

**REPORT ON EXAMINATION AS TO THE CONDITION OF**  
**LANCER INSURANCE COMPANY OF NEW JERSEY**  
**LONG BEACH, NEW YORK 11561**  
**AS OF DECEMBER 31, 2022**  
**NAIC GROUP CODE 4990**  
**NAIC COMPANY CODE 37680**

FILED  
June 25, 2024  
COMMISSIONER  
NEW JERSEY DEPARTMENT  
OF  
BANKING AND INSURANCE

## **TABLE OF CONTENTS**

Contents	<u>Pages</u>
SCOPE OF EXAMINATION.....	4
COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS .....	4
HISTORY AND KIND OF BUSINESS.....	4
STATUTORY DEPOSIT .....	6
TERRITORY AND PLAN OF OPERATIONS .....	6
CORPORATE RECORDS .....	7
MANAGEMENT AND CONTROL .....	7
Directors .....	7
Committees.....	8
Officers.....	8
REINSURANCE.....	9
REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS.....	9
AGREEMENT WITH AFFILIATES .....	11
POLICY ON CONFLICT OF INTEREST.....	12
ACCOUNTS AND RECORDS .....	12
TREATMENT OF POLICYHOLDERS AND CLAIMANTS.....	12
CONTINUITY OF OPERATIONS.....	13
FINANCIAL STATEMENTS AND OTHER EXHIBITS.....	13
EXHIBIT A - BALANCE SHEET AS OF December 31, 2022.....	14
EXHIBIT B - UNDERWRITING AND INVESTMENT exhibit for the five year period.....	15
EXHIBIT C - CAPITAL & SURPLUS ACCOUNT for the five year period.....	16
NOTES TO THE FINANCIAL STATEMENTS .....	17
SUBSEQUENT EVENTS .....	17
CONCLUSION .....	18
EXAMINER’S AFFIDAVIT.....	19



**State of New Jersey**

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF SOLVENCY REGULATION

PO BOX 325

TRENTON, NJ 08625-0325

TEL (609) 292-7272

FAX (609) 292-6765

PHIL MURPHY  
*Governor*

TAHESHA L. WAY  
*Lt. Governor*

JUSTIN ZIMMERMAN  
*Acting Commissioner*

May 23, 2024

Honorable Justin Zimmerman  
Acting Commissioner of Banking and Insurance  
State of New Jersey  
20 West State Street  
Trenton, New Jersey 08625-0325

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

Lancer Insurance Company of New Jersey  
LONG BEACH, NEW YORK  
NAIC GROUP CODE 4990  
NAIC COMPANY CODE 37680

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, the Lancer Insurance Company of New Jersey will be referred to in this report as the "Company" or "LICNJ".

## SCOPE OF EXAMINATION

The New Jersey Department of Banking and Insurance (“NJDOBI”) conducted a risk-focused examination of LICNJ. The examination was made as of December 31, 2022, and addressed the five-year period from January 1, 2018, to December 31, 2022.

This risk-focused examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by N.J.S.A. Section 17:23-22 of the New Jersey Revised Statutes.

The examination was conducted remotely due to the COVID-19 pandemic, and there was no travel by the NJDOBI to the Company’s Home Office located at 370 West Park Avenue, Long Beach, NY, 11561. NJDOBI conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (the “NAIC Handbook”). The NAIC Handbook requires that NJDOBI plan and performs the examination to evaluate the financial condition and identify prospective risks of the Company. In order to meet these objectives, NJDOBI obtained information regarding the Company’s corporate governance environment, identified and assessed inherent risks to which it is exposed, and evaluated its system of internal controls and procedures used to mitigate those risks identified. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

The NJDOBI examiners were responsible for identifying significant deviations from New Jersey laws and regulations. Additional substantive procedures were performed where deemed necessary.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

## COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

The full-scope coordinated multi-state risk focused 2017 examination of the Company did not have any reportable recommendation.

## HISTORY AND KIND OF BUSINESS

The Company was incorporated on June 7, 1904, as Farmers’ Reliance of West Jersey. The Company merged with Farmers’ Mutual Fire Insurance Company of Warren, New Jersey in 1958 and with Shrewsbury Mutual Fire Insurance Company of Eatontown, New Jersey in 1961.

In 1979 three subsidiaries were formed, Farmers Reliance Holding Company as a holding company, Farmers Reliance Casualty Company, an insurance company offering coverage for casualty lines, and Farmers Reliance Computer Corporation.

On November 1, 1984, the name of the organization was changed to better reflect the image that had evolved. The names were changed to American Reliance Insurance Company (“Mutual”), American Reliance Casualty Company (“Casualty”) and American Reliance Group, Inc. (“Group”). The name of the computer corporation was changed to Farmers Reliance Insurance Computer Corporation to preserve the historical names. In 1986 the Group became a public company with Mutual retaining a majority interest.

In 1989 American Reliance Indemnity Company (“Indemnity”) was formed. The insurance business was reorganized in 1991 such that all of the New Jersey personal automobile business was moved to Indemnity. Indemnity was transferred from the Group to the Mutual.

In 1993, the Company sold substantially all of its insurance business written in 1989 to 1993 (primarily as a result of the significant losses incurred from the 1992 Hurricane Andrew) except the New Jersey private passenger automobile and Florida business, which went into run off. The Company also ceased writing new business at that time.

The right to market the name “American Reliance” was sold and the corporate names were changed to ARI Mutual Insurance Company, ARI Casualty Company, ARI Indemnity Company, ARI Services and ARI Holdings.

In April 1997, Mutual and the Company recommended issuing insurance policies in the State of New Jersey. Indemnity was sold in the fourth quarter of 2005.

In 2011, it was determined that there was no longer a need for two companies for rating flexibility. The Companies terminated the pooling agreement effective October 1, 2011, and all business was assumed by Mutual through an Assumption Reinsurance agreement.

In 2014, Mutual re-domesticated to Pennsylvania to reflect the location of its corporate headquarters and to have access to more capital alternatives. The Company remains a New Jersey domestic company and may be reactivated to handle New Jersey business in the future.

Effective January 22, 2016, the Company, its parent, Mutual and its affiliate, ARI Services, Inc., were acquired by AmTrust Financial Services, Inc. (“AFSI” or “AmTrust”), a multinational publicly traded property and casualty insurer holding company headquartered in New York, New York. As part of the acquisition Mutual was converted from a mutual insurer to a stock company through demutualization and was renamed ARI Insurance Company.

On May 9, 2019, Lancer Financial Group, Inc. (“LFG”) entered into a Securities Purchase Agreement with ARI Insurance Company for the purchase of its subsidiary, ARI Casualty Company. Both ARI Insurance Company and ARI Casualty Company were indirect subsidiaries of AmTrust Financial Services, Inc. The acquisition was approved by the NJDOBI by Acquisition Order A19-117 dated December 30, 2019. On February 4, 2020, LFG’s acquisition of ARI Casualty Company (“ARI”) was completed.

On March 3, 2020, the Company amended and restated its Certificate of Incorporation and filed it with NJDOBI. This amendment reflects the Board of Director’s approved change of the Company’s

name from “ARI Casualty Company” to “Lancer Insurance Company of New Jersey,” and changed, among other things, the principal office, registered agent and registered office.

In April 2021, the shareholders of LFG entered into an agreement whereby CSIH would acquire LFG and its subsidiaries through a series of mergers, with Lancer Financial Group, LLC as the surviving entity. This agreement was contingent on the approval of several state insurance regulators. After proper approvals were granted, the acquisition closed on December 31, 2021, making CSIH the ultimate controlling parent of LICNJ. CSIH operates through four (4) insurance companies, including StarStone Specialty Insurance Company, StarStone National Insurance Company, Lancer Insurance Company (LIC) and LICNJ.

All outstanding shares of the Company are owned by the parent company, LFG, an insurance holding company domiciled in the state of Delaware. The Company does not own shares in an upstream intermediate entity nor its ultimate parent, either directly or indirectly, via a downstream subsidiary, controlled, or affiliated company.

Following the acquisition of the LFG, the Group was organized into two subgroups, StarStone and Lancer. These subgroups are further divided operationally into multiple product segments that in various lines of business may be written by several companies within the Group.

At year-end 2022, the Company reported 2,350,000 shares authorized, issued and outstanding; par value was \$1.50.

The statutory home office of the Company as of December 31, 2022 was Princeton South Corporation Center, Suite 160, 100 Charles Ewing Boulevard, Ewing, New Jersey 08628. The current administrative office of the Company in 2022 is located at 370 West Park Avenue, Long Beach, New York, NY 11561, and the registered agent upon whom process may be served shall be CT Corporation.

#### STATUTORY DEPOSIT

As of December 31, 2022, the Company maintained one security on deposit with the State of New Jersey, in trust for the benefit and security of the Company’s policyholders.

<u>State</u>	<u>Securities</u>	<u>Par Value</u>
New Jersey	New Jersey Gvmt Bond 5.00% due June 1, 2023	<u>\$ 500,000</u>
Total		<u><u>\$ 500,000</u></u>

#### TERRITORY AND PLAN OF OPERATIONS

The Company is a domestic property and casualty stock insurance company licensed to transact business in New Jersey, Delaware, Virginia, Maryland, Pennsylvania, and the District of Columbia.

The Company underwrites risks solely in the State of New Jersey.

The registered agent upon whom process may be served is the CT Corporation.

### CORPORATE RECORDS

The Company's By-laws were amended and restated during the exam period, effective February 3, 2020, upon the acquisition of the Company by LFG.

A review of the minutes of the Board of Directors meetings noted that they were well attended by the Company's Directors, and that the proceedings of the meetings were done in compliance with the Company's State Charter and By-laws. The Board minutes also indicated that the Company's overall transactions and events were adequately supported and approved.

### MANAGEMENT AND CONTROL

The business, property and affairs of the Company are managed by the President and his delegated officers under the guidance of the Board of Directors.

#### Directors

The Company's By-laws specify that the Board of Directors shall consist of not less than three (3) nor more than twenty-one (21) Directors. The number of Directors to serve each year may be fixed annually by the Shareholders or at any time between Annual Shareholders Meetings by vote of the Board of Directors. The elected Directors shall hold office until their successors have been duly elected and qualified.

The annual meeting of the Board of Directors shall be held without notice immediately after the Shareholders annual meeting, at the place where the annual Shareholders meeting is held. The Board may hold meetings at such place or places within or without the State of New Jersey as the Board may from time to time determine. The Shareholders annual meeting shall be held on such date as may be fixed by the Board, at such time and place as the notice calling the meeting shall indicate. The presence of a majority of the Directors in office shall be requisite to, and constitute a quorum at, all meetings of the Board for the transaction of business. Any action taken by a majority of the Directors present at a meeting at which a quorum is present shall constitute the action of the Board of Directors, except as may be otherwise provided by statute.

A listing of the Directors serving the Company at December 31, 2022 is as follows:

<u>Name</u>	<u>Position</u>
David P. Delaney, Jr.	Chief Executive Officer
Robert F. Kuzloski	Executive Vice President, Secretary and General Counsel, Core Specialty Insurance Holdings, Inc.
Rosario DeVito	Vice President, Associate General Counsel and Secretary

The Company is required to comply with the provisions of N.J.S.A. 17:27A-4d(3) which states that, “not less than one-third of the directors of a domestic insurer shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common control with that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity”. However, in accordance with N.J.S.A. 17:27A-4d(5), the provisions of paragraph (3) shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors that substantially meet the requirements of this paragraph. Under N.J.S.A. 17:27A-4d (5), the Company’s ultimate controlling entities is CSIH. It has been determined by this examination that CSIH are subject to compliance with N.J.S.A. 17:50-1 et. al. Therefore, it has been determined, by NJDOBI - Office of Solvency Regulation Division, that the Company’s controlling entities are in compliance with N.J.S.A. 17:27A-4d(3).

### Committees

The Company does not have an Executive, Finance or Audit Committee in place as of December 31, 2022. However, the Company’s ultimate parent, the CSIH, has committees in place which include an Executive Committee, Audit Committee, and Investment Committee.

### Officers

The Officers of the Company shall be chosen by the Board of Directors at its first meeting after the election of Directors by the Stockholders and shall consist of the President, one or more Vice-Presidents, a Secretary, and Treasurer. The Board may also elect with such additional title(s), if any, as the Board may deem appropriate, such Officers and Assistant Officers and agents as it shall deem necessary. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity. Officers are elected for one year and shall hold their respective offices until the next annual election of officers by the Board and until their successors shall have been elected and qualified or until the earlier of their death, resignation, or removal.

The following Officers have been elected and were serving the Company at December 31, 2022:

Name	Position
David P. Delaney, Jr.	Chief Executive Officer
Matthew Jenkins	President and Chief Operating Officer
Wayne Ricci	Executive Vice President and Chief Underwriting Officer
Timothy O’Sullivan	Senior Vice President, Treasurer and Chief Financial Officer
Kim Aquilino	Senior Vice President and Chief Information Officer
Rosario DeVito	Vice President and Secretary
Gail Reilly	Senior Vice President
Anna Marie McTernan	Senior Vice President
Timothy H. Delaney	Senior Vice President
Mark Libertine	Senior Vice President
Andrew Czyz	Vice President



## REINSURANCE

The Company was party to one significant reinsurance agreement as of the examination date.

### Assumed

The Company did not assume any business during 2022.

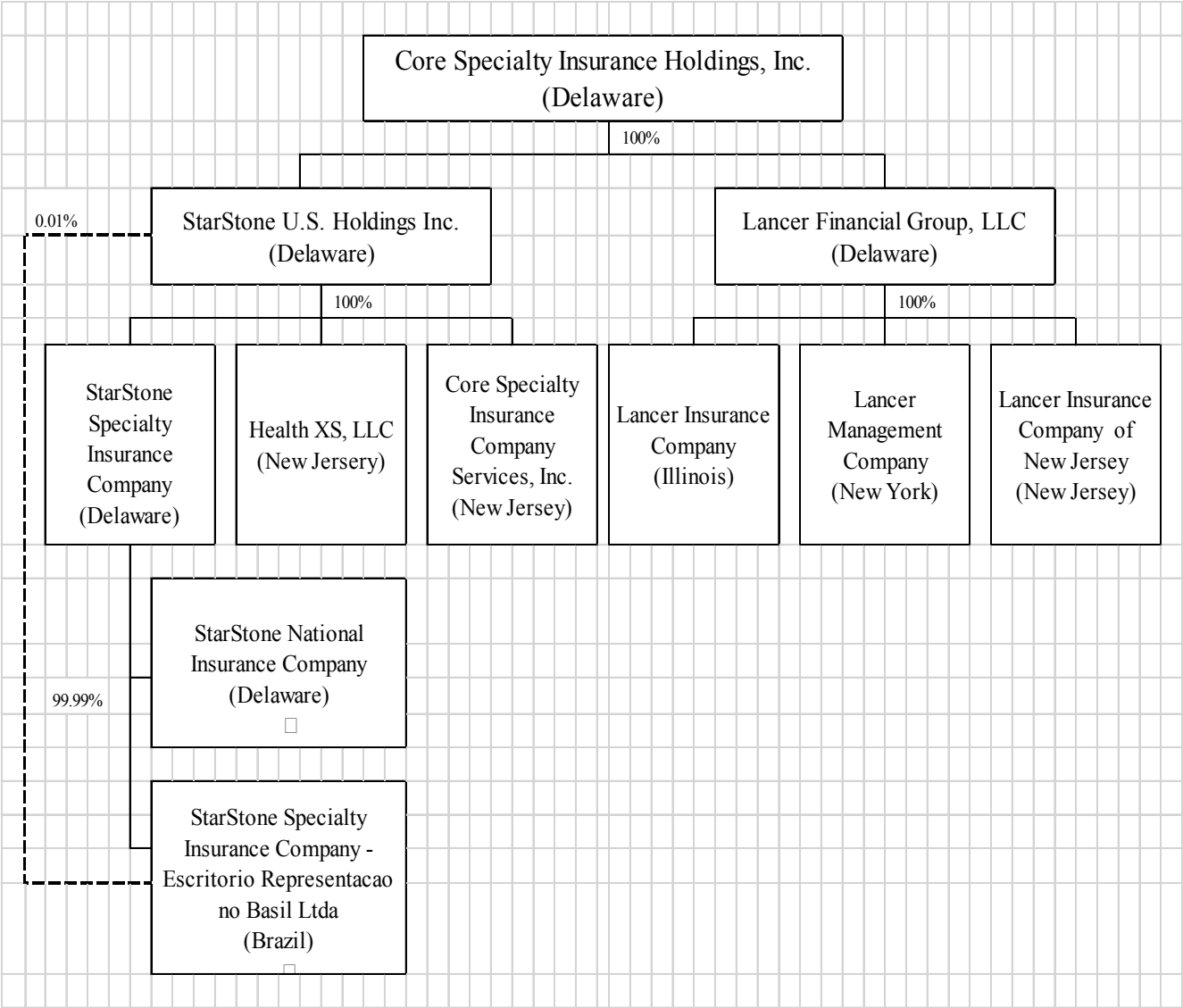
### Ceded

The Company utilizes excess of loss reinsurance for its commercial multiperil business for the property and liability exposures and facultative reinsurance for a small portion of its commercial auto business. LICNJ is party to a 100% quota-share reinsurance agreement with LIC. Under the terms of the agreement, LICNJ cedes 100% of all earned premiums, losses, loss adjustment and operating expenses. The Company's ceded loss and loss adjustment expense reserves at December 31, 2022 are \$13,400,000.

## REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

LICNJ is a member of an insurance holding company system as defined in N.J.S.A. 17:27A-1 and is subject to the registration requirements of N.J.S.A. 17:27A-3. The Company is a wholly-owned subsidiary of LFG. The ultimate controlling entity for the group is CSHC. It was determined that the Company did file their holding company registration statements, for the period under examination, in compliance with the requirements and standards of N.J.S.A. 17:27A-3.

An abbreviated organizational chart of the Core Specialty Group holding company system as of December 31, 2022, is as follows (ownership of subsidiaries is 100% unless otherwise noted):



## AGREEMENT WITH AFFILIATES

### Underwriting Agreement

The Company has an underwriting management agreement with its affiliate Lancer Management Company (“LMC”). The Company incurred management fees under this agreement of \$2,635,068 to LMC in 2022. LMC may underwrite, rate and bind risks, provided such underwriting, rating and binding are in accordance with mutually agreed upon underwriting guidelines and filed rates, rules and forms, as these may be amended from time to time, and in accordance with sound underwriting practices and generally accepted actuarial principles. The Company agreed to allow LMC to perform all premium audit and loss control functions pursuant to agreed upon guidelines and as required by law. LMC is authorized to solicit and market business from potential policyholders in accordance with law and subject to the restrictions under this agreement. LMC may charge, collect and receive all premiums, including audit premiums, due and transmit return premiums on behalf of LICNJ. LMC is required to provide the Company with all information required or necessary for the Company to fulfill its regulatory financial reporting obligations.

### Intercompany Services Agreement

At December 31, 2022, the Company has an Intercompany Service Agreement with its affiliate Core Specialty Insurance Services, Inc. (“CSIS”). CSIS is a wholly-owned subsidiary of CSIH. Under this agreement, CSIS provides, or arranges for the provision of, such services necessary or appropriate in connection with the management and operation of the Company. CSIS may provide all necessary executive and administrative services in order to render such services and to promote the efficient and economic operation of the Company. The Company incurred fees under this agreement of \$98,722 to CSIS in 2022.

### Intercompany Expense Agreement

Effective February 3, 2020, the Company was party to an Intercompany Expense Agreement with LIC. The Agreement was accepted by NJDOBI by letter dated January 28, 2020. Under this agreement, each party agrees to make available certain services and facilities. The provider of those services and facilities will be reimbursed as billed by the provider.

### Tax Sharing Agreement

The Company is party to a written tax allocation agreement with Core Specialty Insurance Holdings, Inc., Starstone US Holdings, Inc., CSIS, Lancer Financial Group, LLC, Lancer Insurance Company, LMC, Heath XS, LLC, StarStone National Insurance Company, and StarStone Specialty Insurance Company. Pursuant to the agreement, the Company makes payments or receives refunds using separate company return calculations resulting in a tax liability or refund to the amount the Company would have paid or received if it had filed on a separate return basis instead of on a consolidated return basis. Current losses or credits generated by the Company result in refunds under the agreement only to the extent and for those periods in which they can be utilized by the Company.

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of reporting.

## POLICY ON CONFLICT OF INTEREST

During the examination period, the Company participated in an Ethics and Code of Conduct, Workplace Harassment program, which addresses employee conduct, professional standards, accountability and compliance, conflicts of interest, fraud policy and guidelines on business ethical matters for all employees, officers, and directors. The policy stipulates the various conditions and actions that are, or may be, deemed to be inappropriate, potential conflicts of interest and/or violations of said policy statement.

The examination reviewed a sample of all officers and directors executed Conflict of Interest statements for the period under examination, noting that there were no apparent or potential conflicts of interest.

## ACCOUNTS AND RECORDS

During the examination period, the Company's accounting books and records were maintained at its main administrative office, located at 370 West Park Avenue, Long Beach, New York 11561. Financial information needed in conjunction with the verification of assets and the determination of liabilities was made available in detail and summary form. The general ledger system was tested and reconciled to the annual statement.

The Company records premiums and losses through the use of in-house computerized systems. Premiums are derived from direct billing. Various reports are derived from the systems for annual statement and financial report preparation and were used in conjunction with this examination.

The Company must comply with N.J.S.A. 17:23-23(b). "Every person being examined, the person's officers, attorneys, employees, agents and representatives, shall make freely available to the Commissioner, or the Commissioner's examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person's possession or control, relating to the subject of the examination and shall facilitate the examination".

During the examination period, all claims in New Jersey were processed by LIC on the Front-End Claims System and all policyholder claims services were provided by LIC. All accounting activity had been transitioned to LIC.

## TREATMENT OF POLICYHOLDERS AND CLAIMANTS

The Company's complaint handling procedures as well as its complaint logs were reviewed for the years 2020 through 2022. The review of these complaint logs determined that the Company was in compliance with N.J.S.A. 17:29B-4(10) which states: "This record shall indicate the total number of complaints, their classification by line of business, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint."

## CONTINUITY OF OPERATIONS

A business continuity plan is necessary to help ensure the Company can adequately recover from a system failure or business interruption in a timely fashion and without the loss of significant data. Management should assess how the Company's reputation and financial status would be impacted in the event of a major processing disruption and based on this assessment, develop an appropriate continuity plan that would help to ensure the Company can adequately recover from a system failure or business disruption in a timely fashion. The Company's comprehensive Business Continuity Plan was reviewed as part of the coordinated examination. There were no exceptions noted or recommendations made.

## FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A Balance Sheet at December 31, 2022

Exhibit B Summary of Operations for the Five-Year Period Ending December 31, 2022

Exhibit C Capital and Surplus Account for the Five-Year Period Ending December 31, 2022

**Balance Sheet**  
**as of December 31, 2022**  
**Exhibit A**

						<b>Balance per</b>	<b>Balance per</b>		
						<b>Examination</b>	<b>Company</b>	<b>Examination</b>	<b>Note</b>
						<b><u>12/31/2022</u></b>	<b><u>12/31/2022</u></b>	<b><u>Change</u></b>	<b><u>Number</u></b>
<b><u>Assets</u></b>									
Bonds						\$ 17,341,054	\$ 17,341,054		1
Cash, cash equivalents & Short Term Investments						2,468,663	2,468,663		
Investment income due and accrued						75,422	75,422		
Premiums and considerations									
Uncollected premiums and agents balances						1,435,166	1,435,166		
Deferred premiums, agents balances and installments booked but deferred						2,999,656	2,999,656		
Reinsurance									
Amounts recoverable from reinsurers						486,531	486,531		
Net deferred tax asset						89,144	89,144		
Aggregate Write-ins for Other Invested Assets						<u>21,389</u>	<u>21,389</u>		
Total Admitted Assets						<u>\$24,917,025</u>	<u>\$24,917,025</u>		
<b><u>Liabilities, Surplus and Other Funds</u></b>									
Other expenses						\$ 68,039	\$ 68,039		
Taxes, licenses and fees						203,795	203,795		
Current Federal and Foreign Income Taxes						17,214	17,214		
Ceded reinsurance premiums payable						15,099,222	15,099,222		
Payable to parent, subsidiaries and affiliates						<u>48,140</u>	<u>48,140</u>		
Total Liabilities						<u>\$15,436,410</u>	<u>\$15,436,410</u>		2
<b><u>Surplus and Other Funds</u></b>									
Common Capital Stock						\$ 3,525,000	\$ 3,525,000		
Gross Paid in and Contributed Surplus						11,085,186	11,085,186		
Unassigned Funds (Surplus)						<u>(5,129,571)</u>	<u>(5,129,571)</u>		
Total Surplus and Other Funds						<u>\$9,480,615</u>	<u>\$9,480,615</u>		3
<b>Total Liabilities, Surplus and Other Funds</b>						<u>\$ 24,917,025</u>	<u>\$ 24,917,025</u>		

**Underwriting and Investment Exhibit For the Five-Year Period Ended  
December 31, 2022**  
Exhibit B

				<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>Total</u>
<b><u>Underwriting Income</u></b>									
Net Underwriting Gain or (Loss)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b><u>Investment Income</u></b>									
Net investment income earned				\$ 290,403	\$ 176,836	\$ 47,952	\$ 391,014	\$ 254,114	\$ 1,160,319
Net realized capital gains or (losses) less capital gains tax				(58,375)	9,129	(17,984)	131,806	(45,584)	\$ 18,992
Net investment gain or (loss)				\$ 232,028	\$ 185,965	\$ 29,968	\$ 522,820	\$ 208,530	\$ 1,179,311
<b><u>Other Income</u></b>									
Aggregate write-ins for miscellaneous income				\$ -	\$ -	\$ -	(3,183)	\$ -	(3,183)
Total Other Income				\$ -	\$ -	\$ -	(3,183)	\$ -	(3,183)
Net income before dividends to policyholders, after capital									
gains tax and before all other federal and foreign tax				\$ 232,028	\$ 185,965	\$ 29,968	\$ 519,637	\$ 208,530	\$ 1,176,128
Net income after dividends to policyholders, after capital									
gains tax and before all other federal and foreign tax				\$ 232,028	\$ 185,965	\$ 29,968	\$ 519,637	\$ 208,530	\$ 1,176,128
Federal and foreign income taxes incurred				17,214			38,078	17,332	\$ 72,624
Net Income				\$ 214,814	\$ 185,965	\$ 29,968	\$ 481,559	\$ 191,198	\$ 1,103,504

**Capital and Surplus Account**  
**For the Five-Year Period Ended**  
**December 31, 2022**  
**Exhibit C**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u> *
Surplus as regards policyholders, prior year	\$ 9,277,186	\$ 9,076,733	\$ 9,095,820	\$ 8,614,244	\$ 8,423,056	\$ 8,423,056
Net income	214,814	185,965	29,968	481,559	191,198	
Change in net unrealized capital gains or (losses) less capital gains tax				17	(10)	
Change in net deferred income tax	(26,583)	(27,162)	(3,149)	(32,664)	(32,663)	
Change in non-admitted assets	15,198	41,650	(45,906)	32,664	32,663	
Change in surplus as regards policyholders	203,429	200,453	(19,087)	481,576	191,188	
Surplus as regards policyholders, current year	\$ 9,480,615	\$ 9,277,186	\$ 9,076,733	\$ 9,095,820	\$ 8,614,244	
* Per prior Report on Examination						
** In 2017, 2018 and 2019 the company name was ARI Casualty Company						



## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: BONDS

The Company reported an admitted asset for bonds of \$17,341,054 at December 31, 2022. The Company did not have any investments in preferred or common stock at December 31, 2022. These amounts will be accepted as stated by this examination.

### NOTE 2: LOSS AND LOSS ADJUSTMENT EXPENSES

At December 31, 2022, the Company reported a net liability for Losses and Loss Adjustment Expenses of \$0. The actuarial review of the Loss and Loss Adjustment Expenses Reserves was performed in conjunction with the coordinated exam. The Property & Casualty Actuarial Division of the NJDOBI reviewed the Report on the Actuarial Examination.

### NOTE 3: SURPLUS AS REGARDS POLICYHOLDERS

The Company reported surplus as regards to policyholders at December 31, 2022 of \$9,480,615 which consisted of common capital stock of \$3,525,000, gross paid in and contributed surplus of \$11,085,186 and a negative unassigned funds balance of \$5,129,571.

### SUBSEQUENT EVENTS

Subsequent to the examination date, the following new officers were appointed to serve:

Effective January 17, 2023, elected Chandra V. Boyle as Assistant Vice President.

Effective April 14, 2023, elected Timothy H. Delaney as President.

Received and reviewed and approved Disaster Response Plan of Core Specialty Insurance Holdings, Inc. dated June 15, 2023.

## CONCLUSION

The undersigned hereby certifies that an examination has been made of LICNJ and the foregoing report is true to the best of my knowledge and belief. The courteous assistance and cooperation of the Company's officers and employees is acknowledged.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Jeffrey Good', written over a horizontal line.

Jeffrey Good, CFE  
Examiner-In-Charge  
The NOVO Consulting Group, LLC  
Representing the State of New Jersey  
Department of Banking and Insurance

A handwritten signature in black ink, appearing to read 'Nancy Lee Chice', written over a horizontal line.

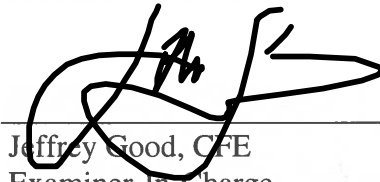
Nancy Lee Chice, CFE  
CFE Reviewer-Supervising Examination  
New Jersey Department of Banking and Insurance

EXAMINER'S AFFIDAVIT

**Lancer Insurance Company of New Jersey**

I, Jeffrey Good, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2022, to the best of my information, knowledge and belief.

Respectfully submitted,



Jeffrey Good, CFE  
Examiner-In-Charge  
The NOVO Consulting Group, LLC  
Representing the State of New Jersey  
Department of Banking and Insurance

Under the supervision of:



Nancy Lee Chice, CFE  
CFE Reviewer – Supervising Examination  
New Jersey Department of Banking and Insurance

State of New Jersey  
County of Mercer

Subscribed and sworn to before me,

this Sheila M. Tkacs on  
29th day of May, 2024.

  
Notary Public of New Jersey

My commission expires:

July 2025