insurance Company	“Poseidon Credit”
Poseidon Mortgage Guaranty Company	“PMGC”
Poseidon Structured Mortgage Insurance Company	“PSMIC”
United Guaranty Credit Insurance Company	“UGCIC”
United Guaranty Commercial Insurance Company of North Carolina	“UGCIC-NC”

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

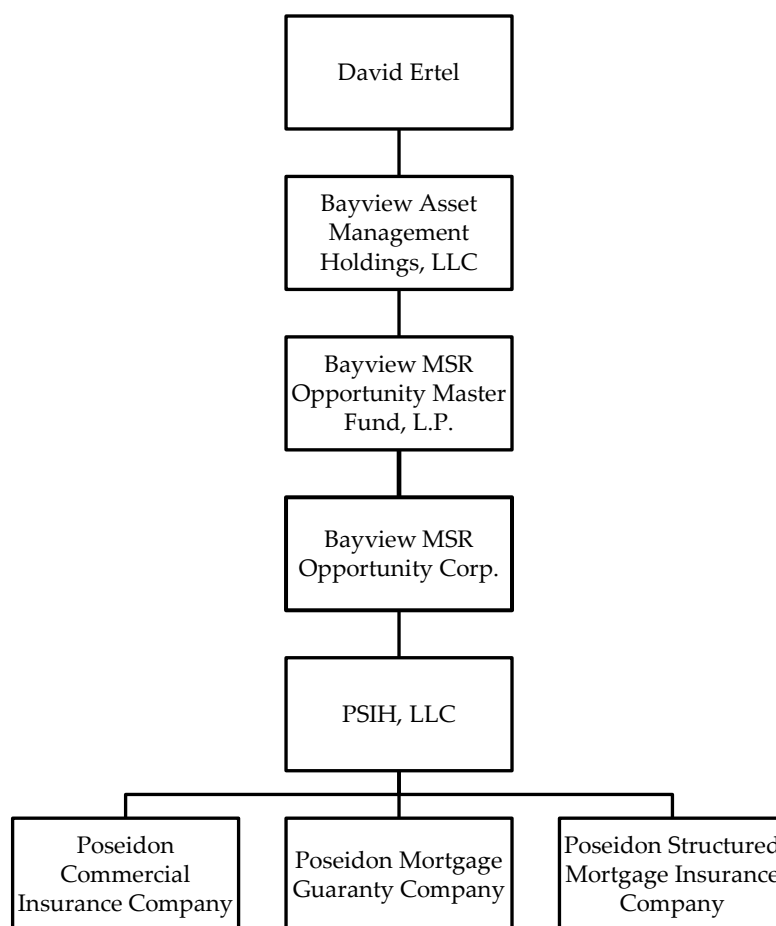
- a. The Group did not maintain evidence in the meeting minutes that its investment transactions were authorized or approved by the Board of Directors (“Board”) or the Investment Committee in accordance with GS § 58-7-168, which states, “An insurer shall not make any investment or loan, other than a policy loan or annuity contract loan of a life insurer, unless the investment or loan is authorized or approved by the insurer's Board or by a committee authorized by the Board and charged with the supervision or making of the investment or loan. The minutes of any such committee shall be recorded and regular reports of the committee shall be submitted to the Board.”. The Group is directed to comply with GS § 58-7-168.
- b. PCIC and PMGC incorrectly reported 5,000,000 as the number of authorized common shares in Note 13 in their 2022 Annual Statements. According to the articles of incorporation, PCIC has 2,500,000 authorized common shares and PMGC has 10,000,000 authorized common shares. PCIC and PMGC are directed to ensure accurate reporting to the Department in future filings pursuant to GS § 58-2-165(c).

ORGANIZATIONAL STRUCTURE

The companies within the Poseidon Group are part of an insurance holding company system as defined in GS § 58-19 and are wholly owned by PSIH, LLC, a Delaware limited liability company. PSIH, LLC is wholly owned by Bayview MSR Opportunity Corp. (“Bayview MSR”), a Delaware company which is owned and funded by Bayview MSR Opportunity Master Fund, L.P., which is controlled by Bayview Asset Management Holdings, LLC. David Ertel is the ultimate controlling member of all companies within the holding company group.

ORGANIZATIONAL CHART

Each company’s 2022 Annual Statement Schedule Y contains a complete organizational chart. The following is a summarized organizational chart as of December 31, 2022:



INDIVIDUAL COMPANY HISTORY

PCIC

PCIC, formerly known as United Guaranty Commercial Insurance Company of North Carolina (“UGCIC-NC”), was incorporated on May 31, 1971 under the name of First Mortgage Commercial Insurance Company (“FMCIC”) under the laws of the State of North Carolina and commenced business on June 7, 1971. The articles of incorporation were amended effective December 30, 1974, to change its name from FMCIC to UGCIC-NC.

On November 22, 2019, Arch U.S. MI Holdings, Inc. (“Arch MI”) entered into a stock purchase agreement with PSIH, LLC to sell all issued and outstanding common shares of UGCIC-NC and two of its affiliates, United Guaranty Credit Insurance Company (“UGCIC”), and Arch Structured Mortgage Insurance Company (“ASMIC”).

On November 2, 2020, Bayview MSR, through its subsidiary PSIH, LLC, purchased 100% of the outstanding common stock of UGCIC-NC, UGCIC, and ASMIC from Arch MI. On November 12, 2020, the articles of incorporation were amended to reflect the name change from UGCIC-NC to PCIC.

PMGC

PMGC, formerly known as Poseidon Credit Insurance Company (“Poseidon Credit”), was incorporated on June 9, 1981, under the name of UGCIC under the laws of the State of North Carolina and commenced business on July 17, 1981.

On November 12, 2020, after PSIH, LLC purchased all outstanding shares of UGCIC, the articles of incorporation were amended to reflect the name change from UGCIC to Poseidon Credit. On December 1, 2021, the articles of incorporation were further amended to reflect the name change from Poseidon Credit to PMGC.

PSMIC

PSMIC, formerly known as First Mortgage Insurance Company (“FMIC”), was incorporated on October 8, 2009, under the laws of the State of North Carolina. The articles of incorporation were amended effective April 9, 2015, to change its name from FMIC to AIG Structured Mortgage Insurance Company (“AIG SMIC”). The articles of incorporation were amended effective January 31, 2017, to change its name from AIG SMIC to ASMIC.

On November 12, 2020, after PSIH, LLC purchased all outstanding shares of ASMIC, the articles of incorporation were amended to reflect the name change from ASMIC to PSMIC.

CAPITAL STOCK

As of December 31, 2022, capitalization of the individual companies consisted of the following:

PCIC

Description	Value
Number of authorized common capital shares	2,500,000
Number of shares issued and outstanding	2,500,000
Total common capital stock	\$2,500,000
Par value per share	\$1.00

No additional shares of PCIC were issued during the period under examination. As of December 31, 2022, all outstanding shares of PCIC were owned by PSIH, LLC.

PCIC received additional paid in surplus of approximately \$353,000 and \$765,000 in 2022 and 2021, respectively, from Bayview MSR Opportunity Master Fund, L.P. At December 31, 2022, PCIC reported \$3,866,900 in gross paid-in and contributed surplus and unassigned funds totaling \$1,296,100.

PMGC

Description	Value
Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	2,500,000
Total common capital stock	\$2,500,000
Par value per share	\$1.00

No additional shares of PMGC were issued during the period under examination. As of December 31, 2022, all outstanding shares of PMGC were owned by PSIH, LLC.

PMGC received additional paid in surplus of approximately \$336,000 and \$530,000 in 2022 and 2021, respectively, from Bayview MSR Opportunity Master Fund, L.P. At December 31, 2022, PMGC reported \$2,366,000 in gross paid-in and contributed surplus and unassigned funds totaling \$300,277.

PSMIC

Description	Value
Number of authorized common capital shares	5,000,000
Number of shares issued and outstanding	2,500,000
Total common capital stock	\$2,500,000
Par value per share	\$1.00

No additional shares of PSMIC were issued during the period under examination. As of December 31, 2022, all outstanding shares of PSMIC were owned by PSIH, LLC.

PSMIC received additional paid in surplus of approximately \$331,000 and \$820,000 in 2022 and 2021, respectively, from Bayview MSR Opportunity Master Fund, L.P. At December 31, 2022, PSMIC reported \$7,926,000 in gross paid-in and contributed surplus and unassigned funds totaling (\$2,729,537).

DIVIDENDS TO STOCKHOLDER

Dividends on common stock for each company within the Poseidon Group are paid as declared by the Board. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which may be paid 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.

In 2019, PCIC paid \$11,200,000 in dividends to its parent company, Arch US MI Holdings, before being acquired by Bayview MSR, which included ordinary dividends totaling \$3,466,413 and extraordinary dividends totaling \$7,733,587. No dividends were paid in 2018, 2020, 2021, or 2022.

In 2018, PMGC paid \$20,000,000 in dividends to Arch US MI Holdings. In 2019, PMGC paid \$700,000 to Arch US MI Holdings, which included ordinary dividends totaling \$535,810 and extraordinary dividends totaling \$164,190. No dividends were paid in 2020, 2021, and 2022.

PSMIC paid no dividends during the period of examination.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

The companies within the Poseidon Group have the same directors and principal officers. The companies occupy the same home office space and share information technology systems and personnel. All personnel are employees of Bayview Asset Management Holdings, LLC or its affiliates.

Shareholders

The bylaws for each insurance company within Group 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 Chief Executive Officer, Secretary, at the direction of a majority of the Board, or at request in writing of shareholders owning at least ten percent of the shares.

Board of Directors

The business of the Group is conducted by its management team and is subject to review by the Board. The bylaws for PCIC, PMGC, PSMIC specify that the number of directors shall not be less than three or more than twenty-one. Directors are elected at the annual meeting of shareholders or by the written consent of the shareholders, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors as of December 31, 2022:

Name	Location	Principal Occupation
Adam Glassner	Charlotte, North Carolina	President and Chief Executive Officer
Stuart Waldman	Coral Gables, Florida	Chairman and Senior Vice President
Todd Wallace	Canyon Country, California	Treasurer and Chief Financial Officer

The Board of each company governs at the legal entity level and has the authority to establish committees including, but not limited to, an audit committee and an investment committee.

The following individuals served on Board’s established committees at December 31, 2022:

Audit Committee

Stuart Waldman
Todd Wallace

Investment Committee

Adam Glassner
Todd Wallace

Stuart Waldman retired effective December 31, 2022, and the shareholder elected Greg Geiling of New York City, New York, as Chairman, Senior Vice President, and member of the Audit Committee on that same date.

Officers

The bylaws provide that the Board will elect the officers, which shall consist of a Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Treasurer, Secretary, and any other officers deemed necessary. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any number of offices may be held by the same person.

The following individuals served as officers as of December 31, 2022:

Name	Title
Adam Glassner	President and Chief Executive Officer
Bryon Jones	Secretary and Chief Operating Officer
Alan Eife	Vice President and Chief Compliance Officer
David O’Nions	Senior Vice President and Chief Risk Officer
Kurt Smith	Vice President and Chief Credit Officer
Maren Markham Kasper	Senior Vice President (PCIC only)
Marvin Williams	Senior Vice President
Stuart Waldman	Chairman and Senior Vice President
Todd Wallace	Treasurer and Chief Financial Officer

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Group has established policies and procedures to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Group 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 Poseidon Group 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 for the period under examination. Based on our review, it appears that the minutes documented the Group's significant transactions and events, and that the directors approved these transactions and events, except for the review and approval of the investment transactions. (Refer to Summary of Significant Findings)

The articles of incorporation and bylaws were reviewed for any changes during the period under examination. Based on our review, the articles of incorporation and bylaws were amended to reflect the name changes for the companies within the Group during the period under examination. (Refer to Individual Company History)

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The 2022 Annual Statement Schedule E, Part 3 contains a complete description and listing of the statutory deposits by state.

ACCOUNTS AND RECORDS

Bayview MSR has a service agreement with Aon, to provide the following services: accounting, financial reporting, premium tax preparation and state compliance. The Group's books and records are maintained by Aon at its main administrative office located in Burlington, Vermont.

Aon utilizes information systems to gather and report financial data on behalf of the Group. The environment for internal controls over financial reporting is highly automated and includes application controls and system generated reports, supporting its financial reporting functions. Aon utilizes various software applications for various functions that are hosted by multiple servers at data centers throughout the United States.

INFORMATION TECHNOLOGY CONTROLS

The Department performed a risk-based assessment and review of the Group's Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Group's ITGCs were derived from Exhibit C Part 1 - Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 – 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 the selected controls were designed effectively and were functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

1. The Group had a process in place to effectively identify, mitigate and manage its IT risks;
2. The Group's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
3. The Group was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing the Group's policies and procedures, testing in key areas related to Exhibit C, interviewing the Group's IT management, and reviewing IT risk assessment processes.

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

FIDELITY BONDS AND OTHER INSURANCE

The companies in the Group are named insureds under a fidelity bond which provides the Group and its affiliates with coverage totaling \$40,000,000 in aggregate. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the Handbook for the Group on a consolidated basis.

In addition, the Group is covered by various corporate property and liability policies issued to the Group, which appeared to be adequate to cover risks in the normal course of business.

RELATED PARTY AGREEMENTS

Pursuant to various agreements, services such as financial management, operational management, accounting, payroll, audit, human resources management, tax, legal, investment advisory, and data processing are provided for the Poseidon Group as follows:

- a. PCIC, PMGC, and PSMIC have intercompany services agreements with Lakeview Loan Servicing, LLC ("Lakeview"), effective June 6, 2022, whereby Lakeview provides management services including legal, accounting, tax, treasury, corporate governance, marketing, sourcing and procurement, human business integration, communications, strategic data and analytics, financial, enterprise risk, information technology services, underwriting, claims, audit, policyholder servicing, and quality control. Lakeview is reimbursed for any direct and directly allocable expenses attributable to PCIC, PMGC, and PSMIC or apportioned based upon time studies, statistics, or ratios, in accordance with the terms specified in each agreement. Each company, PCIC, PMGC, and PSMIC, incurred fees totaling \$371,640 in under these agreements as of December 31, 2022.
- b. PCIC, PMGC, and PSMIC have investment management agreements with Bayview Fund Management LLC, effective April 1, 2021, whereby Bayview Fund Management LLC provides investment counsel and makes/directs the investments and reinvestments of the Group's portfolio. Service fees incurred under these agreements totaled \$7,600 for PCIC, \$5,100 for PMGC, and \$7,600 for PSMIC for the year ended December 31, 2022.
- c. The Poseidon Group is included in an income tax allocation agreement with Bayview MSR, effective April 1, 2021, to determine the amount of federal and state income tax to be allocated to the members of the Group and the amount of tax each member will pay to or receive from Bayview MSR. The agreement sets forth the parties' obligations in connection with their filing as a consolidated tax filing group. Each entity shall remit Bayview MSR any amount determined to be due in accordance with the agreement on or before the dates on which such payments would be due to the federal government if separate returns had been filed. Refunds received by Bayview MSR resulting from reduction in the federal income tax liability or tax benefits attributable shall be remitted within 30 days after the return date for such taxable year.

TERRITORY AND PLAN OF OPERATION

PCIC

PCIC is a credit insurer licensed in 34 states and the District of Columbia which previously provided credit insurance coverage to lenders that originated student loans for high credit quality borrowers. PCIC ceased writing business in 2008 and the Department restricted PCIC’s license to “No New Business” effective on April 2, 2009. At December 31, 2022, PCIC was licensed in the following states:

Alabama	Arizona	California	Colorado	Connecticut	Delaware
District of Columbia	Florida	Hawaii	Illinois	Indiana	Kansas
Kentucky	Maryland	Massachusetts	Michigan	Minnesota	Mississippi
Missouri	Nebraska	New Jersey	New York	North Carolina	Ohio
Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina	South Dakota
Tennessee	Texas	Utah	Vermont	Virginia	

PMGC

PMGC is a mono-line mortgage insurer licensed in 11 states and the District of Columbia which previously provided credit insurance that protected lenders from losses on second-lien mortgages. PMGC ceased writing business in 2008 and the run-off business terminated in December 2021. The Department restricted PMGC’s license to “No New Business” effective on January 7, 2009. At December 31, 2022, PMGC was licensed in the following states:

Arizona	California	Connecticut	District of Columbia	Idaho	Illinois
Iowa	Kentucky	New York	North Carolina	Oregon	Wisconsin

PSMIC

PSMIC is a mono-line mortgage guaranty insurer licensed in 42 states and the District of Columbia. PSMIC has never written any business. At December 31, 2022, PSMIC was licensed in the following states:

Alabama	Alaska	Arizona	Arkansas	Colorado	Delaware
District of Columbia	Florida	Georgia	Hawaii	Indiana	Iowa
Kansas	Kentucky	Louisiana	Maryland	Massachusetts	Michigan
Mississippi	Missouri	Montana	Nebraska	Nevada	New Hampshire
New Jersey	New Mexico	New York	North Carolina	North Dakota	Ohio
Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina	South Dakota
Tennessee	Texas	Utah	Vermont	Virginia	West Virginia
Wisconsin					

GROWTH OF THE COMPANIES

The following data, obtained from annual statements filed with the Department, illustrates the trends of the companies within the Poseidon Group for the five-year period ended December 31, 2022:

PCIC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$7,828,894	\$7,663,000	\$-	\$-	(\$453,406)
2021	\$7,955,600	\$7,763,406	\$-	\$-	(\$532,127)
2020	\$7,571,440	\$7,531,933	\$-	\$-	(\$48,238)
2019	\$12,348,645	\$7,558,023	\$-	\$-	\$7,788,916
2018	\$17,912,352	\$10,224,107	\$-	\$-	\$3,466,413

PMGC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$5,297,354	\$5,166,277	\$-	\$-	(\$376,571)
2021	\$5,337,199	\$5,206,848	\$3,223	\$-	(\$387,486)
2020	\$5,101,954	\$5,081,438	\$15,564	\$-	(\$16,204)
2019	\$5,126,529	\$5,120,957	\$21,851	\$20,102	\$207,861
2018	\$5,903,799	\$5,358,096	\$46,059	\$49,559	\$481,021

PSMIC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$7,869,285	\$7,696,463	\$-	\$-	(\$437,258)
2021	\$7,982,178	\$7,802,721	\$-	\$-	(\$551,926)
2020	\$7,572,390	\$7,534,647	\$-	\$-	(\$18,459)
2019	\$7,564,439	\$7,529,667	\$-	\$-	\$105,549
2018	\$8,218,862	\$8,199,118	\$-	\$-	\$54,236

ACTUARIAL OPINION

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

PMGC was granted an exemption from filing a Statement of Actuarial Opinion for all the years under

examination. PCIC and PSMIC were granted an exemption from filing a Statement of Actuarial Opinion for the years 2019, 2020, 2021, and 2022; however, the statutory reserves and related items for 2018 were reviewed and certified by Arch U.S. MI Services, Inc.'s Appointed Actuary, David W. McLaughry, AAA, FCAS. Actuarial opinions regarding the PCIC and PSMIC's reserves for loss and loss adjustment expenses were issued by an appointed actuary for the year 2018. The appointed actuary evaluated the data provided by PCIC and PSMIC for reasonableness and consistency of the loss and loss adjustment expense reserve. According to the actuarial opinions, the PCIC and PSMIC'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 loss and loss expense obligations of each company.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed with the Department and present the financial condition of each company in the Poseidon Group for the period ending December 31, 2022. The supporting tables and exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department.

Poseidon Group
Statutory Statement of Admitted Assets
December 31, 2022

	PCIC	PMGC	PSMIC
Bonds	\$2,698,712	\$1,519,258	\$4,051,482
Cash and short-term investments	4,851,450	3,517,042	3,471,165
Total cash and invested assets	7,550,162	5,036,300	7,522,648
Investment income due and accrued	14,687	884	24,955
Federal income tax recoverable	264,045	260,170	320,682
Aggregate write-ins for other-than-invested assets	-	-	1,000
Total Admitted Assets	\$7,828,894	\$5,297,354	\$7,869,285

Poseidon Group
Statement of Liabilities, Surplus, and Other Funds
December 31, 2022

	PCIC	PMGC	PSMIC
Other expenses	\$9,139	\$5,364	\$11,467
Taxes, licenses, and fees	65,000	30,000	65,000
Payable to parent, subsidiaries, and affiliates	91,755	95,713	96,355
Total liabilities	165,894	131,077	172,822
Common capital stock	2,500,000	2,500,000	2,500,000
Gross paid in and contributed surplus	3,866,900	2,366,000	7,926,000
Unassigned funds	1,296,100	300,277	(2,729,537)
Total capital and surplus	7,663,000	5,166,277	7,696,463
Total Liabilities, Surplus, and Other Funds	\$7,828,894	\$5,297,354	\$7,869,285

Poseidon Group
Statutory Statement of Income
December 31, 2022

	PCIC	PMGC	PSMIC
Underwriting Income (Loss)			
Premiums earned	\$-	\$-	\$-
Deductions			
Other underwriting expenses incurred	599,138	492,429	623,060
Total underwriting deductions	599,138	492,429	623,060
Net underwriting gain (loss)	(599,138)	(492,429)	(623,060)
Investment Income			
Net investment income earned	25,781	(12,788)	40,672
Net investment gain	25,781	(12,788)	40,672
Net income before dividends to policyholders	(573,357)	(505,217)	(582,388)
Federal income taxes incurred	(119,951)	(128,646)	(145,130)
Net Income (loss)	(\$453,406)	(\$376,571)	(\$437,258)

Poseidon Group
Statutory Statement of Capital and Surplus
December 31, 2022

	PCIC	PMGC	PSMIC
Capital and surplus, beginning of year	\$7,763,406	\$5,206,848	\$7,802,721
Net Income	(453,406)	(376,571)	(437,258)
Surplus adjustments to paid-in capital	353,000	336,000	331,000
Change in capital and surplus as regards policyholders for the year	(100,406)	(40,571)	(106,258)
Capital and surplus, end of year	\$7,663,000	\$5,166,277	\$7,696,463

Poseidon Group
Statutory Statement of Cash Flow
December 31, 2022

	PCIC	PMGC	PSMIC
Cash From (Used By) Operations			
Premiums collected net of reinsurance	\$-	(\$1,200)	\$-
Net investment income	36,519	(13,507)	32,665
Miscellaneous income	-	1	-
Total	36,519	(14,706)	32,665
Commissions, expenses paid and aggregate write-ins	609,051	492,031	631,223
Federal income taxes paid	(10,765)	(10,344)	(13,270)
Total	598,286	481,687	617,953
Net cash used by operations	(561,767)	(496,393)	(585,288)
Cash From (Used By) Investments			
Proceeds from investments sold, matured, or repaid	100,000	-	630,000
Cost of investments acquired	99,809	-	1,151,829
Net cash from (used by) investments	191	-	(521,829)
Cash From (Used By) Financing and Miscellaneous Sources			
Capital and paid-in surplus, less treasury stock	353,000	336,000	331,000
Other cash (applied) provided	(16,387)	9,573	8,192
Net cash from financing and miscellaneous sources	336,613	345,573	339,192
Net change in cash and short-term investments	(224,963)	(150,820)	(767,925)
Cash and short-term investments, beginning of year	5,076,412	3,667,862	4,239,090
Cash and short-term investments, end of year	\$4,851,450	\$3,517,042	\$3,471,166

COMMENTS ON FINANCIAL STATEMENTS

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 Poseidon Group are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Non-admitted assets: Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, prepaid expenses, furniture, equipment, electronic data processing equipment and software, and deferred tax assets are "non-admitted" and are charged against surplus.

Analysis of Assets

PCIC reported licenses purchased totaling \$3,856,400 as non-admitted assets at December 31, 2022.

PMGC reported the following assets as non-admitted at December 31, 2022: other receivables totaling \$17,104 and state licenses purchased totaling \$1,345,000.

PSMIC reported licenses purchased totaling \$1,600,000 as non-admitted assets at December 31, 2022.

Capital and Surplus

The following, in conjunction with the Statutory Statement Capital and Surplus in Appendix A, represents the changes in capital and surplus since the Department's last examination as of December 31, 2022:

PCIC	2021	2020	2019	2018
Capital and surplus, beginning of year	\$7,531,933	\$ 7,558,023	\$10,224,107	\$51,757,695
Capital and surplus increases (decreases):				
Net income(loss)	(532,127)	(48,238)	7,788,916	3,466,413
Change in no admitted assets	(1,400)	-	745,000	-
Change in surplus notes	-	-	-	(45,000,00)
Surplus adjustments to paid-in capital	765,000	50,000	-	-
Dividends to stockholders	-	(27,852)	(11,200,000)	-
Change in surplus as regards policyholders for the year	231,473	(26,090)	(2,666,084)	(41,533,587)
Capital and surplus, end of year	\$7,763,406	\$7,531,933	\$ 7,558,023	\$10,224,107

PMGC	2021	2020	2019	2018
Capital and surplus, beginning of year	\$5,081,438	\$5,120,957	\$ 5,358,096	\$ 24,877,075
Capital and surplus increases (decreases):				
Net income(loss)	(387,486)	(16,204)	207,861	481,021
Change in non-admitted assets	(17,104)	-	255,000	-
Surplus adjustments to paid-in capital	530,000	-	-	-
Dividends to stockholders	-	(23,315)	(700,000)	(20,000,000)
Change in surplus as regards policyholders for the year	125,410	(39,519)	(237,139)	(19,518,979)
Capital and surplus, end of year	\$5,206,848	\$5,081,438	\$5,120,957	\$5,358,096

PSMIC	2021	2020	2019	2018
Capital and surplus, beginning of year	\$7,534,647	\$7,529,667	\$ 8,199,118	\$8,144,882
Capital and surplus increases (decreases):				
Net income(loss)	(551,926)	(18,459)	105,549	54,236
Surplus adjustments to paid-in capital	820,000	50,000	(775,000)	-
Dividends to stockholders	-	(26,561)	-	-
Change in surplus as regards policyholders for the year	268,074	4,980	(669,451)	54,236
Capital and surplus, end of year	\$7,802,721	\$7,534,647	\$ 7,529,667	\$8,199,118

SUBSEQUENT EVENTS

Effective October 13, 2023, Alan Eife, Chief Compliance Officer for the Group resigned. The Poseidon Group determined to outsource the compliance and regulatory functions to Aon under the existing Master Services Agreement.

Poseidon Group
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2022

Bryon Robert Jones, Secretary & Chief Operating Officer
1001 Morehead Square, Suite 475
Charlotte, North Carolina 28203

Adam David Glassner, President & Chief Executive Officer
1001 Morehead Square, Suite 475
Charlotte, North Carolina 28203

CONCLUSION


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

We conclude that PCIC and PSMIC comply with the minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance that the Companies has been authorized to write, which is \$1,250,000.

We conclude that PMGC complies with the minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$1,250,000. Under the terms of the Voluntary Settlement Agreement, PMGC is required to maintain a minimum policyholders' surplus of not less than one eighth of the Company's aggregate insured risk outstanding.

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

Respectfully submitted,



Monique Smith, CPA, CFE, CIA
Deputy Commissioner
North Carolina Department of Insurance

April 9, 2024

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Dianaliz Toledo, Examination Supervisor, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this multi-entity report on examination, subscribed by her is true and correct to the best of her knowledge and belief.

Signature: Dianaliz Toledo Date: 4/9/2024

Sworn and subscribed before me this 9 day of April, 2024.

Notary Public Signature: Christine M. Williams Notary Public Seal:

