REPORT OF EXAMINATION

OF THE

REPUBLIC INDEMNITY COMPANY OF AMERICA

AS OF

DECEMBER 31, 2016

Filed on February 27, 2018

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Los Angeles, California
December 15, 2017

Honorable Dave Jones
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) at its home office located at 15821 Ventura Boulevard, Encino, California 91436.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2011. This examination covered the period from January 1, 2012 through December 31, 2016.

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 Insurance Group, Inc., the ultimate parent of the Company. It was conducted concurrently with the following insurance entities in the holding company group:

Company Name	Domiciled State
Great American Insurance Company	Ohio
Great American Alliance Insurance Company	Ohio
Great American Assurance Company	Ohio
Great American Casualty Insurance Company	Ohio
Great American Contemporary Insurance Company	Ohio
Great American E&S Insurance Company	Delaware
Great American Fidelity Insurance Company	Delaware
Great American Insurance Company of New York	New York
Great American Lloyds Insurance Company	Texas
Great American Protection Insurance Company	Ohio
Great American Security Insurance Company	Ohio
Great American Spirit Insurance Company	Ohio
Great American Life Insurance Company	Ohio
Annuity Investors Life Insurance Company	Ohio
Manhattan National Life Insurance Company	Ohio
American Empire Insurance Company	Ohio
American Empire Surplus Lines Insurance Company	Delaware

Company Name	Domiciled State
Mid Continent Casualty Company	Ohio
Mid Continent Assurance Company	Ohio
Mid Continent Excess and Surplus Insurance	Delaware
Oklahoma Surety Company	Ohio
Republic Indemnity Company of California	California
Bridgefield Casualty Insurance Company	Florida
Bridgefield Employers Insurance Company	Florida
National Interstate Insurance Company	Ohio
National Interstate Insurance Company of Hawaii Inc.	Ohio
Triumphe Casualty Company	Ohio
Vanliner Insurance Company	Missouri

COMPANY HISTORY

On January 9, 2014, the ownership of the Company was transferred from APU Holding Company (APU) to Great American Holding, Inc. (Great American). Both APU and Great American are wholly-owned subsidiaries of American Financial Group, Inc.

Capitalization

The Company received capital cash contributions in the amounts of $180,000,000 and $40,000,000 from its immediate parent, Great American, on April 1, 2014 and December 29, 2014, respectively. The Company made a $12,000,000 capital cash contribution to its subsidiary, Republic Indemnity Company of California, on September 5, 2014.

Dividends

On December 27, 2012, the Company paid an ordinary cash dividend to APU totaling $15,000,000.

On December 19, 2013, the Company paid an extraordinary cash dividend to APU totaling $60,000,000. The California Department of Insurance (CDI) approved this transaction on December 6, 2013.

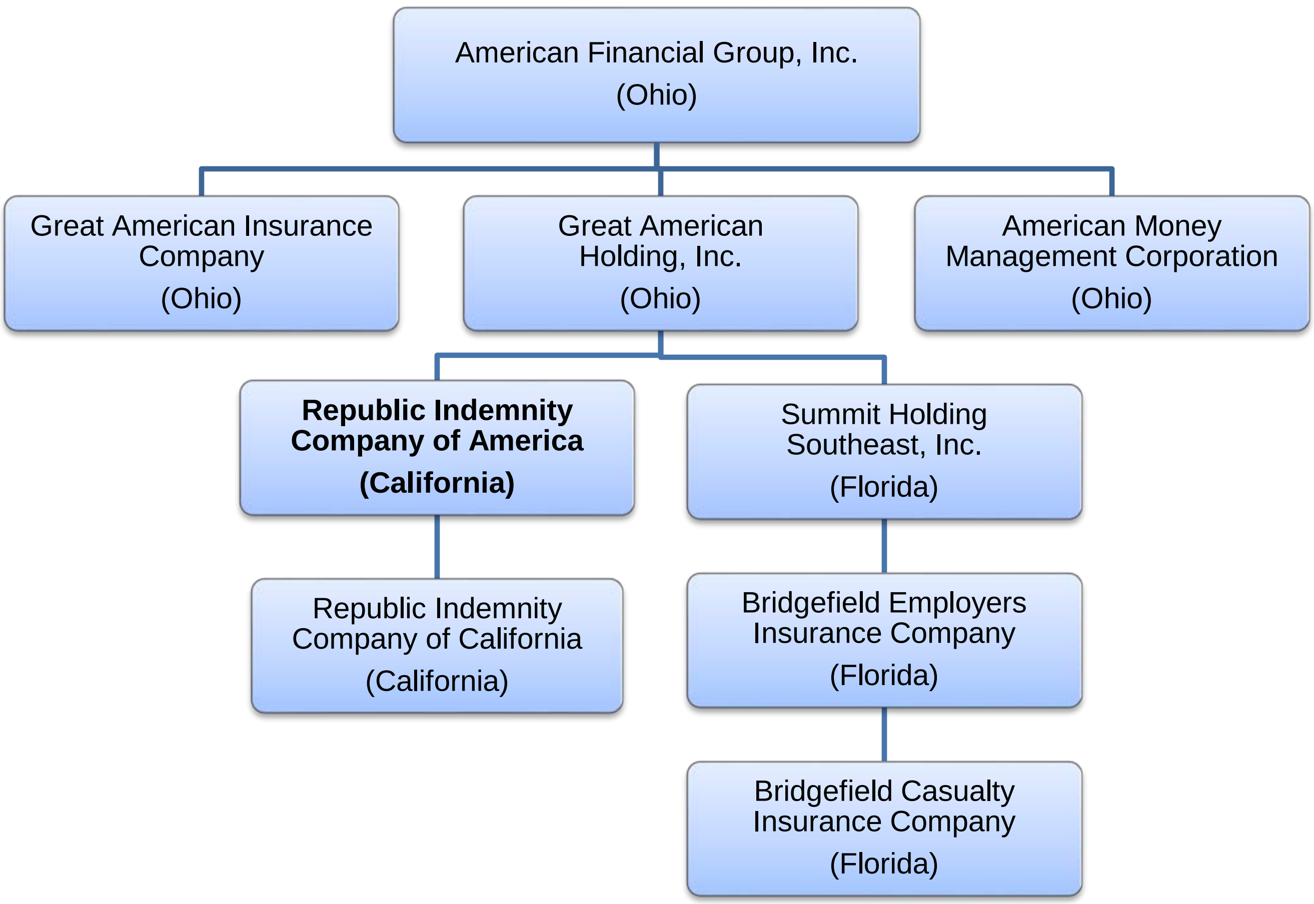
On September 15, 2015, the Company paid an ordinary cash dividend to Great American totaling $50,000,000. On December 24, 2015, the Company paid an extraordinary cash dividend to Great American totaling $20,000,000. The CDI approved this extraordinary transaction on December 22, 2015.

On June 13, 2016 and December 21, 2016, the Company paid extraordinary cash dividends to Great American totaling $80,000,000 and 45,000,000, and the CDI approved these transactions on June 13, 2016 and December 8, 2016, respectively.

Subsequent to the examination period, the Company paid three extraordinary cash dividends to Great American totaling $30,000,000 each on March 24, 2017, June 12, 2017, and September 26, 2017. The CDI approved these transactions on March 13, 2017, June 2, 2017, and September 8, 2017, respectively. On November 20, 2017, the Company’s board of directors declared additional extraordinary cash dividend to Great American totaling $85,000,000. The CDI approved this extraordinary transaction on December 8, 2017.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system with American Financial Group, Inc. as the ultimate control entity. Following is an abridged organizational chart as of December 31, 2016. All ownership is 100%.



The seven 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, 2016:

Directors

Name and Location	Principal Business Affiliation
Ronald J. Brichler Wyoming, Ohio	Executive Vice President Great American Insurance Company Property & Casualty Group
DeAllen L. Goodwin Thousand Oaks, California	President Republic Indemnity Company of America Republic Indemnity Company of California
Gary J. Gruber Cincinnati, Ohio	Executive Vice President Great American Insurance Company Property & Casualty Group
Donald D. Larson Cincinnati, Ohio	President & Chief Operating Officer Great American Insurance Company Property & Casualty Group
David P. Mitchell Agoura Hills, California	Senior Vice President Republic Indemnity Company of America Republic Indemnity Company of California
Michael E. Sullivan, Jr. West Chester, Ohio	Senior Vice President Great American Insurance Company Property & Casualty Group
David J. Witzgall Villa Hills, Kentucky	Senior Vice President, Chief Financial Officer, and Treasurer Great American Insurance Company Corporate Services & Financial Group

Principal Officers

Name	Title
DeAllen L. Goodwin	President
Louis C. Borstelmann	Senior Vice President, Chief Financial Officer, and Treasurer
Reggie A. Fradkin	Senior Vice President
David P. Mitchell	Senior Vice President
Rao V. Tadepalli	Senior Vice President and Chief Information Officer
Melinda A. Kreger	Vice President and Secretary

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, American 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 portfolio value administered by AMMC. For 2012, 2013, 2014, 2015, and 2016, the Company paid AMMC $207,655, $92,152, $46,373, $356,166, and $408,460, respectively, under the terms of this agreement. This agreement went into effect before the prior approval provisions of California Insurance Code (CIC) Section 1215.5(b)(4) went into effect and has never been amended.

Service Agreement: Effective December 31, 2009, the Company and its subsidiary, RICC, entered into a Service Agreement. Under the terms of the agreement, the Company provides RICC with the following services: claims, accounting, underwriting, actuarial, telecommunication, data processing, legal, payroll, purchasing, and employee relations services. Expenses incurred in connection with the service agreement are allocated among the Company and RICC in proportion to each entity's respective participation in the Intercompany Pooling Agreement, with 97% allocated to the Company and 3% allocated to RICC. The agreement was approved by the California Department of Insurance (CDI) on December 23, 2009. During 2012 and 2013, the Company received $1,729,988 and $2,591,403, respectively, and during 2014, the Company paid a refund of $431,311 to RICC under the terms of the agreement. The agreement was superseded by an Amended and Restated Service Agreement, effective April 1, 2014.

Amended and Restated Services Agreement: On April 1, 2014, the Company, RICC, Bridgefield Casualty Insurance Company (BCIC), and Bridgefield Employers Insurance

Company (BEIC), entered into a new intercompany pooling agreement with the Company now assuming 100% of the pooled business, without retrocession. To reflect the new intercompany pooling arrangement, the Company, RICC, BCIC, and BEIC entered into an Amended and Restated Services Agreement, effective April 1, 2014, to include BCIC and BEIC. Under the terms of the agreement, the Company provides RICC, BCIC, and BEIC with the following services: claims, accounting, underwriting, actuarial, telecommunication, data processing, legal, payroll, purchasing, and employee relations services. All expenses for services being provided are being allocated to the Company at 100%. The Amended and Restated Services Agreement was approved by the CDI on April 9, 2014.

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. Pursuant to the agreement, fees payable for services furnished are based on cost. GAIC has determined that 2.5% of net written premium fairly represents cost. For 2012, 2013, 2014, 2015 and 2016, the Company paid GAIC $3,788,518, $4,651,491, $6,529,474, $7,170,101, and $7,245,928, respectively, under the terms of this agreement. This agreement went into effect before the prior approval provisions of CIC Section 1215.5(b)(4) went into effect and has never been amended.

Claims 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 term of the agreement, GAIC provides certain claims handling services for the Company and RICC, and compensation is based on actual cost. For 2012, 2013, 2014, 2015, and 2016, the Company paid GAIC $33,420, $39,802, $35,485, $32,705, and $28,348, respectively, under the terms of this agreement. The agreement was approved by the CDI on August 14, 2007.

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 the CDI on November 29, 2005. The Company paid (received) the following taxes during the examination period:

Year	Amount
2012	$ (1,673,985)
2013	8,439,020
2014	94,450,215
2015	39,716,554
2016	42,450,319

TERRITORY AND PLAN OF OPERATION

The Company's operations are conducted jointly with its subsidiary, Republic Indemnity Company of California (RICC), at its home office in Encino, California. As of December 31, 2016, the Company principally 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 2016, the Company wrote $113.4 million of direct premiums. The Company's direct business is produced primarily through approximately 400 active brokerage firms, and targets all workers' compensation risk classes except petroleum and mining. In recent years, the Company has focused on skilled classes, small retail operations and agriculture business, and is de-emphasizing construction and other high risk classes. The Company's direct business is concentrated in California, with direct premiums written of $83.7 million (approximately 73.8% of total direct premiums written), followed by Alaska with direct premiums written of $14.0 million (approximately 12.3% of total direct premiums written).

The Company had a Managing General Agency (MGA) Agreement dated April 1, 2012 with Synergy Coverage Solutions, LLC. (Synergy). Under the terms of the agreement, Synergy wrote business in several Eastern and Midwest states on behalf of the Company. During 2016, Synergy produced approximately $10.0 million in premiums. However, the MGA Agreement was terminated on September 27, 2017.

REINSURANCE

Intercompany Pooling Agreement

Effective January 1, 1991, and amended on December 31, 2009, the Company and its subsidiary, Republic Indemnity Company of California (RICC), were parties to an Intercompany Pooling Agreement. Under this agreement, all business written by the two companies was pooled and all premiums, losses, and expenses incurred were reapportioned and shared by the Company and RICC in the proportion of 97% and 3%, respectively.

On April 1, 2014, the Company's immediate parent, Great America Holding, Inc., acquired Summit Holding Southeast, Inc. (Summit) from Liberty Mutual Insurance Company. Bridgefield Employers Insurance Company (BEIC) and Bridgefield Casualty Insurance Company (BCIC) are subsidiaries of Summit, and specialized in writing workers' compensation insurance issued in the Southeastern United States, primarily in Florida. BEIC and BCIC are not licensed in California.

As a result of the acquisition, the Intercompany Pooling Agreement was amended and restated, effective April 1, 2014, to add BCIC and BEIC. In the amended agreement, the Company assumes 100% of premiums with no retrocession from RICC, BEIC, and BCIC. The amended and restated pooling agreement was approved by the California Department of Insurance (CDI) on March 20, 2014.

Assumed

In addition to the Intercompany Pooling Agreement, the Company has a fronting arrangement with its affiliate, Great American Insurance Company (GAIC), covering incidental workers' compensation in those states where the Company is not licensed to write business. The Company assumes 100% of such business.

Ceded

The following is a summary of the ceded reinsurance treaties inforce as of December 31, 2016:

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Workers' Compensation Excess of Loss (excludes assumed business from BCIC and BEIC):			
First Layer	Great American Insurance Company (10%, affiliate) various authorized reinsurers (90%)	$2 million	$8 million
Second Layer (excluding nuclear, biological, chemical, and radiological (NBCR) Terrorism Loss)	Various authorized and certified reinsurers	$10 million	$10 million
Third Layer (excluding NBCR Terrorism Loss)	Various authorized and certified reinsurers	$20 million	$30 million

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Fourth Layer (excluding NBCR Terrorism Loss)	Various authorized, unauthorized, and certified reinsurers	$50 million	$50 million
Fifth Layer (excluding NBCR Terrorism Loss)	Various authorized, unauthorized, and certified reinsurers	$100 million	$50 million
Sixth Layer - NBCR Terrorism Loss	50% participation by various authorized and certified reinsurers	$10 million	$10 million
Seventh Layer - NBCR Terrorism Loss	50% participation by various authorized and certified reinsurers	$20 million	$30 million
Eighth Layer - NBCR Terrorism Loss	50% participation by various authorized and certified reinsurers	$50 million	$50 million
Workers' Compensation Excess of Loss covering assumed business from BCIC and BEIC:			
First Layer	Safety National Insurance Company, authorized reinsurer	$3 million	$2 million
Second Layer	Various authorized reinsurers	$5 million	$5 million
Third Layer	Various authorized reinsurers	$10 million	$10 million
Forth Layer	Various authorized and certified reinsurers	$20 million	$20 million

As of December 31, 2016, reinsurance recoverable for all ceded reinsurance (paid and unpaid) totaled $235.4 million or 44.2% of surplus as regards policyholders. Approximately 97.9% of the above ceded reinsurance recoverable were from authorized unaffiliated insurers.

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, 2016. The accompanying comments to the amounts reported in the annual statements 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, 2016

Underwriting and Investment Exhibit for the Year Ended December 31, 2016

Reconciliation of Surplus as Regards Policyholders from December 31, 2011 through December 31, 2016

Statement of Financial Condition
as of December 31, 2016

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 1,663,974,898	$	$ 1,663,974,898	
Preferred stocks	112,691,090		112,691,090	
Common stocks	114,761,652		114,761,652	
Mortgage loans on real estate	54,613,092		54,613,092	
Cash and short-term investments	209,831,246		209,831,246	
Investment income due and accrued	12,954,735		12,954,735	
Premiums and agents' balances in course of collection	18,571,962	8,775,265	9,796,697	
Premiums, agents' balances and installments booked but deferred and not yet due (including $17,085,343 earned but unbilled premiums)	17,724,880	1,992,460	15,732,420	
Accrued retrospective premiums	10,647,456	408,160	10,239,296	
Amount recoverable from reinsurers	3,210,263		3,210,263	
Net deferred tax asset	99,226,266	19,313,617	79,912,649	
Guaranty funds receivable or on deposit	2,586		2,586	
Electronic data processing equipment and software	11,534,896	11,534,896	0	
Furniture and equipment	238,148	238,148	0	
Receivables from parent, subsidiaries and affiliates	9,513,599		9,513,599	
Health care and other amount receivable	394,133		394,133	
Aggregate write-ins for other-than-invested assets	3,412,224	705,965	2,706,259	
Total assets	$ 2,343,303,126	$ 42,968,511	$ 2,300,334,614	

Liabilities, Surplus and Other Funds			
Losses and loss adjustment expenses		$ 1,648,337,609	(1)
Commissions payable, contingent commissions and other similar charges		11,311,505	
Other expenses		12,069,254	
Taxes, licenses and fees		22,293,414	
Current federal and foreign income taxes		1,566,828	
Unearned premiums		28,953,593	
Dividends declared and unpaid: Policyholders		11,882,258	
Ceded reinsurance premiums payable		3,741,928	
Funds held by company under reinsurance treaties		12,366,129	
Amounts withheld or retained by company for account of others		607,610	
Remittances and items not allocated		26	
Provision for reinsurance		342,762	
Payable to parent, subsidiaries and affiliates		1,976,187	
Payable for securities		99,940	
Aggregate write-ins for liabilities		12,449,540	
Total liabilities		1,767,998,583	
Common capital stock	$ 3,500,000		
Gross paid-in and contributed surplus	400,552,075		
Unassigned funds (surplus)	128,283,956		
Surplus as regards policyholders		532,336,031	
Total liabilities, surplus and other funds		$ 2,300,334,614	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2016

Statement of Income

Underwriting Income		
Premiums earned		$ 794,101,680
Deductions:		
Losses and loss expenses incurred	$ 509,223,160	
Other underwriting expenses incurred	196,703,829	
Total underwriting deductions		705,926,989
Net underwriting gain		88,174,692
Investment Income		
Net investment income earned	$ 74,642,808	
Net realized capital losses	(2,873,046)	
Net investment gain		71,769,763
Other Income		
Net loss from agents' or premium balances charged off (amount recovered $0 amount charged off $410,433)	$ (410,433)	
Aggregate write-ins for miscellaneous income	57,034	
Total other income		(353,400)
Net income before dividends to policyholders, after capital gains tax and before federal and foreign income taxes		159,591,055
Dividends to policyholders		9,620,691
Net income after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		149,970,364
Federal and foreign income taxes incurred		45,495,397
Net income		$ 104,474,967

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2015		$ 537,285,107
Net income	$ 104,474,967	
Change in net unrealized capital gains	8,298,346	
Change in net deferred income tax	602,909	
Change in nonadmitted assets	6,526,454	
Change in provision for reinsurance	(8,458)	
Surplus adjustments:		
Paid-in	158,454	
Dividends to stockholders	(125,000,000)	
Aggregate write-ins for losses in surplus	(1,749)	
Change in surplus as regards policyholders for the year		(4,949,077)
Surplus as regards policyholders, December 31, 2016		$ 532,336,031

Reconciliation of Surplus as Regards Policyholders
from December 31, 2011 through December 31, 2016

Surplus as regards policyholders, December 31, 2011			$ 278,843,255
	Gain in Surplus	Loss in Surplus	
Net income	$ 252,352,168	$	
Net unrealized capital gains	1,469,708		
Change in net deferred income tax	71,450,764		
Change in nonadmitted assets		25,044,188	
Change in provision for reinsurance	2,251,490		
Surplus adjustments: Paid-in	221,014,583		
Dividends to stockholders		270,000,000	
Aggregate write-ins for gains and losses in surplus		1,749	
Total gains and losses	$ 548,538,713	$ 295,045,937	
Net increase in surplus as regards policyholders			253,492,776
Surplus as regards policyholders, December 31, 2016			$ 532,336,031

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

Based on an analysis by a Casualty Actuary for the California Department of Insurance, the Company's loss and loss adjustment expense reserves as of December 31, 2016 were found to be reasonably stated and have been accepted for purposes of this examination.

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,

__/S/________________________

Sayaka T. Dillon, CFE
Examiner-In-Charge
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California

__/S/________________________

Vivien Fan, CFE
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