

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

IN THE MATTER OF:)
)
InsureMax Insurance Company)
4976 State Route 261)
Newburgh, IN 47630-2856)

Examination of: **InsureMax Insurance Company**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of InsureMax Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on October 24, 2016, 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 InsureMax Insurance 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.

11/22/2016
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0065 3984

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

IN THE MATTER OF:)
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InsureMax Insurance Company)
4976 State Route 261)
Newburgh, IN 47630-2856)

Examination of: **InsureMax Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the InsureMax Insurance Company (hereinafter "Company") for the time period January 1, 2011 through December 31, 2015.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on September 9, 2016.

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 October 24, 2016 and was received by the Company on October 26, 2016.

The Company did not file any objections.

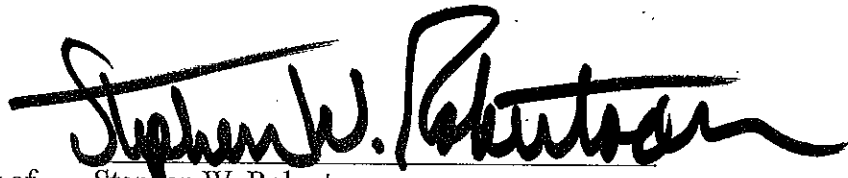
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the InsureMax Insurance Company as of December 31, 2015.
2. That the Examiner's Recommendations are reasonable and necessary in order for the InsureMax Insurance Company to comply with the 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, 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. 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 and Sealed this 22nd day of
November, 2016.

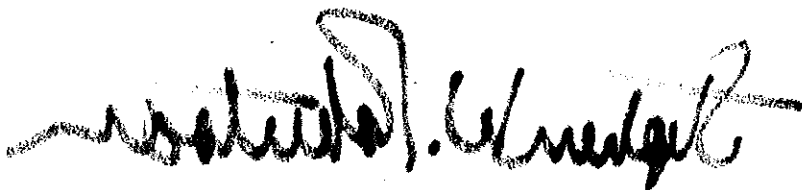

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

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.

A handwritten signature in black ink, appearing to read "Robert L. ...". The signature is written in a cursive style with a large initial 'R' and a long horizontal stroke at the end.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

INSUREMAX INSURANCE COMPANY

NAIC Co. CODE 10922

As of

December 31, 2015

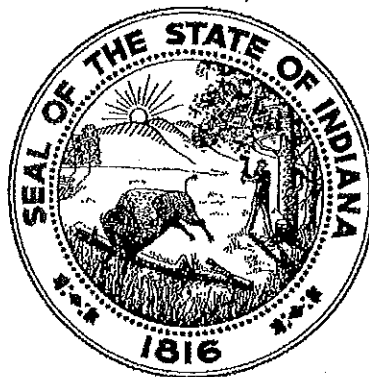
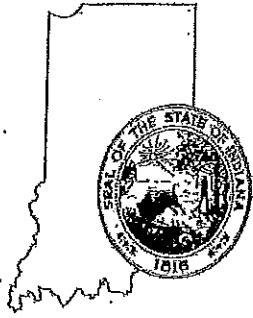


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

September 9, 2016.

Honorable Stephen W. Robertson, 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 3908, an examination has been made of the affairs and financial condition of:

InsureMax Insurance Company
4976 State Route 261
Newburgh, Indiana 47630-2856

hereinafter referred to as the "Company", or "InsureMax", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Newburgh, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2015, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES (317) 232-2413 COMPANY COMPLIANCE (317) 233-0697 CONSUMER SERVICES (317) 232-2395 EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390 MEDICAL MALPRACTICE (317) 232-2402 COMPANY RECORDS (317) 232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-332-4674
1-800-622-4461

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2006 through December 31, 2010. The present risk-focused examination was conducted by Noble Consulting Services, Inc. and covered the period from January 1, 2011 through December 31, 2015, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

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

Brett Miller, FCAS, MAAA, of Merlino & Associates, Inc., was appointed by the INDOI to conduct a review of the Company's actuarially determined balances as of December 31, 2015. There were no actuarial adjustments resulting from the review performed by Mr. Miller.

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 and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as required in Indiana Code (IC) 27-1-3.1-10, 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 separately communicated to other regulators and/or the Company.

HISTORY

InsureMax was originally incorporated in the state of Indiana on March 6, 1998, and commenced business on July 9, 1998. The Company is a wholly-owned subsidiary of Evansville Holdings, Incorporated (EHI) and was established to provide insurance products and service to the non-standard automobile market. InsureMax and EHI share one (1) location in Newburgh, Indiana. The primary business of EHI is to provide financial and accounting services and computer operating systems to the Company.

CAPITAL AND SURPLUS

The Company has 10,000,000 shares of common stock authorized. The initial common capital stock of \$1,000,000 consisted of 100,000 shares of stock at a par value of \$10 per share. In 2004, the par value of common stock was changed to \$20 per share. As of December 31, 2015, the Company had 100,000 shares issued and outstanding to EHI.

DIVIDENDS TO STOCKHOLDERS

The Company paid no dividends to EHI during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company specialized in non-standard auto coverage. Most of the Company's policies were written with liability only coverage at state minimum limits. The Company added Accident, Disability, and Health to its Certificate of Authority during 2007, and began writing this coverage in 2008. InsureMax sold its products through independent agents.

In December 2015, the Board of Directors (Board) made the decision to enter into voluntary runoff. See the Subsequent Events section of this Report of Examination.

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>Surplus and Other Funds</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2015	\$ 8,237,993	\$ 6,110,314	\$ 2,127,679	\$ 6,569,425	\$ (2,181,082)
2014	10,872,342	6,218,876	4,653,469	9,412,466	(1,143,915)
2013	16,487,768	10,912,474	5,575,293	14,085,219	(1,570,935)
2012	17,863,821	10,861,669	7,002,151	14,089,295	(1,993)
2011	17,765,272	10,728,800	7,036,472	14,670,693	75,030

See the Subsequent Events section of this Report of Examination.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board consisting of five (5) directors. At least one (1) of the directors must be a resident of Indiana. The shareholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors at December 31, 2015, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Frank J. Schultheis Ponce Inlet, Florida	Chairman, Secretary, and Treasurer InsureMax Insurance Company
Todd J. Schultheis Newburgh, Indiana	President InsureMax Insurance Company
Robert B. Morgan Lebanon, Ohio	Consultant Cincinnati Financial Corporation
Lawrence E. Roth Evansville, Indiana	Vice President of Operations Energy Systems Group
J. Steven Rudolph Marco Island, Florida	Former President J. H. Rudolph & Company, Inc.

Officers

The Bylaws state that the elected officers of the Company shall consist of the Chairman of the Board, the President, one (1) or more Vice Presidents, if elected, the Treasurer, the Secretary, and such other officers and assistants as the Board may appoint. Each of these officers is appointed by resolution of the Board, and hold office until termination of employment or removal by resolution of the Board.

The following is a list of key officers and their respective titles as of December 31, 2015:

<u>Name</u>	<u>Office</u>
Frank J. Schultheis	Chairman, Secretary, and Treasurer
Todd J. Schultheis	President
J. Todd Kelly	Senior Vice President
Jeffrey S. Murdoch	Vice President

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2015.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates 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 Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2015.

CORPORATE RECORDS

Articles of Incorporation

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

Bylaws

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

Minutes

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

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

AFFILIATED COMPANIES

Organizational Structure

The following organizational chart shows the Company's parent and subsidiaries as of December 31, 2015:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
Evansville Holdings, Incorporated InsureMax Insurance Company Smart Choice Auto Club Affordable Insurance North, Inc. Affordable Insurance Agency, Inc.	10922	IN

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Management Agreement

First effective July 9, 1998, then most recently revised and approved by the INDOI on December 24, 2014, the Company and EHI entered into a Management Agreement whereby the Company agrees to pay a management fee of 5% of earned premiums and fees received associated with policy issuance and billing and reimbursement for reasonable expenses paid on behalf of the Company by EHI. Pursuant to this agreement the Company incurred \$363,780 during 2015, in management fees to EHI.

Expense Allocation Agreement

First effective May 14, 2004, then most recently revised and approved by the INDOI on December 24, 2014, the Company, EHI, and Smart Choice Auto Club (Smart Choice) entered into an Expense Allocation Agreement whereby, the Company agrees to share selected general expenses with EHI and Smart Choice based on various allocation techniques, most commonly employee count. Pursuant to this agreement the Company allocated \$27,815 during 2015, in shared expenses to EHI and Smart Choice.

Producer Agreement- Affordable Insurance North, Inc. (AIN)

Effective December 1, 2014, then approved by the INDOI on December 17, 2014, the Company and AIN entered into a Producer Agreement. Pursuant to this agreement AIN acts as a nonexclusive producer of the Company for purposes of soliciting, receiving, and transmitting applications for automobile insurance. The Company paid AIN \$149,233 under this agreement for 2015.

Producer Agreement- Affordable Insurance Agency, Inc. (AIA)

Effective September 1, 2015, then filed with the INDOI on October 30, 2015, the Company and AIA entered into a Producer Agreement. Pursuant to this agreement AIA acts as a nonexclusive producer of the Company for purposes of soliciting, receiving, and transmitting applications for automobile insurance. The Company paid AIA \$218,439 under this agreement for 2015.

Consolidated Tax Allocation Agreement

First effective December 31, 1998, then most recently revised and approved by the INDOI on November 18, 2011, the Company and EHI agreed to a Consolidated Tax Allocation Agreement whereby the allocation of tax expenses is made primarily on a separate return basis with current credit for any operation losses or other items utilized in a consolidated return.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by the Cincinnati Insurance Company. The bond has a single loss coverage limit of \$500,000, with a \$0 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2015, including but not limited to commercial general liability, commercial umbrella / excess liability, directors' and officers' liability, electronic data processing equipment, employment practices liability, errors and omissions liability, management liability, and workers' compensation.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company sponsors a 401(k) plan administered by CPI Qualified Plan Consultants, Inc., which covers all employees who meet the minimum service requirements. Employees may contribute up to IRS maximum to the plan. The first 6% of employee's contribution is subject to a 50% Company match. The Company's share of the savings plan expense was \$6,154 for 2015.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory and special deposits, at December 31, 2015:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits For the Benefit of All Policyholders:		
Indiana	\$ 2,111,713	\$ 2,152,815
All Other Special Deposits:		
Georgia	52,241	53,104
Missouri	259,233	260,498
Nevada	199,637	197,776
South Carolina	150,000	150,000
Total Deposits	<u>\$ 2,772,824</u>	<u>\$ 2,814,193</u>

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2014 and December 31, 2015, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2011 through December 31, 2015, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

INSUREMAX INSURANCE COMPANY
Assets
As of December 31, 2015

	Per Examination*
Bonds	\$ 4,898,842
Stocks:	
Preferred stocks	204,587
Common stocks	1,504,723
Cash, cash equivalents and short-term investments	115,393
Receivables for securities	15,436
Subtotals, cash and invested assets	6,738,981
Investment income due and accrued	39,615
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	324,048
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,046,350
Receivables from parent, subsidiaries and affiliates	44,333
Aggregate write-ins for other than invested assets	44,665
TOTALS**	\$ 8,237,993

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The balance includes immaterial rounding differences.

INSUREMAX INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2015

	Per Examination*
Losses	\$ 3,026,309
Loss adjustment expenses	787,263
Commissions payable, contingent commissions and other similar charges	86,497
Other expenses	97,205
Taxes, licenses and fees	22,311
Unearned premiums	1,887,676
Advance premium	21,591
Funds held by company under reinsurance treaties	40
Remittances and items not allocated	15,753
Aggregate write-ins for liabilities	165,670
Total liabilities excluding protected cell liabilities	6,110,314
Total liabilities	6,110,314
Common capital stock	2,000,000
Gross paid in and contributed surplus	6,990,000
Unassigned funds (surplus)	(6,862,321)
Surplus as regards policyholders	2,127,679
TOTALS**	\$ 8,237,993

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The balance includes immaterial rounding differences.

INSUREMAX INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2015

	Per Examination*
UNDERWRITING INCOME	
Premiums earned	\$ 6,569,425
DEDUCTIONS	
Losses incurred	5,166,989
Loss adjustment expenses incurred	1,192,377
Other underwriting expenses incurred	3,236,859
Aggregate write-ins for underwriting deductions	122,854
Total underwriting deductions	9,719,079
Net underwriting gain (loss)	(3,149,654)
INVESTMENT INCOME	
Net investment income earned	135,713
Net realized capital gains (losses) less capital gains tax	58,348
Net investment gain (loss)	194,061
OTHER INCOME	
Finance and service charges not included in premiums	706,179
Aggregate write-ins for miscellaneous income	1,038
Total other income	707,217
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(2,248,377)
Federal and foreign income taxes incurred	(67,295)
Net income**	\$ (2,181,082)

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The balance includes immaterial rounding differences.

INSUREMAX INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2015	2014	2013	2012	2011
Surplus as regards policyholders, December 31 prior year	\$ 4,653,469	\$ 5,575,293	\$ 7,002,151	\$ 7,036,472	\$ 6,965,535
Net income	(2,181,082)	(1,143,915)	(1,570,935)	(1,993)	75,030
Change in net unrealized capital gains or (losses) less capital gains tax	(86,433)	(17,817)	143,380	(32,360)	(7,410)
Change in net deferred income tax	709,408	393,851	467,780	(137,964)	115,830
Change in nonadmitted assets	(967,681)	(653,942)	(467,084)	137,997	(112,513)
Surplus adjustments:					
Paid in	-	500,000	-	-	-
Change in surplus as regards policyholders for the year	(2,525,787)	(921,824)	(1,426,858)	(34,321)	70,937
Surplus as regards policyholders, December 31 current year**	<u>\$ 2,127,682</u>	<u>\$ 4,653,469</u>	<u>\$ 5,575,293</u>	<u>\$ 7,002,151</u>	<u>\$ 7,036,472</u>

** The balances include immaterial rounding differences.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2015, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues as of December 31, 2015, based on the results of this examination.

SUBSEQUENT EVENTS

Effective, January 1, 2016, InsureMax Insurance Company is no longer accepting new business applications and began non-renewing business for all products in all states. As of August 14, 2016, the Company no longer has any in-force policies.

On June 16, 2016, the Company signed a Letter of Intent to be acquired by Assurance America Insurance Company.

There were no further events subsequent to the examination date and prior to the completion of field work which were considered material events requiring disclosure in this Report of Examination.

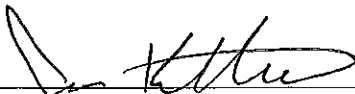
AFFIDAVIT

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 Noble Consulting Services, Inc., and actuarial assistance from Merlinos & Associates, Inc., performed an examination of InsureMax Insurance Company, as of December 31, 2015.

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

This examination was performed in accordance with those procedures required by the 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 standards 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 InsureMax Insurance Company as of December 31, 2015, as determined by the undersigned.




Jim Kattman, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 4th day of October, 2016, before me personally appeared, Jim Kattman, 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  _____
Notary Public

