

REPORT OF EXAMINATION
OF THE
ALLIANZ REINSURANCE AMERICA, INC.
AS OF
DECEMBER 31, 2023

Insurance Commissioner

A handwritten signature in blue ink, appearing to be "D. DeLoach", is positioned to the right of the title "Insurance Commissioner".

Filed on May 27, 2025

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Los Angeles, California
March 28, 2025

Honorable Dave Jones
Insurance Commissioner
California Department of Insurance
Los Angeles, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

ALLIANZ REINSURANCE AMERICA, INC.

(hereinafter also referred to as the Company). Its home office is located at 1465 North McDowell Boulevard, Suite 201, Petaluma, California 94954.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2018. This examination covered the period from January 1, 2019 through December 31, 2023.

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 examination was called as part of the coordinated examination of Allianz Insurance Group, with Minnesota as the lead state. However, the examination was conducted on a stand-alone basis with minimal coordination with the lead state due to the Company's separate management team, structure, and operational environment.

COMPANY HISTORY

The Company is a California-domiciled property and casualty insurer. Effective September 14, 2018, with the California Department of Insurance's (CDI) approval, the Company changed its name from San Francisco Reinsurance Company to Allianz Reinsurance America, Inc., to better identify its role as a U.S. reinsurer within the Allianz Insurance Group (Allianz Group).

The Company is a wholly-owned subsidiary of Allianz of America, Inc., a Delaware corporation (AZOA), which is a wholly-owned subsidiary of Allianz Europe, B.V., a Netherlands company, which is a wholly-owned subsidiary of Allianz SE, a *societas europaea* organized under the laws of the European Union and domiciled in Germany. Allianz SE is a multinational financial services company, whose stock is traded on the Xetra German Electronic Exchange operated by the Frankfurt Stock Exchange and all other German stock exchanges and Allianz SE shares are traded on the Nasdaq under ALIZF.

Capitalization

The Company is authorized to issue 60,000 shares of common stock with a par value of \$100 per share. As of December 31, 2023, there were 39,215 shares issued and outstanding. All outstanding shares are owned by AZOA.

In July 2019, the CDI approved the Company's request for an excess capital distribution to AZOA totaling \$180 million. The distribution decreased the gross paid-in and contributed surplus by the same amount to \$401,633,647 as of December 31, 2019.

In June 2021, the CDI approved the Company's request for an excess capital distribution to AZOA totaling \$200 million. The distribution decreased the gross paid-in and contributed surplus by the same amount to \$201,633,647 as of December 31, 2021.

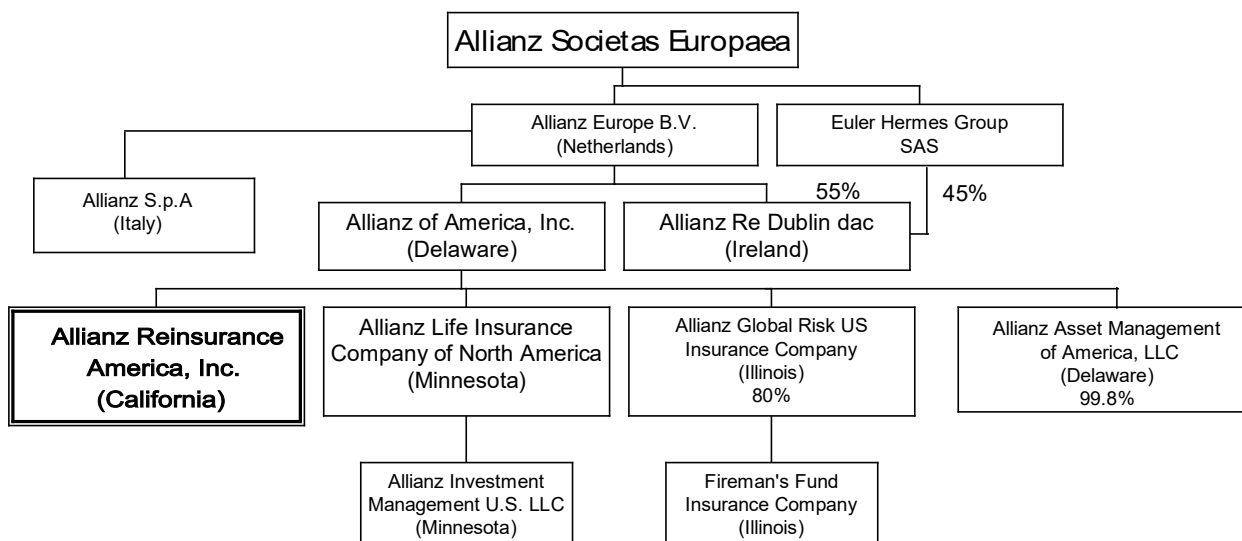
Dividends

In October 2022, the CDI approved the Company's request for a \$50 million cash extraordinary dividend to AZOA.

In November 2023, the Company paid an ordinary cash dividend to AZOA totaling \$4,256,000.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system, of which Allianz SE is the ultimate controlling entity. The following abridged organizational chart is limited to the Company's inter-relationship with certain companies within the holding company system and does not depict all of the companies under Allianz SE as of December 31, 2023. All ownership is 100% unless otherwise noted.



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, 2023:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Ronald M. Clark Oro Valley, Arizona	Retired
Paul A. Ginnett Santa Rosa, California	Retired
Sibylle Steimen Munich, Germany	Managing Director of Advisory & Services Allianz SE Reinsurance
Holger Tewes-Kampelmann Munich, Germany	Chief Executive Officer Allianz SE Reinsurance
Paul J. Vassallo Santa Rosa, California	Chief Executive Officer Allianz Reinsurance America, Inc.
Kevin E. Walker Marana, Arizona	Retired

Principal Officers

<u>Name</u>	<u>Title</u>
Paul J. Vassallo	President and Chief Executive Officer
Madelyn C. Faggella	Chief Financial Officer, Controller, Treasurer, and Appointed Actuary
Brooke Green	Chief Claims Officer
Arvind Krishnamurthy ⁽¹⁾	Vice President, U.S. Legacy/Capital Solutions
Claudia V. Knox	General Counsel and Secretary

(1) In October 2024, the officer title for Arvind Krishnamurthy changed to Chief Underwriting Officer to better align the working title with the functional role within the Company.

Management Agreements

The Company is party to several intercompany agreements and/or related party transactions within the holding company system in an effort to obtain efficiencies in operations and/or limit certain costs. The following significant intercompany agreements were in effect as of December 31, 2023:

Capital Commitment Agreement: Effective January 1, 2015, the Company entered into a Capital Commitment Agreement with AZOA. Under the terms of the agreement, AZOA agrees to make capital contributions to the Company as necessary to maintain a minimum Risk-Based Capital ratio of 250%.

Second Amended and Restated Group Service Agreement: Effective September 4, 2015, the Second Amended and Restated Group Service Agreement was amended to add the Company as a participant to the agreement. The other participants in this service agreement include Allianz of America, Inc. (AZOA), AZOA Services Corporation, Allianz Global Risks US Insurance Company (AGR US), Fireman's Fund Insurance Company, Allianz Life Insurance Company of North America, Allianz Capital Partners of America, LLC, AGA Service Company, Allianz Real Estate of America LLC, Allianz Technology of America, Inc. (ATA), Allianz Renewable Energy Partners of America LLC, Allianz

Renewable Energy Partners of America 2 LLC, Allianz Reinsurance Management Services, Inc., Euler Hermes North America Insurance Company, Allianz Finance Corporation, and PFP Holdings. The agreement and subsequent amendments allow services such as managerial, operational, strategic consultation, investment, treasury, accounting and finance, legal, tax, risk management, audit, information technology, underwriting, and claims handling to be provided or requested by/from the named parties. Service fees are determined by fair and equitable actual cost incurred, plus a reasonable charge for overhead. This agreement was last amended on October 26, 2016, and approved by the California Department of Insurance (CDI) on September 29, 2016. The Company received \$697,710, \$892,115, and \$2,118,934 for the services received/provided in 2019, 2020, and 2021, respectively. This agreement was replaced by the Affiliate Group Services Agreement below.

Affiliate Group Services Agreement: Effective July 31, 2022, the Company and its parent, AZOA, and other affiliates entered into an Affiliate Group Services Agreement. Under the terms of the agreement, the parties may provide various services, including but not limited to managerial, strategic consulting, investment, treasury, accounting, finance, legal, and federal, state, and local tax compliance. The agreement also covers services such as, but not limited to, procurement of insurance, corporate internal audits, information technology, reinsurance, underwriting, claims handling, actuarial reserve analysis, development of risk strategies, contract management, staffing, and other services. The parties to the agreement agree that the compensation for providing services shall be based on actual cost without a profit factor being built into that cost and a reasonable charge for overhead. The agreement replaced and superseded the above-mentioned Second Amended and Restated Group Service Agreement dated September 4, 2015. The CDI approved the agreement on July 28, 2022. The Company received \$1,615,524 and \$1,819,146 for the services received/provided in 2022 and 2023, respectively.

Amended and Restated Investment Management Agreement: Effective June 1, 2015, the Company entered into an Investment Management Agreement with Allianz Investment Management, LLC (AIM), which amended, restated, and replaced the Investment Services Agreement originally entered into between the Company and AIM on

January 1, 2015. Under the terms of the agreement, AIM would provide investment advisory and investment management services to the Company. Service fees are based on the actual reasonable costs and expenses incurred, plus a reasonable charge for overhead. The agreement was last amended on January 1, 2018, and approved by the CDI on May 7, 2018. The Company paid \$1,271,578 and \$836,255 for the services provided in 2019 and 2020, respectively. This agreement was replaced by the Investment Management Agreement below.

Investment Management Agreement: Effective as of January 1, 2021, by and between Allianz Investment Management U.S. LLC (AIM U.S.), as an investment manager and the Company as service recipient by which AIM U.S. acts as the lead investment manager for the Company and performs investment advisory and asset management services. Under the terms of the agreement, AIM U.S. provides investment management services with respect to the assets of the Company's accounts. With approval from the board of directors and responsible officers, the agreement provides investment management, support services, development of investment mandates, reporting of investment accounting results, and performance attribution. In coordination with the Company, AIM U.S. assists in creating the annual investment plan presented to the board of directors and respective decision-making bodies for approval. The Company is to pay AIM U.S. an annual fee, which shall be accrued daily and paid quarterly, equal to a percentage of average daily net assets, based upon the average market value of the account during the relevant billing period. The percentage charged in any calendar year shall not exceed an annual rate of 0.065% or an annual rate of 0.147%, depending on the purpose of the accounts. The agreement replaced and superseded the previously mentioned Amended and Restated Investment Management Agreement dated June 1, 2015. The Company paid \$980,926, \$718,781, and \$638,925 for the services in 2021, 2022, and 2023, respectively.

Cost Allocation and Insurance Service Agreement: Effective November 28, 2022, the Company, AZOA, Allianz Asset Management of America LLC, and its subsidiaries and affiliates entered into a Cost Allocation and Insurance Service Agreement. Under the terms of the agreement, AZOA and the Company provide corporate risk management

services, including insurance procurement, risk consultation, and corporate insurance management. All direct and indirect costs and reasonable charges for overhead shall be allocated in accordance with a cost allocation method in conformity with Statement of Statutory Accounting Principles (SSAP) No. 70. The Company received \$63,605 and \$57,836 for the services and its share of insurance coverage, in 2022 and 2023, respectively.

Service Agreement: Effective January 1, 2017, the Company entered into a Service Agreement with its affiliate, Allianz S.p.A (formerly known as Riunione Adriatica Di Sicurta or RAS). Under the terms of the agreement, the Company provides claims management services, including handling and adjusting policy claims, processing payments, and claims administration services for Allianz S.p.A's Howden book of asbestos, pollution, and health hazard claims. Service fees are determined by fair and equitable actual cost incurred, plus a reasonable overhead charge, as established per required codes and regulations. The CDI approved the agreement on April 11, 2017. Effective March 16, 2023, the agreement was amended to update and replace the compensation and fee provisions and add additional provisions consistent with Allianz Group outsourcing requirements. Under the terms of the amendment, Allianz S.p.A. agrees to reimburse the actual cost of services plus a fair and reasonable markup price of 5% applicable solely for internal service costs and expressly excluding software license fees. The CDI approved the amendment on March 9, 2023. The Company received \$195,330, \$195,330, \$196,233, \$148,253, and \$63,558 for the services provided in 2019, 2020, 2021, 2022, and 2023, respectively.

Master Service Level Agreement: Effective May 24, 2017, the Company entered into a Master Service Level Agreement with Allianz Societas Europaea (Allianz SE), its ultimate parent, whereby Allianz SE would provide services including, but not limited to, marketing, procurement, information technology securities, and finance to the Company. Service fees are based on actual direct and indirect costs plus a markup of 5% for overhead. Effective March 29, 2018, the agreement was amended to update the consolidated delivery and cost allocation of support services by each group center and Allianz SE to the Company. The Company paid \$626,373, \$745,280, \$606,542, \$859,753, and

\$772,942 in services fees in 2019, 2020, 2021, 2022, and 2023, respectively.

Tax Sharing Agreement: Effective January 1, 2018, the Company entered into a Tax Sharing Agreement with its parent, AZOA, and other affiliates, which replaced the prior tax agreements for the AZOA tax group. Under the terms of the Tax Sharing Agreement, AZOA prepares and files a U.S. consolidated federal income tax and state tax return on behalf of the Company and its affiliates under the common ownership of AZOA. Each member pays AZOA an amount equal to the federal income tax and state tax liability as if each member filed a separate stand-alone tax return. Payment of the tax liability shall be made no earlier than ten days prior to the due date and no later than thirty days following the filing of the group's tax return. The CDI approved the agreement on December 13, 2018. Effective December 19, 2023, the agreement was amended to address the changes to the tax laws since the original agreement's effective date. The CDI approved the First Amendment to the Tax Sharing Agreement on December 7, 2023. The Company paid/(recovered) federal income taxes of (\$3,148,063), \$12,229,562, (\$7,343,055), (\$171,169), and \$1,079,592 in 2019, 2020, 2021, 2022, and 2023, respectively.

Effective January 1, 2024, the Company entered into an IT Supply Outsourcing Agreement with ATA as service provider and the Company as service recipient for information technology services and support. ATA provides end-to-end insurance solutions for the Company. In addition, ATA provides a variety of platforms to the Company, including finance, risk, procurement, compliance, data solutions, HR, etc. Other services include site services, workplace IT profiles, IT security, and access management. Charges shall be fair and reasonably determined on the actual cost of the outsourcing services being provided. Indirect and shared expenses shall be allocated in accordance with SSAP No. 70. Expenses are invoiced on a monthly basis, with payment due within 30 days. The CDI approved the agreement on November 6, 2023. The Company had previously received certain IT services from ATA under the Master Services Agreement dated March 26, 2018, which was replaced and superseded by this IT Supply Outsourcing Agreement.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2023, the Company was licensed to write aircraft, automobile, boiler and machinery, burglary, common carrier liability, credit, disability, fire, liability, marine, miscellaneous, plate glass, sprinkler, surety, team and vehicle, and workers' compensation in the state of California. In addition, the Company is licensed in the following states and territories:

Arizona	Arkansas	California	Colorado
Connecticut	District of Columbia	Georgia	Idaho
Illinois	Indiana	Iowa	Kansas
Kentucky	Louisiana	Michigan	Minnesota
Mississippi	Montana	Nebraska	Nevada
New Jersey	New Mexico	New York	North Carolina
North Dakota	Ohio	Oklahoma	Oregon
Rhode Island	South Carolina	South Dakota	Tennessee
Texas	Utah	Washington	Wisconsin

The Company is also a qualified or accredited reinsurer in the following states:

Alabama	Alaska	Delaware	Florida
Hawaii	Maine	Maryland	Massachusetts
Missouri	New Hampshire	Pennsylvania	Vermont
Virginia	West Virginia	Wyoming	

The Company's primary business is to reinsure, manage, and administer the discontinued books of business portfolios related to asbestos, environmental, workers' compensation, construction defect, commercial general liability/excess, professional liability, and allied healthcare insurance liabilities from affiliates within the Allianz Group. Since 2021, the Company started assuming prospective business from entities outside the affiliation of Allianz Group. The Company does not underwrite, market, offer, or sell insurance policies on a direct basis to consumers or commercial insureds and has no producers, brokers, or agents.

LOSS EXPERIENCE

The Company reported incurred loss and loss expenses, underwriting gains/losses, and net gains/losses for all years under the examination as follows:

Year	Incurred losses and loss adjustment expenses	Net underwriting losses	Net income/(loss)	Surplus as regards Policyholder
2019	\$ 501,849,390	\$ (22,988,141)	\$ 19,562,613	\$ 459,045,215
2020	520,112,711	(24,731,355)	16,936,528	469,325,884
2021	429,503,506	(6,686,478)	38,280,773	294,917,099
2022	400,237,785	(33,919,671)	(14,098,911)	231,887,476
2023	485,322,382	(55,051,824)	(21,495,796)	205,610,530

On December 31, 2023, the Company reported incurred losses and loss adjustment expenses (incurred losses) of \$485 million, which was a \$85 million, or a 21.25% increase from the \$400 million reported in 2022. The increase in incurred losses was related to adverse development on several higher-than-expected claim settlements from the business assumed from retrospective business and specific business assumed from a prospective business insurer. As a result, the surplus as regards policyholders decreased from \$231.8 million to \$205.6 million in 2023.

As a property and casualty insurance company, the Company is subject to Risk-Based Capital (RBC) requirements. RBC is a method developed by the National Association of Insurance Commissioners (NAIC) and adopted in the California Insurance Code Section 739 to determine the minimum amount of statutory capital appropriate for an insurance company to support its overall business operations, considering its size and risk profile. The Company's RBC total adjusted capital was less than 300% of its Authorized Control Level as of December 31, 2023. Its statutory accounting basis combined ratio was in excess of 120% for the same period. The RBC level, when coupled with the statutory accounting basis combined ratio, triggered a Company Action Level Event under the RBC requirements. The Company submitted to the California Department of Insurance (CDI) a comprehensive Risk-Based Capital Plan (RBC Plan) that includes the corrective actions the Company will take to address the conditions that resulted in the Company

Action Level Event and to increase its RBC adjusted capital above 300%. On July 19, 2024, the Company submitted a revised RBC Plan, which was accepted by CDI on September 13, 2024. The RBC plan includes increasing the internal management target to 350% of the RBC ratio, increasing the retrocession percentage on the prospective business assumed for underwriting year 2024 from 70% to 80%, entering into a new retrocession agreement for a portion of remaining legacy portfolios, and enhancing the internal controls and monitoring mechanisms on the assumed business portfolios.

REINSURANCE

Assumed

The following is a summary of the principal assumed reinsurance agreements in-force as of December 31, 2023:

Line of Business and Type of Contract	Ceding Company	Company's Assumed Share	Company's Limit
Retrospective - Affiliate			
Loss Portfolio Transfer - Asbestos and Environmental	Fireman's Fund Insurance Company and its subsidiaries	100%	\$1.603 billion
Loss Portfolio Transfer - Workers Compensation and Construction Defect	Fireman's Fund Insurance Company and its subsidiaries	100%	Workers Compensation: \$1.5 billion Construction Defect: \$291.6 million
Loss Portfolio Transfer - Personal Liability/Allied Healthcare Professionals liability	Fireman's Fund Insurance Company and its subsidiaries	100%	\$94.4 million
Loss Portfolio Transfer – Global Discontinued Business Division	Allianz Global Risks US Insurance Company	100%	\$357.4 million
Loss Portfolio Transfer – Commercial Excess and General Liability	Allianz Global Risks US Insurance Company	100%	\$461.6 million
Loss Portfolio Transfer – Asbestos, Environmental Pollution, Health Hazard Exposure, and other commercial risks	Allianz S.p.A. (Italy)	100%	N/A
Loss Portfolio Transfer - Asbestos, Environmental Contamination, Toxic Torts, Pollution, or Health Hazard Exposures	Allianz Benelux SA (Belgium)	100%	N/A

Line of Business and Type of Contract	Ceding Company	Company's Assumed Share	Company's Limit
Loss Portfolio Transfer – First Excess Layer Asbestos and Environmental	Allianz Global Risks US Insurance Company	100%	\$470 million
Retrospective – Non-Affiliate			
Loss Portfolio Transfer – Construction Defect prior to 12/31/2012, under General Liability and Multiperil policies	Amerisure Mutual Insurance Company	50%	50% of \$175 million less roll forward
Loss Portfolio Transfer – Construction Defect losses occurring from 1/1/2004 to 12/31/2016	Mid-Continent Casualty Company	100% of the ultimate net loss on or after 6/29/2020, with a 50% limit on Extra contractual obligations (ECO) and Excess Limits Liability (ELL)	\$98.575 million, with \$2 million limit per occurrence and \$5 million in aggregate for ECO and ELL
Loss Portfolio Transfer – Excess of Loss from 07/1959 to 04/1975 (for specified policies only)	British Reserve Insurance Company Ltd	100%	N/A
Loss Portfolio Transfer – Small business & BOP written through AmWins 1/2017-5/31/2021	American Bankers Insurance Company of Florida	100%	\$50 million
Prospective – Non-Affiliate			
Quota Share – Workers Compensation and Employers Liability	Pie Casualty Insurance Company SiriusPoint America Insurance Company	30% of business produced by Pie Insurance Service, Inc.	\$2 million per occurrence with loss ratio cap of 130%
Quota Share – Workers Compensation and Employers Liability	Pie Casualty Insurance Company SiriusPoint America Insurance Company	10% of business produced by Pie Insurance Service, Inc.	\$1 million per occurrence with loss ratio cap of 130%
Quota Share –Workers Compensation	Service Lloyds Insurance Company Service American Indemnity Company	15% of business produced by certain agencies.	\$1 million per occurrence with loss ratio cap of 130%
Quota Share – Casualty including but not limited to General Liability and Professional Liability	Next Insurance US Company	20%	\$2 million per occurrence, \$4 million in aggregate with loss ratio cap of 150%
Quota Share – Casualty including but not limited to General Liability and Professional Liability	State National Insurance Company National Specialty Insurance Company	20% of business produced by Next First Insurance Agency, Inc.	\$2 million per occurrence, \$4 million in aggregate with loss ratio cap of 150%
Quota Share – Property including but not limited to Commercial Property and Inland Marine	Next Insurance US Company	20%	\$2.5 million per occurrence, \$7.5 million in aggregate with loss ratio cap of 150%
Quota Share – Property including but not limited to commercial property and Inland Marine	State National Insurance Company National Specialty Insurance Company	20% of business produced by Next First Insurance Agency, Inc.	\$2 million per occurrence, \$4 million in aggregate with loss ratio cap of 150%

Line of Business and Type of Contract	Ceding Company	Company's Assumed Share	Company's Limit
Quota Share – Workers Compensation, Employer's Liability	State National Insurance Company National Specialty Insurance Company	20% of business produced by Next First Insurance Agency, Inc.	\$1 million per occurrence, with loss ratio cap of 150%
Quota Share – General Liability Errors and Omissions Liability, Director and Officers Liability, Workers' Compensation or Employment Practices Liability, Builders Risk, Property, or Agriculture Business	Transverse Insurance Company Transverse Specialty Insurance Company	10-21.25% of business produced by certain program administrators	\$1 million per claims-made or per occurrence, with a maximum aggregate limit of \$10 million, depending on the line coverage.
Quota Share – Workers compensation, employer's liability	Service Lloyd's Insurance Company Service American Indemnity Company	3.25% of business produced by All Comp Solutions	\$1 million per occurrence, with loss ratio cap of 130%
Quota Share – General Liability Primary Director and Officers Liability, Professional Liability, and Transportation and Property	Lyndon Southern Insurance Company Blue Ridge Indemnity Company Insurance Company of South Response Indemnity Company of California Fortegra Specialty Insurance Company	32.5% of business produced by certain agencies listed.	Up to \$5 million per occurrence and \$5 million in aggregate, with loss ratio cap of 70%
Quota Share – Workers Compensation, Employer's Liability	Omaha National Insurance Company	10%	\$1 million per occurrence, with loss ratio cap of 150%
Quota Share – Homeowner	Stillwater Insurance Company	15%	\$4.5 million per loss, with loss ratio cap of 115%
Quota Share – Workers Compensation, Employer's Liability	Incline Casualty Company	25%	\$1 million per occurrence, with loss ratio cap of 150%
Quota Share – Homeowner	Germania Farm Mutual Insurance Company	15%	15% of \$1.25 million for each loss, 15% of \$5 million per occurrence, and \$5 million for all property catastrophe losses, with loss ratio cap of 75%
Quota Share – Contractors General Liability, Auto Dealers liability, Inland Marine/Event Cancellation, Personal Umbrella Liability	Harmony Re, Inc.	50% of business produced by program administrators listed	100% loss ratio cap
Quota Share – Motor Trade, Professional Indemnity, Travel Bonds, Commercial Litigation, Surety Bonds,	Fortegra Specialty Insurance Company Fortegra Europe Insurance Company P.L.C.	25% of business produced by First Underwriting Limited, Commercial Litigation Group, Limited, Atlas Garanti (MGAs)	Up to GBP \$2 million each loss with GBP \$3 in aggregate, or not to exceed GBP \$15 million per single loss occurrence event
Quota Share – Commercial General Liability, Professional Liability, Building and Business Personal Property	Spinnaker Insurance Company	52.5% of business produced by Coterie Insurance Agency, LLC	\$1 million per occurrence with \$2 million aggregate with 120% loss ratio cap

Ceded

The Company entered a series of retrocession agreements to diversify risk and reduce exposure with its ultimate parent, Allianz Societas Europaea (Allianz SE), and affiliate, Allianz Re Dublin dac. The following is a summary of the principal ceded reinsurance agreements in-force as of December 31, 2023:

Line of Business and Type of Contract	Reinsurer's Name	Company's Retrocession	Reinsurer's Limit
Affiliate			
Quota Share – 2016 Retrocession Asbestos and Environmental, Workers Compensation, and Construction Defect	Allianz SE (unauthorized)	50% of Construction and Defect	\$133.7 million for Construction Defect
		50% of Asbestos and Environment and Workers Compensation	\$783 million for Asbestos and Environment
			\$763 million for Workers Compensation
Quota Share – 2017/2021 Retrocession, Workers Compensation	Allianz Re Dublin dac / Allianz SE (unauthorized)	50%	\$663 million
Quota Share – 2017 Retrocession, Global Discontinued Business Division (GDBD)	Allianz SE (unauthorized)	50%	\$94.4 million
Quota Share – 2018 Retrocession, Asbestos and Environment	Allianz SE (unauthorized)	50%	\$93 million
Excess of Loss – 2018 Retrocession, Asbestos and Environmental	Allianz SE (unauthorized)	100%	\$470 million
Quota Share – 2023 Retrocession, Workers Compensation, General Liability, Homeowner, Automobile, Specialty, Primary Director and Officers Liability, Professional Liability, etc.	Allianz Re Dublin dac (unauthorized)	70% of all businesses assumed from non-affiliated insurers for the underwriting year 2023	\$700 million in ceded premium, with 120% combined ratio

As part of the revised Risk-Based Capital Plan (RBC Plan), the Company intends to mitigate the exposure from assumed businesses. The Company amended the ceding percentage with Allianz Re Dublin dac from 70% to 80% for the 2024 retrocession and increased the coverage limit to \$1.5 billion of ceded premium. The CDI approved the amended agreement on September 25, 2024. Furthermore, the Company is seeking approval to enter into an Affiliate Legacy Retrocession Agreement with Allianz Re Dublin dac to cede an additional 45% of the Global Discontinued Business Division (GDBD) and

40% of General and Excess Liability business (GL/EL) assumed from Allianz Global Risks US Insurance Company with coverage limit up to \$105 million for GDBD business and \$85 million for GL/EL business. The CDI approved this agreement on September 25, 2024.

ACCOUNTS AND RECORDS

Insurance Holding Company System Annual Registration Statement

California Insurance Code (CIC) Section 1215.4(b) requires the insurer to file a registration statement (Form B) on a form and in a format prescribed by the National Association of Insurance Commissioners (NAIC). The instruction of Form B requires a disclosure of affiliated transactions. The description shall include at least the following: the nature and purpose of the transaction, the nature and amounts of any payments or transfers of assets between the parties, the identity of all parties to the transaction, and the relationship of the affiliated parties to the insurer.

A review of the Company's Form B for the calendar year ending December 31, 2023, noted that the disclosure of affiliate transactions did not include amounts paid to and received from affiliates under each listed agreement pursuant to CIC Section 1215.4(b) and NAIC instruction. It is recommended that the Company ensure all information is completely and properly presented in its Form B filing to adhere to CIC Section 1215.4(b) and the form and format prescribed by NAIC.

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, 2023. 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 the financial statements as a result of the examination.

Statement of Financial Condition as of December 31, 2023

Underwriting and Investment Exhibit for the Year Ended December 31, 2023

Reconciliation of Surplus as Regards Policyholders from December 31, 2018
through December 31, 2023

Statement of Financial Condition
as of December 31, 2023

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 2,010,835,851	\$	\$ 2,010,835,851	
Common stocks	1,604,039		1,604,039	
Cash and short-term investments	127,443,017		127,443,017	
Other invested assets	5,018,992		5,018,992	
Investment income due and accrued	16,829,935		16,829,935	
Premiums and agents' balances in course of collection	199,114,539		199,114,539	
Amount recoverable from reinsurers	32,142,796		32,142,796	
Funds held by or deposited with reinsured companies	16,518,426	7,955,689	8,562,737	
Others amounts receivable under reinsurance contracts	3,367,897		3,367,897	
Current federal and foreign income tax recoverable and interest thereon	4,287,496		4,287,496	
Net deferred tax asset	14,569,969	6,502,834	8,067,135	
Receivables from parent, subsidiaries, and affiliates	1,283,339		1,283,339	
Aggregate write-ins for other than invested assets	<u>16,677,122</u>	<u>214,251</u>	<u>16,462,871</u>	
Total assets	<u>\$ 2,449,693,418</u>	<u>\$ 14,672,774</u>	<u>\$ 2,435,020,644</u>	
<u>Liabilities, Surplus and Other Funds</u>				
Losses and loss adjustment expenses			\$ 485,322,382	(1)
Reinsurance payable on paid loss and loss adjustment expenses			40,839,289	
Commissions payable, contingent commissions and other similar charges			(1,260,407)	
Other expenses			9,785,150	
Unearned premiums			62,537,029	
Funds held by company under reinsurance treaties			1,451,282,887	
Provision for reinsurance			734,400	
Payable to parent, subsidiaries and affiliates			8,537,184	
Payable for securities			491,399	
Aggregate write-ins for liabilities			<u>171,140,801</u>	
Total liabilities			2,229,410,114	
Common capital stock		\$ 3,921,500		
Gross paid-in and contributed surplus		201,633,647		
Unassigned funds (surplus)		<u>55,383</u>		
Surplus as regards policyholders			<u>205,610,530</u>	
Total liabilities, surplus and other funds			<u>\$ 2,435,020,644</u>	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2023

Statement of Income

Underwriting Income

Premiums earned		\$ 152,154,505
Deductions:		
Losses and loss expenses incurred	\$ 142,793,527	
Other underwriting expenses incurred	<u>64,412,802</u>	
Total underwriting deductions		<u>207,206,329</u>
Net underwriting loss		(55,051,824)

Investment Income

Net investment income earned	\$ 79,763,678	
Net realized capital gain	<u>(8,024,267)</u>	
Net investment gain		71,739,411

Other Income

Aggregate write-ins for miscellaneous income	<u>(39,255,185)</u>	
Total other income		<u>(39,255,185)</u>
Net income after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		(22,567,598)
Federal and foreign income taxes incurred		<u>(1,071,802)</u>
Net income		<u>\$ (21,495,796)</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2022		\$ 231,887,476
Net income	\$ (21,495,796)	
Change in net unrealized capital gains	1,371,729	
Change in net deferred income tax	2,916,111	
Change in nonadmitted assets	(5,577,790)	
Change in provision for reinsurance	764,800	
Dividends to stockholders	<u>(4,256,000)</u>	
Change in surplus as regards policyholders for the year		<u>(26,276,946)</u>
Surplus as regards policyholders, December 31, 2023		<u>\$ 205,610,530</u>

Reconciliation of Surplus as Regards Policyholders
from December 31, 2018 through December 31, 2023

Surplus as regards policyholders, December 31, 2018	\$ 621,374,916
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	Gain in Surplus	Loss in Surplus	
Net income	\$ 39,185,207	\$	
Net unrealized capital gains		11,065,029	
Change in net deferred income tax		96,977	
Change in nonadmitted assets		9,920,187	
Change in provision for reinsurance	388,600		
Surplus adjustments: Paid-in		380,000,000	
Dividends to stockholders		54,256,000	
Total gains and losses	\$ 39,573,807	\$ 455,338,193	

Net decrease in surplus as regards policyholders	<u>(415,764,386)</u>
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Surplus as regards policyholders, December 31, 2023	<u>\$ 205,610,530</u>
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COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

California Department of Insurance (CDI) retained Risk Regulatory Consulting, Inc. (RRC) to assist in this examination and in determining the reasonableness of the Company's loss and loss adjustment expense reserves. Based on the analysis performed by RRC and a review of their work by a Senior Casualty Actuary from the CDI, the Company's reserves were found to be reasonably stated and have been accepted for purposes of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Accounts and Records – Insurance Holding Company System Annual Registration Statement (Page 16): It is recommended that the Company ensure all information is completely and properly presented in its Form B filing to adhere to California Insurance Code Section 1215.4(b) and the form and format prescribed by National Association of Insurance Commissioners.

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,

Vivien Fan, CFE
Examiner-In-Charge
Bureau Chief
Department of Insurance
State of California

Laura Clements, CFE
Division Chief
Department of Insurance
State of California