REPORT OF EXAMINATION
OF THE
ALLIANZ REINSURANCE AMERICA, INC.
AS OF
DECEMBER 31, 2018

Filed on May 12, 2020

TABLE OF CONTENTS

PAGE

Oakland, California
April 1, 2020

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

ALLIANZ REINSURANCE AMERICA, INC.

(hereinafter also referred to as the Company) at its home office located at 1465 North McDowell Boulevard, Suite 100, 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, 2013. This examination covers the period from January 1, 2014 through December 31, 2018. This examination was called as part of Allianz Insurance Group examination but conducted on a stand-alone basis with minimal coordination with the lead state due to the Company having a separate management team, structure and operational environment.

This 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. The examination also included identifying and evaluating significant risks that could cause the Company'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 includes 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 was identified, the impact of such adjustment would 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.

COMPANY HISTORY

On September 17, 2014, the Company's ultimate parent, Allianz SE, a European company domiciled in the Federal Republic of Germany and organized under the laws of the European Union, officially announced a corporate restructuring plan to reconfigure the business and operations of the Company's former immediate parent, Fireman's Fund Insurance Company (FFIC). As part of the restructuring plan, FFIC distributed its 100% equity ownership interest in the Company to FFIC's then parent, Allianz of America, Inc. (AZOA). Following the spin-off, FFIC entered into reinsurance agreements with the Company, which the Company agreed to reinsure certain FFIC's direct and assumed legacy asbestos and environmental, legacy workers' compensation, and legacy construction defect liabilities, in each case, up to stated reinsurance limits. The distribution of the Company's ownership to AZOA and the reinsurance of FFIC's legacy asbestos and environmental liabilities were filed as a series of transactions with the California Department of Insurance (CDI), with an effective date of January 1, 2015. Effective July 1, 2015, FFIC's legacy workers compensation and construction defect liabilities were also transferred to the Company. The CDI issued non-disapproval letters for the filed transactions on December 15, 2014 and July 23, 2015, respectively.

Effective September 14, 2018, the Company amended its articles of incorporation and by-laws to change its name from San Francisco Reinsurance Company to Allianz Reinsurance America, Inc.

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, 2018, there were 39,215 shares issued and outstanding. All outstanding shares are owned by AZOA.

In 2015, the Company received capital contributions of $321 million from FFIC and $250 million from AZOA.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system, of which Allianz SE (AZSE) 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 AZSE as of December 31, 2018 (all ownership is 100% unless otherwise noted):

Allianz SE (Germany)
- Allianz Europe B.V. (Netherlands)
  - Allianz Benelux S.A. (Belgium)
  - Allianz of America, Inc. (Delaware)
    - Allianz Asset Management of America LLC (Delaware) *(99.8% ownership)*
      - Allianz Asset Management of America LP (Delaware) *(95% ownership)*
        - Allianz Global Investors U.S. Holdings LLC (Delaware)
          - Allianz Capital Partners of America LLC (Delaware)
    - Allianz Global Risks US Insurance Company (Illinois) *(80% ownership)*
      - Allianz Renewable Energy Partners of America LLC (Delaware) *(33.3% ownership)*
      - Fireman's Fund Insurance Company (California)
    - Allianz Life Insurance Company of North America (Minnesota)
      - Allianz Investment Management, LLC (Minnesota)
    - Allianz Real Estate of America LLC (Delaware)
    - **Allianz Reinsurance America, Inc. (California)**
    - Allianz Renewable Energy Partners of America LLC (Delaware) *(66.7% ownership)*
    - Allianz Technology of America, Inc. (Delaware) *(5% ownership)*
    - AZOA Services Corporation (New York)
  - Allianz Europe Ltd. (Netherlands)
    - Allianz Re Dublin dac (Ireland)
  - Allianz S.p.A (Italy)
- Allianz Global Corporate & Specialty SE (Germany)
  - AGCS International Holding B.V. (Delaware)
    - Allianz Global Risks US Insurance Company (Illinois) *(20% ownership)*
- Allianz Partners SAS (France)
  - AWP P&C SA (France)
    - AWP USA Inc. (District of Columbia)
      - Jefferson Insurance Company (New York)
      - AGA Service Company (Virginia)
- AMOS International B.V. (Netherlands)
  - Allianz Technology of America, Inc. (Delaware) *(95% ownership)*

The six members of the board of directors, who are elected annually, oversee the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2018:

Directors

Name and Location	Principal Business Affiliation
Muhammad A. Ahmed Munich, Germany	Chief Executive Officer Allianz SE Reinsurance
Ronald M. Clark Oro Valley, Arizona	Retired
Paul A. Ginnett Santa Rosa, California	President, Chief Executive Officer, and Chief Claims Officer Allianz Reinsurance America, Inc.
Holger Tewes-Kampelmann Munich, Germany	Managing Director, Resolution Management Allianz SE Reinsurance
Stephan J. Theissing Munich, Germany	Former Head of Group Treasury Allianz SE
Kevin E. Walker Marana, Arizona	Retired

Principal Officers

Name	Title
Paul A. Ginnett	President, Chief Executive Officer, and Chief Claims Officer
Damaris I. Frey	Chief Financial Officer, Controller, and Treasurer
Althea S. Jaderquist	Vice President, Head of Reinsurance and Portfolio Development
Claudia V. Knox	Head of Corporate Legal and Regulatory and Secretary
Paul J. Vassallo	Vice President and Operations Officer

Management and Service Agreements

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 (AZSC), Allianz Global Risks US Insurance Company (AGR US), Fireman's Fund Insurance Company (FFIC), Allianz Life Insurance Company of North America (Allianz Life), Allianz Capital Partners of America, LLC (formerly known as Allianz Capital Partners, Inc.) (ACPOA), AGA Service Company (AGA), Allianz Real Estate of America LLC (AZREA), Allianz Technology of America, Inc. (formerly known as AMOS of America, Inc.) (ATA) and Allianz Renewable Energy Partners of America LLC (AREPoA). This agreement was last amended as of October 26, 2016 and approved by the California Department of Insurance (CDI) on September 29, 2016. The agreement and 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, as established in accordance with the fair and reasonable standard established by the Statement of Statutory Accounting Principles (SSAP) No. 25 (Accounting for and Disclosures About Transactions with Affiliates and other Related Parties) and in conformity with SSAP No. 70 (Allocation of Expenses), each as promulgated by the National Association of Insurance Commissioners (NAIC), and the California Insurance Holding Company System Regulatory Act, California Insurance Code Section (CICS) 1215.5. The Company paid fees of $8.4 million, $6.7 million, $5.0 million, and $2.2 million in 2015, 2016, 2017, and 2018, respectively.

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 RBC ratio of 250%.

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, as established in accordance with the SSAP No. 25, No. 70, and CICS 1215.5. The Agreement was last amended as of January 1, 2018 and approved by the CDI on May 7, 2018. The Company paid fees of $1.2 million in 2015, $1.8 million in 2016, $1.5 million in 2017, and $1.4 million in 2018.

Cash Pooling and Current Account Agreement: Effective January 1, 2016, the Company entered into a Cash Pooling and Current Account Agreement with AZSE. The agreement provides the Company with access to the international cash pooling system operated by AZSE for the purpose of short-term cash liquidity purposes. The agreement was approved by the CDI on January 11, 2016.

Master Service Level Agreement: Effective May 24, 2017, the Company entered into a Master Service Level Agreement with AZSE, its ultimate parent company, where AZSE 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 mark-up of 5 percent for overhead. The agreement was amended effective March 29, 2018, to update the consolidated delivery and cost allocation of support services by Group Centers and AZSE to the Company. The amendment was approved by the CDI on March 29, 2018. The Company paid $1.3 million and $814 thousand in service fees in 2017 and 2018, 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 the handling and adjustment of 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 charge for overhead, as established in accordance with the SSAP No. 25, No. 70, and CICS 1215.5. The agreement was approved by the CDI on April 11, 2017. The Company received $196 thousand, each year, for services provided in 2017 and 2018.

Tax Sharing Agreement: Effective January 1, 2018, the Company entered into a Tax Sharing Agreement with AZOA, which replaced the prior tax agreements for the AZOA tax group. Under the terms of the new 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. The affiliates covered under the agreement includes, but are not limited to, Allianz Life, AZSC, AGR US, FFIC, AREPoA, and ATA. 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 a tax return of the group. The agreement was approved by CDI on December 13, 2018. Under the prior and current Tax Sharing Agreement, the Company did not have tax settlement in 2014 and paid $61.9 million in 2015. The Company recovered $36.4 million, $27.7 million, and $28.5 million from 2016 through 2018, respectively.

Master Services Agreement: Effective March 26, 2018, the Company entered into a Master Services Agreement with its affiliate, ATA. Under the terms of the agreement, ATA would provide the Company information technology services and support. Service fees are determined by fair and equitable actual cost incurred, plus a reasonable charge for overhead, as established in accordance with the SSAP No. 25, No. 70, and CICS 1215.5. The agreement was approved by the CDI on March 26, 2018. The Company paid $981 thousand in service fees in 2018.

Affiliate Service Agreement: Effective October 1, 2018, the Company entered into a service agreement with its affiliate, Allianz Re Dublin dac (AZRD). Under the terms of the agreement, the Company engaged AZRD to provide certain limited underwriting consultation, support and advisory services to the Company. Service fees are determined by fair and equitable actual cost incurred, plus a reasonable charge for overhead, as established in accordance with the SSAP No. 25, No. 70, and CICS 1215.5. The agreement was approved by the CDI on April 4, 2019. The Company incurred fees of $17 thousand for services received in 2018.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, 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. As of December 31, 2018, the Company is licensed in the following states and territories:

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

As of December 31, 2018, the Company is a qualified or accredited reinsurer in the following states and territories:

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

Since 1997, the Company has been in run-off. In 2015, the Company was reactivated as a reinsurer to assume and provide claims handling of complex discontinued books of business or portfolios from affiliates within the Allianz Group. Assumed business includes asbestos and environmental, construction defect, workers' compensation, professional liability healthcare, and general liability/excess. The Company does not underwrite, market, or sell policies of insurance on a direct basis to consumers or commercial insureds, and has no direct written premiums during the examination period. Going forward, the Company intends to expand its role as a reinsurance provider for prospective reinsurance for its U.S. affiliates, as well as a legacy reinsurance provider for its U.S. affiliates and external parties.

REINSURANCE

Assumed

The Company assumed business from its affiliates during the examination period. The following reinsurance agreements are in effect as of December 31, 2018:

Excess of Loss

2018 A&E Reinsurance Agreement (First Excess Layer): Effective December 31, 2018, the Company assumed 100% of the asbestos and environmental (A&E) liabilities in excess of $1.603 billion, up to a reinsurance limit of $470 million, from its affiliate, Allianz Global Risks US Insurance Company (AGR US).

Loss Portfolio Transfer (LPT)

Reinsurance Agreement: Effective July 1, 2015, the Company assumed 100% of all workers' compensation liabilities for losses occurring on or before December 31, 2012, and all construction defect liabilities for losses occurring on or before December 31, 2014, from its affiliate, Fireman's Fund Insurance Company (FFIC). The reinsurance limits for workers' compensation and construction defect liabilities are $1.5 billion and $291.6 million, respectively.

Amended and Restated A&E Reinsurance Agreement: Effective January 1, 2015, the Company assumed A&E liabilities of FFIC and its subsidiaries up to a limit of $1.603 billion. The original A&E Reinsurance Agreement was amended and restated to confirm the reinsurance limit, effective August 27, 2015.

Reinsurance Agreement (GDBD): Effective January 1, 2016, the Company assumed 100% of certain asbestos, environmental, workers' compensation, and commercial general liability exposures of AGR US and its subsidiaries. Effective June 30, 2016, the agreement was amended to update the reinsurance limit to $357.4 million.

Reinsurance Agreement (Professional Liability - Allied Healthcare Professionals): Effective January 1, 2016, the Company assumed 100% of the liabilities from FFIC and its subsidiaries, for professional liability insurance coverage of allied healthcare professionals written prior to January 1, 2016, up to a limit of $94.4 million.

Reinsurance Agreement (Commercial Excess & General Liability): Effective July 1, 2016, the Company assumed 100% of commercial excess and commercial general liabilities from AGR US for losses arising under policies written by FFIC and its subsidiaries on an admitted basis prior to January 1, 2004, and on non-admitted surplus lines basis through December 31, 2015. The agreement has a reinsurance limit of $461.6 million.

Reinsurance Agreement: Effective August 1, 2018, the Company assumed 100% of historical asbestos, pollution and health hazard (APH) liabilities for U.S. coverages written or issued prior to January 1, 1985 from its affiliate, Allianz Benelux S.A.

Novation

Novation Agreement and Amendment to Reinsurance Contract: Effective April 1, 2017, the Company assumed $18.75 million of U.S. APH and aviation liabilities from Allianz SE, Munich - Reinsurance Branch Switzerland (Allianz Re). The liabilities were originally ceded from Allianz Suisse Versicherungs-Gesellschaft-AG (AG Suisse) to Allianz Re.

Deed of Novation of Reinsurance Agreements: Effective July 1, 2018, Allianz Re Dublin dac (AZRD) transferred, assigned and novated its run-off portfolio of aviation, marine, and APH obligations originally assumed from British Reserve Insurance Company, Limited to the Company.

Novation and Amendment to Reinsurance Agreement: Effective July 1, 2018, AZRD transferred, assigned and novated its run-off portfolio of APH and other commercial liabilities originally assumed from Allianz S.p.A (formerly known as Riunione Adriatica Di Sicurta or RAS), to the Company.

Quota Share

Net Quota Share Reinsurance Agreement (Travel): Effective October 1, 2018, the Company assumed 50% quota share of Jefferson Insurance Company's net retained liability for travel insurance liabilities for the period October 1, 2018 through December 31, 2019.

Ceded

Certain reinsurance liabilities assumed by the Company are retroceded to its ultimate parent, Allianz SE and other affiliates. Listed below are the agreements, coverages, retentions, and limits in effect as of December 31, 2018:

Portfolio, Line of Business and Type of Contract	**Reinsurer's Name**	**Company's Retention**	**Reinsurer's Limit**
Quota Share Reinsurance			
Asbestos or environmental (A&E); Workers' Compensation (WC); Construction Defect (CD) liabilities.	Unauthorized: Allianz SE	50% quota share of the remaining liabilities as of 12/31/2015 assumed by Company from FFIC.	A&E - $782.9 million; WC - $726.2 million; CD - $133.7 million; or Aggregate cap - $1.642 billion
Global Discontinued Business Division (GDBD) - A&E, WC, Commercial General Liabilities (GL), excluding auto or marine business, from AGRUS.	Unauthorized: Allianz SE	50% quota share of the GDBD liabilities as of 12/31/2017 assumed by Company from AGRUS.	50% of $163 million, or $81.5 million

Portfolio, Line of Business and Type of Contract	**Reinsurer's Name**	**Company's Retention**	**Reinsurer's Limit**
Quota Share Reinsurance			
WC assumed from FFIC.	Unauthorized: Allianz Re Dublin DAC	None	$663.1 million
Quota Share & Excess of Loss Reinsurance			
A&E liabilities written by FFIC. *Quota Share* *1st Excess Layer*	Unauthorized: Allianz SE	 None None	 50% Quota Share - $93.4 million 1st Excess - $470 million in excess of $1.603 billion; or aggregate of $2.073 billion

FINANCIAL STATEMENTS

The following 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, 2018. The accompanying comments to the amounts in the financial statements should be considered an integral part of the financial statements. No adjustments were made to the statutory financial statements reported by the Company.

Statement of Financial Condition as of December 31, 2018

Underwriting and Investment Exhibit for the Year Ended December 31, 2018

Reconciliation of Surplus as Regards Policyholders from December 31, 2013 through December 31, 2018

Statement of Financial Condition as of December 31, 2018

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 2,689,077,395	$	$ 2,689,077,395	
Common stocks	999,609		999,609	
Cash and short-term investments	629,197,977		629,197,977	
Receivable for securities	104,362		104,362	
Investment income due and accrued	24,545,942		24,545,942	
Amount recoverable from reinsurers	28,497,889		28,497,889	
Funds held by or deposited with reinsured companies	22,699,459		22,699,459	
Other amounts receivable under reinsurance contracts	150,389		150,389	
Current federal and foreign income tax recoverable and interest thereon	2,357,113		2,357,113	
Net deferred tax asset	11,725,609	4,752,589	6,973,020	
Receivables from parent, subsidiaries and affiliates	771,619		771,619	
Aggregate write-ins for other than invested assets	1,730,118		1,730,118	
Total assets	$ 3,411,857,481	$ 4,752,589	$ 3,407,104,892	

Liabilities, Surplus and Other Funds			Notes
Losses		$ 391,413,940	(1)
Reinsurance payable on paid losses and loss adjustment expense		90,238,962	
Loss adjustment expenses		155,004,406	(1)
Commissions payable, contingent commissions and other similar charges		3,000,000	
Other expenses		8,375,643	
Unearned premiums		41,394,059	
Funds held by company under reinsurance treaties		1,946,037,029	
Provision for reinsurance		1,123,000	
Payable to parent, subsidiaries and affiliates		2,223,051	
Payable for securities		7,993,256	
Aggregate write-ins for liabilities		138,926,630	
Total liabilities		2,785,729,976	
Common capital stock	$ 3,921,500		
Gross paid-in and contributed surplus	581,633,647		
Unassigned funds (surplus)	35,819,769		
Surplus as regards policyholders		$ 621,374,916	
Total liabilities, surplus and other funds		$ 3,407,104,892	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2018

Underwriting Income		
Premiums earned		$ (466,993,873)
Deductions:		
Losses incurred	$ (433,416,458)	
Loss adjustment expenses incurred	(73,086,043)	
Other underwriting expenses incurred	75,729,096	
Total underwriting deductions		(430,773,405)
Net underwriting loss		(36,220,468)
Investment Income		
Net investment income earned	$ 99,675,692	
Net realized capital losses	(4,608,545)	
Net investment gain		95,067,147
Other income		
Aggregate write-ins for miscellaneous income	(41,598,638)	
Total other income		(41,598,638)
Net income after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		17,248,041
Federal and foreign income taxes incurred		(2,212,432)
Net income		$ 19,460,473

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2017		$ 594,823,581
Net income	$ 19,460,473	
Change in net unrealized capital gains	2,200,605	
Change in net deferred income tax	6,078,116	
Change in nonadmitted assets	(874,116)	
Change in provision for reinsurance	(313,743)	
Change in surplus as regards policyholders for the year		26,551,335
Surplus as regards policyholders, December 31, 2018		$ 621,374,916

Reconciliation of Surplus as Regards to Policyholders from December 31, 2013 through December 31, 2018

	Gain in Surplus	Loss in Surplus		
Surplus as regards policyholders, December 31, 2013			$ 73,009,144	
Net income	$	$ 34,669,603		
Change in unrealized capital gains or losses	6,119,884			
Change in net unrealized foreign exchange capital gain or loss		75,557		
Change in net deferred income tax	11,382,033			
Change in nonadmitted assets		4,632,636		
Change in provision for reinsurance		758,349		
Surplus adjustments: paid-in	571,000,000			(2)
Total gains and losses	$ 675,024,949	$ 126,659,177		
Net increase in surplus as regards policyholders			548,365,772	
Surplus as regards policyholders, December 31, 2018			$ 621,374,916	

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, 2018 were found to be reasonably stated and have been accepted for the purpose of this examination.

(2) Surplus Adjustments: Paid-in

The Company received capital contributions in the amount of $321 million from Fireman's Fund Insurance Company and $250 million from Allianz of America, Inc. in 2015. The capital contributions were received in the form of cash and securities and accounted for as paid-in and contributed surplus.

SUBSEQUENT EVENTS

The Company made a cash distribution of gross paid-in and contributed surplus in the amount of $180 million to its sole shareholder, Allianz of America, Inc. on August 9, 2019. The extraordinary distribution was approved by the California Department of Insurance on July 22, 2019.

Effective January 1, 2019, the Company entered into three prospective quota share reinsurance contracts with its U.S. affiliates, where the Company assumes and Allianz Global Risks US Insurance Company and Allianz Global Corporate & Specialty SE cede business covering U.S. aviation, cyber and financial lines risks. The Company renewed each of the treaties for a 12-month term on January 1, 2020. The Company also renewed the Net Quota Share Reinsurance Agreement with its affiliate, Jefferson Insurance Company, for a 12-month term, effective January 1, 2020.

Effective January 1, 2019, the Company entered into a Reinsurance Agreement with its affiliate where the Company assumes and Allianz Risk Transfer (Bermuda) Limited cedes business covering a fifty percent (50%) quota share of construction defect liabilities written by Amerisure Mutual Insurance Company for accident years 2012 and prior.

The COVID-19 was declared a global public health emergency on January 30, 2020 and announced as a pandemic by the World Health Organization in March 2020. This has triggered unprecedented government mandates and health and safety measures which have significantly impacted the U.S. and global financial markets, in particular, U.S. publicly traded equity securities, and impacts on yields and interest rates in the U.S. bond market. The Company actively monitors the overall impact of COVID-19 on earnings, profits, capital, and liquidity by working closely with other business functions, its investment advisor and business partners. As the pandemic unfolds, it is too early to draw any definite conclusions on the impact to the Company at this point in time.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

Accounts and Records – Information Systems Controls (Page 9): As the result of the review of the Company's information systems controls, recommendations for improving these controls were presented to the Company. The Company should evaluate these recommendations and make appropriate changes to strengthen its controls over its information systems. The Company has taken steps to address the recommendation.

<u>ACKNOWLEDGMENT</u>

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/________________________

Jack Lee, CFE
Examiner-In-Charge
Senior Insurance Examiner, Specialist
Department of Insurance
State of California

___/S/________________________

Li Lim, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California