

REPORT OF EXAMINATION  
OF THE  
REPUBLIC INDEMNITY COMPANY OF CALIFORNIA  
AS OF  
DECEMBER 31, 2021

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

Filed on May 12th, 2023

## TABLE OF CONTENTS

	<u>PAGE</u>
SCOPE OF EXAMINATION .....	1
COMPANY HISTORY: .....	3
Capitalization .....	3
Dividends .....	3
MANAGEMENT AND CONTROL:.....	4
Management Agreements.....	6
TERRITORY AND PLAN OF OPERATION.....	8
REINSURANCE: .....	9
Intercompany Reinsurance Agreement.....	9
Assumed.....	9
Ceded .....	9
FINANCIAL STATEMENTS: .....	10
Statement of Financial Condition as of December 31, 2021 .....	11
Underwriting and Investment Exhibit for the Year Ended December 31, 2021 .....	12
Reconciliation of Surplus as Regards to Policyholders from December 31, 2016 through December 31, 2021 .....	13
Losses and Loss Adjustment Expenses .....	13
COMMENTS ON FINANCIAL STATEMENT ITEMS:.....	14
Losses and Loss Adjustment Expenses .....	14
SUMMARY OF COMMENTS AND RECOMMENDATIONS: .....	14
Current Report of Examination .....	14
Previous Report of Examination .....	14
ACKNOWLEDGMENT .....	15

Los Angeles, California  
April 17, 2023

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

REPUBLIC INDEMNITY COMPANY OF CALIFORNIA

(hereinafter also referred to as the Company). The statutory home office is located at 4500 Park Granada Boulevard, Suite 300, Calabasas, California 91302.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2016. This examination covered the period from January 1, 2017 through December 31, 2021.

The examination was conducted in accordance with the National Association of Insurance Commissioners *Financial Condition Examiners Handbook (Handbook)*. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial

statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the Company and its financial condition. There might be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to other regulators and/or the Company.

This was a coordinated examination with Ohio serving as the lead state of the American Financial Group, Inc., the ultimate parent of the Company. It was conducted concurrently with the following insurance entities in the holding company group:

Great American Property & Casualty:

- Great American Insurance Company (Ohio)-Lead
- Great American Alliance Insurance Company (Ohio)
- Great American Assurance Company (Ohio)
- Great American Casualty Insurance Company (Ohio)
- Great American E&S Insurance Company (Ohio)
- Great American Fidelity Insurance Company (Ohio)
- Great American Insurance Company of New York (New York)
- Great American Protection Insurance Company (Ohio)
- Great American Security Insurance Company (Ohio)
- Great American Spirit Insurance Company (Ohio)
- Great American Underwriters Insurance Company (Ohio)
- American Empire Surplus Lines Insurance Company (Ohio)
- American Empire Insurance Company (Ohio)

Great American Contemporary:

- Great American Contemporary Insurance Company (Ohio)-Lead
- Bridgefield Employers Insurance Company (Florida)
- Bridgefield Casualty Insurance Company (Florida)
- Republic Indemnity Company of America (California)
- Republic Indemnity Company of California (California)

Mid-Continent:

- Mid-Continent Casualty Company (Ohio)-Lead
- Mid-Continent Assurance Company (Ohio)
- Mid-Continent Excess and Surplus Insurance Company (Ohio)

- Oklahoma Surety Company (Ohio)

National Interstate:

- National Interstate Insurance Company (Ohio)-Lead
- National Interstate Insurance Company of Hawaii, Inc. (Ohio)
- Triumphe Casualty Company (Ohio)
- Vanliner Insurance Company (Ohio)

### COMPANY HISTORY

Effective January 1, 2021, as part of the restructuring of the Intercompany Pooling Agreement, ownership of the Company and its immediate parent, Republic Indemnity Company of America (RICA) were transferred to Great American Contemporary Insurance Company (GCTP), an Ohio domiciled property and casualty insurer.

#### Capitalization

The Company has 2,350,000 shares of common stock authorized, issued and outstanding with a par value of \$1.50.

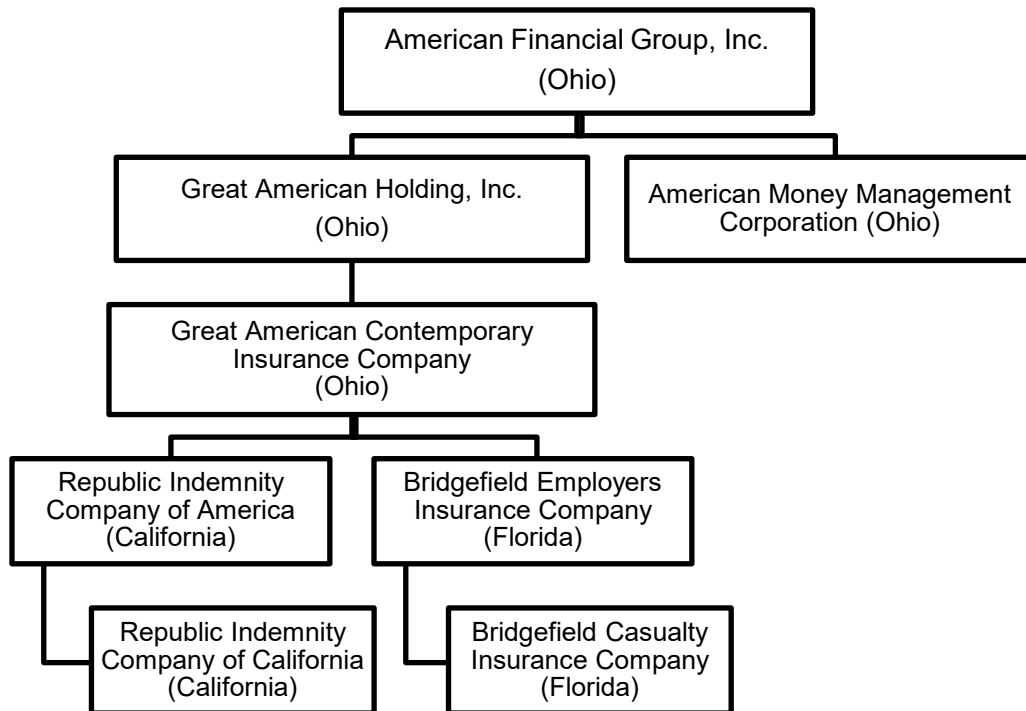
#### Dividends and Return of Capital Distribution

On June 26, 2017, the Company paid a return of capital distribution to its parent, Republic Indemnity Company of America (RICA) in the amount of \$7,000,000. The California Department of Insurance (CDI) approved this transaction on June 2, 2017.

On October 30, 2020, the Company paid an ordinary cash dividend to its parent, RICA, in the amount of \$2,500,000. The CDI approved this application on October 21, 2020.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system with American Financial Group, Inc. (AFG) as the ultimate controlling entity. AFG is incorporated in Cincinnati, Ohio. Following is an abridged organizational chart. All ownership is 100%.



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, 2021:

Directors

Name and Location

Principal Business Affiliation

Michelle A. Gillis  
Cincinnati, Ohio

Senior Vice President and Chief  
Administrative Officer  
American Financial Group, Inc.

Gary J. Gruber <sup>(1)</sup>  
Cincinnati, Ohio

President and Chief Operating Officer  
Great American Insurance Company

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Anthony J. Mercurio Richfield, Ohio	Executive Vice President Great American Insurance Company
Michael E. Sullivan, Jr. Cincinnati, Ohio	Executive Vice President Great American Insurance Company
David L. Thompson, Jr. Cincinnati, Ohio	Executive Vice President Great American Insurance Company
David J. Witzgall <sup>(2)</sup> Villa Hills, Kentucky	Senior Vice President, Chief Financial Officer and Treasurer Great American Insurance Company

#### Principal Officers

<u>Name</u>	<u>Title</u>
DeAllen L. Goodwin	President
Louis C. Borstelmann	Senior Vice President, Chief Financial Officer and Treasurer
Daniel A. Engell <sup>(3)</sup>	Senior Vice President and Chief Underwriting Officer
David F. Simmeth	Senior Vice President and Chief Information Officer
Magdalena F. Grossman	Chief Compliance Officer
James T. Hurley	Senior Vice President
Sean E. Pepper <sup>(4)</sup>	Senior Vice President
Carol P. Sipe	Senior Vice President
Melinda A. Kreger	Vice President and Assistant Secretary
Rhonda B. Cooper	Vice President
Emilia I. Grund	Vice President
Janet K. Miller	Vice President
Regina R. O'Connell	Vice President
Mathew D. Felvus	Secretary

The following changes in management occurred subsequent to the examination date:

- (1) Gary J. Gruber retired as a Director and Chairman of the Board of Directors, effective April 1, 2022.
- (2) David J. Witzgall retired as Director of the Company, effective November 1, 2022.
- (3) Daniel A. Engell resigned as Senior Vice President and Chief Underwriting Officer, effective July 8, 2022.
- (4) Sean E. Pepper was appointed Senior Vice President and Chief Underwriting Officer, effective July 8, 2022.
- (5) Brian S. Hertzman was elected as Director, effective November 1, 2022.

## Management Agreements

Investment Services Agreement: The Company and its parent, Republic Indemnity Company of America (RICA), and other affiliates are parties to an Investment Services Agreement with an affiliate, America Money Management Corporation (AMMC), as amended effective January 1, 1996. Under the terms of the agreement, AMMC provides management and accounting services related to the entity's investment portfolio. Expenses incurred by AMMC for services under this agreement are to be charged and paid quarterly and pro-rated on the basis of the proportion of each entity's portfolio value to the total value administered by AMMC. For 2017, 2018, 2019, 2020, and 2021, the Company paid AMMC \$2,454, \$2,379, \$6,266, \$4,928, and \$10,515, respectively, under the terms of the agreement. The agreement went into effect before the prior approval provisions of the California Insurance Code (CIC) Section 1215.5(b)(4) went into effect and has not been amended since.

Amended and Restated Services Agreement: Effective April 1, 2014, the Company, RICA, Bridgefield Casualty Insurance Company (BCIC), and Bridgefield Employers Insurance Company (BEIC), entered into an Amended and Restated Services Agreement. Under the terms of the agreement, RICA provides the Company, BCIC and BEIC with the following services: claims, accounting, underwriting, actuarial, telecommunications, data processing, legal, payroll, purchasing, and employee relations services. All expenses for services provided are allocated among the parties in proportion to each party's respective participation, as defined in the agreement. During 2017, 2018, 2019, and 2020 the Company paid \$4,031,255, \$4,032,701, \$3,594,289, and \$3,423,443, respectively, under the terms of the agreement. The agreement was approved by the California Department of Insurance (CDI) on April 9, 2014.

Effective January 1, 2021, the agreement was amended and restated to add Great American Contemporary Insurance Company (GCTP) as a party to the agreement and for GCTP to provide services to the other parties. The Company did not receive or make any payment in 2021. The Agreement was approved by the CDI on October 28, 2020.

General Services Agreement: Effective August 1, 1996, the Company and its parent,



RICA, are parties to a General Services Agreement with its affiliate, Great American Insurance Company (GAIC), and other affiliated companies. Under the terms of the agreement, each of the parties has agreed to provide printing, office duplicating, telecommunications, purchasing, personnel, data processing, administrative, consultative, and other services as requested by any of the other parties to the agreement. Pursuant to the agreement, fees payable for services furnished are based on actual cost. For the period under examination, the Company did not make any payments to GAIC. This agreement went into effect before the prior provisions of CIC Section 1215.5(b)(4) went into effect and has never been amended.

Claim Services Agreement: Since August 30, 2006, the Company and its parent, RICA, have been parties to a Claims Services Agreement with an affiliate, GAIC. Under the terms of the agreement, GAIC provides certain claims handling services for the Company and RICA, and compensation is based on actual cost. For the period under examination, the Company did not make any payments to GAIC. The agreement was approved by the CDI on August 14, 2007.

Tax Allocation Agreement: Effective December 31, 2005, a Tax Allocation Agreement was implemented between American Financial Group, Inc. (AFG) and certain specified subsidiaries, including the Company. This agreement superseded the previous tax allocation agreement, which had been in effect since 1974. Under the terms of the agreement, federal income tax returns are filed on a consolidated basis on behalf of AFG and the specified subsidiaries. Each entity's tax liability or refund is determined as if the entity was filing on a separate return basis. The agreement was approved by CDI on November 29, 2005. The Company paid (received) the following taxes during the examination period:

Year	Amount
2017	\$ 121,976
2018	101,387
2019	146,264
2020	109,804
2021	89,272

### TERRITORY AND PLAN OF OPERATION

The Company's operations are conducted jointly with its parent, Republic Indemnity Company of America, at its home office in Calabasas, California. As of December 31, 2021, the Company primarily wrote workers' compensation coverage and was licensed in the District of Columbia and the following 37 states:

Alabama	Illinois	Montana	South Dakota
Alaska	Indiana	Nebraska	Tennessee
Arizona	Iowa	Nevada	Texas
Arkansas	Kansas	New Mexico	Utah
California	Kentucky	North Carolina	Washington
Colorado	Louisiana	Ohio	West Virginia
Delaware	Maryland	Oklahoma	Wisconsin
Georgia	Michigan	Oregon	
Hawaii	Mississippi	Rhode Island	
Idaho	Missouri	South Carolina	

During 2021, the Company wrote \$119.2 million of direct premiums. The Company's direct business is produced primarily through approximately 500 active brokerage firms and targets all workers' compensation risk classes except petroleum and mining. In recent years, the Company has focused on skilled classes, retail/wholesale operations, and hospitality. The Company's direct business is concentrated in California, with direct premium written of \$115.6 million (approximately 97% of total direct premiums written), followed by Arizona with direct written premiums of \$2.0 million (approximately 1.7% of total direct premiums written).

## REINSURANCE

### Intercompany Reinsurance Agreement

Effective January, 1, 1991, and amended on December 31, 2009 and on April 1, 2014, the Company and its parent, Republic Indemnity Company of America (RICA – Lead Company) and affiliates, Bridgefield Employers Insurance Company (BEIC) and Bridgefield Casualty Insurance Company (BCIC) are parties to an Intercompany Pooling Agreement. In the amended agreement, the Lead Company assumes 100% of the business with no retrocession to the Company, BEIC, and BCIC. The amended and restated pooling agreement was approved by the California Department of Insurance (CDI) on March 20, 2014.

Effective January 1, 2021, the pooling agreement was amended to add Great American Contemporary Insurance Company (GCTP), an Ohio domiciled property and casualty insurer as the lead company in a pooling agreement. Under the terms of the agreement, the Company, RICA, BEIC, and BCIC cede 100% of their gross business to GCTP with no retrocessions. GCTP retains 100% of the premiums, losses, and expenses of the pool. The amended and restated pooling agreement was approved by CDI on October 28, 2020.

### Assumed

The Company does not have any assumed reinsurance.

### Ceded

Ceded business is limited to the Company's participation in the above-referenced Intercompany Pooling Agreement.

## 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, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. There were no examination adjustments made to surplus as a result of the examination.

Statement of Financial Condition as of December 31, 2021

Underwriting and Investment Exhibit for the Year Ended December 31, 2021

Reconciliation of Surplus as Regards Policyholders from December 31, 2016 through December 31, 2021

Statement of Financial Condition  
as of December 31, 2021

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 17,621,824	\$	\$ 17,621,824	
Cash and short-term investments	6,814,695		6,814,695	
Investment income due and accrued	109,513		109,513	
Federal and foreign income tax recoverable and interest thereon	2,184		2,184	
Receivable from parent, subsidiaries and affiliates	<u>375,844</u>		<u>375,844</u>	
Total assets	<u>\$ 24,924,060</u>	<u>\$</u>	<u>\$ 24,924,060</u>	
<u>Liabilities, Surplus and Other Funds</u>			<u>Current Year</u>	<u>Notes</u>
Losses and lossadjustment expenses			0	(1)
Other expenses			4,200	
Net deferred tax liability			3,189	
Payable to parent, subsidiaries and affiliates			<u>77,866</u>	
Total liabilities			85,255	
Common capital stock			3,525,000	
Gross paid-in and contributed surplus			11,395,000	
Unassigned funds (surplus)			9,918,804	
Surplus as regards policyholders			<u>24,838,804</u>	
Total liabilities, Surplus, and other funds			<u>\$ 24,924,060</u>	

Underwriting and Investment Exhibit  
for the Year Ended December 31, 2021

State of Income

<u>underwriting Income</u>	
Premiums earned	
Deductions:	\$ 0
Losses and loss adjustment expense incurred	0
Other underwriting expenses	<u>0</u>
Total underwriting deductions	<u>0</u>
Net underwriting loss	0
<u>Investment Income</u>	
Net investment income earned	\$ 462,570
Net realized capital loss	<u>(797)</u>
Net investment gain	461,773
Federal and foreign income taxes incurred	<u>90,191</u>
Net income	<u>\$ 371,582</u>

4Capital and Surplus Account

Surplus as regards policyholders, December 31, 2020	\$ 24,440,553
Net income	\$ 371,582
Change in net deferred income tax	378
Change in nonadmitted assets	<u>26,291</u>
Change in surplus as regards policyholders for the year	<u>398,251</u>
Surplus as regards policyholders, December 31, 2021	<u>\$ 24,838,804</u>

Reconciliation of Surplus as Regards to Policyholders  
from December 31, 2016 through December 31, 2021

Surplus as regards policyholders, December 31, 2016					\$ 32,010,763
	Gain in Surplus	Loss in Surplus			
	<u>                    </u>	<u>                    </u>			
Net income	\$ 2,335,559	\$			
Change in net deferred income tax			7,518		
Surplus adjustments: Paid-In			7,000,000		
Dividends to stockholders			<u>2,500,000</u>		
Total gains and losses	<u>\$ 2,335,559</u>	<u>\$</u>	<u>9,507,518</u>		
Net decrease in surplus as regards policyholders				<u>(7,171,959)</u>	
Surplus as regards policyholders, December 31, 2021					<u>\$ 24,838,804</u>

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Losses and Loss Adjustment Expenses

A Casualty Actuary from the California Department of Insurance reviewed the actuarial work prepared by the lead state's consulting actuary, Taylor Walker Consulting Actuaries and concurred that the Great American Contemporary Group Pool's losses and loss adjustment expense reserve as of December 31, 2021 were reasonable and have been accepted for purposes of this examination. As of December 31, 2021, the Company reported zero net losses and loss adjustment expense reserve (LAE) because one hundred percent of its losses and LAE expenses were ceded to Great American Contemporary Insurance Company.

## 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,

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Cuauhtemoc Beltran, CFE  
Examiner-In-Charge  
Senior Insurance Examiner, Supervisor  
Department of Insurance  
State of California

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Sayaka Dillon, CFE  
Supervising Insurance Examiner  
Department of Insurance  
State of California