

**REPORT ON EXAMINATION**  
**OF**  
**MAKE TRANSPORTATION INSURANCE, INC.**  
**A RISK RETENTION GROUP**  
**AS OF**  
**DECEMBER 31, 2014**

Karen Weldin Stewart, CIR-ML  
Commissioner



Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT OF EXAMINATION, made as of December 31, 2014 of the

**MAKE TRANSPORTATION INSURANCE, INC., A RISK RETENTION GROUP**

is a true and correct copy of the document filed with this Department.

Attest By:

Date: March 2, 2016



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 2nd day of March, 2016.

Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Karen Weldin Stewart, CIR-ML  
Commissioner



Delaware Department of Insurance

REPORT OF EXAMINATION  
OF THE  
MAKE TRANSPORTATION INSURANCE, INC., A RISK RETENTION GROUP  
AS OF  
DECEMBER 31, 2014

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

  
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Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Dated this 2nd day of March, 2016

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## **SALUTATION**

February 3, 2016

Honorable Karen Weldin Stewart, CIR-ML  
Delaware Insurance Commissioner  
Delaware Department of Insurance  
Rodney Building  
841 Silver Lake Blvd.  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in the Certificate of Authority No. 15.037, an examination has been made of the affairs, financial condition and management of

### **MAKE TRANSPORTATION INSURANCE INC., A RISK RETENTION GROUP**

hereinafter referred to as the “Company or MAKE” and incorporated under the laws of the State of Delaware. The Company’s registered office in the State of Delaware is located at 1925 Lovering Avenue, Wilmington, Delaware 19806. The main administrative office of the Company was located at 360 Concord St., Suite 106, Charleston, South Carolina 29401. The report of examination thereon is respectfully submitted.

### **SCOPE OF EXAMINATION**

We have performed our examination of MAKE. The last examination of the Company covered the period of January 1, 2009, through December 31, 2011. This examination of the Company covers the period of January 1, 2012, through December 31, 2014. Transactions subsequent to the examination date were reviewed where deemed necessary.

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (NAIC Handbook) and

generally accepted statutory insurance examination standards consistent with the insurance laws and regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Generally Accepted Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Cover & Rossiter Certified Public Accountants (C&R), for the year 2013. Certain auditor work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in understanding of controls.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings as a result of this examination.

## **COMPANY HISTORY**

### **General**

The Company was incorporated in the State of Delaware on March 29, 2006. The purpose and activity of the risk retention group is the assuming and spreading of liability exposures as provided by 18 Del. C. §69 “Captive Insurance Companies” and 18 Del. C. §80 “Risk Retention Act” of the Delaware Insurance Code and the *U.S. Liability Risk Retention Act of 1986* (LRRRA).

MAKE was created by a small group of affiliated Texas commercial trucking companies, specializing in the hauling of raw and manufactured aggregate, including rock, cement, cement pipe, and sand to better manage their commercial trucking liability exposure.

### **Capitalization**

The Company is required to maintain a minimum capital and surplus of \$1,000,000, which is the minimum amount required of a risk retention group under the insurance laws of the State of Delaware 18 Del. C. §6905(a). At year-end 2014, the Company reported \$1,765,206 in policyholder surplus.

Chapter 65, 15 USCS Section 3901(4) (E) of the Federal Statutes indicate that a “Risk Retention Group” must have “as its owners only persons who comprise the membership of the Risk Retention Group and who are provided insurance by such group.” Therefore, ownership is necessary to obtain insurance coverage from the Company.

The Company's Certificate of Incorporation authorizes the issuance of 1,000 shares of \$.91 par value common stock. As of December 31, 2014, the Company had 976 shares issued and outstanding as follows:

<u>Member Name</u>	<u>Shares Outstanding</u>	<u>Owned By</u>	<u>Percent Ownership</u>
Sunset Carriers, Inc.	960	Kent Lisenby	98.36%
Sunset Logistics, Inc.	10	John Glidewell	1.02%
Sunset Ennis, Inc.	1	John Glidewell	0.10%
Alpine Aggregate Transport, Inc.	1	Rick Gibson	0.10%
Sunset Waco Express, Inc.	1	John Glidewell	0.10%
Sunset San Antonio Express, Inc.	1	John Glidewell	0.10%
Sunset Transit, Inc.	1	John Glidewell	0.10%
Sunet Express, Inc.	<u>1</u>	John Glidewell	<u>0.10%</u>
	976		100%

During the first quarter 2012, the Company received a capital contribution of \$250,000 to release the existing letter of credit in the amount of \$160,000, with the remaining \$90,000 being applied as contributed surplus. The transaction was approved by the Department.

### **MANAGEMENT AND CONTROL**

#### **Directors and Officers**

Pursuant to the General Corporation Law of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers of the Company and its business, property and affairs are managed by or under the direction of the Board of Directors (Board). The Board shall consist of at least one (1) or more members, the number thereof to be determined from time to time by the Board. At December 31, 2014, the Board was

comprised of three (3) directors, all of whom were elected at the annual meeting of the shareholders.

Directors	Primary Business Affiliation
Kent Johnathan Lisenby	President of the Company, Owner of Lisenby Law Firm, P.C. and Owner & President of Sunset Carriers, Inc.
Laura Liles Burks	Treasurer of Company
Jeffrey Kyle Simpson	Delaware Resident Director

The Officers of the Company are elected by the Board. The following Officers served as of December 31, 2014:

Officers	Title
Kent Johnathan Lisenby	President
Laura Liles Burks	Treasurer
Patrick Ghislain Theriault	Secretary

#### Corporate Records

The recorded minutes and written resolutions of the Company's shareholders and Board of Directors (Board) were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including the authorization of investments as required by 18 Del. C. §1304 "Authorization; record of investments".

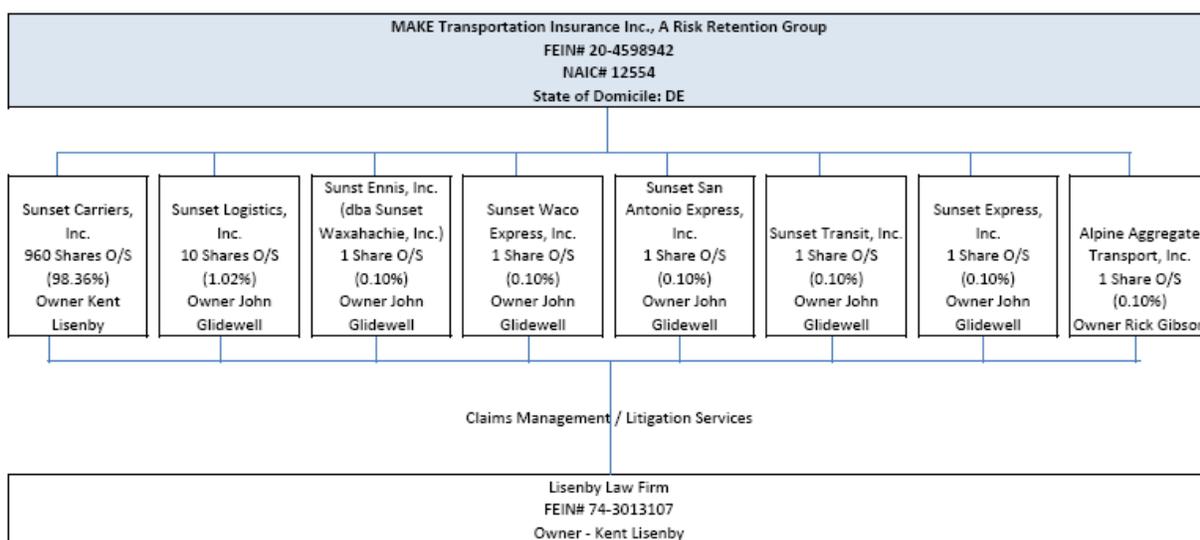
A review of the Insurance Holding Company Annual Registration Statement filings (Form B and Form C) made by and on behalf of the Company for all years under examination revealed that the Company was properly reporting ownership and all material transactions as required by 18 Del. Admin. Code §1801.

#### Insurance Holding Company System

The Company is a member of an insurance holding company system as defined pursuant to 18 Del. C. Chapter 50 "Insurance Holding Company System Registration". As the

Company operates as a risk retention group, the Company is owned by shareholders whom are insureds of MAKE. As of December 31, 2014, the Company consisted of eight shareholder members, with Sunset Carriers, Inc. owning 98.36% of the Company's outstanding stock. Sunset Carriers, Inc. is owned by Kent Lisenby, the President and Board member of the Company. Other shareholder members are owned by the former Chairman of the Board and other affiliated individuals.

The following is an organizational listing that reflects the identities and interrelationships as of December 31, 2014.



### Agreements with Affiliates

The following affiliated agreements for the Company were identified as being in effect as of December 31, 2014.

- Tax Allocation Agreement - Effective October 7, 2010, MAKE RRG entered into a tax allocation agreement with Sunset Carriers, Inc. Per the agreement, at Sunset Carriers direction, each member group that is part of the tax allocation agreement, shall either pay to, or receive from, Sunset Carriers its separate return tax liability or reimbursable

separate tax claim and tax credits. Sunset Carriers shall pay to, and receive from, the Internal Revenue Service the Federal income tax liabilities and refunds of the group.

- Contract for Employment of Attorney - An updated and renewed service agreement, known as the Contract for Employment of Attorney, was entered into with The Lisenby Law Firm on June 1, 2014. Under the agreement, The Lisenby Law Firm, P.C., is to provide claims handling and litigation services for and on behalf of the Company. The agreement is for the period from June 1, 2014, to May 31, 2016. Under the terms of the agreement, the Company will pay The Lisenby Law Firm for all wages and expenses for the litigation director (Kent Lisenby, the Company President) and any staff and personnel necessary, in the sole discretion of the litigation director. The payment for such services will be no less than \$300,000.
- Leasing Agreement - Effective February 1, 2014, the Company entered into a lease for office space with KEAL Holdings which is owned by Kent Lisenby, the President of the Company for \$45,000 a year. The lease has a 12 month term and must be renewed annually.
- Captive Management Agreement - On June 1, 2011, the Company entered into an agreement with Strategic Risk Solutions (SRS). Under the terms of the management services agreement, SRS performs the daily management of the MAKE operations, as directed by the Board and officers of MAKE. Services provided by SRS include: accounting, financial reporting, and regulatory compliance.

#### Other Agreements

- Investment Management and Custody Agreements - The Company was originally a party to an investment management agreement with Wilmington Trust. In December 2013, the

agreement was amended and a separate custodial agreement, investment advisory and portfolio account services agreement was signed. Under the terms of the agreements, Wilmington Trust provides investment portfolio management services in accordance with the Company's investment guidelines and investment custodial services.

### **TERRITORY AND PLAN OF OPERATION**

MAKE was created by a small group of Texas commercial trucking companies, specializing in the hauling of raw and manufactured aggregate, including rock, cement, cement pipe, and sand, to better manage their commercial trucking liability exposure. The Company obtained a certificate of authority in the State of Delaware on March 29, 2006, and was registered in the State of Texas on May 22, 2006.

As a RRG, the Company's primary purpose is to insure the commercial trucking and auto liability risk of its members. MAKE currently provides coverage in Texas only. The Company issues occurrence basis commercial automobile liability insurance policies with coverage options ranging from \$1,000,000 to \$2,000,000 per occurrence with no aggregates.

### **REINSURANCE**

The Company's direct, ceded, and net written commercial auto liability premiums are as follows.

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Direct Premiums	\$ 1,291,567	\$ 1,528,313	\$ 1,914,966
Assumed			
Affiliate	\$ -	\$ -	\$ -
Non-Affiliate	\$ -	\$ -	\$ -
	<u>\$ 1,291,567</u>	<u>\$ 1,528,313</u>	<u>\$ 1,914,966</u>
Ceded			
Affiliate	\$ -	\$ -	\$ -
Non-Affiliate	\$ 373,921	\$ 454,681	\$ 552,407
Net Written Premiums	<u>\$ 917,646</u>	<u>\$ 1,073,632</u>	<u>\$ 1,362,559</u>

Assumed Reinsurance

The Company did not assume any reinsurance during the examination period.

Ceded Reinsurance

The Company has had an excess of loss reinsurance policy with Alterra Reinsurance USA, Ltd. (Alterra) or a related affiliate since June 1, 2006.

Effective May 31, 2012, the Company obtained coverage with Alterra under a two year agreement. Reinsurance coverage obtained under this agreement was for \$125,000 per occurrence in excess of \$125,000 (Layer 1), \$750,000 per occurrence in excess of \$250,000 (Layer 2). Alterra is also responsible for a pro-rata share of all allocated loss adjustment expenses in addition to the stated per occurrence limits. The agreement applies to all losses occurring on policies attaching during the term of the agreement. Once Layer 1 per occurrence limits have been reached, the contract provides for reinstatement of reinsurance protection for additional premium. The maximum recoverable under Layer 1 is \$500,000 under this contract. There is no maximum recoverable under Layer 2.

Effective May 31, 2014, the Company renewed coverage with Alterra extending coverage through May 31, 2016, with the same retention terms and per occurrence limits for each layer of coverage.

**FINANCIAL STATEMENTS**

The following pages contain the Company's Financial Statements for the year ending December 31, 2014, as determined by this examination, with supporting exhibits as detailed below:

Assets,  
Liabilities, Surplus and Other Funds,  
Summary of Operations,  
Reconciliation of Capital and Surplus

**MAKE Transportation Insurance, Inc., A Risk Retention Group**  
Statement of Assets

**DECEMBER 31, 2014**

	Assets	Non-Admitted Assets	Admitted Assets
Bonds	\$ 2,408,593	\$ -	\$ 2,408,593
Short Term Investments	47,783		47,783
Cash	430,868		430,868
Investment income due and accrued	9,994		9,994
Premium Receivables	931,846		931,846
Net deferred tax asset	44,853		44,853
Electronic data processing equipment and software	4,393		4,393
Furnite and equipment	5,961		5,961
Aggregate write-ins for other than invested assets	44,806		44,806
Totals	\$ 3,929,097	\$ 0	\$ 3,929,097

**MAKE Transportation Insurance, Inc., A Risk Retention Group**  
 Statement of Liabilities, Surplus and Other Funds

**DECEMBER 31, 2014**

		Notes
Losses	\$ 822,543	(1)
Loss Adjustment Expenses	369,675	(1)
Other Expenses	75,212	
Taxes, licenses and fees	21,667	
Current Federal and Foreign Income Tax	19,090	
Unearned Premiums	577,822	
Ceded reinsurance premiums payable	267,882	
Amounts Withheld	10,000	
Total Liabilities	\$ 2,163,891	
Common capital stock	\$ 10	
Gross paid-in and contributed surplus	1,195,995	(2)
Unassigned funds (surplus)	569,201	
Surplus as regards policyholders	1,765,206	
Total Liabilities, Capital and Surplus	\$ 3,929,097	

**MAKE Transportation Insurance, Inc., A Risk Retention Group**  
Statement of Operations

**DECEMBER 31, 2014**

Underwriting Income

Premiums earned	\$ 1,211,677	
Losses incurred	295,582	
Loss adjustment expenses	512,677	
Other underwriting expenses incurred	<u>253,359</u>	
Net underwriting gain		\$ 150,059

Investment Income

Net investment income earned	<u>\$ 25,933</u>	
Net investment gain or (loss)		\$ 25,933

Other Income

Miscellaenous Other Income		0
Net income before federal income taxes		175,992
Federal income taxes incurred		<u>60,470</u>
Net income		<u><u>\$ 115,522</u></u>

**MAKE Transportation Insurance, Inc., A Risk Retention Group**  
 Reconciliation of Surplus for the Period since Last Examination

		<u>Note</u>
Surplus as regards policyholders, December 31, 2011	\$ <u>1,345,644</u>	
 <u>Gains and (losses) in surplus</u>		
Net income	305,452	
Change in net unrealized capital gains	(4,939)	
Change in net deferred income tax	24,877	
Surplus Adjustments: Paid In	254,172	(2)
Letter of Credit	<u>(160,000)</u>	(2)
Change in surplus as regards policyholders	419,562	
 Surplus as regards policyholders, December 31, 2014	 \$ <u><u>1,765,206</u></u>	

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no adjustments to the Company's financial statements as a result of this examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

(Note 1) Losses .....	\$822,543
Loss Adjustment Expense.....	\$369,675

The above-captioned amount, which is the same as that reported by the Company in its' Annual Statement, has been accepted for purposes of this report. The Delaware Department of Insurance has retained INS Consultants Inc. to conduct an independent review of the Company's loss and loss adjustments expenses reserves as of December 31, 2014. The INS analysis was performed using a risk focused approach according to the guidelines in the NAIC Handbook. The review does not address the collectability of reinsurance recoverables. The conclusions set forth in INS's report are based on information provided by the Company, including the 2014 Annual Statements, the related 2014 Statement of Actuarial Opinion with underlying actuarial work papers. Based on work performed, INS concluded the Company's carried December 31, 2011, net and gross loss and LAE reserves to be reasonably stated, and as such, no financial adjustment was required for examination purposes.

(Note 2) Gross Paid in and Contributed Surplus.....	\$1,195,995
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During 2012, the Company received a \$250,000 capital contribution to release the existing letter of credit in the amount of \$160,000. The remaining \$90,000 was applied as contributed surplus. The letter of credit was originally established to allow the Company to meet the RRG minimum capitalization requirement of \$1 million. During 2014, an additional \$3,333 of surplus was contributed to the Company.

### **SUBSEQUENT EVENTS**

An updated Business Plan for the Company was submitted to the Department and approved in 2014. As a part of this change, the Company was to reorganize the operations from a group of small trucking companies each covering various parts of the state of Texas to a small group divided between owner and owner-operator trucks. As a part of the reorganization, the Sunset organization will restructure its operations into two primary companies, Sunset Express, Inc. and Sunset Logistics, Inc. Once the restructuring is complete, Sunset Logistics, Inc. will administer all Sunset organization's owned trucks, in addition to executive cars. Sunset Express, Inc. will administer all the owner-operator power units. A few special purpose trucks are to remain a part of two other companies currently insured with MAKE, Sunset Carriers, Inc. and Alpine Aggregate. As of the examination date, the reorganization had not yet been fully completed.

### **COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS**

There were no necessary actions needed to comply with the 2011 examination report issued by the Department.

### **SUMMARY OF RECOMMENDATIONS**

No examination report recommendations were noted as a result of this examination.

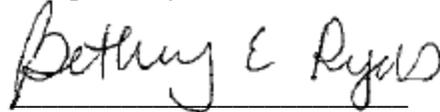
**CONCLUSION**

The following schedule shows the results of this examination:

<u>Description</u>	<u>December 31, 2014</u>
Assets	<u>\$ 3,929,097</u>
Liabilities	\$ 2,163,891
Common Capital Stock	10
Gross Paid In and Contributed Surplus	1,195,995
Unassigned Funds (Surplus)	<u>569,201</u>
Total Surplus	<u>\$ 1,765,206</u>
Totals	<u>\$ 3,929,097</u>

In addition to the undersigned, Nancy Arico, ACAS, MAAA, Actuary with INS Consultants, Inc. and James Call, CFE, Delaware Supervising Examiner participated in the examination.

Respectfully submitted,



Bethaney Ryals, CFE, ACI  
Examiner-In-Charge  
State of Delaware