

APR 12 2026

FILED

CERTIFICATION

April 12, 2026

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

SUMMIT SPECIALTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2024

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.



A handwritten signature in blue ink, appearing to read "Eric Dunning", is written over a horizontal line.

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

SUMMIT SPECIALTY INSURANCE COMPANY

6031 CONNECTION DRIVE, SUITE 250

IRVING, TEXAS 75039

dated as of December 31, 2024, verified under oath by the examiner-in-charge on March 19, 2026, and received by the company on March 19, 2026, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 2nd day of April 2026.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink that reads "Tadd R. Wegner". The signature is written in a cursive style with a large initial 'T'.

Tadd Wegner, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

SUMMIT SPECIALITY INSURANCE COMPANY

as of

December 31, 2024

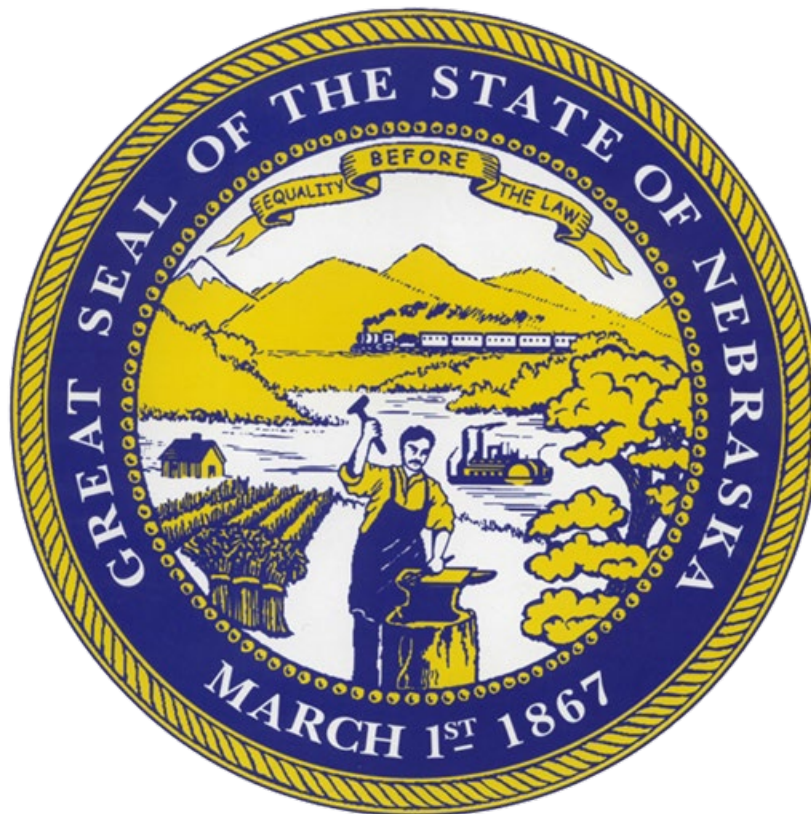


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Omaha, Nebraska
February 5, 2026

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:

SUMMIT SPECIALTY INSURANCE COMPANY

which has its Statutory Home Office located at

1601 Dodge Street, Suite 3800
Omaha, Nebraska 68102

with its Principal Executive Office located at

6031 Connection Drive, Suite 250
Irving, Texas 75039

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

INTRODUCTION

This is the first full-scope examination of the Company conducted by the State of Nebraska since the incorporation of the Company. A qualifying examination was conducted as of September 30, 2020. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2024 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 subsidiaries, American Summit Insurance Company (ASIC) and National Summit Insurance Company (NSIC), which are both Texas domiciled insurers.

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 Texas Department of Insurance as the coordinating state and the Nebraska Department of Insurance as the 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, and approval of investment transactions were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed. 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 JLK Rosenberger, LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2023, and 2024. 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

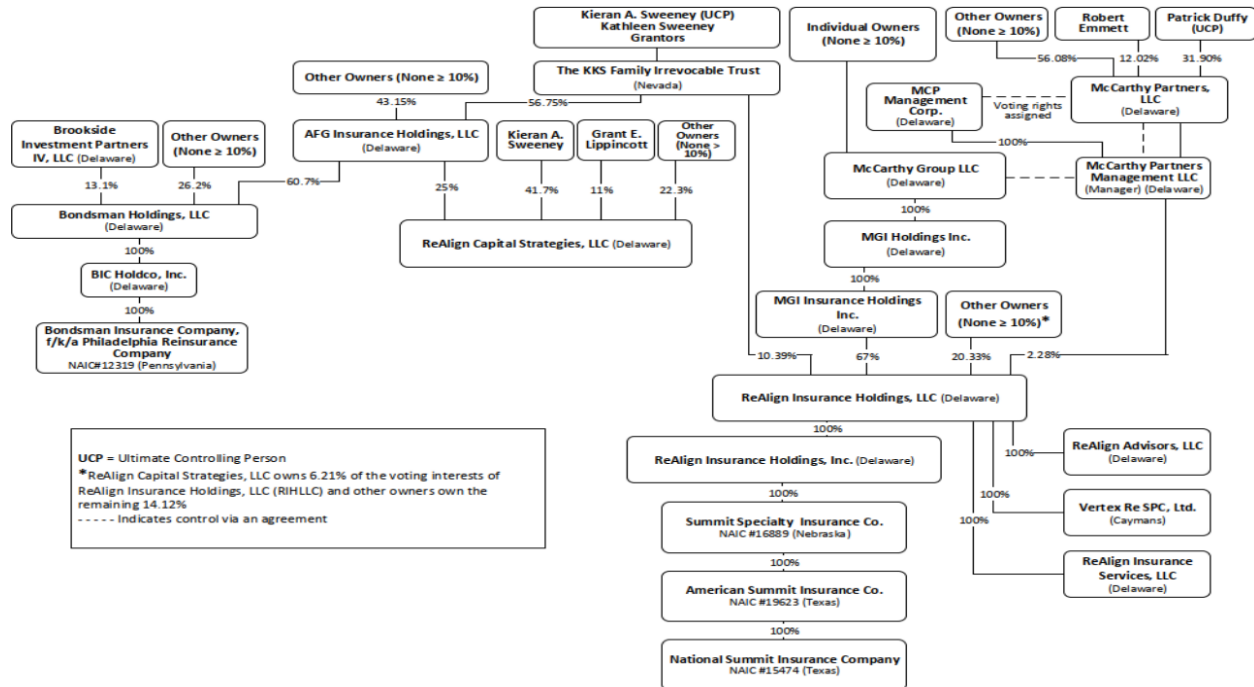
HISTORY

The Articles of Incorporation of the Company were filed with the Secretary of State of the State of Nebraska on September 29, 2020, and approved by the Nebraska Department of Insurance on October 5, 2020. The Company was formed by ReAlign Insurance Holdings, Inc. (RIH), a Delaware holding company, for the purpose of writing specialty property and casualty insurance programs on an excess and surplus lines basis. The Company began underwriting in 2021.

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 2024 Annual Statement, is represented by the following:



Shareholder

Article II, Section 1 of the Company’s By-Laws states that, “the annual meeting of the Shareholders shall be held during the month of April each year, for the purposes of electing Directors and or the transaction of such business as may come before the meeting.” During the exam, the Shareholder meeting was held in February which is in violation of the Company’s By-Laws. It is recommended that the Company conduct its annual meeting in April as required by its By-Laws.

Article II, Section 3 of the Company’s By-Laws states that, “the Board of Directors may designate any place, either within or without the State of Nebraska, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors.”

Article III of the Company’s Articles of Incorporation states that, “the aggregate number of shares which this corporation shall have authority to issue is Ten Million (10,000,000) shares of common stock of One Dollar and 00/100 (\$1.00) par value per share.” As of the examination date, the Company’s total issued and outstanding common stock consisted of 1,000,000 shares that have been subscribed by RIH.

The Company received the following capital contributions from RIH during the exam period:

2020	\$24,000,000
2022	1,500,000
2023	20,000,000
2024	<u>10,000,000</u>
	<u>\$55,500,000</u>

The Company made an additional capital contribution of \$14,400,000 to its subsidiary, ASIC, in 2023.

Surplus Notes

On March 8, 2022, the Company issued a surplus note to Federated Life Insurance Company for \$7,500,000. The date of maturity for the surplus note is March 15, 2042, and it carries an interest rate of 6.5%.

Section §44-221 of the Nebraska Insurance Statutes states that, “the principal of and interest on such notes may be paid from time to time, either in full or in part, from available surplus funds of the company only when the amount of the surplus of the company over all liabilities is double that of the amount of principal and interest being paid. The Company shall

have the right to make such payments whenever it is able to do so, except that the Company shall first receive the prior approval of the Director of Insurance for any such payments.” The Company has not made any principal payments as of the examination date. Interest payments of \$12,875 were made each quarter between June 15, 2022, and December 15, 2024 with the approval of the Nebraska Director of Insurance.

Board of Directors

Article III, Section 2 of the Company’s By-Laws states that, “the number of Directors of the corporation shall be set by the Board of Directors, but shall be no less than five, at least one of whom must be a resident of Nebraska. Directors shall be elected annually, by election at the annual meeting of the Stockholders or by written consent of the holders of stock entitled to vote thereon in lieu of such meeting. If the annual election of Directors is not held on the date designated therefore, the Directors shall cause such election to be held as soon thereafter as convenient. Each Director shall hold office from the time of his or her election and qualification until his successor is elected and qualified or until his or her earlier resignations, or removal.”

The following individuals were serving as Directors on December 31, 2024:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Kristina Lyn Castle Elkhorn, Nebraska	Executive Vice President - Strategic Planning, ReAlign Insurance Holdings, Inc.
Justin Ryan Disch Omaha, Nebraska	Vice President, M-One Capital
Patrick Joseph Duffy Omaha, Nebraska	President and Managing Partner, M-One Capital
Douglas Edwin Goode Scottsdale, Arizona	Senior Vice President, Business Development, ReAlign Insurance Holdings, Inc.
Grant Edward Lippincott Park City, Utah	President, ReAlign Insurance Holdings, LLC

Name and Residence

Principal Occupation

Timothy Joseph McAuliffe, Jr.
Westfield, New Jersey

President, National Summit Insurance Company

Jonathan James Wegner
Omaha, Nebraska

General Counsel, M-One Capital

Officers

Article IV, Section 1 of the Company’s By-Laws states that, “the Officers of the corporation shall be a Chairman of the Board, a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), 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 may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person except the offices of President and Secretary.”

The following is a list of Officers elected and serving the Company at December 31, 2024:

Name

Office

Patrick J. Duffy

Chairman of the Board

Timothy J. McAuliffe, Jr.

President

Kristina L. Castle

Secretary

Rodney J. Kirk

Treasurer

Committees

Article III, Section 11 of the Company’s By-Laws states that, “the Board of Directors, by resolution adopted by the affirmative vote of the majority of the Directors present may establish one or more committees, including an Executive Committee, each committee to consist of two or more Directors elected by the Board of Directors.”

The following individuals were serving on the Audit Committee on December 31, 2024:

Douglas E. Goode
Jonathan J. Wegner

Tim J. McAuliffe, Jr.

The following individuals were serving on the Investment Committee on December 31, 2024:

Kristina L. Castle
Grant E. Lippincott

Justin R. Disch

TRANSACTIONS WITH AFFILIATES

Tax Allocation Agreement

Effective December 22, 2020, the Company entered into a Tax Allocation Agreement with RIH, ASIC, NSIC, and other affiliates, whereby RIH submits consolidated tax filings for the parties and remits tax invoices or refunds to each participant or pays any tax liability with the expectation of reimbursement.

Expense Sharing Agreement

Effective January 1, 2024, the Company entered into an Expense Sharing Agreement with RIH, ASIC, NSIC, ReAlign Advisors LLC (REAL), and ReAlign Insurance Services, LLC (RIS). Under this agreement, RIS provides certain management and administrative services on behalf of the Company, RIH, ASIC, NSIC, and REAL. Incurred expenses and payments received relating to operations or any goods or services are allocated on an equitable basis, in conformity with customary insurance accounting principles.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in all states, the District of Columbia, and Puerto Rico.

The Company is a domestic surplus lines carrier and maintains both admitted and non-admitted licenses in Nebraska. The Company has written specialty property and casualty business in various personal and commercial lines with select program administrators in all fifty states and the District of Columbia through December 31, 2024. The Company maintains Program Administration Agreements and Claims Service Agreements with its program administrators to perform the majority of distribution, underwriting, processing and claims adjusting functions, while the Company maintains control and oversight of the business.

The Company selectively utilizes reinsurance to minimize the risk of loss from any one policy. The Company's maximum net limit after reinsurance is \$5,000,000 for certain property programs and \$3,375,000 for certain casualty programs.

REINSURANCE

Pooling Agreement

Effective January 1, 2022, the Company entered into a Reinsurance Pooling Agreement with ASIC and NSIC. Premiums, losses, and expenses are ceded on a net basis, after excess reinsurance, by the Company and ASIC, to NSIC as the lead reinsurer, and then proportionally retroceded back to the Company at 28%, and ASIC at 18%, with NSIC retaining the remaining 54%.

Assumed

The majority assumed reinsurance derives from the pooling agreement noted above. The Company does assume minimal reinsurance from three non-affiliated companies.

Ceded

Effective April 1, 2024, the Company entered into a Whole Account Quota Share Reinsurance Contract with Vertex Reinsurance SPC, Ltd. (Vertex Re), whereby the Company,

ASIC, and NSIC cede 40% of their risks to Vertex Re. The obligations under this agreement are funded through funds withheld balances and a Trust Agreement.

Effective April 1, 2024, the Company entered a Reinstatement Premium Protection Reinsurance Contract with Vertex Re. Subject to this agreement the Company, ASIC, and NSIC cede 100% of their risks to Vertex Re to provide protection for a reinstatement premium due to catastrophic losses under an existing Catastrophe Excess of Loss Treaty.

The majority ceded reinsurance activity is with affiliated companies, as noted above. The Company does utilize some non-affiliates to cede business on a quota share basis and to provide catastrophe excess of loss coverage to limit the Company's exposure to any one loss or catastrophic event.

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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Bonds	\$ 100,198	\$ 31,060,249	\$ 44,737,996	\$ 48,858,466	\$ 58,969,784
Admitted assets	128,123,147	133,740,623	147,925,768	181,577,674	216,521,976
Losses	3,031,232	3,607,440	7,156,564	13,033,815	21,551,864
Total liabilities	18,812,738	25,093,846	42,077,297	70,839,706	104,354,558
Capital and surplus	109,310,409	108,646,777	105,848,471	110,737,969	112,167,417
Premiums earned	5,343,833	31,566,120	39,183,741	33,401,153	42,718,301
Net investment income	52	413,455	439,152	1,561,278	2,758,903
Losses incurred	1,104,073	15,131,676	22,057,484	21,127,165	34,134,023
Net income	755,853	(1,289,929)	(4,776,922)	(3,813,731)	(2,397,659)

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, 2024. 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, 2024**

<u>Assets</u>		<u>Assets Not</u>	<u>Net</u>
	<u>Assets</u>	<u>Admitted</u>	<u>Admitted</u>
			<u>Assets</u>
Bonds	\$ 58,969,784		\$ 58,969,784
Common stocks	76,348,892		76,348,892
Cash and cash equivalents	<u>35,484,158</u>		<u>35,484,158</u>
Subtotal, cash and invested assets	\$170,802,833		\$170,802,833
Investment income due and accrued	419,135		419,135
Uncollected premiums	13,633,931		13,633,931
Deferred premiums	17,712,705		17,712,705
Amounts recoverable from reinsurers	7,802,509		7,802,509
Current federal income tax recoverable	776,270		776,270
Net deferred tax asset	1,241,138	\$855,522	385,616
Receivable from parent, subsidiaries and affiliates	554,854		554,854
Amount due from claims servicer	<u>4,434,122</u>	<u> </u>	<u>4,434,122</u>
Totals	<u>\$217,377,497</u>	<u>\$855,522</u>	<u>\$216,521,976</u>

Liabilities, Surplus, and Other Funds

Losses	\$ 21,551,864
Reinsurance payable	6,565,232
Loss adjustment expenses	6,269,773
Other expenses	163,153
Current federal income taxes	(1,650)
Borrowed money and interest thereon	21,370
Unearned premiums	17,442,957
Advance premium	(10,454)
Ceded reinsurance premiums payable	25,618,907
Funds held by company under reinsurance treaties	22,974,073
Payable to parent, subsidiaries and affiliates	48,671
Deferred ceding commission	<u>3,710,663</u>
 Total liabilities	 <u>\$104,354,558</u>
 Common capital stock	 \$ 1,000,000
Surplus notes	7,500,000
Gross paid in and contributed surplus	138,327,631
Unassigned funds (surplus)	<u>(34,660,214)</u>
 Total capital and surplus	 <u>\$112,167,417</u>
 Totals	 <u>\$216,512,976</u>

STATEMENT OF INCOME – 2024

Underwriting Income

Premiums earned	\$42,718,301
Losses incurred	\$34,134,023
Loss adjustment expenses incurred	7,697,671
Other underwriting expenses incurred	<u>6,331,272</u>
Total underwriting deductions	<u>\$48,162,966</u>
Net underwriting gain	<u>\$ (5,44,665)</u>

Investment Income

Net investment income earned	\$ 2,758,903
Net realized capital gain	<u>28,412</u>
Net investment gain	<u>\$ 2,787,315</u>
Net income before federal income taxes	\$(2,657,350)
Federal income taxes incurred	<u>(259,691)</u>
Net income	<u>\$ (2,397,659)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Capital and surplus, Beginning		\$109,310,409	\$108,646,777	\$105,848,471	\$110,737,969
Net income	\$ 755,853	\$ (1,289,929)	\$ (4,776,922)	\$ (3,813,731)	\$ (2,397,659)
Change in net unrealized capital gains		456,095	(7,195,375)	(10,471,581)	(6,303,577)
Change in net deferred income tax	728,159	288,158	989,983	(830,112)	55,947
Change in nonadmitted assets	(1,234)	(117,956)	(815,992)	334,922	(255,262)
Change in provision for reinsurance				(330,000)	330,000
Change in surplus notes			7,500,00		
Capital changes paid in	1,000,000				
Surplus adjustments paid in	<u>106,827,631</u>		<u>1,500,000</u>	<u>20,000,000</u>	<u>10,000,000</u>
Net change for the year	<u>\$109,310,409</u>	<u>\$ (663,632)</u>	<u>\$ (2,798,305)</u>	<u>\$ 4,889,498</u>	<u>\$ 1,429,449</u>
Capital and surplus, ending	<u>\$109,310,409</u>	<u>\$108,646,777</u>	<u>\$105,848,471</u>	<u>\$110,737,969</u>	<u>\$112,167,417</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$(34,660,214), as reported in the Company's 2024 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

No recommendations were made as a result of the previous examination.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Investment Policy

The Board of Director minutes from the examination period did not illustrate review and approval of the Investment Policy. Neb. Rev. Stat. §44-5105(2) states that, "at least annually, the Board of Directors or committee of the Board of Directors shall review and revise, as appropriate, the written plan." It is recommended that the Company maintain documentation of its review and approval of the written investment policy to comply with Neb. Rev. Stat. §44-5105(2).

Custodial Agreement

The Company entered into a custodial agreement with First National Bank of Omaha, which does not meet all requirements of Nebraska Insurance Rules and Regulations, Title 210, Chapter 81. It is recommended that the agreement be amended to fully comply with Nebraska Insurance Rules and Regulations, Title 210, Chapter 81.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been made as a result of this examination:

Shareholder Meeting – It is recommended that the Company conduct its annual meeting in April as required by its By-Laws.

Investment Policy - It is recommended that the Company maintain documentation of its review and approval of the written investment policy to comply with Neb. Rev. Stat. §44-5105(2).

Custodial Agreement – It is recommended that the agreement be amended to fully comply with Nebraska Insurance Rules and Regulations, Title 210, Chapter 81.

ACKNOWLEDGMENT

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

In addition to the undersigned, Mark Haake, Financial Examiner, with the Nebraska Department of Insurance and Financial Examiners, Information Systems Specialists, and Actuarial Examiners with or contracted by the Texas Department of Insurance; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Skyler Lawyer, CFE
Assistant Chief Examiner - Field
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Skyler Lawyer, 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 Summit Specialty Insurance Company (MGI Holdings Group) .
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 Summit Specialty Insurance Company (MGI Holdings Group) 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 Skyler Lawyer on this 19th day of March, 2026.

(SEAL)




Notary Public

My commission expires July 21, 2028 [date].