



**COMMONWEALTH OF MASSACHUSETTS**  
**OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION**  
**DIVISION OF INSURANCE**

***REPORT OF EXAMINATION OF THE***  
**CITATION INSURANCE COMPANY**

**Webster, Massachusetts**

**As of December 31, 2018**

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**NAIC GROUP CODE 0411**

**NAIC COMPANY CODE 40274**

**EMPLOYER ID NUMBER 04-2739876**

## **CITATION INSURANCE COMPANY**

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**COMMONWEALTH OF  
MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

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AND BUSINESS REGULATION

**GARY D. ANDERSON**  
COMMISSIONER OF INSURANCE

May 31, 2020

The Honorable Gary D. Anderson  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
1000 Washington Street, Suite 810  
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4 an examination has been made of the financial condition and affairs of

**CITATION INSURANCE COMPANY**

at its home office located at 211 Main Street, Webster, Massachusetts 01570. The following report thereon is respectfully submitted.

## Citation Insurance Company

### **SCOPE OF EXAMINATION**

Citation Insurance Company ("Company" or "Citation") was last examined as of December 31, 2013 by the Massachusetts Division of Insurance ("Division"). The current multi-state examination was also conducted by the Division and covers the five-year period from January 1, 2014 through December 31, 2018, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

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, as mentioned in the Massachusetts General Laws, Chapter 175, Section 4, 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.

The Company is audited annually by KPMG, LLP ("KPMG"), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2015 through 2018. The Company was audited in 2014 by the independent certified public accounting firm of Ernst & Young, LLP, who also expressed unqualified opinions of the Company's financial statements. For the examination year 2015, the Company completed a change in independent auditor from Ernst & Young, LLP to KPMG. A review and use of the Certified Public Accountants' work papers was made to the extent deemed appropriate and effective.

Baker Tilly Virchow Krause, LLP ("Baker Tilly") was engaged to perform certain agreed upon procedures, which are in compliance with the NAIC *Financial Condition Examiners' Handbook*. The assistance included a review of information systems and information technology general controls ("ITGC's") and a review of the actuarially determined loss and loss adjustment expense reserves, as well as other significant actuarial estimates.

The examination was conducted in compliance with the coordinated examination framework of the NAIC. The Company is a party to the Reinsurance Pooling Agreement between the direct and indirect property and casualty insurance company subsidiaries of MAPFRE U.S.A. Corp. These

## Citation Insurance Company

subsidiaries are domiciled in various states, including California, Florida, New Jersey, New York, and Ohio. As such, the California Department of Insurance, Florida Office of Insurance Regulation, New Jersey Department of Banking and Insurance, New York Department of Financial Services, and Ohio Department of Insurance coordinated with the Division to conduct the examination of their domiciled insurers, collectively referred to as the Mapfre Group. The participating state Insurance Departments relied upon work performed by the Division impacting the Mapfre Group, including IT and actuarial work performed on the Mapfre Group's pooled operations.

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

As a result of the previous examination, a management letter was issued to the Company's Board of Directors ("Board") on June 25, 2015. A comment and recommendation was included in that management letter as described below related to the Company's loss and loss adjustment expense reserves as of December 31, 2013.

1. Management's estimate for loss and loss adjustment expense reserves were below the Appointed Actuary's central estimate as well as below the Examination Actuary's central estimate. With the emergence of adverse development of certain prior accident years, Management's estimate was noted to be \$58.8 million below the Exam Actuary's central estimate and fell below the low end of the range of reasonable. Further, it was noted that if Management's estimate has been consistent with the Appointed Actuary's central estimate, "the emergence of adverse development would most likely not have resulted in the recorded reserves falling outside a range of reasonable values." The Division recommended that the Company book reserves that are supported by the actuarially sound data and analysis.

Further, the prior examination report included an adjustment to surplus as a result of the examination and in connection with the observation above. Specifically, an adjustment to increase losses and loss adjustment expense reserves by \$3,484,000 and \$866,000, respectively, based on the Examination Actuary's assessment that losses and loss adjustment expense reserves were below "the indicated value and range of reasonable estimates." This analysis was performed by the contracted actuary from PwC LLP. As a result, the examination noted a total decrease of \$4,350,000 to December 31, 2013 surplus. See "Comments on Financial Statements" section of this report for the current examinations consideration of this comment and recommendation.

### **COMPANY HISTORY**

#### **General**

The Company was incorporated as a stock property and casualty insurer on September 24, 1981 under the laws of the Commonwealth of Massachusetts and commenced business in Massachusetts on November 6, 1981. Effective June 2008, the Company's former parent, Commerce Group, Inc., was acquired by MAPFRE S.A. and renamed the parent, effective January 1, 2010, as MAPFRE U.S.A. Corp ("MAPFRE USA").

## Citation Insurance Company

Over the course of our examination period, Citation has been a party to the Reinsurance Pooling Agreement for which its affiliate, Commerce Insurance Company ("Commerce"), is the lead insurer of the pool which consists of seven property and casualty insurers as of the examination date, December 31, 2018. Subsequent the examination date and effective January 1, 2019, MAPFRE USA sold a previous affiliate and pool participant, MAPFRE Insurance Company of New York, to Plymouth Rock Assurance Corporation.

MAPFRE USA is one of the largest writers of personal property and casualty insurer and Commerce is the largest writer of personal automobile insurance in Massachusetts. The Company, primarily writes homeowners coverage on a direct basis; though shares in the other lines of business through participation in the Reinsurance Pooling Agreement.

### Capital Stock

The Company has authorized, issued, and outstanding 22,000 shares of common capital stock with a par value of \$50.00 per share. All of the outstanding capital stock is owned by MAPFRE USA.

### Dividends to Stockholders

The following table illustrates the total dividends paid by the Company to its parent, MAPFRE USA, during the period covered by this examination:

<b>Date</b>	<b>Dividends Declared</b>	
December 3, 2014	\$ 8,890,922	Ordinary
December 28, 2016	\$ 7,500,000	Ordinary
August 7, 2018	\$ 5,000,000	Ordinary
October 19, 2018	\$ 2,000,000	Ordinary
Total	\$ 23,390,922	

## MANAGEMENT AND CONTROL

### Board of Directors

According to the bylaws, the Company's business shall be managed under the direction of the Board of Directors, who may exercise all powers of the Company, except such as are expressly conferred upon the stockholders by law, by the certificate of incorporation or by the bylaws. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees to exercise the powers of the Board of Directors in the management of the business and affairs of the corporation.

The Board of Directors was comprised of the following members as of December 31, 2018.

<u>Name of Director</u>	<u>Principal Occupation</u>
Randall V. Becker	Chairmen of the Board MAPFRE U.S.A. Corp.

## Citation Insurance Company

Alfredo Castelo	President & Chief Executive Officer MAPFRE U.S.A. Corp.
Maureen Brundage	Senior Advisor Baker Gilmore
Joaquin Castrillo	Chairmen of the Board MAPFRE Group in Puerto Rico
Bernardo Hernandez	Spanish Technology Entrepreneur & General Partner e.ventures
Edward Timmes	Managing Director, Chief Financial Officer TCE Associates Consulting LLC
Luis Viceira	Professor; Dean for International Development Harvard Business School
Mark Shaw	President and Chief Executive Officer (retired) AAA Northeast
Alan Solomont*	Dean, Jonathan M. Tisch College of Citizenship and Public Service Tufts University

\* Mr. Solomont resigned from the Board of Directors, effective December 31, 2018.

### Committees of the Board of Directors

As of the examination date and for the entire examination period the MAPFRE USA Audit Committee has served in the capacity as the Audit Committee for Citation as allowed under Massachusetts Law. Further, during the examination period, the MAPFRE USA had established an Investment Strategy Committee of the Board of Directors; though as of December 31, 2018, this committee was dismantled and the responsibilities assumed by the entire Board of Directors.

### *Audit Committee*

Per the committee charter, the committee's purpose is to oversee the work of the independent accountant related to each insurance subsidiary and to carry out such other duties and responsibilities as the Board may delegate to the Committee in compliance with Company's Articles of Organization and bylaws. The committee also has oversight responsibility of Internal Audit; including approval of the Annual Audit Plan, review of Internal Audit activities, and review of material reports and the follow-up related to findings and recommendations. Further, the charter establishes the oversight responsibilities related to Risk Management, Internal Controls, and Corporate Governance and Conflict of Interests.

The Audit Committee was comprised of the following members as of December 31, 2018.

Edward Timmes, Chair  
Randall Becker  
Maureen Brundage  
Alan Solomont\*

## Citation Insurance Company

\* Mr. Solomont resigned from the Board of Directors, effective December 31, 2018.

### Officers

Principal Officers of the Company as of December 31, 2018 were as follows:

<u>Name of Officer</u>	<u>Title</u>
Alfredo Castelo	President & Chief Executive Officer
Francois Facon	Executive VP & Chief Financial Officer
Daniel Olohan	Secretary, General Counsel, & Executive VP
Robert McKenna*	Treasurer, Chief Accounting Officer, & Senior VP

\*Mr. McKenna retired from the Company, effective January 3, 2020, and was replaced by John Meciak, former Senior VP & Controller.

### Affiliated Companies

As stated in the Insurance Holding Company System Form B as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of Massachusetts General Laws, Chapter 175, Section 206C, and 211 CMR 7.00. The Company is a direct wholly owned subsidiary of MAPFRE USA, a Massachusetts corporation wholly owned by MAPFRE Internacional S.A. MAPFRE Internacional S.A. is a sociedad anonimia organized under the laws of Spain and wholly owned by MAPFRE S.A.; a sociedad anonimia organized under the laws of Spain; which is 68.2% owned by FUNDACION MAPFRE; the ultimate controlling entity.

### Organization Chart

A summary of ownership of the Company as of December 31, 2018 is illustrated below:

Fundacion Mapfre

Catera MAPFRE S.L.

MAPFRE S.A.

MAPFRE Asistencia Compania Internacional De Seguros y Reaseguros, S.A.

MAPFRE RE Compania De Reaseguros, S.A.

MAPFRE RE Vermont Corporation

MAPFRE Internacional S.A.

MAPFRE U.S.A Corp.

**Commerce Insurance Company**

**MAPFRE Insurance Company of Florida**

**MAPFRE Insurance Company**

**Citation Insurance Company**

**Verti Insurance Company**

BFC Holding Corporation

MAPFRE Life Insurance Company



## Citation Insurance Company

MAPFRE Tech USA Inc.  
ACIC Holding Co., Inc.  
**Commerce West Insurance Company**  
**American Commerce Insurance Company**  
**MAPFRE Insurance Company of New York**

### Transactions and Agreements with Subsidiaries and Affiliates

#### *Management and Cost Allocation Agreement*

This sixth amended and restated Management and Cost Allocation Agreement is effective January 1, 2018 and executed by and among the Company and its affiliates, Commerce, MAPFRE Insurance Company of Florida, MAPFRE Insurance Company, Commerce West Insurance Company, American Commerce Insurance Company, Verti Insurance Company, and MAPFRE Insurance Company of New York. The terms of the agreement establish all parties as possible service providers on behalf of the others for Management Services, which include though are not limited to: analysis of company performance, strategic planning and budgeting, legal and regulatory support, governance, financial services, human resources, product development and distribution (i.e. underwriting and claims), and investment management services.

A service provider's compensation for non-investment services is comprised of actual costs and expenses incurred by the party performing the services. Loss adjustment expenses are apportioned to each party through SSAP No. 70, Allocation of Expenses, compliant study; with other non-investment related expenses allocated based on direct written premiums of the parties. Investment related services compensation is determined based on the Investment Services Formula(s) outlined within the agreement.

This Agreement was amended and restated through the Seventh Amended and Restated Management Cost Allocation Agreement, effective January 1, 2019, to remove MAPFRE Insurance Company of New York as a party to the agreement following the sale of the Company to Plymouth Rock; See "Subsequent Events" for additional discussion.

#### *Inter-Company Technology Development, Operations and Support Agreement*

Entered into on December 28, 2017, the Inter-Company Technology Development, Operations and Support Agreement is made by and among MAPFRE Tech USA, Inc. and Citation, Commerce, and Verti (collectively "Client Parties") with an effective date of October 1, 2017. Under the terms of the agreement, MAPFRE Tech will provide technology services to the other parties. Services may include Joint Technology Development Projects, Client Specific Development Projects, and Support and Maintenance Services. MAPFRE Tech will invoice parties receiving services based on actual costs and expenses incurred and allocated amongst parties in compliance with SSAP No. 70, related to joint development and support and maintenance services.

The agreement provides for terms in which a client party (i.e. Commerce, Citation, or Verti) may provide dedicated and non-dedicated personal to MAPFRE Tech; for which MAPFRE Tech would

## Citation Insurance Company

### *Tax Allocation Agreement*

Effective January 1, 2018, MAPFRE U.S.A Corp. and affiliates: Commerce, ACIC Holding Co. Inc., Citation, BFC Holding Corporation, MAPFRE Insurance Company of Florida, MAPFRE Insurance Company, Commerce West Insurance Company, American Commerce Insurance Company, Verti Insurance Company, MAPFRE Intermediaries, Inc., MAPFRE Tech, and MAPFRE Insurance Company of New York executed the Fourth Amended and Restated Tax Allocation Agreement. Under the terms of the agreement, each affiliate and any other member of the MAPFRE USA Affiliated Group will file a consolidated and combined return for the taxable year ending December 31, 2018. The liability of each affiliate will be based on the Separate Company Liability calculation. Commerce is responsible to make the consolidated payments on behalf of the group and will be settled with the parties to the agreement based on the terms of the agreement.

The Fifth Amended and Restated Tax Allocation Agreement removes MAPFRE NY as a party to the agreement in conjunction with the Stock Purchase Agreement discussed below.

### **TERRITORY AND PLAN OF OPERATION**

As noted, MAPFRE USA, through its direct subsidiary Commerce, is the largest writer of private passenger auto in the State of Massachusetts. Other core products of MAPFRE USA include homeowners and commercial auto. The Company writes primarily homeowners on a direct written premium basis. Products are primarily marketed through a network of independent agents. The Company is licensed to write business in the State of Massachusetts.

The Mapfre Group had a total direct written premiums of over \$2.37 billion in 2018 written across 52 states and territories. The top six states in relation to direct written premiums for the Mapfre Group are Massachusetts, Connecticut, California, Washington, Rhode Island, and Florida. Per the Reinsurance Pooling Agreement, the total Mapfre Group business is ceded to Commerce and then retroceded to the parties based on their participation percentages included within the Agreement.

### **Market Conduct**

During the financial examination of the Company, the Division's Market Conduct Department initiated a comprehensive market conduct examination of the Company for the period January 1, 2018 through December 31, 2018. The market conduct examination was called pursuant to authority in M.G.L. Chapter 175, Section 4. The market conduct examination was conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Division. Representatives from the firm of Rudmose and Noller Advisors, LLC were engaged to complete certain agreed upon procedures which were developed using the guidance and standards of the NAIC Market Regulation Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins. The business areas that were reviewed under this comprehensive market conduct examination are Company Operations/Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services; Underwriting and Rating and Claims. Each business area reviewed includes the identification and evaluation of the insurer's internal controls.

## Citation Insurance Company

### **REINSURANCE**

#### **Assumed Reinsurance**

The Company is a participant under the Reinsurance Pooling Agreement with its affiliated insurance entities of the MAPFRE U.S.A Corp.: Commerce, MAPFRE Insurance Company of Florida, MAPFRE Insurance Company, Commerce West Insurance Company, American Commerce Insurance Company, and MAPFRE Insurance Company of New York. Commerce is the lead insurer of the pool. The Company's participation in the pool is dictated by the percentages included in the agreement which are updated from time to time. As of December 31, 2018 the participation percentages were as follows:

	<b>Pooling Participation</b>
Commerce Insurance Company	65.2%
Citation Insurance Company	7.7%
American Commerce Insurance Company	11.2%
Commerce West Insurance Company	5.6%
MAPFRE Insurance Company of New York	4.8%
MAPFRE Insurance Company of Florida	3.2%
MAPFRE Insurance Company	2.3%

Effective January 1, 2019, the Reinsurance Pooling Agreement was amended to remove MAPFRE Insurance Company of New York; which was sold to Plymouth Rock Assurance.

#### **Ceded Reinsurance**

As noted above under the heading Assumed Reinsurance, the Company is a party to the Reinsurance Pooling Agreement with the affiliated insurance entities of the MAPFRE U.S.A. Corp. Under this agreement, the Company cedes 100% of premium written and loss insurance liabilities to the lead entity, Commerce.

Citation Insurance Company

**FINANCIAL STATEMENTS**

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2018. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2018

Statement of Income, Capital and Surplus for the Year Ended December 31, 2018

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2018

# Citation Insurance Company

## Citation Insurance Company Statement of Assets as of December 31, 2018

	Per Annual Statement
<b>Assets</b>	
Bonds	\$ 168,650,961
Cash, cash equivalents, and short-term investments	15,042,933
Subtotals, cash and invested assets	183,693,894
Investment income due and accrued	1,338,470
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	8,516,686
Reinsurance	
Amounts recoverable from reinsurers	9,695,923
Current federal income tax recoverable	1,459,358
Net Deferred tax assets	4,769,672
Receivable from parent, subsidiaries and affiliates	4,012,982
Aggregate write-ins for other-than-invested-assets	40,900,411
<b>Total Assets</b>	<b>\$ 254,387,396</b>

# Citation Insurance Company

## Citation Insurance Company Statement of Liabilities, Surplus and Other Funds as of December 31, 2018

	Per Annual Statement
<b>Liabilities</b>	
Losses	\$ 68,303,784
Reinsurance payable on paid loss and loss adjustment expenses	7,455,840
Loss adjustment expense	12,799,110
Commissions payable, contingent commissions and other similar charges	2,640,735
Other expenses	1,356,938
Unearned premiums	80,723,823
Ceded reinsurance premium payable	15,184,595
<b>Total Liabilities</b>	<b>188,464,825</b>
Common capital stock	1,100,00
Gross paid in and contributed surplus	17,200,000
Unassigned funds (surplus)	47,622,571
<b>Surplus as regards policyholders</b>	<b>65,922,571</b>
<b>Total liabilities and policyholder surplus</b>	<b>\$ 254,387,396</b>

# Citation Insurance Company

## Citation Insurance Company Statement of Income For the Year Ended December 31, 2018

	Per Annual Statement
<b>Underwriting Income</b>	
Premiums earned	\$ 155,490,097
<b>Deductions</b>	
Losses incurred	101,398,836
Loss adjustment expenses incurred	19,148,312
Other underwriting expenses incurred	44,528,218
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	165,075,366
Net underwriting gain (loss)	(9,585,269)
<b>Investment Income</b>	
Net investment income earned	6,638,387
Net realized capital gains or (losses)	325,436
Net investment gain or (loss)	6,963,823
<b>Other Income</b>	
Net gain (loss) from agents' or premium balances charged off	0
Finance and service charges not included in premiums	365
Aggregate write-ins for miscellaneous income	(10,763)
Total other income	(10,398)
Net income before dividends to policyholders and before federal income taxes	(2,631,844)
Foreign and federal income taxes incurred	(1,022,202)
Net income	\$ (1,609,642)
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders, December 31 prior year	71,102,799
Net income	(1,609,642)
Change in net unrealized capital gains or (losses)	(21,587)
Change in net deferred income tax	(1,164,605)
Change in nonadmitted assets	7,490
Dividends to stockholders	(7,000,000)
Aggregate write-ins for gains and losses in surplus	4,608,116
Change in surplus	(5,180,228)
Surplus as regards policyholders, December 31 current year	\$ 65,922,571

# Citation Insurance Company

## Citation Insurance Company Reconciliation of Capital & Surplus For Each Year in the Five Year Period Ended December 31, 2018

### Per Annual Statements

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Surplus as regards to policyholders, Dec. 31 prior year	\$ 71,102,799	\$ 72,241,234	\$ 76,671,666	\$ 84,326,966	\$ 88,909,217
Net Income	(1,609,642)	(1,221,189)	2,736,244	(5,363,691)	3,972,859
Change in net unrealized capital gains or losses	(21,587)	524,395	(67,296)	(204,188)	45,334
Change in net deferred income tax	(1,164,605)	(3,005,842)	(338,448)	2,272,485	(20,415)
Change in nonadmitted assets	7,490	1,059,172	(223,266)	283,828	(54,520)
Dividends to stockholders	(7,000,000)	-	(7,500,000)	-	(8,890,922)
Aggregate write-ins for gains and losses in surplus	4,608,116	1,505,029	962,335	(4,076,078)	365,413
Change in surplus	<u>(5,180,228)</u>	<u>(1,138,435)</u>	<u>(4,430,431)</u>	<u>(7,655,300)</u>	<u>(4,582,251)</u>
Surplus as regards to policyholders, Dec. current year	<u>\$ 65,922,571</u>	<u>\$ 71,102,799</u>	<u>\$ 72,241,234</u>	<u>\$ 76,671,666</u>	<u>\$ 84,326,966</u>



**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE  
EXAMINATION**

There were no changes in the financial statements resulting from the examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Baker Tilly was retained to assist in the analysis of various actuarially determined items in the 2018 Annual Statement. Given the “risk focused” examination approach of the overall examination, Baker Tilly’s primary objective was to perform an assessment of reserve risk by performing a qualitative review of the work papers and documentation supporting the estimates of loss and loss adjustment expense liabilities in order to assess the reasonableness of the scope, data used, methodologies and assumptions applied. This review included the analysis prepared by the Company’s appointed actuary and review and evaluation of the Company’s reconciliation as of December 31, 2018 of the actuarial data to Schedule P. This evaluation was also intended to consider data integrity and the appropriateness of the data segmentation. Baker Tilly also performed a high level evaluation of the Group’s actuarial process for development of pricing indications.

Based on Baker Tilly’s analysis and applied examination procedures, Baker Tilly determined that the Company’s carried Loss and LAE reserves are approximately \$22,000 dollars higher than Baker Tilly’s central estimate, but still within Baker Tilly’s range of reasonable estimates.

Below shows the pooled reserves and the amount allocated to Citation as a result of their participation percentage for the year ended December 31, 2018. Further, the above analysis notes that the Company’s and Mapfre Group’s carried reserves are \$0.97 million and \$12.9 million below the appointed actuary’s central estimate; though consistent with the examination actuary’s central estimate and within the acceptable range.

## Citation Insurance Company

<u>MAPFRE Group Intercompany Reinsurance Pool</u> (000's omitted)					
<u>Baker Tilly Estimates</u>					
	<u>Low</u>	<u>Indicated</u>	<u>High</u>	<u>Total Carried</u>	<u>(Deficiency) Vs. Indicated</u>
Net Loss & LAE	\$ 1,000,000	\$ 1,053,000	\$ 1,158,000	\$ 1,053,000	\$ -
<u>Appointed Actuary Estimates</u>					
	<u>Low</u>	<u>Indicated</u>	<u>High</u>	<u>Total Carried</u>	<u>(Deficiency) Vs. Indicated</u>
Net Loss & LAE	\$ 980,615	\$ 1,065,886	\$ 1,135,169	\$ 1,053,000	(\$ 12,886)

<u>Citation Insurance Company (7.7% of Pool)</u> (000's omitted)					
<u>Baker Tilly Estimates</u>					
	<u>Low</u>	<u>Indicated</u>	<u>High</u>	<u>Total Carried</u>	<u>(Deficiency) Vs. Indicated</u>
Net Loss & LAE	\$ 77,000	\$ 81,081	\$ 89,166	\$ 81,103	\$ 22
<u>Appointed Actuary Estimates</u>					
	<u>Low</u>	<u>Indicated</u>	<u>High</u>	<u>Total Carried</u>	<u>(Deficiency) Vs. Indicated</u>
Net Loss & LAE	\$ 75,507	\$ 82,073	\$ 87,408	\$ 81,103	(\$ 970)

### SUBSEQUENT EVENTS

In March 2020 the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there was significant uncertainty on the effect that the pandemic would have on the insurance industry, economy, and society at large. Any impact to the Company will take time to assess and will be specific to the class and mix of business they underwrite. The Division will continue to monitor how the pandemic might impact the Company.

### SUMMARY OF RECOMMENDATIONS

There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report.

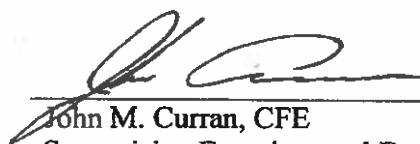
Citation Insurance Company

**SIGNATURE PAGE**

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by Baker Tilly and the following Division examiner who participated in this examination is hereby acknowledged.

Mike Lewandowski, Financial Examiner II

A handwritten signature in black ink, appearing to read "John M. Curran", is written over a horizontal line.

John M. Curran, CFE  
Supervising Examiner and Examiner-in-Charge  
Commonwealth of Massachusetts  
Division of Insurance