

Examination Warrant Numbers 20-004761-17043-T1  
20-004761-10750-T1  
20-004761-17213-T1

**Report of Limited-Scope Examination of**

**Everett Cash Mutual Insurance Co.  
1<sup>st</sup> Choice Advantage Insurance Company, Inc.  
Ever-Greene Mutual Insurance Co.  
Everett, Pennsylvania**

**As of December 31, 2020**

**For Informational Purposes Only**

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For Informational Purposes Only

Harrisburg, Pennsylvania  
December 28, 2021

Honorable Melissa L. Greiner  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania  
Insurance Department  
Harrisburg, Pennsylvania

Dear Madam:

In accordance with instructions contained in Examination Warrant Numbers 20-004761-17043-T1, 20-004761-10750-T1, and 20-004761-17213-T1, dated July 31, 2020, an examination was made of

**Everett Cash Mutual Insurance Co., NAIC Code: 17043**

a Pennsylvania domiciled multi-state, property and casualty, mutual insurance company, hereinafter referred to as “ECM.”

**1<sup>st</sup> Choice Advantage Insurance Company, Inc., NAIC Code: 10750**

a Pennsylvania domiciled multi-state, property and casualty insurance company, hereinafter referred to as “1CA.”

**Ever-Greene Mutual Insurance Co., NAIC Code: 17213**

a Pennsylvania domiciled single-state, property and casualty, mutual insurance company, hereinafter referred to as “EGM.”

**LAST FULL SCOPE EXAMINATION**

The last full-scope examination of ECM, 1CA, and EGM (collectively, “Everett Cash Mutual Insurance Group” or “Companies”) was conducted by the Pennsylvania Insurance Department (“Department”) as of December 31, 2017, which covered the five-year period from January 1, 2013 to December 31, 2017. The last full-scope examination resulted in several items identified during the examination that were communicated to other regulators and/or the Companies. The Report of Examination of the Companies as of December 31, 2017, dated May 24, 2019, should be referenced for additional historical and background information.

During the last examination, the Department utilized the information technology (“IT”) examination support services of Jennan Enterprises, LLC, (“Jennan”) and the actuarial examination support services of Kufera Consulting, Inc. (“Kufera Consulting”).

During the last examination, 1CA experienced net losses that were a result of poor underwriting results. In 2017, 1CA’s focus on writing auto insurance shifted to include a focus on providing an alternative market for the Companies’ farm and agriculture business as part of the Companies planned growth and expansion plans. Due to the poor underwriting results of

ICA's auto business, the shift in focus of ICA, and the Companies' continued growth and expansion plans, the Department conducted this limited-scope examination.

### SCOPE OF EXAMINATION

During this limited-scope examination, the Department performed a review of the Companies' information technology ("IT") systems; performed a review of the Companies' actuarial reserving and pricing processes as related to items identified during the last examination; and reviewed the reasonableness of ECM and ICA's unpaid loss and loss adjustment expense ("LAE") reserves as of December 31, 2020.

The Department engaged the IT examination support services of Jennan. Jennan was engaged by the Department to perform a review of the Companies' IT general controls.

The Department engaged the actuarial support services of Kufera Consulting. Kufera Consulting was engaged by the Department to perform follow up on actuarial reserving and pricing items identified during the prior examination and to perform a review of the reasonableness of ECM and ICA's unpaid loss and LAE reserves as of December 31, 2020.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Pennsylvania Insurance Department ("Department") and the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook").

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 this limited-scope examination report but separately communicated to other regulators and/or the Companies.

### DISCLOSURE

This examination report for the Companies is limited in scope and is not intended to communicate all matters of importance for an understanding of the Companies' financial condition. The format of this report is consistent with the current practices of the Department and the examination format prescribed by the Handbook.

### FINDINGS AND RECOMMENDATIONS

#### LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The following chart depicts ECM and ICA's reported reserves for losses and LAE on the December 31, 2020 Annual Statements.

<u>Company</u>	<u>Losses</u>	<u>LAE</u>
ECM	\$27,931,544	\$4,527,918
ICA	\$4,135,149	\$739,418

## Everett Cash Mutual Insurance Group

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Steven J. Regnier, ACAS, MAAA, FCA, of Regnier Consulting Group, Inc. served as the appointed actuary (“AA”) for ECM and 1CA and prepared a Statement of Actuarial Opinion (“Opinion”) for each company for the years 2018, 2019, and 2020.

The AA issued an Opinion for each of the respective companies stating that the reserves “make a reasonable provision in the aggregate for all unpaid loss and loss expense obligations of the Company under the terms of its contracts and agreements” for each year of this examination.

Kufera Consulting performed a review of the adequacy of ECM’s and 1CA’s carried reserves as of December 31, 2020. Based on work performed, the overall amounts carried by ECM and 1CA were determined by Kufera Consulting to be reasonable as of December 31, 2020.

The Department accepts the AA’s conclusion that as of December 31, 2020, ECM and 1CA’s unpaid loss and LAE reserves are reasonable.

### CONCLUSION

The Department determined no significant adjustments or material adverse findings for the areas reviewed during this limited-scope examination. The Department will continue to monitor the Companies’ financial condition and operating results.

The next regularly scheduled financial condition examination of the Companies will cover the five-year period ending December 31, 2022.

This examination was conducted by information technology specialists, Jenny Jeffers, and Joseph Detrick, of Jennan Enterprises, LLC; actuarial specialists, Kay Kufera, FCAS, MAAA, and Marian Piet, FCAS, MAAA of Kufera Consulting, Inc.; and was managed by Stephanie Ohnmacht, CFE.

Respectfully submitted,



Matthew C. Milford, CFE  
Director  
Bureau of Financial Examinations



Stephanie Ohnmacht, CFE  
Examination Manager

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However, the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.