

REPORT OF EXAMINATION
OF THE
REPUBLIC INDEMNITY COMPANY OF AMERICA
AS OF
DECEMBER 31, 2021

A handwritten signature in blue ink, appearing to be 'D. DeLuca', is positioned in the lower right quadrant of the page.

Filed on May 12th, 2023

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Los Angeles, California
April 17, 2023

Honorable Ricardo Lara
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

REPUBLIC INDEMNITY COMPANY OF AMERICA

(hereinafter also referred to as the Company). The Company's statutory home office is located at 4500 Park Granada Boulevard, Suite 300, Calabasas, California 91302.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2016. This examination covered the period from January 1, 2017 through December 31, 2021.

The examination was conducted in accordance with the National Association of Insurance Commissioners *Financial Condition Examiners Handbook (Handbook)*. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, 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.

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 findings of fact and general information about the Company and its financial condition. There might be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to other regulators and/or the Company.

This was a coordinated examination with Ohio serving as the lead state of the American Financial Group, Inc. (AFG), the ultimate parent of the Company. It was conducted concurrently with the following insurance entities in the holding company group, structured into four insurance pools:

Great American Property & Casualty:

- Great American Insurance Company (Ohio)-Lead
- Great American Alliance Insurance Company (Ohio)
- Great American Assurance Company (Ohio)
- Great American Casualty Insurance Company (Ohio)
- Great American E&S Insurance Company (Ohio)
- Great American Fidelity Insurance Company (Ohio)
- Great American Insurance Company of New York (New York)
- Great American Protection Insurance Company (Ohio)
- Great American Security Insurance Company (Ohio)
- Great American Spirit Insurance Company (Ohio)
- Great American Underwriters Insurance Company (Ohio)
- American Empire Surplus Lines Insurance Company (Ohio)
- American Empire Insurance Company (Ohio)

Great American Contemporary:

- Great American Contemporary Insurance Company (Ohio)-Lead
- Bridgefield Employers Insurance Company (Florida)
- Bridgefield Casualty Insurance Company (Florida)
- Republic Indemnity Company of America (California)
- Republic Indemnity Company of California (California)

Mid-Continent:

- Mid-Continent Casualty Company (Ohio)-Lead

- Mid-Continent Assurance Company (Ohio)
- Mid-Continent Excess and Surplus Insurance Company (Ohio)
- Oklahoma Surety Company (Ohio)

National Interstate:

- National Interstate Insurance Company (Ohio)-Lead
- National Interstate Insurance Company of Hawaii, Inc. (Ohio)
- Triumphe Casualty Company (Ohio)
- Vanliner Insurance Company (Ohio)

COMPANY HISTORY

Effective January 1, 2021, as part of the restructuring of the Intercompany Pooling Agreement, ownership of the Company and its wholly-owned subsidiary Republic Indemnity Company of California was transferred to Great American Contemporary Insurance Company (GCTP), an Ohio domiciled property and casualty insurer.

Capitalization

The Company has 1,000,000 shares of common stock authorized, issued and outstanding with a par value of \$3.50 per share.

On June 7, 2022, GCTP made a \$15,000,000 capital contribution to the Company.

Dividends

On March 22, 2017, June 12, 2017, September 26, 2017 and December 20, 2017, the Company paid extraordinary cash dividends to Great American Holding, Inc., (GAHI) totaling \$30,000,000, \$30,000,000, \$30,000,000, and \$85,000,000, respectively. The California Department of Insurance (CDI) approved these transactions on March 13, 2017, June 2, 2017, September 8, 2017 and December 8, 2017, respectively.

On March 22, 2018, June 25, 2018, September 21, 2018 and December 19, 2018, the Company paid return on capital distributions to GAHI totaling \$50,000,000, \$40,000,000, \$40,000,00, and \$55,000,000, respectively. The CDI approved these transactions on March 20, 2018, June 8, 2018, August 27, 2018 and December 17, 2018, respectively.

On March 4, 2019, June 4, 2019, and September 23, 2019, the Company paid extraordinary cash dividend to GAHI totaling \$30,000,000, \$35,000,000, and \$70,000,000, respectively. The CDI approved these transactions on February 25, 2019, May 24, 2019 and September 12, 2019, respectively.

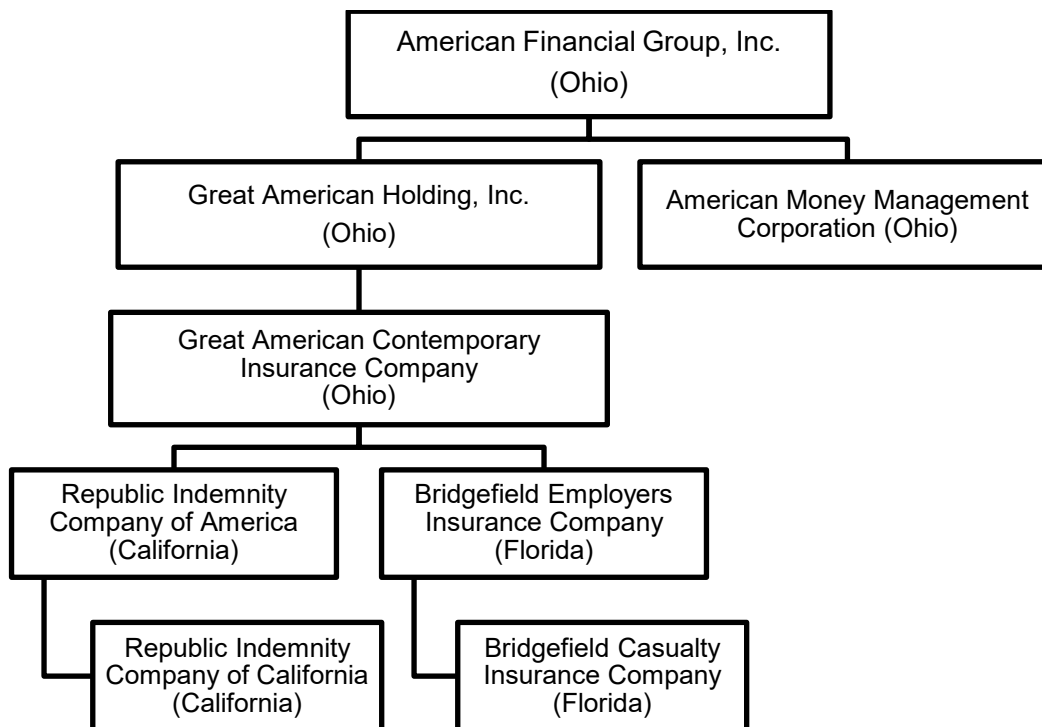
On March 6, 2020, August 24, 2020 and November 11, 2020, the Company paid ordinary cash dividends to GAHI totaling \$30,000,000, \$20,000,000, and \$55,000,000, respectively. The CDI approved these transactions on March 4, 2020, August 7, 2020 and October 29, 2020, respectively.

On June 28, 2021 and September 28, 2021, the Company paid a return on capital distributions to GCTP totaling \$45,000,000, and \$150,000,000, respectively. The CDI approved these transactions on June 9, 2021, and September 9, 2021, respectively.

Additionally, on September 28, 2021, the Company paid an extraordinary cash dividend to GCTP in the amount of \$200,000,000. The dividend was approved by CDI on September 9, 2021.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system with American Financial Group, Inc. (AFG) as the ultimate controlling entity. Following is an abridged organizational chart. All ownership is 100%.



The six members of the board of directors, who are elected annually, manage the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2021:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Michelle A. Gillis Cincinnati, Ohio	Senior Vice President and Chief Administrative Officer American Financial Group, Inc.
Gary J. Gruber ⁽¹⁾ Cincinnati, Ohio	President and Chief Operating Officer Great American Insurance Company
Anthony J. Mercurio Richfield, Ohio	Executive Vice President Great American Insurance Company
Michael E. Sullivan, Jr. Cincinnati, Ohio	Executive Vice President Great American Insurance Company
David L. Thompson, Jr. Cincinnati, Ohio	Executive Vice President Great American Insurance Company

Name and Location

Principal Business Affiliation

David J. Witzgall
Villa Hills, Kentucky

Senior Vice President, Chief Financial
Officer and Treasurer
Great American Insurance Company

Principal Officers

Name

Title

DeAllen L. Goodwin
Louis C. Borstelmann

President
Senior Vice President, Chief Financial
Officer and Treasurer

Daniel A. Engell ⁽³⁾

Senior Vice President and Chief
Underwriting Officer

David F. Simmeth

Senior Vice President and Chief
Information Officer

Magdalena F. Grossman

Chief Compliance Officer

James T. Hurley

Senior Vice President

Sean E. Pepper ⁽⁴⁾

Senior Vice President

Carol P. Sipe

Senior Vice President

Melinda A. Kreger

Vice President and Assistant Secretary

Rhonda B. Cooper

Vice President

Emilia I. Grund

Vice President

Janet K. Miller

Vice President

Regina R. O'Connell

Vice President

Matthew D. Felvus

Secretary

The following changes in management occurred subsequent to the examination date:

- (1) Gary J. Gruber retired as a Director and Chairman of the Board of Directors, effective April 1, 2022.
- (2) David J. Witzgall retired as Director of the Company, effective November 1, 2022.
- (3) Daniel A. Engell resigned as Senior Vice President and Chief Underwriting Officer, effective July 8, 2022.
- (4) Sean E. Pepper was appointed Senior Vice President and Chief Underwriting Officer, effective July 8, 2022.
- (5) Brian S. Hertzman was elected as Director, effective November 1, 2022.

Management Agreements

Investment Services Agreement: The Company and its subsidiary, Republic Indemnity Company of California (RICC), and other affiliates are parties to an Investment Services Agreement with an affiliate, America Money Management Corporation (AMMC), as

amended, effective January 1, 1996. Under the terms of the agreement, AMMC provides management and accounting services related to the entity's investment portfolio. Expenses incurred by AMMC for services under this agreement are to be charged and paid quarterly and pro-rated on the basis of the proportion of each entity's portfolio value to the total value administered by AMMC. For 2017, 2018, 2019, 2020, and 2021, the Company paid AMMC \$236,559, \$262,618, \$648,235, \$428,588, and \$292,185, respectively, under the terms of the agreement. The agreement went into effect before the prior approval provisions of the California Insurance Code (CIC) Section 1215.5(b)(4) went into effect and has not been amended since.

General Services Agreement: Effective August 1, 1996, the Company and its subsidiary, RICC, are parties to a General Services Agreement with its affiliate, Great American Insurance Company (GAIC), and other affiliated companies. Under the terms of the agreement, each of the parties has agreed to provide printing, office duplicating, telecommunications, purchasing, personnel, data processing, administrative, consultative, and other services as requested by any of the other parties to the agreement. Pursuant to the agreement, fees payable for services furnished are based on actual cost. For 2017, 2018, 2019, 2020, and 2021, the Company paid GAIC \$6,778,801, \$7,123,062, \$6,671,678, \$6,285,248, and \$6,122,628, respectively, under the terms of the agreement. This agreement went into effect before the prior provisions of CIC Section 1215.5(b)(4) went into effect and has never been amended.

Tax Allocation Agreement: Effective December 31, 2005, a Tax Allocation Agreement was implemented between American Financial Group, Inc. (AFG) and certain specified subsidiaries, including the Company. This agreement superseded the previous tax allocation agreement, which had been in effect since 1974. Under the terms of the agreement, federal income tax returns are filed on a consolidated basis on behalf of AFG and the specified subsidiaries. Each entity's tax liability or refund is determined as if the entity was filing on a separate return basis. The agreement was approved by CDI on November 29, 2005. The Company paid (received) the following taxes during the examination period:

Year	Amount
2017	\$ 52,963,777
2018	44,526,669
2019	32,703,697
2020	20,4925,697
2021	(54,963,768)

Claim Services Agreement: Since August 30, 2006, the Company and its subsidiary, RICC, have been parties to a Claims Services Agreement with an affiliate, GAIC. Under the terms of the agreement, GAIC provides certain claims handling services for the Company and RICC, and compensation is based on actual cost. For 2017, 2018, 2019, 2020, and 2021, the Company incurred \$28,624, \$51,425, \$53,734, \$55,473, and \$36,260 expense, respectively, under the terms of the agreement. The agreement was approved by the CDI on August 14, 2007.

Amended and Restated Services Agreement: Effective April 1, 2014, the Company, RICC, Bridgefield Casualty Insurance Company (BCIC), and Bridgefield Employers Insurance Company (BEIC), entered into an Amended and Restated Services Agreement. Under the terms of the agreement, the Company provides RICC, BCIC and BEIC with the following services: claims, accounting, underwriting, actuarial, telecommunications, data processing, legal, payroll, purchasing, and employee relations services. All expenses for services provided are allocated among the parties in proportion to each party's respective participation, as defined in the agreement. During 2017, 2018, 2019, and 2020 the Company received \$4,031,256, \$4,032,701, \$3,594,289, and \$3,423,443, respectively, under the terms of the agreement. The agreement was approved by the California Department of Insurance (CDI) on April 9, 2014.

Effective January 1, 2021, the agreement was amended and restated to add Great American Contemporary Insurance Company (GCTP) as a party to the agreement and for GCTP to provide services to the other parties. The Company did not receive or make any payment in 2021. The Agreement was approved by the CDI on October 28, 2020.

TERRITORY AND PLAN OF OPERATION

The Company's operations are conducted jointly with its subsidiary at its home office in Calabasas, California. As of December 31, 2021, the Company primarily wrote workers' compensation coverage and was licensed in the District of Columbia and the following 40 states:

Alabama	Idaho	Mississippi	Rhode Island
Alaska	Illinois	Missouri	South Carolina
Arizona	Indiana	Montana	South Dakota
Arkansas	Iowa	Nebraska	Tennessee
California	Kansas	Nevada	Texas
Colorado	Kentucky	New Mexico	Utah
Delaware	Louisiana	North Carolina	Virginia
Florida	Maine	Ohio	Washington
Georgia	Maryland	Oklahoma	West Virginia
Hawaii	Michigan	Oregon	Wisconsin

During 2021, the Company wrote \$51.5 million of direct premiums. The Company's direct business is produced primarily through approximately 500 active brokerage firms and targets all workers' compensation risk classes except for petroleum and mining. In recent years, the Company has focused on skilled classes, retail/wholesale operations, and hospitality. The Company's direct business is concentrated in California, with direct premiums written of \$42.2 million (approximately 82% of total direct premiums written), followed by Alaska with direct premiums written of \$6.8 million (approximately 13.3% of total direct premiums written).

REINSURANCE

Intercompany Reinsurance Agreement

Effective January 1, 1991, and amended on December 31, 2009 and on April 1, 2014, the Company (Lead Company) and its subsidiary, Republic Indemnity Company of California (RICC) and affiliates, Bridgefield Employers Insurance Company (BEIC) and Bridgefield Casualty Insurance Company (BCIC) are parties to an Intercompany Pooling Agreement. In the amended agreement, the Lead Company assumes 100% of the business with no

retrocession to RICC, BEIC, and BCIC. The amended and restated pooling agreement was approved by the California Department of Insurance (CDI) on March 20, 2014.

Effective January 1, 2021, the pooling agreement was amended to add Great American Contemporary Insurance Company (GCTP), an Ohio domiciled property and casualty insurer as the lead company in a pooling agreement. Under the terms of the agreement, the Company, RICC, BEIC, and BCIC cede 100% of their gross business to GCTP with no retrocessions. GCTP retains 100% of the premiums, losses, and expenses of the pool. The amended and restated pooling agreement was approved by CDI on October 28, 2020.

Assumed

In addition to the intercompany pooling agreement, the Company has a fronting arrangement with its affiliate, Great American Insurance Company (GAIC), covering out of state worker's compensation for accounts with locations in states where the Company is not licensed to write business. The Company assumes 100% of such business.

The Company participates in the National Council on Compensation Insurance (NCCI) Workers Compensation Reinsurance Pools on assigned risk business as directed by NCCI.

Ceded

Ceded business is limited to the Company's participation in the above-referenced Intercompany Pooling Agreement.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. There were no examination adjustments made to surplus as a result of the examination.

Statement of Financial Condition as of December 31, 2021

Underwriting and Investment Exhibit for the Year Ended December 31, 2021

Reconciliation of Surplus as Regards Policyholders from December 31, 2016 through December 31, 2021

Statement of Financial Condition
as of December 31, 2021

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 36,332,507	\$	\$ 36,332,507	
Common stocks	24,838,804		24,838,804	
Cash and short-term investments	55,535,692		55,535,692	
Other invested assets	43,931		43,931	
Receivable for securities	315		315	
Investment income due and accrued	418,223	6,728	411,495	
Federal and foreign income tax recoverable and interest thereon	876,100		876,100	
Receivable from parent, subsidiaries and affiliates	6,405,580		6,405,580	
Aggregate write-ins for other than invested assets	9,429		9,429	
Total assets	<u>\$ 124,460,581</u>	<u>\$ 6,728</u>	<u>\$ 124,453,853</u>	

<u>Liabilities, Surplus and Other Funds</u>	<u>Current Year</u>	<u>Notes</u>
Losses and loss adjustment expenses	\$ 0	(1)
Other expenses	8,600	
Net deferred tax liability	10,889,020	
Payable to parent, subsidiaries and affiliates	<u>1,023,013</u>	
Total liabilities	11,920,633	
Common capital stock	3,500,000	
Gross paid-in and contributed surplus	21,383,779	
Unassigned funds (surplus)	87,649,441	
Surplus as regards policyholders	<u>112,533,220</u>	
Total liabilities, Surplus, and other funds	<u>\$ 124,453,853</u>	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2021

State of Income

<u>Underwriting Income</u>	
Premium earned	\$ 0
Deduction:	
Losses and Loss expense incurred	\$ 0
Other underwriting expenses incurred	<u>0</u>
Total underwriting deductions	<u>0</u>
Net underwriting loss	0

<u>Investment Income</u>	
Net investment income	\$ 12,181,202
Net realized capital gain	<u>69,528,468</u>
Net investment gain	81,709,670
Federal and foreign income taxes incurred	<u>(55,494,710)</u>
Net income	<u>\$ 137,204,380</u>

<u>Capital and Surplus Account</u>	
Surplus as regards policyholders, December 31, 2020	\$ 432,847,186
Net income	\$ 137,204,380
Change in net unrealized capital gains losses, less capital gains tax of (2,983,570)	(10,825,655)
Change in net deferred income tax	(74,040,017)
Change in nonadmitted assets	20,272,326
Change in provision for reinsurance	2,075,000
Surplus adjustments:	
Paid-in	(195,000,000)
Dividends to stockholders	<u>(200,000,000)</u>
Change in surplus as regards policyholders for the year	<u>(320,313,966)</u>
Surplus as regards policyholders, December 31, 2021	<u>\$ 112,533,220</u>

Reconciliation of Surplus as Regards to Policyholders
from December 31, 2016 through December 31, 2021

Surplus as regards policyholders, December 31, 2016			\$ 532,336,031
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net income	\$ 652,309,456	\$	
Change in net unrealized capital		7,332,917	
Change in net deferred income tax		113,915,599	
Change in nonadmitted assets	42,961,783		
Change in provision for reinsurance	342,762		
Surplus adjustment: Paid-in		379,168,296	
Dividends to stockholders		615,000,000	
Total gains and losses	<u>\$ 695,614,001</u>	<u>\$ 1,115,416,812</u>	
Net decrease in surplus as regards policyholders			<u>(419,802,811)</u>
Surplus as regards policyholders, December 31, 2021			<u>\$ 112,533,220</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

A Casualty Actuary from the California Department of Insurance reviewed the actuarial work prepared by the lead state's consulting actuary, Taylor Walker Consulting Actuaries and concurred that the Great American Contemporary Group Pool's losses and loss adjustment expense reserve as of December 31, 2021 were reasonable and have been accepted for purposes of this examination. As of December 31, 2021, the Company reported zero net losses and loss adjustment expense reserve (LAE) because one hundred percent of its losses and LAE expenses were ceded to Great American Contemporary Insurance Company.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

None.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

Cuauhtemoc Beltran, CFE
Examiner-In-Charge
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California

Sayaka Dillon, CFE
Supervising Insurance Examiner
Department of Insurance
State of California