



**STATE OF TENNESSEE**  
**DEPARTMENT OF COMMERCE AND INSURANCE**

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**REPORT ON EXAMINATION**  
**OF**  
**MENDAKOTA INSURANCE COMPANY**  
**NASHVILLE, TENNESSEE**

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**AS OF**  
**DECEMBER 31, 2021**

# TABLE OF CONTENTS

Introduction .....	1
Scope of Examination .....	2
Compliance with Previous Examination Findings .....	3
Company History .....	3
Management and Control .....	4
Management .....	4
Control .....	6
Subsidiaries and Affiliated Companies .....	6
Organizational Chart .....	8
Corporate Records .....	10
Agreements with Parent, Subsidiaries, and Affiliates .....	10
Territory and Plan of Operation .....	12
Growth of Company .....	12
Loss Experience .....	13
Reinsurance agreements .....	13
Accounts and Records .....	13
Market Conduct Activities .....	14
Subsequent Events .....	15
Financial Statements .....	16
Assets .....	16
Liabilities, Capital, and Surplus .....	17
Statement of Revenue and Expenses .....	18
Surplus Account .....	19
Analysis of Changes in Financial Statements .....	20
Comments and Recommendations .....	20
Conclusion .....	22
Affidavit .....	23
Affidavit .....	24

Nashville, Tennessee  
June 8, 2023

Honorable Carter Lawrence  
Commissioner  
Tennessee Department of Commerce and Insurance  
500 James Robertson Parkway  
Nashville, Tennessee 37243

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) § 56-1-408, a full-scope financial examination and market conduct review, as of December 31, 2021, has been made of the condition and affairs of:

**MENDAKOTA INSURANCE COMPANY**

NAIC # 22454

NAIC Group # 4937

3343 Perimeter Hill Drive, Suite 214

Nashville, Tennessee 37211

hereinafter referred to as the “Company” or “MKIC” and a report thereon is submitted as follows:

**INTRODUCTION**

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or “Department”). The examination was conducted by duly authorized representatives of the Department. This examination was called through the National Association of Insurance Commissioners (NAIC) Financial Examination Electronic Tracking System (FEETS). Notice of intent to participate was received from Illinois, which conducted an examination of its domiciled company. The examination was conducted simultaneously with the Company’s affiliates, Mendota Insurance Company (MIC), and Mendakota Casualty Company (MCC). Further description of the coordination effort between the states is discussed below under the heading “Scope of Examination.”

## SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2016, which was performed by the Minnesota Department of Commerce. Effective October 18, 2018, the Company was sold from Kingsway America, Inc. (“Kingsway”) to Premier Holdings, LLC (“Premier”), a Tennessee domiciled limited liability company. Effective June 28, 2019, the Company re-domiciled from the State of Minnesota to the State of Tennessee. This examination covers the period January 1, 2017, through December 31, 2021, and includes any material transactions and/or events occurring subsequent to the examination date, which were noted during the course of examination. The examination reviewed certain events and transactions prior to the sale from Kingsway to Premier while the Company was domiciled in Minnesota. The more material events and transactions after the Company re-domiciled to the State of Tennessee were focused on during this examination.

The Company is a member of the Premier group (“Group”), with the State of Tennessee as the Group’s lead state. The following are all insurance companies and their respective domiciliary states within the Group as of December 31, 2021:

Mendota Insurance Company (MIC) (TN)  
Mendakota Insurance Company (MKIC) (TN)  
Mendakota Casualty Company (MCC) (IL)

The State of Illinois was a participating state in the coordinated Group examination.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with practices and procedures promulgated by the NAIC in the *Financial Condition Examiners Handbook* (“Handbook”), as deemed appropriate. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance, by identifying and assessing inherent risks within the Company, and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management’s compliance with statutory accounting principles and annual statement instructions.

All significant risks were considered when planning which key activities and accounts would be examined. The key activities included: Investments; Premium/Underwriting; Reserves/Claims; Related Party; Reinsurance Ceding; Reinsurance Assuming; and Capital and Surplus.

The Company's 2021 Annual Statement was compared with or reconciled to the corresponding general ledger account balances.

Independent information technology specialist services, provided by Lewis & Ellis, Inc., were utilized in the examination review of the Company's information technology general controls (ITGC).

The actuarial firm of Lewis & Ellis, Inc. was utilized in the examination review of the Company's loss and claims reserves.

The Company's certified public accountant (CPA) workpapers were reviewed for the 2021 audit and incorporated into the examination, as deemed appropriate.

A separate market conduct review was performed concurrently with the financial examination. See "Market Conduct Activities" section of this report.

## **COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS**

The findings and recommendations noted in the prior examination report, as of December 31, 2016, prepared by the State of Minnesota included findings that were resolved, dismissed, or remediated as a result of the sale of the Company from Kingsway to Premier.

## **COMPANY HISTORY**

The Company was incorporated under the laws of the State of Illinois on October 24, 1985, under the name Celfor Insurance Company, Inc. ("Celfor") for the purpose of transacting insurance business. Northland Insurance Company ("Northland") purchased Celfor in 1994 and, pursuant to an amendment of the Articles of Incorporation, the name was changed to Mendakota Insurance Company, effective June 23, 1994. The Company became a wholly-owned subsidiary of Mendota Insurance Company (MIC) when the common stock of MIC was transferred via dividend from Northland to Jupiter Holdings, Inc. (JHI) on December 31, 1997. JHI was owned by The Northland Company, a financial holding company domiciled in the State of Minnesota. Effective October 1, 2001, the outstanding stock of The Northland Company was acquired by The Travelers Indemnity Company. In January 2007, JHI entered into an agreement to sell the MIC and its subsidiary, MKIC, to Kingsway. The sale was completed effective April 1, 2007.

A Form A was filed with the TDCI on July 27, 2018, for the sale of MIC from Kingsway to Premier a holding company domiciled in the State of Tennessee, with the price equal to

the statutory surplus of MIC as of June 30, 2018, adjusted pursuant to the terms of the Purchase Agreement. Pursuant to the terms of the Form A, Kingsway utilized the proceeds from the sale to assist it in acquiring the remainder of the other long-term assets that were still owned by MIC at the time of the closing. The Form A was approved by TDCI on October 18, 2018, and as such the Company was also indirectly acquired by Premier. Effective June 28, 2019, the Company was approved by the TDCI to change its state of domicile from Minnesota to the State of Tennessee.

As of December 31, 2021, the Company had 3,000,000 shares of common capital stock authorized and 1,500,000 shares issued and outstanding with a par value of \$2.00.

## **MANAGEMENT AND CONTROL**

### **MANAGEMENT**

#### **Directors**

The administration and governance of the Company is vested in the Board of Directors ("Board"), consisting of no more than nine (9) and no less than three (3) directors, all of whom shall be elected by the holders of the common stock of the Company at each annual meeting thereof to serve for a term of one (1) year until their respective successors are duly elected and qualified. Unless duly waived by the Commissioner of Commerce and Insurance, at least one-third (1/3) of the directors shall be independent. Vacancies on the Board may be filled by the remaining members of the Board to serve until the next regular annual meeting of the shareholders, provided that not more than one-third (1/3) of the Board may be so filled in any one (1) year.

The following persons were serving as members of the Board, as of December 31, 2021:

<b><u>Name</u></b>	<b><u>Principal Occupation</u></b>
Joseph Russell	Chairman
James Ayers	Vice Chair
Stephen Harrison	President & CEO, MKIC
Sandra Pappas	Chief Financial Officer, Secretary, Treasurer, MKIC
Walter Dix	Vice President, MKIC
Scott Walker	Vice President, MKIC

## **Officers**

The Company's bylaws state that the officers of the Company shall be elected by the Board.

The following persons were serving as officers of the Company, as of December 31, 2021:

<b><u>Name</u></b>	<b><u>Title</u></b>
Stephen Harrison	President & Chief Executive Officer
Sandra Pappas	Chief Financial Officer, Secretary & Treasurer
Walter Dix	Vice President
Scott Walker	Vice President

## **Committees**

The Board may, by resolution passed by a majority of the entire Board, designate one (1) or more committees, each committee to consist of one (1) or more of the directors.

On December 31, 2021, the standing committees of the Board and respective committee members were as follows:

### **Audit Committee**

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the Company for the financial reporting process, the system of internal control, the audit process, and the Company's process for monitoring compliance with laws and regulations and the code of conduct.

Joseph Russell (Chair)	Walter Dix
James Ayers	

### **Investment Committee**

The Investment Committee is responsible for the review and management of the Company's investment portfolio and strategy and is charged with making recommendations to the Board for consideration and approval.

James Ayers (Chair)	Sandra Pappas
Stephen Harrison	

### Reinsurance Committee

The Reinsurance Committee is responsible for overseeing all reinsurance matters and is charged with making recommendations to the Board for consideration and approval.

James Ayers (Chair)  
Stephen Harrison

Sandra Pappas

### IT Steering Committee

The IT Steering Committee is responsible for overseeing all IT matters and is charged with making recommendations to the Board for consideration and approval.

Scott Walker (Chair)  
Steven Moser

Walter Dix

## **CONTROL**

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101(8), and as such, is subject to the Insurance Holding Company System Act of 1986, set forth in Tenn. Code Ann. §§ 56-11-101, *et seq.* The Company's direct parent is MIC, which is owned directly by Premier, which is ultimately owned by James W. Ayers (thirty-three and thirty-four one-hundredths percent [33.34%]), Joseph V. Russell (sixteen and sixty-seven one-hundredths percent [16.67%]), and Stephen J. Harrison (sixteen and sixty-seven one-hundredths percent [16.67%]). These individuals, individually or collectively, constitute the ultimate controlling persons (UCPs), as each of them holds ten percent (10%) or more ownership interest in Premier. Premier files a holding company registration statement annually, as required by Tenn. Code Ann. § 56-11-105.

## **SUBSIDIARIES AND AFFILIATED COMPANIES**

The Company has established or acquired subsidiaries as detailed below:

### **Mendota Insurance Company (MIC)**

MIC was incorporated in the State of Minnesota on May 1, 1989, and commenced operations on June 1, 1989. On October 18, 2018, Premier acquired MIC from Kingsway and effective June 28, 2019, MIC was approved by the TDCI to change its state of domicile from Minnesota to the State of Tennessee. MIC provides property and casualty insurance consisting primarily of private passenger auto and physical damage, focusing on providing non-standard auto liability and physical damage coverage.

MIC assumes one hundred percent (100%) of all premiums, less ceding commission, and losses and loss adjustment expenses from the Company through a one hundred percent (100%) reinsurance agreement. See "Reinsurance Agreements" later in this report.



### **Mendakota Casualty Company (MCC)**

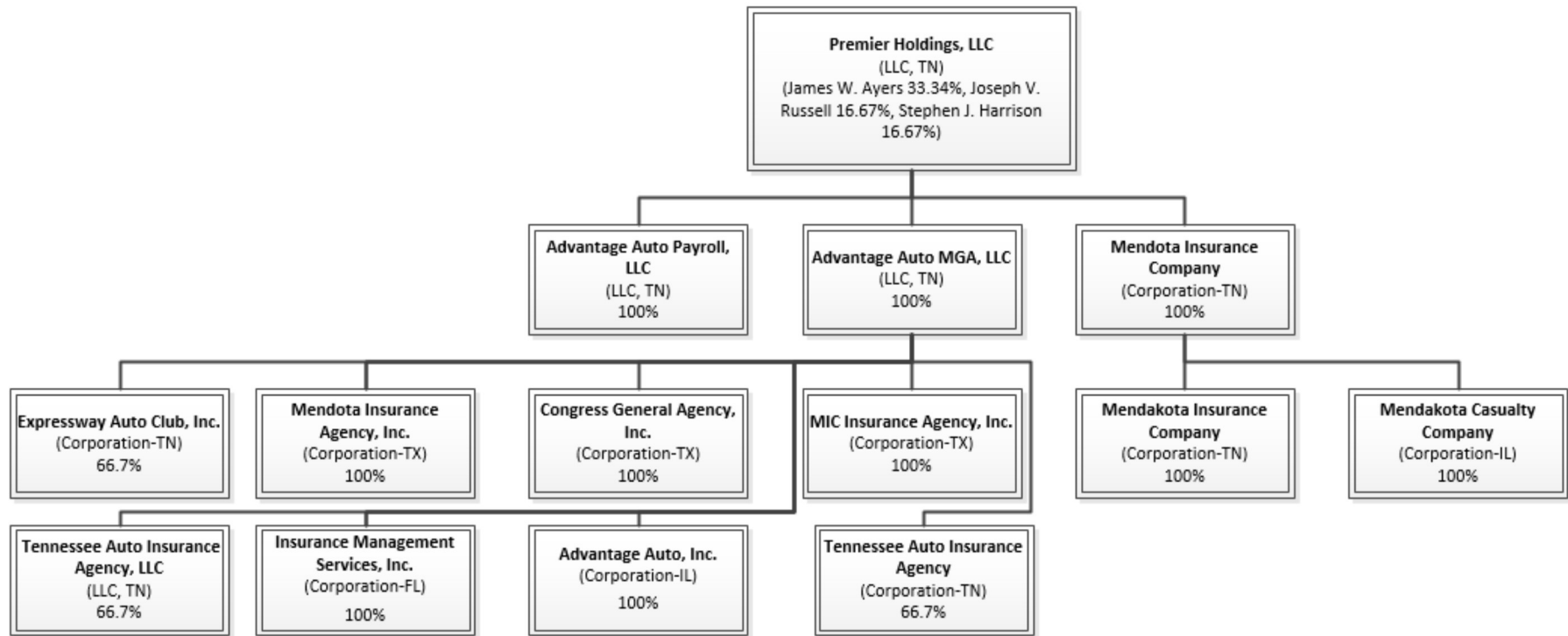
MCC was incorporated on January 12, 1949, as Universal Mutual Casualty Company and commenced business on January 21, 1949. On December 31, 1983, the Company changed its form of structure to that of a stock company, and the name of the Company was changed to Universal Casualty Company (UCC), after it was purchased by UCC Corporation. UCC Corporation was purchased by Kingsway Financial Services Inc. (KFSI) through Kingsway on January 13, 1998. In March 2011, UCC discontinued writing new and renewal business in all territories except Illinois and Indiana. Kingsway decided to discontinue writing all new business with UCC and effectively transferred its book of business to the Company. On December 31, 2012, KFSI contributed the stock of UCC, as a wholly-owned subsidiary to MIC. On January 28, 2015, UCC sent a letter of intent to the Illinois Director of Insurance to resume writing private passenger automobile policies in Illinois only. In conjunction, UCC was approved for a name change to Mendakota Casualty Company (MCC) to better align its name with that of its affiliates. On October 18, 2018, Kingsway, pursuant to a Form A filing approved by the Minnesota Department of Commerce and the Illinois Department of Insurance, sold one hundred percent (100%) of MIC and its wholly-owned subsidiaries, MCC and the Company, to Premier.

### **Irongate International Reinsurance SPC Ltd. (“Irongate”)**

Irongate is an unrestricted Class B(iii) status reinsurer domiciled in Cayman Islands and regulated by the Cayman Islands Monetary Authority (CIMA). Irongate is wholly-owned by Reinsurance Holdings, LLC (“Reinsurance Holdings”), a limited liability company domiciled in Tennessee. As of December 31, 2021, Irongate consisted of the general portfolio and one (1) segregated portfolio (SP1). SP1 was established to assume non-standard private passenger automobile risk on a sixty percent (60%) quota share basis from MIC and MCC.

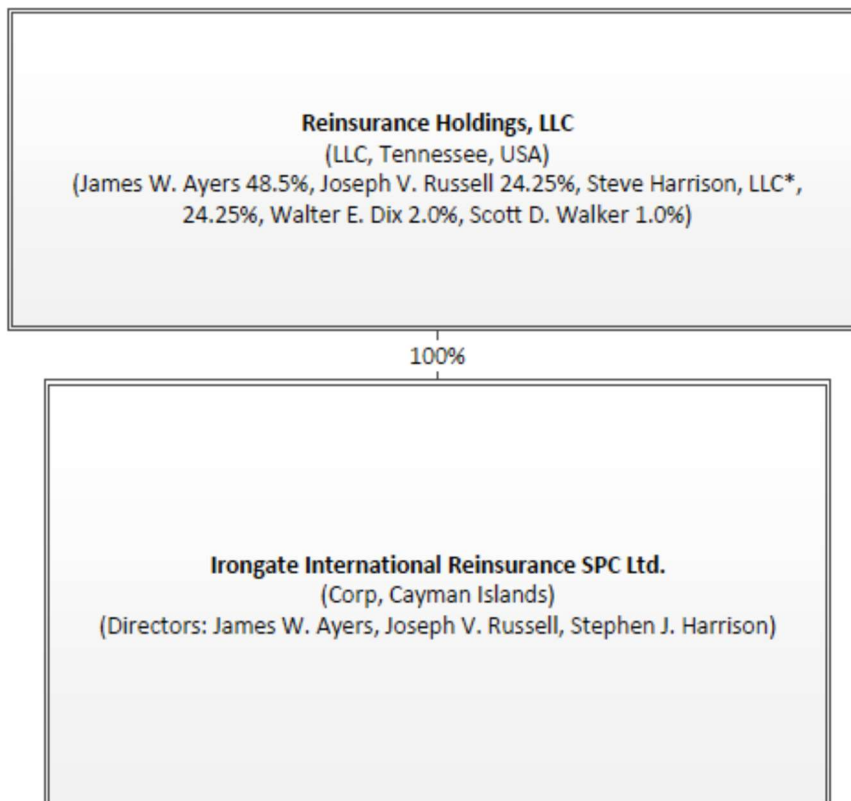
## ORGANIZATIONAL CHART

The following organizational chart shows all the insurance companies and their respective domiciliary states within the Group:



Per Statements of Statutory Accounting Principles (SSAP) 25, "Related parties" are defined as entities that have common interests as a result of ownership, control, affiliation or by contract. Related parties shall include but are not limited to the following: "The principal owners of the reporting entity." As Premier is ultimately owned by James W. Ayers, Joseph V. Russell, and Stephen J. Harrison, Irongate is considered an affiliate. Irongate's direct parent is owned by Reinsurance Holdings which is primarily owned by James W. Ayers (forty-eight and one-half percent [48.5%]), Joseph V. Russell (twenty-four and one-fourth percent [24.25%]), and Stephen J. Harrison (twenty-four and one-fourth percent [24.25%]). These individuals, individually or collectively, constitute the UCPs of Irongate.

## Irongate International Reinsurance SPC Ltd.



**\*Steve Harrison, LLC Ownership**

Stephen J. Harrison:	60%
April Khoury (daughter of Steve Harrison):	10%
Rachel Parker (daughter of Steve Harrison):	10%
Jessica Eiselet (daughter of Steve Harrison):	10%
Layne Parker, Hannah Parker, Emily Parker, Lyla Khoury, Nora Eislet Jane Eislet & Harrison, Eislet (grandchildren of Steve Harrison):	10%

## **CORPORATE RECORDS**

The minutes of meetings of the Company's Board and committees were reviewed for the period under examination. The Board minutes were complete as to necessary detail and appear to adequately reflect the acts of the respective bodies. The review of the minutes indicates that all investment transactions were approved by the Board pursuant to Tenn. Code Ann. § 56-3-408(b)(1).

The Company's Bylaws state that the annual meeting of the stockholders shall be held for the election of directors on such date and at such time shall be designated each year by the Board. The Company was unable to provide the stockholder meeting minutes for the years 2019 and 2020. See "Comments and Recommendations" section in this report.

### **Charter**

The Company's Charter was amended and restated as of June 28, 2019, as part of the approval by the TDCI to change its state of domicile from Minnesota to the State of Tennessee. No other amendments or restatements were made to the Company's Charter during the period of examination.

### **Bylaws**

The Bylaws in effect as of December 31, 2021, are the Company's Amended and Restated Bylaws effective December 16, 2016. No amendments to the Bylaws were enacted during the period of examination. The Bylaws are outdated and make numerous references to the Company being a Minnesota corporation, along with other Minnesota references that are no longer applicable after the re-domestication from Minnesota to the State of Tennessee. See "Comments and Recommendations" for further discussion.

## **AGREEMENTS WITH PARENT, SUBSIDIARIES, AND AFFILIATES**

The Company had the following significant agreements with its affiliated companies in effect, as of December 31, 2021:

### **Cost Allocation Agreement**

Effective January 1, 2008, the Company, MIC, and Mendota Insurance Agency, Inc. (MIA) entered into a Cost Allocation Agreement, where MIC performs or obtains services for, or incurs expenses on behalf of, the Company or MIA.

The Agreement was determined to satisfy the requirements of Tenn. Code Ann. § 56-11-106(a)(1) which sets standards for which intercompany agreements must adhere.

### **Payroll Services Agreement**

Effective January 1, 2019, the Company entered into an agreement with Advantage Auto Payroll, LLC (AAP), whereas AAP provides employees and payroll services to the Company and charges for these services based on actual costs.

The Agreement was determined to satisfy the requirements of Tenn. Code Ann. § 56-11-106(a)(1) which sets standards for which intercompany agreements must adhere.

### **General Agency Agreement**

Effective January 1, 2019, the Company and its parent, MIC, entered into an agency agreement with Advantage Auto MGA, LLC (“Advantage Auto”), whereas Advantage Auto is authorized to act as a general agent on behalf of the Company to solicit, write, sign, and deliver policies of insurance.

The Agreement was determined to satisfy the requirements of Tenn. Code Ann. § 56-11-106(a)(1) which sets standards for which intercompany agreements must adhere.

### **Tax Allocation Agreement**

Effective October 18, 2018, the Company, MIC, and MCC (“the Companies”) entered into a Tax Allocation Agreement whereby the Companies will file a consolidated federal income tax return. The Companies have established a method for the allocation of federal tax liability for reimbursement and payment of such tax liabilities.

The Agreement was determined to satisfy the requirements of Tenn. Code Ann. § 56-11-106(a)(1) which sets standards for which intercompany agreements must adhere.

## TERRITORY AND PLAN OF OPERATION

### TERRITORY

The Company is a stock for-profit insurance company domiciled in Tennessee and licensed to transact business in eighteen (18) states. Certificates of Authority granted by the licensed states were reviewed and found to be in force as of December 31, 2021.

Arizona	Illinois	Missouri	Utah
Arkansas	Indiana	Nevada	Virginia
Colorado	Iowa	North Carolina	Wisconsin
Connecticut	Minnesota	Tennessee	
Georgia	Mississippi	Texas	

Premium tax records were reviewed for the Company, and no exceptions were noted.

### PLAN OF OPERATION

The Company focuses on providing non-standard auto liability and physical damage coverage to those who cannot obtain coverage from standard insurers and coverage is marketed to individuals through a network of independent insurance agencies. The Company cedes one hundred percent (100%) of all premiums, less ceding commission; losses; and loss adjustment expenses to its parent MIC, through a one hundred percent (100%) quota share reinsurance agreement.

## GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company for the period subject to the examination, according to its annual statements, as filed with the TDCI:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2021	\$10,897,502	\$1,544,337	\$9,353,164	\$0	\$70,256
2020	\$10,763,408	\$1,475,251	\$9,288,157	\$0	\$72,790
2019	\$10,829,601	\$1,584,466	\$9,245,135	\$0	\$82,459
2018	\$11,186,303	\$1,732,160	\$9,454,142	\$0	\$64,921
2017	\$11,133,591	\$1,754,450	\$9,379,142	\$0	\$57,112

## LOSS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements, the ratios of losses incurred to direct premiums earned, for the period subject to the examination were as follows:

<u>Year</u>	<u>Losses Incurred</u>	<u>LAE Incurred</u>	<u>Premiums Earned</u>	<u>Loss Ratio</u>
2021	\$0	\$0	\$0	\$0
2020	\$0	\$0	\$0	\$0
2019	\$0	\$0	\$0	\$0
2018	\$0	\$0	\$0	\$0
2017	\$0	\$0	\$0	\$0

## REINSURANCE AGREEMENTS

### Reinsurance Assumed

The Company did not assume any business throughout the examination period.

### Reinsurance Ceded

Effective January 1, 2008, the Company entered into a one hundred percent (100%) reinsurance arrangement with its parent, MIC, whereby the Company cedes one hundred percent (100%) of all premiums, less ceding commission; losses; and loss adjustment expenses to MIC. The ceding commission is equal to the sum of all acquisition expenses, premium taxes, and fees. Premiums include service fees less uncollected premiums charged off.

## ACCOUNTS AND RECORDS

During the course of the examination, certain balances were tested, and amounts were traced from the Company's trial balance to the annual statement. Minor differences were noted in the Company's financial statements attributable to rounding. All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. The Company's risk-based capital filings were reviewed. These test checks and reviews revealed no material discrepancies.

The Company's books and records are located in Nashville, Tennessee.

## MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Company as of December 31, 2021, in conjunction with the examination. The following items were addressed:

### **Operations and Management Standards**

Company antifraud initiatives were examined and found to outline all specific procedures required per Tenn. Code Ann. § 56-53-111.

Company procedures and policies relating to privacy were reviewed to determine compliance with Tenn. Code Ann. § 56-8-104(19) and Tennessee Compilation of Rules and Regulations (“Tenn. Comp. R. & Regs.”) 0780-01-72-.07. No issues were noted.

### **Complaint Handling Practices**

During the examination, both the Company’s complaint handling procedures and the complaints it received were reviewed. The complaints received were reviewed to ensure the Company takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations, and contract language. No issues were noted.

### **Marketing and Sales Standards**

Advertising, sales, and training materials used by the Company were examined for compliance with Tenn. Code Ann. § 56-8-104 (1, 2, and 3) and the NAIC *Market Regulation Handbook* (“Market Handbook”), and were found to be in compliance.

### **Producer Licensing Standards**

Tenn. Code Ann. §§ 56-6-101, *et seq.*, requires the Company to sell its products and services through producers who are properly licensed and appointed by the Company. In the examination of producer licensing, a random sample of producers was selected, and their state-issued licensure and appointment by the Company were verified. Tenn. Code Ann. § 56-6-115(a) states that the insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. Tenn. Code Ann. § 56-6-115(c) requires a notice of appointment within fifteen (15) days from the date the agency contract is executed, or the first insurance application is submitted. Tenn. Code Ann. § 56-6-117 requires the insurer to notify the Commissioner within thirty (30) days following the effective date of the termination of a producer, and the insurer shall mail a copy of the notification to the producer at the producer’s last known address.



In the sample of producers examined, there were instances found where the Company appointed a producer without filing a notice of appointment in a timely manner. There were also instances found where the Company terminated a producer and the Company failed to notify the Commissioner within thirty (30) days following the effective date of the termination. See the “Comments and Recommendations” section later in this report.

### **Policyholder Services Standards**

The Company’s timeliness of policy issuance, premium billing, response to policyholder requests, provision of adequate disclosures, and compliance with applicable statutes and rules were examined. The Company was found to be in compliance with the relevant market conduct standards set forth within the NAIC Market Handbook and Tenn. Code Ann. § 56-8-104.

### **Underwriting and Rating Standards**

In the examination of the Company’s underwriting procedures and policy administration, a sample of in-force policies were reviewed for compliance with Tenn. Code Ann. § 56-8-104(7), Tenn. Comp. R. & Regs. 0780-01-34, and established Company guidelines. No instances of unfair methods of competition, or unfair or deceptive acts were found in the examination of these policies.

### **Claims Handling Standards**

In the examination of claims handling practices, the Company’s efficiency of claim handling, accuracy of payment, adherence to contract provisions, and compliance with applicable statutes and rules were examined. In conducting the examination, random samples were selected from claims approved and claims resisted by the Company. No exceptions were identified regarding prompt settlements, upon receipt of proper evidence of the Company’s liability.

## **SUBSEQUENT EVENTS**

During the examination, a review of subsequent events was performed. No events were noted that required additional disclosure in the examination report. Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2021, that could have a material effect on the Company’s financial condition. Our review confirmed the Company’s disclosures in its 2021 Annual Statement and in its Letter of Representation.

## FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, surplus, and other funds, and a statement of income, as of December 31, 2021, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2021 Annual Statement.

	<u>Assets</u>	<b>Non-Admitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$4,889,207	\$326,167	\$4,573,041
Cash, cash equivalents, and short-term investments	381,931		381,931
Investment income due or accrued	25,942		25,942
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	621,786	2,835	618,951
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,526,457		3,526,457
Amounts recoverable from reinsurers	1,055,321		1,055,321
Net deferred tax asset	435,443	391,343	44,100
Receivables from parent, subsidiaries, and affiliates	<u>671,759</u>	<u>0</u>	<u>671,759</u>
<b>Totals</b>	<b><u>\$11,617,847</u></b>	<b><u>\$720,345</u></b>	<b><u>\$10,897,502</u></b>

## LIABILITIES, CAPITAL, AND SURPLUS

Losses	\$0
Commissions payable, contingent commissions and other similar charges	113,933
Taxes, licenses, and fees (excluding federal and foreign income taxes)	162,841
Ceded reinsurance premiums payable	1,131,980
Amounts withheld or retained by company for account of others	267
Aggregate write-ins for other liabilities	<u>135,316</u>
 Total Liabilities	 1,544,337
 Common capital stock	 3,000,000
Gross paid in and contributed surplus	4,535,373
Unassigned funds (surplus)	<u>1,817,791</u>
 Total Capital and Surplus	 <u>9,353,164</u>
 <b>Totals</b>	 <b><u>\$10,897,502</u></b>

**STATEMENT OF REVENUE AND EXPENSES**

**Investment Income**

Net investment income earned	\$70,567	
Net realized capital gains (losses) less capital gains tax	<u>(246)</u>	
Net investment gain (loss)		\$70,321
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		70,321
Dividends to policyholders		<u>0</u>
Net income after dividend to policyholders, after capital gains tax and before all other federal and foreign income taxes		70,321
Federal and foreign income taxes incurred		<u>65</u>
<b>Net income</b>		<b><u>\$70,256</u></b>

**SURPLUS ACCOUNT**

	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Capital and surplus, December 31, previous year	<u>\$9,288,157</u>	<u>\$9,245,135</u>	<u>\$9,454,142</u>	<u>\$9,379,142</u>	<u>\$9,341,530</u>
Net income or (loss)	70,256	72,790	82,459	64,921	57,112
Change in net deferred income tax	(14,974)	(13,979)	20,921	(13,633)	(301,813)
Change in non-admitted assets	<u>9,726</u>	<u>(15,788)</u>	<u>(321,387)</u>	<u>23,713</u>	<u>282,313</u>
Net change in capital and surplus for the year	<u>65,008</u>	<u>43,022</u>	<u>(209,007)</u>	<u>75,001</u>	<u>37,612</u>
Capital and surplus, December 31, current year	<u>\$9,353,164</u>	<u>\$9,288,157</u>	<u>\$9,245,135</u>	<u>\$9,454,142</u>	<u>\$9,379,142</u>

## ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus

\$9,353,164

Total capital and surplus, as established by this examination, is the same as reported by the Company in its 2021 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2021.

## COMMENTS AND RECOMMENDATIONS

The following list presents a summary of comments and recommendations noted in this report:

### Comments

1. The Company's Bylaws have not been updated subsequent to the approval of the TDCI to change the state of domicile from Minnesota to the State of Tennessee. The Bylaws contain numerous references to Minnesota and define the Company as a Minnesota corporation.

The Company is encouraged to review, update, and amend its Bylaws to reflect current and relevant information, as permitted by Tenn. Code Ann. § 48-20-201.

### Recommendations

1. Tenn. Code Ann. § 56-6-117 requires the insurer to notify the Commissioner within thirty (30) days following the effective date of the termination of a producer. In the sample of producers examined, there were instances found where the Company terminated a producer, but the Commissioner was not notified in a timely manner.

It is recommended that the Company notify the Commissioner of all producer terminations in accordance with Tenn. Code Ann. § 56-6-117.

2. Tenn. Code Ann. § 56-6-115(c) requires a notice of appointment within fifteen (15) days from the date the agency contract is executed, or the first insurance application is submitted, in a format approved by the Commissioner. In the sample of producers examined, there were instances found where the Company appointed a producer without filing a notice of appointment in a timely manner. In accordance with Tenn. Code Ann. § 56-6-115, the Company should provide a notice of appointment.

It is recommended that the Company notify the Commissioner of producer appointments in accordance with Tenn. Code Ann. § 56-6-115(c). The Company

should provide a notice of appointment, in a format approved by the Commissioner, within fifteen (15) days from the date the agency contract is executed, or the first insurance application is submitted.

3. The Company's Bylaws state that an annual meeting of the stockholders shall be conducted. The Company was unable to provide the minutes of the stockholder meetings from 2019 and 2020.

It is recommended that the Company conduct its annual meeting of stockholders in accordance with Tenn. Code Ann. § 48-17-101 and maintain documentation of the minutes of the stockholder meetings in accordance with Tenn. Code Ann. § 48-26-101.

## CONCLUSION

Rules and procedures as prescribed by the statutes of the State of Tennessee and guidance from the NAIC Handbook, as deemed appropriate, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Mendakota Insurance Company.

In such manner, it was found that as of December 31, 2021, the Company had admitted assets of \$10,897,502 and liabilities, exclusive of capital and surplus, of \$1,544,337. Thus, there existed for the protection of the policyholders, the amount of \$9,353,164 in the form of common capital stock, gross paid in and contributed surplus, and unassigned funds. Tenn. Code Ann. §§ 56-2-114 and 56-2-115 require an insurer of this Company's type to maintain a minimum capital of \$1,000,000 and minimum surplus of \$1,000,000. For this examination, as of December 31, 2021, the Company maintains capital and surplus sufficient to satisfy those requirements.

The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Rhonda Bowling-Black, CFE, ARe, MCM, Insurance Examiner from the State of Tennessee; Peter Rao, CFE; Mel Heaps, CFE; Lindsey Pittman, CFE, CISA, AES, CPA, MCM; Greg Wilson, FCAS, MAAA, and Mike Mayberry, FSA, MAAA, of the firm Lewis & Ellis, Inc., participated in the work of this examination.

Respectfully submitted,



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Ryne Davison, CFE  
Examiner-in-Charge  
Lewis & Ellis, Inc.  
Representing the State of Tennessee




---

A. Jay Uselton, CFE  
Department Designee  
Tennessee Department of Commerce and Insurance



# AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Mendakota Insurance Company located in Nashville, Tennessee, dated June 8, 2023, and made as of December 31, 2021, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.

  
Ryne Davison, CFE  
Examiner-in-Charge  
Lewis & Ellis, Inc.  
Representing the State of Tennessee

State MS

County Madison

Subscribed to and sworn before me

this 23 day of June, 2023

Laurie Sanders  
(NOTARY)



My Commission Expires: 8/25/26

**AFFIDAVIT**

The undersigned deposes and says that he has duly executed the attached examination report of Mendakota Insurance Company located in Nashville, Tennessee, dated June 8, 2023, and made as of December 31, 2021, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.



\_\_\_\_\_  
A. Jay Uselton, CFE  
Department Designee  
State of Tennessee

State of Tennessee \_\_\_\_\_

County of Davidson \_\_\_\_\_

Subscribed to and sworn before me

this 23<sup>rd</sup> day of June, 2023

Mandy Johnson \_\_\_\_\_  
(NOTARY)



My Commission Expires: 7-7-2025

# **EXHIBIT B**

# Mendakota Insurance Company

June 26, 2023

E. Joy Little  
Director of Financial Examinations/Chief Examiner  
Tennessee Department of Commerce and Insurance  
500 James Robertson Parkway  
Nashville, TN 37243-1135

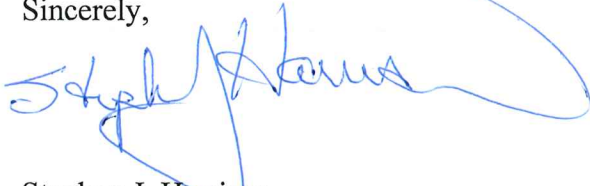
**RE: Report of Examination – Mendakota Insurance Company**

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for Mendakota Insurance Company, made as of December 31, 2021.

By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,



Stephen J. Harrison  
President