

REPORT OF EXAMINATION  
OF THE  
FALLS LAKE FIRE AND CASUALTY COMPANY  
AS OF  
DECEMBER 31, 2024

*Commissioners Signature*

A handwritten signature in blue ink, appearing to be 'D. DeFina', written over a horizontal line.

Filed on June 5, 2026

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Los Angeles, California  
March 20, 2026

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

**FALLS LAKE FIRE AND CASUALTY COMPANY**

(hereinafter also referred to as the Company). The Company's statutory home office is located at 2710 Gateway Oaks Drive, Suite 150N, Sacramento, California 95833. Its main administrative office is located at 6131 Falls of Neuse Road, Suite 306, Raleigh, North Carolina 27609.

**SCOPE OF EXAMINATION**

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2019. This examination covered the period from January 1, 2020 through December 31, 2024.

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 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 facts 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 of the James River Group (JRG) with Ohio as the lead state. The California Department of Insurance participated in this coordinated examination. It was conducted concurrently with other insurance entities in the JRG as listed below:

- Falls Lake National Insurance Company (Ohio)
- Falls Lake Fire and Casualty Company (California)
- James River Casualty Company (Ohio)
- James River Insurance Company (Ohio)
- Stonewood Insurance Company (Ohio)

### COMPANY HISTORY

The Company was incorporated on December 11, 2013 and was licensed and commenced business on January 1, 2016.

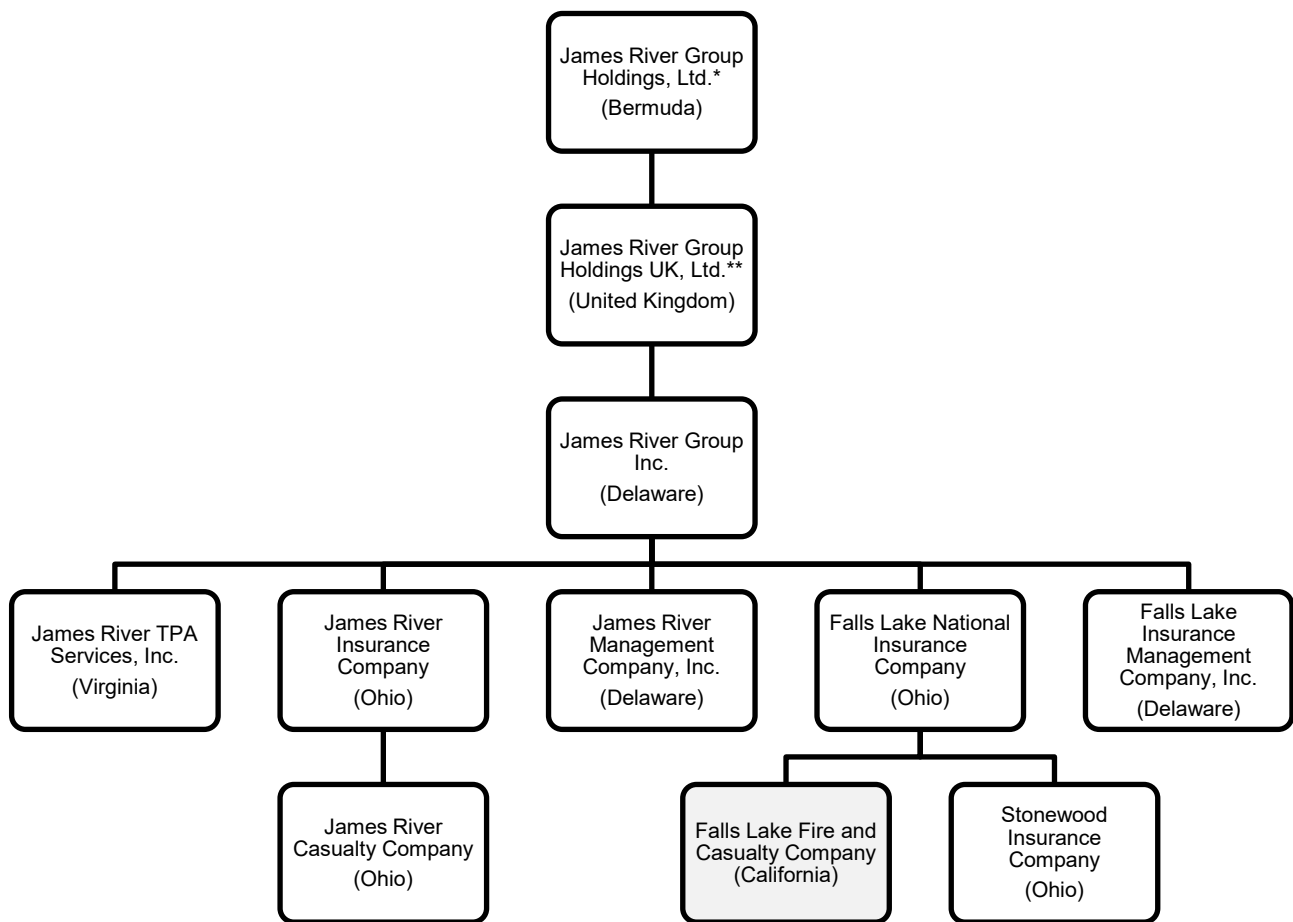
### Capitalization

The Company is authorized to issue 50,000 shares of common stock at \$100 par value. As of December 31, 2024, the Company had 26,000 shares issued and outstanding, all of which are owned by its immediate parent, Falls Lake National Insurance Company (FLNIC), an Ohio domestic insurer.

On December 22, 2022, the Company received a cash capital contribution in the amount of \$34,000,000 from FLNIC.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which James River Group Holdings, Ltd. is the ultimate controlling entity. The following organizational chart depicts the inter-relationship of the insurers within the holding company system as of December 31, 2024 (all ownership is 100%):



\* On November 7, 2025, James River Group Holdings, Ltd. redomiciled from Bermuda to Delaware and changed its name to James River Group Holding, Inc.

\*\* On December 23, 2025, James River Group Holdings UK, Ltd. was dissolved.

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 on December 31, 2024:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
William K. Bowman Raleigh, North Carolina	President and Chief Executive Officer Falls Lake Fire and Casualty Company
Sarah C. Doran Durham, North Carolina	Chief Financial Officer James River Group Holdings, Ltd.
Donald T. Hierman Cary, North Carolina	Vice President and Corporate Controller James River Group Inc.
John Kerekes Raleigh, North Carolina	Vice President, Account Services Falls Lake Fire and Casualty Company
Eric F. Liland Raleigh, North Carolina	Senior Vice President and Chief Actuary Falls Lake Fire and Casualty Company
Timothy S. MacAleese Glen Allen, Virginia	Chief Financial Officer Falls Lake Fire and Casualty Company
Joseph R. Raia Raleigh, North Carolina	Assistant Secretary Falls Lake Fire and Casualty Company

Principal Officers

<u>Name</u>	<u>Title</u>
William K. Bowman	President and Chief Executive Officer
Timothy S. MacAleese	Senior Vice President and Chief Financial Officer
Eric F. Liland	Secretary and Chief Actuary
Daniel A. Shultis	Assistant Treasurer and Controller

Management Agreements

Administrative Services Agreement: Effective on January 1, 2016, Falls Lake Insurance Management Company, Inc. (FLIMC) and the Company entered into an Administrative

Services Agreement. Under the Agreement, FLIMC provides various services to the Company, including but not limited to financial reporting, tax compliance, treasury services, budget and cost accounting, personnel, human resources, electronic fund transfers, legal, office services, marketing and corporate affairs services, computer services, graphic arts, policy production and administration, and additional services. As compensation for these services, the Company reimburses FLIMC for actual expenses incurred. The Agreement was approved by the California Department of Insurance (CDI) on October 17, 2016. Total fees incurred by the Company for services rendered under this Agreement were \$3,207,066 and \$9,317,509 during the years 2020 and 2021, respectively.

Effective on January 1, 2022, FLMIC and James River Management Company, Inc. (collectively "Management Company") entered into an Amended and Restated Management Services and Cost Sharing Agreement with the Company. The Agreement was approved by CDI on December 14, 2021, and superseded by the Administrative Services Agreement discussed above. Under the terms of this Agreement, Management Company shall provide various services to the Company, including but not limited to management, administration, underwriting, premiums collections, claims, operations, accounting, information technology, and human resources. As compensation for these services, the Company reimburses Management Company for actual expenses incurred. Total fees incurred by the Company under the Agreement were \$9,194,932, \$9,564,965, and \$7,363,372 during the years of 2022, 2023, and 2024, respectively.

Intercompany Tax Allocation Agreement: Effective on January 1, 2016, Falls Lake National Insurance Company (FLNIC), the direct parent, and the Company entered into an Intercompany Tax Allocation Agreement. As a result, the Company has been included in the consolidated federal income tax return as part of the tax allocation agreement that FLNIC entered with its parent, James River Group, Inc. (JRG). Under the terms of the Agreement, FLNIC agrees to file as part of its tax allocation agreement with JRG, a consolidated federal income tax return including the Company for each taxable year and for which a consolidated return is filed. The tax charge, refund or use of tax credits, to or by the Company shall be paid to or received from FLNIC. The amount that the Company

would have paid in tax, refund received or compensation for credits shall be generated as if it had filed on a separate return basis with the Internal Revenue Service. CDI issued a non-disapproval letter of the Agreement on December 9, 2016. The Company paid (refunded) the taxes of \$1,169,162, \$1,631,762, \$5,697,713, \$4,954,150, and \$(577,006) for the years 2020, 2021, 2022, 2023, and 2024, respectively.

### TERRITORY AND PLAN OF OPERATION

As of December 31, 2024, the Company is licensed to transact property and casualty insurance businesses only in California. In 2020, the Company became eligible to write surplus lines in the District of Columbia (DC) and all states except California.

Direct written premium during 2024 totaled \$100,600,862. The business written on an admitted basis in California was (39.1%), with the remaining 61.9% written on a surplus line basis in 49 states and DC. The Company's primary lines of business were other liability – occurrence (53.7%), fire (25.0%), workers' compensation (8.6%), other commercial automobile liability (7.0%), and commercial multiple peril – non-liability portion (2.6%). The remaining 0.3% was comprised of commercial multiple peril – non-liability portion, inland marine, other liability - claims-made, product liability-occurrence, commercial automobile physical damage, burglary and theft, and boiler and machinery lines of business.

The Company relies on a select group of general agencies and managing general agents to produce its direct business.

### REINSURANCE

#### Intercompany Reinsurance Pooling Agreement

Effective January 1, 2016, the Company entered into an Intercompany Reinsurance Pooling Agreement (Agreement) with the direct parent, Falls Lake National Insurance Company (FLNIC) and its four affiliates (Falls Lake Fire and Casualty Company, James River Casualty Company, James River Insurance Company, and Stonewood Insurance Company). FLNIC is the lead company in the pool. The Agreement was amended and

restated on January 1, 2016 and January 1, 2017, as the First and Second Amended and Restated Intercompany Reinsurance Pooling Agreement, respectively. The Company cedes all lines of business, net of other reinsurance, to FLNIC, and then assumes a proportional share of the pool. James River Insurance Company’s commercial automobile line of business was excluded from the pooling arrangement.

The Agreement was amended and restated on January 1, 2021, as Third Amended and Restated Intercompany Reinsurance Pooling Agreement (Third Amended and Restated Agreement). Pursuant to the Third Amended and Restated Agreement, James River Insurance Company’s commercial automobile line of business was included back in the pooling arrangement. This Amended and Restated Agreement was approved by the CDI on November 3, 2021. Pooling is net of all other reinsurance coverage carried out by the participants. The pooling provides proportionate sharing of premiums earned, losses and loss adjustment expenses incurred, and underwriting expenses incurred. Additionally, any gain or loss related to pooled favorable or adverse development subject to a loss portfolio transfer reinsurance agreement would be shared by the pooling participants at their respective pooling percentages. The pooling percentages of the pool members as of December 31, 2024, were as follows:

<u>Company</u>	<u>State of Domicile</u>	<u>Participation Share</u>
Falls Lake Fire and Casualty Company	California	17%
Falls Lake National Insurance Company	Ohio	7%
James River Insurance Company	Ohio	55%
James River Casualty Company	Ohio	7%
Stonewood Insurance Company	Ohio	14%
Total		<u>100%</u>

In 2024, the Company reported \$107.7 million assumed premiums from affiliates.

Assumed

The Company reported an immaterial amount of premiums assumed from California Commercial Auto Insurance Procedure during 2024.

## Ceded

The Company had the following ceded reinsurance programs in effect as of December 31, 2024 and is summarize in the chart below:

Type of Contract	Line(s) of Business	Reinsurer(s) and Participation	Company's Retention	Reinsurer's Limits
Quota Share Reinsurance	Property Excess & Surplus in all states except CA and NY	<u>Authorized:</u> Hannover Rueck SE (100%)	None	\$10M crop in any one location  \$10M all other property, one location
Cyber Quota Share Reinsurance	Cyber Suite	<u>Authorized:</u> Hartford Steam Boil Inspection & Insurance Company (100%)	None	\$1M per policy
Equipment Breakdown Quota Share Reinsurance	Equipment Breakdown	<u>Authorized:</u> Hartford Steam Boil Inspection & Insurance Company (100%)	None	\$7.5M per policy
Excess Property Master Facultative Reinsurance	Commercial Excess Property	<u>Authorized:</u> Swiss Reinsurance America Corporation (64.52%) National Indemnity Company (35.48%)	None	A: \$26.45M per occurrence \$90M excess of \$60M per occurrence  B: \$6.5M per occurrence \$100M excess of \$150M per occurrence  C: \$20M per occurrence \$250M excess of \$250M per occurrence
Aviation Quota Share Reinsurance	General Aviation	<u>Authorized:</u> Everest Reinsurance Company (25%) Lloyds Syndicate 2623 (20%) Hannover Rueck SE (10%) Lloyds Syndicate 5886 (10%) Lloyds Syndicate 33 (7.5%) Lloyds Syndicate 1458 (10%)	17.5%	Liability: \$25M Hull: \$5M Spares: \$5M
Aviation Excess of Loss Reinsurance	General Aviation	<u>Authorized:</u> Everest Reinsurance Company (57.14%) Hannover Rueck SE (42.86%)	\$0.175M per occurrence	\$0.7M per occurrence
First Excess Layer			\$0.875M per occurrence	\$1.75M per occurrence
Second Excess Layer			\$2.625M per occurrence	\$1.75M per occurrence
Third Excess Layer			\$4.375M per occurrence	\$3.5M per occurrence
Fourth Excess Layer				
Reinsurance Premium Protection	General Aviation Reinstatement Premium Protection for first layer Excess of Loss	<u>Authorized:</u> Everest Reinsurance Company (100%)	None	100% Limit. Rate is subject to the Net Written Premium of maximum \$24M.
War Hull Quota Share Reinsurance	General Aviation	<u>Authorized:</u> Hive Syndicate (Arch Reinsurance Company) (100%)	None	Hull: \$5M Spares: \$5M

Commercial Auto Liability Quota Share Reinsurance	Daily Auto Fleet Rental Program Auto Liability, Auto Physical Damage, General Liability, Cargo	<u>Authorized:</u> Hudson Insurance Company (100%)	None	Commercial Auto Liability \$1M each loss  Uninsured/Underinsured Motorist \$1M each loss  Medical Pay \$10K any one person  Auto Physical Damage \$75K per vehicle, \$1.5M any one loss  Garage Liability \$1M per occurrence  Garage Keepers Liability \$1M each loss, each location  General Liability \$1M per occurrence  Supplemental Liability \$1M each loss excess of limit
Commercial Auto Liability Quota Share Reinsurance	Trucking - Insure Tech Auto Liability and Auto Physical Damage, Cargo, General Liability	<u>Authorized:</u> Nirvana Reinsurance Company (10%) Insurance Company of the West (7.5%) Canopus US Insurance Inc. (5%) Munich Reinsurance America, Inc. (10%) AXA XL (3%) SiriusPoint American Insurance Inc. (10%) Swiss Reinsurance America Corporation (8%) Lloyds Syndicate 1084 (5%)  <u>Unauthorized:</u> Topsail Reinsurance Company (20%)	21.5%	Commercial Auto Liability \$1M  General Liability \$1M each occurrence, \$2M aggregate  Cargo \$0.5M per unit, \$1M per occurrence  (AXA and Munich require special acceptance for Cargo above \$250k per unit, \$625k per occurrence)
Auto Dealers Property Quota Share Reinsurance	Property Business including but not limited to Inland Marine, Crime, and Garage Keepers Legal Liability	<u>Authorized:</u> Motors Reinsurance Corporation (100%)	None	\$40M per risk limit
Casualty and Umbrella Quota Share Reinsurance	Section A: Casualty, Auto Dealers Liability business, Garage Liability, Employment Practices Liability, Employee Benefits, Cyber Liability, Pollution Liability	<u>Authorized:</u> Motors Reinsurance Corporation (65.0%)	35%	Combined Single Limit, Body Injury or Property Damage \$1M, per occurrence  Un/underinsured motorist \$1M per occurrence  Auto Physical Damage \$1M any one vehicle, per occurrence  General Liability \$1M Per occurrence  Medical Expense \$10K any one person  Pollution: \$1M per occurrence  Employment Practices Liability \$1M  Cyber Liability: \$50K per occurrence

	Section B: Umbrella Liability	<u>Authorized:</u> Swiss Reinsurance America Corporation (30.0%) Motors Reinsurance Corporation (65%)	5%	\$10M per occurrence, each policy
Umbrella Semi Auto Facultative Excess of Loss Reinsurance	Auto Dealers Umbrella Garage Liability	<u>Authorized:</u> Motors Reinsurance Corporation (82%)	18%	\$10M in excess of \$5M
Commercial Auto Quota Share Reinsurance	Auto Liability, Auto Physical Damage, General Liability, Cargo, Commercial Property, Inland Marine, Equipment Breakdown, Crime and Employment Practices Liability, Timber	<u>Authorized:</u> Canopus US Insurance Inc. (25%) Mitsui Sumitomo Insurance America (10%) Swiss Reinsurance America Corporation (27.5%)	37.5%	\$1M per occurrence (Auto Body Injury, Property Liability, Un/Underinsured Motorist, General Liability, Employee Benefits, Commercial Property/Inland Marine)  Personal Injury/No-Fault State Requirement  \$250K per Vehicle/ Occurrence (Auto Physical Damage, Cargo)  \$10K Medical Expense per person  \$50K Crime per occurrence  \$3M up to 20 Property and/or Inland Marine risks per occurrence
Quota Share Reinsurance	Unsupported Umbrella Excess Liability	<u>Authorized:</u> Lloyd's Syndicate 2987 (11.25%) State National Insurance Company Inc. (11.25%) Axis Reinsurance Company (10%) SiriusPoint America Reinsurance Company (25%) Accident Fund Insurance Company of America (15%) WCF National Insurance Company (12.5%)	15%	\$5M per risk
Excess Property Quota Share Reinsurance	Large Account Shared & Layered Property (Primary & Excess)	<u>Authorized:</u> Hannover Ruck SE (100%)	None	\$5M
Excess Property Quota Share Reinsurance	Large Account Shared & Layered Property (Primary & Excess)	<u>Reciprocal:</u> Conduit Reinsurance Ltd (100%)	None	\$2.5M
Excess Property Excess of Loss Reinsurance	Catastrophe Excess above Excess Property Quota Share	<u>Authorized:</u> Lloyds Syndicate 4472 (50%) Lloyds Syndicate 4141 (50%)	None	\$10M in excess of \$10M

## ACCOUNTS AND RECORDS

### Unclaimed Property

California Code of Civil Procedure (CCP) Part 3, Title 10, Chapter 7, Article 3, Sections 1530 and 1532 (Unclaimed Property Law) requires that all tangible personal property located in the state of California that is held or owing in the ordinary course of business and has remained unclaimed by the owner for more than three years after it became payable or distributable, be escheated to the California State Controller's Office (SCO). During the review of the unclaimed property, it was observed that the Company failed to escheat checks older than three years to SCO.

It is recommended that the Company implement procedures to ensure future compliance in accordance with CCP Part 3, Title 10, Chapter 7, Article 3, Sections 1530 and 1532.

### Annual Information Statement

California Insurance Code (CIC) Section 700(c) requires that, after receiving a certificate of authority, an insurer must continue to comply with all applicable California laws governing its business. To establish the Company's continuing qualification to hold a California Certificate of Authority, the insurer must file an Annual Information Statement (AIS) by April 1<sup>st</sup> of the present calendar year covering the period from the past calendar year. The Company failed to file the required AIS in 2022, 2023, and 2024. It is recommended that the Company implement procedures to ensure future timely filing of the AIS with the California Department of Insurance (CDI), in accordance with the requirements of CIC Section 700(c).

Upon notification by the CDI, and during the examination, the Company filed the 2022, 2023, and 2024 AIS with CDI.

### Vehicle Fraud Assessment

CIC Section 1872.8(a) states, in part, that each insurer doing business in the state of California must pay an annual Vehicle Fraud Assessment Fee for each vehicle insured

under an insurance policy it issues in California. Additionally, California Code of Regulations (CCR), Title 10, Chapter 5, Subchapter 9, Article 4, Section 2698.62(b) states that the vehicle fraud assessment shall be due on each vehicle, identified by its vehicle identification number for each quarter that a policy is in force on such vehicle and when a vehicle is added to or replaced one under an existing policy. It was noted that the Company failed to include all California insured vehicles in its vehicle counts. It is recommended that the Company implement procedures to ensure that all California insured vehicles are included in its vehicle counts in accordance with CIC Section 1872.8(a) and CCR Section 2698.62(b).

## 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, 2024. The accompanying comments on financial statements should be considered an integral part of the financial statements. There is no examination adjustments to the amounts reported in the annual statements.

Statement of Financial Condition as of December 31, 2024

Underwriting and Investment Exhibit for the Year Ended December 31, 2024

Reconciliation of Surplus as Regards Policyholders from December 31, 2019  
through December 31, 2024

Statement of Financial Condition  
as of December 31, 2024

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 180,172,192	\$	\$ 180,172,192	
Cash and short-term investments	57,042,318		57,042,318	
Investment income due and accrued	1,602,451		1,602,451	
Uncollected premiums and agents' balances in the course of collection	32,405,103	6,461,826	25,943,277	
Premiums, agents' balances and installments booked but deferred and not yet due	3,075,2017		3,075,217	
Amount recoverable from reinsurers	18,200,961		18,200,961	
Funds held by or deposited with reinsured companies	303,898,310		303,898,310	
Current federal and foreign income tax recoverable and interest thereon	6,276,340		6,276,340	
Net deferred tax asset	7,309,553	4,262,046	3,047,507	
Receivables from parent, subsidiaries, and affiliates	199,000		199,000	
Aggregate write-ins for other than invested assets	<u>4,100,605</u>		<u>4,100,605</u>	
 Total assets	 <u>\$ 614,282,050</u>	 <u>\$ 10,723,872</u>	 <u>\$ 603,558,178</u>	
 <u>Liabilities, Surplus and Other Funds</u>				
Losses			\$ 185,157,333	(1)
Reinsurance payable on paid loss and loss adjustment expenses			25,051,346	
Loss adjustment expenses			67,051,799	(1)
Commissions payable, contingent commissions and other similar charges			507,165	
Other expenses			596,654	
Taxes, licenses and fees			884,372	
Unearned premiums			46,860,712	
Advance premiums			15,703	
Ceded reinsurance premiums payable			15,087,605	
Funds held by company under reinsurance treaties			56,917,145	
Provision for reinsurance			207,000	
Payable to parent, subsidiaries and affiliates			11,591,428	
Aggregate write-ins for liabilities			<u>83,212,103</u>	(2)
 Total liabilities			 493,140,365	
Aggregate write-ins for other-than-special surplus funds	\$ 14,469,567			
Common capital stock		2,600,000		
Gross paid-in and contributed surplus		85,402,000		
Unassigned funds (surplus)		<u>7,946,246</u>		
Surplus as regards policyholders			<u>110,417,813</u>	
 Total liabilities, surplus and other funds			 <u>\$ 603,558,178</u>	

Underwriting and Investment Exhibit  
for the Year Ended December 31, 2024

Statement of Income

Underwriting Income

Premiums earned		\$ 111,003,512
Deductions:		
Losses incurred	\$ 72,927,482	
Losses and loss expenses incurred	23,791,681	
Other underwriting expenses incurred	<u>25,765,933</u>	
Total underwriting deductions		<u>122,485,096</u>
Net underwriting loss		(11,481,584)

Investment Income

Net investment income earned	\$ 8,631,930	
Net realized capital loss	<u>(46,023)</u>	
Net investment gain		8,585,907

Other Income

Net loss from agents' or premium balances charged off	\$ (333,703)	
Finance and service charges not included in premiums	5,745	
Aggregate write-ins for miscellaneous income	<u>3,726,715</u>	
Total other income		<u>3,398,757</u>
Net income before dividends to policyholders, after capital gains tax and before federal and foreign income taxes		503,080
Federal and foreign income taxes incurred		<u>(206,062)</u>
Net income		<u>\$ 709,142</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2023		\$ 110,596,420
Net income	\$ 709,142	
Change in net deferred income tax	(291,913)	
Change in nonadmitted assets	(721,836)	
Change in provision for reinsurance	<u>126,000</u>	
Change in surplus as regards policyholders for the year		<u>(178,607)</u>
Surplus as regards policyholders, December 31, 2024		<u>\$ 110,417,813</u>

Reconciliation of Surplus as Regards Policyholders  
from December 31, 2019 through December 31, 2024

Surplus as regards policyholders,  
December 31, 2019 \$ 51,218,469

	Gain in Surplus	Loss in Surplus	
Net income	\$ 23,569,275	\$	
Change in net deferred income tax	5,298,277		
Change in nonadmitted assets		3,461,208	
Change in provision for reinsurance		207,000	
Cumulative effect of changes in accounting principles		119,995	
Surplus adjustments: Paid-in	<u>34,000,000</u>	<u>                    </u>	
Total gains and losses	<u>\$ 60,120,239</u>	<u>\$ 920,895</u>	
 Net increase in surplus as regards policyholders			 <u>59,199,344</u>
 Surplus as regards policyholders, December 31, 2024			 <u>\$ 110,417,013</u>

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Losses and Loss Adjustment Expenses

The Property and Casualty Chief Actuary from the Ohio Department of Insurance (ODI) reviewed the loss and loss adjustment expenses reserves as of December 31, 2024, on a pooled basis. A Senior Casualty Actuary from the California Department of Insurance reviewed the work performed by the ODI's Property and Casualty Chief Actuary.

The James River Group has experienced adverse loss development consistently over the last five years, mainly driven by the James River Insurance Company and James River Casualty Company (James River companies) book of business. The James River companies have entered several loss portfolio transfer (LPT) and adverse development cover (ADC) reinsurance agreements to offset adverse loss development. Subsequent to the examination period in 2025, the James River Group experienced \$77.3 million in adverse development in prior years. The development was primary related to the James River companies, which experienced \$92.6 million of adverse development on its casualty book of business that is subject to the LPT and ADC agreements, partially offset by \$19.0 million of favorable development on other accident years and lines of business. Additionally, the other companies in the pool experienced \$3.7 million of adverse development. The James River Group's total development across the pooling participants net of retroactive reinsurance was (\$1.3) million. The Company's loss and LAE have been impacted due to its 17% participation in the intercompany pooling agreement.

### (2) Aggregate write-ins for liabilities

The balance primarily consists of funds held on deposit totaling \$80,375,371. Of this amount, \$73.6 million relates to a reinsurance program that does not transfer insurance risk and is therefore accounted for using deposit accounting. The remaining \$6.8 million relates to another program for large-deductible policies, which is funded by the insured at 100% of the case and incurred-but-not-reported reserves up to the deductible limit.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

### Current Report of Examination

Accounts and Records – Unclaimed Property (Page 12): It is recommended that the Company annually report and escheat the unclaimed property to the California State Controller's Office in accordance with the California Code of Civil Procedure (CCP) Part 3, Title 10, Chapter 7, Article 3, Sections 1530 and 1532.

Accounts and Records – Annual Information Statement (Page 12): It is recommended that the Company implement procedures to ensure future timely filing of the Annual Information Statement with California Department of Insurance in accordance with the requirements of California Insurance Code Section 700(c).

Accounts and Records – Vehicle Fraud Assessment (Page 12): It is recommended that the Company implement procedures to ensure that all California insured vehicles are included in its vehicle counts in accordance with CIC Section 1872.8(a) and California Code of Regulations (CCR) Section 2698.62(b).

### Previous Report of Examination

Accounts and Records – Vehicle Fraud Assessment (Page 12): It was recommended that the Company follow the methodology and maintain an Automobile Assessment File (AAF) in accordance with CCR Title 10, Chapter 5, Subchapter 9, Article 4, Section 2698.62(b) and (d). The Company identified vehicle counts by vehicle identification number in accordance with CCR Section 2698.62(b) and maintained an AAF in accordance with CCR Section 2698.62(d).

## ACKNOWLEDGMENT

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

Respectfully submitted,

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Tzuwen Meyer, CFE  
Examiner-In-Charge  
Associate Insurance Examiner  
Department of Insurance  
State of California

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Cuauhtémoc Beltrán, CFE  
Senior Insurance Examiner, Supervisor  
Department of Insurance  
State of California