

Report on Examination  
of  
**MOTOR CLUB INSURANCE COMPANY**  
Providence, Rhode Island  
as of  
December 31, 2023



State of Rhode Island  
Department of Business Regulation  
Insurance Division



**State of Rhode Island  
DEPARTMENT OF BUSINESS REGULATION  
1511 Pontiac Avenue, Bldg. 69-2  
Cranston, Rhode Island 02920**

**Insurance Division**

**ADOPTION ORDER**

The attached Report of Examination as of December 31, 2023, of the condition and affairs of

**MOTOR CLUB INSURANCE COMPANY**

was recently completed by duly qualified examiners, pursuant to the provisions of the Rhode Island General Laws.

Due consideration has been given to the comments of the examiners regarding the operation of the Companies and their financial condition, as reflected in the report.

It is therefore ORDERED that said Report be, and it is hereby, adopted and filed and made an official record of this Department as of this date.

Department of Business Regulation

Dated: April 24, 2025

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Elizabeth Kelleher Dwyer  
Superintendent of Insurance

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February 14, 2025

Ms. Elizabeth Kelleher Dwyer, Esq.  
Superintendent of Insurance  
State of Rhode Island  
Department of Business Regulation  
1511 Pontiac Avenue, Bldg. 69-2  
Cranston, Rhode Island 02920

Dear Superintendent Dwyer:

In accordance with your instructions and pursuant to Chapters 13.1 and 35 of Title 27 of the General Laws of the State of Rhode Island, an examination has been made as of December 31, 2023, of the financial condition and affairs of

**MOTOR CLUB INSURANCE COMPANY**

located at 110 Royal Little Drive, Providence, Rhode Island. The report of such examination is herewith submitted.

Motor Club Insurance Company (also referred to as “MCIC” or the “Company”) was previously examined as of December 31, 2019, and both the current and prior examinations were conducted by the Insurance Division of the State of Rhode Island (“Insurance Division”).

## **SCOPE OF EXAMINATION**

The last examination of the Company covered the five-year period of January 1, 2015, through December 31, 2019. The current examination covered the four-year period of January 1, 2020 through December 31, 2023 and was performed in compliance with the above-mentioned sections of the General Laws of the State of Rhode Island, as amended. We conducted our examination in accordance with the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”), and it was performed in conjunction with the full-scope coordinated multi-state risk-focused examination (“Coordinated Exam”) of the Auto Club Enterprises Insurance Group (“ACEIG”). The lead state for the Coordinated Exam was California. The states of Missouri, Rhode Island, and Texas participated in the Coordinated Exam, which included the following insurers:

Name of Insurer	State of Domicile
Interinsurance Exchange of the Automobile Club	California
Automobile Club Inter-Insurance Exchange	Missouri
Auto Club Family Insurance Company	Missouri
<b>Motor Club Insurance Company</b>	<b>Rhode Island</b>
Auto Club Casualty Company	Texas
Auto Club County Mutual Insurance Company	Texas
Auto Club Indemnity Company	Texas

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. 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, and general information about the Company 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.

#### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse or significant non-compliance findings noted during the examination conducted as of December 31, 2023.

## **COMPANY HISTORY**

AAA Southern New England Insurance Company came into existence on September 14, 2005, through the actions of its incorporator, John J. Partridge, and pursuant to the filing of its Articles of Incorporation with the Secretary of State, as approved by the Director of the State of Rhode Island, Department of Business Regulation.

Under the terms of the original Articles of Incorporation, the Company was authorized to issue capital stock in the following two classes of stock: one thousand (1,000) shares of common stock, no par value per share, and one hundred thousand (100,000) shares of cumulative preferred stock, \$100 par value per share.

On September 16, 2005, the Company issued one million dollars (\$1,000,000) of capital stock to AAA SNE Holding, Inc., consisting of one hundred (100) shares of common stock, having no par value. Also, on September 16, 2005, AAA SNE Holding, Inc. contributed surplus in the amount of two million five hundred thousand dollars (\$2,500,000).

On April 1, 2007, five (5) shares of authorized no par value common stock of the Company were issued to AAA Merrimack Valley, Inc., in exchange for one million dollars (\$1,000,000).

On December 31, 2007, an additional fifty-five (55) shares were issued to AAA SNE Holding, Inc.

On June 30, 2008, two (2) additional shares of authorized no par value common stock of the Company were issued to AAA Merrimack Valley, Inc., in exchange for five hundred thousand dollars (\$500,000). The no par value common stock had a stated value of \$10,000 per share.

In April 2010, AAA SNE Holding, Inc. purchased the outstanding shares owned by AAA Merrimack Valley, Inc. for one million six hundred thousand dollars (\$1,600,000), and AAA SNE Holding then owned 100% of the outstanding shares of AAA Southern New England Insurance Company.

In the fourth quarter of 2013, the Company changed its name from AAA Southern New England Insurance Company to Motor Club Insurance Company, and a new certificate of authority was issued on December 30, 2013.

On May 13, 2015, AAA SNE Holding, Inc. changed its name to AAA Northeast Holding, Inc. (“ANEH”). ANEH is a wholly owned subsidiary of AAA Northeast (“ANE”), a Delaware non-stock corporation.

In September of 2017, the Company amended and restated its Articles of Incorporation. Under the Restated Articles of Incorporation, the total authorized capital stock consists of five thousand (5,000) shares of Class A Common Stock, no par value, and five thousand (5,000) shares of Class B Common Stock, no par value. The pre-existing one-hundred-sixty-two (162) shares of common



stock outstanding were immediately reclassified into fifty (50) shares of Class A Common Stock and fifty (50) shares of Class B Common Stock.

On December 1, 2017, the Interinsurance Exchange of the Automobile Club (“IEAC,” or “the Exchange”), a California domiciled insurer, purchased the fifty (50) shares issued and outstanding of Class B Common Stock of MCIC from ANEH. The Exchange’s acquisition was made pursuant to the terms of a Stock Purchase Agreement dated June 20, 2017, among the Exchange, ANE, and ANEH. The cash purchase price for the 50% ownership was \$25,315,500.

The principal office of the Company is located within property occupied by its parent, ANEH, in Providence, Rhode Island.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

The Amended and Restated Bylaws (“Bylaws”) provide that the annual meeting shall be held on the first Thursday in April of every year, for the purpose of electing directors and transacting other business as may be properly presented. Special meetings may be called at any time by the President, by order of the Board of Directors, or at the request of a stockholder or group of stockholders holding at least ten percent (10%) of the outstanding shares. At all meetings of the stockholders, each share of common stock shall be entitled to one vote. The Bylaws also provide that any action required or permitted to be taken at a meeting of the stockholders may be taken without a meeting if all stockholders entitled to vote thereon consent thereto in writing.

The Bylaws stipulate that a majority of the shares of issued and outstanding capital stock entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of business.

### **Board of Directors**

The Bylaws provide that the affairs and business of the Company shall be managed by the Board of Directors (“Board”), and the Board shall have, and may exercise, all of the powers of the Company, except such as are conferred by the Bylaws upon the stockholders.

The Restated Articles of Incorporation stipulate that the Board shall consist of three (3) Class A Directors and three (3) Class B Directors, with the Class A Directors being elected by the holders

of the Class A Common Stock and the Class B Directors being elected by the holders of the Class B Common Stock. Except in the case of a vacancy, directors shall be elected annually.

Regular meetings of the Board shall be held immediately following the annual meeting of the stockholders and at least two (2) meetings shall be held in each calendar year. Special meetings of the Board may be called by or at the request of the President or any one director. The Bylaws also provide that any action that may be taken by the Board or a committee thereof at a meeting may be taken without a meeting if a consent in writing is signed before or after such action by all of the directors or members of the applicable committee.

The members of the Board together with the principal business or professional affiliation of each director as of December 31, 2023 is as follows:

**Class A Directors**

<b>Name</b>	<b>Business Affiliation</b>	<b>Term Expires</b>
John Raymond Galvin	President and Chief Executive Officer AAA Northeast	June 2024
Christopher Peter DiMartino <sup>1</sup>	Senior Vice President, Insurance AAA Northeast	June 2024
Marta Genovese	Chief Legal Officer AAA Northeast	June 2024

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<sup>1</sup> Effective August 20, 2024, Christopher P. DiMartino resigned as a Class A Director. As of September 16, 2024, Santosh M. Perumbadi was appointed as the replacement Class A Director.

### **Class B Directors**

<b>Name</b>	<b>Business Affiliation</b>	<b>Term Expires</b>
John Francis Boyle <sup>2</sup>	President and Chief Executive Officer (retired) Automobile Club of Southern California	Mar. 2024 (retired)
Michael Shawn Mohamed	Senior Vice President, Insurance Operations Automobile Club of Southern California	June 2024
Brian Harris Deephouse	Vice President, Western Insurance Markets Automobile Club of Southern California	June 2024

### **Committees**

The Bylaws provide that the Board may, by resolution adopted by all of the directors, designate one or more committees to exercise any or all of the authority of the Board. Each such committee shall be comprised of an equal number of Class A Directors and Class B Directors.

At December 31, 2023, there were no standing committees of the Board. In accordance with R.I. Gen. Laws §27-1-2.1(a)(5), the entire Board acts as the audit committee of the Company.

### **Officers**

The Bylaws provide that the officers of the Company shall consist of a President, one or more Vice-Presidents if elected, a Secretary, a Treasurer, and such other officers and agents as may be

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<sup>2</sup> Effective March 31, 2024, John Francis Boyle retired. Greg L. Backley was appointed as the replacement Class B Director, effective April 1, 2024.

deemed necessary by the Board. Any two or more offices may be held by the same person. No officer need be a director or a shareholder of the Company.

The officers serving at December 31, 2023 and their respective titles are as follows:

<b>Name</b>	<b>Title</b>
John Francis Boyle <sup>3</sup>	President / Chief Executive Officer
Chad David Hourigan	Vice President / Chief Financial Officer / Treasurer
Katherine A. Sieck <sup>4</sup>	Vice President / General Counsel
Gail Chi-way Louis	Secretary
Tzechung Eric Lai <sup>5</sup>	Assistant Secretary

### **Organizational Structure**

At December 31, 2023, the Company is 50% owned by ANEH, and 50% owned by the Exchange. The Exchange is deemed to be indirectly controlled by the Automobile Club of Southern California (“ACSC”), a nonprofit mutual benefit corporation incorporated in the State of California. ANEH is a wholly owned subsidiary of ANE, a Delaware nonstock corporation. Accordingly, ANE and ACSC are each considered an ultimate controlling person of the Company under insurance holding company system laws.

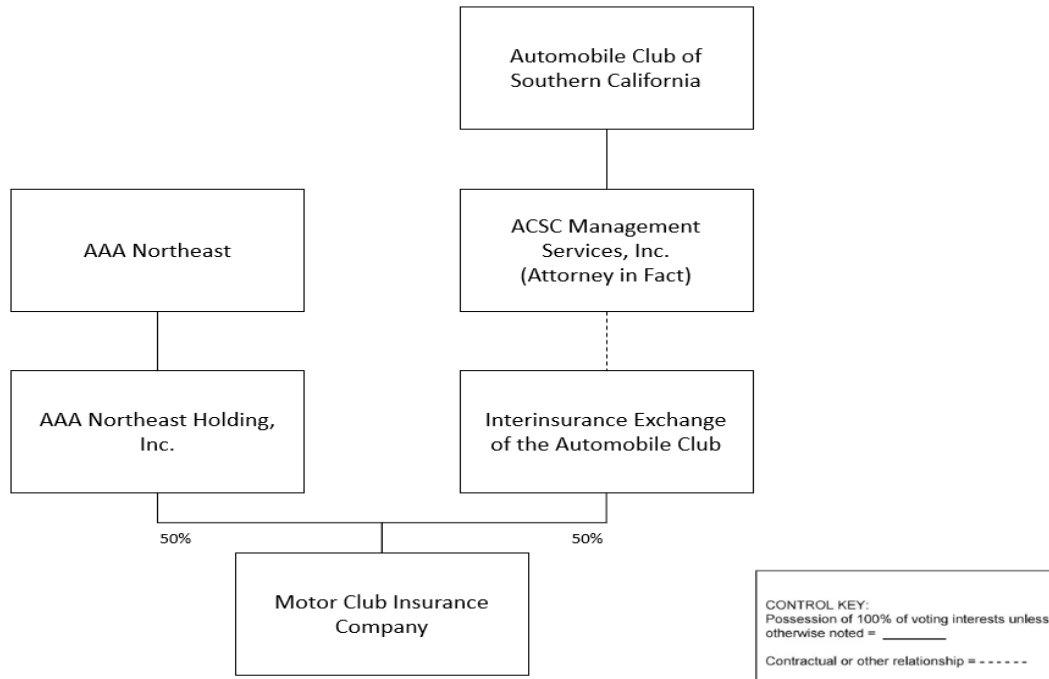
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<sup>3</sup> Effective March 31, 2024, John Francis Boyle retired. As of April 1, 2024, Greg L. Backley was appointed President and Chief Executive Officer.

<sup>4</sup> Effective December 31, 2023, Kathleen A. Sieck retired. As of January 1, 2024, April F. Savoy was appointed Vice President and General Counsel.

<sup>5</sup> As of April 1, 2024, William H. Prokop was appointed as an additional Assistant Secretary. As of June 4, 2024, Mr. Prokop was appointed as the sole Assistant Secretary.

The following represents an abbreviated organizational chart as of December 31, 2023, which is not inclusive of the entire organizational structure, but only of the Company and its controlling affiliates:



## **Intercompany Agreements**

### **Administrative Services Agreement with ANE**

Effective December 1, 2017, the Company entered into an Administrative Services Agreement with ANE, under which MCIC receives certain marketing and distribution services from ANE.

### **Administrative Services Agreement with the Exchange**

Effective December 1, 2017, the Company entered into an Administrative Services Agreement with the Exchange, under which the Exchange provides certain services related to the Quota Share Reinsurance Agreement discussed below.

### **Quota Share Reinsurance Agreement with the Exchange**

Effective December 1, 2017, the Company entered into a Quota Share Reinsurance Agreement with the Exchange, under which the Exchange reinsures, on a first dollar basis, 100% of the AAA-branded automobile and homeowner's personal lines insurance products underwritten by MCIC, as well as any additional insurance products written by MCIC with the consent of the Exchange.

Effective May 31, 2023, the Company entered into Amendment No. 1 to the Quota Share Reinsurance Agreement with the Exchange, under which the parties revised the quota share of the reinsured policy liabilities assumed by the Exchange to (a), 100% with respect to all reinsured policies issued in a state other than the State of New York and (b), 80% with respect to all reinsured policies issued in the State of New York.

### Agency Agreements

Effective December 1, 2017, the Company entered into an Agency Agreement with AAA Northeast Insurance Agency, Inc. (“ANE Agency”) pursuant to which ANE Agency provides various agency services to the Company in the state of Rhode Island. Effective October 21, 2021, the Company entered into an Agency Agreement with ANE Agency pursuant to which ANE Agency provides various agency services to the Company in the state of Connecticut. Effective July 27, 2023, the parties entered into an amended and restated version of this agreement. The agreement was amended to reflect the most recent updates to the National Association of Insurance Commissioners’ Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (450) (“Model 450”).



## **TERRITORY AND PLAN OF OPERATION**

The Company is licensed in the states of Rhode Island, Connecticut, New York, and New Jersey. Its Certificate of Compliance authorizes the Company to issue policies and transact business of any and all risks except life, annuities, title, mortgage guaranty, financial guaranty insurance, and workers' compensation insurance in these states.

Effective July 8, 2014, the Company entered into a travel insurance quota share reinsurance agreement with BCS Insurance Company to assume 100% of certain travel insurance risks. The agreement was terminated in 2017, and there were no policies in force or claims outstanding as of December 31, 2023.

Following the acquisition of 50% of MCIC by the Exchange on December 1, 2017, the Exchange, ACSC, ANE, ANEH, and MCIC entered into an Alliance Agreement under which MCIC began writing AAA-branded automobile and homeowners personal lines insurance in Rhode Island in 2018, and from time to time thereafter in each additional jurisdiction added to the territory covered by the Alliance Agreement.

## **REINSURANCE**

As of December 1, 2017, the Company entered into a Quota Share Reinsurance Agreement with the Exchange, as detailed in the Intercompany Agreements section above.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the State of Rhode Island Insurance Division and present the financial condition of the Company for the period ending December 31, 2023. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements:

Comparative Statement of Assets  
December 31, 2023 and December 31, 2019

Comparative Statement of Liabilities, and Surplus and Other Funds  
December 31, 2023 and December 31, 2019

Statement of Income  
Year Ended December 31, 2023

Reconciliation of Capital and Surplus  
December 31, 2019 to December 31, 2023

Analysis of Examination Adjustments  
December 31, 2023

**MOTOR CLUB INSURANCE COMPANY****Comparative Statement of Assets****December 31, 2023 and December 31, 2019**

	December 31, 2023	December 31, 2019	Increase (Decrease)
Bonds	\$32,548,731	\$29,497,591	\$3,051,140
Common Stocks	42,572,158	30,899,956	11,672,202
Cash, cash equivalents, and short-term investments	2,346,978	967,523	1,379,455
Receivables for securities	-	2,905	(2,905)
Investment income due and accrued	235,033	179,163	55,870
Uncollected premiums and agents' balances in the course of collection	578,940	215,700	363,240
Earned but unbilled premiums	17,677,409	3,114,052	14,563,357
Amounts recoverable from reinsurers	5,196,692	1,486,111	3,710,581
Funds held by or deposited with reinsured companies	-	101	(101)
Receivables from parent, subsidiaries and affilaitees	-	524,146	(524,146)
Current federal and foreign income tax recoverable and interest thereon	383,898	-	383,898
Guaranty funds receivable or on deposit	23	-	23
Other Miscellaneous Assets	764,667	-	764,667
Total Assets	<u>\$102,304,529</u>	<u>\$66,887,248</u>	<u>\$35,417,281</u>

**MOTOR CLUB INSURANCE COMPANY**  
**Comparative Statement of Liabilities, Surplus and Other Funds**  
**December 31, 2023 and December 31, 2019**

	December 31, 2023	December 31, 2019	Increase (Decrease)
Losses	\$ -	\$96	(\$96)
Reinsurance payable on paid losses and loss adjustment expenses	-	475	(475)
Loss adjustment expenses	-	5	(5)
Commissions payable, contingent commissions and other similar charges	-	404,593	(404,593)
Other expenses (excluding taxes, licenses and fees)	805,782	64,075	741,707
Taxes, licenses and fees (excluding federal and foreign income taxes)	335,578	10,084	325,494
Current federal and foreign income taxes	-	35,439	(35,439)
Net deferred tax liability	3,913,031	1,926,380	1,986,651
Advance premium	1,150,563	535,221	615,342
Ceded reinsurance premiums payable	24,807,020	5,381,580	19,425,440
Amounts withheld or retained by company for account of others	32,026	20,886	11,140
Remittances and items not allocated	26,674	42,007	(15,333)
Payables to parents, subsidiaries and affiliates	1,928,132	708,888	1,219,244
Payable for securities	7,710	234,950	(227,240)
Aggregate write-ins for liabilities	323,746	66,450	257,296
Total Liabilities	33,330,260	9,431,129	23,899,131
Aggregate write-ins for special surplus funds			
Common capital stock	4,200,000	1,620,000	2,580,000
Gross paid in and contributed surplus	28,300,000	30,880,000	(2,580,000)
Unassigned funds (surplus)	36,474,269	24,956,119	11,518,150
Total Capital and Surplus	68,974,269	57,456,119	11,518,150
Total Liabilities, Capital and Surplus	\$102,304,529	\$66,887,248	\$35,417,281

**MOTOR CLUB INSURANCE COMPANY**

Statement of Income

Year Ended December 31, 2023

Investment Income

Net investment income earned	\$1,717,690	
Net realized capital gains (losses) less		
capital gain tax	<u>(1,759,862)</u>	
Net investment gain (loss)		<u>(42,173)</u>
Net income, after dividends to policyholders, after capital		
gains tax and before all other federal and foreign income		
taxes		(42,173)
Federal and foreign income taxes incurred		<u>550,371</u>
Net income (loss)		<u><u>(\$592,544)</u></u>

**MOTOR CLUB INSURANCE COMPANY**

**Reconciliation of Capital and Surplus**  
**December 31, 2019 to December 31, 2023**

**Capital/Surplus Change During Examination Period**

Capital and Surplus, December 31, 2019			\$57,456,119
	<u>Gains</u>	<u>Losses</u>	
Net Income	\$2,979,463		
Change in net unrealized capital gains	8,546,133		
Change in net deferred income tax		(\$285,109)	
Change in nonadmitted assets		(292,554)	
Capital changes:			
Paid in	2,580,000		
Surplus adjustments:			
Paid in		(2,580,000)	
	<hr/>	<hr/>	
Total Gains and Losses	14,105,596	(3,157,663)	
	<hr/>	<hr/>	
Net change in Capital and Surplus for the period			<hr/> 11,518,151
Capital and Surplus, December 31, 2023			<hr/> <hr/> \$68,974,270

**MOTOR CLUB INSURANCE COMPANY**  
**Analysis of Examination Adjustments**  
**December 31, 2023**

The examination of the Company, performed as of December 31, 2023, did not disclose any material misstatements to the financial statements contained in its 2023 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.



## **COMMENTS ON FINANCIAL STATEMENTS**

### **Bonds**

**\$32,548,731**

The above amount is the net admitted value of bonds held by the Company at December 31, 2023 and is the same amount reported by the Company in its 2023 Annual Statement. All the bonds are held in accordance with the terms of terms of the custodial agreement with JP Morgan Chase Bank, N.A.

The quality designations of all securities included in the Company’s bond portfolio were reviewed based upon criteria established by the National Association of Insurance Commissioners (“NAIC”). It was noted that 81.9% of the bond portfolio represents class NAIC-1, which are bonds of the “highest” quality according to the NAIC rating system, while 18.1% were NAIC-2 (“high” quality).

The book/adjusted carrying value, fair value, actual cost, and par value of the bond portfolio at December 31, 2023 are as follows:

<b>Book/Adjusted Carrying Value</b>	<b>Fair Value</b>	<b>Actual cost</b>	<b>Par Value</b>
\$32,548,731	\$31,370,580	\$32,539,602	\$34,104,154

**Common Stocks****\$ 42,572,158**

The above-captioned amount is the same amount reported by the Company in its 2023 Annual Statement and represents the admitted value of the common stocks owned by the Company as of December 31, 2023. Other than equity based mutual funds held directly, all stocks are held in accordance with the terms of the custodial agreement in place with JPMorgan Chase Bank, N.A.

The value of common stocks owned as reported by the Company and as determined by this examination is as follows:

Common Stocks:	Book/Adjusted Carrying Value	Fair Value	Actual Cost
Industrial and Miscellaneous (Unaffiliated)	12,685,012	12,685,012	8,326,901
Mutual funds	29,887,146	29,887,146	13,921,688
<b>Total</b>	<b>\$42,572,158</b>	<b>\$42,572,158</b>	<b>\$22,248,589</b>

**Ceded Reinsurance Premiums Payable****\$ 24,807,020**

The above amount is the same as that reported by the Company in its 2023 Annual Statement and represents ceded premiums payable to an affiliate, the Exchange, under the ceded reinsurance agreement described under the “Reinsurance” section of this report.

## **SUBSEQUENT EVENTS**

A review of financial information, Company records, and the minutes to the Board of Directors' meetings for the period subsequent to the examination period was performed to ascertain whether any subsequent events have occurred which would have a material impact on the Company's operations or financial statements. In addition, an inquiry was made of the Company's management regarding subsequent events. Based upon our review, there was one significant event that occurred subsequent to December 31, 2023, as follows:

### **California Wildfires**

In January 2025, California's greater Los Angeles areas of Eaton, Palisades, and Hurst experienced several devastating wildfires, further exacerbated by the Santa Ana windstorm, that caused significant property damage. While the event does not directly impact MCIC, it does impact the parent company, IEAC. As of February 7, 2025, the Exchange had received over 6,600 claims and has paid approximately \$184,000,000 to policyholders. As of the conclusion of this examination, February 14, 2025, the Exchange was continuing to gather data on loss exposure and claim activity. The Exchange estimates its ultimate losses will be \$2,225,000,000.

The Exchange has comprehensive catastrophe reinsurance coverage in place to mitigate the financial impact of these wildfires. The Exchange's retention is \$350,000,000 with coverage up to \$2,300,000,000. As of February 7, 2025, the Exchange had already begun receiving funds from

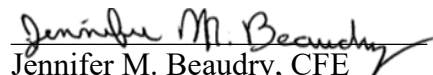
its reinsurers and expects to recognize a recoverable from reinsurance of \$1.9 billion, net of \$142 million in reinstatement premiums.


## **CONCLUSION**

We have applied verification procedures to the data and information contained in this report using sampling techniques and other examination procedures as deemed appropriate. While sampling and other examination procedures do not give complete assurance that all errors and irregularities will be detected, had any been detected during the course of this examination, such errors and/or irregularities would have been disclosed in this report. Other than what has been noted in the body of this report, we were not informed of, and did not become aware of any errors or irregularities that could have a material effect on the financial condition of the Company as presented in this report.

Participating in the examination with the undersigned were various insurance examiners from the Rhode Island Insurance Division.

Respectfully submitted,

  
Jennifer M. Beaudry, CFE  
Principal Insurance Examiner  
Rhode Island Insurance Division

  
John Tudino, Jr., CFE, CIE, CFSA  
Chief Insurance Examiner  
Rhode Island Insurance Division