

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

JUN 25 2023

FILED

CERTIFICATION

June 25, 2023

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

SILVER OAK CASUALTY, INC.

AS OF

DECEMBER 31, 2021

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.





DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

SILVER OAK CASUALTY, INC.

2301 HIGHWAY 190 WEST

DERIDDER, LA 70634

dated as of December 31, 2021, verified under oath by the examiner-in-charge on June 6, 2023, and received by the company on June 6, 2023, has been adopted with modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 15th day of June 2023.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "L. Crawford", written in a cursive style.

Lindsay Crawford, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

SILVER OAK CASUALTY, INC.

as of

December 31, 2021

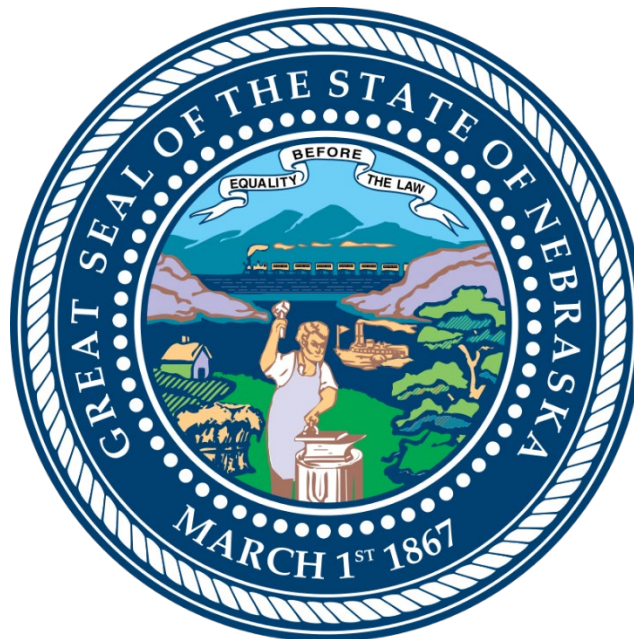


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Deridder, Louisiana
May 31, 2023

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

SILVER OAK CASUALTY, INC.

which has its Statutory Home Office located at

13321 California Street, Suite 310
Omaha, Nebraska 68154

with its Principal Executive Office Located at

2301 Highway 190 West
Deridder, Louisiana 70634

(hereinafter also referred to as the “Company”), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Company as of December 31, 2017. The current financial condition examination covers the intervening period to and includes the close of business on December 31, 2021 and such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska and Texas participated in this examination and assisted in the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company's parent, American Interstate Insurance Company, (AIIC) and the Company's affiliate, American Interstate Insurance Company of Texas (AIICTX).

SCOPE OF EXAMINATION

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Nebraska Department of Insurance as the coordinating state and the Texas Department of Insurance as a participating state. The companies examined under this approach benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their

respective companies' financial condition and to summarize key results of examination procedures.

The Nebraska Department of Insurance made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholder, Board of Directors, and committees held during the examination period were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions, and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare. Certificates of Authority to conduct the business of insurance in the various states were inspected, and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report."

The Company's reinsurance facilities were ascertained and noted and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination

process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Ernst & Young, LLP, the Company's external auditors, during their audit of the Company's accounts for the year ended December 31, 2020 and 2021. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was organized as a domestic stock property and casualty insurer in the State of Louisiana on June 4, 1992 and commenced business on November 1, 1992. In December 1993, AIIC acquired all the issued and outstanding stock of the Company. The Company became a member of the Gulf Universal Group, on June 4, 1992, when its outstanding common stock was acquired by Gulf Universal Holdings, Inc. which changed its name to AMERISAFE, Inc. (AMERISAFE) in 1996. On September 2, 1997, AMERISAFE was re-capitalized by the acquisition of approximately 68 percent of its issued and outstanding capital stock by Welsh, Carson, Anderson, and Stowe VII, L.P., a Delaware limited partnership making Welsh, Carson, Anderson, and Stowe VII, L.P. the ultimate controlling entity at that time. On December 31,

1997, AIIC, the Company's parent company, made a \$5,000,000 capital contribution to the Company.

The Articles of Incorporation and By-Laws were last amended on September 30, 2013 for the purpose of redomesticating the Company and its parent, AIIC, to Nebraska. The amended and restated Articles of Incorporation were filed November 27, 2013, and the amended and restated By-Laws were filed with the Department on November 14, 2013.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the "Ultimate Controlling Person," as reported in the 2021 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

- AMERISAFE, Inc. (Texas)
 - Amerisafe Risk Services, Inc.
 - Amerisafe General Agency, Inc.
 - American Interstate Insurance Company (Nebraska)
 - Silver Oak Casualty, Inc. (Nebraska)
 - American Interstate Insurance Company of Texas (Texas)

AMERISAFE is a publicly held Texas corporation and holding company. AMERISAFE's stock is traded on the NASDAQ Stock Exchange under the symbol AMSF.

Shareholder

Article V of the Company's Articles of Incorporation states that, "the aggregate number of shares which the corporation shall have to the authority to issue is ten million (10,000,000) shares of common stock of One Dollar (\$1) par value per share." As of December 31, 2021, the issued and outstanding common stock was 5,000,000 shares for a total capital of \$5,000,000. Paid-in

and contributed surplus was \$37,800,000. The issued and outstanding shares increased by 2,500,000 in 2021.

Article II of the Company's By-Laws states that, "the annual meeting of Shareholders shall be held on or before the 30th day of June in each and every calendar year for the purpose of receiving the report of its Officers and Directors, electing Directors and for the transaction of such other business as may come before the meeting."

Dividends paid to shareholder (AIIC) during the period under examination were \$9,900,000 in 2018, \$11,500,000 in 2019, \$14,100,000 in 2020, and \$32,900,000 in 2021. The dividend in 2021 was considered extraordinary by Nebraska statutes and thus was filed and approved by the Nebraska Commissioner of Insurance.

Board of Directors

Per Article III, Section (b) of the Company's By-Laws, "the number of Directors of the corporation shall be no fewer than five (5), the exact number to be determined by the Shareholders. Each Director shall hold office until the next annual meeting of Shareholders, and until his or her successor shall have been elected and qualified, or until his or her death, resignation or removal. Each Director shall qualify as a Director of the corporation under applicable insurance laws of the State of Nebraska and at least one Director shall be a resident of the State of Nebraska. The permissible number of Directors may be increased or decreased from time to time by amendment to these By-Laws, but no decrease shall have the effect of shortening the term of any incumbent Director."

Article III, Section (c) of the Company's By-Laws states that, "a regular meeting of the Board of Directors shall be held without other notice than this By-Law immediately after and at the same place as the annual meeting of Shareholders. The Board of Directors may provide for

the time and place, either within or without the State of Nebraska, for the holding of additional regular meetings, without other notice than that furnished by the resolution calling such meeting or meetings.”

As of December 31, 2021, the Board of Directors consisted of eight members, all of which were employees of the Company. A regular meeting of the Board is held immediately after and at the same place as the annual meeting of Shareholders.

The following persons were serving as Directors at December 31, 2021:

<u>Name and Residence</u>	<u>Principal Occupation</u>
G. Janelle Frost Deridder, LA	Chairman of the Board, President & Chief Executive Officer
Neal A. Fuller Deridder, LA	Executive Vice President, Chief Financial Officer
Vincent J. Gagliano Lake Charles, LA	Executive Vice President, Chief Risk Officer
Shane S. Hook Omaha, NE	Assistant Vice President, Claims
Henry O. “Chris” Lestage, IV Deridder, LA	Senior Vice President, Claims
Andrew B. McCray DeRidder, LA	Executive Vice President, Chief Underwriting Officer
Angela W. Pearson Deridder, LA	Senior Vice President, Controller
Kathryn H. Shirley Deridder, LA	Executive Vice President, Chief Administrative Officer

Neal Fuller retired during 2022 and was replaced on the Board of Directors by the new Chief Financial Officer, Anastasios Omiridis.

Article III, Section (h) of the Company’s By-Laws states that, “by resolution of the Board of Directors, Directors may be paid their expense of attendance at each meeting.” Per Company management, fees are not paid to Board members by the Company. Non-employee Board members of AMERISAFE are paid compensation in the form of cash and restricted common stock by AMERISAFE. Board committees, other than Investment Committee, only exist at the AMERISAFE level, but, according to Company management, govern activities within their responsibilities enterprise-wide.

Officers

Article IV, Section (a) of the Company’s By-Laws states that, “the Officers of the corporation shall be a President, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. Such other Officers and Assistant Officers as may be deemed necessary, including Chair of the Board or one or more Vice Presidents, may be elected or appointed by the Board of Directors... Any two (2) or more offices may be held by the same person except as may otherwise be required by law.”

The following is a partial listing of Senior Officers elected and serving the Company at December 31, 2021:

<u>Name</u>	<u>Office</u>
G. Janelle Frost	President and Chief Executive Officer
Neal A. Fuller	EVP, Chief Financial Officer & Treasurer
Vincent J. Gagliano	EVP and Chief Risk Officer
Andrew B. McCray	EVP, Chief Underwriting Officer
Kathryn H. Shirley	EVP, Chief Administrative Officer
Mary E. Hamel	SVP, Sales
Henry O. “Chris” Lestage, IV	SVP, Claims Operations
Garrett Little	SVP, Safety Operations
Barbara McCrary	SVP, Policyholder Services
Angela W. Pearson	SVP, Controller

Committees

The Company's Articles of Incorporation and By-Laws do not address required or allowed Board committees. All of the Company's Board committees, with the exception of the Management Investment Committee, were dissolved in 2006. The Audit, Compensation, Nominating and Corporate Governance, and Risk Committees exist at the AMERISAFE level only.

The following persons were serving on the Management Investment Committee at December 31, 2021:

G. Janelle Frost
Vincent J. Gagliano
Kathryn H. Shirley

Neal A. Fuller
Andrew B. McCray

TRANSACTIONS WITH AFFILIATES

Cost Sharing Agreement

The Company participates in a Cost Sharing Agreement with AMERISAFE, AIIC, AIICTX, Amerisafe Risk Services, Inc. (ARSI), and Amerisafe General Agency, Inc. (AGAI). Under the terms of the agreement, participants utilize goods and services, including but not necessarily limited to shared personnel services, as well as management services provided by AMERISAFE and AIIC. The services provided by AMERISAFE include payroll administration, human resource services, employee benefit administration, management services, and related administrative support. Services provided by AIIC include regulatory and filing services and consultation, assistance on market conduct exams and other regulatory audits, accounting services, underwriting services, policy services, audit services, and related administrative support. The costs are allocated 80 percent to AIIC, 15 percent to the Company, and five percent to AIICTX. Upon redomestication to Nebraska, the cost sharing agreement (effective January 1,

2005) was amended and restated to be effective December 10, 2013. The agreement was amended again in 2016 to include the right to offset amounts owed with amounts due pursuant to Statement of Statutory Accounting Principles (SSAP) No. 64 – *Offsetting and Netting of Assets and Liabilities*.

Tax Allocation Agreement

The Company participates in a Tax Allocation Agreement with its parent, AMERISAFE, and other affiliated companies. Tax is computed first by allocating the affiliated group's tax liability amongst the participants in accordance with the ratio of the consolidated taxable income attributable to each participant to the consolidated taxable income of the group. Secondly, an additional amount is allocated to each participant equal to 100% of the excess of the separate return tax liability for the participant over the group tax liability already allocated to the participant. Lastly, any additional amounts allocated pursuant to the second step will be credited to the earning and profits of those participants which had income, deductions, or credits to which such additional allocated amounts were attributable. This agreement was effective January 1, 2005. The Agreement was amended on May 6, 2019 to include requirements for record retention and maintenance and add language to the termination provisions.

Claims and Safety Services Agreement

The Company is party to a Claims and Safety Services Agreement with ARSI. Claims services refer to all unallocated loss adjustment expenses arising from claims and demands made on the Company. Safety services refer to the complete cost of pre-quotation safety inspection, reports, post binding inspections, post-accident inspections, consultation with Company underwriters, and periodic reports as requested by the Company. In return for services, the Company is to pay a sum equal to actual expenses. The agreement is to continue unless

terminated by either party with 30 days' written notice and a time frame is provided for settlement of amounts owed. The amounts paid by the Company under this agreement were approximately \$3.8 million in 2021, \$3.8 million in 2020, \$3.8 million in 2019, and \$3.9 million in 2018.

This agreement was amended on March 10, 2015 to require quarterly payments of amounts due no more than 45 days after the close of the quarter. The agreement was further amended on March 15, 2019 to add language about the Commissioner of Insurance rights if the Company was placed in receivership and to provide the right to offset intercompany account balances in accordance with Statutory Accounting Principles.

Office Lease Agreement

An Office Lease Agreement provides for SOCI to lease office space from AMERISAFE. The lease automatically renews each year unless either party gives 60 days' notice prior to the end of the lease year. The annual rental is \$125,490.96, payable in monthly installments of \$10,457.58 in advance on the first day of each month.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in in the District of Columbia and the following states: Alabama, Arkansas, Delaware, Georgia, Indiana, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nebraska, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Wisconsin. The Company's business is concentrated in Louisiana.

The Company's business is focused on select hazardous core trade groups, including construction, trucking, lumber, manufacturing, oil and gas, and agriculture. Hazardous industry employers tend to have less frequent but more severe claims compared to other industries.

Injuries often involve death, dismemberment, and paralysis. The Company remains focused on small to mid-sized accounts with loss control and safety engineering strongly emphasized.

Through ARSI, the Company utilizes field auditors, safety engineers, and field case managers located in areas where most of the business is written. The Company's insurance business is marketed by both independent agents and through AGAI.

REINSURANCE

Pooling

The Company was a party to a reinsurance pooling agreement with AIIC and AIICTX throughout the examination period. Pursuant to the agreement, which was amended and restated effective December 9, 2013, the companies pooled direct business according to the following schedule:

Ceding Company	Assuming Company	Percentage of Business
The Company	AIIC	100% after 1/1/1998 (direct liability)
AIICTX	AIIC	100% after 1/1/2005 (direct liability)
AIIC	The Company	20% 1/1/1998 through 12/31/2004 (net liability) 15% on or after 1/1/2005 (net liability)
AIIC	AIICTX	5% on or after 1/1/2005 (net liability)

Net Liability means gross direct liability, less all outside ceded reinsurance and net voluntary and involuntary assumed liability. Direct liabilities include the following:

- Direct written and unearned premiums
- Losses and loss adjustment expenses for accident year 1998 and thereafter
- Underwriting expenses incurred
- Premium balances charged off
- Policyholder dividends

- Other miscellaneous liabilities related to the production of income

The accounts are rendered quarterly with balances settled within 45 days of the end of the quarter. Interim settlements may be made more often.

Assumed

The Company is required by some of the states in which business is conducted to participate in a program to provide workers' compensation insurance to those employers who have not or cannot obtain coverage from a carrier on a negotiated basis. The companies fulfill this requirement in one of two ways:

1. Direct assignment whereby the Company administers the policy issuance, claims, loss control, audit, and other policy management function.
2. Participation in reinsurance pools where the results of all policies provided through the pool are shared by the participating companies. The Company participates in mandatory pooling arrangements with the National Council on Compensation Insurance and Mississippi. At December 31, 2021, the assumed premium and losses for the mandatory pools were as follows:

Premium - \$80,000
Paid Loss and LAE- \$14,000
Case/IBNR- \$37,000

Ceded

The Company, AIIC, and AIICTX are parties to reinsurance agreements with unaffiliated reinsurers. In 2021, the unaffiliated reinsurance coverage consisted of three layers of excess of loss reinsurance to \$70,000,000 on all casualty business. The Company retained \$2,000,000, subject to annual aggregate deductibles.

The following table depicts the Workers Compensation coverage as of December 31, 2021.

<u>Description</u>	<u>Coverage</u>	<u>Percentage of Coverage and Reinsurer</u>
Casualty Excess of Loss - Effective January 1, 2020 to January 1, 2023	Per occurrence coverage: \$8,000,000 excess \$2,000,000	Arch Re (US) – 25% Hannover RE (Ireland) – 75%
Part A	<p>Subject to an annual aggregate deductible equal to the greater of 3% of Net Earned Premium (NEP) or \$7,299,000</p> <p>The Reinsurer’s liability with respect to all losses occurring during any one contract year shall not exceed the lesser of: 6% of NEP for the applicable contract year or \$21,896,000 each contract year.</p> <p>The Reinsurer’s liability with respect to all losses occurring during the term of the contract shall not exceed the lesser of: 4% of NEP for all contract years or \$44,570,000.</p>	Arch Re (US) – 25% Hannover RE (Ireland) – 75%
Part B	<p>Subject to an annual aggregate deductible equal to the sum of i) the annual aggregate deductible under Part A plus ii) 6% of NEP for the applicable year.</p> <p>The Reinsurer’s liability in respect to all losses occurring during any one contract year shall not exceed the lesser of: 3% of NEP for the applicable year, or \$11,142,000 each contract year.</p> <p>The reinsurer’s liability in respect to all losses occurring during the term of the contract shall not exceed the lesser of: 1% of NEP</p>	Arch Re (US) – 25% Hannover RE (Ireland) – 75%

	for all contract years or \$11,142,000.	
Casualty Catastrophe Excess – Effective January 1, 2021 to January 1, 2022	Per occurrence coverage: \$60,000,000 excess \$10,000,000 Maximum any one Life - \$10,000,000 Aggregate limit of \$120,000,000	10% - Arch Reinsurance Company 10% - Allied World (Bermuda) 5% - Markel Global Reinsurance Company 10% - Munich Reinsurance America, Inc. 10% - Houston Casualty Company 55% Lloyds of London (various syndicates)

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Bonds	\$184,124,608	\$186,477,375	\$180,120,249	\$155,985,507
Admitted assets	233,093,227	223,449,830	227,262,423	197,542,347
Losses	92,226,527	90,203,335	87,369,833	84,104,603
Total liabilities	143,542,924	141,049,760	135,650,855	127,887,720
Capital and surplus	89,550,303	92,400,070	91,611,568	69,654,627
Premiums earned	51,373,204	48,737,508	44,546,321	40,175,328
Net investment income	5,323,867	5,776,567	5,676,118	4,923,962
Losses incurred	25,306,895	20,991,265	18,864,751	20,155,940
Net income	11,539,984	14,164,426	13,155,493	8,736,634

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2021

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$155,985,507		\$155,985,507
Properties occupied by the Company	4,456,601		4,456,601
Cash	<u>3,401,013</u>		<u>3,401,013</u>
Subtotal, cash and invested assets	\$163,843,121		\$163,843,121
Investment income due and accrued	1,384,468		1,384,468
Uncollected premiums and agents' balances in the course of collection	4,501,506	\$318,153	4,183,353
Deferred premiums, agents' balances and installments booked but deferred and not yet due	24,527,873		24,527,873
Amounts recoverable from reinsurers	910,222		910,222
Net deferred tax asset	2,842,919	171,272	2,671,647
Guaranty funds receivable or on deposit	211		211
Receivable from parent, subsidiaries and affiliates	20,592		20,592
Prepaid expenses	5,667	5,667	
State tax recoverable	860		860
Security deposit	<u>708</u>	<u>708</u>	<u> </u>
Totals	<u>\$198,038,147</u>	<u>\$495,800</u>	<u>\$197,542,347</u>

Liabilities, Surplus, and Other Funds

Losses	\$ 84,104,603
Reinsurance payable on paid losses and loss adjustment expenses	2,243,315
Loss adjustment expenses	9,248,541
Commissions payable and contingent commissions	157,947
Other expenses	25,459
Taxes, licenses and fees	2,830,145
Current federal income taxes	435,207
Unearned premiums	17,248,774
Ceded reinsurance premiums payable	9,106,127
Amounts withheld or retained by company for account of others	59,685
Payable to parent, subsidiaries and affiliates	185,113
Security deposits	<u>2,242,804</u>
 Total liabilities	 <u>\$127,887,720</u>
 Common capital stock	 \$5,000,000
Gross paid in and contributed capital	37,800,000
Unassigned funds (surplus)	<u>26,854,627</u>
 Total capital and surplus	 <u>\$ 69,654,627</u>
 Totals	 <u>\$197,542,347</u>

STATEMENT OF INCOME

Underwriting Income

Premiums earned	\$40,175,328
Losses incurred	\$20,155,940
Loss adjustment expenses incurred	3,481,108
Other underwriting expenses incurred	<u>10,086,271</u>
Total underwriting deductions	<u>\$33,723,319</u>
Net underwriting gain	<u>\$ 6,452,009</u>

Investment Income

Net investment income earned	\$ 4,923,962
Net realized capital gain	<u>393,992</u>
Net investment gain	<u>\$ 5,317,954</u>

Other Income

Net loss from agents' or premium balances charged off	\$ (777,501)
Miscellaneous income	7,350
Penalties and fines	<u>(1,296)</u>
Total other income	<u>\$ (771,447)</u>
Net income before dividends to policyholders and federal income taxes	\$10,998,516
Dividends to policyholders	579,383
Federal income taxes incurred	<u>1,682,499</u>
Net income	<u>\$ 8,736,634</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and surplus, beginning	\$87,399,285	\$89,550,303	\$92,400,070	\$ 91,611,568
Net income	\$11,539,984	\$14,164,426	\$13,155,493	\$ 8,736,634
Change in net deferred income tax	212,914	170,139	177,094	(123,641)
Change in nonadmitted assets	298,120	15,202	(21,089)	(169,934)
Capital paid in				2,500,000
Dividends to stockholders	(9,900,000)	(11,500,000)	(14,100,000)	(32,900,000)
Net change for the year	\$ 2,151,018	\$ 2,849,767	\$ (788,502)	\$(21,956,941)
Capital and surplus, ending	\$89,550,303	\$92,400,070	\$91,611,568	\$ 69,654,627

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$26,854,627, as reported in the Company's 2021 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Company to comply therewith:

Violation of SSAP No. 25 – It is recommended the Company comply with SSAP No. 25 disclosure requirements going forward.

Actions: The Company has complied with this recommendation.

Violation of SSAP No. 64 – It is recommended that the Company comply with SSAP No.64 and report amounts receivable from and amounts due to parents, subsidiaries and affiliates separately in the Annual Statement going forward.

Actions: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, James Menck, CFE, CPA, Joe Jacobson, CFE, and John Wiatr, CFE, Financial Examiners; Michael Nadeau, CFE, CPA, CISA, Information Systems Specialist; and Alan Kaliski, FCAS, MAAA; all with the Nebraska Department of Insurance or Noble Consulting Services and Financial Examiners, Information Systems Specialists, and Actuarial Examiners with the Texas Department of Insurance; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Joseph Hofmeister, CFE
Examiner-in Charge
Noble Consulting Services
Representing the Department of Insurance
State of Nebraska



Tadd Wegner, CFE
Assistant Chief Examiner - Field
Department of Insurance
State of Nebraska

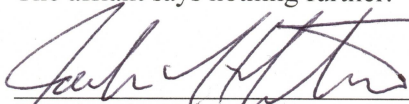
State of Nebraska,

County of Lancaster,

Joseph Hofmeister, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Silver Oak Casualty, Inc.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Silver Oak Casualty, Inc. was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.



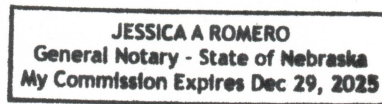
Examiner-in-Charge's Signature

Subscribed and sworn before me by JOSEPH H. HOFMEISTER on this 10 day of JUNE, 20 23.

(SEAL)



Notary Public



My commission expires DEC 29, 2025 [date].