

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

IN THE MATTER OF:)
)
Vantage Casualty Insurance Company)
36 South Pennsylvania Street, Suite 700)
Indianapolis, Indiana 46204)

Examination of: **Vantage Casualty 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 Vantage Casualty Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, 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 Vantage Casualty 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.

April 19, 2018
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0007

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

IN THE MATTER OF:)
)
Vantage Casualty Insurance Company)
36 South Pennsylvania Street, Suite 700)
Indianapolis, Indiana 46204)

Examination of: **Vantage Casualty Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Vantage Casualty Insurance Company (hereinafter “Company”) for the time period January 1, 2012 through December 31, 2016.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on December 18, 2017.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on February 21, 2018 and was received by the Company on March 2, 2018.

On March 14, 2018, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2016.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

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, as amended, 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, as amended. 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 23 day of April, 2018.

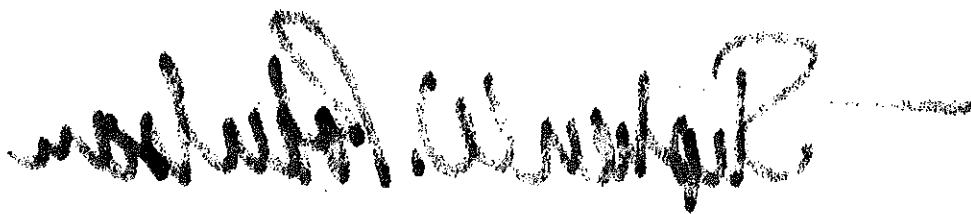

Stephen W. Robertson
Insurance Commissioner

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, stylized handwritten signature in black ink, appearing to be "Richard A. ...".A smaller handwritten signature in black ink, appearing to be "April".

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

VANTAGE CASUALTY INSURANCE COMPANY

NAIC COMPANY CODE 11821

NAIC GROUP CODE 0304

As of

December 31, 2016

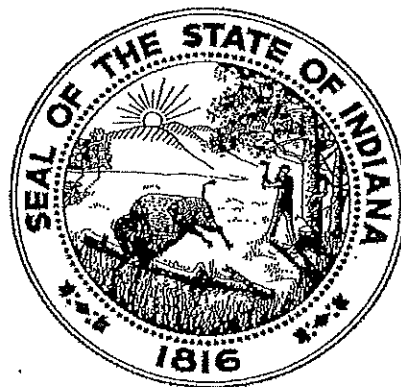


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY	2
CAPITAL AND SURPLUS	3
DIVIDENDS TO STOCKHOLDERS.....	3
TERRITORY AND PLAN OF OPERATION	3
GROWTH OF THE COMPANY	3
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers	4
Corporate Governance	5
CONFLICT OF INTEREST	5
OATH OF OFFICE.....	5
CORPORATE RECORDS	5
Articles of Incorporation.....	5
Bylaws.....	5
Minutes	6
AFFILIATED COMPANIES	6
Organizational Structure.....	6
Affiliated Agreements.....	6
FIDELITY BOND AND OTHER INSURANCE	7
STATUTORY AND SPECIAL DEPOSITS	7
REINSURANCE.....	7
Reinsurance Assumed.....	7
Reinsurance Ceded.....	8
RESERVES.....	8
ACCOUNTS AND RECORDS.....	8
FINANCIAL EXHIBITS.....	9
FINANCIAL STATEMENTS	10
Assets	10
Liabilities, Surplus and Other Funds	11
Statement of Income	12
Capital and Surplus Account	13
COMMENTS ON THE FINANCIAL STATEMENTS.....	14
OTHER SIGNIFICANT FINDINGS	14
SUBSEQUENT EVENTS	14
MANAGEMENT REPRESENTATION.....	14
AFFIDAVIT	15



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

December 18, 2017

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 3928, an examination has been made of the affairs and financial condition of:

Vantage Casualty Insurance Company
36 South Pennsylvania Street, Suite 700
Indianapolis, Indiana 46204

an Indiana domestic property and casualty insurer hereinafter referred to as the "Company." The examination was conducted at the main administrative offices of the Company located at 100 Mulberry Street, Gateway 2, 11th Floor, Newark, New Jersey 07102-4061.

The Report of Examination, showing the status of the Company as of December 31, 2016, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413	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 Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2011. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2012 through December 31, 2016, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was performed on a coordinated basis with the Arizona Department of Insurance, Connecticut Insurance Department, and New Jersey Department of Banking and Insurance (NJDOBI). The NJDOBI served as the lead state for the coordinated examination. The INDOI relied upon a portion of the coordinated examination work performed by NJDOBI in its examination of the Company's parent, Prudential Financial, Inc. (PFI).

Robert P. Daniel, ACAS, MAAA, consulting actuary with the firm Merlinos & Associates, Inc., was utilized by the INDOI to conduct a review of the Company's Losses and Loss Adjustment Expenses as of December 31, 2016.

In accordance with the 2016 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. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was incorporated on September 24, 2003 as an Indiana domiciled property and casualty insurance company. The Company received a Certificate of Authority from the INDOI on October 29, 2003 and commenced business on October 31, 2003. The Company is a 100% owned subsidiary of PFI, a New Jersey corporation.

On October 3, 2002, PFI announced plans to dispose of its property and casualty subsidiaries. The formation of the Company was a direct result of the sale of Prudential Property and Casualty Insurance Company (Prupac), Prudential General Insurance Company (Prugen), and Prudential Commercial Insurance Company (Prucom) on November 1, 2003. As per the terms of the sale, the Company was formed to reinsure certain risks the buyer, Liberty Mutual Group (LMG), did not want to retain. The Company entered into four (4) reinsurance contracts with Prupac effective October 30, 2003. Three (3) of the four (4) contracts were expired as of the date of this Report of Examination. The remaining contract, covering specifically named risks written or assumed by Prupac, is referred to as the Excluded Contract and has no expiration date.

CAPITAL AND SURPLUS

Pursuant to the Articles of Incorporation, the capital stock authorized for the Company is 1,000 shares of no par value common stock. As of December 31, 2016, the Company's total capital and surplus was \$42,560,124, which included: common stock of \$1,000,000, consisting of 500 issued and outstanding shares; gross paid-in and contributed surplus of \$36,200,000; and unassigned funds (surplus) of \$5,360,124. All issued and outstanding shares were 100% owned by PFI as of December 31, 2016.

DIVIDENDS TO STOCKHOLDERS

On September 30, 2014, the Company paid an extraordinary dividend in the amount of \$10,000,000 to PFI. The extraordinary dividend was approved by the INDOI on September 26, 2014, in accordance with Indiana Code (IC) 27-1-23-4(g). There were no other dividends paid during the period under examination.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact insurance business in the states of Indiana and Ohio. In addition, the Company is accredited as a reinsurer in the states of Delaware and New York.

The Company was formed to reinsure certain risks directly related to the 2003 sale of PFI's property and casualty subsidiaries, therefore it does not write or assume any other business but continues to run-off the business assumed from LMG and Titan Holdings Inc. (THI).

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2016	\$81,787,371	\$39,227,247	\$42,560,124	\$ 0	\$1,407,522
2015	82,005,621	40,687,678	41,317,943	0	1,808,686
2014	84,253,842	44,589,460	39,664,382	0	1,945,739
2013	95,967,786	48,214,672	47,753,114	0	1,644,726
2012	102,787,695	56,837,153	45,950,542	0	1,635,223

The decrease in assets and capital & surplus in 2014 is primarily due to the \$10,000,000 dividend paid to PFI in 2014. The decrease in assets in 2013 was mainly related to the sale of corporate bonds. The sale proceeds from the bonds were applied towards benefit and loss related payments to Liberty Mutual Group under the Excluded Contract that was paid in the fourth quarter of 2013. The Company's net income for the examination period is mostly comprised of net investment gains. The Company has not recognized any premium income since 2008.

MANAGEMENT AND CONTROL

Directors

The Company's Bylaws specify that the number of directors shall not be less than five (5) nor more than eleven (11). The following is a listing of persons serving as directors as of December 31, 2016:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Nancy D. Davis Bound Brook, New Jersey	Vice President & Actuary Prudential Financial, Inc.
Bernard J. Jacob Pleasantville, New York	Senior Vice President US & International Finance Prudential Financial, Inc.
Dennis B. Kane Summit, New Jersey	Vice President, Planning & Analysis Prudential Financial, Inc.
Frederick P. McGarvey Indianapolis, Indiana	Vice President, Government Affairs Prudential Financial, Inc.
Jeanette Pollock Liberty Corner, New Jersey	Vice President, Enterprise Discontinued Business Solutions Prudential Financial, Inc.

Nancy D. Davis retired on January 30, 2017 and was replaced by Xianmei Tang on March 17, 2017. In addition, on March 17, 2017, Bernard J. Jacob was replaced by Moya P. Chew-Lai.

Officers

The Company's Bylaws state that the officers of the Company shall be a President, Secretary, Controller, Treasurer, and other officers as deemed necessary by the Board of Directors. One (1) person may hold two (2) or more offices, except the offices of President and Secretary or Assistant Secretary. The following is a list of key officers and their respective titles as of December 31, 2016:

<u>Name</u>	<u>Title</u>
Jeanette Pollock	Chief Executive Officer and President
Dennis B. Kane	Chief Financial Officer and Controller
Moya P. Chew-Lai	Chief Investment Officer
Barry D. Floyd	Chief Legal Officer and Secretary
Mark E. Sieb	Treasurer
Maryann N. Owens	Assistant Vice President
John J. Bauer	Assistant Controller
David S. Campen	Assistant Controller
Lynne M. Gandy	Assistant Controller
Richard E. Buckley	Assistant Secretary
Margaret M. Foran	Assistant Secretary
Andrew Hughes	Assistant Secretary

Maggie Palen
Kathleen C. Hoffman

Assistant Secretary
Assistant Treasurer

Jeanette Pollock, the Company's President and Chief Executive Officer, retired from the Company on July 14, 2017, and was replaced by Mary Anne McAuley on the same day.

Corporate Governance

The Company does not have any board committees. On May 20, 2010, the Board of Directors, through a Unanimous Written Consent in Lieu of a Meeting, appointed the Board of the Company as its Audit Committee. The Company provided notice of this appointment to the INDOI on May 27, 2010, in accordance with 760 IAC 1-78-13(f).

In addition to its Board of Directors, the Company receives oversight from the board and management committees of PFI. The PFI board committees included an Audit Committee, Compensation Committee, Corporate Governance and Business Ethics Committee, Executive Committee, Finance Committee, Investment Committee, and Risk Committee.

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 reported by any of the officers or directors.

OATH OF OFFICE

IC 27-1-7-10(i) requires 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. It was noted that contrary to the provisions of IC 27-1-7-10(i), the Company's directors only subscribed to an Oath of Office statement when first elected. The directors did not subscribe to an Oath of Office statement for any subsequent terms when elected. (Please see the "Other Significant Findings" section of this report of examination regarding this issue.)

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Company's Articles of Incorporation during the period under examination.

Bylaws

There were no amendments made to the Company's Bylaws during the period under examination.

Minutes

The Board of Directors and Shareholders Meeting minutes were reviewed for the period under examination through the fieldwork completion date and significant actions taken during each meeting were noted. For the period under examination, the Annual Meetings of the Shareholders were held in accordance with IC 27-1-7-7(b).

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23, Regulation of Insurance Holding Company Systems. The Company is a wholly owned, direct subsidiary of PFI, the ultimate controlling entity within the insurance holding company system. An Insurance Holding Company System Registration Statement was filed annually with the INDOI for each year of the examination period.

Affiliated Agreements

The following significant 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).

Administrative Services Agreement

The Company entered into an Administrative Services Agreement with PFI pursuant to which PFI provides services to the Company that are customarily performed by PFI in the operation of its business. The method of calculation of the compensation to be paid by the Company is intended to result in PFI being reimbursed at a fair and reasonable rate. During 2016, the Company paid \$1,655,276 of expenses incurred under both the Administrative Services Agreement and the Cash Management Administrative Services Agreement.

Investment Management Agreement

The Company entered into an Investment Management Agreement with its affiliate Prudential Global Investment Management, Inc. (PGIM) pursuant to which PGIM will provide asset management services. The method of calculation of the compensation to be paid by the Company is intended to result in PGIM being reimbursed at a fair and reasonable rate. Under the terms of this agreement, expenses incurred by the Company were 1% or less of its admitted assets. During 2016, the Company paid \$95,098 to PGIM.

Cash Management Administrative Services Agreement

The Company entered into a Cash Management Administrative Services Agreement with its affiliate, The Prudential Insurance Company of America (Prudential), pursuant to which Prudential will provide cash management services including: calculating short-term borrowing and investment totals, monitoring daily cash positions, controlling cash balances on deposit at financial institutions, moving funds from concentration accounts or other accounts as needed, reporting future cash shortages and surpluses, and monitoring the accuracy of prior projections, on the terms and conditions and for the compensation set forth in the agreement. During 2016, the Company paid \$1,655,276 of expenses incurred under both the Administrative Services Agreement and the Cash Management Administrative Services Agreement.

Consolidated Federal Income Tax Return Agreement

The Company entered into a Consolidated Federal Income Tax Return Agreement with PFI and consolidated group affiliates wherein the consolidated federal income tax liability is allocated to the consolidated companies based on their separate return tax liabilities.

FIDELITY BOND AND OTHER INSURANCE

The Company is included in a fidelity bond with PFI and other subsidiaries of PFI. The fidelity bond also includes coverages for directors and officers, errors and omissions, employment and practices, and fidelity liability. The fidelity bond has a \$400,000,000 limit and a \$250,000,000 deductible. The fidelity bond was adequate to meet the minimum coverage suggested by the NAIC for PFI and its subsidiaries.

The Company also protects itself against loss from fraudulent or dishonest acts through a stand-alone fidelity bond issued by National Union Fire Insurance Company of Pittsburgh, Pa. The stand-alone fidelity bond has a single loss limit of liability of \$100,000 and has a loss deductible of \$10,000.

Other major insurance coverages in force as of December 31, 2016, included commercial general liability, property damage, and auto liability. All coverages were determined to be adequate as of December 31, 2016.

STATUTORY AND SPECIAL DEPOSITS

The Company reported a statutory deposit, held by INDOI for the benefit of all policyholders, with a book value of \$528,757 and a fair value of \$482,949. The deposit was comprised of U.S. Treasury Bonds.

REINSURANCE

Reinsurance Assumed

The Company assumed business under the following reinsurance agreements as of December 31, 2016:

Excluded Business Aggregate Excess of Loss Contract (Excluded Contract)

The Company entered into an Excess of Loss Agreement with its three (3) former affiliates: Prupac, Prugen and Prucom (collectively, the cedants) effective October 30, 2003. Under the terms of this agreement, the Company agrees to reinsure 100% of the ultimate net loss of the cedants in excess of the balances of a retention account held in total by the cedants for Excluded Business. The Excluded Business consists of specifically identified property and casualty risks either written or assumed by the cedants on or prior to the effective date of the Excluded Contract. As of December 31, 2016, the Company held \$37,415,651 of loss and loss adjustment expense reserves related to its assumed business under the Excluded Contract.

All of the Company's obligations assumed under the Excluded Contract are guaranteed by PFI under the terms of a Guaranty Agreement entered into between the PFI and the LMG cedants effective October 31, 2003.

THI Assumption Agreement

Effective January 1, 2004, LMG novated an excess of loss contract to the Company that LMG had previously entered into with former PFI subsidiaries. The Company assumed automobile liability insurance under this novated agreement. As of December 31, 2016, the Company did not carry any reserves related to the THI Assumption Agreement.

Reinsurance Ceded

The Company has not entered into any ceded reinsurance contracts.

RESERVES

Marc B. Pearl, FCAS, MAAA, is a consulting actuary with the firm of Deloitte Consulting, LLP. Mr. Pearl was first appointed by the Board of Directors on June 28, 2005, to render an opinion on the statutory-basis loss reserves of the Company. He rendered an opinion on such reserves for all years covered by this examination.

The scope of the opinion was to examine the loss and loss adjustment expense reserves of the Company. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. The 2016 opinion stated the reserves: A) meet the requirements of the insurance laws of the State of Indiana; B) are consistent with reserves computed in accordance with accepted loss reserving standards and principles; and C) make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its contracts agreements.

During the examination, it was determined by the INDOI consulting actuary, Robert P. Daniel, ACAS, MAAA, that the material actuarial items in the Annual Statement of the Company are materially correct and fairly stated in accordance with statutory accounting practices prescribed or permitted by the Commissioner of Insurance of the State of Indiana.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detailed trial balance prepared from the Company's general ledger for the year ending December 31, 2016, was agreed to the Annual Statement without exception. There were no independent audit reports prepared for the period under examination as the Company qualified for and obtained a filing waiver from the INDOI under IC 27-1-3.5-5 on December 14, 2011.

Overall, the Examiners determined the Company's accounting procedures, practices, and 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.

VANTAGE CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2016

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Bonds	\$ 78,171,610	\$ -	\$ 78,171,610	\$ 80,590,799
Cash, cash equivalents, and short-term investments	<u>2,371,216</u>	<u>-</u>	<u>2,371,216</u>	<u>147,637</u>
Subtotals, cash and invested assets	<u>\$ 80,542,826</u>	<u>\$ -</u>	<u>\$ 80,542,826</u>	<u>\$ 80,738,436</u>
Investment income due and accrued	\$ 762,349	\$ -	\$ 762,349	\$ 701,648
Current federal and foreign income tax recoverable and interest thereon	82,000	-	82,000	-
Net deferred tax asset	<u>400,196</u>	<u>-</u>	<u>400,196</u>	<u>565,537</u>
Totals	<u>\$ 81,787,371</u>	<u>\$ -</u>	<u>\$ 81,787,371</u>	<u>\$ 82,005,621</u>

VANTAGE CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2016

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Losses	\$ 37,091,422	\$ -	\$ 37,091,422	\$ 39,774,916
Loss adjustment expenses	324,229	-	324,229	336,401
Other expenses	206,681	-	206,681	266,033
Taxes, licenses and fees	9,888	-	9,888	14,143
Current federal and foreign income tax	-	-	-	178,870
Payable to parent, subsidiaries, and affiliates	180,279	-	180,279	117,315
Payable for securities	1,414,748	-	1,414,748	-
Total liabilities	<u>\$ 39,227,247</u>	<u>\$ -</u>	<u>\$ 39,227,247</u>	<u>\$ 40,687,678</u>
Common capital stock	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 1,000,000
Gross paid in and contributed surplus	36,200,000	-	36,200,000	36,200,000
Unassigned funds (surplus)	5,360,124	-	5,360,124	4,117,943
Surplus as regards policyholders	<u>\$ 42,560,124</u>	<u>\$ -</u>	<u>\$ 42,560,124</u>	<u>\$ 41,317,943</u>
Totals	<u>\$ 81,787,371</u>	<u>\$ -</u>	<u>\$ 81,787,371</u>	<u>\$ 82,005,621</u>

VANTAGE CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

For the Year Ended December 31, 2016

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Underwriting Income				
Premiums earned	\$ -	\$ -	\$ -	\$ -
DEDUCTIONS				
Losses incurred	-	-	-	(306,759)
Loss adjustment expenses incurred	-	-	-	306,759
Other underwriting expenses incurred	<u>1,642,461</u>	<u>-</u>	<u>1,642,461</u>	<u>1,496,454</u>
Total underwriting deductions	<u>\$ 1,642,461</u>	<u>\$ -</u>	<u>\$ 1,642,461</u>	<u>\$ 1,496,454</u>
Net underwriting gain or (loss)	<u>\$ (1,642,461)</u>	<u>\$ -</u>	<u>\$ (1,642,461)</u>	<u>\$ (1,496,454)</u>
Investment Income				
Net investment income earned	\$ 2,950,948	\$ -	\$ 2,950,948	\$ 2,912,318
Net realized capital gains (losses) less capital gains tax	<u>17,035</u>	<u>-</u>	<u>17,035</u>	<u>571,690</u>
Net investment gain (loss)	<u>\$ 2,967,983</u>	<u>\$ -</u>	<u>\$ 2,967,983</u>	<u>\$ 3,484,008</u>
Net income, after capital gains tax and before all other federal and foreign income taxes	<u>\$ 1,325,522</u>	<u>\$ -</u>	<u>\$ 1,325,522</u>	<u>\$ 1,987,554</u>
Federal and foreign income taxes incurred	<u>\$ (82,000)</u>	<u>\$ -</u>	<u>\$ (82,000)</u>	<u>\$ 178,868</u>
Net income	<u>\$ 1,407,522</u>	<u>\$ -</u>	<u>\$ 1,407,522</u>	<u>\$ 1,808,686</u>

VANTAGE CASULTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Surplus as regards policyholders, December 31 prior year	<u>\$41,317,943</u>	<u>\$39,664,382</u>	<u>\$47,753,114</u>	<u>\$45,950,542</u>	<u>\$44,207,796</u>
Net income	\$ 1,407,522	\$ 1,808,686	\$ 1,945,739	\$ 1,644,726	\$ 1,635,223
Change in net deferred income tax	(551,136)	(517,085)	(251,351)	104,853	358,410
Change in nonadmitted assets	385,795	361,960	216,881	52,993	(250,887)
Dividends to stockholders	-	-	(10,000,000)	-	-
Change in surplus as regards policyholders for the year	<u>\$ 1,242,181</u>	<u>\$ 1,653,561</u>	<u>\$(8,088,732)</u>	<u>\$ 1,802,572</u>	<u>\$ 1,742,746</u>
Surplus as regards policyholders, December 31 current year	<u>\$42,560,124</u>	<u>\$41,317,943</u>	<u>\$39,664,382</u>	<u>\$47,753,114</u>	<u>\$45,950,542</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2016, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

Indiana Code 27-1-7-10(i) requires 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. It was noted that contrary to the provisions of IC 27-1-7-10(i), the Company's directors only subscribed to an Oath of Office statement when first elected. The directors did not subscribe to an Oath of Office statement for any subsequent terms when elected (See page 5).

It is recommended that the Company's directors subscribe to an Oath of Office statement in accordance with the provisions of IC 27-1-7-10(i).

In response to this finding, the Company stated that it will immediately conform its practice and have its directors subscribe to an Oath upon each subsequent election to office.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in this Report of Examination.

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 **Vantage Casualty Insurance Company** as of **December 31, 2016**.

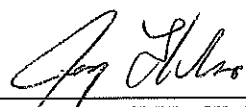
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2016 NAIC *Financial Condition Examiner's 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 **Vantage Casualty Insurance Company** as of **December 31, 2016**, as determined by the undersigned.



D. Patrick Huth, CFE
The Thomas Consulting Group, Inc.



Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

DARCY L. SHAWVER
NOTARY PUBLIC

State of:
County of:

SEAL
MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 708053

On this 18th day of April, 2018, before me personally appeared, D. Patrick Huth 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

