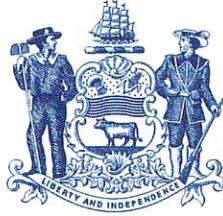


EXAMINATION REPORT
OF
AMERICAN SECURITY INSURANCE COMPANY
AS OF
DECEMBER 31, 2017

Trinidad Navarro
Commissioner



Delaware Department of Insurance

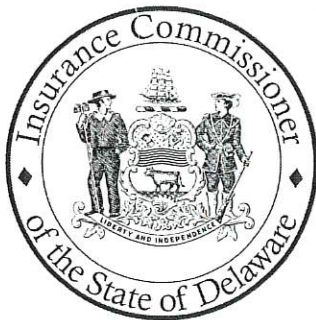
I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2017 of

AMERICAN SECURITY INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

Attest By: Rafique Brown

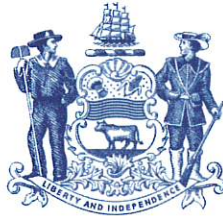
Date: 7th day of June, 2019



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 18 day of June, 2019.

Trinidad Navarro
Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF
AMERICAN SECURITY INSURANCE COMPANY
AS OF
DECEMBER 31, 2017

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink that reads "Trinidad Navarro".

Trinidad Navarro
Insurance Commissioner

Dated this 18 day of June, 2019

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SALUTATION

May 20, 2019

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 18.015, dated March 14, 2018, an Association examination has been made of the affairs, financial condition and management of

AMERICAN SECURITY INSURANCE COMPANY

hereinafter referred to as the Company or ASIC. ASIC was incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The examination was conducted at the main administrative offices of the Company, located at 11222 Quail Roost Drive, Miami, FL 33157. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our examination of ASIC as part of a multi-state coordinated examination. The last examination was conducted as of December 31, 2013 by the Delaware Department of Insurance (Department). This examination covers the four-year period from January 1, 2014, through December 31, 2017. The examination was conducted concurrently with the examinations of other insurance entities within the Assurant, Inc. Group (Assurant

Group), including: Standard Guaranty Insurance Company (SGIC), American Bankers Insurance Company of Florida (ABIC), Reliable Lloyds Insurance Company (RLIC), Voyager Indemnity Insurance Company (VIIC), American Bankers Life Assurance Company of Florida (ABLAC), American Memorial Life Insurance Company (AMLIC), John Alden Life Insurance Company (JALIC), Union Security Insurance Company (USIC), and Union Security Life Insurance Company of New York (USLICONY). The State of Delaware was the assigned lead state by the National Association of Insurance Commissioners (NAIC). To the fullest extent, the efforts, resources, project material, and findings were coordinated and made available to all examination participants. Separate reports of examination were filed for each company.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The NAIC 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. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The 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 following the Company's financial statements.

This examination report includes significant findings of fact, in accordance with 18 *Del. C. § 321*, 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 other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers, LLP (PwC). Certain auditor work papers of the 2017 audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

On January 1, 2004, the Company was an indirect wholly-owned subsidiary of Fortis, Inc., domiciled in the United States, which itself was an indirect, wholly-owned subsidiary of Fortis N.V. of the Netherlands and Fortis SA/NV of Belgium (collectively Fortis), through their affiliates, including their wholly owned subsidiary, Fortis Insurance N.V.

On February 5, 2004, Fortis sold approximately 64% of its ownership in Fortis, Inc. via Initial Public Offering (IPO) and retained approximately 36% of its ownership. In connection with the IPO, Fortis, Inc. was merged into Assurant, Inc. (Assurant), a Delaware corporation, which was formed solely for the re-domestication of Fortis, Inc. After the merger, Assurant became the successor to the business, operations, and obligations of Fortis, Inc. Further, Fortis transferred their ownership of Assurant's stock into their wholly owned subsidiary, Fortis Insurance N.V.

On January 21, 2005, Fortis owned approximately 36% (50,199,130 shares) of Assurant, based on the number of shares outstanding that day. In a secondary offering on that same day, Fortis sold 20% of its interest in Assurant and concurrently, sold mandatorily exchangeable bonds for its remaining interest.

Direct ownership of the Company resides with Interfinancial, Inc. (Interfinancial), an intermediate holding company of Assurant, formerly known as Fortis, Inc. until February 5, 2004, when that company was sold off in a public IPO from its parent, Fortis, as noted previously. Assurant acquired its interest in Interfinancial on June 30, 1980.

As of December 31, 2017, the Company continued to have its wholly owned subsidiary, SGIC, a Delaware domestic insurance company, which was examined concurrently with this examination.

Capitalization

The Company's amended Articles of Incorporation authorizes the issuance of four-thousand shares of common stock with a \$4,700.00 par value. As of December 31, 2017, all common shares were issued and outstanding totaling \$5,052,500. All outstanding common shares of the Company are owned by its parent, Interfinancial. In 2016, the Company received a \$5,000,000 capital contribution from Interfinancial. As of December 31, 2017, the Company reported gross paid in and contributed surplus of \$71,367,386.

Dividends

The Company's Board of Directors (Board) approved the following dividends during the exam period:

<u>Year</u>	<u>Dividends</u>
2014	\$ 335,000,000 ¹
2015	\$ 340,000,000 ²
2016	\$ 85,000,000 ³
2017	\$ 43,000,000

1. The Company paid extraordinary dividends totaling \$177,492,957 in 2014.
2. The Company paid extraordinary dividends totaling \$340,000,000 in 2015.
3. The Company paid extraordinary dividends totaling \$85,000,000 in 2016.

All dividends were approved in the Board minutes and proper filings were made to the Department for extraordinary dividends.

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Articles of Incorporation and bylaws, the property, business and affairs of the Company shall be managed by the Board. The amended and restated bylaws require that the Board consist of not less than seven (7) nor more than fifteen (15) members, the precise number to be fixed from time to time by resolution of the stockholders, to be chosen by the stockholders at their annual meeting.

The Directors are elected annually by the stockholder and hold office until the next annual election and until their successors are elected and qualify.

As of December 31, 2017, the members of the Board, together with their principal business affiliations, were as follows:

<u>Name and Location</u>	<u>Principal Occupation</u>
Rebekah Susan Biondo Miami, Florida	Senior Vice President, Financial Officer Assurant, Inc.
John August Frobose Atlanta, Georgia	President, Lending Solutions Global Home
Robbie Harrington Atlanta, Georgia	Vice President, Managing Attorney Assurant, Inc.

Julia Mercedes Hix Miami, Florida	Vice President, Regulatory Compliance Assurant, Inc.
Ivan Carlos Lopez-Morales Atlanta, Georgia	President, Assistance and Financial Services Assurant, Inc.
Katharine Ann McDonald Miami, Florida	Executive Vice President Assurant, Inc.
Gary Turner ⁽¹⁾ Atlanta, Georgia	Senior Vice President, Operations and Services Admin Global Home

(1) Effective March 4, 2019, Mr. Gary Turner was removed as Director of the Company and left Assurant. Effective March 28, 2019, Mr. Garrett Hoyt Hale, Senior Vice President, Operations and Services Admin Global Home, was appointed as a Director of the Company.

Committees

Article III of the amended bylaws states that the Board may appoint from among its members an Executive Committee, an Investment Committee, an Audit Committee and any Other Committees that the Board deems desirable.

As of December 31, 2017, the Company had not established a separate Executive, Investment, Audit or Other Committee; however, the Board had designated the Executive, Investment, and Audit Committees of Assurant as the committees of the Company.

Officers

Article IV of the amended and restated bylaws state that the Company's executive officers shall consist of a President, one or more Vice Presidents, a Secretary, and a Treasurer, and may include one or more Assistant Secretaries and one or more Assistant Treasurers. Other officers may be appointed, all of whom shall be elected by the Board and who shall hold office until their successors are elected and qualified. The Chairman of the Board and the President shall be chosen from among the directors of the Corporation and may hold such offices so long as they continue to be directors. The President shall be the Chairman of the Board. No other officers need be a director.

As of December 31, 2017, the Company's principal officers and their respective titles were as follows:

<u>Name</u>	<u>Principal Occupation</u>
John August Frobose	President
Jeannie Amy Aragon-Cruz	Secretary
Beech Hargis Turner	Treasurer, Vice President
Eduardo Arthur	Senior Vice President
Manuel Jose Becerra	Senior Vice President
Garrett Hoyt Hale	Senior Vice President
Julia Mercedes Hix	Senior Vice President
Ivan Carlos Lopez-Morales	Senior Vice President
Katharine Ann McDonald	Executive Vice President
Keith Roland Meier	Senior Vice President
Gary Louis Lau	Vice President
Temika LaTonia Montford	Vice President
Gregory Joseph DeChurch	General Counsel
Jeffrey Alan Lamy	Appointed Actuary
Marilyn Montero Piccolo	Chief Information Security Officer

The Company maintains a formal written Code of Ethics, which sets out minimum standards of ethical conduct that applies to all employees, officers and directors. Incorporated into the Code of Ethics is a conflict of interest policy. Pursuant to the policy, conflicts of interest are to be promptly reported in writing to the General Counsel. Annual acknowledgment is required documenting that conflicts of interest do not exist.

In accordance with the Department Examination Handbook, Section 12, a review of biographies and inquiries with Management noted that there was no indication of any criminal conviction of officers, directors or key employees of the Company.

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, review of Company files indicated that written

correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in 18 *Del. C.* §5001 of the Delaware Insurance Code. The Company's Holding Company Registration Statements were timely filed with the Department for the years under examination. As noted previously, the Company is a wholly-owned subsidiary of Interfinancial, which is a wholly-owned subsidiary of Assurant. Assurant's common stock is publicly traded on the New York Stock Exchange under the ticker symbol AIZ. The largest shareholder of AIZ is The Vanguard Group, Inc., ultimate parent of the Assurant organization.

Organization Chart

An abbreviated organizational chart of the Assurant holding company system as of December 31, 2017, is as follows:

<u>Company</u>	<u>Domicile</u>	<u>% own</u>
The Vanguard Group, Inc. ⁽¹⁾		
Assurant, Inc.	Delaware	100%
Union Security Life Insurance Company of New York	New York	100%
Interfinancial, Inc.	Georgia	100%
American Security Insurance Company	Delaware	100%
Standard Guaranty Insurance Company	Delaware	100%
American Memorial Life Insurance Company	South Dakota	100%
John Alden Life Insurance Company	Wisconsin	100%
Union Security Insurance Company	Kansas	100%
Time Insurance Company ⁽²⁾	Wisconsin	100%
American Bankers Insurance Group, Inc.	Florida	100%
ABI International	Cayman Islands	100%
Protection Holding Cayman	Cayman Islands	72%
Assurant International Division Limited	Malta	99%
Assurant Solutions Holdings Puerto Rico, Inc.	Puerto Rico	100%
Caribbean American Property Insurance Company	Puerto Rico	74.33%
Caribbean American Life Assurance Company.	Puerto Rico	100%
Caribbean American Property Insurance Company	Puerto Rico	25.67%
American Bankers Insurance Company of Florida	Florida	100%

American Bankers General Agency, Inc.	Texas	100%
Reliable Lloyds Insurance Company ⁽³⁾	Texas	100%
American Bankers Life Assurance Company of Florida	Florida	100%
Voyager Group, Inc.	Florida	100%
Voyager Indemnity Insurance Company	Georgia	100%

- (1) Disclosed on the filed 2017 Holding Company Registration Statement, Vanguard owns 11.11% of the 52,475,408 common shares of Assurant as of February 12, 2018, making it an ultimate controlling entity of the Company. Vanguard filed a disclaimer of control/affiliation with the Department relating to the control of the Company. The Department accepted and approved Vanguard's disclaimer of control/affiliation.
- (2) Time Insurance Company subsequently acquired from Assurant by Haven Holdings on December 3, 2018.
- (3) Controlled by American Bankers General Agency, Inc. through a management agreement.

Agreements with Affiliates

- Intercompany Services & Payment Intermediary Agreements

The Company entered into the following Intercompany Services & Payment Intermediary

Agreements (ISPIA) with the captioned affiliates during the examination period:

- Effective January 1, 2014, the Company entered into an ISPIA with SGIC, Field Asset Services, Assurant Services LLC, and Assurant New Ventures, Inc.
- Effective February 1, 2015, the Company amended its ISPIA with Signal LP, Signal Northwest LLC, and CWork Solutions, LP, originally effective January 1, 2011, to add Broadtech, LLC as party to the agreement.
- Effective February 1, 2017, the Company entered into an ISPIA with SGIC and Green Tree Insurance Agency Inc.; amended effective May 31, 2017 for Green Tree name change to Assurant Insurance Agency Inc.
- Effective August 1, 2017, the Company entered into ISPIA with American Bankers Insurance Group.
- Effective August 1, 2017, the Company entered into an ISPIA with American Bankers Management Company.
- Effective August 1, 2017, the Company entered into an ISPIA with Assurant Payment Services and MS Diversified.

Pursuant to the terms of the agreements, the parties each expend costs and generate expenses in the ordinary course of their business and this agreement sets forth their duties and obligations to each other and the reimbursement for the cost of services and amounts expended on behalf of or for the benefit of the other.

- Sale of Assets Agreement

Effective June 13, 2014, the Company entered into a Sale of Assets Agreement with SGIC, whereby SGIC agreed to sell, and ASIC agreed to buy assets with a purchase price of \$20,442,555 to be allocated among the purchased assets. ASIC paid the purchase price in full.

- Amended and Restated Intercompany Tax Allocation Agreement

The Company files a consolidated federal income tax return and uses the method of allocation, which is guided by the written agreement. Within the agreement, the allocation is based on a separate return and the calculations are analyzed with focus and concern on the current credit for net losses. The intercompany tax balances are settled within thirty (30) days of the filing of the consolidated federal income tax return. The Tax Allocation Agreement was amended and restated for a third time effective January 1, 2016 to change the assignability and manner of settlement. The Company paid \$11,890,601 in 2017 under this agreement.

- Other Intercompany Agreements

The following agreements became effective prior to the examination period and remained in-force as of December 31, 2017:

- Management Agreement dated January 1, 1994, between the Company and Assurant.
- Investment Management Agreement dated January 1, 1995, between the Company and Assurant.
- Operating Lease Agreement dated January 1, 2002, between the Company and Assurant.
- Management Agreement dated January 1, 2002, between the Company and SGIC.
- Net Rate Agreement dated March 30, 2006, amended April 30, 2009, between the Company, ABIC and Consumer Assist Network Association.
- General Agency Agreement dated May 1, 2006, between the Company, SGIC, VIIC and TrackSure Insurance Agency, Inc. (TrackSure).
- Management Agreement dated June 15, 2007, between the Company and Insureco, Inc.
- Affiliate Services Agreement dated December 31, 2007, between the Company and SGIC.
- Intercompany Services and Payment Intermediary Agreement dated January 1, 2008, between the Company and ABIC.
- Allocation Agreement dated January 1, 2008, between the Company and SGIC.

- General Agency Agreement dated October 1, 2008, between the Company and Signal, LP.
- Payroll Prefunding Agreement dated December 1, 2008, between the Company and Assurant.
- General Agency Agreement dated December 31, 2008, between the Company, Insureco Agency and Insurance Services, Inc.
- ISPIA dated December 31, 2008, between the Company and ABLAC.
- Affiliate Services Agreement dated January 1, 2010, between the Company and SGIC.
- Intermediary Agreement dated May 1, 2010, between the Company and USIC.
- Intermediary Agreement dated January 1, 2011 between the Company and US Insurance Services Inc.
- Insurance Services Agreement dated November 1, 2012, between the Company and ABIC.

Amounts paid by the Company under the above agreements during 2017 were \$222,506,237, and amounts received by related parties amounted to (\$156,699,644).

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2017, the Company is licensed and/or authorized to transact business in forty-nine U.S. states (the exception being New Hampshire), the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands and Guam.

For the year ended December 31, 2017, the Company wrote approximately 69.8% of its business in the jurisdictions of Florida (28.4%), New York (17.9%), Texas (13.5%) and California (10.1%).

Plan of Operation

The Company offers fire and allied lines, marine, transportation, property and casualty, theft and burglary, leakage and fire extinguisher equipment, liability, fidelity, surety and guaranty bonds, all forms of motor vehicle and aircraft insurance, credit insurance, and accident and health insurance.

The Company's principal products protect the collateral of financial institution loans and their revolving credit balances, or the institution loan customer from property and casualty losses arising from fire, windstorm, loss of income, contractual liability and auto physical damage. Business is written by banks and finance companies located throughout the United States. The Company has no branch offices. The Company has one corporate agent that is an affiliate, Insureco Agency. Insureco Agency procures hazard insurance (lender-placed coverage) for various financial institutions on the Company's paper, collects premium payments, deducts commissions due and remits the net amounts to the Company. As of December 31, 2017, the Company reported approximately 92 corporate distributors and 2,142 licensed individual agents and brokers throughout the U.S. to distribute its products.

REINSURANCE

The Company's reinsurance activities are performed within the various business segments and to some extent at the corporate level especially regarding coverage against catastrophic events. The Company utilizes reinsurance for loss protection and capital management, business dispositions and, in the Assurant Global Lifestyle and Assurant Global Housing segments, insured risk and profit sharing. In addition, the Company has utilized ceded reinsurance contracts to exit certain businesses that no longer fit into its business model or strategic plans. The following is a brief description of those activities:

Assumed

The Company's reinsurance assumed activities, as reported in Schedule F, excluding intercompany assumed business, was nominal and not significant in relation to the overall operation. While these activities were reviewed during the course of the examination, the examination focused on ceded reinsurance business. In 2017, the Company reported assumed

business from its affiliate, SGIC, totaling \$177,470,000 in assumed premiums, with paid losses and loss adjustment expenses (LAE) of \$6,701,000 and known case reserves (with LAE) of \$7,094,000. Amounts reported by the Company matched the affiliate's annual statement ceded balances. Other unaffiliated activities were nominal.

Ceded (Other than Catastrophe)

The Company actively utilizes ceded reinsurance for loss protection and capital management, business dispositions and, in Assurant Global Lifestyle and Assurant Global Housing business segments, insured risks and profit sharing. The following schedule demonstrates the extent of the Company's ceded reinsurance activities:

	Reinsurance Premiums Ceded	Paid Losses	Ceded Loss Reserves	Net Amount Recoverable
Affiliates – Authorized	\$ 4,353,000	\$ -0-	\$ 1,616,000	\$ 10,011,000
Affiliates – Unauthorized	-0-	-0-	-0-	-0-
Unaffiliated – Authorized	72,021,000	14,015,000	66,748,000	89,013,000
Unaffiliated – Unauthorized	130,008,000	12,374,000	30,534,000	54,839,000
Certified	<u>1,618,000</u>	<u>275,000</u>	<u>666,000</u>	<u>848,000</u>
	<u>\$208,000,000</u>	<u>\$26,664,000</u>	<u>\$99,564,000</u>	<u>\$154,711,000</u>

A substantial portion of the Company's unaffiliated ceded reinsurance activities are related to agreements to reinsure premiums generated by certain clients back to those clients' own captive insurance companies, or to reinsurance subsidiaries in which they have an ownership interest. This is accomplished through the use of generally standard quota share reinsurance agreements with the various captives. The Company derives servicing income from processing and other service fees received from these clients. These activities are generally located within the Assurant Global Lifestyle and Assurant Global Housing business segments and are managed within each segment.

Catastrophe Reinsurance – Assurant Inc.

Due to the nature and geographic location of loss exposures related to several product lines (such as homeowners, manufactured housing, and other property policies) that exposes Assurant Group to possibly extreme catastrophe losses, it obtains reinsurance coverage to protect the capital of the organization and to mitigate earnings volatility. This exposure is most significant in the Global Housing business segment, to a lesser degree in the Global Lifestyle business segment, and some minor exposures are covered in other segments. The catastrophe reinsurance activity is generally managed at the corporate Assurant Group level and affords protection across the various affected business segments up to a 174-year event or \$1,155,000,000 (net of Florida Hurricane Catastrophe Fund cover). The primary Assurant Group corporate catastrophe reinsurance is outlined as follows:

	Limit	Retention	Details
Assurant Retention ⁽¹⁾	\$ -	\$ 125 million	Group Retention
Layer 1	45 million	125 million	Layer placed 95.25%
Layer 2	90 million	170 million	Layer placed 100%
Layer 3	180 million	260 million	Layer placed 84%
Layer 4	265 million	440 million	Layer placed 84%
Layer 5	450 million	705 million	Layer placed 84%
Stretch Layer ⁽²⁾	895 million	260 million	Layer placed 16%

(1) All layers function on a cascading basis down to the \$125M retention level, thus, after any layer is exhausted, reinstated, and exhausted again, higher layers will cascade down such that the company's retention level on further events remains \$125M.

(2) The stretch layer is purchased on a two-year multiyear basis.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets and Liabilities as of December 31, 2017
- Statement of Income for the year ended December 31, 2017
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2013 to December 31, 2017

Statement of Assets and Liabilities
As of December 31, 2017

	<u>Assets</u>	<u>Non admitted Assets</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 649,816,639		\$ 649,816,639	
Preferred stocks	56,143,297		56,143,297	
Common stocks	130,553,847		130,553,847	
First liens	57,628,653		57,628,653	
Properties occupied by the company	20,341,542		20,341,542	
Propertiers held for sale	395,000		395,000	
Cash	21,322,310		21,322,310	
Other invested assets	68,069,702		68,069,702	
Receivables for securities	3,326,553		3,326,553	
Subtotals, cash and invested assets	<u>\$ 1,007,597,543</u>	<u>\$ -</u>	<u>\$ 1,007,597,543</u>	
Investment income due and accrued	8,347,446		8,347,446	
Uncollected premiums and agents' balances in the course of collection	6,664,475		6,664,475	
Amounts recoverable from reinsurers	26,664,214		26,664,214	
Funds held by or deposited with reinsured companies	488,178		488,178	
Current federal and foreign income tax recoverable and interest thereon	79,461,743		79,461,743	
Net deferred tax asset	30,613,847		30,613,847	
Guaranty funds receivable or on deposit	986,633		986,633	
Electronic data processing equipment and software	86,606,698	86,594,198	12,500	
Furniture and equipment	2,675,991	2,675,991	-	
Receivable from parent, subsidiaries and affiliates	195,915,581	1,473	195,914,108	
Fee income receivable	14,557,179		14,557,179	
Accounts receivable other	2,890,696		2,890,696	
Premium tax recoverable	2,093,361		2,093,361	
Miscellaneous assets	25,082	17,144	7,938	
Prepaid expenses	1,000,000	1,000,000	-	
Amounts due from outside parties	666,967	666,967	-	
Totals	<u>\$ 1,467,255,634</u>	<u>\$ 90,955,773</u>	<u>\$ 1,376,299,861</u>	

American Security Insurance Company

		<u>Notes</u>
Losses	\$ 191,801,078	1
Reinsurance payable on paid losses and LAE	6,832,754	
Loss adjustment expenses	21,719,034	1
Commissions payable, contingent commissions	1,454,017	
Other expenses	48,699,135	
Taxes, licenses and fees	5,968,417	
Current federal and foreign income taxes		
Unearned premiums	500,350,671	
Ceded reinsurance premiums payable	11,311,686	
Funds held by company under reinsurance treaties	13,214,927	
Amounts withheld or retained by company for account of others	1,052,014	
Remittances and items not allocated	63,890	
Provisions for reinsurance	2,401,000	
Payable to parent, subsidiaries, and affiliates	27,930,473	
Payable for securities	5,819,789	
Unclaimed funds to be escheated	14,771,503	
Unearned revenue	12,572,475	
Micellaneous liabilities	4,026,036	
Other liabilities	30,930	
Agents' credit balances	195	
Total liabilities	<u>\$ 870,020,024</u>	
Common capital stock	5,052,500	
Gross paid in and contributed surplus	71,367,386	
Unassigned funds (surplus)	429,859,951	
Surplus as regards policyholders	<u>\$ 506,279,837</u>	
Totals	<u><u>\$1,376,299,861</u></u>	

Statement of Income
For the Year Ended December 31, 2017

		Notes
Premiums earned	\$ 888,820,866	
Losses incurred	\$ 484,477,438	
Loss adjustment expenses incurred	70,940,716	
Other underwriting expenses incurred	456,133,072	
Total underwriting deductions	\$ 1,011,551,226	
Net underwriting gain (loss)	\$ (122,730,360)	
Net investment income earned	74,167,490	
Net realized capital gains or (losses)	2,524,796	
Net investment gain (loss)	\$ 76,692,286	
Net gain (loss) from agents' or premiums balances charged off	\$ 10,698	
Finance and service charges not included in premiums	295,958	
Fee income	69,364,786	
Fines and penalties	(5,071,999)	
Administrative fees	2,853,794	
Miscellaneous income	1,299,158	
Gain/loss on disposal of fixed assets	5,569	
Total other income	\$ 68,757,964	
Net income after dividends to policyholders	\$ 22,719,890	
Dividends to policyholders	-	
Net income, after dividends to policyholders	\$ 22,719,890	
Federal and foreign income taxes incurred	(69,112,408)	
Net income	\$ 91,832,298	
Surplus as regards policyholders, December 31, 2016	\$ 555,201,991	
Net income (losses)	\$ 91,832,298	
Change in net unrealized capital gains (losses)	(13,878,514)	
Change in net deferred income tax	(76,224,897)	
Change in non-admitted assets	(3,433,041)	
Change in provision for reinsurance	(1,813,000)	
Dividends to stockholders	(43,000,000)	
Correction of errors	(2,405,000)	
Net change in capital and surplus for the year	\$ (48,922,154)	
Surplus as regards policyholders, December 31, 2017	\$ 506,279,837	

**Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2013, to December 31, 2017**

	Correction of Errors	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/13		5,052,500	66,367,386	669,424,597	740,844,483
12/31/14	1			(79,337,684)	(79,337,684)
12/31/15	1			(102,661,617)	(102,661,617)
12/31/16	2,3	5,674,389	5,000,000	(14,317,580)	(3,643,191)
12/31/17	2	(2,405,000)		(46,517,154)	(48,922,154)
		<u>\$ 3,269,389</u>	<u>\$ 71,367,386</u>	<u>\$ 426,590,562</u>	<u>\$ 506,279,837</u>

- (1) Represents net income, change in unrealized capital gains (losses), change in unrealized foreign exchange gain (losses), change in net deferred income tax, change in non-admitted assets, change in provisions for reinsurance and dividends paid.
- (2) Correction of errors due to IT related expenses not properly recorded pertaining to a review of lender-placed insurance products, recording of a settlement with several states related to a multi-state market conduct exam in 2016, and correction of an error in premium effective tax rates discovered in 2016 for prior year rates.
- (3) Surplus adjustment – Paid In.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statements as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$191,801,078
Loss Adjustment Expenses	\$ 21,719,034

In order for the examination team to gain an adequate comfort level with the Company's losses and LAE reserve estimates, the Department retained the actuarial services of INS Consultants (INS) to perform a risk-focused review of the Company's reserving and pricing activities. Certain risks within the reserving processes required Phase 5 substantive test work.

Conversely, pricing risks were mitigated and therefore did not require any Phase 5 substantive test work.

Based on the procedures performed and results obtained by INS, the examination team obtained sufficient evidence to support the conclusion that the Company's net loss and LAE reserves were reasonably stated as of December 31, 2017.

SUBSEQUENT EVENTS

The following material subsequent events occurred, requiring disclosure in this examination report.

Acquisition of The Warranty Group from TPG Capital by Assurant, Inc.:

On October 17, 2017, Assurant, Inc. entered into an Agreement and Plan of Merger (the Original Merger Agreement), with: TWG Holdings Limited, a Bermuda limited company and portfolio company of TPG Capital (TWG Holdings, and together with its subsidiaries, including TWG); TWG Re, Ltd., a corporation incorporated in the Cayman Islands (TWG Re); and Arbor Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of TWG Holdings (TWG Merger Sub). Under the terms of the Original Merger Agreement and subject to the satisfaction or waiver of the conditions therein, Assurant and TWG would have combined their businesses through a transaction in which TWG Merger Sub would have merged with and into Assurant, with Assurant continuing as the surviving corporation and a wholly owned subsidiary of TWG Holdings. On January 8, 2018, Assurant entered into an Amended and Restated Agreement and Plan of Merger (the A&R Merger Agreement) with: TWG Holdings; TWG Re; TWG Merger Sub; and Spartan Merger Sub, Ltd., a Bermuda exempted limited company and direct wholly owned subsidiary of Assurant (Merger Sub), which amended and restated in its entirety the Original Merger Agreement. Under the terms of the A&R Merger

Agreement and subject to the satisfaction or waiver of the conditions therein, in lieu of the transactions contemplated by the Original Merger Agreement, Assurant would acquire TWG Holdings through a transaction in which Merger Sub would merge with and into TWG Holdings, with TWG Holdings continuing as the surviving corporation and a wholly owned subsidiary of Assurant. On May 31, 2018, pursuant to the terms of the A&R Merger Agreement, Assurant completed its acquisition of TWG from TPG Capital for a total enterprise value of approximately \$2.5 billion.

Intercompany Agreements

Subsequent to the period under examination, the Company entered into two new intercompany agreements as follows:

Intercompany Services and Payment Intermediary Agreement (ASIC, SGIC and TrackSure Insurance Agency, Inc.)

Effective July 1, 2018, the Company entered into an ISPIA with SGIC and TrackSure. Pursuant to the terms of the agreement, the parties each expend costs and generate expenses in the ordinary course of their business and this agreement sets forth their duties and obligations to each other and the reimbursement for the cost of services and amounts expended on behalf of or for the benefit of the other.

Intercompany Services and Payment Intermediary Agreement (ASIC, SGIC, Assurant New Ventures, I.Q. Data International, TS Holdings, and Shipassurance Insurance Services)

Effective August 1, 2018, the Company entered into an ISPIA with SGIC and Shipassurance Insurance Services, Inc., and other affiliates. Pursuant to the terms of the agreement, the parties each expend costs and generate expenses in the ordinary course of their business and this agreement sets forth their duties and obligations to each other and the reimbursement for the cost of services and amounts expended on behalf of or for the benefit of the other.

Dividend Payment

On November 30, 2018, ASIC submitted a request to pay a \$15 million dividend to its parent company on December 31, 2018. The Department approved the payment on December 4, 2018.

Reserves Release

As of December 31, 2018, the Company released \$2.145 million of net loss and LAE reserves for accident years 2017 and prior, which is 1.0% of December 31, 2017 net Annual Statement reserves. This release of reserves was based on additional data through December 31, 2018.

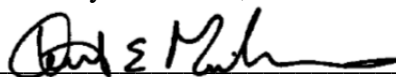
SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

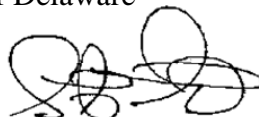
CONCLUSION

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS, the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



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State of Delaware



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