

OCT 30 2023

FILED

CERTIFICATION

October 30, 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

UNITED CASUALTY AND SURETY INSURANCE COMPANY

AS OF

DECEMBER 31, 2022

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

UNITED CASUALTY AND SURETY INSURANCE COMPANY

233 NEEDHAM STREET, SUITE 440

NEWTON, MASSACHUSETTS 02464

dated as of December 31, 2022, verified under oath by the examiner-in-charge on October 10, 2023, and received by the company on October 26, 2023, has been adopted without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 27th day of October 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

UNITED CASUALTY AND SURETY INSURANCE COMPANY

as of

December 31, 2022

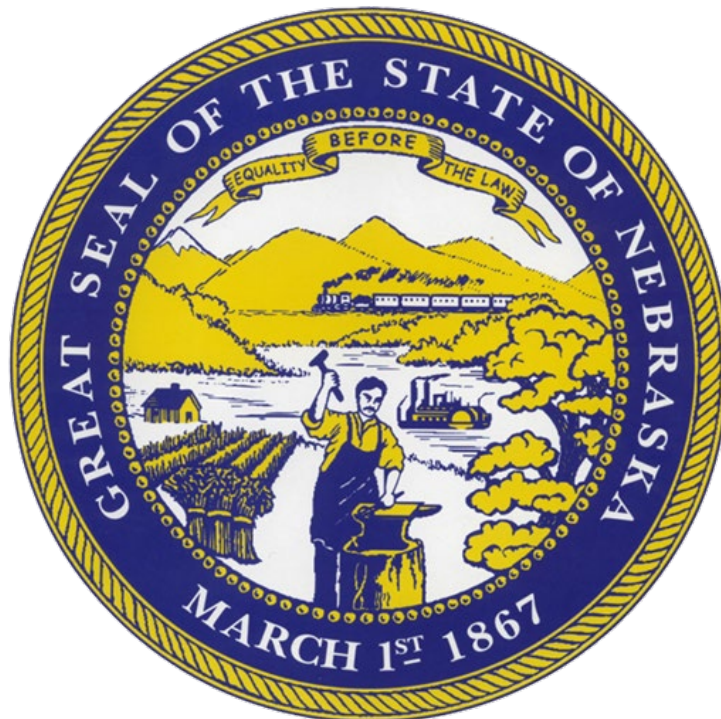


Table of Contents

<u>Item</u>	<u>Page</u>
Salutation	1
Introduction.....	1
Scope of Examination.....	2
Description of Company.....	4
History.....	4
Management and Control.....	5
Holding Company.....	5
Shareholder.....	5
Board of Directors.....	6
Officers.....	7
Committees.....	8
Transactions with Affiliates.....	9
General Service Agreement.....	9
Tax Allocation Agreement.....	10
Agency Agreements.....	10
Territory and Plan of Operation.....	11
Reinsurance.....	11
Ceded.....	11
General.....	13
Body of Report.....	14
Growth.....	14
Financial Statements.....	14
Examination Changes in Financial Statements.....	18
Compliance with Previous Recommendations.....	18
Commentary on Current Examination Findings.....	19
Custodial Agreement.....	19
Approval of Investment Policy.....	19
Summary of Comments and Recommendations.....	20
Acknowledgment.....	21

Newton, Massachusetts
September 20, 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:

UNITED CASUALTY AND SURETY INSURANCE COMPANY

which has its Statutory Home Office located at

1601 Dodge Street, Suite 3300
Omaha, Nebraska 68102

with its Principal Executive Office located at

233 Needham Street, Suite 440
Newton, Massachusetts 02464

(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, 2018. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2022, and such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

SCOPE OF EXAMINATION

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (“Handbook”) and Nebraska Revised Statutes §44-5904(1). 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 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 (the “Board”) 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, 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, as were plans for employee welfare and pension. 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 KPMG, the Company's external auditors, during their audit of the Company's accounts for the year ended December 31, 2021 and 2022. 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, 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 under the laws of the State of Georgia as Lawyer's Professional Insurance, a Risk Retention Group, on March 8, 1988. The name of the Company was changed to United Casualty and Surety Company on April 27, 1989. A merger of the Company with United Casualty and Surety Insurance Company, organized under the laws of the State of Massachusetts on March 29, 1993, was approved by Massachusetts on June 28, 1993, and by Georgia on June 30, 1993. United Casualty and Surety Insurance Company, the surviving entity, was domiciled in Massachusetts and licensed to write fidelity and surety insurance coverage.

On May 19, 2016, the Shareholders of the Company entered into a stock purchase agreement with General Indemnity Group, LLC, ("GIG"), whose parent company is Boston Omaha Corporation ("BOC"), a publicly traded holding company. The transaction was approved by the Massachusetts Division of Insurance and was closed effective December 7, 2016. GIG became the sole shareholder of the Company.

On September 12, 2018, the Company's Board and the sole Shareholder, GIG, approved re-domestication from Massachusetts to Nebraska. The re-domestication was approved by the Massachusetts Division of Insurance on December 24, 2018, and by the Nebraska Department of Insurance on December 27, 2018. Effective December 31, 2018, the Company re-domesticated from Massachusetts to Nebraska.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Revised Statutes. An organizational listing flowing from the “Ultimate Controlling Person,” as reported in the 2022 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

- Boston Omaha Corporation
 - General Indemnity Group, LLC
 - United Casualty and Surety Insurance Company
 - Surety Support Services, Inc.
 - South Coast Surety Insurance Services, LLC
 - American Contracting Services, Inc
 - The Warnock Agency, Inc
 - Breezeway Homes, Inc (31,227 shares of preferred stock, 31.2%)

Shareholder

Article 5 of the Company’s Articles of Incorporation states that, “the authorized capital stock of the Corporation shall be 20,000 shares of common stock with a par value of One Hundred Thirty and 00/100 dollars (\$130.00).” The Company has 20,000 shares of common stock issued, with 14,484 of those shares with a par value of \$130.00 outstanding and 5,516 shares held as treasury shares, which reflects no changes since the last examination period. The Company’s capital structure as of December 31, 2022 consisted of \$2,600,000 in common stock, \$16,615,161 in gross paid-in and contributed surplus, \$378,079 in unassigned funds (surplus) less \$104,255 in treasury stock.

During the examination period, the Company received a cash capital contribution of \$5,000,000 on February 13, 2020 and a non-cash capital contribution of \$740,161 as of December 31, 2020 from its ultimate parent, BOC. The Company paid an ordinary dividend to

its sole Shareholder, GIG, of \$1,500,000 in July 2020, an extraordinary dividend from unassigned funds of \$1,800,000 and extraordinary distribution of \$425,000 in February 2021, and an ordinary dividend of \$1,500,000 in March 2022.

Article I, Section 1 of the Company's By-Laws states that, "the Company shall hold an annual meeting of Stockholders at a time fixed by the Board of Directors. The purposes for which the annual meeting is to be held, in addition to those prescribed by the Amended and Restated Articles of Incorporation, shall be for electing Directors and for such other purposes as shall be specified in the notice for the meeting, and only business within such purposes may be conducted at the meeting. In the event an annual meeting is not held at the time fixed in accordance with these By-Laws or the time for an annual meeting is not fixed in accordance with these By-Laws to be held within 13 months after the last annual meeting was held, the Company may designate a special meeting held thereafter as a special meeting in lieu of the annual meeting, and the meeting shall have all of the effect of an annual meeting."

GIG, the sole shareholder of the Company, did not hold a Shareholder meeting in 2019 in accordance with Nebraska Revised Statutes §44-210 and the Company's By-Laws. It was recommended at the time of the prior exam that the Company hold annual Shareholder meetings and elect Directors in accordance with Nebraska Revised Statutes §44-210 and the Company's By-Laws. In subsequent years, BOC, as the sole member of GIG, the sole shareholder of the Company, acted by written consent in lieu of meeting to authorize the election of the Company's Directors.

Board of Directors

Article II, Section 2 of the Company's By-Laws states that, "the Board of Directors shall consist of five or more individuals; subject to the minimum number of five Directors, the

Stockholders may fix the number of Directors at the annual meeting or by the Board of Directors ...the Directors shall be elected by the Stockholders at the annual meeting.” Article II, Section 5 states that, “the terms of all Directors shall expire at the next annual Stockholders’ meeting following their election. ... Despite the expiration of a Director’s term, he or she shall continue to serve until his or her successor is elected and qualified or until there is a decrease in the number of Directors.” The By-Laws provide in Article II, Section 8 that, “regular meetings of the Board of Directors may be held at such times and places as shall from time to time be fixed by the Board of Directors without notice of the date, time, place or purpose of the meeting.”

Article II, Section 17 of the Company’s By-Laws states that, “the Board of Directors may fix the compensation of Directors.” The Directors were not compensated for their service on the Board during the examination period.

The following persons were serving as Directors as of December 31, 2022:

<u>Name and Residence</u>	<u>Principal Occupation</u>
David John Herman Boston, Massachusetts	President, General Indemnity Group
Adam Kenneth Peterson Omaha, Nebraska	Co-Chairman and Co-Chief Executive Officer Boston Omaha Corporation
Alexander Buffett Rozek Woodstock, Vermont	Co-Chairman and Co-Chief Executive Officer Boston Omaha Corporation
Robert Frederick Thomas Wellesley, Massachusetts	President, United Casualty and Surety Insurance Company
Joshua Paul Weisenburger Omaha, Nebraska	Chief Financial Officer, Boston Omaha Corporation

Officers

Article IV, Section 1 of the Company’s By-Laws states that, “the Company shall have a President, a Treasurer, a Clerk (herein referred to as the “Secretary”) and such other Officers as

may be appointed by the Board of Directors from time to time in accordance with these By-Laws. In accordance with NRS Chapter 175 § 58, the President and the Secretary shall be different individuals.” Article IV, Section 2 of the By-Laws states that, “the Officers shall be appointed by the Board of Directors.” Article IV Section 3 states that, “to the extent permitted by law, the same individual may simultaneously hold more than one office in the Company. The President may, but need not, be a Director. The Secretary shall be a resident of The State of Nebraska, unless the Company shall have a resident agent appointed.”

The Company’s Board meeting minutes document election of Officers annually.

The following is a listing of Officers elected and serving the Company as of December 31, 2022:

<u>Name</u>	<u>Office</u>
Robert Frederick Thomas	President
David John Herman	Vice President
Michael Thomas Porsch	Treasurer
Alexander Buffett Rozek	Assistant Treasurer
Neil Howard Aronson	Assistant Secretary

Committees

Article II, Section 16 of the Company’s By-Laws states that, “the Board of Directors may create one or more committees and appoint members of the Board of Directors to serve on them. Each committee may have one or more members, who serve at the pleasure of the Board of Directors.” Article II, Section 16a states that, “at all times, there shall be an Executive Committee. The Executive Committee will consist of three members of the Board of Directors, including the President of the Company so long as the President is a member of the Board of Directors and two other Board of Directors members as appointed by the Board of Directors.”

The Board currently has an Audit Committee, Investment Committee, and an Executive Committee. In 2019, there are no records of the committee members being elected by the Board, but in the following years the Board elected the committee members annually. In 2021 and 2022, the Board defined the committee's duties at the time of member appointment.

The following persons were serving on the Executive Committee as of December 31, 2022:

David John Herman	Alexander Buffett Rozek
Robert Frederick Thomas	

The following persons were serving on the Audit Committee as of December 31, 2022:

Adam Kenneth Peterson	Alexander Buffett Rozek
Joshua Paul Weisenburger	

The following persons were serving on the Investment Committee as of December 31, 2022:

Adam Kenneth Peterson	Alexander Buffett Rozek
Joshua Paul Weisenburger	

TRANSACTIONS WITH AFFILIATES

General Service Agreement

Effective October 1, 2020, and renewed on August 15, 2022, the Company and GIG entered into a General Service Agreement whereby GIG provides support services to the Company including software application development, data management, phone and network management, guidance/consultation from senior management, and information technology direction and service. At any time, the Company may request from GIG, and GIG may elect to provide to the Company, certain general services, subject to such guidelines, procedures and limitations as may be established from time to time by the Company. Such services may include, with limitation, legal and regulatory; accounting; tax and other financial services; system design

and maintenance; external reporting services; services pertaining to personnel administration, including payroll and benefits; executive oversight; corporate and business development; strategic consulting; actuarial; and services pertaining to marketing, corporate communications, and public relations. The Company pays a service fee of 11.1% of the Company's prior quarter gross written premium to GIG on a quarterly basis for the services as provided under this agreement. The Company paid GIG \$1,533,137 in shared services fees during 2022. In addition to the service fee, the Company reimburses GIG for all out-of-pocket expenses directly attributable to the Company with no mark-up. Services can include but are not limited to: IT consultant expenses; commonly used software and services; specialty software licenses and services; occupancy costs; and insurance costs. The Company reimbursed GIG \$670,244 during 2022 for other out-of-pocket expenses not included under the General Service Agreement.

Tax Allocation Agreement

The Company, BOC, and listed subsidiaries of BOC entered into a tax allocation agreement on May 30, 2018, and effective for the December 31, 2017 tax year. The agreement was amended February 25, 2019 to add an additional seven new wholly-owned indirect subsidiaries of BOC effective with the 2018 tax year filing. Under the terms of the agreement, BOC files a consolidated federal tax return for the consolidated group. The consolidated tax liability is allocated among affiliates on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. The Company has an amount payable to BOC of \$749,150 for federal income tax payable as of December 31, 2022.

Agency Agreements

The Company has entered into Agency and Broker Agreements with three affiliated agencies, South Coast Surety Insurance Services, LLC, Surety Support Services, Inc., and

American Contracting Services, Inc. The agencies submit premiums, net of commission, to the Company monthly. Gross premiums written by the affiliated agencies for 2022 were \$6,885,828.

TERRITORY AND PLAN OF OPERATION

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

The Company has two primary segments of business that it transacts. The first is miscellaneous, license and permit bonds, which are low risk and high volume and consist of hundreds of bond types. The second segment is small limit performance and payment bonds, which span construction and non-construction contractors and have higher rates and higher limits. The Company ended its partnership with an unaffiliated agency writing residential security deposit and lease guarantee bonds in 2021, thus exiting that line of business.

Both segments of the Company's business are transacted via two primary channels. One channel is the Company's core, comprised of direct business and approximately 80 agencies (both existing agency relationships and new agents / producers). The other channel is GIG affiliate agents. GIG's agency entities increased from three to four this examination period. The GIG-owned entities provide distribution of the Company's bonds and other carriers' bonds when appropriate for the underlying coverage limits.

REINSURANCE

Ceded

The Company executed a Contract and Commercial Surety Reinsurance Agreement effective April 1, 2022 directly with General Reinsurance Corporation ("GenRe") and a Surety per Principal Excess of Loss Reinsurance Contract also effective April 1, 2022 with SCOR

Reinsurance Company (“SCOR”) through Guy Carpenter, collectively referred to as “the Reinsurer” for the 2022 reinsurance program.

As of December 31, 2022, the Company’s reinsurance program included contract and commercial surety excess of loss, variable quota share, and co-surety, power of attorney and indemnification reinsurance.

Excess of Loss

Excess of Loss reinsurance covers contract and commercial surety bonds written by the Company, applying to losses discovered on or after April 1, 2022, and continues in force until terminated on April 30, 2023 (both days inclusive). The first layer of coverage provides coverage of \$2,150,000 in excess of the Company’s retention of \$350,000 per risk. The second layer provides coverage of \$3,500,000. The Reinsurer’s limit of liability shall not exceed an aggregate limit of \$4,300,000 under the First Excess Cover nor \$7,000,000 under the second layer during each Agreement Year. This agreement includes an automatic reinstatement provision for the first and second excess layers.

GenRe and SCOR are subscribing reinsurers on the above reinsurance agreement at 60% and 40% respectively.

Variable Quota Share

Attached to the GenRe Contract and Commercial Surety Reinsurance Agreement is Variable Quota Share coverage. In the event that the aggregate retention for all risks being written or considered for a Principal exceed the Company’s net retention goals, the Company may request quota share coverage. The variable quota share reinsurance applies to contract and surety bonds written by the Company. The Company is not obliged to cede such bonds and GenRe is not obliged to assume such bonds. Bonds are accepted by GenRe on a per risk basis

beginning April 1, 2019, and shall continue in force until terminated by either party as of any April 1.

Co-Surety, Power of Attorney, and Indemnification

Also attached to the Contract and Commercial Surety Reinsurance Agreement with GenRe is a Co-Surety Agreement that applies to bonds written by the Company and reinsured under the excess of loss or variable quota share agreements and which the obligee requires a carrier with a rating of A+ or better from A.M. Best, with a Treasury Listing that exceeds the Company's, or to otherwise support the Company in a way or form to which GenRe has given its prior written consent. This coverage is limited to \$25,000,000 aggregate as respects the sum of all co-surety supported bond penalties outstanding at any one time.

GenRe grants authorized Company employees listed as custodians the power of attorney to sign bonds on GenRe's behalf as its attorney-in-fact for the purpose of providing co-surety support to the Company.

GenRe may immediately terminate or modify the Company's authority to issue any reinsurer power of attorney. The Company fully releases, indemnifies and holds harmless the reinsurer from and against any and all liability related to this agreement.

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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bonds	\$ 5,257,835	\$ 2,844,907	\$ 956,164	\$ 7,551,512
Admitted assets	29,905,285	40,625,558	39,963,401	50,765,715
Loss reserves	1,093,554	2,383,868	1,070,642	1,469,311
Total liabilities	12,792,204	16,728,269	16,108,290	31,276,730
Capital and surplus	17,133,081	23,897,289	23,855,111	19,488,985
Premiums earned	10,944,279	11,723,886	7,686,399	10,649,088
Net investment income	452,446	427,697	337,062	662,270
Losses incurred	1,445,931	2,645,885	560,738	1,096,412
Net income	896,063	2,639,703	129,919	650,915

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, 2022. 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, 2022

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 7,551,512		\$ 7,551,512
Common stocks	8,768,938		8,768,938
Cash and short-term investments	<u>31,465,020</u>		<u>31,465,020</u>
Subtotals, cash and invested assets	\$47,785,470		\$47,785,470
Investment income due and accrued	58,889		58,889
Uncollected premiums and agents' balances in the course of collection	1,961,731	\$ 526,533	1,435,198
Net deferred tax asset	1,486,158		1,486,158
Electronic data processing equipment and software	513,110	513,110	
Furniture and equipment	40,266	40,266	
Organizational costs	135,000	135,000	
Prepaid expenses	77,843	77,843	
Security deposits	<u>8,510</u>	<u>8,510</u>	<u> </u>
Totals	<u>\$52,066,977</u>	<u>\$1,301,262</u>	<u>\$50,765,715</u>

Liabilities, Surplus, and Other Funds

Losses	\$ 1,469,311
Loss adjustment expenses	221,268
Commissions payable, contingent commissions and other similar charges	163
Other expenses (excluding taxes, licenses and fees)	415,552
Taxes, licenses and fees (excluding federal and foreign income taxes)	180,394
Unearned premiums	6,512,401
Advance premium	155
Ceded reinsurance premiums payable (net of ceding commissions)	173,769
Payable to parent, subsidiaries and affiliates	1,277,138
Funds held as collateral	<u>21,026,579</u>
 Total liabilities	 <u>\$31,276,730</u>
 Common capital stock	 \$ 2,600,000
Gross paid in and contributed surplus	16,615,161
Unassigned funds (surplus)	378,079
Less treasury stock, at cost	<u>104,255</u>
 Total capital and surplus	 <u>\$19,488,985</u>
 Totals	 <u>\$50,765,715</u>

STATEMENT OF INCOME – 2022

Underwriting Income

Premiums earned	\$10,649,088
Losses incurred	\$ 1,096,412
Loss adjustment expenses incurred	435,881
Other underwriting expenses incurred	<u>9,303,191</u>
Total underwriting deductions	<u>\$10,835,484</u>
Net underwriting loss	<u>\$ (186,396)</u>

Investment Income

Net investment income earned	\$ 662,270
Net realized capital gains	<u>716,750</u>
Net investment gain	<u>\$ 1,379,020</u>

Other Income

Finance and service charges not included in premiums	<u>\$ 1,025</u>
Total other income	<u>\$ 1,025</u>
Net income before federal income taxes	\$ 1,193,649
Federal income taxes incurred	<u>542,734</u>
Net income	<u>\$ 650,915</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Surplus as regards policyholders, beginning	<u>\$14,970,877</u>	<u>\$17,113,081</u>	<u>\$23,897,289</u>	<u>\$23,855,111</u>
Net income	\$ 896,063	\$ 2,639,703	\$ 129,919	\$ 650,915
Change in net unrealized capital gains or (losses)	1,192,378	(90,886)	2,160,130	(4,731,971)
Change in net deferred income tax		199,448	168,446	1,533,596
Change in nonadmitted assets	53,763	(363,097)	(174,446)	(318,666)
Surplus adjustments: Paid in		5,740,161	(425,000)	
Dividends to stockholders		(1,500,000)	(1,800,000)	(1,500,000)
Prior period adjustment	<u> </u>	<u>158,879</u>	<u>(101,227)</u>	<u> </u>
Net change for the year	<u>\$ 2,142,204</u>	<u>\$ 6,784,208</u>	<u>\$ (42,178)</u>	<u>\$(4,366,126)</u>
Capital and surplus, ending	<u>\$17,113,081</u>	<u>\$23,897,289</u>	<u>\$23,855,111</u>	<u>\$19,488,985</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$378,079, as reported in the Company's 2022 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:

Custodial Agreement – It was recommended that the Company's investments be covered by a Custodial Agreement to safeguard the invested assets in accordance with Title 210, Nebraska Department of Insurance, Chapter 81.

Actions: The Company has not complied with this recommendation. This recommendation will be repeated under the caption "Commentary on Current Examination Findings" in this report.

Outstanding Shares of Common Stock – It was recommended that the Company report issued and outstanding shares of common stock correctly in the Annual Statement in accordance with the NAIC Annual Statement Instructions.

Actions: The Company has complied with this recommendation.

Shareholder Meetings – It was recommended that the Company hold the Shareholder meeting annually and document the Nebraska required activities, including the election of Directors, and any other activities in the meeting minutes.

Actions: The Company has complied with this recommendation.

Appointment of Officers – It was recommended that the Company appoint Officers annually in accordance with its By-Laws.

Actions: The Company has complied with this recommendation.

Annual Statement Disclosure – It was recommended that the Company include affiliated payment information in Note 10 and on Schedule Y, Part 2 of the Annual Statement. The information should clearly identify the transactions with affiliates in accordance with the NAIC Annual Statement Instructions.

Actions: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Custodial Agreement

The Company's investments held at a brokerage firm are not covered by a Custodial Agreement to safeguard the invested assets in accordance with Title 210, Nebraska Department of Insurance, Chapter 81. It is recommended that the Company's investments be covered by a Custodial Agreement to safeguard the invested assets in accordance with Title 210, Nebraska Department of Insurance, Chapter 81.

Approval of Investment Policy

The Company was unable to provide documentation of the formal review and approval of the insurer's Investment Policy in 2021 in accordance with Nebraska Revised Statute §44-5105(2). It is recommended that the Company, at least annually, document the formal review and approval of the insurer's Investment Policy in accordance with Nebraska Revised Statute §44-5105(2).

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Custodial Agreement – It is recommended that the Company’s investments be covered by a Custodial Agreement to safeguard the invested assets in accordance with Title 210, Nebraska Department of Insurance, Chapter 81.

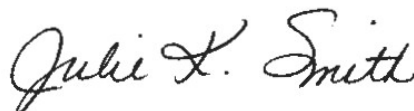
Approval of Investment Policy – It is recommended that the Company, at least annually, document the formal review and approval of the insurer’s Investment Policy in accordance with Nebraska Revised Statute §44-5105(2).

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; Carol Riley, AES, CISA, CGEIT, CRISC and Sharon Riley, CISA, CGEIT, AIRC, FLMI, IT Examiners; Alan Kaliski, FCAS, MAAA, Actuarial Examiner; all with Noble Consulting Services, Inc.; and Michael Sullivan, CFE and Jennifer Lindblad with the Nebraska Department of Insurance; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Julie K. Smith, CFE
Examiner-in Charge
Noble Consulting Services, Inc.
Representing the Department of Insurance
State of Nebraska



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

State of Colorado,
County of Douglas,

Julie K. Smith, 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 UNITED CASUALTY AND SURETY INSURANCE COMPANY.
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 UNITED CASUALTY AND SURETY INSURANCE COMPANY was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

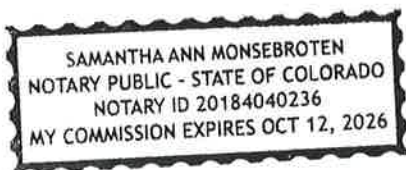
The affiant says nothing further.

Julie K. Smith

Examiner-in-Charge's Signature

Subscribed and sworn before me by Julie K. Smith on this 10 day of October, 2023.

(SEAL)



[Signature]
Notary Public

My commission expires October 12, 2026 [date].