

# 2017 Annual Report



**A YEAR OF CONTINUOUS TRANSFORMATION**



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# Letter from the President

## 2017 was a year of profound transformation for CSE.

It was also punctuated by many catastrophic events in California. These events resulted in 1,134 claims for a historical amount of \$67 million, including \$58 million ceded to our reinsurers. CSE mobilized all its teams, and systematically implemented its “Disaster Response Plan,” allowing immediate contact with the catastrophe victims and enabling us to issue payments to provide help as soon as possible.

In line with our commitments, 2017 was also the year in which we completed the launch of our Next Generation products: Auto, Landlord, and Home in California and Arizona. In Nevada, we launched Home, and obtained approval to launch our Auto and Landlord products in 2018. Finally, with our partner United Underwriters in Utah, we launched our new Auto product, and will launch our new Home product in 2018. With these launches, we’ll have renewed our full range of personal lines products in all the states where we operate.

2017 was also the year in which CSE recorded a historic growth of its portfolio with the independent agent channel producing \$50.8 million in new business, an increase of 77% over 2016, and total written premium of \$201.5 million, up 21% over 2016, driven by the success of our new products. With this increased growth, we launched a reorganization of our services, strengthened our teams, and invested in new resources that will be implemented in 2018. These changes will improve and sustain the quality of our services that our insureds and agents expect from us.

This increase in production did not, unfortunately, translate positively into our results in 2017. CSE suffered significant losses caused by unprecedented natural disasters and increases in frequency and average costs – particularly in auto claims, which were not offset by sufficient increases in earned premiums. Faced with these losses, Covea, CSE’s parent company supporting our growth strategy, proceeded with a capital increase of \$15 million. In addition to strengthening CSE’s financial position, Covea decided to further protect CSE’s results in 2018 with a Stop Loss reinsurance treaty.

2018 will be a year of continuing our investments in our strategy with the goal of continuing to provide exceptional service to our customers. It’ll mark the completion of our deployment of personal lines products in Nevada and Utah, the introduction of a new web portal for our insureds and agents, the modernization of our tools, and the preparation of our future commercial product with a planned launch in 2019.

CSE, with its shareholder Covea, affirms our financial position and continues our transformation to serve our policyholders, agents, and partners.

Sincerely,

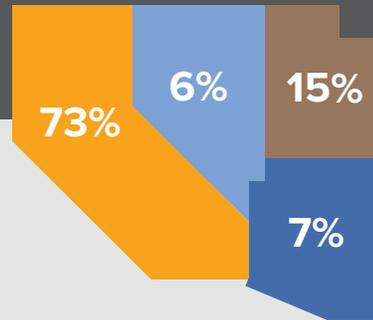


Richard Rey  
CEO & President

# Key Figures of 2017

## Portfolio In Force

## 2017 Results



**Policyholders**  
185,000



**Written Premium**  
\$201.5M



**Vehicles**  
86,000  
+30%



**Statutory Surplus**  
\$94.4M



**Residences**  
136,000  
+9%



**Claims Paid**  
\$122.2M



**Commercial Properties**  
4,100  
-30%



**A.M. Best Rating**  
A- (Excellent)

## Organization



**Employees**  
141



**Agents**  
396



Executives of CSE.



**Owned by Covea**  
€ 16.3B in premium  
€ 13.5B in capital

(2016 Figures)

# Finance: A Word on the Numbers

CSE Insurance Group reached significant milestones in 2017. For the first time in its history, CSE's revenue exceeded **\$201 million** as the market responded enthusiastically to the release of all our "Next Generation" personal lines products. Additionally, CSE's focus on operational efficiency produced a **32.7%** net expense ratio while producing an industry-leading **\$1.2 million** in revenue per employee.

Having said that, 2017's results fell far short of expectations as California experienced unprecedented wildfire losses, and the industry, as a whole, experienced record automobile losses. CSE posted a net statutory loss of \$27 million. To maintain CSE's financial strength, CSE's parent company, Covea, provided strong capital support of **\$15 million** enabling CSE to end the year with **\$94.4 million** in surplus and a robust capital adequacy ratio of **6.1** times required capital.

Growth was attained in all lines of business and in all states, allowing us to further our strategic goal of diversifying our exposure. Automobile business grew by 57% year-over-year in 2017, although loss costs in this product continued their upward trend. The automobile combined ratio was close to 120%, adversely impacting net results by \$10 million.

CSE's property lines – Homeowners and Landlord – also grew vigorously in 2017 as the market endorsed CSE's new product offerings. Homeowners revenue increased by **11%** while the Landlord product grew by **23%** year-over-year. The property results were strongly impacted by the California winter storms in January and February, and the October and December wildfires. Many CSE insureds were affected by these events. CSE's strong reinsurance program responded; with \$58 million of our \$67 million in losses ceded, CSE's net results were impacted by \$12 million, as we retained \$8 million in loss and paid \$4 million in additional reinsurance premiums.

## Our Reinsurance Program

CSE maintains a very high quality and conservative reinsurance program. Though the program was severely tested in 2017, it responded in the aftermath of the catastrophe events. CSE sustained over \$67 million in direct losses from catastrophe events in 2017. For California, the catastrophe events, severe winter storms and two major urban wildfire events, were unprecedented. CSE insureds experienced over \$4.5 million in losses from the winter storms that hit in January and February. CSE insureds also experienced close to \$1 million in losses from the summer wildfires that hit Southern California. In the costliest wildfire event in California history, CSE insureds experienced more than \$38 million in losses

in this \$13 billion Northern California event. Then, in December, the largest urban wildfire in California history struck in Southern California and CSE insureds experienced \$23 million in losses.

CSE's reinsurance program responded. Reinsurers provided \$15 million in cash immediately to cover losses. Overall, reinsurers will pay over \$58 million of the \$67 million incurred in all these events. The value of maintaining a panel of exceptional reinsurers, led by Munich Re. and Hannover Re., two of the largest reinsurers in the world, was demonstrated by these extreme circumstances.

# Product & Underwriting

The Product and Underwriting departments at CSE have undergone substantial change over the last few years as part of our new corporate strategy to make prices and coverage options more competitive in the marketplace. 2017 was no different.

With the rollout of our “Next Generation” products complete in all states and product lines, our Product and Underwriting departments are now refining rates, coverages, and promoting a “portfolio” underwriting style in order to pursue a targeted risk appetite and a profitable book of business.

The following Q&A with our team provides an insight into our daily operations, our achievements in 2017, and a glimpse into the future.



Landlord Insurance



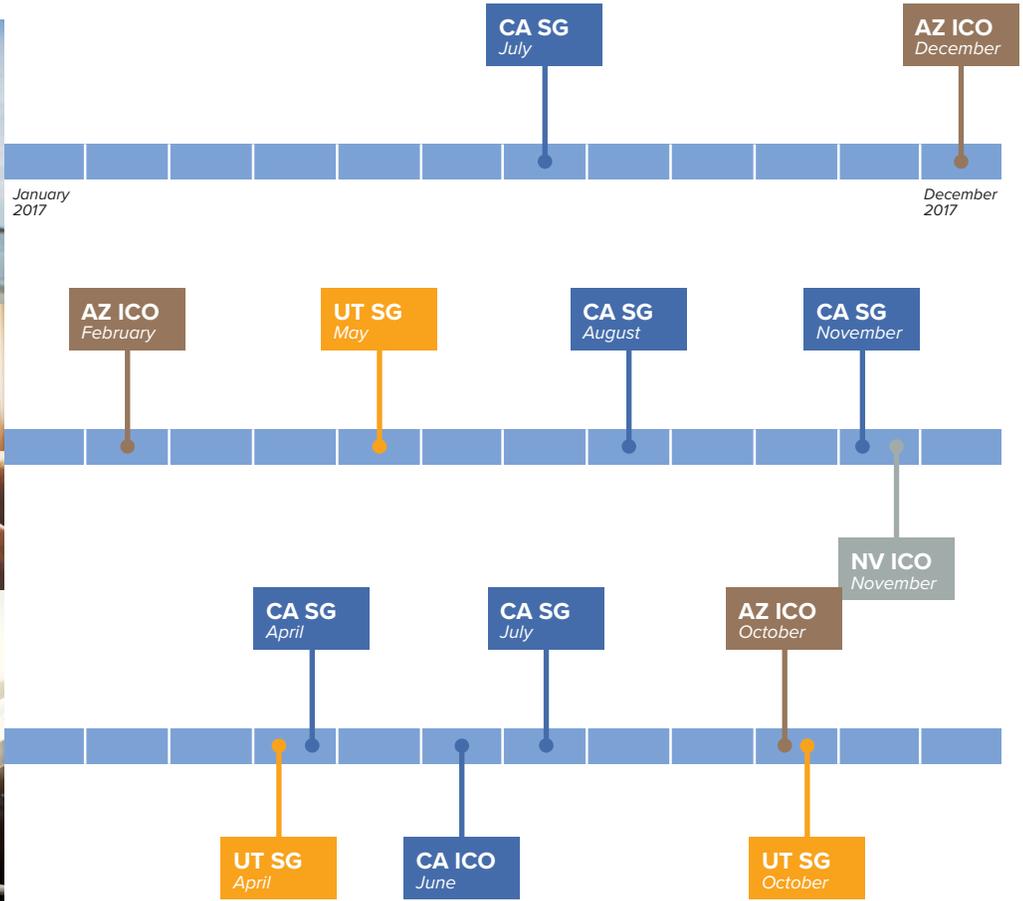
Homeowners Insurance



Auto Insurance



Commercial Insurance



**Next Generation Commercial Insurance launching in 2019!**



**Tenzin Tsering**  
Auto Product Manager

### **How has CSE's products evolved in the past few years?**

In the last few years, we rolled our Next Generation Property and Landlord insurance products, now we've added Auto. These products are built to serve our policyholders with the modern marketplace in mind. As a company, CSE has evolved to become an insurance company that competes efficiently in today's marketplace. We make decisions based on data analysis and driven with qualitative input from our business partners. I am especially proud that at CSE we make business decisions with integrity and transparency.

### **How did the Next Generation Auto launch play out?**

Just a year ago, all of CSE's Auto products were very much legacy. Now we have our Next Gen Auto product consistently implemented in all of our states - AZ, CA, NV, and UT. We offer a consistent and smart set of coverages that serve our insureds' needs. Our roadside assistance is on par with the best in the industry. Our ease of doing business is much improved. We now use accurate mileage in a multivariate rating algorithm for efficient and competitive pricing, matching the right rate to the risk.

### **Tell us about your product rationalization efforts.**

We used to have too many products and we couldn't adequately maintain them all. As part of the rationalization effort, we retired 12 products in the last few years. We didn't cut our market segments, but we did cut our redundant products. Now we are left with just the products needed to serve our target market effectively, and they are well within our capacity to manage.



**Chris Suttmeier**  
Commercial Product Manager

### **When will CSE's Commercial product be updated?**

At the beginning of 2017, we completed the successful transition of Commercial lines from our legacy systems to our SPLInn policy admin system. Later in the year, I joined the team as Senior Product Manager, and I am leading the development of our Next Generation Commercial product which will be launched in 2019.



**Abhilasha Shripat**  
Home Product Manager

### **How are CSE's property products positioned in the marketplace?**

At CSE, we put a lot of thought in designing our products and in making sure they are relevant for our insureds. We strive to offer the best breadth and depth of coverage in the marketplace and complement it with simple processes. Our flagship product, Landlord Insurance, won 3 first place gold medal product awards, providing external validation of the value this product offers to our insureds.

### **2017 was a year of severe wildfires – as the Home Product Manager, what are your reflections on the fires?**

It was a year indelibly marked by the worst wildfires in the state's history. We felt it at CSE. Many of our insureds lost their homes in these tragedies, and a few even lost their lives. The gravity and magnitude of these losses is just heart-breaking. I am so proud and inspired to work on the CSE Home Insurance products that answers the call for our insureds in their greatest hour of need. It's so inspiring to watch our Claims team deliver quality service to our customers, which is something they've been promised; it's the essence of living up to our brand and being Good Policy People.



**Angela Osorio**  
Underwriting Manager

### **What were the accomplishments in Underwriting in 2017?**

In 2017, we have hired new talent to strengthen our underwriting team and keep up with the new business growth. Katherine Glenn and Joe Dito joined the team as Underwriters and myself as the Underwriting Manager. We re-aligned our agent-to-underwriter assignment to balance out the workload. We have enforced new guidelines to help moderate growth and improve our risk profile. In 2018, we will be focusing on developing deeper agent relationships and we look forward to our first straight through processing model.

# Claims

2017 marked a devastating year for many of CSE's customers. In January and February, there were numerous large storms that passed through California. Then, from October through December, record-setting wildfires erupted decimating entire communities in both Northern and Southern California. These events demonstrated CSE's commitment of being there for the customers when they need us the most. We took our obligations and our promise seriously and worked diligently to assist our customers as part of CSE's Catastrophe Plan. We sent claims staff close to the sites of the fires to reassure our insureds and agents that we would be taking care of them, and at the same time personally delivered checks to ensure that our customers had immediate access to funds for their day-to-day living.

CSE was one of the first insurance companies to volunteer to use the California Department of Insurance's claims payment guidelines for those customers who lost their homes due to the wildfires. In response we:

- Paid 25% of the personal property contents, which CSE agreed to further increase to, at least, 50%, when the Southern California wildfires started
- Paid at least four months of additional living expenses
- Relaxed or waived the requirement of property inventory
- Provided leniency on billings
- Cooperated with local authorities on debris removal & site remediation

On top of these guidelines, CSE also paid 50% of the dwelling coverage limit on confirmed total losses, and 100% as soon as a reconstruction estimate was received indicating the limit that would be reached.

In total, these catastrophes totaled over one thousand claims. At CSE, we are proud of our commitment to customer service, and we are continuously working to provide excellent claims service.

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The Material Damage Department has grown significantly in my time at CSE. This team has been handpicked and continues to develop talented employees who have a similar mindset with claims and the overall product that is “insurance”. We are always looking to do the right thing for the customer the first time and give top service to all who interact with the claims department.

Kyle Norman  
Material Damage Manager



*The devastation of one of our insureds' homes in the aftermath of the Northern California wildfires.*

# Sales & Marketing

CSE experienced exceptional growth in new business production through its agency partners in 2017. Through the year, the Sales and Marketing team worked closely with new and existing agency appointments to build stronger relationships as we launched new products and processes across all of our states. Representing the sales efforts was an energetic team of seasoned insurance professionals with experience in both the carrier and agency side of sales and marketing operations.

Furthermore, the CSE experience for our agency partners reached new levels as CSE's Sales and Marketing team implemented innovative reporting tools for agents, allowing them to access critical business information at their fingertips. Now equipped with reliable data, CSE Agents have the information they need to make better business decisions to serve our customers.

Lastly, 2017 was characterized by a continued representation and evolution of CSE's new brand. This was evidenced by Sales and Marketing's support for fresh go-to market product launches, an overhaul of its corporate website now aligned with modern user interface trends, the production of assets to aid in product promotion for agents, and delivering the necessary knowledge to foster and expand CSE's Customer Experience strategy.

*Kim Cook and Drew Taran, Territory Managers, at the Southern California roadshows.*



“

The Sales & Marketing department is a collaborative group of diverse individuals who pursue excellence every day. Our team has developed a synergy that compliments each party and produces an energetic momentum that drives each member to “win the day.”

Gene Knippers  
Territory Manager

# Quality & Customer Experience

With CSE's strong commitment to continually improve its processes and in delivering high level service, CSE invested in forming a new Customer Experience team in 2017.

"I'm very excited to be a part of the CSE family because CSE understands how crucial customer experience is," says Cahit Ogut, CSE's new Customer Experience Manager. "We are here to delight our customers by providing customer-centric processes, outstanding technological platforms, and digital channels."

This new team's first accomplishment was developing a Customer Experience and Digital Strategy to create a roadmap of enhanced interactions when conducting business with CSE. Our comprehensive strategy, focused on our agents and policyholders, includes:

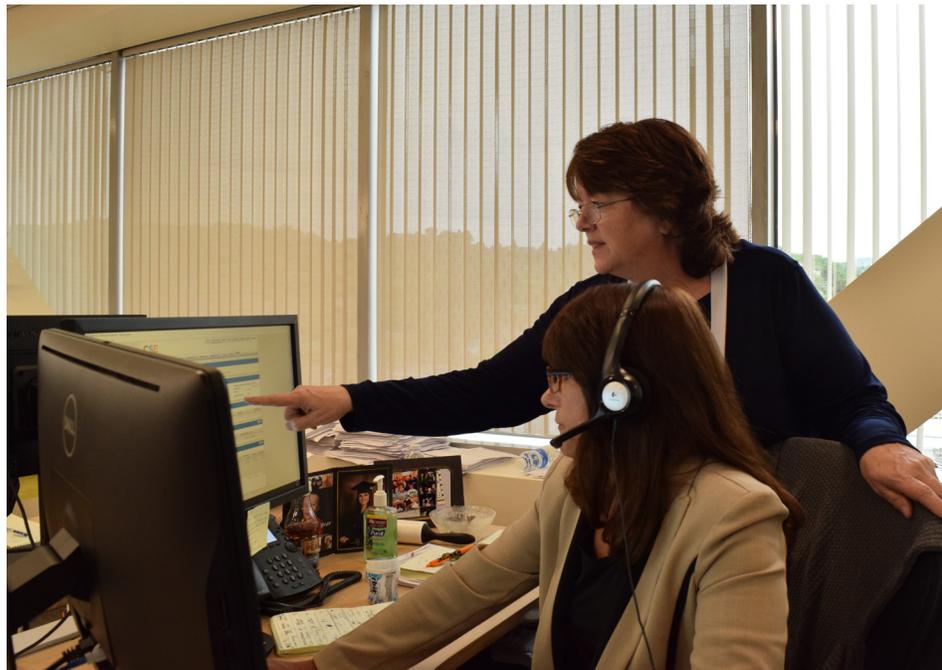
- Developing omni-channel communication and touchpoints
- Improving current and integrating new customer-facing tools
- Creating better understanding of customers by capturing feedback through annual and real-time interactive surveys
- Establishing a customer-centric organizational framework

One of the first deliverables to meet this exciting challenge is releasing a new upgraded policyholder portal. The release of this new portal, scheduled for February 2018, allows a seamless web experience across all devices, an ability to manage an account at a customer's fingertips, and introduces an all new paperless delivery platform for policy documents.

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What I love about CSE is the opportunity it affords me to innovate and think outside the box. Whether it's finding an outsource solution or working with others to find more efficient ways to work, it is embraced and encouraged.

Leann Stanton  
Customer Service Manager



During 2017, CSE experienced a tremendous increase in new business production which degraded time service to levels below what our customers expect and deserve. Total call volume saw a year over year increase of 111% in June 2017. While call volume reduced by 38% by year end from its peak in June, work effort by CSE's Customer Service team saw a 77% improvement in the Average Speed of Answer for customer phone calls.

"Improving overall service is important and it continues to be our focus," says Leann Stanton, Customer Service Manager. "We are working to educate our team, increase the skill set of our staff, and improve staffing levels to improve our efficiency and productivity. We're confident that this will result in faster, more focused service for our agents and insureds."

In 2017, Customer Service began a review of potential outsource vendors to complement our team in Walnut Creek. A formal contract was finalized with Global Integra, a leading business process outsourcing company, to integrate their team in the 1st Quarter of 2018. Outsourcing will improve CSE's time service, increase our ability to scale and allow us to focus on our core business operations all at a reduced cost.

We look forward to offering our customers the best overall experience possible and making CSE their choice for all their insurance needs.



“

I love our small team. It's like my second family. All the team members contribute different perspectives and the synergy between them produces creative and productive results. Every little idea or suggestion is taken into account and these small ideas became part of the team strategy.

Amulya Sridharan  
Customer Experience Analyst

# Leadership of CSE

## Executive Team

CSE Insurance Group has assembled an impressive team of executives, each with a wealth of experience in their respective department. Each member brings unique insight to the industry and plays a key role as we carry the evolution forward towards reaching both our short and long term goals.



**Richard Rey**  
President & CEO



**Pam Burrows**  
VP of Human Resources



**Patrick Wong**  
VP, General Counsel &  
Corporate Secretary



**Mark Chequer**  
VP, Chief Information  
Officer



**Stefan Dobrus**  
EVP, Chief Financial  
Officer



**David Carmany**  
SVP of Products &  
Underwriting



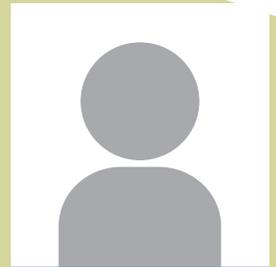
**Ryan McAllister**  
AVP, Chief Actuary



**Randy Farless**  
SVP of Sales & Marketing



**Mike Suzuki**  
VP of Quality &  
Customer Experience



**(Vacant)**  
VP of Claims

## Board of Directors

CSE Insurance Group is a subsidiary of Covea Cooperations, a mutual insurance group headquartered in France. Covea is the 13th largest insurer in Europe. The association with Covea not only provides the financial backing of a \$20 billion global insurer, but also access to expertise and leadership to assist us in our decision and governance processes.



**Pierre Michel**  
Chairman



**Richard Rey**  
President & CEO



**Thomas Kelly**  
Director



**Bertrand Lefebvre**  
Director



**David Brinker**  
Director



**Dominique Salvy**  
Director

# Financial Statements (\$000)

CSE continued its focus on operational efficiency in 2017. Direct expense, including all claims settlement costs, was **39.7%** of revenue. This ratio is among the best in the industry for independent agent distribution channel companies. Additionally, while CSE continues to drive down its operating costs, agent commissions (direct and contingent) have been held constant at **16%** for the independent agent channel and **17.2%** overall for the sixth consecutive year. Allocating the claim settlement costs, CSE operated at a **32.7%** net expense ratio in 2017 – a reduction of **0.5%** over 2016.

At year-end 2017, CSE held invested assets of **\$244 million**, with cash and short-term assets at **\$27 million**. The investment portfolio is held in government and high grade corporate securities. The total investment return in 2017 was \$2 million less than 2016 as limited gains on the sales of investments were taken. High levels of cash are being held so that CSE can quickly meet the needs of the victims of the California wildfire events with accelerated payouts for insured building values on total losses, contents coverage, as well as providing for additional living expenses.

## Selected Figures

Financial Strength	2017	2016
Cash and investments	\$243,826	\$221,379
Total assets	\$280,784	\$259,331
Net loss & LAE reserves	\$84,015	\$60,433
Total liabilities	\$186,394	\$147,912
Capital & Surplus	\$94,390	\$111,419

Annual Operations	2017	2016
Net premium earned	\$163,590	\$148,375
Investments and other income	\$4,766	\$8,497
Net loss and LAE incurred	\$136,541	\$106,867
Commissions & other acquisition costs	\$31,289	\$26,150
Other underwriting expense	\$27,954	\$24,543
Net income (loss) after tax	\$(27,432)	\$(694)
Loss & LAE ratio	83.5%	72.0%
Commission ratio	17.2%	17.2%
Other underwriting expense ratio	15.4%	16.2%

## Report of Independent Auditors

To Audit and Risk Committee  
Civil Service Employees Insurance Company

We have audited the accompanying statutory financial statements of Civil Service Employees Insurance Company and subsidiary (“the Company”), which comprise the consolidated statutory statements of admitted assets, liabilities, and surplus as of December 31, 2017, and the related consolidated statutory statements of income, changes in capital and surplus, and cash flows for the years then ended and the related notes to the financial statements.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting practices prescribed or permitted by the California Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these consolidated statutory-basis financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 to the statutory basis financial statements, the Company prepared these consolidated financial statements using accounting practices prescribed or permitted by the California Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the consolidated financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Civil Service Employees Insurance Company and subsidiary as of December 31, 2017, or the results of its operations or cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and surplus of Civil Service Employees Insurance Company and subsidiary as of December 31, 2017, and the results of its operations and its cash flows for the year then ended, on the basis of accounting described in Note 2.

***Other Matters***

The consolidated statutory financial statements of the Company as of and for the year ended December 31, 2016, including the Supplementary Consolidating Information, were audited by another auditor whose report dated March 31, 2017 expressed an adverse opinion on those statements in accordance with accounting principles generally accepted in the United States and an unmodified opinion on those statements on the basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the consolidated statutory financial statements taken as a whole. The accompanying Supplemental Schedule of Investments, Supplemental Investment Risks Interrogatories and the Supplementary Consolidating Information of the Company as of and for the year ended December 31, 2017, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements but are supplementary information required by the California Department of Insurance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory-basis consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the statutory-basis consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory-basis consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such schedules are fairly stated in all material respects in relation to the statutory-basis consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Edison, New Jersey  
March 30, 2018

<b>Admitted Assets</b>	<b>2017</b>	<b>2016</b>
Cash and invested assets		
Bonds and notes at amortized cost (fair value: 2017-\$215,629, 2016-\$217,745)	\$215,870	\$219,597
Cash and short-term investments, at cost, which approximates market	27,485	1,289
Other invested assets	471	493
<b>Total cash and invested assets</b>	\$243,826	\$221,379
Agents' balances and uncollected premiums	28,486	17,856
Reinsurance recoverable on loss payments	(1,377)	526
Interest and dividends due and accrued	1,553	1,512
Net deferred tax asset	7,282	13,221
Property, equipment and software, net	193	529
Other admitted assets	821	4,308
<b>Total assets</b>	\$280,784	\$259,331

<b>Liabilities, Capital, &amp; Surplus</b>	<b>2017</b>	<b>2016</b>
Unpaid losses and loss adjustment expenses, net	\$84,015	\$60,433
Unearned premiums, net	91,736	73,855
Accrued expenses and other liabilities	7,232	8,125
Accrued compensation and benefits payable	1,565	1,551
Funds held under reinsurance treaties	166	4,166
Ceded reinsurance premiums payable	1,680	(218)
<b>Total liabilities</b>	\$186,394	\$147,912
Capital stock, common, authorized 1,000 shares par value of \$4,000; 859 shares outstanding in 2017 and 2016	3,436	3,436
Additional paid-in capital	45,057	30,057
Unassigned surplus	45,897	77,926
<b>Total capital and surplus</b>	\$94,390	\$111,419
<b>Total liabilities, capital, and surplus</b>	\$280,784	\$259,331

Income Statement	2017	2016
Underwriting profit		
Premiums written, net	\$181,472	\$151,652
Change in unearned premiums	(17,882)	(3,277)
<b>Net premiums earned</b>	<b>\$163,590</b>	<b>\$148,375</b>
Losses and loss adjustment expenses, incurred, net	136,541	106,867
Commissions, net	31,289	26,150
Other underwriting expenses	27,954	24,543
<b>Net underwriting loss</b>	<b>\$(32,194)</b>	<b>\$(9,185)</b>
Net investment income		
Interest and dividends earned	5,561	5,361
Investment and real estate expenses	(833)	(815)
Net realized capital gains	227	2,622
<b>Net investment income</b>	<b>\$4,955</b>	<b>\$7,168</b>
Other income (expense)		
Balances and uncontrolled premiums charged off, net of recoveries	(482)	325
Miscellaneous income, net	293	1,004
<b>Net other income (expense)</b>	<b>(189)</b>	<b>1,329</b>
<b>Net loss before income taxes</b>	<b>\$(27,428)</b>	<b>\$(688)</b>
<b>Income taxes</b>	<b>4</b>	<b>6</b>
<b>Net loss</b>	<b>\$(27,432)</b>	<b>\$(694)</b>

<b>Capital &amp; Surplus</b>	<b>Capital Stock-Common</b>	<b>Additional Paid-in Capital</b>	<b>Unassigned Surplus</b>	<b>Total</b>
<b>Balances, January 1, 2016</b>	\$3,436	\$30,057	\$80,546	\$114,039
Net loss	-	-	(694)	(694)
Change in net deferred income tax	-	-	1,284	1,284
Change in nonadmitted assets	-	-	(2,647)	(2,647)
Dividends to stockholders	-	-	(563)	(563)
<b>Balances, December 31, 2016</b>	\$3,436	\$30,057	\$77,926	\$111,419
Net loss	-	-	(27,432)	(27,432)
Change in net deferred income tax	-	-	(3,563)	(3,563)
Change in unrealized gains/losses	-	-	58	58
Change in nonadmitted assets	-	-	(1,092)	(1,092)
Dividends to stockholders	-	-	-	-
Additional paid-in capital received	-	15,000	-	15,000
<b>Balances, December 31, 2017</b>	\$3,436	\$45,057	\$45,897	\$94,390

**We love your stuff®**

**CSE Insurance Group  
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Walnut Creek, CA 94596**