



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 Prescient National Insurance Company 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 24th day of May, 2024.



Mike Causey
Commissioner of Insurance

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

Prescient National Insurance Company

Charlotte, North Carolina

Report on Examination

As of December 31, 2022

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May 22, 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

Prescient National Insurance Company

(hereinafter referred to as the “Company”), acknowledging that its main administrative and statutory home office is located at 217 South Tryon Street, Charlotte, 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, 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 Company was as of December 31, 2017.

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:

Capital and Surplus Management
Claims Handling and Reserves
Investments
Premiums and Underwriting
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). Johnson Lambert, LLP of Raleigh, North Carolina, the designated independent public accountant of the Company, issued an unmodified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2022.

REPORT ACRONYMS

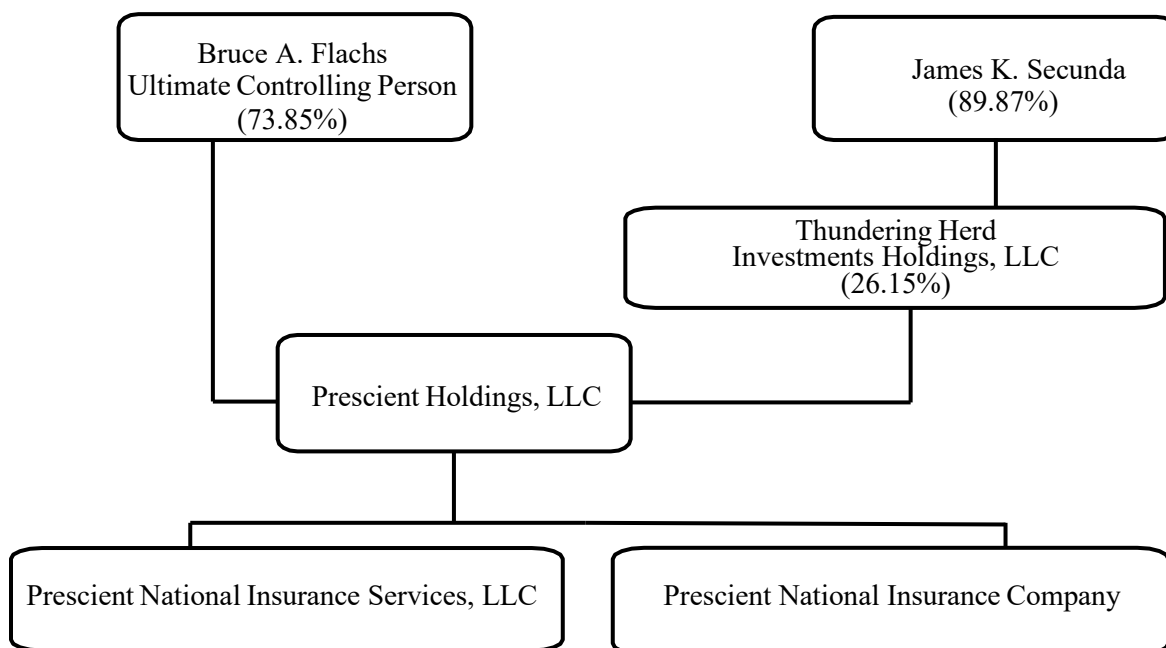
General Statutes of North Carolina	“GS”
North Carolina Department of Insurance	“Department”
Prescient National Insurance Company	“Company”
National Association of Insurance Commissioners	“NAIC”
Financial Condition Examiners Handbook	“Handbook”
Prescient Holdings, LLC	“PH”
Thundering Herd Investments, LLC	“THI”
Prescient National Insurance Services, LLC	“Prescient Services”
Board of Directors	“Board”
General Reinsurance Corporation	“Gen Re”
WCF National Insurance Company	“WCF”
National Workers’ Compensation Reinsurance Pool	“NWCR Pool”
Indiana Reinsurance Pool	“Indiana Pool”
Michigan Workers’ Compensation Insurance Placement Facility	“MI Facility”

ORGANIZATIONAL STRUCTURE

The Company is part of an insurance holding company system as defined in GS § 58-19 and is a wholly owned subsidiary of Prescient Holdings, LLC, (“PH”), a North Carolina limited liability company. Bruce A. Flachs owns 73.85% of the outstanding voting shares of PH, and the remaining 26.15% is owned by Thundering Herd Investments, LLC (“THI”). James Secunda owns 89.87% of THI. Prescient National Insurance Services, LLC (“Prescient Services”), a North Carolina limited liability company which provides various services to the Company, is also wholly owned by PH. Bruce A. Flachs is the ultimate controlling person of the Company and Prescient Services.

ORGANIZATIONAL CHART

The following is an organizational chart of Prescient Holdings as of December 31, 2022:



COMPANY HISTORY

The Company, formerly known as Synergy Insurance Company, was incorporated on August 1, 2006, under the laws of the State of North Carolina as a workers' compensation insurance company with 10,000,000 shares of \$1 par value capital common stock authorized. PH, the Company's parent formerly known as Synergy Holdings, LLC, acquired 2,500,000 shares of the Company's common stock at \$1 per share on August 7, 2006. The Company received its certificate of authority on October 16, 2006, and commenced writing business on January 1, 2007.

On June 5, 2008, the Department approved a decrease of \$1,000,000 in the valuation of the 2,500,000 shares of capital common stock issued and outstanding by the Company, which reduced the par value from \$1 to \$0.60 per share. In 2013, the Company received a capital contribution of \$250,000 from its parent company.

On November 27, 2018, the Company's Board of Directors ("Board") approved an increase in common capital stock of \$1,000,000 and the Company issued 1,666,667 shares of \$0.60 par value common stock, which was funded through a transfer from the Company's surplus. There were no changes in ownership percentages nor any changes to the net capital available for the Company's operations as a part of this transfer. The Department approved the capital increase on December 7, 2018.

On February 1, 2021, companies within the holding company system changed their names as part of a rebranding process. Synergy Holdings, LLC became Prescient Holdings, LLC, Synergy Coverage Solutions, LLC became Prescient National Insurance Services, LLC and Synergy Insurance Company became Prescient National Insurance Company.

CAPITAL STOCK

As of December 31, 2022, 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	4,166,667
Total common capital stock	\$2,500,000
Par value per share	\$.60

As of December 31, 2022, all outstanding shares are owned by PH. At December 31, 2022, the Company reported \$4,350,000 in gross paid-in and contributed surplus and \$55,171,845 in unassigned funds.

DIVIDENDS TO STOCKHOLDER

Dividends are paid as declared by the Board of the Company. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the Company may pay to stockholders 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 the following dividends to its shareholders during the period under examination:

<u>Year</u>	<u>Amount</u>
2022	\$1,000,000
2021	\$2,000,000
2020	\$1,000,000
2019	\$1,200,000
2018	\$1,000,000

The Company also paid dividends totaling \$31,847 to its policyholders in 2022.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Shareholders

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 chief executive officer, the secretary, or 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 be not less than three nor more than nine. Directors are elected annually, at the annual meeting of 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
Bruce A. Flachs	Charlotte, North Carolina	President and Chief Executive Officer
Jill Bowyer	Charlotte, North Carolina	Chief Operating Officer
Scott H. Grant	Charlotte, North Carolina	Chief Financial Officer
Anthony C. Johnson	Charlotte, North Carolina	Insurance Broker, USI, Inc.
James K. Secunda	Belmont, North Carolina	Venture Capitalist
Robert L. Smee	Horsham, Pennsylvania	President, Brandywine Wealth Management

The Board has the authority to establish committees to manage the business of the Company. The Board has established several committees including an Audit Committee, Investment Committee, and an Operations Committee to act on behalf of the Company.

The following individuals served on committees as of December 31, 2022:

Audit Committee

Bruce Flachs
Scott Grant

Investment Committee

Bruce Flachs
Scott Grant
Robert Smee

Operations Committee

Bruce Flachs
Jill Bowyer

Officers

The bylaws provide that the Board will appoint the officers of the Company. The officers of the Company consist of a chief executive officer, 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. Any two offices may be held by the same person.

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

Name	Title
Bruce A. Flachs	President and Chief Executive Officer
Scott Grant	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 15, 2020, the Company amended its articles of incorporation and bylaws to change its name to Prescient National Insurance Company. The Department approved the amended bylaws on December 21, 2020. Based on our review, no other amendments were made to the Company's articles of incorporation or bylaws.

STATUTORY DEPOSITS

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

FIDELITY BONDS AND OTHER INSURANCE

The Company has fidelity bond coverage totaling \$2,000,000 in aggregate, which exceeds the minimum amount of fidelity bond coverage recommended by the Handbook.

In addition, the Company is a named insured on various corporate property and liability policies issued to PH, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company and Prescient Services are participating employers in a defined contribution and profit sharing 401(k) plan covering employees who have completed three months of service. Each participating employer matches 50% of the contributions made by its employees up to a maximum of 6% of the participant's compensation. The Company incurred plan expenses totaling \$13,566 and \$15,168 in 2022 and 2021, respectively.

RELATED PARTY AGREEMENTS

The Company has a managing general agent agreement with Prescient Services, effective December 1, 2019, and amended February 1, 2021, due to the Company's rebranding. Prescient Services provides policy administration services for the Company's workers' compensation and employer liability insurance policies. The policy administration services include, but are not limited to, underwriting, policy issuance, billing and collections, claims handling, regulatory compliance, and accounting. The Company incurred fees totaling \$7,532,058 and \$5,963,501 in 2022 and 2021, respectively, under this agreement.

The Company is included in a consolidated income tax return in accordance with a tax allocation agreement with its parent, PH, effective December 1, 2016, and amended February 1, 2021, due to the Company's rebranding. The agreement sets forth the parties' obligations in connection with their filing as a consolidated tax filing group. The Company shall remit to PH any amount determined to be due in accordance with the agreement on a quarterly basis in each utilization year, not later than the due date for the estimated quarterly payment. Refunds received by PH resulting from tax savings shall be remitted to the Company no more than 90 days following the calendar quarter in which that part of the tax refund was received. Refunds received by PH resulting from adjustments to previously filed tax returns shall be remitted to the Company no more than 90 days after such payments are received.

The Company purchased a building and land from Prescient Services in 2014 and began leasing the building back to Prescient Services that same year. The lease agreement between the Company and Prescient Services expired on December 31, 2022. A new three-year lease between the Company and Prescient Services was entered into on January 1, 2023. Lease income for the Company totaled \$262,080 for both 2022 and 2021.

TERRITORY AND PLAN OF OPERATION

The Company writes workers' compensation and employer liability insurance policies for certain classes of business, including, but not limited to, manufacturing, service, non-profit, retail, healthcare, office, temporary services, and light construction classifications.

At December 31, 2022, the Company was licensed in the following thirty-seven (37) states and the District of Columbia:

Alabama	Indiana	Mississippi	Oklahoma	Vermont
Arizona	Iowa	Missouri	Pennsylvania	Virginia
Arkansas	Kentucky	Montana	Rhode Island	West Virginia
Colorado	Louisiana	New Hampshire	South Carolina	Wisconsin
Delaware	Maine	New Jersey	South Dakota	Wyoming
Florida	Maryland	New Mexico	Tennessee	
Georgia	Michigan	North Carolina	Texas	
Illinois	Minnesota	Ohio	Utah	

The Company solicits business through independent agents located throughout the various states in which it's licensed.

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 December 31, 2022:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income
2022	\$108,597,788	\$62,021,845	\$43,172,612	\$28,767,043	\$8,356,387
2021	\$93,332,997	\$54,930,367	\$32,235,231	\$19,967,491	\$8,262,096
2020	\$84,904,305	\$48,389,248	\$24,076,539	\$14,506,571	\$5,353,001
2019	\$80,439,483	\$43,839,777	\$31,125,908	\$18,568,451	\$7,201,464
2018	\$78,610,420	\$37,469,347	\$35,991,319	\$19,216,097	\$9,828,781

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.

The statutory reserves and related items for 2022 were reviewed and certified by the Company's Appointed Actuary, Dana F. Joseph, FCAS, MAAA of Oliver Wyman. Actuarial Consulting, 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 quota share reinsurance contract with General Reinsurance Corporation (“Gen Re”), effective January 1, 2022, whereby the Company cedes 40% of its net retained liability up to \$1,000,000 per occurrence. The Company ceded premiums totaling approximately \$10,200,000 and \$7,400,000, in 2022 and 2021, respectively, under this contract.

The Company has three excess of loss reinsurance contracts, effective January 1, 2022, with various participating reinsurers, which provide the Company multiple layers of coverage on all its business written on a direct basis, as well as the business assumed from WCF National Insurance Company (“WCF”). The first layer provides coverage on losses of up to \$4,000,000 in excess of \$1,000,000; the second layer covers up to \$5,000,000 in excess of \$5,000,000; the third layer covers up to \$10,000,000 in excess of \$10,000,000; and the fourth layer covers up to \$20,000,000 in excess of \$20,000,000. Under these contracts, the Company has \$39,000,000 of total coverage on the excess layers. The Company ceded premiums totaling approximately \$2,900,000 and \$2,300,000, in 2022 and 2021, respectively, under these contracts.

The Company has an excess of loss reinsurance contract, effective January 1, 2022, with Lloyd’s Syndicate Number 2003, which provides coverage for acts of terrorism when the ultimate net loss is in excess of \$39,000,000. This provides \$10,000,000 of coverage above \$40,000,000 for acts of terrorism only. The Company ceded premiums totaling approximately \$41,000 and \$47,000, in 2022 and 2021, respectively, under this contract.

The Company has facultative reinsurance contracts for specific amounts to mitigate its exposure to losses not covered by its quota share reinsurance contract with Gen Re. The Company received a refund of \$56,000 in 2022 resulting in total premiums ceded of approximately (\$4,000) and 76,000 in 2022 and 2021, respectively, under these contracts.

REINSURANCE ASSUMED

The Company participates in the National Workers’ Compensation Reinsurance Pool (“NWCR Pool”), a residual market reinsurance mechanism for servicing carriers of worker’s compensation assigned risk plans administered by the National Council on Compensation Insurance, Inc. As a participant, the Company assumes premiums, losses, costs, and other expenses arising from coverage provided under authorized insurance plans written through a servicing carrier. The business assumed from the NWCR Pool is the Company’s proportionate share of the total voluntary market for workers’ compensation in the states that it writes coverage. The Company assumed premiums totaling approximately \$1,100,000 and \$481,000 in 2022 and 2021, respectively, from the NWCR Pool.

The Company participates in the Indiana Reinsurance Pool (“Indiana Pool”), a residual market reinsurance mechanism for servicing carriers of worker’s compensation assigned risk plans administered by the Indiana Compensation Rating Bureau. As a participant, the Company assumes premiums, losses, costs, and other expenses arising from coverage provided under authorized insurance plans written through a servicing

carrier. The business assumed from the Indiana Pool is the Company's proportionate share of the total assigned risk market for workers' compensation in Indiana. The Company assumed premiums totaling approximately \$88,000 and \$40,000 in 2022 and 2021, respectively, from the Indiana Pool.

The Company participates in the Michigan Workers' Compensation Insurance Placement Facility ("MI Facility"), a residual market reinsurance mechanism for servicing carriers of worker's compensation assigned risk plans administered by the Compensation Advisory Organization of Michigan. As a participant, the Company assumes premiums, losses, costs, and other expenses arising from coverage provided under authorized insurance plans written through a servicing carrier. The business assumed from the MI Facility is the Company's proportionate share of the total assigned risk market for workers' compensation in Michigan. The Company assumed premiums totaling approximately \$16,000 and \$6,000 in 2022 and 2021, respectively, from the MI Facility.

The Company has a workers' compensation and employer's liability quota share reinsurance contract with WCF, formerly known as Advantage, effective May 1, 2016, whereby the Company assumes business written by WCF on behalf of the Company in states where it is not authorized. The Company assumed premiums totaling approximately \$890,000 and \$799,000 in 2022 and 2021 respectively, from WCF.

Under a quota share reinsurance contract, effective April 1, 2012, the Company assumed 10% of the business written by Republic Indemnity Company of America. The contract has been in a runoff status since 2018.

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, 2022. 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, 2021, are unexamined and are presented for comparative purposes only.

Prescient National Insurance Company
Statutory Statement of Admitted Assets
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Bonds	\$ 65,137,611	\$ 42,979,545
Preferred stocks	45,062	61,497
Common stocks	3,005,089	3,307,983
Properties occupied by the company	4,097,452	4,189,840
Cash and short-term investments	15,138,872	23,687,055
Total cash and invested assets	87,424,086	74,225,920
Investment income due and accrued	429,595	303,077
Premiums and agents' balances in course of collection	2,271,321	2,662,022
Premiums and agents' balances booked but deferred and not yet due	12,806,123	10,743,161
Accrued retrospective premiums	130,473	197,071
Reinsurance recoverable	1,147,582	775,995
Funds held by or deposited with reinsured companies	317,021	704,071
Net deferred tax asset	903,372	542,425
Guaranty funds receivable or on deposit	34,589	122,542
Cash surrender value	2,154,576	2,111,812
Deductible receivable	974,399	942,931
Other receivable	4,650	1,970
Total Admitted Assets	\$108,597,788	\$93,332,997

Prescient National Insurance Company
Statutory Statement of Liabilities, Capital, and Surplus
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Losses	\$12,630,147	\$ 8,433,459
Reinsurance payable on paid losses and loss adjustment expenses	344,880	419,469
Loss adjustment expenses	3,024,125	2,223,179
Commissions payable, contingent commissions and other similar charges	985,326	1,417,516
Other expenses	240,446	186,641
Taxes, licenses, and fees	325,611	501,525
Federal income tax liability	245,981	684,328
Unearned premiums	10,753,094	9,331,134
Advance premium	38,367	250,504
Ceded reinsurance premiums payable	2,003,930	1,853,269
Amounts withheld or retained by Company for account of others	587,025	610,219
Payable to parent, subsidiaries, and affiliates	3,155,115	3,002,015
Derivatives	4,090	-
Payable for securities	654	-
Escrow deposits	2,528,692	2,457,831
Unearned reinsurance commissions	565,823	337,885
Collateral held for high deductible	9,142,640	6,693,657
Total Liabilities	46,575,943	38,402,630
Common capital stock	2,500,000	2,500,000
Gross paid in and contributed surplus	4,350,000	4,350,000
Unassigned funds	55,171,845	48,080,367
Total Capital and Surplus	62,021,845	54,930,367
Total Liabilities, Capital, and Surplus	\$108,597,788	\$93,332,997

Prescient National Insurance Company
Statutory Statement of Income
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Underwriting Income (Loss)		
Premiums earned	\$28,767,043	\$19,967,491
Deductions		
Losses incurred	8,738,653	2,386,776
Loss adjustment expenses incurred	3,405,286	1,918,504
Other underwriting expenses incurred	7,512,183	6,518,881
Total underwriting deductions	19,656,123	10,824,160
Net underwriting gain (loss)	9,110,920	9,143,331
Investment Income		
Net investment income earned	1,576,054	1,128,677
Net realized capital gains	(1,195)	51,974
Net investment gain (loss)	1,574,859	1,180,651
Other Income		
Net loss from agents' or premium balances charged off	-	(10,784)
Other income	93,359	60,383
Change in cash surrender value -corporate owned life insurance	42,764	39,381
Total other income (loss)	136,123	88,981
Federal income taxes incurred	2,433,669	2,150,867
Net Income (Loss)	\$8,356,387	\$8,262,096

Prescient National Insurance Company
Statutory Statement of Capital and Surplus
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Capital and surplus, beginning of year	\$54,930,367	\$48,389,248
Capital and surplus increases (decreases):		
Net income (loss)	8,356,387	8,262,096
Change in net unrealized capital gains or (losses)	(404,302)	283,597
Change in net deferred income tax	253,475	27,088
Change in non-admitted assets	(114,082)	(31,662)
Dividends to stockholders	(1,000,000)	(2,000,000)
Net change in capital and surplus	7,091,478	6,541,118
Capital and surplus, end of year	\$62,021,845	\$54,930,367

Prescient National Insurance Company
Statutory Statement of Cash Flow
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Cash From Operations		
Premiums collected net of reinsurance	\$28,637,242	\$20,695,993
Net investment income	1,772,281	1,533,451
Miscellaneous income	520,493	84,204
Total	30,930,016	22,313,648
Benefit and loss related payments	5,019,609	5,207,268
Commissions, expenses paid and aggregate write-ins	10,431,292	7,831,499
Dividends paid to policyholders	31,847	-
Federal income taxes paid	2,871,698	1,551,273
Total	18,354,446	14,590,040
Net cash from operations	12,575,570	7,723,608
Cash From (Used By) Investments		
Proceeds from investments sold, matured, or repaid	8,823,139	7,315,211
Cost of investments acquired	31,404,869	17,226,788
Net cash (used by) investments	(22,581,730)	(9,911,577)
Cash From (Used By) Financing and Miscellaneous Sources		
Dividends to stockholders	1,000,000	2,000,000
Other cash provided	2,457,976	825,585
Net cash from (used by) financing and miscellaneous sources	1,457,976	(1,174,415)
Reconciliation of Cash and Short-Term Investments		
Net change in cash and short-term investments	(8,548,183)	(3,362,383)
Cash and short-term investments, beginning of year	23,687,055	27,049,439
Cash and short-term investments, end of year	\$15,138,872	\$23,687,055

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 Company are as follows:

Bonds: Carried at amortized cost using the interest 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 interest method.

Preferred stocks: Investment grade perpetual preferred stocks are stated at fair value. Investment grade redeemable preferred stocks are stated at cost. Preferred stock at non-investment grade is stated at the lower of cost or fair value.

Common stocks: Carried at fair value.

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.

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. Some policyholders are required to submit deposit premiums to be held by the Company in escrow. The Company had \$2,528,692 and \$2,457,831 in deposit premiums at December 31, 2022 and 2021, respectively. Premiums are earned on a pro rata basis.

Real estate occupied by the Company: Land is reported at cost. Real estate is recorded at cost, net of accumulated depreciation. Depreciation on real estate is computed by the straight-line method over a period of thirty-nine years.

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.

Business acquisition costs: Charged to income as incurred.

Nonadmitted assets: Certain assets, such as premiums over 90 days past due and prepaid expenses, are "nonadmitted" and are charges against surplus.

Loan-backed securities: Stated at either amortized cost.

Unpaid loss & loss adjustment expense: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets:

The Company reported the following as non-admitted assets at December 31, 2022: premiums and agents' balances in the course of collection totaling \$39,529, premiums and agents' balances booked but not yet due totaling \$145,545, and prepaid expenses totaling \$86,143.

Reinsurance Activity:

The Company has quota share and excess of loss 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. The Company utilizes Guy Carpenter as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct, assumed, and ceded premiums written and earned are as follows:

	2022	2021
Direct and assumed written	\$43,172,613	\$32,235,231
Ceded written	13,168,100	9,891,653
Net written	30,004,513	22,343,578
Direct and assumed earned	40,945,439	30,297,101
Ceded earned	12,178,397	10,329,610
Net earned	\$28,767,042	19,967,491

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:

	2022	2021
Reserves for losses and loss adjustment expenses, beginning of year	\$10,656,638	\$14,066,729
Add:		
Provision for losses and loss adjustment expenses, current year	11,133,423	7,136,511
Change in estimated losses and loss adjustment expenses, prior years	1,010,515	(2,831,231)
Total incurred	12,143,938	4,305,280
Deduct:		
Losses and loss adjustment expenses paid, current year	3,198,891	2,936,880
Losses and loss adjustment expenses paid, prior year	3,947,413	4,778,491
Total paid	7,146,304	7,715,371
Reserves for losses and loss adjustment expenses, end of year	15,654,272	10,656,638
Increase (decrease) in reserve for losses and loss adjustment expenses	\$4,997,634	(\$3,410,091)

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, 2022 and 2021, the liability for losses and loss adjustment expenses was reduced by \$13,872,255 and \$11,523,982, 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 Department's last examination as of December 31, 2017:

	2020	2019	2018
Capital and surplus, beginning of year	\$43,839,777	\$37,469,347	\$28,602,360
Capital and surplus increases (decreases):			
Net income (loss)	5,353,001	7,201,464	9,828,781
Change in net unrealized capital gain (loss)	240,000	274,904	(18,418)
Change in net deferred income tax	(34,619)	39,656	(19,815)
Change in nonadmitted assets	(8,910)	(18,725)	149,570
Change in provision for reinsurance	-	73,131	(73,131)
Change in capital stock paid in	-	-	1,000,000
Surplus adjustments to paid-in capital	-	-	(1,000,000)
Dividends to stockholders	(1,000,000)	(1,200,000)	(1,000,000)
Change in surplus as regards policyholders for the year	4,549,472	6,370,430	8,866,987
Capital and surplus, end of year	\$48,389,248	\$43,839,777	\$37,469,347

Prescient National Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2022

Scott Grant, Chief Financial Officer
217 South Tyron Street
Charlotte, North Carolina, 28202

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 § 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$1,250,000.

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

Respectfully submitted,



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

May 22, 2024

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Bill Keely, Supervising 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: Bill Keely Date: 5/22/24

Sworn and subscribed before me this 22 day of May, 2024.

Notary Public Signature: Jessica N Vaughan Notary Public Seal:

JESSICA N VAUGHAN
Notary Public, North Carolina
Wake County
My Commission Expires
December 08, 2026