REPORT OF EXAMINATION
OF THE
CLAREMONT LIABILITY INSURANCE COMPANY
AS OF
DECEMBER 31, 2013

Filed May 18, 2015

TABLE OF CONTENTS

San Francisco, California
April 29, 2015

Honorable Dave Jones
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

CLAREMONT LIABILITY INSURANCE COMPANY

(hereinafter referred to as the Company) at 411 Fifth Avenue, New York City, New York 10016. The Company's statutory home office is located at 6250 Claremont Avenue, Oakland, California 94618.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was made as of December 31, 2009. This examination covers the period from January 1, 2010 through December 31, 2013. 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, to identify prospective risks, and to obtain information about the Company, including corporate governance, identification and assessment of inherent risks, and the evaluation of the system controls and procedures used to mitigate those risks. The examination also included an assessment of the principles used and the significant estimates made by management, as well as an evaluation of the overall financial statement presentation, and management's compliance with Statutory

Accounting Principles and Annual Statement instructions. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The examination was a coordinated examination with the New Jersey Department of Banking and Insurance, Illinois Department of Insurance, New York State Department of Financial Services, Rhode Island Department of Business Regulation, Delaware Department of Insurance, Michigan Department of Insurance and Financial Services, and Arizona Department of Insurance. New Jersey is the lead state for this coordinated examination. The examination was conducted concurrently with Clarendon National Insurance Company, Clarendon America Insurance Company, Constellation Reinsurance Company, SeaBright Insurance Company, Providence Washington Insurance Company, York Insurance Company, Seaton Insurance Company, and Pavonia Life Insurance Companies in the Enstar Group Limited. Collectively, the insurers in the group are referred to as the Enstar Group (Group).

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; pensions, stock ownership and insurance plans; growth of company; loss experience; accounts and records; and statutory deposits.

SUBSEQUENT EVENTS

Effective May 15, 2014, the Company novated its reinsurance contracts with the syndicates of Lloyd's of London covering the contractors liability business to an affiliate, Fitzwilliam Insurance Limited of Bermuda (See "REINSURANCE" section for more information).

Effective December 31, 2014, the Company merged with its affiliate, Clarendon National Insurance Company (Clarendon), with Clarendon being the surviving entity. Pursuant to

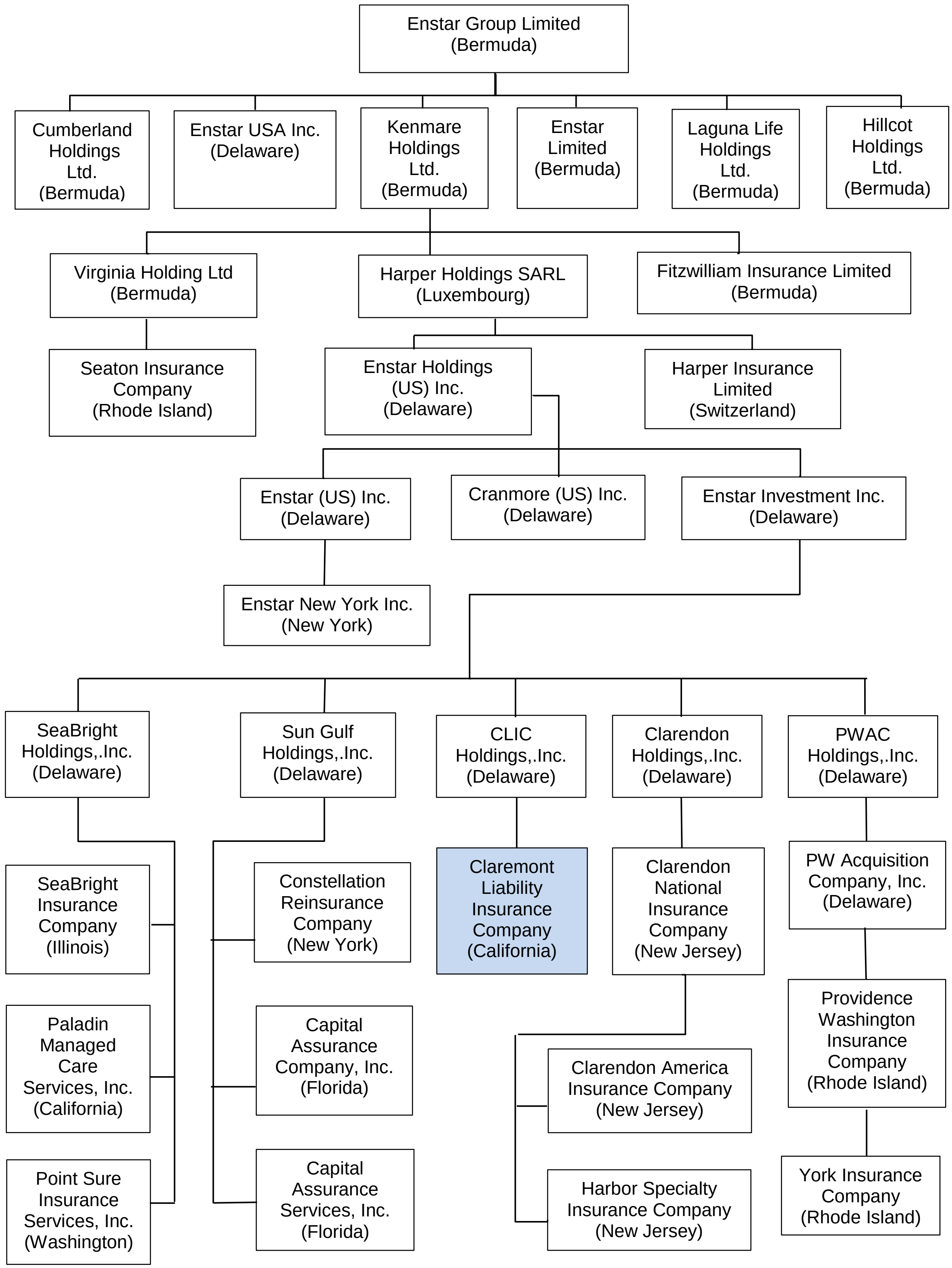
California Insurance Code Section 1011(c), the California Department of Insurance (CDI) consented to the merger on January 8, 2015 and the Illinois Department of Insurance approved the merger on January 9, 2015.

COMPANY HISTORY

Effective December 31, 2010, the Company was sold to CLIC Holdings, Inc., a Delaware corporation and indirect subsidiary of Enstar Group Limited (Enstar), a public Bermuda corporation. The purchase price was $14.1 million. As part of the sale, the Company novated its assumed medical malpractice book of business which has been in runoff since 2001 to its former parent, Medical Insurance Exchange of California (MIEC), and it also entered into a 100 percent coinsurance agreement with MIEC covering the remaining direct and assumed medical malpractice reserves. The Company's contractors liability business which it wrote directly from 2000 to 2002 was retained by the Company after the sale. The above transactions were approved by the California Department of Insurance as part of the sale on December 29, 2010 pursuant to California Insurance Code Section 1215.2.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system in which Enstar Group Limited, a public Bermuda corporation, is the ultimate controlling person. The following abridged organizational chart is limited to the entities which the Company had intercompany agreements with within the holding company system (all ownership is 100% unless otherwise noted):


Enstar Group Limited (Bermuda)
Cumberland Holdings Ltd. (Bermuda)
Enstar USA Inc. (Delaware)
Kenmare Holdings Ltd. (Bermuda)
Enstar Limited (Bermuda)
Laguna Life Holdings Ltd. (Bermuda)
Hillcot Holdings Ltd. (Bermuda)
Virginia Holding Ltd (Bermuda)
Harper Holdings SARL (Luxembourg)
Fitzwilliam Insurance Limited (Bermuda)
Seaton Insurance Company (Rhode Island)
Enstar Holdings (US) Inc. (Delaware)
Harper Insurance Limited (Switzerland)
Enstar (US) Inc. (Delaware)
Cranmore (US) Inc. (Delaware)
Enstar Investment Inc. (Delaware)
Enstar New York Inc. (New York)
SeaBright Holdings,.Inc. (Delaware)
Sun Gulf Holdings,.Inc. (Delaware)
CLIC Holdings,.Inc. (Delaware)
Clarendon Holdings,.Inc. (Delaware)
PWAC Holdings,.Inc. (Delaware)
SeaBright Insurance Company (Illinois)
Constellation Reinsurance Company (New York)
Claremont Liability Insurance Company (California)
Clarendon National Insurance Company (New Jersey)
PW Acquisition Company, Inc. (Delaware)
Paladin Managed Care Services, Inc. (California)
Capital Assurance Company, Inc. (Florida)
Clarendon America Insurance Company (New Jersey)
Providence Washington Insurance Company (Rhode Island)
Point Sure Insurance Services, Inc. (Washington)
Capital Assurance Services, Inc. (Florida)
Harbor Specialty Insurance Company (New Jersey)
York Insurance Company (Rhode Island)

A seven-member Board of Directors, elected annually, manages the business and affairs of the Company. A listing of the members of the Board of Directors and principal officers of the Company serving on December 31, 2013 follows:

Board of Directors

Name and Location	Principal Business Affiliation
Joseph P. Follis Holland, Pennsylvania	Senior Vice President Enstar (US) Inc.
Andrea J. Giannetta Providence, Rhode Island	Senior Vice President Enstar (US) Inc.
Steven W. Given St. Petersburg, Florida	President and Chief Operating Officer Enstar (US) Inc.
James Grajewski St. Petersburg, Florida	Vice President Enstar (US) Inc.
Thomas J. Nichols Miami Beach, Florida	Chief Financial Officer Enstar (US) Inc.
Karl J. Wall* Tierra Verde, Florida	Director Enstar (US) Inc.
Donald E. Woellner Cranston, Rhode Island	Senior Vice President Enstar (US) Inc.

Principal Officers

Name	Title
Donald E. Woellner	President, Treasurer and Chief Operating Officer
Thomas J. Nichols	Chief Financial Officer
Thomas J. Balkan	Corporate Secretary
Steven W. Given	Chairman

(*) Robert F. Redpath was appointed as a member of the Board of Directors to replace Karl J. Wall effective March 7, 2014.

Intercompany Agreements

Service Agreement: Effective December 31, 2010, the Company entered into a Service Agreement with an affiliate, Enstar (US) Inc. (Enstar US), a Delaware corporation. Under the terms of this Agreement, Enstar US provides management, accounting and auditing, premiums and claims, investment, and functional support services on a cost basis without a profit factor being built into the cost. This Agreement was approved by the California Department of Insurance (CDI) on January 28, 2011 pursuant to California Insurance Code (CIC) Section 1215.5(b)(4).

Tax Sharing Agreement: Effective August 29, 2008, Enstar Holdings (US) Inc. (EHUS) and certain subsidiaries entered into a Tax Sharing Agreement. On January 1, 2011, Addendum No. 7 was added to the Agreement which made the Company a party to this Agreement. Pursuant to the Agreement, the consolidated federal income tax returns of the parties are filed by EHUS and the federal income tax liability is allocated to each of the parties in the consolidated group on a separate tax return basis. This Agreement was approved by the CDI on December 29, 2011 pursuant to CIC Section 1215.5(b)(4).

TERRITORY AND PLAN OF OPERATION

As of December 31, 2013, the Company is licensed to transact property and casualty insurance in California, Hawaii, Idaho, Nevada, Oregon, and Washington. The Company has been in run-off since 2007 and did not write any business during the examination period.

REINSURANCE

Assumed

The Company did not assume any business during the examination period.

Ceded

As discussed in the “COMPANY HISTORY” section of this report, effective December 31, 2010, the Company was sold by its former parent, Medical Insurance Exchange of California (MIEC). Concurrent with the sale, the Company’s run-off medical malpractice business is ceded 100 percent to MIEC under a 100 percent coinsurance agreement. This agreement was approved as part of the sale of the Company to CLIC Holdings, Inc. on December 29, 2010.

The Company’s run-off contractors liability business written from 2000 to 2002 was 100% reinsured by syndicates of Lloyd's of London (Lloyd’s). During 2011 and 2012, the Company entered into a series of novation agreements whereby the reinsurance obligations of Lloyd's were novated to an affiliate, Fitzwilliam Insurance Limited (Fitzwilliam). The novation agreements require Fitzwilliam to adhere to all the original terms and conditions that governed the Lloyd's agreements.

Pursuant to California Insurance Code Section 1215.5(b)(3), the Company, Fitzwilliam and Lloyd’s entered into a series of novation agreements whereby Fitzwilliam was substituted for Lloyd’s as the reinsurer. The novation agreements were consolidated into an Amended and Restated Reinsurance Agreement (Agreement) between the Company and Fitzwilliam. The Agreement, however, contains a limit of $75.8 million constituting the worst plausible actuarial estimate.

In conjunction with the Agreement, the Company also entered into a Limited Parental Guarantee with Fitzwilliam’s parent, Kenmare Holdings, Ltd., whom as a guarantor of Fitzwilliam is obligated to pay up to the contract limit. A funding of $39.9 million in the form of funds held was set up in a Trust Account for this guarantee. On June 17, 2014, the Company released $23.6 million of the funds held to Fitzwilliam and on June 23, 2014 another $4.6 million was released to adjust to the funding requirements stipulated by the Trust Account.

The Amended and Restated Reinsurance Agreement and Limited Parental Guarantee were approved by the CDI on May 15, 2014.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2013

Underwriting and Investment Exhibit for the Year Ended December 31, 2013

Reconciliation of Surplus as Regards Policyholders from December 31, 2009 through December 31, 2013

Statement of Financial Condition
as of December 31, 2013

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 14,989,410	$	$ 14,989,410	
Cash and short-term investments	26,199,958		26,199,958	
Investment income due & accrued	88,396		88,396	
Current federal and foreign income tax recoverable	175,595		175,595	
Total assets	$ 41,453,359	$	$ 41,453,359	

Liabilities, Surplus and Other Funds			
Losses and loss adjustment expenses		$ 0	(1)
Other expenses (excluding taxes, licenses and fees)		67,367	
Taxes, licenses and fees (excluding federal and foreign income taxes)		193,300	
Funds held by company under reinsurance treaties		26,049,625	
Total liabilities		26,310,292	
Common capital stock	3,000,000		
Gross paid in and contributed surplus	7,050,000		
Unassigned funds (surplus)	5,093,067		
Surplus as regards policyholders		15,143,067	
Total liabilities, surplus and other funds		$ 41,453,359	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2013

Statement of Income

Underwriting Income		
Premiums earned		$ 0
Deductions:		
Losses and loss adjustment expenses incurred	$ 0	
Other underwriting expenses incurred	1,140,630	
Total underwriting deductions		1,140,630
Net underwriting loss		(1,140,630)
Investment Income		
Net investment income earned	$ 434,797	
Net realized capital gains	3,698	
Net investment gain		438,495
Federal and foreign income taxes incurred		175,595
Net loss		$ (526,540)

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2012		$ 15,658,852
Net loss	$ (526,540)	
Change in net unrealized capital gains	7,100	
Change in net deferred income tax	3,655	
Change in surplus as regards policyholders for the year		(515,785)
Surplus as regards policyholders, December 31, 2013		$ 15,143,067

Reconciliation of Surplus as Regards Policyholders
from December 31, 2009 through December 31, 2013

	Gain in Surplus	Loss in Surplus	
Surplus as regards policyholders, December 31, 2009, per Examination			$ 14,793,237
Net income	$ 658,150	$	
Change in net unrealized capital gains	2,951		
Change in net deferred income tax		527,411	
Change in nonadmitted assets	215,140		
Aggregate write-ins for gains in surplus	1,000		
Total gains and losses	$ 877,241	$ 527,411	
Net increase in surplus as regards policyholders			349,830
Surplus as regards policyholders, December 31, 2013, per Examination			$ 15,143,067

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

As of December 31, 2013, the Company's carried net losses and loss adjustment expenses were zero because 100 percent of its loss and loss adjustment expenses were ceded to reinsurers.

An analysis of the gross and net loss and loss adjustment expense reserves as of December 31, 2013 was performed by a consulting actuary engaged by the Illinois Department of Insurance. The consulting actuary concluded that the Company's gross and net loss and loss adjustment expense reserves are reasonable and have been accepted for purposes of this examination. A Casualty Actuary from the California Department of Insurance reviewed the consulting actuary's work and concurred with his conclusion.

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,

Li S. Lim, CFE
Examiner-In-Charge
Senior Insurance Examiner
Department of Insurance
State of California