

ASSOCIATION EXAMINATION REPORT
on
PELEUS INSURANCE COMPANY
Richmond, Virginia
as of
December 31, 2020

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Peleus Insurance Company as of December 31, 2020, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 30th day of June 2022

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

Scott A. White
Commissioner of Insurance



TABLE OF CONTENTS

Scope of the Examination 1

History 2

Management and Control 4

Related Party Transactions..... 7

Territory and Plan of Operation 8

Growth of the Company 9

Reinsurance 10

Financial Statements..... 17

Acknowledgment..... 23

Richmond, Virginia
May 12, 2022

Honorable Scott A. White
Commissioner of Insurance
Commonwealth of Virginia
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by the authority of § 38.2-1317 of the Code of Virginia, a financial condition examination of the records and affairs of the

Peleus Insurance Company
Richmond, Virginia

hereinafter referred to as the Company, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The Company was last examined by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2017. This examination covers the period from January 1, 2018 through December 31, 2020.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Company's 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.

The examination was conducted by the Bureau on a coordinated basis with the following insurers:

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

<u>Insurer</u>	<u>Domiciliary State</u>
Argonaut Insurance Company	Illinois
Argonaut Great Central Insurance Company	Illinois
Argonaut Midwest Insurance Company	Illinois
Colony Specialty Insurance Company	Ohio
Colony Insurance Company	Virginia

The services of Risk & Regulatory Consulting, LLC were employed to provide an actuarial analysis as to the reasonableness of the Company's loss and loss adjustment expense reserves as of December 31, 2020.

This examination report includes significant findings of fact 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.

HISTORY

The Company is a stock property and casualty insurer licensed under and subject to the general insurance laws contained in Title 38.2 of the Code of Virginia. On September 29, 1988, the Company was incorporated under the laws of the State of Florida. The Company commenced business on March 10, 1989 as Preferred National Insurance Company. Until 1996, the Company principally underwrote fidelity bonds and surety bonds. Since 1996, the Company has underwritten fire and allied lines, special multi-peril, professional liability and other liability insurance.

The Company was acquired by PNIC Holdings, Inc. on July 31, 1998. At that time, PNIC Holdings, Inc. was owned by three wholly-owned subsidiaries of Front Royal, Inc (Front Royal). At December 31, 1998, the ownership percentages were Colony Holdings, Inc. with 12.65%, Rockwood Casualty Insurance Company (Rockwood) with 55.35%, and Colony Insurance Company (Colony) with 32%. Effective October 1, 1999, Colony Holdings, Inc., and PNIC Holdings, Inc., were dissolved, and direct ownership of the Company was held by Colony (32%), Rockwood (55.35%) and Front Royal (12.65%). On December 11, 2000, the Company redomiciled from Florida to Virginia.

On August 23, 2001, Front Royal was acquired by Argonaut Group, Inc. (Argonaut Group). Pursuant to the transaction, Front Royal became a wholly-owned subsidiary of Argonaut Insurance Company (Argonaut), a California domestic insurer wholly owned by the Argonaut Group. This transaction received the necessary regulatory approval.

Effective April 1, 2002, the name of the Company was changed to Colony National Insurance Company.

In 2003, Colony purchased Front Royal's 12.65% direct ownership in the Company. In March 2004, Rockwood paid a common stock dividend of 610,687 shares of the Company to Front Royal. As a result, direct ownership of the Company was held by Colony (44.65%), Front Royal (29.43%) and Rockwood (25.92%). In 2006, Front Royal was dissolved and its 29.43% interest in the Company was assigned to Argonaut Group. In 2007, Rockwood Holding Company was dissolved and Rockwood's 25.92% share of the Company was assigned to Argonaut.

In March 2007, PXRE Group Ltd. (PXRE) and Argonaut Group entered into a merger agreement pursuant to which Argonaut Group became a wholly-owned subsidiary of PXRE on August 7, 2007. PXRE changed its name to Argo Group International Holdings, Ltd., a Bermuda corporation, upon completion of the merger. In 2008, the organization was restructured and the U.S. holding company was renamed Argo Group US, Inc. (Argo Group US).

In December 2008, Argo Group US contributed its 29.43% interest in the Company to Colony. Also in December 2008, Colony purchased Argonaut's 25.92% interest in the Company. As a result of these transactions, the Company is now wholly-owned by Colony.

Effective March 4, 2015, the Bureau approved the Company's Articles of Incorporation Restatement, whereby the name of the Company was changed to Peleus Insurance Company.

In April 2015, the Company received a capital contribution of \$17,000,000 from Colony.

MANAGEMENT AND CONTROL

Management is vested in a board of directors of not less than three nor more than ten directors, the exact number to be set from time to time by the board. All directors shall be elected for a term of one year at the annual meeting of stockholders and shall hold office until their successors are elected and qualified. The bylaws provide for a president, a secretary and a treasurer. The board of directors or the president may appoint one or more vice presidents or other officers and assistant officers as deemed necessary. The president shall be the chief executive officer of the Company. Directors and officers at December 31, 2020 were as follows:

Director:

Principal Business Affiliation:

Craig S. Comeaux

Vice President, Secretary and
Deputy General Counsel
Argo Group US, Inc.
San Antonio, Texas

Susan B. Comparato

Senior Vice President, General Counsel
Argonaut Management Services, Inc.
Glen Ridge, New Jersey

Gary E. Grose

Executive Vice President, U.S. Marketing
Argonaut Management Services, Inc.
Michiana, Michigan

Officers:

Gary E. Grose

President and Chief Executive Officer

Timothy D. Carter

Executive Vice President, Chief Underwriting Officer

Austin W. King

Corporate Secretary

Lauren T. Welch

Chief Financial Officer

Susan B. Comparato

Senior Vice President & General Counsel

David A. Higley

Senior Vice President

Craig S. Comeaux

Vice President and Assistant Secretary

Lynn K. Guerin

Vice President & Assistant Treasurer

Andrew J. Hendrix

Vice President

Crag E. Landi

Vice President

Steven W. Laudermilch

Vice President, U.S. Claims Officer

Dale L. Scholl, II

Vice President - Tax

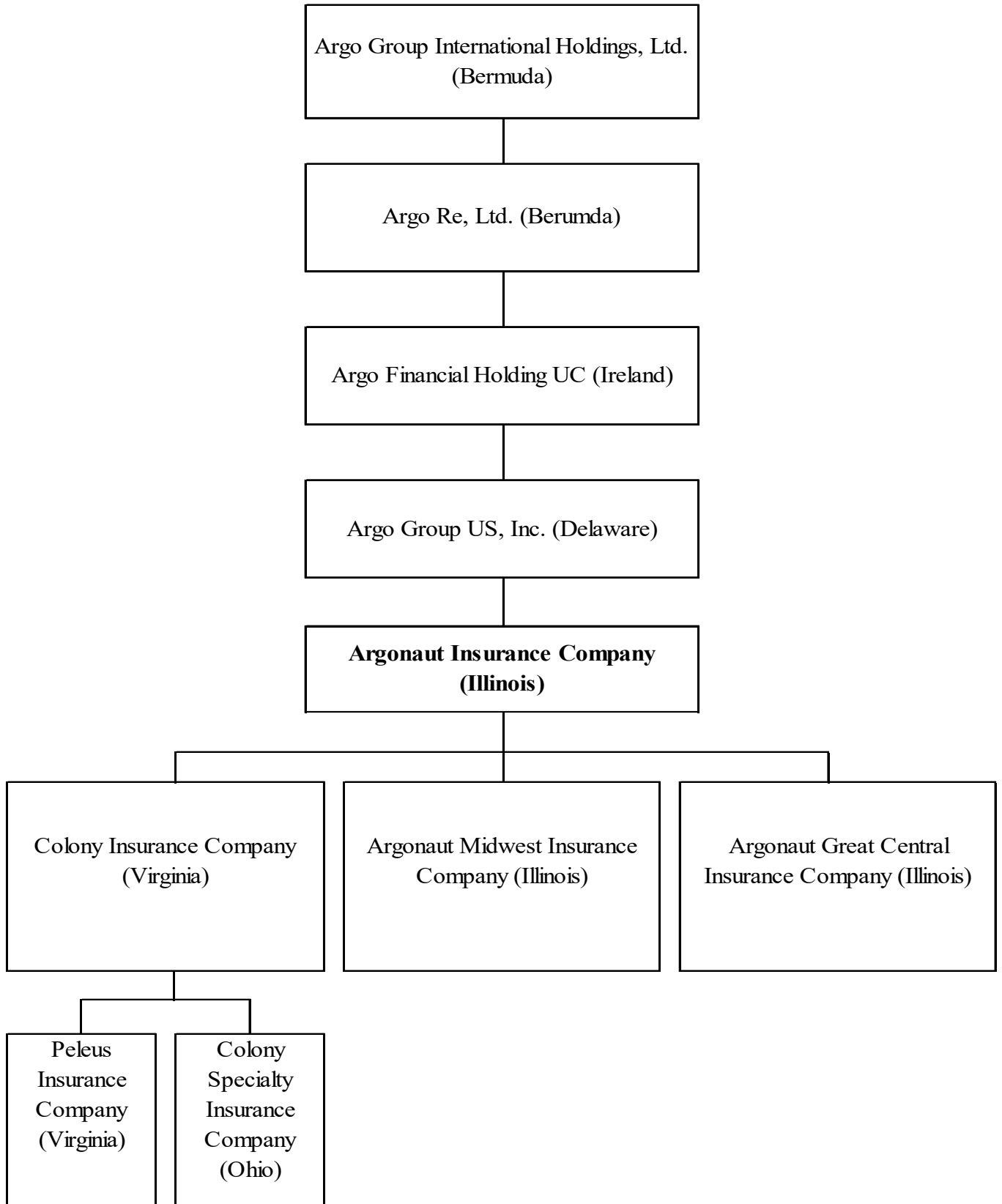
Mary M. Stulting

Vice President

Julian C. Westbrook, III

Vice President

The Company is wholly owned by Colony, which is a wholly owned subsidiary of Argonaut. The following chart illustrates this insurance holding company system at December 31, 2020:



RELATED PARTY TRANSACTIONS

Service Agreements

Effective January 1, 2017, the Company entered into an agreement with Argonaut Management Services, Inc. (AMS), an affiliate. The agreement states that AMS shall provide various services to the Company, including but not limited to management, administration, claims, operations, accounting and personnel. In consideration of its services pursuant to this agreement, AMS shall receive a monthly reimbursement for said services at an amount which approximates their cost. The Company paid fees for these services in the amount of \$1,143,984, \$1,577,808 and \$348,224, during 2018, 2019 and 2020, respectively. The fees paid by the Company for these services are included in loss adjustment expenses incurred and other underwriting expenses and investment expenses which are ceded to Colony as part of the quota share reinsurance agreement.

On August 1, 1998, the Company entered into an agreement with Colony. The purpose of this agreement was to have Colony act as the disbursing agent for the Company. This agreement is a matter of convenience to both parties and Colony shall receive no cash compensation from the Company. The Company will reimburse Colony in full within 30 days following the end of the month in which Colony disbursed funds on the Company's behalf. The term of this agreement is continuous, subject to termination by either party, without cause, upon 30 days written notice.

Premium Allocation Agreement

Effective December 31, 2007, the Company entered into an agreement with Colony and CSIC, collectively the Colony Companies, Argonaut-Midwest Insurance Company (Argonaut-Midwest) and Argonaut. Argonaut-Midwest and Argonaut each appoint the Colony Companies to provide services with respect to the management of the collection and transfer of premiums for designated policies of Argonaut and Argonaut-Midwest. In connection with the servicing of these designated Argonaut/Argonaut-Midwest policies, the Colony Companies shall collect premiums on behalf of Argonaut and Argonaut-Midwest from time to time. Such premiums are to be collected by the Colony Companies and deposited into the Colony Companies' bank accounts. Any such premiums collected by the Colony Companies shall be held in a fiduciary capacity. This agreement is a matter of convenience to the interested parties and the Colony Companies shall receive no cash compensation for these services from Argonaut or Argonaut-Midwest; provided, however, that with respect to CSIC, Argonaut and Argonaut-Midwest shall reimburse CSIC pursuant to this agreement in conformity with statutory accounting principles consistently applied. Such reimbursements, if any, shall be made within 45 days of the end of each calendar quarter.

Tax Allocation Agreement

On January 30, 2002, the Company entered into a tax allocation agreement with Argonaut Group (now Argo Group US). Under this agreement, Argo Group US files a consolidated federal income tax return. This agreement covers the 2001 tax year and for each year thereafter for which a consolidated return is filed. Only the results for transactions occurring on or after December 31, 2001 are to be included on the consolidated federal income tax return. All settlements for income tax payments to Argo Group US, or refunds to the Company, shall be made within 30 days after the date of filing the consolidated income tax return for each respective tax year.

Dividends

For the period under review, the Company paid an ordinary dividend of \$5,000,000 in 2020.

TERRITORY AND PLAN OF OPERATION

The Company is domiciled and licensed in the Commonwealth of Virginia. As of December 31, 2020, the Company is licensed to write the following lines of business in Virginia:

Fire	Glass
Miscellaneous Property and Casualty	Burglary and Theft
Commercial Multiple Peril	Automobile Liability
Inland Marine	Automobile Physical Damage
Liability Other Than Auto	

In addition, the Company is approved for surplus lines in the District of Columbia and every other state in the United States.

The Company underwrites small to medium commercial lines accounts as both an admitted carrier and as an approved non-admitted surplus lines carrier. Insurance products are written through licensed surplus lines brokers, with underwriting authority maintained by the Company. Commissions vary between 15% and 20% and are based on the lines of business. Those brokers who have authority to bind policies on behalf of the Company also participate in a contingent commission plan provided they meet certain production volume and loss ratio requirements and have made timely settlement of their accounts. The commissions range between ¾% and 11% percent, and are based on gross written premiums on contract property and casualty lines of business.

GROWTH OF THE COMPANY

The following data, obtained from Annual Statements filed with the Bureau, and from examination reports, indicates the growth of the Company for the ten-year period ending December 31, 2020:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Common Capital Stock</u>	<u>Gross Paid In and Contributed Surplus</u>	<u>Unassigned Funds</u>
2011	\$90,389,883	\$48,612,062	\$3,500,000	\$23,041,334	\$15,236,487
2012	86,211,778	43,742,835	3,500,000	23,041,334	15,927,609
2013	86,196,371	40,678,355	3,500,000	23,041,334	18,976,682
2014	65,393,519	34,084,948	3,500,000	23,041,334	4,767,237
2015	106,669,622	57,868,887	3,500,000	40,041,334	5,259,401
2016	102,008,701	51,513,593	3,500,000	40,041,334	6,953,774
2017	92,110,446	38,522,063	3,500,000	40,041,334	10,047,049
2018	107,611,082	55,327,508	3,500,000	40,041,334	8,742,240
2019	141,291,402	86,290,953	3,500,000	40,041,334	11,459,115
2020	132,131,299	81,090,137	3,500,000	40,041,334	7,499,828

<u>Year</u>	<u>Premiums Earned</u>	<u>Loss and Loss Adjustment Expenses Incurred</u>	<u>Other Underwriting Expenses</u>	<u>Net Underwriting Gain or (Loss)</u>
2011	\$0	\$0	\$0	\$0
2012	0	0	0	0
2013	0	0	0	0
2014	0	0	0	0
2015	0	0	0	0
2016	0	0	0	0
2017	0	0	0	0
2018	0	0	13,369	(13,369)
2019	0	0	11,000	(11,000)
2020	0	0	4,611	(4,611)

REINSURANCE

The Company had the following reinsurance coverage in force at December 31, 2020:

Ceded to Non-Affiliated Reinsurers:

<u>Type of Agreement</u>	<u>Class of Business</u>	<u>Company Retention</u>	<u>Reinsurer's Limits</u>
Property Per Risk Excess of Loss	Property	\$10,000,000 each loss, each risk	\$15,000,000 each loss, each risk, \$15,000,000 each loss occurrence; \$30,000,000 all loss occurrences
Quota Share	Property	\$10,000,000	Limit of 2.25 times net written premium subject to a maximum loss occurrence limit of \$213,000,000
Excess of Loss	Liability	<u>First Layer</u> \$2,000,000 each occurrence	\$3,000,000 excess of \$2,000,000 each liability, subject to limit of liability of \$15,000,000 all loss occurrences
		<u>Second Layer</u> \$5,000,000 each occurrence	\$5,000,000 excess of \$5,000,000 each liability, subject to limit of liability of \$20,000,000 all loss occurrences

<u>Type of Agreement</u>	<u>Class of Business</u>	<u>Company Retention</u>	<u>Reinsurer's Limits</u>
		<u>Third Layer</u> \$10,000,000 each occurrence	\$20,000,000 excess of \$10,000,000 each liability, subject to limit of liability of \$40,000,000 all loss occurrences
		<u>Fourth Layer</u> \$30,000,000 each occurrence	\$30,000,000 excess of \$10,000,000 each liability, subject to limit of liability of \$20,000,000 all loss occurrences
Excess of Loss	Combined Casualty	<u>Layer 1</u> \$2,000,000	\$8,000,000 excess of \$2,000,000 per occurrence; annual aggregate limit of \$56,000,000
		<u>Layer 2</u> \$10,000,000	\$5,000,000 excess of \$10,000,000 per occurrence; annual aggregate limit of \$15,000,000

<u>Type of Agreement</u>	<u>Class of Business</u>	<u>Company Retention</u>	<u>Reinsurer's Limits</u>
Excess of Loss	Environmental Liability on Washington State UST (underground storage tank) coverage	\$75,000 each claim	\$925,000 each claim in excess of company retention
US Property Catastrophe Excess of Loss	The ultimate net loss of the Company under its property insurance underwritten by Argo U.S. Property and/or Argo Insurance	\$10,000,000	\$15,000,000 each risk each occurrence, \$30,000,000 in respect of all losses during contract term
Group Catastrophe Excess of Loss	Ultimate Net Losses under all Policies in force, written or renewed by or on behalf of the Company in accordance with any applicable agency agreements and classified by property, energy and marine insurance and reinsurance in respect of losses arising from natural perils	\$25,000,000 each and every loss	\$50,000,000 US, Canada, Caribbean: \$25,000,000 other areas; Aggregate limit of \$200,000,000

<u>Type of Agreement</u>	<u>Class of Business</u>	<u>Company Retention</u>	<u>Reinsurer's Limits</u>
Group Catastrophe Program	Liability from Direct business written by Argo Group US, Inc. (AGUS); Argo Global Synd. 1200 (AGS1200); Arial Re Synd. 1910, Argo Re Ltd and Argo Ins. Bermuda on behalf of Lloyds Synd. 1200 (LS1200) that may accrue to the Company as a result of Natural Perils.	\$67,500,000 -AGUS \$100,000,000 - AGS1200 \$40,000,000 and \$47,500,000 depending upon underlying layers - LS1200	Ultimate net loss of \$30,000,000 each and every loss and/or catastrophe and/or calamity and/or disaster and/or occurrence and/or series arising out of one event. The maximum recoverable is \$60,000,000.
Group Catastrophe Program	Liability from Direct business written by AGUS; AGS1200; Arial Re Synd. 1910, Argo Re Ltd and Argo Ins. Bermuda on behalf of LS1200 that may accrue to the Company as a result of Natural Perils	\$67,500,000 -AGUS \$100,000,000 - AGS1200 \$40,000,000 and \$47,500,000 depending upon underlying layers - LS1200	Ultimate net loss of \$25,000,000 each and every loss and/or catastrophe and/or calamity and/or disaster and/or occurrence and/or series arising out of one event in XS of \$105,000,000 in XS of retention. The maximum recoverable is \$50,000,000

<u>Type of Agreement</u>	<u>Class of Business</u>	<u>Company Retention</u>	<u>Reinsurer's Limits</u>
Group Catastrophe Program	Section A - Liability from Direct business written by AGUS; Argo Global Synd. 1200 and Argo Global SE (AGS1200SE); Arial Re Synd. 1910, Argo Re Ltd and Argo Ins. Bermuda on behalf of LS1200 that may accrue to the Company as a result of Natural Perils.	Section A \$20,000,000 – AGUS \$30,000,000 - AGS1200SE \$10,000,000 - \$12,500,000 LS1200 based on underlying layer.	Section A Ultimate Net Loss over and above the initial Ultimate Net Loss of \$0 in the aggregate which is in excess of the Section A Underlying Retentions and Inuring Reinsurance Deemed Placed, subject to a limit of liability to the Reinsurer of \$50,000,000 aggregate during the term
	Section B - Liability in respect of all losses for an Ultimate Net Loss over and above the initial Ultimate Net Loss of \$20,000,000 (or the equivalent in any other currency) each and every loss and/or catastrophe and/or calamity and/or disaster and/or occurrence and/or series thereof arising out of one event.	Section B \$20,000,000	Section B Ultimate Net Loss over and above the initial Ultimate Net Loss of \$20,000,000 each and every loss and/or catastrophe and/or calamity and/or disaster and/or occurrence and/or series thereof arising out of one event, subject to a limit of liability to the Reinsurer of \$30,000,000

<u>Type of Agreement</u>	<u>Class of Business</u>	<u>Company Retention</u>	<u>Reinsurer's Limits</u>
Group Catastrophe Program	Liability from Direct business written by AGUS; AGS1200; Ariel Re Synd. 1910, Argo Re Ltd and Argo Ins. Bermuda on behalf of LS1200 that may accrue to the Company as a result of Natural Perils.	\$90,000,000	\$10,000,000M excess of \$90,000,000 retention
Excess of Loss	Aggregate Sweeper Cover	\$25,000,000 each and every loss	\$50,000,000

Reinsurance-Related Parties

Effective October 1, 2007, the Company and certain affiliates entered into a quota share reinsurance agreement with Peleus Reinsurance, Ltd. (Peleus), a Bermuda based affiliated reinsurer. This agreement shall apply to business underwritten by the Company. Under the original terms of this agreement, the Company ceded 30% of premiums and losses (net of inuring unaffiliated reinsurance) to Peleus. The percentage was increased to 50% effective April 1, 2008. Peleus was subsequently renamed Argo Re, Ltd. As Argo Re, Ltd. is not authorized in Virginia, the Company holds funds on deposit in order to secure reinsurance recoverables from this entity. Effective January 1, 2018, the reinsurance agreement was amended to reduce the percentage of ceded premiums to 20%. Effective December 31, 2018, this reinsurance agreement was terminated.

Effective January 1, 2009, the Company entered into a quota share reinsurance agreement with Colony and CSIC. Under the terms of this agreement, the Company and CSIC will each cede to Colony 100% of their respective net premiums written, loss and loss adjustment expenses, and other underwriting expenses, after all other reinsurance, with respect to all in force policies and business entered into after the effective date.

The Company entered into a facultative reinsurance agreement with Syndicate 1200 at Lloyd's, which is managed by Argo Group International Holdings, Ltd. Under this quota share agreement, the Company cedes up to a maximum of 50% of all risks of direct physical loss or damage, including flood and earthquake, written through the Colony Special Risks Department.

FINANCIAL STATEMENTS

The following statutory financial statements present the financial condition of the Company for the period ending December 31, 2020. No examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending December 31, 2020.

ASSETS

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$61,403,792		\$61,403,792
Common stocks	6,350,489		6,350,489
Cash and short-term investments	1,461,777		1,461,777
Investment income due and accrued	380,597		380,597
Uncollected premiums and agents' balances in the course of collection	30,556,525	2,476,856	28,079,669
Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,244,539	224,454	2,020,085
Amounts recoverable from reinsurers	11,087,867		11,087,867
Receivables from parent, subsidiaries and affiliates	12,596,282		12,596,282
Aggregate write-ins for other than invested assets	8,755,131	4,390	8,750,741
Totals	<u>\$134,836,999</u>	<u>\$2,705,700</u>	<u>\$132,131,299</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Commissions payable, contingent commissions and other similar charges		239,472
Other expenses		561,600
Taxes, licenses and fees		12,952
Current federal income taxes		4,384,625
Net deferred tax liability		108,235
Ceded reinsurance premiums payable		31,440,106
Funds held by company under reinsurance treaties		21,769,751
Remittances and items not allocated		216,029
Provision for reinsurance		871,462
Payable to parent, subsidiaries and affiliates		20,985,905
Payable for securities		<u>500,000</u>
 Total liabilities		 \$81,090,137
 Common capital stock	 \$3,500,000	
Gross paid in and contributed surplus	40,041,334	
Unassigned funds (surplus)	<u>7,499,828</u>	
 Surplus as regards policyholders		 <u>51,041,162</u>
 Totals		 <u><u>\$132,131,299</u></u>

UNDERWRITING AND INVESTMENT EXHIBIT
STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned	\$0
Deductions:	
Losses incurred	\$0
Loss expenses incurred	0
Other underwriting expenses incurred	4,612
Total underwriting deductions	\$4,612
Net underwriting loss	(\$4,612)

INVESTMENT INCOME

Net investment income earned	\$1,729,579
Net realized capital gains	419,422
Net investment gain	\$2,149,001

OTHER INCOME

Net loss from agents' or premium balances charged off	(\$156,757)
Aggregate write-ins for miscellaneous income	(198,605)
Total other income	(\$355,362)
Net income before dividends and federal income taxes	\$1,789,027
Net income after dividends and federal income taxes	\$1,789,027
Federal income tax incurred	178,955
Net income	\$1,610,072

RECONCILIATION OF CAPITAL AND SURPLUS
FOR PERIOD UNDER REVIEW

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Surplus as regards policyholders, December 31, previous year	<u>\$53,588,383</u>	<u>\$52,283,574</u>	<u>\$55,000,449</u>
Net income	\$692,579	\$3,037,157	\$1,610,072
Change in net unrealized capital gains or (losses)	(700,465)	(902,966)	820,150
Change in net deferred income tax	352,784	487,043	152,004
Change in nonadmitted assets	(1,420,200)	349,150	(1,571,116)
Change in provision for reinsurance	(229,507)	(253,509)	29,603
Dividends to stockholders			<u>(5,000,000)</u>
Change in surplus as regards policyholders for the year	<u>(\$1,304,809)</u>	<u>\$2,716,875</u>	<u>(\$3,959,287)</u>
Surplus as regards policyholders, December 31, current year	<u><u>\$52,283,574</u></u>	<u><u>\$55,000,449</u></u>	<u><u>\$51,041,162</u></u>

CASH FLOW**Cash From Operations**

Premiums collected net of reinsurance	(\$17,284,034)
Net investment income	1,651,078
Miscellaneous income	(156,757)
Total	<u>(\$15,789,713)</u>
Benefits and loss related payments	(\$9,124,283)
Commissions, expenses paid and aggregate write-ins for for deductions	775,887
Federal income taxes paid	1,150
Total	<u>(\$8,347,246)</u>
Net cash from operations	<u>(\$7,442,467)</u>

Cash From Investments

Proceeds from investments sold, matured or repaid:	
Bonds	\$37,478,000
Stocks	414,341
Net losses on cash, cash equivalents and short-term investments	(5,401)
Miscellaneous proceeds	500,000
Total investment proceeds	<u>\$38,386,940</u>
Cost of investments acquired (long-term only):	
Bonds	\$49,077,702
Stocks	483,972
Total investments acquired	<u>\$49,561,674</u>
Net cash from investments	<u>(\$11,174,734)</u>

Cash From Financing and Miscellaneous Sources

Cash provided (applied):	
Dividends to stockholders	(\$5,000,000)
Other cash applied	(11,431,161)
Net cash from financing and miscellaneous sources	<u>(\$16,431,161)</u>
Net change in cash and short-term investments	<u>(\$35,048,362)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments:	
Beginning of year	\$36,510,139
End of year	1,461,777
Net change in cash and short-term investments	<u>(\$35,048,362)</u>

ACKNOWLEDGMENT

The courteous cooperation extended by the Company's officers and employees during the course of the examination is hereby gratefully acknowledged.

In addition to the undersigned, Jennifer K. Blizzard, CFE, and Mario A. Cuellar, CFE, of the Bureau participated in the work of the examination.

Respectfully submitted,

A handwritten signature in cursive script that reads "T Bradford Earley Jr".

T. Bradford Earley, Jr., AIAF, CFE, CPCU
BOI Manager
Commonwealth of Virginia
Representing the Southeastern Zone, NAIC

Via Email

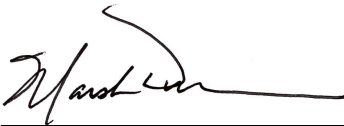
David H. Smith, CFE, AIAF, CPA, CPCU
Chief Examiner
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218
David.Smith@scc.virginia.gov

**RE: Receipt of Examination Report as of December 31, 2020
Colony Insurance Company and Peleus Insurance Company**

I, Marsh Duncan, President of Colony Insurance Company and Peleus Insurance Company, hereby state that I have received a copy of financial examination report as of December 31, 2020, for the companies mentioned above.

Please let me know if you have any questions or further documentation is required.

Sincerely,



Marsh Duncan
President