

ORGANIZATIONAL EXAMINATION
OF
GRAND RIVER INSURANCE COMPANY
AS OF
AUGUST 31, 2022

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON ORGANIZATIONAL EXAMINATION
OF
GRAND RIVER INSURANCE COMPANY
AS OF
AUGUST 31, 2022

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, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 9th day of November, 2022

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September 14, 2022

Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street, Suite 101
Dover, DE 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 22.916, dated April 20, 2022, an Organizational Examination has been conducted of

Grand River Insurance Company

hereinafter referred to as GRIC or the Company. The Company was incorporated under the laws of the State of Delaware as a stock property and casualty insurance company.

The Company's registered agent is The Corporation Trust Company with its registered office located at Resident Agents, Inc., 8 the Green, Suite R, Dover, Delaware 19901. The Company's administrative office address is located at 755 W. Big Beaver Road, Suite 2020, Troy, Michigan, 48084.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with the Company's application for a property and casualty insurer Certificate of Authority in the State of Delaware.

The Company's corporate records, records applicable to and attendant with its application, as well as financial data as of July 1, 2022, have been reviewed.

HISTORY

The Company was incorporated on November 21, 2016, under the laws of the State of Delaware and was authorized to issue five thousand (5,000) common shares with no par value. The Company originally issued a capital stock certificate (#1) to Grand River Holdings, LLC (GRH), a Delaware limited liability company, on November 21, 2016, for one thousand (1,000) common shares.

On September 20, 2021, the Company's Articles of Incorporation were amended and restated with an authorization to issue ten thousand (10,000) common shares with \$80 par value per share. Consequently, the originally-issued capital stock certificate #1 was cancelled with Board of Director (Board) approval on June 22, 2022. Thereafter, the Company re-issued the following capital stock certificate to GRH:

| <u>Certificate</u> | <u>Shares</u> | <u>Date</u> | <u>Capital</u> | Gross Paid In and Contributed <u>Surplus</u> | <u>Total</u> |
|--------------------|---------------|-------------|----------------|---|--------------|
| Restated #1 | 10,000 | 06/xx/2022 | \$800,000 | \$400,000 | \$1,200,000 |

MANAGEMENT AND CONTROL

Board of Directors

In accordance with its bylaws, adopted September 20, 2021, the business and affairs of the Company shall be managed by a Board. The number of directors shall be not less than one nor more than ten and may be fixed or changed from time to time by resolution of the Board. The directors are to be elected at the annual meeting of the Company's stockholder and shall hold office until his successor shall be elected and qualified.

The directors serving as of the examination date were as follows:

Kurt W. Fuller
Victor Dusseaux

Committees of the Board of Directors

No committees of the Board have been constituted as of the examination date.

Officers

In accordance with its bylaws, the officers of the Company shall be a Chairman of the Board, Chief Executive Officer, President, Treasurer, Secretary, Chief Financial Officer, Chief Operating Officer, one or more Vice Presidents, including Executive Vice Presidents, Senior Vice Presidents and such Assistant Secretaries and Assistant Treasurers as deemed necessary, who shall hold office until their successors are elected and qualified. The officers serving as of the examination date were as follows:

| <u>Officer</u> | <u>Office</u> |
|-----------------|-------------------------|
| Kurt W. Fuller | Chairman of the Board |
| Kurt W. Fuller | Chief Executive Officer |
| Victor Dusseaux | President |
| Victor Dusseaux | Treasurer |
| Victor Dusseaux | Secretary |
| Victor Dusseaux | Chief Financial Officer |
| vacant | Chief Operating Officer |

The Company completed the National Association of Insurance Commissioners (NAIC) Form 11 - Biographical Affidavit for the director and officer noted above.

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective September 20, 2021.

A conflict of interest statement was completed by Kurt Fuller and Victor Dusseaux, who constitute the directors and executive officers noted above. Kurt Fuller disclosed that his wife, Tania E. Fuller is the sole owner of Fuller Law and Counseling, P.C. (Fuller Law). Fuller Law

provides requested legal services to the Company and other entities in the FC Capital Partners, LLC group (FC Capital Partners). Fuller Law provides such legal services to the Company at a discounted rate, and only as requested by the Company. Kurt Fuller does not request legal services of any kind from Fuller Law. Kurt Fuller maintains that this legal services relationship between Fuller Law and the Company as well as other FC Capital Partner entities is not perceived as a conflict of interest between himself and the Company or any other FC Capital Partner entities for the following reasons:

- 1.) Kurt Fuller does not request legal services for the Company
- 2.) All Fuller Law legal services are specifically requested on behalf of the Company and are not provided at the discretion of Fuller Law
- 3.) All Board members of the Company (which are Kurt Fuller and Victor Dusseaux) are aware of this working relationship with Fuller Law

Fuller Law billed the Company for legal services of \$37,955 in 2019, \$42,345 in 2020, \$5,920 in 2021, and \$6,105 in 2022.

HOLDING COMPANY SYSTEM

At formation, the Company became a member of an Insurance Holding Company System. 18 *Del. C.* §5001(3) states that “control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person.”

The Company is a wholly-owned subsidiary of GRH, which is a wholly-owned subsidiary of FC Capital Partners.

FC Capital Partners has 3 classes of shares: Class A voting shares, Class B non-voting shares and Class C non-voting shares. Management has stated that the total infused capital to FC Capital Partners is \$5,985,956 allocated as follows: \$1,790,000 Class A non-voting shares {100% voting control, 29.91% ownership control}, \$3,536,027 Class B non-voting shares {0% voting

control, 59.07% ownership control} and \$659,529 Class C non-voting shares {0% voting control, 11.02% ownership control}.

The Kurt W. Fuller Trust owns 100% of the Class A voting shares of FC Capital Partners and Kurt W. Fuller is the administrator of the Kurt. W. Fuller Trust. The Class B non-voting shares of FC Capital Partners are owned by “an Employee, Consultant and outside investors”. The Class C non-voting shares of FC Capital Partners are owned by “Employees and Consultants under an Employee Stock Ownership Purchase (ESOP) Plan”.

Kurt Fuller Management, Inc. which is wholly-owned by Kurt W. Fuller, is the sole manager of FC Capital Partners. Kurt Fuller is the ultimate controlling entity of the Company.

FIDELITY BOND

The Company is covered on a financial institution bond with FC Capital Partners by endorsement effective May 27, 2022, with an aggregate liability limit of \$5,000,000 and a single loss deductible of \$50,000. Based on the Company’s pro forma information submitted by management, the minimum suggested coverage per the NAIC *Financial Condition Examiners Handbook – Exhibit R* is \$75,000 at year-end 2022, \$100,000 at year-end 2023 and \$100,000 at year-end 2024.

AGREEMENTS

Affiliated

As of the examination date, the Company is not a party to any intercompany tax allocation agreement or intercompany service agreements. Management has stated that the Company will file its federal income tax return on a completely stand-alone basis. Upon licensure, if the Company becomes a party to any affiliated agreements, such transactions will require a Form D filing with and approval by the Delaware Department of Insurance (Department).

Unaffiliated

As of the examination date, the Company is not a party to a custodial agreement or an investment management agreement.

PLAN OF OPERATION

The affiliated agencies within the FC Capital Group expect to write business of approximately \$82 million in annual direct written premium under three programs in commercial lines business for small and mid-size companies and institutions across 14 states and approximately 12,000 commercial insurance policies. GRIC will assume reinsurance for business managed and serviced by its affiliates in the FC Capital Group. The plan is for GRIC to initially and immediately assume this business through one or more reinsurance treaties.

REINSURANCE

As of the examination date, the Company is not a party to any reinsurance agreements, affiliated or unaffiliated. The Company is currently negotiating to assume business from Benchmark Insurance Company, a Kansas-domiciled insurer.

CAPITAL AND SURPLUS REQUIREMENTS

18 Del. C. §511(a) requires \$500,000 as the minimum common capital stock and \$250,000 as the minimum gross paid in and contributed surplus for a stock multi-line property and casualty insurance company. Consequently, the minimum required amounts for this examination are as follows:

| | |
|--|------------------|
| Common Capital Stock | \$500,000 |
| Gross Paid-in and Contributed Surplus | <u>250,000</u> |
| Capital and Surplus as Regards Policyholders | <u>\$750,000</u> |

FINANCIAL DATA

The financial position of the Company as of August 31, 2022, as determined by this organizational examination, was as follows:

| <u>Assets</u> | | <u>Note</u> |
|---|--------------------|-------------|
| Cash, Cash Equivalents and Short-term Investments | \$1,199,946 | 1 |
| Total Admitted Assets | <u>\$1,199,946</u> | |
| <u>Liabilities, Capital and Surplus</u> | | |
| General Expenses Due and Accrued | \$ 0 | |
| Total Liabilities | <u>\$ 0</u> | |
| Common Capital Stock | \$800,000 | |
| Gross Paid In and Contributed Surplus | 400,000 | |
| Unassigned Funds | <u>(54)</u> | |
| Capital and Surplus as Regards Policyholders | <u>\$1,199,946</u> | |
| Total Liabilities, Capital and Surplus | <u>\$1,199,946</u> | |

NOTES TO FINANCIAL STATEMENTS

Note 1 Cash, Cash Equivalents and Short-term Investments \$1,199,946

The reported balance of \$999,946 consists of cash in an operating checking account at JPMorgan Chase Bank, N.A. (Chase) and \$200,000 of cash in a special deposit account at Wilmington Trust, which were confirmed directly with the financial institutions.

The mailing address on the Chase bank statement is a residential condo address belonging to the Kurt. W. Fuller Trust. As a condition of licensure, since the Chase account is a Company asset, it is recommended that the mailing address on the bank account be changed to the Company's administrative office address located at 755 W. Big Beaver Road, Suite 2020, Troy, Michigan, 48084.

RECOMMENDATIONS

The following recommendation is made as a result of this examination:

The mailing address on the Chase bank statement is a residential condo address belonging to the Kurt. W. Fuller Trust. As a condition of licensure, since the Chase account is a Company asset, it is recommended that the mailing address on the bank account be changed to the Company's administrative office address located at 755 W. Big Beaver Road, Suite 2020, Troy, Michigan, 48084.

CONCLUSION

Based on the organizational examination conducted as of August 31, 2022, the financial condition of the Company is as follows:

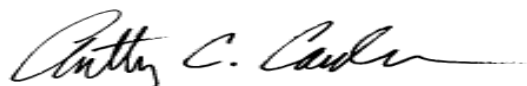
| | |
|--|-------------|
| Assets | \$1,199,946 |
| Liabilities | \$ 0 |
| Capital and Surplus as Regards Policyholders | \$1,199,946 |

Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully submitted,



Andrew E. Chiodini, CFE
Examiner In-Charge
Delaware Department of Insurance



Anthony Cardone, CFE, CPA
Supervising Examiner
Delaware Department of Insurance

Grand River Insurance Company

I, Andrew E. Chiodini, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 22.916.

A handwritten signature in black ink, appearing to read "Andrew E. Chiodini". The signature is written in a cursive style with a prominent initial "A".

Andrew E. Chiodini, CFE