AMENDED FILING EXPLANATION

This page is required to be updated/completed any time an amended filing is created.

PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

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ANNUAL STATEMENT

For the Year Ended December 31, 2018

of the Condition and Affairs of the

VERTI INSURANCE COMPANY

NAIC Group Code..... 0411, 0411 (Current Period) (Prior Period) NAIC Company Code..... 15736 Employer's ID Number..... 47-2744441

Organized under the Laws of OH State of Domicile or Port of Entry OH Country of Domicile US

Incorporated/Organized..... January 8, 2015 Commenced Business..... January 8, 2015

Statutory Home Office	3590 Twin Creeks Drive .. COLUMBUS .. OH .. US .. 43204 *(Street and Number) (City or Town, State, Country and Zip Code)*	
Main Administrative Office	211 MAIN STREET .. WEBSTER .. MA .. US .. 01570-0758 *(Street and Number) (City or Town, State, Country and Zip Code)*	508-943-9000 *(Area Code) (Telephone Number)*
Mail Address	211 MAIN STREET .. WEBSTER .. MA .. US .. 01570-0758 *(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)*	
Primary Location of Books and Records	211 MAIN STREET .. WEBSTER .. MA .. US .. 01570-0758 *(Street and Number) (City or Town, State, Country and Zip Code)*	508-943-9000 *(Area Code) (Telephone Number)*
Internet Web Site Address	www.mapfreinsurance.com	
Statutory Statement Contact	CHRISTINE A CONRAD *(Name)*	508-943-9000-14376 *(Area Code) (Telephone Number) (Extension)*
	cconrad@mapfreusa.com *(E-Mail Address)*	508-949-4246 *(Fax Number)*

OFFICERS

Name	Title	Name	Title
1. ALFREDO CASTELO	PRESIDENT	2. DANIEL PATRICK OLOHAN	SECRETARY, GENERAL COUNSEL & EVP
3. ROBERT EDWARD MCKENNA	TREASURER, CAO & SVP	4. MARCOS GUILLERMO MARCH #	CEO

DIRECTORS OR TRUSTEES

ALFREDO CASTELO	FRANCOIS JEAN FACON	PATRICK JOSEPH MCDONALD	MARCOS GUILLERMO MARCH
DANIEL PATRICK OLOHAN			

State of..... MASSACHUSETTS
County of..... WORCESTER

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
ALFREDO CASTELO	DANIEL PATRICK OLOHAN	ROBERT EDWARD MCKENNA
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
PRESIDENT	SECRETARY, GENERAL COUNSEL & EVP	TREASURER, CAO & SVP
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This 14th day of February 2019

Janice L. McGlynn
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
October 31, 2025

a. Is this an original filing? Yes [X] No [ ]
b. If no
1. State the amendment number
2. Date filed
3. Number of pages attached

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Year	2 Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	577,180	6,801,639
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		701,351
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	83,500	1,306,293
4.	Commissions payable, contingent commissions and other similar charges		
5.	Other expenses (excluding taxes, licenses and fees)	970,218	512,540
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	71,691	7,074
7.1	Current federal and foreign income taxes (including $.....0 on realized capital gains (losses))		
7.2	Net deferred tax liability		
8.	Borrowed money $.....0 and interest thereon $.....0		
9.	Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of $.....0 and including warranty reserves of $.....0 and accrued accident and health experience rating refunds including $.....0 for medical loss ratio rebate per the Public Health Service Act)	630,373	7,878,056
10.	Advance premium	2,532	
11.	Dividends declared and unpaid:		
	11.1 Stockholders		
	11.2 Policyholders		
12.	Ceded reinsurance premiums payable (net of ceding commissions)		(1,009,518)
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 20)		
14.	Amounts withheld or retained by company for account of others		
15.	Remittances and items not allocated		
16.	Provision for reinsurance (including $.....0 certified) (Schedule F, Part 3, Column 78)		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding		
19.	Payable to parent, subsidiaries and affiliates	1,734,248	1,172,172
20.	Derivatives		
21.	Payable for securities		
22.	Payable for securities lending		
23.	Liability for amounts held under uninsured plans		
24.	Capital notes $.....0 and interest thereon $.....0		
25.	Aggregate write-ins for liabilities	117,000	0
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)	4,186,742	17,369,607
27.	Protected cell liabilities		
28.	Total liabilities (Lines 26 and 27)	4,186,742	17,369,607
29.	Aggregate write-ins for special surplus funds	0	0
30.	Common capital stock	3,600,000	3,600,000
31.	Preferred capital stock		
32.	Aggregate write-ins for other-than-special surplus funds	0	0
33.	Surplus notes		
34.	Gross paid in and contributed surplus	37,900,000	22,400,000
35.	Unassigned funds (surplus)	(16,901,836)	(3,864,196)
36.	Less treasury stock, at cost:		
	36.1 .....0.000 shares common (value included in Line 30 $.....0)		
	36.2 .....0.000 shares preferred (value included in Line 31 $.....0)		
37.	Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39)	24,598,164	22,135,804
38.	TOTAL (Page 2, Line 28, Col. 3)	28,784,905	39,505,411

DETAILS OF WRITE-INS

2501.	PREMIUM DEFICIENCY RESERVE	117,000	
2502.			
2503.			
2598.	Summary of remaining write-ins for Line 25 from overflow page	0	0
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	117,000	0
2901.			
2902.			
2903.			
2998.	Summary of remaining write-ins for Line 29 from overflow page	0	0
2999.	Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0
3201.			
3202.			
3203.			
3298.	Summary of remaining write-ins for Line 32 from overflow page	0	0
3299.	Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	0	0

STATEMENT OF INCOME

		1 Current Year	2 Prior Year
	UNDERWRITING INCOME		
1.	Premiums earned (Part 1, Line 35, Column 4)	884,750	15,815,637
	DEDUCTIONS:		
2.	Losses incurred (Part 2, Line 35, Column 7)	956,476	10,684,148
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	1,309,552	1,952,194
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2)	17,844,510	4,042,451
5.	Aggregate write-ins for underwriting deductions	117,000	0
6.	Total underwriting deductions (Lines 2 through 5)	20,227,538	16,678,793
7.	Net income of protected cells		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	(19,342,788)	(863,156)
	INVESTMENT INCOME		
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	305,311	238,456
10.	Net realized capital gains (losses) less capital gains tax of $.....(25,615) (Exhibit of Capital Gains (Losses))	(101,283)	
11.	Net investment gain (loss) (Lines 9 + 10)	204,028	238,456
	OTHER INCOME		
12.	Net gain (loss) from agents' or premium balances charged off (amount recovered $.....0 amount charged off $.....0)	0	
13.	Finance and service charges not included in premiums	43,331	32
14.	Aggregate write-ins for miscellaneous income	0	0
15.	Total other income (Lines 12 through 14)	43,331	32
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(19,095,429)	(624,668)
17.	Dividends to policyholders		
18.	Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(19,095,429)	(624,668)
19.	Federal and foreign income taxes incurred	(4,220,488)	(248,778)
20.	Net income (Line 18 minus Line 19) (to Line 22)	(14,874,941)	(375,890)
	CAPITAL AND SURPLUS ACCOUNT		
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	22,135,804	5,347,768
22.	Net income (from Line 20)	(14,874,941)	(375,890)
23.	Net transfers (to) from Protected Cell accounts		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of $.....0		
25.	Change in net unrealized foreign exchange capital gain (loss)		
26.	Change in net deferred income tax		(33,636)
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3)	356,358	48,916
28.	Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29.	Change in surplus notes		
30.	Surplus (contributed to) withdrawn from Protected Cells		
31.	Cumulative effect of changes in accounting principles		
32.	Capital changes:		
	32.1 Paid in		
	32.2 Transferred from surplus (Stock Dividend)		
	32.3 Transferred to surplus		
33.	Surplus adjustments:		
	33.1 Paid in	15,500,000	17,000,000
	33.2 Transferred to capital (Stock Dividend)		
	33.3. Transferred from capital		
34.	Net remittances from or (to) Home Office		
35.	Dividends to stockholders		
36.	Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1)		
37.	Aggregate write-ins for gains and losses in surplus	1,480,943	148,646
38.	Change in surplus as regards policyholders for the year (Lines 22 through 37)	2,462,360	16,788,036
39.	Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)	24,598,164	22,135,804

DETAILS OF WRITE-INS

0501.	PREMUM DEFICIENCY RESERVE	117,000	
0502.			
0503.			
0598.	Summary of remaining write-ins for Line 5 from overflow page	0	0
0599.	Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	117,000	0
1401.			
1402.			
1403.			
1498.	Summary of remaining write-ins for Line 14 from overflow page	0	0
1499.	Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0
3701.	STATUTORY POOLING ADJUSTMENT EXPENSE		148,646
3702.	CHANGE IN POOLING CASH SETTLEMENT	1,480,943	
3703.			
3798.	Summary of remaining write-ins for Line 37 from overflow page	0	0
3799.	Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	1,480,943	148,646

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance	(4,945,213)	15,249,579
2. Net investment income	401,893	197,204
3. Miscellaneous income	43,331	32
4. Total (Lines 1 through 3)	(4,499,989)	15,446,815
5. Benefit and loss related payments	7,794,826	10,142,443
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	18,490,617	5,271,035
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of $.....0 tax on capital gains (losses)	(63,038)	(52,709)
10. Total (Lines 5 through 9)	26,222,405	15,360,769
11. Net cash from operations (Line 4 minus Line 10)	(30,722,394)	86,046
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	7,922,968	3,000,000
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(46,575)	
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	7,876,393	3,000,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds		2,896,406
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		
13.7 Total investments acquired (Lines 13.1 to 13.6)	0	2,896,406
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14)	7,876,393	103,594
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock	15,500,000	17,000,000
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	1,417,436	876,532
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	16,917,436	17,876,532
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(5,928,565)	18,066,172
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	19,255,072	1,188,900
19.2 End of year (Line 18 plus Line 19.1)	13,326,507	19,255,072

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The accompanying financial statements of VERTI Insurance Company (the Company) (formerly Cube Insurance Company) have been prepared in conformity with the accounting practices prescribed or permitted by the National Association of Insurance Commissioners (NAIC) and the State of Ohio. The NAIC Accounting Practices and Procedures manual, version effective January 1, 2001, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Ohio.

There are no differences between Ohio prescribed practices and NAIC statutory accounting practices (NAIC SAP) as noted below:

	SSAP #	F/S Page	F/S Line #	2018	2017
NET INCOME					
(1) Company state basis (Page 4, Line 20, Columns 1 & 2)	XXX	XXX	XXX	$ (14,874,941)	$ (375,890)
(2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP					
				$	$
(3) State Permitted Practices that are an increase/(decrease) from NAIC SAP					
				$	$
(4) NAIC SAP (1 – 2 – 3 = 4)	XXX	XXX	XXX	$ (14,874,941)	$ (375,890)
SURPLUS					
(5) Company state basis (Page 3, Line 37, Columns 1 & 2)	XXX	XXX	XXX	$ 24,598,164	$ 22,135,804
(6) State Prescribed Practices that are an increase/(decrease) from NAIC SAP					
				$	$
(7) State Permitted Practices that are an increase/(decrease) from NAIC SAP					
				$	$
(8) NAIC SAP (5 – 6 – 7 = 8)	XXX	XXX	XXX	$ 24,598,164	$ 22,135,804

B. Use of Estimates in the Preparation of the Financial Statement

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums are recognized as income ratably over the terms of the related insurance policies. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

Net investment income earned consists primarily of interest income less investment related expenses. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis. Net realized capital gains (losses) are recognized on a first in first out basis when securities are sold, redeemed or otherwise disposed. Realized capital losses include write downs for impairments considered to be other than temporary.

In addition, the Company adheres to the following accounting policies:

(1) Basis for Short-Term Investments

Short-term investments are accounted for in the same manner as similar long-term investments in accordance with SSAP No. 2.

(2) Basis for Bonds and Amortization Schedule

Bonds, excluding Loan-Backed and Structured Securities, are accounted for in accordance with SAAP No. 26. Amortized cost is calculated using the scientific interest method. Bonds containing call provisions are amortized to either the call or maturity value and date, whichever produces the lowest asset value (yield to worst). Investment grade bonds are stated at amortized cost. Non-investment grade bonds are stated at the lower of amortized cost or fair value. Bonds whose decline has been determined to be other than temporary are written down to a new cost basis and the write-down amount is accounted for as a realized loss.

(3) Basis for Common Stocks

The Company does not hold Common Stocks.

(4) Basis for Preferred Stocks

The Company does not hold Preferred Stocks.

(5) Basis for Mortgage Loans

The Company does not hold Mortgage Loans.

(6) Basis for Loan-Backed Securities and Adjustment Methodology

The Company does not hold Loan-Backed Securities

(7) Accounting Policies for Investments in Subsidiaries, Controlled and Affiliated Entities

The Company does not hold investments in Subsidiaries, Controlled and Affiliated Entities.

(8) Accounting Policies for Investments in Joint Ventures, Partnerships and Limited Liability Entities

The Company does not hold investments in Joint Ventures, Partnerships or Limited Liability Entities.

(9) Accounting Policies for Derivatives

The Company does not hold Derivatives.

(10) Anticipated Investment Income Used in Premium Deficiency Calculation

The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property-Casualty Contracts - Premiums.

(11) Management's Policies and Methodologies for Estimating Liabilities for Losses and Loss/Claim Adjustment Expenses for A&H Contracts

Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

(12) Changes in the Capitalization Policy and Predefined Thresholds from Prior Period

The Company has a written capitalization policy for purchases of items such as electronic data processing equipment, software, furniture, vehicles, other equipment and leasehold improvements. The predefined capitalization thresholds under this policy is $5,000.

(13) Method Used to Estimate Pharmaceutical Rebate Receivables

The company does not have Pharmaceutical Rebate Receivables.

D. Going Concern

Based on its evaluation of relevant conditions and events, management does not have substantial doubt about the Company's ability to continue as a going concern.

Note 2 – Accounting Changes and Correction of Errors

Not Applicable

Note 3 – Business Combinations and Goodwill

A. Statutory Purchase Method

None

B. Statutory Merger

None

C. Impairment Loss

None

Note 4 – Discontinued Operations

Not Applicable

Note 5 – Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

None

B. Debt Restructuring

None

C. Reverse Mortgages

None

D. Loan-Backed Securities

None

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

None

NOTES TO FINANCIAL STATEMENTS

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

None

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing
Repurchase Transactions – Cash Provider – Overview of Secured Borrowing Transactions

None

H. Repurchase Agreements Transactions Accounted for as a Sale
Repurchase Transaction – Cash Taker – Overview of Sale Transactions

None

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale
Repurchase Transaction – Cash Provider – Overview of Sale Transactions

None

J. Real Estate

None

K. Low-Income Housing Tax Credits (LIHTC)

None

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

	Gross (Admitted & Nonadmitted) Restricted							Current Year			
	Current Year					6	7	8	9	Percentage	
	1	2	3	4	5					10	11
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown	$	$	$	$	$	$	$	$	$	%	%
b. Collateral held under security lending arrangements										%	%
c. Subject to repurchase agreements										%	%
d. Subject to reverse repurchase agreements										%	%
e. Subject to dollar repurchase agreements										%	%
f. Subject to dollar reverse repurchase agreements										%	%
g. Placed under option contracts										%	%
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock										%	%
i. FHLB capital stock										%	%
j. On deposit with states										%	%
k. On deposit with other regulatory bodies										%	%
l. Pledged as collateral to FHLB (including assets backing funding agreements)										%	%
m. Pledged as collateral not captured in other categories										%	%
n. Other restricted assets										%	%
o. Total Restricted Assets	$	$	$	$	$	$	$	$	$	%	%

(a) Subset of column 1
(b) Subset of column 3
(c) Column 5 divided by Asset Page, Column 1, Line 28
(d) Column 9 divided by Asset Page, Column 3, Line 28

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contacts that Share Similar Characteristics, Such as Reinsurance and Derivatives, are Reported in the Aggregate)

None

(3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate)

None

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

None

NOTES TO FINANCIAL STATEMENTS

M. Working Capital Finance Investments

None

N. Offsetting and Netting of Assets and Liabilities

None

O. Structured Notes

None

P. 5GI Securities

None

Q. Short Sales

None

R. Prepayment Penalty and Acceleration Fees

The Company had no bonds called during the year.

	General Account	Protected Cell
(1) Number of CUSIPs	0	
(2) Aggregate Amount of Investment Income	$ 0	$

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

Not Applicable

Note 7 – Investment Income

A. The basis, by category of investment income, for excluding (nonadmitting) any investment income due and accrued:

Investment income due and accrued with amounts over 90 days past due are non-admitted assets and excluded from surplus.

B. The total amount excluded:

None

Note 8 – Derivative Instruments

Not Applicable

Note 9 – Income Taxes

A. Deferred Tax Assets/(Liabilities)

1. Components of Net Deferred Tax Asset/(Liability)

	2018			2017			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Gross deferred tax assets	$ 209,608	$ 164	$ 209,772	$ 592,625	$ 164	$ 592,789	$ (383,017)	$	$ (383,017)
b. Statutory valuation allowance adjustment	158,726		158,726	535,704		535,704	(376,978)		(376,978)
c. Adjusted gross deferred tax assets (1a-1b)	$ 50,882	$ 164	$ 51,046	$ 56,921	$ 164	$ 57,085	$ (6,039)	$	$ (6,039)
d. Deferred tax assets nonadmitted									
e. Subtotal net admitted deferred tax asset (1c-1d)	$ 50,882	$ 164	$ 51,046	$ 56,921	$ 164	$ 57,085	$ (6,039)	$	$ (6,039)
f. Deferred tax liabilities	50,575	471	51,046	56,630	455	57,085	(6,055)	16	(6,039)
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	$ 307	$ (307)	$	$ 291	$ (291)	$	$ 16	$ (16)	$

2. Admission Calculation Components SSAP No. 101

	2018			2017			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Federal income taxes paid in prior years recoverable	$	$	$	$	$	$	$	$	$

NOTES TO FINANCIAL STATEMENTS

	2018			2017			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
through loss carrybacks									
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1 and 2(b)2 below)									
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date									
2. Adjusted gross deferred tax assets allowed per limitation threshold			3,707,275			3,314,037			393,238
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities									
d. Deferred tax assets admitted as the result of application of SSAP 101. Total (2(a)+2(b)+2(c))	$	$	$	$	$	$	$	$	$

3. Other Admissibility Criteria

	2018	2017
a. Ratio percentage used to determine recovery period and threshold limitation amount	2,242.8%	1,995.0%
b. Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$ 24,715,164	$ 22,135,804

4. Impact of Tax Planning Strategies

(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.

	2018		2017		Change	
	1 Ordinary	2 Capital	3 Ordinary	4 Capital	5 (Col. 1-3) Ordinary	6 (Col. 2-4) Capital
1. Adjusted gross DTAs amount from Note 9A1(c)	$ 50,882	$ 164	$ 56,921	$ 164	$ (6,039)	$
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	%	%	%	%	%	%
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)	$ 50,882	$ 164	$ 56,921	$ 164	$ (6,039)	$
4 Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	%	%	%	%	%	%

(b) Does the company's tax planning strategies include the use of reinsurance? NO

B. There were no unrecognized deferred tax liabilities.

C. Current and Deferred Income Taxes

NOTES TO FINANCIAL STATEMENTS

1. Current Income Tax

	1 2018	2 2017	3 (Col 1-2) Change
a. Federal	$ (4,220,488)	$ (248,778)	$ (3,971,710)
b. Foreign	$	$	$
c. Subtotal	$ (4,220,488)	$ (248,778)	$ (3,971,710)
d. Federal income tax on net capital gains	$ (25,615)	$	$ (25,615)
e. Utilization of capital loss carry-forwards	$	$	$
f. Other	$	$	$
g. Federal and Foreign income taxes incurred	$ (4,246,103)	$ (248,778)	$ (3,997,325)

2. Deferred Tax Assets

	1 2018	2 2017	3 (Col 1-2) Change
a. Ordinary:			
1. Discounting of unpaid losses	$ 7,556	$ 97,208	$ (89,652)
2. Unearned premium reserve	26,476	330,878	(304,402)
3. Policyholder reserves			
4. Investments			
5. Deferred acquisition costs			
6. Policyholder dividends accrual			
7. Fixed assets			
8. Compensation and benefits accrual			
9. Pension accrual			
10. Receivables - nonadmitted			
11. Net operating loss carry-forward			
12. Tax credit carry-forward			
13. Other (items <=5% and >5% of total ordinary tax assets)	175,576	164,539	11,037
Other (items listed individually >5%of total ordinary tax assets)			
99. Subtotal	209,608	592,625	(383,017)
b. Statutory valuation allowance adjustment	158,726	535,704	(376,978)
c. Nonadmitted			
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	50,882	56,921	(6,039)
e. Capital:			
1. Investments	$ 164	$ 164	$
2. Net capital loss carry-forward			
3. Real estate			
4. Other (items <=5% and >5% of total capital tax assets)			
Other (items listed individually >5% of total capital tax assets)			
99. Subtotal	$ 164	$ 164	$
f. Statutory valuation allowance adjustment			
g. Nonadmitted			
h. Admitted capital deferred tax assets (2e99-2f-2g)	164	164	
i. Admitted deferred tax assets (2d+2h)	$ 51,046	$ 57,085	$ (6,039)

3. Deferred Tax Liabilities

	1 2018	2 2017	3 (Col 1-2) Change
a. Ordinary:			
1. Investments	$ 6,172	$ 2,763	$ 3,409
2. Fixed assets			
3. Deferred and uncollected premium			
4. Policyholder reserves			
5. Other (items <=5% and >5% of total ordinary tax liabilities)	44,403	53,867	(9,464)
Other (items listed individually >5% of total ordinary tax liabilities)			
99. Subtotal	50,575	56,630	(6,055)
b. Capital:			
1. Investments	471	455	16
2. Real estate			
3. Other (Items <=5% and >5% of total capital tax liabilities)			
Other (items listed individually >5% of total capital tax liabilities)			
99. Subtotal	471	455	16
c. Deferred tax liabilities (3a99+3b99)	$ 51,046	$ 57,085	$ (6,039)
4. Net Deferred Tax Assets (2i – 3c)	$	$	$

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate Among the more significant book to tax adjustments were the following:

	Amount	Effective Tax Rate (%)

NOTES TO FINANCIAL STATEMENTS

Permanent Differences:		
Provision computed at statutory rate	$ (3,990,849)	21.0%
Proration of tax exempt investment income		%
Tax exempt income deduction		%
Dividends received deduction		%
Disallowed travel and entertainment		%
Other permanent differences	13,316	(0.1)%
Temporary Differences:		
Total ordinary DTAs		%
Total ordinary DTLs	108,409	(0.6)%
Total capital DTAs		%
Total capital DTLs		%
Other:		
Statutory valuation allowance adjustment	(376,979)	2.0%
Accrual adjustment – prior year		%
Other		%
Totals	(4,246,103)	22.3%
Federal and foreign income taxes incurred	(4,220,488)	22.2%
Realized capital gains (losses) tax	(25,615)	0.1%
Change in net deferred income taxes		%
Total statutory income taxes	$ (4,246,103)	22.3%

E. Operating Loss Carryforwards and Income Taxes Available for Recoupment

1. The amounts, origination dates and expiration dates of operating loss and tax credit carry forwards available for tax purposes:

Description (Operating Loss or Tax Credit Carry Forward)	Amounts	Origination Dates	Expiration Dates
	$		

2. The following is income tax expense for current year and proceeding years that is available for recoupment in the event of future net losses:

Year	Amounts
	$

3. The Company's aggregate amount of deposits admitted under Section 6603 of the Internal Revenue Service Code is .

F. Consolidated Federal Income Tax Return

1. The Company's federal income tax return is consolidated with the following entities:
For tax year 2018, The Company will file as part of the consolidated federal income tax return with its ultimate U.S. parent, Mapfre USA Corp, and its subsidiaries, The Commerce Insurance Company, Citation Insurance Company, Commerce West Insurance Company, Mapfre Insurance Company, Mapfre Insurance Company of Florida, Mapfre Insurance Company of New York, American Commerce Insurance Company, MAPFRE Tech USA, Inc., ACIC Holding Company,Inc., Bay Finance Holding Company, and Mapfre Intermediaries, Inc. (said parties constituting an "Affiliated Group", as defined in and for the purposes of IRC §1504(a)).

2. The manner in which the Board of Directors sets forth for allocating the consolidated federal income tax:
Each affiliate is jointly and severally liable for federal income taxes of the Affiliated Group, and has entered into a written tax sharing agreement. Under this agreeement, allocation is made primarily on a separate retun basis, with current payment for losses and other tax items utilized in the consolidated return.

G. Federal or Foreign Federal Income Tax Loss Contingencies:
The Company has no tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

H. Repatriation Transition Tax (RTT) - RTT owed under the TCJA

Not Applicable

I. Alternative Minimum Tax (AMT Credit)
Was the AMT Credit recognized as a current year recoverable or Deferred Tax Asset (DTA)?
Gross AMT Credit Recognized as:

1a	Current year recoverable	
1b	Deferred tax asset (DTA)	
2	Beginning Balance of AMT Credit Carryforward	
3	Amounts Recovered	
4	Adjustments	
5	Ending Balance of AMT Credit Carryforward (5=2-3-4)	
6	Reduction for Sequestration	
7	Nonadmltted by Reporting Entity	
8	Reporting Entity Ending Balance (8=5-6-7)	

Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A. Nature of the Relationship Involved

All outstanding shares of the Company are owned by MAPFRE USA Corp.

NOTES TO FINANCIAL STATEMENTS

B. Transactions

The Company received a $15,500,000 and a $17,000,000 capital contribution from its parent company, MAPFRE USA Corp in 2018 and 2017 respectively.

C. Dollar Amounts of Transactions

None

D. Amounts Due From or To Related Parties

	2018	2017
	Due (To) From	Due (To) From
MAPFRE USA Corp.	$ (22,562)	$ (22,562)
The Commerce Insurance Company	(1,469,729)	(1,148,480)
MAPFRE Tech USA, Inc.	(241,957)	(1,130)
	$ (1,734,248)	$ (1,172,172)

E. Guarantees or Undertakings

None

F. Material Management or Service Contracts and Cost-Sharing Arrangements

In 2018, The Company amended its Management Cost Allocation Agreement "Sixth Amended and Restated Management cost Allocation Agreement". The agreement provides that the company is charged or reimbursed for services rendered by the Company or its insurance affiliates and entails 1) investment related and 2) non-investment related services. Costs pertaining to investment related services are actual costs borne by the company which, per agreement, were determined to be the total rate of 15 basis points per annum times the investment balance at each regular calendar quarter. The non-investment related charges are costs borne by the Company and or its affiliates for functions supporting the affiliated companies. Loss adjustment expenses will be apportioned through studies in accordance with SSAP No. 70 which such studies shall be conducted no less than annually. Expenses other than investment related expenses and loss adjustment expenses will be apportioned to each company based on its direct written premium relative to that of the other companies. In 2018, MAPFRE USA has created a wholly owned subsidiary, MAPFRE Tech USA, Inc., a Delaware corporation ("MAPFRE Tech"), to provide technology development and support services. The initial purpose of MAPFRE Tech is to acquire and to develop technology to support Verti, which is a digital, direct-to-consumer insurer that offers private passenger automobile insurance in the Commonwealth of Pennsylvania beginning in October 2017. In addition, MAPFRE Tech will provide Verti with technology processing and support services. Commerce will assign or sell, on fair and reasonable terms, to MAPFRE Tech the IT assets Commerce has purchased or developed for Verti. Such IT assets will be conveyed pursuant to an Assignment and Assumption Agreement and an Asset Purchase Agreement between Commerce and MAPFRE Tech. The value of the assets being conveyed, in the aggregate, is below the threshold, as set forth in M.G.L. ch. 175, § 206C(n)(i), for filing Form Ds (Prior Notices of Transactions).

G. Nature of the Control Relationship

None

H. Amount Deducted from the Value of Upstream Intermediate Entity or Ultimate Parent Owned

None

I. Investments in SCA that Exceed 10% of Admitted Assets

None

J. Investments in Impaired SCAs

None

K. Investment in Foreign Insurance Subsidiary

None

L. Investment in Downstream Noninsurance Holding Company

None

M. All SCA Investments

None

N. Investment in Insurance SCAs

None

Note 11 – Debt

Not Applicable

Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan

None

B. Investment Policies and Strategies

None

C. Fair Value of Plan Assets

None

D. Basis Used to Determine Expected Long-Term Rate-of-Return

None

E. Defined Contribution Plans

The Company's ultimate parent company, MUSA, sponsors a 401(k) retirement plan feature for which substantially all employees are eligible. See Note 12G.

F. Multiemployer Plans

None

G. Consolidated/Holding Company Plans

MUSA has an Incentive Compensation Plan (the Plan) which provides for awards, at the discretion of MUSA's Board of Directors, to all officers and other management employees, including those of MUSA's subsidiaries. These awards entitle recipients to cash payments at a specified settlement date, subject to certain specified conditions. The cash payments are based primarily upon reported net earnings and direct written premium of MUSA over the one year period of the grant. In 2017, the Plan was amended to include the meeting of individual departmental goals as another factor in determining the cash payment. For officers the plan pays out over a four-year period. Other management personel are paid in one payment. In 2016 and prior, the awards were generally paid out over a three-year period subsequent to their earning period. During 2017, the payment was determined as a percentage of a target percentage of annual salary. During 2016 and prior, IA units were issued to MUSA and subsidiaries' officers and management personnel. In addition, certain business development personnel receive annual bonus payments based upon premiums written and other factors. A small number of officers have alternative plans based upon individual agreements. The total expense for these programs was $9,668,000 and $12,486,000 in 2018 and 2017, respectively. Expense is allocated to individual insurance companies based upon our Intercompany Pooling Arrangement. Incentive awards and other bonus awards granted to officers and other management personnel of MUSA and subsidiaries and outstanding at December 31, 2018 and 2017 were $13,185,000 and $19,481,000 respectively. See Note 26 for details.

Eligible employees of the Company may participate in a Company-sponsored 401 (k) retirement plan. This 401(k) plan includes a matching contribution from the Company of 50% of the first 6% of eligible compensation contributed by the participant to the plan. In addition to the matching contribution, profit sharing contributions may be made by the Company with respect to each plan year in an amount equal to 3% of each eligible participant's covered compensation (or in such different amount as may be determined by the Company).

H. Postemployment Benefits and Compensated Absences

None

I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

None

Note 13 – Capital and Surplus, Shareholder's Dividend Restrictions and Quasi-Reorganizations

(1) Number of Share and Par or State Value of Each Class

The Company has 100,000 shares of common stock with a par value of $36 per share. MAPFRE U.S.A Corp. owns 100% of the Company.

(2) Dividend Rate, Liquidation Value and Redemption Schedule of Preferred Stock Issues

The Company has no preferred stock outstanding.

(3) Dividend Restrictions

Every domestic insurance company seeking to make any dividend or other distributions to its shareholders must file a report with the Insurance Commissioner. An extraordinary dividend is any dividend or other property, whose fair market value together with other dividends or distributions made within the preceding twelve months, exceeds the greatest of ten percent of the insurers' surplus as regards policyholders as of the end of the preceding year, or the net income of a non-life insurance company for the preceding year. No pro-rata distribution of any class of the insurer's own securities is to be included. No domestic insurance company shall pay any extraordinary dividend or other extraordinary distribution until thirty days after the commissioner has received notice of the intended distribution and has not objected. Dividends are paid as determined by the Board of Directors.

The Company did not declare common stock dividends to its parent company during 2017 or 2016.

(4) Dates and Amounts of Dividends Paid

None

(5) Profits that may be Paid as Ordinary Dividends to Stockholders

Ordinary dividends in the amount of $2,471,516 are eligible for payment in 2019.

(6) Restrictions Plans on Unassigned Funds (Surplus)

None

(7) Amount of Advances to Surplus not Repaid

None

(8) Amount of Stock Held for Special Purposes

The Company did not hold any stock for special purposes.

(9) Reasons for Changes in Balance of Special Surplus Funds from Prior Period

None

(10) The Portion of Unassigned Funds (Surplus) Represented or Reduced by Unrealized Gains and Losses is: $0.

(11) The Reporting Entity Issued the Following Surplus Debentures or Similar Obligations

None

(12) The impact of any restatement due to prior quasi-reorganizations is as follows

None

(13) Effective Date of Quasi-Reorganization for a Period of Ten Years Following Reorganization

None

Note 14 – Liabilities, Contingencies and Assessments

A. (1) Contingent Commitments

None

(2) Detail of other contingent commitments

None

(3) Guarantee Obligations

None

B. Assessments

(1) Nature of Any Assets That Could Have a Material Financial Effect
The Company is subject to assessments by the states in which it writes business. These amounts are expensed when received. The Company anticipates that there will be additional assessments from time to time relating to various insolvencies.

C. Gain Contingencies

None

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits

None

E. Product Warranties

None

F. Joint and Several Liabilities

None

G. All Other Contingencies

None

Note 15 – Leases

A. Lessee Operating Lease

(1) Lessee's Leasing Arrangements

a. Rental Expense

Rent expense for 2018 and 2017 was $110,000 and $6,000, respectively. During 2018, the Company began sharing in the costs of facilities leased by The Commerce Insurance Company (CIC). These leases are in the name of CIC.

B. Lessor Leases

None

NOTES TO FINANCIAL STATEMENTS

Note 16 – Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

1. The table below summarizes the face amount of the Company's financial instruments with off-balance sheet risk:

   None

2. Nature and Terms of Off-Balance Sheet Risk

   None

3. Amount of Loss if any Party to the Financial Instrument Failed

   None

4. Collateral or Other Security Required to Support Financial Instrument

   None

Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as Sales

(1) Proceeds to the Transferor

None

(2) Gain or Loss Record on Sale

None

B. Transfer and Servicing of Financial Assets

(1) Description of any Loaned Securities

None

(2) Servicing Assets and Servicing Liabilities

None

(3) When Servicing Assets and Liabilities are Measured at Fair Value

None

(4) Securitizations, Asset-Based Financing Arrangements and Similar Transfers Accounted for as Sales

None

(5) Disclosure Requirements for Transfers of Assets Accounted for as Secured Borrowing

None

(6) Transfer of Receivables with Recourse

None

(7) Securities Underlying Repurchase and Reverse Repurchase Agreements, Dollar Repurchase and Dollar Reverse Repurchase Agreements

None

C. Wash Sales

(1) Description of the Objectives Regarding These Transactions

None

(2) The details by NAIC designation 3 or below, or unrated of securities sold during the year ended December 31, 2018 and reacquired within 30 days of the sale date are:

None

Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans

None

B. ASC Plans

None

C. Medicare or Similarly Structured Cost Based Reimbursement Contract

(1) Major Components of Revenue by Payor

None

(2) Receivables from Payors with Account Balances the Greater of 10% of Amounts Receivable Relating to Uninsured Accident and Health Plans or $10,000

None

(3) Recorded Allowances and Reserves for Adjustment of Recorded Revenues

None

(4) Adjustments to Revenue Resulting from Audit of Receivables Related to Revenues Recorded in the Prior Period

None

Note 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not Applicable

Note 20 – Fair Value Measurements

A. Inputs Used for Assets and Liabilites Measured and Reported at Fair Value

(1) Summary of Financial Assets Measured and Reported at Fair Value at 12/31/18

The Company has no assets or liabilites measured and reported at fair value.

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

Not applicable

(3) Policies when Transfers Between Levels are Recognized

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of a level.

(4) Description of Valuation Techniques and Inputs Used in Fair Value Measurement

Financial Assets included in Level 1 of the Fair Value Hierarchy include US Treasury securities and exchange traded common stock where prices are obtained directly from active markets.

Financial Assets included in Level 2 of the Fair Value Hierarchy are securities priced by the company's custodial bank and based on observable market data.

Financial Assets included in Level 3 of the Fair Value Hierarchy are securities priced utilizing broker quotes or internal pricing determined by insurer.

(5) Derivative Fair Value

The Company does not hold derivative assets or liabilities.

B. Fair Value Reporting under SSAP 100 and Other Accounting Pronouncements

Not applicable

C. Fair Value for all Financial Instruments by Levels 1, 2, and 3

The table below reflects the fair values and admitted values of all admitted assets and liabilites that are financial instruments excluding those accounted for under the equity method (subsidiaries, joint ventures, partnerships, and limited liability corporations). The fair values are also categorized into the three-level fair value hierarchy as described above in Note 20A(4).

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	$ 10,761,531	$ 10,999,772	$ 10,761,531	$	$	$	$

D. Not Practicable to Estimate Fair Value

None

E. NAV Practical Expedient Investments

None

Note 21 – Other Items

A. Unusual or Infrequent Items

None

B. Troubled Debt Restructuring Debtors

None

C. Other Disclosures

None

D. Business Interruption Insurance Recoveries

None

E. State Transferable and Non-Transferable Tax Credits

None

F. Subprime Mortgage Related Risk Exposure

None

G. Insurance-Linked Securities (ILS) Contracts

None

Note 22 – Events Subsequent

Effective January 1, 2019 affiliate company, MAPFRE Insurance Company of New York was sold to Plymouth Rock Assurance Corporation.

Note 23 – Reinsurance

A. Unsecured Reinsurance Recoverables

None

B. Reinsurance Recoverable in Dispute

None

C. Reinsurance Assumed and Ceded

(1) Maximum Amount of Return Commission

The following table summarizes ceded and assumed unearned premiums and the related commission equity at the end of the current year:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	$	$	$	$	$	$
b. All Other						
c. Total	$	$	$	$	$	$

d. Direct Unearned Premium Reserves	$ 630,373

(2) Additional or Return Commission

The Company had no additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in this annual statement as a result of existing contractual arrangements. No accruals were necessary.

(3) Types of Risks Attributed to Protected Cell

The Company does not use protected cells as an alternative to traditional reinsurance.

D. Uncollectible Reinsurance

None

E. Commutation of Ceded Reinsurance

None

F. Retroactive Reinsurance

None

G. Reinsurance Accounted for as a Deposit

None

H. Disclosures for the Transfer of Property and Casualty Run-off Agreements

NOTES TO FINANCIAL STATEMENTS

None

I. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

None

J. Reinsurance Agreements Qualifying for Reinsurer Aggregation

None

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Method Used by Reporting Entity to Estimate Accrued Retrospective Premium Adjustments

None

B. Accrued Retrospective Premiums Recorded Through Written Premium or an Adjustment to Earned Premium

None

C. Amount of Net Premiums Written Subject to Retrospective Rating Features and Percentage to Total Net Premiums Written

None

D. Medical Loss Ratio Rebates Required Pursuant to the Public Health Service Act.

None

E. Nonadmitted Retrospective Premium

None

F. Risk Sharing Provisions of the Affordable Care Act

None

Note 25 – Change in Incurred Losses and Loss Adjustment Expenses

A. Change in Incurred Losses and Loss Adjustment Expenses

The company experienced no Loss development for 2018. Please refer to Note 26.

Effective January 1, 2018, the pooling agreement was amended to eliminate affiliate company Verti Insurance Company. The prior year end balance utilized for unpaid loss in this computation and LAE reserves has been adjusted to the new pooling percentage for comparative purposes.

B. Information about Significant Changes in Methodologies and Assumptions

There have been no significant changes in methodologies and assumptions used in calculating the liability for unpaid losses and loss adjustment expenses from December 31, 2017 to December 31, 2018.

Note 26 – Intercompany Pooling Arrangements

Companies, Percentages, Lines of Business, Non-Affiliated Reinsurance, Right of Direct Recovery and Sharing of Schedule F Penalty and Write-offs and Amounts Due to/from Lead Entity Participants.

The Company and its insurance affiliates have an inter-company reinsurance pooling agreement in which the companies share underwriting profit and losses in proportion to the pool participation percentages. The pooling agreement permits all companies to rely on the capacity of the entire pool rather than on their own capital and surplus.

Effective January 1, 2018, the pooling agreement was amended to eliminate the Company. The pooling percentages were revised to reflect the ratio of each subsidiaries policyholders' surplus to the aggregate policyholders' surplus at June 30, 2017. The resulting percentages are as follows:

Company	NAIC Code	2018	2017
The lead company The Commerce Insurance Company	34754	65.2%	65.1%
Affiliate company Citation Insurance Company	40274	7.7%	8.1%
Affiliate company American Commerce Insurance Company	19941	11.2%	9.8%
Affiliate company Commerce West Insurance Company	13161	5.6%	5.4%
Affiliate company MAPFRE Insurance Company of New York	25275	4.8%	5.0%
Affiliate company MAPFRE Insurance Company of Florida	34932	3.2%	3.4%
Affiliate company MAPFRE Insurance Company	23876	2.3%	2.4%
Affiliate company Verti Insurance Company	15736	0.0%	0.8%
		100.0%	100.0%

NOTES TO FINANCIAL STATEMENTS

The Commerce Insurance Company (CIC), as the lead company, assumes the direct and third party assumed business of its affiliates. All external reinsurance, in the form of catastrophe, quota share, facultative and excess of loss contracts, is ceded to the external reinsurers by CIC under the terms of the reinsurance contracts. CIC then cedes the net business after external reinsurance back to its affiliates at the stated pooled participation percentages.

Note 27 – Structured Settlements

A. Reserves No Longer Carried

None

B. Annuities Which Equal or Exceed 1% of Policyholders' Surplus

None

Note 28 – Health Care Receivables

Not Applicable

Note 29 – Participating Policies

Not Applicable

Note 30 – Premium Deficiency Reserves

The Company evaluated the need to record a premium deficiency reserve as of the end of the current year. This evaluation was completed on June 25, 2019 and it was determined that the Company had a premium deficiency of $117,000 for it's Private Passenger Auto and Personal Auto Physical Damage business. The Company anticipates investment income as a factor in the premium deficiency calculation.

Note 31 – High Deductibles

Not Applicable

Note 32 – Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

Not Applicable

Note 33 – Asbestos/Environmental Reserves

A. Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of a liability due to asbestos losses?

None

B. State the amount of the ending reserves for Bulk and IBNR included in A (Loss and LAE)

None

C. State the amount of the ending reserves for loss adjustment expenses included in A (Case, Bulk and IBNR)

None

D. Does the company have on the books, or has it ever written an insured for which you have identified a potential for the existence of a liability due to environmental losses?

(1) Direct

	2014	2015	2016	2017	2018
a. Beginning reserves	$	$	$	$	$
b. Incurred losses and loss adjustment expense					
c. Calendar year payments for losses and loss adjustment expenses					
d. Ending reserves	$	$	$	$	$

(2) Assumed Reinsurance

	2014	2015	2016	2017	2018
a. Beginning reserves	$	$	$ 18,907	$ 18,202	$ 21,404
b. Incurred losses and loss adjustment expense		20,874	961	4,593	(21,404)
c. Calendar year payments for losses and loss adjustment expenses		1,967	1,666	1,391	
d. Ending reserves	$	$ 18,907	$ 18,202	$ 21,404	$

(3) Net of Ceded Reinsurance

NOTES TO FINANCIAL STATEMENTS

	2014	201	2016	2017	2018
a. Beginning reserves	$	$	$ 18,907	$ 18,202	$ 21,404
b. Incurred losses and loss adjustment expense		20,874	961	4,593	(21,404)
d. Calendar year payments for losses and loss adjustment expenses		1,967	1,666	1,391	
d. Ending reserves	$	$ 18,907	$ 18,202	$ 21,404	$

E. State the amount of the ending reserves for Bulk and IBNR included in D (Loss and LAE)

None

F. State the amount of the ending reserves for loss adjustment expenses included in D (Case, Bulk and IBNR)

None

Note 34 – Subscriber Savings Accounts

Not Applicable

Note 35 – Multiple Peril Crop Insurance

Not Applicable

Note 36 – Financial Guaranty Insurance

Not Applicable

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

		1 2018	2 2017	3 2016	4 2015	5 2014
	Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
1.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	(3,222,358)	8,545,147	8,524,177	12,037,467	
2.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	(2,428,682)	6,168,702	6,066,609	8,155,824	
3.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	(715,723)	1,152,908	1,199,794	2,406,722	
4.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3	41	1,135	2,099	
5.	Nonproportional reinsurance lines (Lines 31, 32 & 33)					
6.	Total (Line 35)	(6,366,760)	15,866,798	15,791,715	22,602,112	0
	Net Premiums Written (Page 8, Part 1B, Col. 6)					
7.	Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	(3,219,968)	8,542,158	8,524,177	12,037,467	
8.	Property lines (Lines 1, 2, 9, 12, 21 & 26)	(2,427,245)	6,166,926	6,066,609	8,155,824	
9.	Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	(715,723)	1,152,908	1,199,794	2,406,722	
10.	All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	3	41	1,135	2,099	
11.	Nonproportional reinsurance lines (Lines 31, 32 & 33)					
12.	Total (Line 35)	(6,362,933)	15,862,033	15,791,715	22,602,112	0
	Statement of Income (Page 4)					
13.	Net underwriting gain (loss) (Line 8)	(19,342,788)	(863,156)	(616,240)	(1,572,503)	
14.	Net investment gain (loss) (Line 11)	204,028	238,456	286,383	189,585	
15.	Total other income (Line 15)	43,331	32			
16.	Dividends to policyholders (Line 17)					
17.	Federal and foreign income taxes incurred (Line 19)	(4,220,488)	(248,778)	3,561	(9,883)	
18.	Net income (Line 20)	(14,874,941)	(375,890)	(333,418)	(1,373,035)	0
	Balance Sheet Lines (Pages 2 and 3)					
19.	Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3)	28,784,905	39,505,411	21,389,603	21,930,591	
20.	Premiums and considerations (Page 2, Col. 3):					
	20.1 In course of collection (Line 15.1)	457,896	863,566	895,545	743,404	
	20.2 Deferred and not yet due (Line 15.2)					
	20.3 Accrued retrospective premiums (Line 15.3)					
21.	Total liabilities excluding protected cell business (Page 3, Line 26)	4,186,742	17,369,607	16,041,835	15,858,822	
22.	Losses (Page 3, Line 1)	577,180	6,801,639	6,227,225	5,896,606	
23.	Loss adjustment expenses (Page 3, Line 3)	83,500	1,306,293	1,249,336	1,254,568	
24.	Unearned premiums (Page 3, Line 9)	630,373	7,878,056	7,831,660	7,431,754	
25.	Capital paid up (Page 3, Lines 30 & 31)	3,600,000	3,600,000	3,600,000	3,600,000	
26.	Surplus as regards policyholders (Page 3, Line 37)	24,598,164	22,135,804	5,347,768	6,071,769	
	Cash Flow (Page 5)					
27.	Net cash from operations (Line 11)	(30,722,394)	86,046	4,096,063	9,447,792	
	Risk-Based Capital Analysis					
28.	Total adjusted capital	24,598,164	22,135,804	5,347,768	6,071,769	
29.	Authorized control level risk-based capital	55,831	1,101,963	1,228,548	1,462,570	
	Percentage Distribution of Cash, Cash Equivalents and Invested Assets					
	(Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30.	Bonds (Line 1)	45.2	49.7	94.2	98.7	
31.	Stocks (Lines 2.1 & 2.2)					
32.	Mortgage loans on real estate (Lines 3.1 & 3.2)					
33.	Real estate (Lines 4.1, 4.2 & 4.3)					
34.	Cash, cash equivalents and short-term investments (Line 5)	54.8	50.3	5.8	1.3	
35.	Contract loans (Line 6)					
36.	Derivatives (Line 7)					
37.	Other invested assets (Line 8)					
38	Receivables for securities (Line 9)					
39.	Securities lending reinvested collateral assets (Line 10)					
40.	Aggregate write-ins for invested assets (Line 11)					
41.	Cash, cash equivalents and invested assets (Line 12)	100.0	100.0	100.0	100.0	0.0
	Investments in Parent, Subsidiaries and Affiliates					
42.	Affiliated bonds (Sch. D, Summary, Line 12, Col. 1)					
43.	Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1)					
44.	Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1)					
45.	Affiliated short-term investments					
	(subtotals included in Schedule DA, Verification, Column 5, Line 10)					
46.	Affiliated mortgage loans on real estate					
47.	All other affiliated					
48.	Total of above lines 42 to 47	0	0	0	0	0
49.	Total investment in parent included in Lines 42 to 47 above					
50.	Percentage of investments in parent, subsidiaries and affiliates to surplus					
	as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)	0.0				

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2018	2 2017	3 2016	4 2015	5 2014
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24)					
52. Dividends to stockholders (Line 35)					
53. Change in surplus as regards policyholders for the year (Line 38)	2,462,360	16,788,036	(724,001)	6,071,769	
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	6,848,818	5,919,762	5,654,277	153,732	
55. Property lines (Lines 1, 2, 9, 12, 21 & 26)	266,125	3,635,439	3,621,653	3,721,870	
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	53,820	554,187	550,654	1,075,644	
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	11,739	280	2,119	(17,099)	
58. Nonproportional reinsurance lines (Lines 31, 32 & 33)	433	66	274	(278)	
59. Total (Line 35)	7,180,935	10,109,734	9,828,977	4,933,869	0
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	6,848,818	5,919,762	5,654,277	153,732	
61. Property lines (Lines 1, 2, 9, 12, 21 & 26)	266,125	3,635,439	3,621,653	3,721,870	
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	53,820	554,187	550,654	1,075,644	
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34)	11,739	280	2,119	(17,099)	
64. Nonproportional reinsurance lines (Lines 31, 32 & 33)	433	66	274	(278)	
65. Total (Line 35)	7,180,935	10,109,734	9,828,977	4,933,869	0
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2)	108.1	67.6	66.0	71.4	
68. Loss expenses incurred (Line 3)	148.0	12.3	12.1	12.7	
69. Other underwriting expenses incurred (Line 4)	2,016.9	25.6	25.9	26.3	
70. Net underwriting gain (loss) (Line 8)	(2,186.2)	(5.5)	(4.0)	(10.4)	
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0)	(281.6)	25.5	25.2	17.6	
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	256.1	79.9	78.1	84.1	
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0)	(25.9)	71.7	295.3	372.2	
One Year Loss Development ($000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11)	(7,523)	519	277	286	
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year-end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100)	(34.0)	9.7	4.6		
Two Year Loss Development ($000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12)	(3,059)	461	390	740	
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior-year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0)	(57.2)	7.6			

If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of *SSAP No. 3, Accounting Changes and Correction of Errors?* Yes [ ] No [ ]

If no, please explain: