

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
CGB Insurance Company)
1811 North Main Street)
Mount Vernon, Indiana 47620)

Examination of: **CGB Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of CGB Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 15, 2019, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of CGB Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.


June 20, 2019
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0489

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 20 day of
June, 2019.

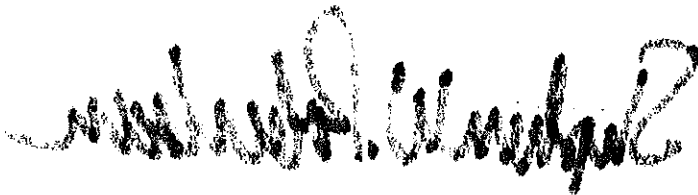

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A large, cursive handwritten signature in black ink, appearing to be "Michael J. ...".Handwritten initials "OS" above a signature that appears to be "L. ...".

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF
CGB INSURANCE COMPANY
NAIC COMPANY CODE 11445

As of
December 31, 2017

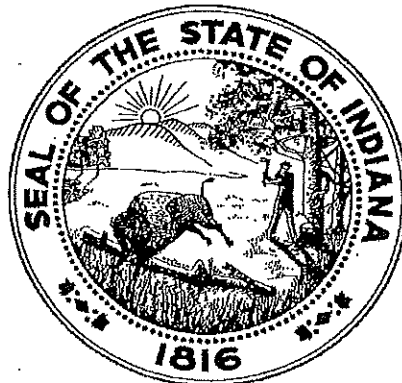


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

February 27, 2019

Honorable Stephen W. Robertson
Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3980, an examination has been made of the affairs and financial condition of:

**CGB Insurance Company
1811 North Main Street
Mount Vernon, IN 47620**

an Indiana property and casualty insurance company, hereinafter referred to as the "Company" or "CGB." The examination was conducted at the corporate offices of the Company located at 800 Market Street, Suite 1500A, St. Louis, MO 63101.

The Report of Examination, showing the status of the Company as of December 31, 2017, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2389	COMPANY COMPLIANCE 317-232-3495	CONSUMER SERVICES 317-232-2395/1-800-622-4461	FINANCIAL SERVICES 317-232-2390	MEDICAL MALPRACTICE 317-232-2402	COMPANY RECORDS 317-232-5692	STATE HEALTH INSURANCE PROGRAM 1-800-452-4800
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SCOPE OF EXAMINATION

The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2013 through December 31, 2017, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In conducting the risk-focused examination, the Indiana Department of Insurance (INDOI), by its representatives, relied upon the independent audit reports and opinions contained therein rendered by KPMG LLP for 2014 and BKD, LLP for 2015 through 2017. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

Thomas Consulting conducted a review of the information system controls and gained an understanding of the systems that are utilized. It was concluded that there would be reliance placed upon the Company's information systems.

In accordance with the 2017 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, the Examiners performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code (IC). All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

CGB Diversified Services, Inc. (CGB Diversified), a subsidiary of CGB Enterprises, Inc. (CGBE), is a crop insurance Managing General Agent (MGA) that, prior to 2014, placed 100% of its crop insurance business with GuideOne Specialty Mutual Insurance Company (GSM) and GuideOne Mutual Insurance Company (GM). However, in early 2014, CGB Diversified finalized their purchase of the United National Casualty Insurance Company (UNCIC) with the intent of placing all subsequently written crop insurance policies with UNCIC (n/k/a CGB).

GM was an Approved Insurance Provider (AIP) for the United States Department of Agriculture's Risk Management Agency (RMA) for Reinsurance Year (RY) 2014. As an AIP, GM provided Multiple Peril Crop Insurance (MPCI) to producers under the federal crop insurance program. The Company operated under the Standard Reinsurance Agreement (SRA) of GM in RY 2014 and replaced GM as an AIP beginning RY 2015. The federal crop insurance program requires that each AIP be reinsured with the Federal Crop Insurance Corporation (FCIC) under the terms of the SRA.

MPCI policies written on the Company's paper are 100% reinsured, either through the Federal Government, per the terms of the SRA, or through third party reinsurers (including GM). The Company did not issue policies for private crop insurance plans as of December 31, 2014, as these policies were written by one of the GuideOne companies. Beginning in 2015, most private-hail policies were written by the Company

(except for a few states for which the Company was not licensed, as discussed in subsequent sections of this report).

In August of 2016, CGB Diversified purchased Heartland Crop Insurance Inc. (Heartland), a crop insurance MGA, from Everest Re. Group Ltd. (Everest Re). The Company's acquisition of Heartland excluded Heartland's private-hail business for 2016. In 2017, all of the Heartland business was written on the Company's paper.

In December of 2017, CGB Diversified purchased AG Logic Holdings, LLC (AgriLogic) from Aspen Insurance Holdings Limited (Aspen). Due to this transaction, the Company assumed some MPCIRY 2018 exposure from AgriLogic.

CAPITAL AND SURPLUS

The Amended Articles of Incorporation state the Company is authorized to issue 1,300,000 shares of common stock with a par value of \$5 per share. As of December 31, 2017, there were 1,000,000 shares issued and outstanding. The Company's total capital and surplus as of December 31, 2017 was \$159,776,867, which included: \$5,000,000 common stock issued and outstanding; gross paid-in contributed surplus of \$78,602,611; \$50,000,000 surplus note; and unassigned funds (surplus) of \$26,174,256.

The Company received a \$63,602,611 capital contribution from CGBE in March 2014.

The Company recorded a \$50,000,000 surplus note from CGBE as of December 31, 2015. No payment of principal or interest may be made upon the surplus note without prior approval of the INDOI.

DIVIDENDS TO STOCKHOLDERS

No dividends were declared or paid during the period under examination.

TERRITORY AND PLAN OF OPERATION

The Company is a single-line property and casualty crop insurer writing in the continental United States. Its products include MPCIR, private crop insurance products, and livestock insurance. The Company produces policies through an affiliate MGA, CGB Diversified. The majority of the Company's premiums and claims activity is generated from the MPCIR line of business.

The majority of the Company's crop insurance book of business is MPCIR. The MPCIR program is administered by the RMA. The MPCIR program is only available to insurance companies which have been approved and enter into the SRA with the RMA.

In 2014, the Company began writing MPCIR policies and was approved by the United States Department of Agriculture for a Livestock Price Reinsurance Agreement. In 2015, the Company began writing crop hail insurance. All claims liabilities of the Company are 100% ceded under reinsurance contracts managed by its reinsurance brokers and/or the Federal Crop Insurance Corporation (FCIC).

The Company is currently licensed to write business in thirty-eight (38) states within the continental United States. The top geographic locations in the United States of direct premiums earned by the Company during the year ended December 31, 2017 were; Texas (11.6%), South Dakota (9.0%), Nebraska (8.5%), Illinois (8.3%), and North Dakota (8.1%). No other jurisdiction accounted for more than 8.0% of direct premiums for the Company.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the period under examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Policyholder Surplus</u>	<u>Direct Premiums Written</u>	<u>Net Income</u>
2017	\$550,184,120	\$390,407,253	\$159,776,867	\$972,236,300	\$8,592,940
2016	373,745,073	221,976,734	151,768,339	628,741,151	6,413,474
2015	337,845,769	192,532,404	145,313,365	618,150,419	7,276,897
2014	375,967,818	288,315,439	87,652,379	420,429,467	3,458,434
2013	21,082,157	45,252	21,036,905	0	1,343,740

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

The changes in admitted assets were primarily due to the growth in premium volume during the examination period. In March 2014, CGBE made a \$63,602,611 capital contribution to GBC. Additionally, GBC held a \$50,000,000 surplus note from CGBE as of December 31, 2015.

MANAGEMENT AND CONTROL

Directors

The Company's Bylaws stipulate that the business and affairs of the corporation shall be managed by the Board of Directors consisting of at least five (5), and no more than ten (10) members. Unless otherwise specified by the Board of Directors, the number of directors shall be five (5) and they shall meet the qualifications as are required by law. A majority of the directors must be citizens of the United States or Canada during their entire term of service. At least one (1) of the directors must reside in Indiana. Each director shall be elected for a term of one (1) year and shall serve until his or her successor is duly elected and qualified. The following persons were serving as directors as of December 31, 2017:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Gerard Alphonse Brechtel Mandeville, Louisiana	Retired
Jerry Dean Carlisle New Orleans, Louisiana	Consultant Jerry D. Carlisle, LLC

Rodney Lowell Clark Mount Vernon, Indiana	Vice President CGB Enterprises, Inc.
Scott Craig Hall Jacksonville, Illinois	Vice President, Secretary, and Treasurer CGB Insurance Company
Bradley Ray Leighton Springfield, Illinois	Vice President CGB Insurance Company
Richard Steven Pemberton Madisonville, Louisiana	Chairman and President CGB Insurance Company

Officers

The Company's Bylaws state that the officers of the Company shall consist of a Chairman, President, Secretary, Treasurer, and such assistants or other officers as the Board of Directors shall deem necessary. Any two (2) or more offices may be held by the same person, except the duties of the President and Secretary shall not be performed by the same person. Each officer of the corporation shall be elected annually by the Board of Directors for a term of one (1) year and shall serve until his or her successor is duly elected and qualified. The following persons were serving as officers of the Company as of December 31, 2017:

<u>Name</u>	<u>Title</u>
Richard Steven Pemberton	Chairman and President
Bradley Ray Leighton	Vice President
Scott Craig Hall	Vice President, Secretary, and Treasurer

Corporate Governance

The Board of Directors of the Company and various committee oversight occurs at the legal entity level of the Company. Pursuant to IC 27-1-7-10(a), the Company has elected six (6) directors. Pursuant to IC 27-1-7-11, one (1) of the directors resides within the State of Indiana.

The duties of the Board of Directors are to manage the business and affairs of the Company. In addition, the Board of Directors will elect new directors, officers, or members of various committees when a vacant position occurs. The Board of Directors is governed by the Amended Bylaws dated May 22, 2014. The Company has a formal mission statement noting the elements regarding compliance, ethics, and values.

As of January 1, 2017, the Company's Audit Committee was composed entirely of members who are independent with respect to the Company or its affiliated MGA. As of January 2018, 50% of the Board of Directors is independent. The Board of Directors meets quarterly and includes discussions about significant risks impacting the Company. Agendas and related materials are distributed to the Board members prior to the meetings. The Company held ten (10) Board of Directors and Committee meetings in 2017 and all Board members were in attendance. The members of the Board of Directors are elected by Shareholders.

The following members were serving on the committees of the Board as of December 31, 2017:

Audit Committee:

Gerard Alphonse Brechtel	Chairman
Jerry Dean Carlisle	

Investment Committee:

Richard Steven Pemberton	Chairman
Scott Craig Hall	

Reinsurance Committee:

Richard Steven Pemberton	Chairman
Scott Craig Hall	
Bradley Ray Leighton	

CONFLICT OF INTEREST

The Company has in place an established conflict of interest policy and procedures for the disclosure of any material interest or affiliation by any director, officer, or key employee, which is likely to conflict with their official duties. From a review of the officers' and directors' signed statements, there were no material conflicts of interest noted for the period under examination.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. Each director serving as of December 31, 2017, signed an Oath of Office statement when elected.

CORPORATE RECORDS

Articles of Incorporation

The Company's Articles of Incorporation were amended during the period under examination as a result of the re-domestication of the Company from the State of Illinois to the State of Indiana in 2014.

Bylaws

The Company's Bylaws were amended during the period under examination as a result of the re-domestication of the Company as discussed above.

Minutes

The minutes for the Board of Directors and the Shareholders meetings for the period under examination were reviewed and deemed to adequately describe the actions taken during the meetings.

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23 and Regulation of Insurance Holding Company Systems. The Company is a wholly-owned subsidiary of CGBE, a Louisiana Corporation. CGBE is owned by four (4) Japanese based organizations. The following organizational chart depicts the relationship between the Company, its parent, and other affiliates as of December 31, 2017:

- ❖ ZEN-NOH Grain Corporation 40%
- ❖ ITOCHU Corporation 30%
- ❖ ITOCHU International, Inc. 20%
- ❖ ZEN-NOCH Unico America Corporation 10%
 - CGB Enterprises, Inc. - Holding Co., Inc. 100% (LA)
 - Consolidated Grain & Barge Co
 - CGB AGRI Financial Services, Inc.
 - CGB Insurance Company (IN)
 - CGB Diversified Services, Inc.
 - Heartland Crop Insurance, Inc.
 - Crop Re Services, LLC
 - Ag Logic Holdings LLC

Affiliated Agreements

The following affiliated agreements were disclosed as part of the Form B Holding Company Registration Statement, and were filed with and not disapproved by the INDOI, in accordance with IC 27-1-23-4(b)(4).

Cost Sharing Agreement

The Company participates in a Cost Sharing Agreement with CGBE and CGB Diversified. The method of allocation between the companies is subject to a written agreement approved by the Board of Directors and approved by the INDOI. Allocation is based upon direct identification or when expenses are shared amongst entities based on what separate invoices would generate or other appropriate methods using quantifiable goods and/or services received. Intercompany balances are settled quarterly. The Company incurred \$63,539 in 2017, primarily representing legal fees, third party data services, and overnight mail costs.

MGA Agreement

The Company produces policies through CGB Diversified. The Company operates out of a facility that is wholly- owned by CGB Diversified. Additionally, CGB Diversified provides all the fixed assets and employees that are needed by the Company to perform its operations. Under the terms of the agreement, CGB Diversified provides the following services to the Company:

- Overseeing the production of Crop/Livestock Insurance
- Billing policyholders
- Collecting premiums from policyholders
- Appointing and terminating agents
- Paying commissions due to sub agents
- Adjusting all claims

For the year ending December 31, 2017, the Company incurred \$138,440,554 pursuant to the MGA Agreement.

Intercompany Tax Sharing Agreement

The Company's federal income tax return is consolidated with CGBE and its affiliates. Pursuant to the Intercompany Tax Sharing Agreement, the Company's tax expense will be determined as of the end of each tax year and shall be computed as if the Company were not a part of the affiliated group, but rather a separate corporation filing a federal income tax return. For the tax year ending December 31, 2017, the Company paid \$0 estimated taxes. The Company had a payable to CGBE of \$11,421,252 for the purpose of settling the Company's federal income tax liability under this agreement.

Crop Re Agreement

On December 8, 2017, the INDOI approved an agreement by and among the Company, Newco, LLC (n/k/a Crop Re Services, LLC), and CGB Diversified, whereby the Company authorizes Crop Re to instruct CGB Diversified in its arrangement or reinsurance among the member Crop Re in accordance with the terms and conditions of the MGA Agreement between the Company and CGB Diversified. Under the current MGA Agreement, CGB Diversified is authorized to arrange private reinsurance (separate and apart from the reinsurance provided by the FCIC) for the crop insurance written by the Company. To facilitate a new reinsurance arrangement, Crop Re was established. Reinsurers may become members of Crop Re through a minority equity interest in Crop Re. As a condition of their membership, the qualified reinsurers will provide quota share reinsurance to the Company corresponding to its equity interest in Crop Re. As of December 21, 2017, Aspen was the first entity to invest in Crop Re with a 23.2% interest.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a Crime Insurance Policy. The policy provides up to \$2,000,000 of retention with a \$100,000 deductible and meets the prescribed minimum coverage as specified by the NAIC.

The Company and its MGA are the named insured on E&O Financial Institution Professional Liability Insurance in-force as of December 31, 2017. The limits on this policy are \$10,000,000 for each wrongful act and \$10,000,000 aggregate with a retention of \$250,000. The policy period is March 1, 2017 to March 1, 2018.

STATUTORY AND SPECIAL DEPOSITIS

The Company reported statutory and special deposits comprised of U.S. Treasury Bonds, bank certificates of deposit, cash, and cash equivalents held by various Departments of Insurance in compliance with statutory requirements as of December 31, 2017:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits for the benefit of all Policyholders:		
Indiana	\$ 2,699,804	\$ 2,681,488
All Other Special Deposits:		
Georgia	100,650	99,038
Massachusetts	149,795	149,601
Nevada	360,110	358,675
North Carolina	450,959	447,412
Virginia	551,169	542,305
Total Deposits	<u>\$ 1,612,683</u>	<u>\$ 1,597,034</u>

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

REINSURANCE

The Company has a contract with GM and GSM to front MPCII and private crop-hail insurance in states in which the Company is not licensed. During 2014, the Company entered into an agreement to replace GM and GSM as the SRA holder under the MPCII program with RMA for the 2015 crop year.

In conjunction with obtaining the SRA, the Company agreed, at the request of the FCIC, to assume responsibility for claims performance under the terms and conditions of the SRA held by GM and GSM during the 2014 through 2016 reinsurance years. Simultaneously, the Company entered into a reinsurance agreement with GM and GSM to retrocede the financial liability associated with the insurance policies issued during the 2014 through 2016 reinsurance years. This was renewed and extended through 2017. The Company retains no net risk for policies written pursuant to these agreements.

Approximately 89 percent of the Company's crop insurance book is MPCII reinsured with FCIC in 2017. The Company utilizes a 100 percent quota share reinsurance model. Under the terms of these agreements with commercial reinsurers, the Company cedes all of the underwriting risk which has not been already ceded to the FCIC pursuant to the SRA. The maximum participation for each reinsurer is defined as 30 percent of the MPCII book. The private placement reinsurance must be with companies rated A or better by

A.M. Best.

The Company follows the industry practice of reinsuring (ceding) portions of its insurance risks with a variety of reinsurance companies. All reinsurance treaties are done on annual or triannual renewable terms and the Company does not use financial or surplus relief reinsurance.

CGB Diversified performs all related sales, underwriting, and claims functions. The Company recorded \$8,118,174 and \$11,736,963 of fronting fees in 2016 and 2017, respectively. Premiums for the MPCCI and private crop-hail insurance are earned over the terms of the related policies.

In 2016, CGB Diversified acquired Heartland Crop Insurance, Inc., another managing general agent for crop insurance, from Everest Re. The acquisition further increased the Company's market share in the MPCCI market place and established a new reinsurance partner in Everest Re.

In December 2017, CGB Diversified purchased AgriLogic from Aspen. Due to this transaction the Company assumed some MPCCI RY 2018 exposure from AgriLogic.

RESERVES

Carl X. Ashenbrenner, FCAS, MAAA, of Milliman, Inc. is the Appointed Actuary for the Company. Mr. Ashenbrenner was appointed by the Board of Directors to render an actuarial opinion on the statutory-basis reserves of the Company for all years covered by this examination.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining reserves and related actuarial items, as shown in the Annual Statement of the Company. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used, and such tests of the calculations as considered necessary.

The 2017 opinion stated the amounts carried in the balance sheet on account of the actuarial items identified in the opinion: a) meet the requirements of the insurance laws of the State of Indiana., b) are consistent with reserves computed in accordance with standards of practices issued by the Actuarial Standards, and c) make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2017, was agreed to the Annual Statement without exception. The Company's independent auditors issued unqualified opinions on the Company's audited Statutory Financial Statements for each year during the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2017, with no exceptions noted. All the independent audit work papers were made available to the Examiners during the examination.

An evaluation of controls of information systems was performed in this examination. The objective of the review was to assess whether the controls of information systems were adequate and risks associated with information systems had been adequately addressed. The assessment of the controls to mitigate risks was effective and no material weaknesses or significant findings were noted.

Overall, the Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus, and Other Funds
Comparative Exhibit - Statutory Statement of Income
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

CGB INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2017

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Assets:				
Bonds	\$ 102,890,537	\$ -	\$ 102,890,537	\$ 97,430,007
Cash, cash equivalents and short-term investments	<u>18,481,949</u>	<u>-</u>	<u>18,481,949</u>	<u>8,968,998</u>
Subtotals, cash and invested assets	<u>\$ 121,372,486</u>	<u>\$ -</u>	<u>\$ 121,372,486</u>	<u>\$ 106,399,005</u>
Investment income due and accrued	\$ 487,760	\$ -	\$ 487,760	\$ 431,365
Uncollected premiums and agents' balances in the course of collection	21,913,969	-	21,913,969	-
Amount recoverable from reinsurance	21,877,238	-	21,877,238	12,500,392
Receivables from parent, subsidiaries and affiliates	7,434,781	-	7,434,781	3,974,230
Aggregate write-ins for other-than-invested assets	<u>377,097,886</u>	<u>-</u>	<u>377,097,886</u>	<u>250,440,081</u>
Total Assets	<u>\$ 550,184,120</u>	<u>\$ -</u>	<u>\$ 550,184,120</u>	<u>\$ 373,745,073</u>

CGB INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus, and Other Funds

As of December 31, 2017

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Commissions payable, contingent commissions and other similar charges	\$ 68,882,600	\$ -	\$ 68,882,600	\$ 15,889,447
Other expenses	229,807	-	229,807	289,275
Taxes, licenses and fees (excluding federal and foreign income taxes)	1,710,071	-	1,710,071	1,632,751
Current federal and foreign income taxes	11,421,252	-	11,421,252	7,104,675
Net deferred tax liability	11,845	-	11,845	9,562
Ceded reinsurance premiums payable	242,326,608	-	242,326,608	137,141,927
Provisions for reinsurance	591,000	-	591,000	-
Aggregate write-ins for liabilities	65,234,070	-	65,234,070	59,909,097
Total Liabilities	<u>\$ 390,407,253</u>	<u>\$ -</u>	<u>\$ 390,407,253</u>	<u>\$ 221,976,734</u>
Capital and Surplus:				
Common capital stock	\$ 5,000,000	\$ -	\$ 5,000,000	\$ 5,000,000
Surplus notes	50,000,000	-	50,000,000	50,000,000
Gross paid in and contributed surplus	78,602,611	-	78,602,611	78,602,611
Unassigned funds (surplus)	26,174,256	-	26,174,256	18,165,728
Surplus as regards policyholders	<u>\$ 159,776,867</u>	<u>\$ -</u>	<u>\$ 159,776,867</u>	<u>\$ 151,768,339</u>
Total Liabilities, Capital and Surplus	<u>\$ 550,184,120</u>	<u>\$ -</u>	<u>\$ 550,184,120</u>	<u>\$ 373,745,073</u>

CGB INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2017

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Underwriting Income:				
Other underwriting expenses	\$ 797,389	\$ -	\$ 797,389	\$ 580,328
Total underwriting deductions	\$ 797,389	\$ -	\$ 797,389	\$ 580,328
Net underwriting gain	\$ (797,389)	\$ -	\$ (797,389)	\$ (580,328)
Investment Income:				
Net investment income earned	\$ 1,816,070	\$ -	\$ 1,816,070	\$ 1,488,140
Net realized capital gains (losses)	100,018	-	100,018	398,443
Net investment gain	\$ 1,916,088	\$ -	\$ 1,916,088	\$ 1,886,583
Aggregate write-ins for miscellaneous income	\$ 11,736,963	\$ -	\$ 11,736,963	\$ 8,118,174
Net income before federal income taxes	\$ 12,855,662	\$ -	\$ 12,855,662	\$ 9,424,429
Federal and foreign income taxes incurred	\$ 4,262,722	\$ -	\$ 4,262,722	\$ 3,010,955
Net Income	\$ 8,592,940	\$ -	\$ 8,592,940	\$ 6,413,474

CGB INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

As of December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Surplus as regards policyholders, December 31, prior year	\$ 151,768,339	\$ 145,313,365	\$ 87,652,380	\$ 21,036,906	\$ 20,215,971
Net income	\$ 8,592,940	6,413,474	7,276,897	3,458,434	1,343,740
Change in net deferred income tax	(2,282)	39,095	(106,778)	58,121	(774,288)
Change in nonadmitted assets	8,869	2,405	32,866	(45,693)	251,483
Change in provision for reinsurance	(591,000)	-	458,000	(458,000)	-
Change in surplus notes	-	-	50,000,000	-	-
Surplus adjustment: paid in	-	-	-	63,602,611	-
Change in surplus as regards policyholders for the year	\$ 8,008,527	\$ 6,454,974	\$ 57,660,985	\$ 66,615,473	\$ 820,935
Surplus as regards policyholders, December 31, current year	\$ 159,776,867	\$ 151,768,339	\$ 145,313,365	\$ 87,652,380	\$ 21,036,906

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2017, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

There were no other significant findings noted during the course of this examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date that significantly affected the finances or operations of the Company.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the Examiners.

AFFIDAVIT

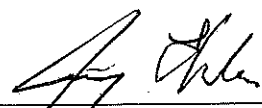
This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **CGB Insurance Company** as of **December 31, 2017**.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2017 NAIC *Financial Condition Examiners Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of the **CGB Insurance Company** as of **December 31, 2017**, as determined by the undersigned.


David L. Daulton, CFE
The Thomas Consulting Group, Inc.


Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

DARCY L. SHAWVER
NOTARY PUBLIC


SEAL

MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706053

State of: Indiana
County of: Marion

On this 22nd day of May, 2019, before me personally appeared, David L. Daulton and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires October 4, 2025

Notary Public Darcy L. Shawver

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