

BEFORE THE NEW MEXICO OFFICE OF SUPERINTENDENT OF INSURANCE

IN THE MATTER OF THE
DONEGAL GROUP
NAIC #0000, GROUP #250
Respondent.

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)

Docket No.2024-0106

ORDER ADOPTING EXAMINATION REPORTS

THIS MATTER comes before the New Mexico Office of Superintendent of Insurance (“Superintendent” or “OSI”) upon the reports of examination of the New Mexico domiciled companies within DONEGAL GROUP, Group Code 250, which includes the following companies: MOUNTAIN STATES INDEMNITY COMPANY, *NAIC Company Code: 10177 (EXHIBIT A), for the period of January 1, 2020 – December 31, 2024*, and MOUNTAIN STATES COMMERCIAL INSURANCE COMPANY, *NAIC Company Code 15726 (EXHIBIT B), for the period of January 1, 2020 – December 31, 2024*, (“Examination Reports”) that were submitted to OSI by Baker Tilly Advisory Group, LP, on or about June 5, 2026; whereupon, having reviewed the Examination Reports and being otherwise fully informed,

THE SUPERINTENDENT HEREBY FINDS:

1. On December 13, 2024, an Order for Examination (“Order”) was issued by the Superintendent in the above-captioned matter pursuant to NMSA 1978, § 59A-4-5 to DONEGAL GROUP, NAIC Group Code 250 (“Respondent”).
2. Baker Tilly Advisory Group, LP (“Examiner”), was appointed as the Examiner or Contractor representing the Superintendent in said examination.
3. Upon completion of the examination, OSI promptly provided Respondent with a copy of the Examination Reports (See Exhibit A and B).

4. The Respondent was afforded a period of twenty (20) days after receipt of the Examination Reports.

5. The Examiner made no material findings. On June 15, 2026, Respondent notified OSI that it accepted the Examination Reports "as final". Respondent further stated it wished to "accelerate its filing by waiving the 20-day review period".

6. Pursuant to NMSA 1978, § 59A-4-10, the Superintendent has fully considered and reviewed the Examination Reports and finds good cause to adopt the Examination Reports as submitted.

IT IS THEREFORE ORDERED:

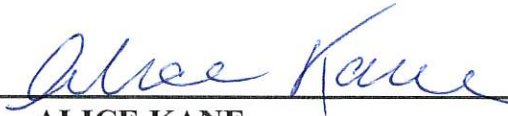
A. The Examination Reports are adopted as filed, effective immediately.

B. Pursuant to NMSA 1978, § 59A-4-11, the Examination Reports shall be made part of the public record in this docket.

C. This docket is now closed.

DONE AND ORDERED this 29th day of June, 2026.

SUPERINTENDENT OF INSURANCE


ALICE KANE

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this **30th** day of **June, 2026**, I filed the foregoing *Order* through the OSI's e-filing system, which caused the parties indicated below to be served by electronic means.

Jeffrey Miller, EVP and Chief Financial Officer
Donegal Group
jeffmiller@donegalgroup.com
Respondent

Chrissy Hoffman, Senior VP and Chief Risk Officer
Donegal Group
ChrissyHoffman@donegalgroup.com
Respondent

Melissa Shelley, AVP, Corporate Compliance
Donegal Group
melissashelley@donegalgroup.com
Respondent

Alice T. Kane, Superintendent
Office of Superintendent of Insurance
Alice.Kane@osi.nm.gov

Timothy Vigil, Deputy Superintendent
Office of Superintendent of Insurance
Timothy.Vigil@osi.nm.gov

Stephen Thies, General Counsel
Office of Superintendent of Insurance
Stephen.Thies@osi.nm.gov

Don Gilbert, CPA, Chief Financial Analyst
Office of the Superintendent of Insurance
Don.Gilbert@osi.nm.gov

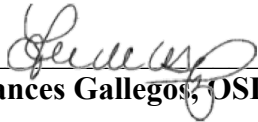
Malis Rasmussen, MSA, CFE, SPIR, Chief Financial Examiner
Office of Superintendent of Insurance
Malis.Rasmussen@osi.nm.gov

Elisabeth Johnson, Associate General Counsel
Office of the Superintendent of Insurance
Elisabeth.Johnson@osi.nm.gov

Regina Ramirez, Financial Analyst
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regina.ramirez2@osi.nm.gov

Kelsey Barlow, CFE, Examiner-in-Charge
Baker Tilly Advisory Group, LP
Kelsey.Barlow@bakertilly.com
Contractor for Office of Superintendent of Insurance

John Romero, Principal
Baker Tilly Advisory Group, LP
John.Romano@bakertilly.com
Contractor for Office of Superintendent of Insurance



Frances Gallegos, OSI Senior Paralegal



**REPORT OF EXAMINATION
OF**

MOUNTAIN STATES INDEMNITY COMPANY

NAIC Company Code: 10177

Albuquerque, New Mexico

as of

December 31, 2024

Exhibit A

BY THE

NEW MEXICO OFFICE OF SUPERINTENDENT OF INSURANCE

Table of Contents

SCOPE OF EXAMINATION	4
Period Covered by Examination	4
Examination Procedures Employed	4
SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS	5
COMPANY HISTORY	5
General	5
Mergers and Acquisitions	5
Dividends and Capital Contributions	5
MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE	5
Shareholders.....	5
Board of Directors.....	5
Officers	6
Committees	7
Holding Company System	7
Organizational Chart.....	8
Transactions and Agreements with Affiliates	8
TERRITORY AND PLAN OF OPERATION	10
REINSURANCE	10
Assumed.....	10
Ceded	10
GROWTH OF COMPANY	11
FINANCIAL STATEMENTS.....	12
BALANCE SHEET.....	13
STATEMENT OF INCOME	14
RECONCILIATION OF CAPITAL AND SURPLUS	15
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS.....	16
COMMENTS ON FINANCIAL STATEMENT ITEMS	16
SUBSEQUENT EVENTS.....	16
ACKNOWLEDGEMENT.....	17

May 20, 2026

Honorable Alice T. Kane

Superintendent

New Mexico Office of Superintendent of Insurance

1120 Paseo De Peralta

Santa Fe, NM 87501

Dear Superintendent:

Pursuant to your instructions and the Order for Examination Docket No. 2024-0106, in compliance with New Mexico Statutes (NMSA) 1978 § 59A-4-5, we have conducted an examination as of December 31, 2024, of the financial condition and business affairs of:

Mountain States Indemnity Company

5051 Journal Center Blvd., NE

Albuquerque, New Mexico 87109

hereinafter referred to as the “Company” or “MSIC.” The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

Pursuant to NMSA 1978 § 59A-4-5, the New Mexico Office of Superintendent of Insurance (“OSI”) conducted this risk-focused statutory examination of the Company, which covers the period of January 1, 2020, through December 31, 2024, including any material transactions and/or events occurring subsequent to the examination date. The last full-scope financial examination of the Company was as of December 31, 2019. The current financial examination began with a kick-off meeting with the Company on March 26, 2025. The examination is part of a coordinated examination, led and facilitated by Pennsylvania. States participated in the examination besides New Mexico include Georgia, Michigan, and Virginia.

Examination Procedures Employed

The examination was conducted in accordance with the *NAIC Financial Condition Examiners Handbook*. The examination was performed to evaluate the financial condition of the Company, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. The examination also included identifying and evaluating significant risks that could potentially cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management, evaluating management's compliance with the NAIC's Statutory Accounting Principles, and determining compliance with the insurance laws and regulations of the State of New Mexico. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment was identified, the impact of such adjustment is documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in NMSA 1978 §59A-4-9, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There were no material adverse findings, significant non-compliance findings, or material changes to the financial statements noted during the current and prior examination.

COMPANY HISTORY

General

MSIC was incorporated on October 5, 1994, and commenced business on December 28, 1994. In 2014, the Company incorporated a subsidiary, Mountain States Commercial Insurance Company (“MSCIC”), which writes workers’ compensation business in the State of New Mexico. MSIC and MSCIC market their products together as Mountain States Insurance Group (“MSIG”). On May 25, 2017, MSIC was acquired by Donegal Mutual Insurance Company (“DMIC”). MSIC cedes 100% of premiums and losses to DMIC under a 100% quota share reinsurance agreement.

Mergers and Acquisitions

There were no mergers or acquisitions during the examination period.

Dividends and Capital Contributions

The Company did not pay dividends to stockholders or receive, or make, capital contributions during the examination period.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Shareholders

MSIC had 2,000,000 shares of \$5 par value common stock authorized and 570,000 shares issued and outstanding, all of which were held by DMIC as of December 31, 2024.

Board of Directors

The following persons served as Directors of the Company as of December 31, 2024:

<u>Name and Address</u>	<u>Principle Occupation</u>
Jennifer G. Anderson Albuquerque, New Mexico	Attorney Modrall Sperling Roehl Harris & Sisk

Scott A. Berlucchi Auburn, New York	President and Chief Executive Office Auburn Memorial Hospital
Dennis J. Bixenman Le Mars, Iowa	Vice President, Senior Consultant – Retired Williams & Company Consulting, Inc.
Michael W. Brubaker Lititz, Pennsylvania	Partner Principled Strategies
Kevin G. Burke Manheim, Pennsylvania	President and Chief Executive Officer Donegal Mutual Insurance Company
Michael K. Callahan Mountville, Pennsylvania	Chairman of the Board Benchmark Construction Company, Inc.
Jack L. Hess Lancaster, Pennsylvania	Partner – Retired Bertz, Hess & Co. LLP
Kevin, M. Kraft Sr. Columbia, Pennsylvania	President Clyde W. Kraft Funeral Home, Inc.
Jeffrey D. Miller Elizabethtown, Pennsylvania	Chief Financial Officer Donegal Mutual Insurance Company
Britta H. Schatz Elliottsburg, Pennsylvania	Chief Information Officer – Retired Penn National Mutual Casualty Insurance Company
Annette B. Szady Chambersburg, Pennsylvania	Director of Financial Examinations – Retired Pennsylvania Insurance Department

Officers

The following persons served as the Company’s Officers as of December 31, 2024:

<u>Name</u>	<u>Office</u>
Kevin G. Burke	President and Chief Executive Officer
Jeffrey D. Miller	Chief Financial Officer
Sheri O. Smith	Secretary
David B. Bawel	Senior Vice President, Chief Accounting Officer
William D. DeLamater	Executive Vice President, Chief Operating Officer

Gregory E. King	Vice President, National Accounts
Sanjay Pandey	Senior Vice President, IT and Chief Information Officer
Vincent A. Viozzi	Senior Vice President, Chief Investment Officer
John R. Bradley	Vice President, Commercial Underwriting Operations
William A. Folmar	Senior Vice President, Claims
Nicole M. Leininger	Regional Vice President, Southwest Region
Rebecca B. Reich	Vice President, Chief Actuary
Daniel J. Wagner	Senior Vice President and Treasurer
Noland R. Deas Jr.	Senior Vice President, Field Operations and National Accounts
Jeffery T. Hay	Senior Vice President, Chief Underwriting Officer
Justin P. Marcusson	Vice President, Commercial Lines Underwriting
Natasha C. Romero	Vice President and Controller

Committees

As of December 31, 2024, the Company's Board of Directors had established the following committees:

Audit Committee

Jack L. Hess (Chair)
Dennis J. Bixenman
Michael K. Callahan
Annette B. Szady

Compensation Committee

Scott A. Berlucchi (Chair)
Michael K. Callahan
Jack L. Hess
Kevin M. Kraft Sr.

Executive Committee

Kevin G. Burke (Chair)
Jack L. Hess
Kevin M. Kraft Sr.

Nominating Committee

Kevin M. Kraft Sr.
Dennis J. Bixenman
Michael K. Callahan
Kevin G. Burke (Ex-officio)

Holding Company System

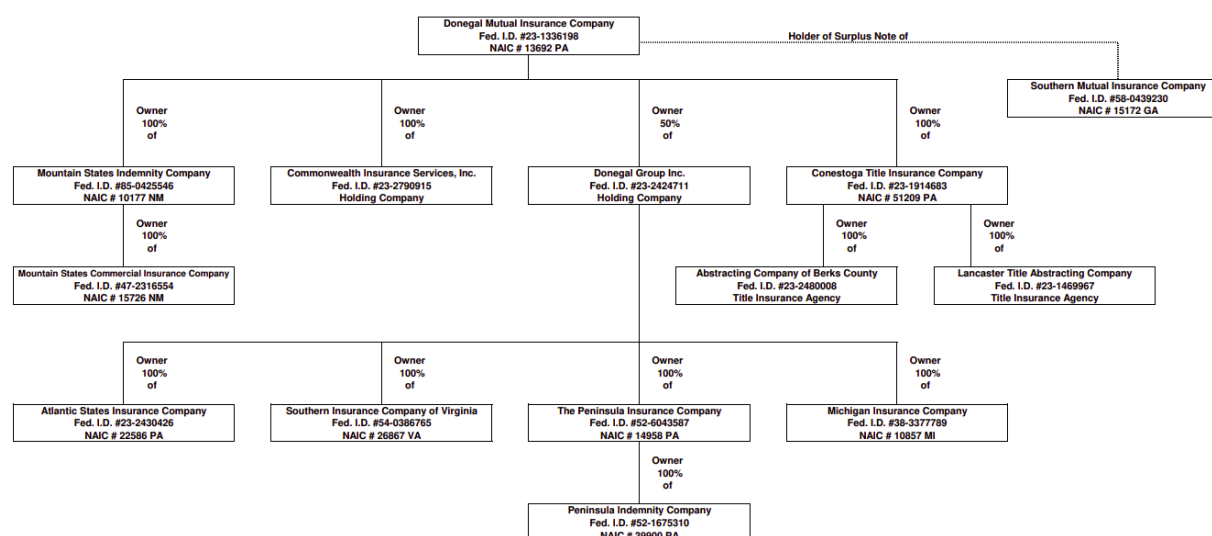
During the period covered by this examination, the Company reported as a Property and Casualty Insurer that was part of an Insurance Holding Company as defined by NMSA 1978 § 59A-37-2.

The Company filed its holding company registration statements with the OSI in accordance with NMSA 1978 § 59A-37-11(B), which were reviewed and determined that any changes and material transactions by and between the Company and its affiliates were appropriately disclosed.

DMIC was reported as the ultimate controlling person and MSIC reported as a wholly owned subsidiary of DMIC. Donegal Group Inc. (“DGI”) was incorporated in Delaware in August of 1986. DGI, 51% owned by DMIC, is headquartered in Marietta, Pennsylvania and is engaged in the property and casualty insurance business through its wholly owned subsidiaries: Atlantic States Insurance Company, Michigan Insurance Company, Southern Insurance Company of Virginia, and The Peninsula Insurance Company.

Organizational Chart

The following is an organizational chart of the insurance entities and the publicly traded company as of December 31, 2024:



Transactions and Agreements with Affiliates

Services Allocation Agreement

Effective May 25, 2017, the Company entered into a Services Allocation Agreement (the "Services Agreement") with DMIC. The agreement was modified on September 1, 2021. Under this Services Agreement, services to be provided by DMIC to the Company included: underwriting, claims,

reinsurance, investments, data processing services, personnel and professional services, financial reporting, tax administration, accounting services and policyholder services. The Services Agreement does not require payment of fees by the Company. The Services Agreement was submitted to and approved by OSI.

Technology License Agreement

Effective May 25, 2017, the Company entered into a Technology License Agreement (the "Technology Agreement") with DMIC. The agreement was modified on September 1, 2021. Under this Technology Agreement, DMIC agreed to license certain of its technology to the Company. The Technology Agreement does not require payment of fees by the Company. The Technology Agreement was submitted to and approved by the OSI.

Amended and Restated Tax Sharing Agreement

Effective May 25, 2017, the Company entered into an Amended and Restated Tax Sharing Agreement (the "Tax Agreement") with DMIC. The parties entered into the Tax Agreement to consolidate various tax sharing agreements between DMIC and its individual insurance subsidiaries into a single agreement with uniform provisions. Under this Tax Agreement, DMIC included each insurance subsidiary in its consolidated federal income tax returns in accordance with sections 1501 and 1502 of the Internal Revenue Code of 1986. Income tax expenses or benefits were allocated on the basis of the calculated tax liability or benefit of each insurance subsidiary. The Tax Agreement provided for the determination of tax liability as if the companies had filed on a separate company basis. The Tax Agreement was submitted to and approved by the OSI.

Quota Share Reinsurance Agreement

Effective May 25, 2017, the Company entered into a 100% Quota Share Reinsurance Agreement with DMIC, including a portfolio transfer of all unearned premium reserves and all loss adjustment expenses reserves. As a result, the Company had no net insurance reserves at the end of 2024.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2024, MSIC was licensed in New Mexico, Arizona, Colorado, Montana, Nevada, North Dakota, South Dakota, Texas, Utah, and Wyoming for the following lines of business: fire, allied lines, commercial multiple peril, inland marine, workers' compensation, other liability, products liability, commercial auto liability, auto physical damage, fidelity, boiler & machinery and burglary & theft.

REINSURANCE

Assumed

The Company assumes an immaterial amount from the New Mexico Workers' Compensation Pool.

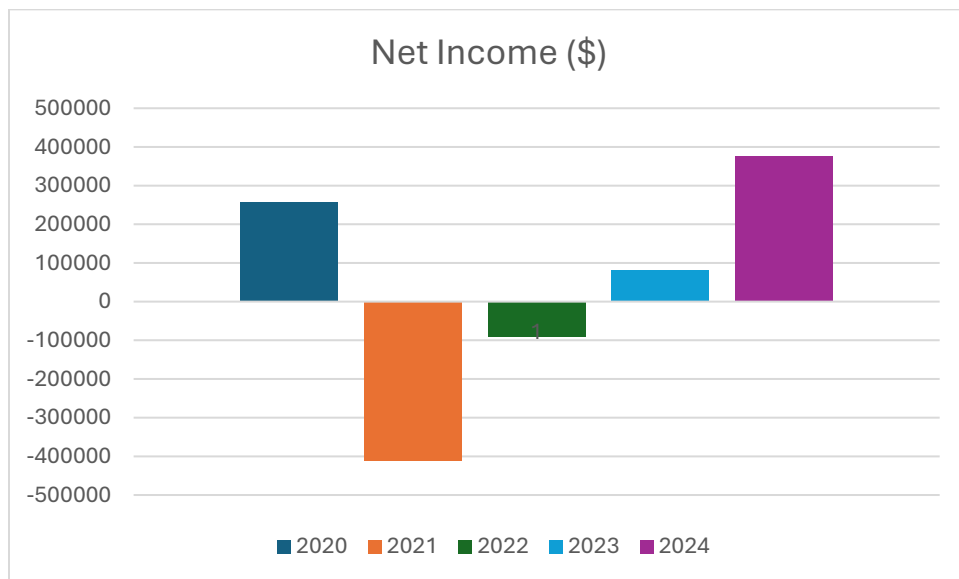
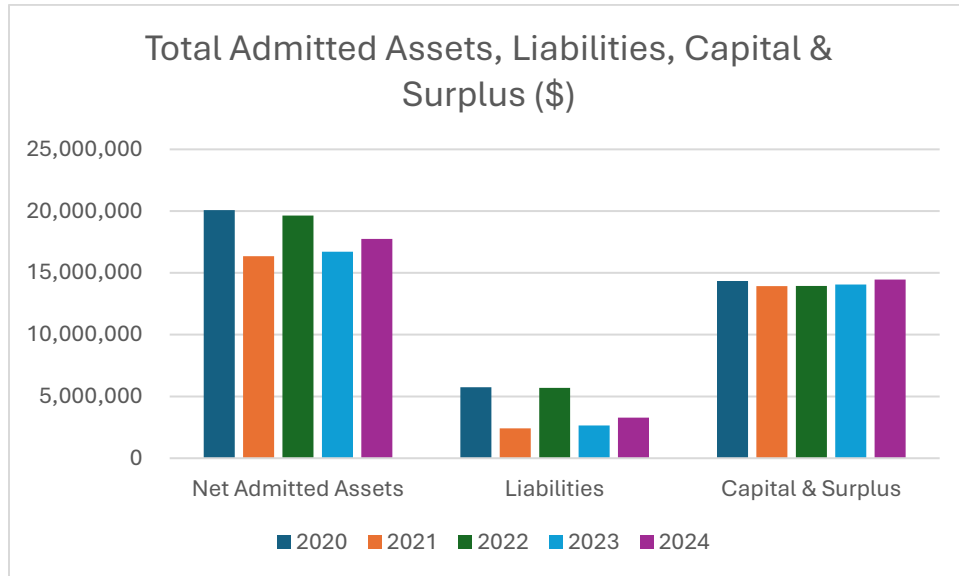
Ceded

Quota Share Reinsurance Agreement

Effective May 25, 2017, the Company entered into a 100% Quota Share Reinsurance Agreement with DMIC, including a portfolio transfer of all unearned premium reserves and all loss adjustment expenses reserves. As a result, the Company had no net insurance reserves at the end of 2024. See also Transactions and Agreements with Affiliates section.

GROWTH OF COMPANY

The Company maintained a stable financial position during the examination period, with admitted assets and capital and surplus remaining at consistent levels.



FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the OSI and present the financial condition of the Company for the period ending December 31, 2024. The accompanying comments on financial statements (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Mountain States Indemnity Company

BALANCE SHEET

as of December 31, 2024

Assets

Bonds	\$3,994,766	
Common stocks	1,070,052	
Cash, cash equivalents, and short-term investments	4,175,131	
Subtotals, cash and invested assets		9,239,949
Investment income due and accrued	31,377	
Uncollected premiums and agents' balances in the course of collection	2,048,819	
Deferred premiums, agents balances and installments booked but deferred and not yet due	3,506,000	
Amounts recoverable from reinsurers	1,909,934	
Net deferred tax asset	90,178	
Receivable from parent, subsidiaries and affiliates	918,300	
Total Assets		<u>\$17,744,557</u>

Liabilities

Other expenses (excluding taxes, licenses, and fees)	\$27,112	
Taxes, licenses, and fees (excluding federal and foreign income taxes)	(39,766)	
Current federal and foreign income taxes on realized capital gains	91,718	
Advanced premium	177,053	
Ceded reinsurance premiums payable	2,893,825	
Amounts withheld or retained by company for account of others	15	
Provision for reinsurance	129,328	
Total Liabilities		<u>\$3,279,285</u>

Surplus

Common Capital Stock	\$2,850,000	
Gross paid in and contributed surplus	13,650,000	
Unassigned funds (surplus)	(2,034,727)	
Surplus as regards policyholders		<u>\$14,465,273</u>
Total Liabilities and Surplus		<u>\$17,744,557</u>

Mountain States Indemnity Company

STATEMENT OF INCOME

as of December 31, 2024

Aggregate write-ins for underwriting deductions,	(\$144,434)	
Total underwriting deductions		144,434
Net underwriting gain (loss)		144,434
Net investment income earned	212,909	
Net investment gain (loss)		212,909
Finance and service charges not included in premiums	54,846	
Aggregate write-ins for miscellaneous income	54,735	
Total other income		109,581
Net income before dividends to policyholders after capital gains tax and before all other federal and foreign income taxes		466,924
Federal and foreign income taxes incurred	91,718	
Net income		\$375,206

Mountain States Indemnity Company
RECONCILIATION OF CAPITAL AND SURPLUS
2020 through 2024

	2020	2021	2022	2023	2024
Surplus as regards policyholders, December 31 prior year	\$14,127,469	\$14,343,412	\$13,934,312	\$13,939,899	\$14,064,255
Net income	255,997	(412,444)	(91,444)	80,748	375,206
Change in net unrealized capital gains or (losses) less capital gains tax	14,991	2,811	6,591	14,278	17,685
Change in net deferred income tax	8,898	35,981	(51,964)	(1,908)	(3,619)
Change in nonadmitted assets	(67,718)	(35,448)	142,404	31,238	11,746
Change in provision for reinsurance	3,774				
Change in surplus as regards policyholders for the year	215,943	(409,100)	5,587	124,356	401,018
Surplus as regards policyholders, December 31 current year	<u>\$14,343,412</u>	<u>\$13,934,312</u>	<u>\$13,939,899</u>	<u>\$14,064,255</u>	<u>\$14,465,273</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

There were no changes in the financial statements resulting from the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

There were no changes to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2024. The surplus as regards policyholders, which totaled \$14,465,273 as of the examination date, was determined to be reasonably stated and in compliance with MMSA 1978 § 59A-5-16.

SUBSEQUENT EVENTS

There were no significant subsequent events. During 2025, the Company made several changes to its executive management team. Jennifer R. Miller was appointed Corporate Secretary. In addition, the Company appointed Kristi S. Altshuler as Senior Vice President and Chief Analytics Officer; Tony L. Finnegan as Vice President of Middle Market and Corporate Underwriting; Karen L. Groff as Vice President and Assistant Treasurer; Rick J. Hecker as Senior Vice President and General Counsel; and Christina M. Hoffman as Senior Vice President and Chief Risk Officer.

ACKNOWLEDGEMENT

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination. In addition to the undersigned, Jon Passarello, Financial Examiner; and Nathan Bolles, Financial Examiner; both of whom are Baker Tilly Advisory Group, LP associates, participated in this examination.



Kelsey Barlow, CFE
Examiner-in-Charge
Baker Tilly Advisory Group, LP
Representing the New Mexico Office of Superintendent of Insurance

The report has been reviewed and approved by:



Malis Rasmussen, MSA, SPIR, CFE
Chief Financial Examiner
New Mexico Office of Superintendent of Insurance



**REPORT OF EXAMINATION
OF**

MOUNTAIN STATES COMMERCIAL INSURANCE COMPANY

NAIC Company Code: 15726

Albuquerque, New Mexico

as of

December 31, 2024

BY THE

NEW MEXICO OFFICE OF SUPERINTENDENT OF INSURANCE

Table of Contents

SCOPE OF EXAMINATION.....	4
Period Covered by Examination	4
Examination Procedures Employed	4
SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS	5
COMPANY HISTORY	5
General.....	5
Mergers and Acquisitions	5
Dividends and Capital Contributions	5
MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE	6
Shareholders.....	6
Board of Directors.....	6
Officers	7
Committees	7
Holding Company System	8
Organizational Chart.....	8
Transactions and Agreements with Affiliates	9
TERRITORY AND PLAN OF OPERATION	10
REINSURANCE.....	10
Assumed.....	10
Ceded	10
GROWTH OF COMPANY	11
FINANCIAL STATEMENTS	12
BALANCE SHEET	13
STATEMENT OF INCOME	14
RECONCILIATION OF CAPITAL AND SURPLUS	15
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS	16
COMMENTS ON FINANCIAL STATEMENT ITEMS	16
SUBSEQUENT EVENTS	16
ACKNOWLEDGEMENT	17

May 20, 2026

Honorable Alice T. Kane

Superintendent

New Mexico Office of Superintendent of Insurance

1120 Paseo De Peralta

Santa Fe, NM 87501

Dear Superintendent:

Pursuant to your instructions and the Order for Examination Docket No. 2024-0106, in compliance with New Mexico Statutes (NMSA) 1978 § 59A-4-5, we have conducted an examination as of December 31, 2024, of the financial condition and business affairs of:

Mountain States Commercial Insurance Company

5051 Journal Center Blvd., NE

Albuquerque, New Mexico 87109

hereinafter referred to as the “Company” or “MSCIC.” The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

Pursuant to NMSA 1978 § 59A-4-5, the New Mexico Office of Superintendent of Insurance (“OSI”) conducted this risk-focused statutory examination of the Company, which covers the period of January 1, 2020, through December 31, 2024, including any material transactions and/or events occurring subsequent to the examination date. The last full-scope financial examination of the Company was as of December 31, 2019. The current financial examination began with a kick-off meeting with the Company on March 26, 2025. The examination is part of a coordinated examination, led and facilitated by Pennsylvania. States participated in the examination besides New Mexico include Georgia, Michigan, and Virginia.

Examination Procedures Employed

The examination was conducted in accordance with the *NAIC Financial Condition Examiners Handbook*. The examination was performed to evaluate the financial condition of the Company, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. The examination also included identifying and evaluating significant risks that could potentially cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management, evaluating management's compliance with the NAIC's Statutory Accounting Principles, and determining compliance with the insurance laws and regulations of the State of New Mexico. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment was identified, the impact of such adjustment is documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in NMSA 1978 §59A-4-9, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There were no material adverse findings, significant non-compliance findings, or material changes to the financial statements noted during the current and prior examination.

COMPANY HISTORY

General

MSCIC is a stock company formed in 2014. It is wholly owned by Mountain States Indemnity Company (“MSIC”) and is domiciled in the State of New Mexico with its principal office located in Albuquerque, New Mexico. MSCIC is part of the Mountain States Insurance Group (“MSIG”), a New Mexico-based, Southwest regional insurance organization, which was led by Mountain States Mutual Casualty Company (“MSMCC”) which owned 100% of the outstanding stock of MSIC. On May 25, 2017, MSMCC merged with and into Donegal Mutual Insurance Company (“DMIC”), and as a result of the merger, the Company became an indirect subsidiary of DMIC. MSMCC is no longer in existence. DMIC, MSIC and MSCIC continue to market their products as MSIG.

MSCIC writes workers’ compensation business in the State of New Mexico and produces its business through independent agents located in New Mexico. Agents produce business for presentation to the Company, but they do not have binding authority. MSCIC cedes 100% of premiums and losses to DMIC under a 100% quota share reinsurance agreement.

Mergers and Acquisitions

There were no mergers or acquisitions during the examination period.

Dividends and Capital Contributions

The Company did not pay dividends to stockholders or receive, or make, capital contributions during the examination period.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Shareholders

MSCIC had 100,000 shares of \$5 par value common stock authorized and 100,000 shares issued and outstanding, all of which were held by MSIC.

Board of Directors

The following persons served as Directors of the Company as of December 31, 2024:

<u>Name and Address</u>	<u>Principle Occupation</u>
Jennifer G. Anderson Albuquerque, New Mexico	Attorney Modrall Sperling Roehl Harris & Sisk
Scott A. Berlucchi Auburn, New York	President and Chief Executive Office Auburn Memorial Hospital
Dennis J. Bixenman Le Mars, Iowa	Vice President, Senior Consultant – Retired Williams & Company Consulting, Inc.
Michael W. Brubaker Lititz, Pennsylvania	Partner Principled Strategies
Kevin G. Burke Manheim, Pennsylvania	President and Chief Executive Officer Donegal Mutual Insurance Company
Michael K. Callahan Mountville, Pennsylvania	Chairman of the Board Benchmark Construction Company, Inc.
Jack L. Hess Lancaster, Pennsylvania	Partner – Retired Bertz, Hess & Co. LLP
Kevin, M. Kraft Sr. Columbia, Pennsylvania	President Clyde W. Kraft Funeral Home, Inc.
Jeffrey D. Miller Elizabethtown, Pennsylvania	Chief Financial Officer Donegal Mutual Insurance Company
Britta H. Schatz Elliottsburg, Pennsylvania	Chief Information Officer – Retired Penn National Mutual Casualty Insurance Company
Annette B. Szady Chambersburg, Pennsylvania	Director of Financial Examinations – Retired Pennsylvania Insurance Department

Officers

The following persons served as the Company's Officers as of December 31, 2024:

<u>Name</u>	<u>Office</u>
Kevin G. Burke	President and Chief Executive Officer
Jeffrey D. Miller	Chief Financial Officer
Sheri O. Smith	Secretary
David B. Bawel	Senior Vice President, Chief Accounting Officer
William D. DeLamater	Executive Vice President, Chief Operating Officer
Gregory E. King	Vice President, National Accounts
Sanjay Pandey	Senior Vice President, IT and Chief Information Officer
Vincent A. Viozzi	Senior Vice President, Chief Investment Officer
John R. Bradley	Vice President, Commercial Underwriting Operations
William A. Folmar	Senior Vice President, Claims
Nicole M. Leininger	Regional Vice President, Southwest Region
Rebecca B. Reich	Vice President, Chief Actuary
Daniel J. Wagner	Senior Vice President and Treasurer
Noland R. Deas Jr.	Senior Vice President, Field Operations and National Accounts
Jeffery T. Hay	Senior Vice President, Chief Underwriting Officer
Justin P. Marcusson	Vice President, Commercial Lines Underwriting
Natasha C. Romero	Vice President and Controller

Committees

As of December 31, 2024, the Company's Board of Directors had established the following committees:

Audit Committee

Jack L. Hess (Chair)
Dennis J. Bixenman
Michael K. Callahan
Annette B. Szady

Compensation Committee

Scott A. Berlucchi (Chair)
Michael K. Callahan
Jack L. Hess
Kevin M. Kraft Sr.

Executive Committee

Kevin G. Burke (Chair)
Jack L. Hess
Kevin M. Kraft Sr.

Nominating Committee

Kevin M. Kraft Sr.
Dennis J. Bixenman
Michael K. Callahan
Kevin G. Burke (Ex-officio)

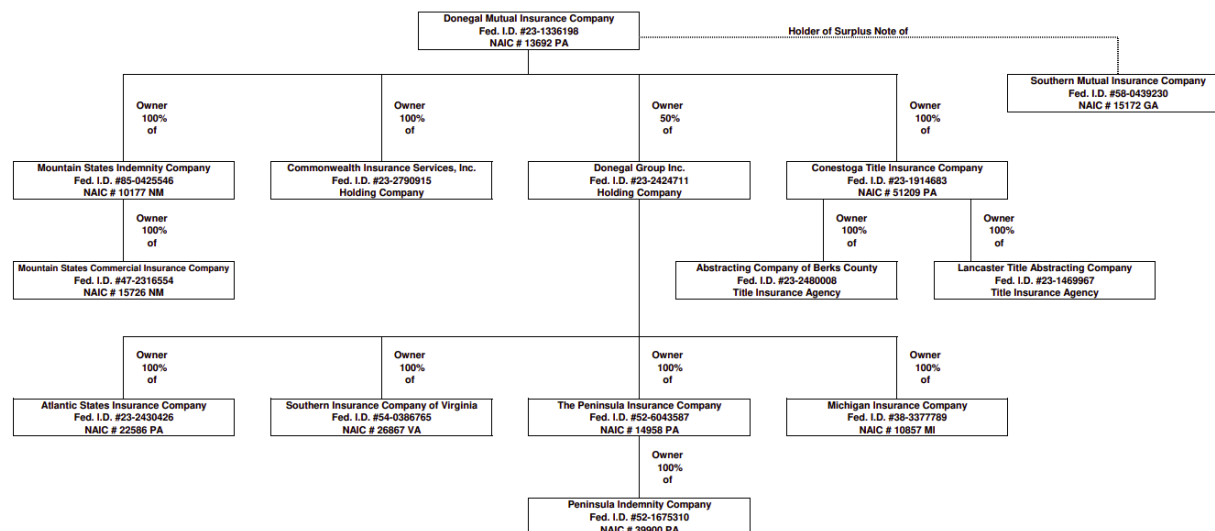
Holding Company System

During the period covered by this examination, the Company reported as a Property and Casualty Insurer that was part of an Insurance Holding Company as defined by NMSA 1978 § 59A-37-2. The Company filed its holding company registration statements with the OSI in accordance with NMSA 1978 § 59A-37-11(B), which were reviewed and determined that any changes and material transactions by and between the Company and its affiliates were appropriately disclosed.

DMIC was reported as the ultimate controlling person and MSCIC reported as a wholly owned subsidiary of MSIC. Donegal Group Inc. (“DGI”) was incorporated in Delaware in August of 1986. DGI, 51% owned by DMIC, is headquartered in Marietta, Pennsylvania, and is engaged in the property and casualty insurance business through its wholly owned subsidiaries: Atlantic States Insurance Company, Michigan Insurance Company, Southern Insurance Company of Virginia, and The Peninsula Insurance Company.

Organizational Chart

The following is an organizational chart of the insurance entities and the publicly traded company as of December 31, 2024:



Transactions and Agreements with Affiliates

Services Allocation Agreement

Effective May 25, 2017, the Company entered into a Services Allocation Agreement (the "Services Agreement") with DMIC. The agreement was modified on September 1, 2021. Under this Services Agreement, services to be provided by DMIC to the Company included: underwriting, claims, reinsurance, investments, data processing services, personnel and professional services, financial reporting, tax administration, accounting services and policyholder services. The Services Agreement does not require payment of fees by the Company. The Services Agreement was submitted to and approved by OSI.

Technology License Agreement

Effective May 25, 2017, the Company entered into a Technology License Agreement (the "Technology Agreement") with DMIC. The agreement was modified on September 1, 2021. Under this Technology Agreement, DMIC agreed to license certain of its technology to the Company. The Technology Agreement does not require payment of fees by the Company. The Technology Agreement was submitted to and approved by the OSI.

Amended and Restated Tax Sharing Agreement

Effective May 25, 2017, the Company entered into an Amended and Restated Tax Sharing Agreement (the "Tax Agreement") with DMIC. The parties entered into the Tax Agreement to consolidate various tax sharing agreements between DMIC and its individual insurance subsidiaries

into a single agreement with uniform provisions. Under this Tax Agreement, DMIC included each insurance subsidiary in its consolidated federal income tax returns in accordance with sections 1501 and 1502 of the Internal Revenue Code of 1986. Income tax expenses or benefits were allocated on the basis of the calculated tax liability or benefit of each insurance subsidiary. The Tax Agreement provided for the determination of tax liability as if the companies had filed on a separate company basis. The Tax Agreement was submitted to and approved by the OSI.

Quota Share Reinsurance Agreement

Effective May 25, 2017, the Company entered into a 100% Quota Share Reinsurance Agreement with DMIC, including a portfolio transfer of all unearned premium reserves and all loss adjustment expenses reserves. As a result, the Company had no net insurance reserves at the close of business in 2024.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2024, MSCIC was licensed only in New Mexico and wrote workers' compensation insurance. Agents produce business for presentation to the Company, but they do not have binding authority. MSCIC cedes 100% of premiums and losses to DMIC under a 100% quota share reinsurance agreement.

REINSURANCE

Assumed

The Company does not assume business during this examination period.

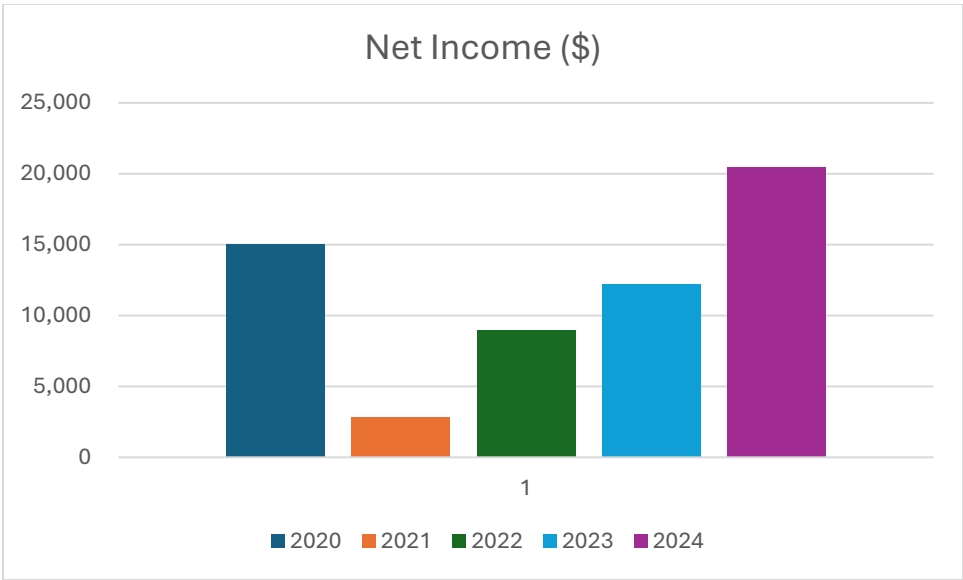
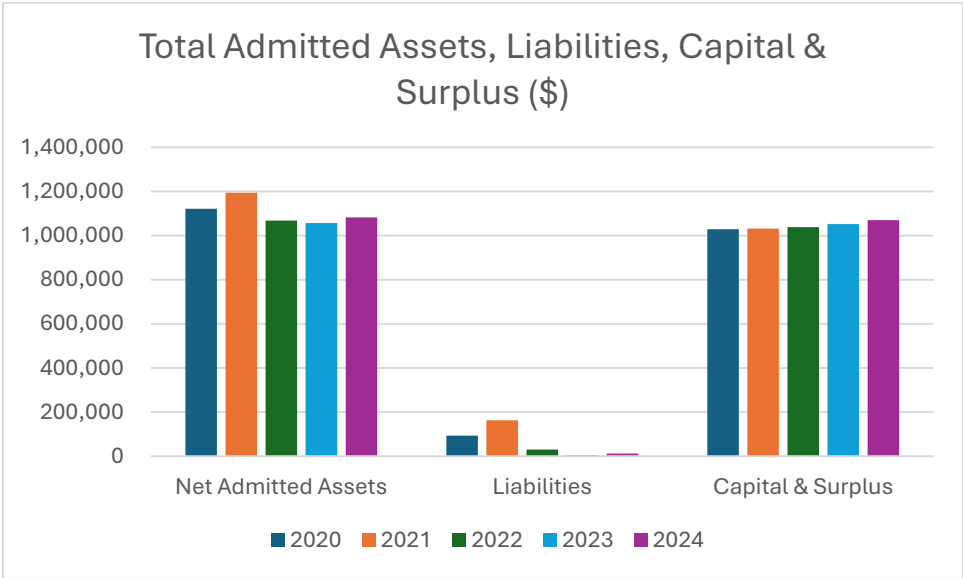
Ceded

Quota Share Reinsurance Agreement

Effective May 25, 2017, the Company entered into a 100% Quota Share Reinsurance Agreement with DMIC, including a portfolio transfer of all unearned premium reserves and all loss adjustment expenses reserves. As a result, the Company had no net insurance reserves at the close of business in 2024. See also Transactions and Agreements with Affiliates section.

GROWTH OF COMPANY

The Company maintained a stable financial position during the examination period, with admitted assets and capital and surplus remaining at consistent levels.



FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the OSI and present the financial condition of the Company for the period ending December 31, 2024. The accompanying comments on financial statements (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Mountain States Commercial Insurance Company

BALANCE SHEET

as of December 31, 2024

Assets

Bonds	\$644,762	
Cash, cash equivalents, and short-term investments	339,404	
Subtotals, cash and invested assets		984,165
Investment income due and accrued	3,213	
Uncollected premiums and agents' balances in the course of collection	10,779	
Deferred premiums, agents balances and installments booked but deferred and not yet due	80,228	
Amounts recoverable from reinsurers	1,529	
Net deferred tax asset	794	
Receivable from parent, subsidiaries and affiliates	1,476	
Total Assets		<u>\$1,082,184</u>

Liabilities

Other expenses (excluding taxes, licenses, and fees)	\$500	
Current federal and foreign income taxes on realized capital gains	5,386	
Ceded reinsurance premiums payable	6,246	
Provision for reinsurance		
Total Liabilities		<u>\$12,132</u>

Surplus

Common Capital Stock	\$500,000	
Gross paid in and contributed surplus	500,000	
Unassigned funds (surplus)	70,052	
Surplus as regards policyholders		<u>\$1,070,052</u>
Total Liabilities and Surplus		<u>\$1,082,184</u>

Mountain States Commercial Insurance Company

STATEMENT OF INCOME

as of December 31, 2024

Aggregate write-ins for underwriting deductions,	<u>\$ (6,079)</u>	
Total underwriting deductions		<u>(6,079)</u>
Net underwriting gain (loss)		6,079
Net investment income earned	<u>19,209</u>	
Net investment gain (loss)		19,209
Finance and service charges not included in premiums	552	
Aggregate write-ins for miscellaneous income		
Total other income		<u>522</u>
Net income before dividends to policyholders after capital gains tax and before all other federal and foreign income taxes		25,840
Federal and foreign income taxes incurred	<u>5,386</u>	
Net income		<u>\$20,454</u>

Mountain States Commercial Insurance Company
RECONCILIATION OF CAPITAL AND SURPLUS
2020 through 2024

	2020	2021	2022	2023	2024
Surplus as regards policyholders, December 31 prior year	\$1,013,694	\$1,028,686	\$1,031,497	\$1,038,088	\$1,052,366
Net income	15,028	2,849	8,996	12,227	20,454
Change in net deferred income tax	(37)	(38)	593	(376)	685
Change in nonadmitted assets			(2,998)	2,427	(3,453)
Change in surplus as regards policyholders for the year	14,991	2,811	6,591	14,278	17,686
Surplus as regards policyholders, December 31 current year	<u>\$1,028,686</u>	<u>\$1,031,497</u>	<u>\$1,038,088</u>	<u>\$1,052,366</u>	<u>\$1,070,052</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

There were no changes in the financial statements resulting from the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

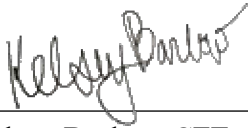
There were no changes to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2024. The surplus as regards policyholders, which totaled \$1,070,052 as of the examination date, was determined to be reasonably stated and in compliance with MMSA 1978 § 59A-5-16.

SUBSEQUENT EVENTS

During 2025, the Company made several changes to its executive management team. Jennifer R. Miller was appointed Corporate Secretary. In addition, the Company appointed Kristi S. Altshuler as Senior Vice President and Chief Analytics Officer; Tony L. Finnegan as Vice President of Middle Market and Corporate Underwriting; Karen L. Groff as Vice President and Assistant Treasurer; Rick J. Hecker as Senior Vice President and General Counsel; and Christina M. Hoffman as Senior Vice President and Chief Risk Officer.

ACKNOWLEDGEMENT

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination. In addition to the undersigned, Jon Passarello, Financial Examiner; and Nathan Bolles, Financial Examiner; both of whom are Baker Tilly Advisory Group, LP associates, participated in this examination.



Kelsey Barlow, CFE
Examiner-in-Charge
Baker Tilly Advisory Group, LP
Representing the New Mexico Office of Superintendent of Insurance

The report has been reviewed and approved by:



Malis Rasmussen, MSA, SPIR, CFE
Chief Financial Examiner
New Mexico Office of Superintendent of Insurance