

STATE OF INDIANA )  
 ) SS: BEFORE THE INDIANA  
COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
 )  
**American Surety Company** )  
**250 East 96<sup>th</sup> Street, Suite 202** )  
**Indianapolis, Indiana 46240** )

Examination of: **American Surety Company**


**NOTICE OF ENTRY OF ORDER**

Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of American Surety Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of American Surety Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 28, 2022  
Date

  
\_\_\_\_\_  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7019 0700 0000 3590 2584**

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**250 East 96<sup>th</sup> Street, Suite 202** )  
**Indianapolis, Indiana 46240** )

Examination of: **American Surety Company**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the American Surety Company (hereinafter “Company”) for the time period January 1, 2016 through December 31, 2020.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 26, 2022.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 31, 2022 and was received by the Company on May 31, 2022.

On June 17, 2022, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:


1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2020.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 28<sup>th</sup> day of  
June, 2022.

  
\_\_\_\_\_  
Amy L. Beard  
Insurance Commissioner

## ABOUT AFFIRMATIONS

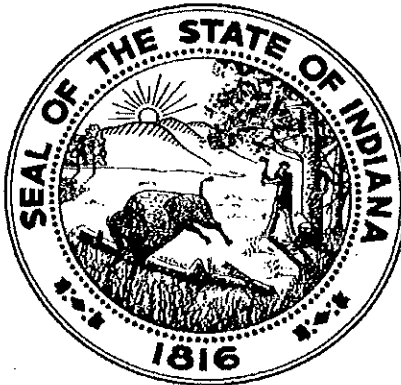
The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**  
**AMERICAN SURETY COMPANY**  
NAIC COMPANY CODE 31380

As of  
December 31, 2020



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# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

**Indiana Department of Insurance**

Amy L. Beard, Commissioner  
311 W. Washington Street, Suite 103  
Indianapolis, Indiana 46204-2787  
Telephone: 317-232-2385  
Fax: 317-232-5251  
Website: [in.gov/doi](http://in.gov/doi)

May 26, 2022

Honorable Amy L. Beard  
Commissioner  
Indiana Department of Insurance  
311 West Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4087, an examination has been made of the affairs and financial condition of:

**American Surety Company  
250 East 96<sup>th</sup> Street, Suite 202  
Indianapolis, Indiana 46240**

an Indiana domestic casualty insurance company hereinafter referred to as the "Company." The examination was conducted at the main administrative offices of the Company located at 250 East 96<sup>th</sup> Street, Suite 202, Indianapolis, Indiana 46240.

The Report of Examination, showing the status of the Company as of December 31, 2020, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
317-232-2389

COMPANY COMPLIANCE  
317-232-3495

CONSUMER SERVICES  
317-232-2395/1-800-622-4461

FINANCIAL SERVICES  
317-232-2390

MEDICAL MALPRACTICE  
317-232-2402

COMPANY RECORDS  
317-232-5692

STATE HEALTH INSURANCE PROGRAM  
1-800-452-4800

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2015. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2016 through December 31, 2020, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In conducting the risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by Katz, Sapper & Miller, LLP for each year of the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

Actuarial specialists were not considered necessary in support of the examination objectives as the Company's sole line of business is surety appearance bonds. The loss and related claims activity was verified for the examination period.

In accordance with the 2020 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, Thomas Consulting performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code (IC). All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

## HISTORY

American Surety Company was incorporated in 1964 and began operating in 1987 in the state of California. On September 8, 2003, the Company redomesticated from California to Indiana and is wholly owned by Eighth Amendment Holdings, Inc. (EAH), an Indiana S Corporation.

## CAPITAL AND SURPLUS

Pursuant to the Amended Articles of Incorporation, the authorized capital stock of the Company shall consist of 15,000 shares of common stock with a par value of \$200 per share. As of December 31, 2020, the Company's total capital and surplus was \$9,818,668, which included: 10,000 shares of common stock issued and 8,600 shares outstanding; gross paid-in contributed surplus of \$400,000; and unassigned funds (surplus) of \$8,090,824, reduced by treasury stock of 1,400 shares, which was purchased for \$672,156. All issued shares were owned by EAH as of December 31, 2020, which is owned by William B. Carmichael (51%), Michael J. Whitlock (24.5%) and Paul J. Longstreth (24.5%), who are all current officers of the Company.



## DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends to EAH during the period covered by this examination:

<u>Year</u>	<u>Total</u>	<u>Ordinary Dividends</u>	<u>S Corporation Distributions</u>
2020	\$ 500,000	\$ 0	\$ 500,000
2019	856,000	456,000	400,000
2018	867,000	462,000	405,000
2017	1,458,000	708,000	750,000
2016	<u>1,230,000</u>	<u>420,000</u>	<u>810,000</u>
Totals	<u>\$ 4,911,000</u>	<u>\$ 2,046,000</u>	<u>\$ 2,865,000</u>

Effective January 1, 2014, the Company filed to become a qualified S Corporation Subsidiary of its parent company. The Company's Tax Allocation Agreement, with its shareholders and affiliated entities, allows for periodic payments to its parent in order to fund the resulting tax due related to the pass through income from the Company. The INDOI, in its approval of the agreement, does not require the payments to be subject to the dividend notice requirements of IC 27-1-23-1.5.

The Company notified the INDOI of all declared ordinary dividends to the parent during the examination period in accordance with the requirements of IC 27-1-23-1.5.

## TERRITORY AND PLAN OF OPERATION

The Company is licensed in 49 states and the District of Columbia. The majority of the Company's premiums are produced in California, Florida, and Texas. The Company is a mono-line insurer, specializing in bail bond (surety appearance bonds) coverage. Surety bonds are written through a network of independent agents. The agents are required to maintain build-up funds. These funds are intended to ensure the Company is protected from losses, costs, or expenses. Agents retain in excess of 80% of the gross premium as commission, 10% goes to build-up funds, and the remaining 10% is provided to the Company as net premium. Bail bond agents also retain collateral from the defendant in order to mitigate losses. Collateral is generally in the form of cash, real estate, or assignment of funds.

## GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital &amp; Surplus</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2020	\$ 11,673,605	\$ 1,854,937	\$ 9,818,668	\$ 8,805,611	\$ 264,570
2019	12,836,498	2,598,647	10,237,851	10,297,831	1,033,116
2018	12,385,819	2,332,699	10,053,120	9,477,269	856,230
2017	14,167,028	3,712,961	10,454,067	11,025,693	867,784
2016	14,605,750	3,664,496	10,941,254	10,926,376	1,458,436

Note: Amounts are shown in whole dollars and rows may not total due to rounding.

Asset and liability changes each year are consistent with the premium volume during the examination period. Capital and surplus has generally remained constant due to the declaration of dividends each year equal to the previous year's net income with the exception of 2020, in which no ordinary dividends were paid. The decrease in net income in 2020 was primarily due to a decrease in premium writings as a result of COVID-19. (See additional information in "Dividends to Stockholders" section.)

## MANAGEMENT AND CONTROL

### Directors

The Company's Bylaws specify that the Board of Directors (Board) shall consist of not less than five (5) or more than fifteen (15) members. The Bylaws allow the number of directors to be increased or decreased by amendment to the Bylaws or Articles of Incorporation. Directors are elected at the Annual Meeting of the Shareholders. The following is a listing of persons serving as directors as of December 31, 2020:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Daniel R. Amato Orlando, Florida	Vice President American Surety Company
William B. Carmichael Indianapolis, Indiana	CEO and President American Surety Company
Paul J. Longstreth Carmel, Indiana	CFO, Secretary, and Treasurer American Surety Company
John T. Whitlock Zionsville, Indiana	Former Owner and CEO American Surety Company
Michael J. Whitlock Indianapolis, Indiana	Executive Vice President American Surety Company

### Officers

The Company's Bylaws state that the officers of the Company shall consist of a President, a Chief Executive Officer (CEO), a Secretary, a Treasurer, a Chief Financial Officer (CFO), and such other officers as may be elected by the Board. The officers elected by the Board, and serving as of December 31, 2020, were as follows:

<u>Name</u>	<u>Title</u>
William B. Carmichael	CEO and President
Paul J. Longstreth	CFO, Secretary, and Treasurer
Michael J. Whitlock	Executive Vice President

Daniel R. Amato	Vice President
Gary W. Logue	Vice President
Roger D. Moore	Vice President

### CONFLICT OF INTEREST

The Company's conflict of interest disclosure process requires directors and officers to complete a conflict of interest disclosure statement on an annual basis. From a review of the directors and officers signed statements, there were no material conflicts of interest noted.

### OATH OF OFFICE

IC 27-1-7-10(i) requires that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. Each director serving during the examination period signed an Oath of Office statement.

### CORPORATE RECORDS

#### **Articles of Incorporation**

There were no amendments to the Articles of Incorporation during the period under examination.

#### **Bylaws**

There were no amendments made to the Bylaws during the period under examination.

#### **Minutes**

The Board minutes were reviewed for the period under examination through the fieldwork completion date and significant actions taken during each meeting were noted.

### AFFILIATED COMPANIES

#### **Organizational Structure**

The Company is a member of an insurance holding company system as defined within IC 27-1-23 and Regulation of Insurance Holding Company Systems. An Insurance Holding Company System Registration Statement was filed annually with the INDOI for each year of the examination period. The following abbreviated organizational chart depicts the Company's relationship within the holding company system:

NAIC	Domiciliary
Company	<u>State</u>

Eighth Amendment Holdings, Inc (William B. Carmichael - 51%) (Michael J. Whitlock - 24.5%) (Paul J. Longstreth - 24.5%)	<u>Code</u>	SC
American Surety Company (100% owned by EAH) Underwriters Surety, Inc. (100% owned by EAH)	31380	IN IN

### **Affiliated Agreements**

The following significant affiliated agreements were disclosed as part of the Form B Holding Company Registration Statement and were filed with, and not disapproved by, the INDOI in accordance with IC 27-1-23-4(b)(4).

### Manager's Contract

Effective August 18, 2011, the Company entered into a replacement Manager's Contract with Underwriters Surety, Inc. (USI), an affiliated service company. USI performs all operational, administrative, and managerial functions to include all, underwriting, claims, licensing, and administrative functions to the Company. USI receives a management fee not to exceed 75% of the premiums written and is reimbursed for all expenses associated with the Company's operation. The fees paid by the Company to USI under the Manager's Contract in 2020 totaled \$5,440,000.

### Tax Sharing Agreement

EAH, the Company's sole shareholder, was elected for S Corporation status under IRS Code Section 1362(a). Concurrent with this elected status, effective January 1, 2014, the Company entered into a Tax Allocation Agreement with EAH to make periodic tax payments to EAH in order to fund the resulting tax due related to the pass through income from the Company.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company protects itself against loss from any fraudulent or dishonest acts by employees through a fidelity bond issued by Hiscox Insurance Company, Inc. The bond has a single loss limit of \$500,000 with a \$25,000 deductible. The aggregate limit for this policy is \$1,000,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC. Other various interests of the Company are protected by appropriate policies of insurance as well.

## STATUTORY AND SPECIAL DEPOSITS

The Company reported statutory and special deposits comprised of state and municipal bonds held by various Departments of Insurance as of December 31, 2020:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
<b>For the Benefit of All Policyholders:</b>		
Indiana	\$ 1,501,924	\$ 1,563,042
<b>All Other Special Deposits:</b>		
Florida	203,681	216,920
Georgia	55,291	53,965
Indiana	75,000	75,000
Kansas	103,421	107,460
Massachusetts	134,174	144,820
Nevada	203,929	203,929
New Hampshire	277,777	292,538
New Mexico	243,645	246,430
North Carolina	1,283,225	1,316,320
Oklahoma	683,560	707,175
Oregon	298,968	304,801
Rhode Island	100,095	104,470
South Carolina	231,420	232,124
Tennessee	112,396	122,780
Virginia	212,724	217,820
Wyoming	153,750	153,750
Total Deposits	<u>\$ 5,874,980</u>	<u>\$ 6,063,344</u>

Note: Amounts are shown in whole dollars and columns may not total due to rounding.

## REINSURANCE

The Company does not participate in any reinsurance agreements.

## RESERVES

Michael D. Green, ACAS, MAAA, with the firm Deloitte Consulting, LLP, was the Appointed Actuary for the Company. Mr. Green was appointed by the Board's Audit Committee to render an actuarial opinion on the statutory-basis reserves of the Company for all years covered by this examination.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining reserves and related actuarial items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2020. In forming the opinion on loss and loss adjustment expense reserves, information prepared by the Company was relied upon. This information

was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used, and such tests of the calculations as considered necessary.

The 2020 opinion stated that the amounts carried in the balance sheet on account for loss reserves and loss adjustment reserves: 1) meet the requirements of the insurance laws and regulations of the State of Indiana, 2) are consistent with reserves computed in accordance with accepted actuarial standards and principles, 3) make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

### ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2020, was agreed to the Annual Statement without exception. The Company's independent auditors issued unqualified opinions on the Company's audited Statutory Financial Statements for each year during the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2020, with no exceptions noted. All of the independent audit work papers were made available to Thomas Consulting during the examination.

Overall, Thomas Consulting determined the Company's accounting procedures, practices, and account records were satisfactory.

#### **Permitted Practice**

Under a permitted practice approved by the INDOI on January 22, 2003, the Company is permitted to report direct premiums net of commission expenses. The permitted practice is approved to remain in effect: 1) in the absence of applicable prescribed accounting guidance, 2) if the Company writes only bail surety bonds, and 3) if there is no change in the Company's ownership.

**FINANCIAL EXHIBITS**

Comparative Exhibit – Statutory Statement of Assets  
Comparative Exhibit – Statutory Statement of Liabilities, Surplus, and Other Funds  
Comparative Exhibit - Statutory Statement of Income  
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

AMERICAN SURETY COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2020

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Bonds	\$ 5,281,031	\$ -	\$ 5,281,031	\$ 5,463,924
Common stocks	1,592,364	-	1,592,364	1,860,514
Cash, cash equivalents and short-term investments	<u>3,572,752</u>	<u>-</u>	<u>3,572,752</u>	<u>3,405,946</u>
Subtotals, cash and invested assets	<u>\$ 10,446,147</u>	<u>\$ -</u>	<u>\$ 10,446,147</u>	<u>\$ 10,730,384</u>
Investment income due and accrued	\$ 104,706	\$ -	\$ 104,706	\$ 109,095
Uncollected premiums and agents' balances in the course of collection	1,107,316	-	1,107,316	1,851,209
Aggregate write-ins for other than invested assets	<u>15,435</u>	<u>-</u>	<u>15,435</u>	<u>145,810</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>\$ 11,673,605</u>	<u>\$ -</u>	<u>\$ 11,673,605</u>	<u>\$ 12,836,498</u>
<b>Totals</b>	<b><u>\$ 11,673,605</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,673,605</u></b>	<b><u>\$ 12,836,498</u></b>



**AMERICAN SURETY COMPANY**

**FINANCIAL STATEMENTS**

**Liabilities, Surplus, and Other Funds**

**As of December 31, 2020**

	<b>Per Annual Statement</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>	<b>December 31, Prior Year</b>
Losses	\$ 799,291	\$ -	\$ 799,291	\$ 920,411
Loss adjustment expenses	44,658	-	44,658	49,341
Other expenses	253,821	-	253,821	383,449
Unearned premiums	706,335	-	706,335	1,175,546
Payable to parent, subsidiaries, and affiliates	10,571	-	10,571	-
Aggregate write-ins for liabilities	40,261	-	40,261	69,900
Total liabilities	<u>\$ 1,854,937</u>	<u>\$ -</u>	<u>\$ 1,854,937</u>	<u>\$ 2,598,647</u>
Common capital stock	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 2,000,000
Gross paid in and contributed surplus	400,000	-	400,000	400,000
Unassigned funds (surplus)	8,090,824	-	8,090,824	8,510,007
Less treasury stock, at cost	672,156	-	672,156	672,156
Surplus as regards policyholders	<u>\$ 9,818,668</u>	<u>\$ -</u>	<u>\$ 9,818,668</u>	<u>\$ 10,237,851</u>
<b>Totals</b>	<u><b>\$ 11,673,605</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 11,673,605</b></u>	<u><b>\$ 12,836,498</b></u>

AMERICAN SURETY COMPANY

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2020

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
<b>Underwriting Income</b>				
Premiums earned	\$ 8,805,611	\$ -	\$ 8,805,611	\$ 10,297,831
<b>DEDUCTIONS</b>				
Losses incurred	(22,914)	-	(22,914)	42,731
Loss adjustment expenses incurred	14,220	-	14,220	40,729
Other underwriting expenses	9,032,571	-	9,032,571	9,793,607
Total underwriting deductions	9,023,877	-	9,023,877	9,877,067
<b>Net underwriting gain</b>	<b>\$ (218,266)</b>	<b>\$ -</b>	<b>\$ (218,266)</b>	<b>\$ 420,764</b>
<b>Investment Income</b>				
Net investment income earned	\$ 159,541	\$ -	\$ 159,541	\$ 202,220
Net realized capital gains (losses)	233,201	-	233,201	198,645
<b>Net investment gain</b>	<b>\$ 392,742</b>	<b>\$ -</b>	<b>\$ 392,742</b>	<b>\$ 400,865</b>
<b>Other Income</b>				
Aggregate write-ins for miscellaneous income	90,094	-	90,094	211,487
<b>Total Other Income</b>	<b>\$ 90,094</b>	<b>\$ -</b>	<b>\$ 90,094</b>	<b>\$ 211,487</b>
Net income before federal income taxes	\$ 264,570	\$ -	\$ 264,570	\$ 1,033,116
Federal and foreign income taxes incurred	-	-	-	-
<b>Net Income</b>	<b>\$ 264,570</b>	<b>\$ -</b>	<b>\$ 264,570</b>	<b>\$ 1,033,116</b>

**AMERICAN SURETY COMPANY**

**FINANCIAL STATEMENTS**

**Capital and Surplus Account**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Capital and Surplus Account</b>					
Surplus as regards policyholders, December 31, prior year	\$10,237,851	\$10,053,120	\$10,454,067	\$10,941,254	\$10,255,679
Net income	264,570	1,033,116	856,230	867,784	1,458,436
Change in net unrealized capital gains or (losses) less capital gains tax	(185,866)	204,281	(424,643)	167,950	460,616
Change in nonadmitted assets	2,113	(196,666)	34,466	(64,921)	(3,477)
Dividends to stockholders	<u>(500,000)</u>	<u>(856,000)</u>	<u>(867,000)</u>	<u>(1,458,000)</u>	<u>(1,230,000)</u>
<b>Change in surplus as regards policyholders for the year</b>	<b><u>\$ (419,183)</u></b>	<b><u>\$ 184,731</u></b>	<b><u>\$ (400,947)</u></b>	<b><u>\$ (487,187)</u></b>	<b><u>\$ 685,575</u></b>
<b>Capital and surplus, Surplus as regards policyholders, December 31 current year</b>	<b><u>\$ 9,818,668</u></b>	<b><u>\$10,237,851</u></b>	<b><u>\$10,053,120</u></b>	<b><u>\$10,454,067</u></b>	<b><u>\$10,941,254</u></b>

### **COMMENTS ON THE FINANCIAL STATEMENTS**

There were no recommended adjustments to surplus as of December 31, 2020, based on the results of this examination.

### **OTHER SIGNIFICANT FINDINGS**

There were no significant findings noted as of December 31, 2020, based on the results of this examination.

### **SUBSEQUENT EVENTS**

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in this Report of Examination.

### **MANAGEMENT REPRESENTATION**

In support of contingencies and accuracy of information provided during the course of the examination, Thomas Consulting obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to Thomas Consulting.

**AFFIDAVIT**


This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **American Surety Company** as of **December 31, 2020**.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2020 NAIC *Financial Condition Examiners Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of the **American Surety Company** as of **December 31, 2020**, as determined by the undersigned.

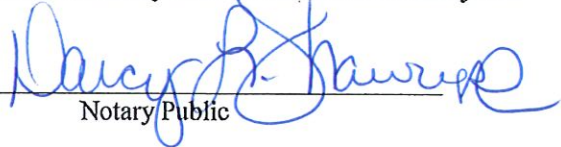
  
D. Patrick Huth, CFE  
The Thomas Consulting Group, Inc.

  
Jerry Ehlers, CFE, CPA  
Indiana Department of Insurance

State of:  
County of:

On this 31<sup>st</sup> day of May, 2022, before me personally appeared, D. Patrick Huth and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires October 4, 2025   
Notary Public

DARCY L. SHAWVER  
NOTARY PUBLIC  
**SEAL**  
MARION COUNTY, STATE OF INDIANA  
MY COMMISSION EXPIRES OCTOBER 4, 2025  
COMMISSION NO 706053

