

REPORT ON EXAMINATION
OF THE
SECURITY NATIONAL INSURANCE COMPANY
AS OF
DECEMBER 31, 2014

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

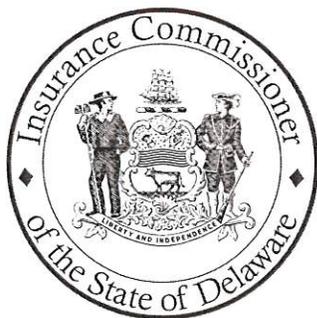
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT OF EXAMINATION, made as of December 31, 2014 of the

SECURITY NATIONAL INSURANCE COMPANY

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

Attest By: _____

Date: June 24, 2016



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 24th day of June, 2016.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT OF EXAMINATION
OF THE
WESCO INSURANCE COMPANY
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.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 24th day of June, 2016

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SALUTATION

May 12, 2015

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 Certificate of Authority No. 15.025, dated April 25, 2015, an examination has been made of the affairs, financial condition and management of

SECURITY NATIONAL INSURANCE COMPANY

hereinafter referred to as the "Company" or "SNIC" and incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 2711 Centerville Road, Suite 300, Wilmington, DE 19808. The examination was conducted at the administrative offices of the Company, located at 12790 Merit Drive, Dallas, Texas 75251. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance has performed a multi-state coordinated risk-focused financial examination of the Company. The last examination was completed as of December 31, 2012. This examination covered the period of January 1, 2013, through December 31, 2014, and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a

determination of the financial condition of the Company at December 31, 2014. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination of SNIC was performed as part of the multi-state coordinated examination of AmTrust Financial Services, Inc. (AFSI) insurance group of companies as of December 31, 2014. The Delaware Department of Insurance (DDOI) was the lead state for the AFSI holding company group's commercial lines business segments. We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (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 Statutory 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, pursuant to the General Corporation Laws of the State of Delaware as required by 18 Del. C. §321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, 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, BDO USA, LLP, (BDO). Certain auditor work papers from their 2014 audit 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 the area of tests of controls, risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

This examination had no material adverse findings, significant non-compliance findings, material changes in financial statements, or updates on other significant regulatory information disclosed in the previous examination.

COMPANY HISTORY

The Company was incorporated on July 7, 1924, as a fire insurance company under the provisions of Chapter 861 of the Texas Insurance Code, and commenced business on August 1, 1924. The original name of the Company was Security National Fire Insurance Company until the Trinity Universal Insurance Company (TUIC) acquired the Company on December 8, 1942. The current name was adopted on December 3, 1954, and the powers of the Company were broadened to permit writing all lines of fire and casualty insurance under the provisions of Chapters 822, 861 and 862 of the Texas Insurance Code.

AFSI acquired the Company on June 1, 2008, as approved under Texas Commissioner's Order No. 08-0375, dated April 28, 2008. AFSI purchased the Company and certain affiliates with a combination of cash and notes payable to TUIC. On December 28, 2012, the Company re-domesticated from Texas to Delaware with the approval of both Texas and Delaware Departments of Insurance.

MANAGEMENT AND CONTROL

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction of, its Board of Directors (Board). The Board shall consist of at least three members. The Board as of December 31, 2014, was comprised of seven members, each elected or appointed in accordance with the Company's bylaws. Each Director shall hold their office until his successor is elected and qualified, or until resignation or removal.

Directors

The Board of Directors, duly elected in accordance with the Company's bylaws and serving as of the period ending December 31, 2014 is as follows:

<u>Director</u>	<u>Principal Occupation</u>
Donald Thomas DeCarlo	Attorney (Self-Employed) & Board Member, AmTrust Financial Services, Inc.
Barry Dov Zyskind	President, CEO & Director, AmTrust Financial Services, Inc.
Stephan Barry Ungar	General Counsel & Secretary, AmTrust Financial Services, Inc.
Stuart Dov Hollander	Insurance Executive & President - Special Risk Division, AmTrust Financial Services, Inc.
Harry Schlachter	Treasurer, AmTrust Financial Services, Inc.
Jay Jerome Miller	Attorney (Self-Employed) & Board Member, AmTrust Financial Services, Inc.
Jeffrey Paul Leo	President, Security National Insurance Company

Security National Insurance Company

The bylaws of the Company state the principal officers shall be a President, Treasurer and a Secretary, and such officers or assistant officers or agents for the Board may vary from time to time.

Officers

As of December 31, 2014, the Company's principal officers and their respective titles were as follows:

<u>Officer</u>	<u>Title</u>
Jeffrey Paul Leo	President
Stephen William Brandt	Vice President
Stephen Barry Ungar	Secretary
Harry Schlachter	Treasurer

The minutes of the meetings of the Board of Directors, which were held during the period of the examination were reviewed and determined to be in accordance with the Company's bylaws. The attendance at such meetings, the elections of directors and officers and the approvals of investment transactions were reviewed and noted.

Inspection of the Company's files indicated that the Conflict of Interest Statement and the Ethics Code were distributed, completed and returned during the examination period.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in 18 Del. C. §5001 (6) "Insurance Holding Company System". The Company's Holding Company Registration Statements were properly filed with the Delaware Insurance Department for the years under examination.

On June 1, 2008, AmTrust Financial Services, Inc., (AFSI), acquired 100% of the outstanding and issued stock of Security National Insurance Company.

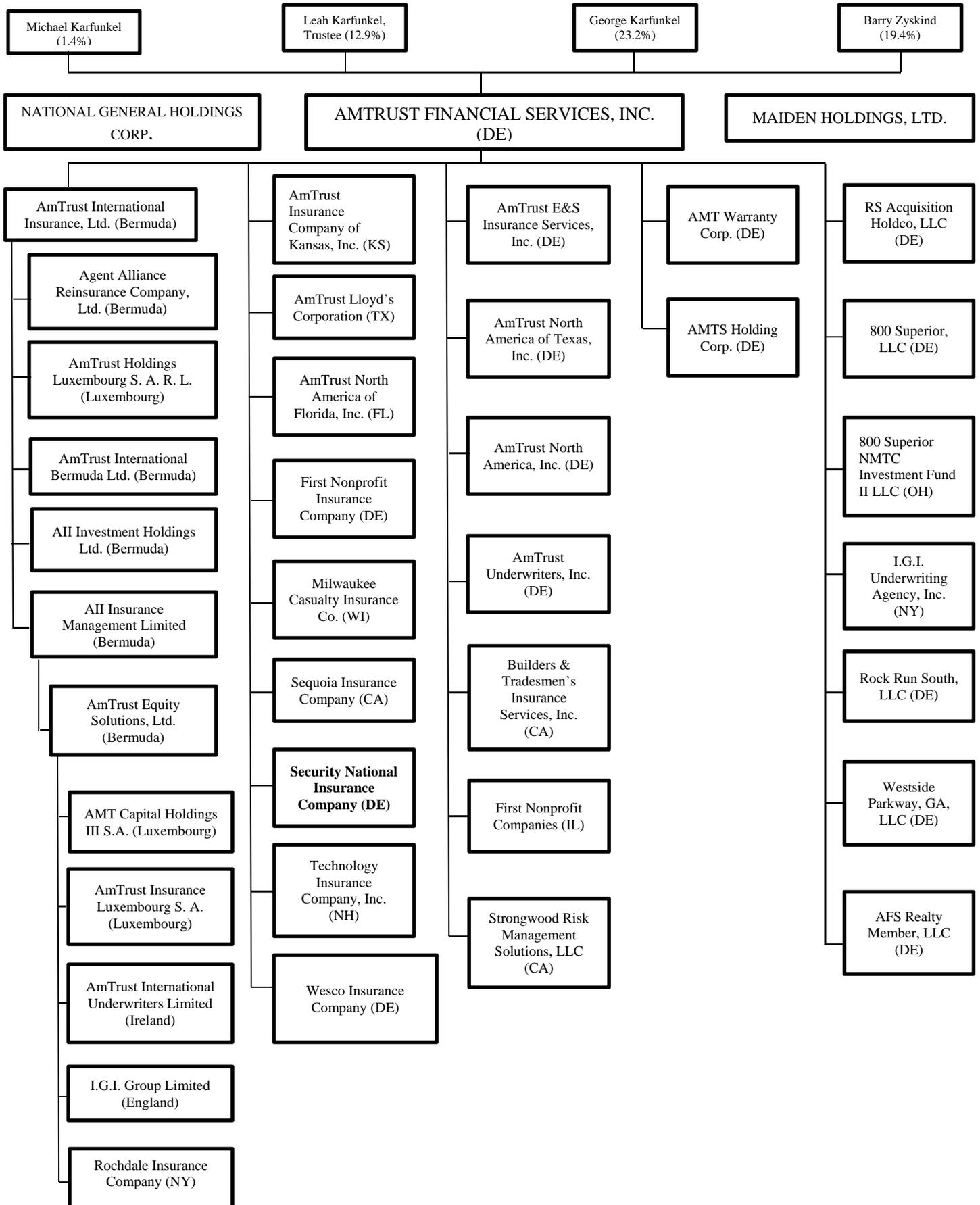
The ultimate controlling parties are Michael and George Karfunkel through their ownership of G/MK Acquisition Corp. and New Gulf Holdings, Inc., which, as of the previous

examination date, beneficially owned in the aggregate 58.7 percent of the issued and outstanding shares of common stock of AFSI and Barry Zyskind, who beneficially owned 41 percent of the issued and outstanding shares of common stock of AFSI through his interest in G/MK as of December 31, 2006. During the examination period the controlling parties did not change but the structure of the ownership changed from indirect ownership through G/MK Acquisition Corp. and New Gulf Holdings, Inc. to each party having direct ownership in AFSI. Through the restructured ownership the aforementioned parties controlled approximately 59.1% of the issued and outstanding shares of AFSI, as of December 31, 2014.

AFSI went public in November 2006 and on August 8, 2007, G/MK merged into AmTrust Financial Group, Inc. (AFG). Subsequently, AFG merged into a wholly owned subsidiary of AFSI. As a result, AFSI issued 9,033,000 shares of common stock each to Michael Karfunkel and George Karfunkel and 6,022,000 shares to Barry D. Zyskind in exchange for the 24,089,000 shares which had been held by AFG. As of December 31, 2014, Michael Karfunkel owned or controlled approximately 1.4% of the issued and outstanding common stock of AFSI, Leah Karfunkel, Trustee (GRAT) owned or controlled approximately 12.9%, George Karfunkel owned or controlled approximately 23.2%, and Barry D. Zyskind currently owned or controlled approximately 19.4% of the issued and outstanding common stock of AFSI.

The following abbreviated chart displays the ownership chain of subsidiaries and their domestic affiliation as of December 31, 2014:

Security National Insurance Company



Intercompany Management and Service Agreements

Security National is a party to a number of agreements with affiliated entities, primarily comprised of service and/or administrative types of agreements. The related party service/administrative type agreements considered active as of December 31, 2014, included:

Intercompany Management Agreement

Effective June 1, 2008, and most recently amended September 30, 2009, the Company is party to an Intercompany Management Agreement with AFSI, by which AFSI provides certain management services and allocates costs among the Company and other affiliates on a proportional basis. The fee for these services is an amount equal to the lesser of 2% of total written premiums or \$500,000, which can be waived by AFSI within 30 days of the end of the quarter. The agreement gives AFSI the discretion to waive any part of all of the fees associated with services provided if the charge is deemed to be unduly burdensome on the Company's current surplus. AFSI has waived these fees for the years 2013 and 2014.

Insurance Services Management and Agency Agreement

Effective June 1, 2008, the Company is a party to an Insurance Services, Management and Agency Agreement with AmTrust North America, Inc. (ANA) by which ANA provides certain management services and allocates costs among the Company and other affiliates on a proportional basis. Fees paid under this agreement during 2014 were \$62.9 million.

Tax Allocation Agreement

The Company entered into a Tax Allocation Agreement with parent (AFSI), in which the Company's Federal income tax return is consolidated with the Parent and its subsidiaries. The method of allocation among the companies is within the guidelines of the Internal Revenue Code. Allocation is based upon separate return calculations with credit for net losses utilized by the group. Intercompany tax balances are settled annually in the first

quarter. As of December 31, 2014, the Company had no net operating loss carry forwards. The amount of Federal income taxes incurred that will be available for recoupment in the event of future net losses are: current year – \$17.5 million, first preceding year - \$8.5 million and second preceding year -\$7 million. A Federal income tax payment was made to AFSI in 2014 in the amount of \$13.9 million.

TERRITORY AND PLAN OF OPERATION

SNIC is authorized to transact the business of insurance in 48 states and the District of Columbia. Also, the Company is approved as non-admitted surplus lines writer in 1 state. The Company is a wholly-owned subsidiary of AFSI, a multi-national insurance holding company which owns 14 U.S. insurance companies (including the Company). The Company writes business in three segments; Small Commercial Business, Specialty Risk and Extended Warranty, and Specialty Program Business. The lines of business being written include: fire, allied lines, farm owners multiple peril, inland marine, other liability, products liability, commercial automobile liability and physical damage, and worker compensation.

The principal office facilities of SNIC are located in Dallas, Texas and are supplemented by other primary operations in New York, Atlanta, and Cleveland.

The Company reported the following distribution of Direct Premiums Written in its filed Annual Statement for 2014:

Line of Business	Direct Premiums Written	Percent
Workers' Compensation	\$ 474,646,886	73.3%
Commerical Casualty/Property, etc	109,151,220	16.9%
Commercial/Specialty Programs	65,680,057	10.1%
Warranty	(2,182,762)	-0.3%
Total	<u>\$ 647,295,401</u>	<u>100.0%</u>

The Company's distribution channel for the three major lines of written business is through brokers, retail agents for workers' compensation and Commercial Package Policy (CPP) business (non-workers' compensation, commercial auto liability, and general liability) and third party administrators, (TPA) managing general underwriters (MGU) for program business.

The Company cedes a majority of its business to its affiliates, TIC (\$126.6 million or 20%) and AmTrust International Insurance, Ltd. (\$444.6 million or 69%) out of total written business of \$647.3 million.

A.M.Best's Rating

The Company and its U.S. insurance affiliates have a group rating of "A" (*Excellent*) from A.M. Best.

REINSURANCE

The Company's underwriting results are significantly affected by reinsurance. The Company reported the following distribution of premiums written as of December 31, 2014:

Total Direct Written Premiums	<u>\$</u>	<u>647,295,401</u>
Assumed premiums affiliated	\$	-
Assumed premiums non-affiliated		<u>5,874,494</u>
Total Assumed Premiums	<u>\$</u>	<u>5,874,494</u>
 Total Gross Premiums	 <u>\$</u>	 <u>653,169,895</u>
Ceded premiums affiliated	\$	571,337,371
Ceded premiums non-affiliated		<u>18,511,132</u>
Total Ceded Premiums	<u>\$</u>	<u>589,848,503</u>
 Net Written Premiums	 <u>\$</u>	 <u>63,321,392</u>
 Percentage Ceded of Gross		 90.31%

Assumed

The Company has assuming reinsurance arrangements predominately on warranty programs.

Ceded

The Company is covered against large losses under AFSI's external and internal corporate reinsurance program.

Affiliated

The Company is party to an intercompany quota share agreement which includes various insurance subsidiaries owned by its ultimate parent. Under this reinsurance agreement, all premiums written and losses occurring, net of external reinsurance effects, by the lead underwriting company for certain lines of business is ceded 70% and 20% of its net retained premium and liability to its Bermuda affiliate, AmTrust International Insurance, Ltd. ("AAIL") and to its domestic affiliate, Technology Insurance Company ("TIC"), respectively. Business resulting from the Company's memberships in or reinsurance of any assigned risk or similar plans is ceded to AAIL 100%. See additional discussion under the caption "SUBSEQUENT EVENTS"

Third Party Reinsurance

The Company is covered under an AFSI corporate workers' compensation excess of loss reinsurance program, whereby AFSI Companies retain the first \$5,000,000 up to a maximum of \$510,000,000, in four layers. The first layer provides 50% coverage from \$5,000,000 to \$10,000,000. The second layer provides 100% coverage from \$10,000,000 to \$341,700,000. The third layer provides 87.5% coverage from \$341,700,000 to \$381,700,000 and the fourth layer provides 100% coverage from \$381,700,000 to \$510,000,000.

The Company is covered under an AFSI corporate property per risk excess of loss reinsurance arrangement, whereby AFSI Companies retain the first \$2,000,000 per risk on

Security National Insurance Company

property losses and cedes amounts in excess of \$2,000,000 on each loss. The limit per occurrence under this arrangement is \$30,000,000.

The Company is covered under an AFSI corporate property catastrophe excess of loss reinsurance arrangement, whereby AFSI Companies retain the first \$20,000,000 per occurrence on property losses, net of recoveries under the property per risk reinsurance referenced above, up to a maximum of \$400,000,000 per occurrence, in two layers. The first layer provides 100% coverage from \$20,000,000 to \$360,000,000 and the second layer provides 87.5% coverage from \$360,000,000 to \$400,000,000.

The Company purchases quota share reinsurance for its non-program umbrella business, whereby it cedes 70% up to \$5,000,000 of loss per policy and 100% above the \$5,000,000 loss per policy. The Company also purchases various pro-rata and excess reinsurance relating to specific insurance programs and/or specialty lines of business, including casualty, public entity, and professional errors and omissions insurance.

The Company is covered under AFSI's corporate casualty excess of loss reinsurance arrangement, whereby AFSI Companies retain the first \$2,500,000 per occurrence and cede up to a maximum of \$40,000,000, with one hundred percent (100%) coverage from \$2,500,000 to \$40,000,000.

Effective November 1, 2014, the Company is covered under AFSI's corporate property quota share reinsurance arrangement, with ten percent (10%) coverage up to \$20,000,000.

Along with the corporate reinsurance programs outlined above, the Company utilizes both captive reinsurance vehicles and quota share reinsurance on a program-by-program basis. Participation varies but typically involves the captive and/or professional reinsurer taking risk beside the Company, taking a percentage of a ground up layer. As these are generally unauthorized reinsurers, collateral is obtained to secure at minimum Schedule F requirements.

Security National Insurance Company

For the specialty risk and extended warranty business, there are reinsurance arrangements at a program level.

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2014, as determined by this examination, along with supporting exhibits as detailed below:

Analysis of Assets
Statement of Liabilities, Surplus and Other Funds
Underwriting and Investment Exhibit, Statement of Income
Capital and Surplus Account, Statement of Income
Reconciliation of Surplus Since last Examination

Analysis of Assets
As of December 31, 2014

	<u>Assets</u>	<u>Non admitted Assets</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 456,328,184		\$ 456,328,184	1
Cash, Cash Equivalents and Short-term Investments	36,110,153		36,110,153	
Other invested assets	500,000		500,000	
Subtotals, cash and invested assets	<u>\$ 492,938,337</u>	<u>\$ 0</u>	<u>\$ 492,938,337</u>	
Investment income due and accrued	3,367,596		3,367,596	
Uncollected premiums and agents' balances in the course of collection	60,363,484	22,093,160	38,270,324	
Deferred Premiums, Agents' Balance booked but not due	160,781,629		160,781,629	
Amounts recoverable from reinsurers	2,110,930		2,110,930	
Other amounts receivable under reinsurance contracts	3,949		3,949	
Net deferred tax asset	3,813,832		3,813,832	
Guaranty funds receivable or on deposit	175,077		175,077	
Totals	<u><u>\$ 723,554,834</u></u>	<u><u>\$ 22,093,160</u></u>	<u><u>\$ 701,461,674</u></u>	

Statement of Liabilities, Surplus and Other Funds
As of December 31, 2014

		Notes
Losses	\$ 47,447,385	2
Reinsurance payable on paid losses and LAE	(75,790)	
Loss adjustment expenses	11,733,946	2
Commissions payable, contingent commissions	4,994,803	
Other expenses	(38,977,383)	
Taxes, licenses and fees	5,422,907	
Current federal and foreign income taxes	6,016,225	
Unearned premiums	26,086,215	
Advanced premiums	11,565,967	
Dividends declared and unpaid: Policyholders	1,435,313	
Ceded reinsurance premiums payable	8,630,414	
Funds held by company under reinsurance treaties	448,340,446	3
Provisions for reinsurance	253,223	
Payable to parent, subsidiaries, and affiliates	21,313,229	
Surcharges payable	12,482,001	
Deferred ceding commissions	11,220,084	
Total liabilities	\$ 577,888,985	
Common capital stock	\$ 4,000,000	
Gross paid in and contributed surplus	67,007,614	
Unassigned funds (surplus)	52,565,076	
Surplus as regards policyholders	\$ 123,572,690	
Totals	\$ 701,461,675	

Underwriting and Investment Exhibit - Statement of Income
As of December 31, 2014

		Notes
Premiums earned	\$ 57,029,050	
Losses incurred	\$ 31,009,126	
Loss adjustment expenses incurred	8,400,399	
Other underwriting expenses incurred	(21,012,936)	
Total underwriting deductions	\$ 18,396,589	
Net underwriting gain (loss)	\$ 38,632,461	
Net investment income earned	11,073,330	
Net realized capital gains or (losses)	(289,906)	
Net investment gain (loss)	\$ 10,783,424	
Net gain (loss) from agents' or premiums balances charged off	\$ (21,319)	
Finance and service charges not included in premiums	128,097	
Total other income	\$ 106,778	
Net income after dividends to policyholders	49,522,663	
Dividends to policyholders	1,208,061	
Net income, after dividends to policyholders	\$ 48,314,602	
Federal and foreign income taxes incurred	17,648,522	
Net income	\$ 30,666,080	

**Capital and Surplus Account
As of December 31, 2014**

Surplus as regards policyholders, December 31, 2013	\$ 79,780,426
GAINS AND (LOSSES) IN SURPLUS	
Net income	\$ 30,666,080
Change in net deferred income tax	1,113,480
Change in non-admitted assets	(7,726,860)
Change in provision for reinsurance	(168,052)
Surplus adjustments:	
Paid in	19,907,614
Dividends to stockholders	
Change in surplus as regards policyholders for the year	<u>\$ 43,792,262</u>
Surplus as regards policyholder, December 31, 2014	<u><u>\$ 123,572,688</u></u>

Reconciliation of Surplus (since the last examination)

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
Beginning December 31, 2012	\$ 4,000,000	\$ 27,100,000	\$ 20,094,378	\$ 51,194,378
Operations 2013 (1)			8,586,048	8,586,048
Capital contribution (2)		20,000,000		20,000,000
Operations 2014 (1)			23,884,648	23,884,648
Capital contribution (3)		19,907,614		19,907,614
December 31, 2014	<u>\$ 4,000,000</u>	<u>\$ 67,007,614</u>	<u>\$ 52,565,074</u>	<u>\$ 123,572,688</u>

- (1) Operations is defined as: Net income, change in net deferred income tax, change in non-admitted assets, and change in provision for reinsurance.
(2) 2013 capital contribution from Parent
(3) 2014 capital contribution from Parent

SCHEDULE OF EXAMINATION ADJUSTMENTS

No examination changes were made as a result of this examination.

NOTES TO FINANCIAL STATEMENTS**Note 1- Bonds****\$456,328,184**

Long-term bonds constitute the largest category of assets at December 31, 2014, representing approximately 65.1% of reported total admitted assets. 100 % of the Company's long-term bonds are rated as Class 1 or Class 2 by the NAIC as of December 31, 2014.

Note 2 - Losses**\$ 47,447,385****Note 2 - Loss Adjustment Expenses****11,733,946****\$ 59,181,331**

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 retained the services of INS Consultants, Inc. (INS), to conduct an independent review of the Company's loss and LAE reserves as of December 31, 2014. The INS analysis was performed using a risk-focused approach according to the guidelines contained 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, and the related 2014 Statement of Actuarial Opinion with underlying actuarial work papers.

INS performed an analysis on the Company's book of business by segment of business on both a gross and a net basis for loss, defense and cost containment (DCC) expense and adjusting and other (A&O) expense. INS also reviewed the Company's work papers which reconcile the year-end 2014 data to Schedule P. The work papers supported the conclusion that the year-end amounts were reconciled to the Schedule P amounts.

Based on work performed, INS concluded the Company's carried December 31, 2014, gross and net loss and LAE reserves to be reasonably stated, and as such, no financial adjustment was required for examination purposes.

Note 3 Funds held by company under reinsurance treaty **\$448,340,446**

The Funds held payable to reinsurance companies represent contractual payments due to the reinsurer that the Company has retained to secure obligations of the reinsurer that would otherwise be payable under the reinsurance agreement. Funds held due to reinsurers are as follows:

TIC	\$106,909,316
Amtrust International Insurance, ltd. (AII)	341,342,948
Various other reinsurers	<u>88,182</u>
Total	<u>\$448,340,446</u>

SUBSEQUENT EVENTS

The following events considered material occurred subsequent to the examination date:

1. Effective January 1, 2015 and January 1, 2016, the Company filed Form Ds and received approval from the Department to amend the AmTrust Intercompany Reinsurance Agreement cession to its Bermuda affiliate, AmTrust International Insurance, Ltd per Amendment 2 and Amendment 3 to reduce the cession from 70% to 60% and to further reduce from 60% to 50% respectively.
2. Effective February 2015, the Board of Directors approved the change of SNIC's Investment Policy to increase its maximum investment in corporate bonds to 75% of its assets.
3. Effective November 20, 2015, the Department approved a Form A Exemption request from the Company. On July 28, 2015, pursuant to the terms of the Michael Karfunkel 2005 Grantor Retained Annuity Trust (the "GRAT"), the GRAT expired and control of the stock of AmTrust Financial Services, Inc. held by the GRAT passed from the GRAT to the Michael Karfunkel Family 2005 Trust with Leah Karfunkel and Barry Zyskind as the Trustees of the Trust. The outcome of the transaction resulted in the Trust acquiring approximately 12.1% of the voting security of AFSI, the ultimate shareholder. However, the transaction did not change the controlling ownership of AFSI considering the aforementioned ownership parties.
4. Effective December 31, 2015, SNIC and ALIC Insurance Company, "ALIC" (a Texas P & C insurance Company and a Texas Lloyd's company) entered into an Agreement and Plan to Merger, wherein ALIC was merged into SNIC and SNIC was the surviving Company. Prior to the merger ALIC was a wholly owned subsidiary of SNIC.
5. The California Department of Insurance (CADOI) requires that assets be deposited for CA workers' compensation business. The Company required deposits for 2015 totaled \$514.6 million. This is an increase of \$164.1 million from 2014. The Company has funded the requirement as of March 31, 2016 in compliance with CA statutes.
6. As of December 31, 2015, the Company recognized a \$2.9 million deficiency for accident years 2014 and prior, which is 4.9% of December 31, 2014 net Annual Statement reserves and 2.9% of December 31, 2014 Policyholder Surplus.
7. On April 27, 2016, Michael Karfunkel, founder, chairman and CEO of National General Holdings Corporation and also co-founder of AmTrust Financial Services Inc., passed away.

COMPLIANCE WITH PRIOR REPORT OF EXAMINATION

The following is a summary of the recommendations contained in the prior examination report as of December 31, 2012 and comments regarding the Company's compliance during the current examination period.

1. It was recommended that the Company amend those agreements to add SNIC as a party to those agreements for which services are provided by third party administrators.

The Company has complied with this recommendation.

2. It was recommended that in future filed Annual Statements, the Company take proper steps to ensure that the NAIC Annual Statement Instructions are followed in the preparation and disclosure of Note 25.

The Company has complied with this recommendation.

SUMMARY OF RECOMMENDATIONS

There were no recommendations.

CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

Security National Insurance Company

<u>Description</u>	<u>December 31, 2012</u>	<u>December 31, 2014</u>	<u>Increase (Decrease)</u>
Assets	\$ 232,736,748	\$ 701,461,675	\$ 468,724,927
Liabilities	181,542,370	577,888,985	396,346,615
Special Surplus Funds	-	-	-
Common Capital Stock	4,000,000	4,000,000	-
Gross Paid In and Contributed Surplus	27,100,000	67,007,614	39,907,614
Unassigned Funds (Surplus)	<u>20,094,378</u>	<u>52,565,076</u>	<u>32,470,698</u>
Total Surplus as Regards			
Policyholders	<u>\$ 51,194,378</u>	<u>\$ 123,572,690</u>	<u>\$ 72,378,312</u>
Totals	<u>\$ 232,736,748</u>	<u>\$ 701,461,675</u>	<u>\$ 468,724,927</u>

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc. and INS Services, Inc. is acknowledged.

Respectfully submitted,



Darryl Reese, CFE
Examiner-In-Charge
State of Delaware