

REPORT OF EXAMINATION
OF THE
TIG INSURANCE COMPANY
AS OF
DECEMBER 31, 2023

Insurance Commissioner

A handwritten signature in blue ink, appearing to be "P. Dela", is written over a light blue rectangular background.

Filed on June 13, 2025

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Los Angeles, California
April 16, 2025

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

TIG INSURANCE COMPANY

(hereinafter also referred to as the Company). The Company's main administrative office and primary location of its books and records is located at 250 Commercial Street, Suite 5000, Manchester, New Hampshire 03101. The Company's statutory home office is 8880 Rio San Diego Drive, Suite 800, San Diego, California 92106.

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, 2023.

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

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of 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 with California as the exam facilitator of the RiverStone subgroup of the Fairfax Group of regulated United States (U.S.) property and casualty insurance companies (Fairfax U.S. Group). The Company is the only insurance company within the RiverStone subgroup. Delaware is the lead state for the Fairfax U.S. Group examination. The following states participated on the Fairfax U.S. Group examination: Arkansas, Connecticut, Delaware, New Hampshire, New Jersey, and New York. The examination was conducted concurrently with that of the Company's U.S. affiliates. The Companies in the Fairfax U.S. Group and their state of domicile are summarized as follows by subgroups:

Company Name	NAIC CoCode	Domiciled State
ZENITH GROUP		
Zenith Insurance Company	13269	CA
ZNAT Insurance Company	30120	CA

Company Name	NAIC CoCode	Domiciled State
ALLIED WORLD GROUP		
Allied World National Assurance Company	10690	NH
Allied World Assurance Company (U.S.) Inc.	19489	DE
Allied World Surplus Lines Insurance Company	24319	AK
Allied World Specialty Insurance Company	16624	DE
Allied World Insurance Company	22730	NH
Vantapro Specialty Insurance Company	44768	AK

Company Name	NAIC CoCode	Domiciled State
CRUM & FORSTER GROUP		
United States Fire Insurance Company	21113	DE
Crum & Forster Specialty Insurance Company	44520	DE
Monitor Life Insurance Company of America	81442	NY
The North River Insurance Company	21105	NJ
First Mercury Insurance Company	10657	DE
Crum & Forster Indemnity Company	31348	DE
Seneca Insurance Company, Inc.	10936	NY
Seneca Specialty Insurance Company	10729	DE
Crum and Forster Insurance Company	42471	NJ
American Underwriters Insurance Company	10251	AK
MTAW Insurance Company	16498	DE

Company Name	NAIC CoCode	Domiciled State
HUDSON GROUP ⁽¹⁾		
Hudson Insurance Company	25054	DE
Hudson Excess Insurance Company	14484	DE
Hilltop Specialty Insurance Company	37079	NY

(1) 100% owned by Odyssey Re Group below

Company Name	NAIC CoCode	Domiciled State
ODYSSEY Re GROUP		
Greystone Insurance Company	10019	CT
Odyssey Reinsurance Company	23680	CT

COMPANY HISTORY

During the examination period, the Company took steps to simplify the organizational corporate and reinsurance structure across affiliated run-off insurers as follows:

On October 1, 2021, the Company acquired St. John's Insurance Company Limited (SJIC) from an affiliate for \$174,427. SJIC was a run-off company that ceded 100% of its net reserves to the Company. Effective November 16, 2021, SJIC merged with and into the Company. The transaction was accounted for as a statutory merger and had no impact to the Company's net income or surplus as regards policyholders. The California Department of Insurance (CDI) approved the transaction on October 6, 2021.

Capitalization

The Company is authorized to issue 50,000 shares of common stock with a par value of \$140 per share. As of December 31, 2023, there were 30,928 shares issued and outstanding.

The Company is also authorized to issue 57,528 shares of preferred stock with a par value of \$1 per share. As of December 31, 2023, there were 57,528 shares issued and outstanding.

The Company received additional paid-in capital from its immediate parent, Fairfax (U.S.) Inc., during the examination period as follows:

Year	Amount
2020	\$ 50,000,000
2021	180,000,000
2022	145,000,000
2023	240,000,000
2024*	<u>200,000,000</u>
Total	<u>\$ 815,000,000</u>

* Subsequent to the examination date

All contributions received were in cash, except the contribution received in 2024, which was in the form of U.S. Treasury Securities.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system. Fairfax Financial Holdings Limited (FFHL), a Canadian Company, is the ultimate controlling entity. Management of the Company is contractually provided by RiverStone Resources, LLC, an indirect subsidiary of FFHL. The following abridged organizational chart depicts the interrelationship of the Company within FFHL, as of December 31, 2023.

- Fairfax Financial Holdings Limited (Canada)
 - CRC Reinsurance Limited (Barbados)
 - TRG Holding Corporation (Delaware)
 - Hamblin Watsa Investment Counsel Ltd. (Canada)
 - FFHL Group Ltd. (Canada)
 - Northbridge Financial Corporation (Canada)
 - Northbridge General Insurance Corporation (Canada)
 - Brit Limited (England & Wales) ⁽¹⁾
 - Brit Insurance Holdings Limited (England & Wales)
 - Fairfax (Barbados) International Corp. (Barbados)
 - Fairfax Luxembourg Holdings S.à.r.l. (Luxembourg)
 - Colonnade Insurance S. A. (Luxembourg)
 - TIG (Bermuda) Ltd. (Bermuda)
 - Fairfax (US) Inc. (Delaware)
 - Crum & Forster Holdings Corp. (Delaware)
 - CoverX Corporation (Michigan)
 - Travel Insured International, Inc. (Connecticut)
 - DMC Insurance, Inc. (Indiana)
 - C & F Insurance Agency, Inc (Ohio)
 - Wag'n Pet Club, Inc (Texas)
 - United States Fire Insurance Company (Delaware)
 - Crum and Forster Insurance Company (New Jersey)
 - Crum & Forster Indemnity Company (Delaware)
 - First Mercury Insurance Company (Delaware)
 - Bail USA (Pennsylvania)
 - Crum & Forster Specialty Insurance Company (Delaware)
 - Crum & Forster Insurance Brokers, Inc. (Texas)
 - Crum & Forster SPC Reinsurance Company (Cayman Islands)
 - American Underwriters Insurance Company (Arkansas)
 - The Redwoods Group, Inc. (North Carolina)
 - MTAW Insurance Company (Delaware)
 - Monitor Life Insurance Company of New York (New York)
 - The North River Insurance Company (New Jersey)

Seneca Insurance Company, Inc. (New York)
 Seneca Specialty Insurance Company
 (Delaware)
 RiverStone Group LLC (Delaware) ⁽²⁾
 RiverStone Resources LLC (Delaware)
 RS Oncology, LLC
 RS Progress Ltd. (United Kingdom)
 RiverStone Services LLC (Delaware)
 RiverStone Claims Management LLC (Delaware)
 E.R. Quinn Co., Inc. (New York)
 Loyola Group, Inc. (New York)
 Arya Claims Services LLC
 Rockville Risk Management Associates, Inc. (New
 York) ⁽³⁾
 RiverStone Captive Insurance Company, Ltd. (Cayman Islands) ⁽⁴⁾
 TRG Holding Corporation (Delaware)
 The Resolution Group, Inc.
 Western Property & Casualty Insurance Company (Delaware) ⁽⁵⁾
 Resolution Group Reinsurance (Barbados) Limited (Barbados) ⁽⁶⁾
 TIG Insurance Company (California)
 FFI (U.S.) Inc. (Delaware)
 Odyssey US Holding, Inc. (Delaware) ⁽⁷⁾
 Odyssey Group Holdings, Inc. (Delaware)
 Odyssey Reinsurance Company (Connecticut)
 Greystone Insurance Company (Connecticut)
 Hudson Insurance Company (Delaware)
 Hudson Crop Insurance Services
 (Delaware)
 Hudson Excess Insurance Company
 (Delaware)
 Hilltop Specialty Insurance Company (New
 York)
 Napa River Insurance Services, Inc.
 (California)
 Pacific Surety Insurance Agency, Inc.
 (California)
 Odyssey Holdings Latin America, Inc. (Delaware)
 Zenith National Insurance Corp. (Delaware)
 Zenith Insurance Company (California)
 ZNAT Insurance Company (California)
 Zenith of Nevada, Inc. (Nevada)
 1390 Main Street LLC (Delaware)
 Zenith Insurance Management Services, Inc.
 (Florida)
 Zenith Captive Insurance Company (Vermont)
 Zenith Development Corp. (Nevada)

Subsequent to the examination date, the RiverStone Group Holding Corporation (Delaware) was formed on February 16, 2024, with Fairfax (US) Inc. as the immediate parent. Refer to the list below for entities transferred into RiverStone Group Holding Corporation in 2024:

- (1) RiverStone Group LLC and its subsidiaries (RiverStone Resources LLC, RiverStone Services LLC, RiverStone Claims Management LLC, E.R. Quinn Co., Inc., Loyola Group, Inc., Rockville Risk Management Associates LLC) transferred from Fairfax (US) Inc. to RiverStone Group Holding Corporation, effective November 14, 2024.
- (2) Rockville Risk Management Associates, Inc. merged with and into Arya Claims Services LLC, effective January 1, 2024, and subsequently changed its name to Rockville Risk Management Associates LLC (Delaware).
- (3) RiverStone Captive Insurance Company, Ltd. transferred from Fairfax (US) Inc. to RiverStone Group Holding Corporation, effective November 14, 2024.
- (4) Western Property & Casualty Insurance Company transferred from Fairfax (US) Inc. to RiverStone Group Holding Corporation, effective November 14, 2024.
- (5) Resolution Group Reinsurance (Barbados) Limited transferred from Fairfax (US) Inc. to RiverStone Group Holding Corporation, effective November 7, 2024.

The list below includes the entities either newly formed or acquired subsequent to the examination date:

- Premier Liability Management Solutions LLC (Delaware) was formed on March 15, 2024, with RiverStone Group Holding Corporation as the immediate parent.
- Effective December 18, 2024, SOBC DARAG Services (Bermuda) Ltd. (Bermuda) and DARAG North America Holding Company (Delaware) were acquired, with RiverStone Group Holding Corporation as the immediate parent.
- Effective December 18, 2024, DARAG Bermuda Limited (Bermuda), DARAG Services Company (Delaware), DARAG US Connecticut Company (Connecticut), and DNA Insurance Company (Texas) were acquired, with DARAG North America Holding Company as the immediate parent.
- Effective December 23, 2024, DARAG Bermuda Limited (Bermuda), re-domesticated to Barbados, and the name was subsequently changed to RiverStone Reinsurance Solutions Limited, with the Resolution Group Reinsurance (Barbados) Limited as the immediate parent.

Management of the Company is vested in a board of directors of not less than four, but not more than seven members, who are elected annually. Following are members of the board and principal officers of the Company serving at December 31, 2023:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Nicholas C. Bentley Exeter, New Hampshire	Chief Executive Officer RiverStone Resources LLC
Matthew W. Kunish Amherst, New Hampshire	Executive Vice President and Chief Actuary RiverStone Resources LLC
Deborah A. Irving Auburn, New Hampshire	Executive Vice President and Chief Financial Officer RiverStone Resources LLC
Robert J. Sampson Hooksett, New Hampshire	President RiverStone Resources LLC

Principal Officers

<u>Name</u>	<u>Title</u>
Robert J. Sampson ⁽¹⁾	President
Nicholas C. Bentley ⁽¹⁾	Chief Executive Officer
Deborah A. Irving	Executive Vice President, Chief Financial Officer, and Treasurer
John W. Bauer	Secretary, Senior Vice President, and General Counsel
Joseph Torti III	Senior Vice President
Timothy Donlon	Senior Vice President
Matthew W. Kunish	Executive Vice President and Chief Actuary

(1) On December 31, 2024, Nicolas C. Bentley resigned as Chief Executive Officer. On January 1, 2025, Robert J. Sampson was appointed as Chief Executive Officer, and Nicolas C. Bentley was appointed as Executive Vice President.

Management Agreements

Services Agreement: Effective August 11, 1999, the International Insurance Company of Illinois (IIC) entered into a Services Agreement (RiverStone Resources Agreement) with RiverStone Resources LLC (RiverStone Resources). The Company became a party to this agreement as a result of its merger with IIC in December 2002. The services provided include financial services, legal services, and various other services necessary for the

daily operation of the Company. Fees charged are based on the actual cost of services provided. Certain Company agreements were now settled and billed through this agreement. There was no prior approval needed as the agreement was implemented prior to the requirement. The amounts paid by the Company under the terms of this agreement were \$71,004,038 and \$72,148,762 for the years 2020 and 2021, respectively. This agreement was restated and superseded by the Administrative Services Agreement among Company and its affiliates in the Fairfax U.S. Runoff Group noted below, effective January 1, 2022.

Claims Service and Management Agreement: Effective December 31, 2000, the Company was party to a Claims Service and Management Agreement with RiverStone Claims Management LLC (RiverStone Claims). RiverStone Claims provides claims managerial services for the Company on an actual cost reimbursement basis. This agreement was approved by the California Department of Insurance (CDI) on December 26, 2000. The amounts paid by the Company were \$0 due to direct settlements through the RiverStone Resources Agreement. The amounts paid by the Company under the terms of this agreement were \$18,316,978 and \$19,503,861 for the years 2020 and 2021, respectively.

This agreement and the Services Agreement were restated and superseded by a new Administrative Services Agreement among the Company and its affiliates in the Fairfax U.S. Runoff Group noted below, effective January 1, 2022.

Tax Allocation Agreement: Effective as of January 1, 2000, the Company is party to a Tax Allocation Agreement with TIG Holdings, Inc., whereby it files its federal income taxes on a consolidated basis along with various affiliated companies. Each company computes its federal income tax liability on a separate return basis and settles with its parent, Fairfax (US) Inc. (Fairfax US). The CDI approved the agreement on January 1, 2001. Tax amounts paid or (recovered) by the Company each year under examination were (\$4,017,791), (\$90,022), (\$6,128), and (\$1,559) for the years 2020, 2021, 2022, and 2023, respectively.

Investment Agreement: Effective January 1, 2003, the Company is a party to an affiliated Investment Agreement with Hamblin Watsa Investment Counsel Ltd. (HWIC) and Fairfax Financial Holdings Limited (FFHL). Pursuant to the agreement, HWIC manages the investments of the Company in accordance with specific investment objectives. All fees are paid by the Company to FFHL, and FFHL reimburses HWIC for investment management services. Fees are based on portfolio size and profitability. This agreement was approved by the CDI on December 3, 2003. The amounts paid by the Company under the terms of this agreement were \$3,526,672, \$3,165,369, \$2,769,198, and \$2,391,047 for the years 2020, 2021, 2022, and 2023, respectively.

Services and Expense Sharing Agreement: Effective June 1, 2008, the Company is a party to a Services and Expense Sharing Agreement with Fairfax US. Under the terms of the agreement, Fairfax US provides a variety of tax-related services, including federal, state, and international tax return preparation; federal, state, and international tax planning; preparation of checks and wires for federal, state, and international tax filings; bank reconciliation and escheat compliance with respect to the preparation of checks; and research and compliance related to tax reporting in financial statements, as well as certain regulatory advice and consultation to the Company. The Company provides Fairfax US with human resources as well as benefit administration services. This agreement was approved by the CDI on June 4, 2009. The amounts paid by the Company under the terms of this agreement were \$395,000, \$395,000, \$410,000, and \$410,000 for the years 2020, 2021, 2022, and 2023, respectively.

Claims Administration Agreement: Effective March 1, 2013, the Company is a party to a Claims Administration Agreement with Zenith Insurance Company (Zenith). Pursuant to this agreement, Zenith provides claims handling administration for the Company's worker's compensation claims. This agreement was approved by the CDI on February 28, 2013. On January 1, 2015, this agreement was amended to change the fee structure, and the amendment was approved by the CDI on December 22, 2014. Fees charged are based on a formula that includes the cost of services and a multiplier to determine the fee paid. This agreement was restated and superseded by a new Administrative Services Agreement among Zenith and certain of its affiliates in the Zenith

group of companies (Zenith Group), the Company, and the Company's affiliates in the Fairfax U.S. Runoff Group noted below, effective July 9, 2021. The amount paid by the Company under the terms of this agreement in 2020 was \$6,240,605.

Administrative Services Agreement: Effective July 9, 2021, the Company entered into an Administrative Services Agreement with Zenith and certain of its affiliates in the Zenith Group, the Company, and the Company's affiliates in the Fairfax U.S. Runoff Group, which allows each party to provide and accept from the other parties certain administrative and general services, such as assistance with accounting, legal services, preparation of regulatory reports, consulting services, and other administrative services. The amounts paid by the Company under the terms of this agreement were \$4,634,062, \$3,621,312, and \$3,286,148 for the years 2021, 2022, and 2023, respectively. The CDI approved this agreement on June 30, 2021, and replaced the aforementioned Claims Administration Agreement.

Administrative Services Agreement: On January 1, 2022, the Company entered into the Administrative Services Agreement with its affiliates in the Fairfax U.S. Runoff Group. This agreement allows each party to provide and accept certain administrative and general services from the other parties, including but not limited to claims handling, financial, regulatory, reinsurance services, and other administrative services. The amounts paid by the Company under the terms of this agreement were \$78,146,737 and \$88,716,942 for the years 2022 and 2023, respectively. The CDI approved this agreement on December 10, 2021, and replaced the aforementioned Services Agreement and Claims Service and Management Agreement.

In 2023 and 2024, the agreement was amended several times to add and delete parties, with no other substantive changes to the initially approved agreement. All amendments were approved by the CDI.

Related Party Transactions

Master Repurchase Agreement: In 2001, the Company entered into a partially executed Master Repurchase Agreement with its ultimate parent company, Fairfax Financial Holdings Limited (FFHL), under which the Company is eligible to borrow up to \$85 million, in exchange, the Company will transfer the securities with a market value equal to the amount borrowed. These securities are to be held as collateral until repurchased at an agreed-upon later date. Each transaction shall be memorialized by executing an addendum schedule setting forth the securities transferred, the purchase price, the purchase date, and the repurchase date applicable to such transactions. There were no amounts borrowed by the Company during the examination period.

Financial Support Agreement: The Company's direct intermediate parent company, Fairfax US, has provided a guarantee via a Financial Support Agreement to the Company, effective December 16, 2002. Fairfax US owns all of the remaining companies in the U.S. Run-Off operations. The guarantee to the Company is that the ratio of surplus to Authorized Control Level for Risk-Based Capital (RBC) purposes will be at least 200 percent as of each December 31, and the Company will maintain a net statutory reserve to the surplus ratio of 3 to 1 or less as of each quarter end. The guarantee is primarily accomplished through capital contributions by Fairfax US to ensure the aforementioned metrics are met. For three out of four years under the examination, the Company requested permitted practices under Statement of Statutory Accounting Principles No. 72 to recognize in total for the three years \$405,000,000 out of a total of \$615,000,000 in capital contributions from Fairfax US as Type I subsequently admitted asset receivables in its annual reporting to meet the 200 percent RBC requirement. The CDI approved the transactions on February 23, 2022, February 23, 2023, and February 23, 2024.

Promissory Notes and Loan Agreements

1. Effective June 14, 2019, the Company entered into a \$2,500,000 loan agreement with RiverStone Resources. The loan bore interest at 2.46% per year, with a principal payment of \$1 million and interest due on June 1, 2022, with the remaining principal installments of \$750,000 and interest being paid on the two

anniversaries thereof. This loan obligation was assigned to an affiliate, RiverStone Group LLC (RiverStone Group), effective December 1, 2020. As of December 31, 2023, the loan balance was \$750,000. Interest earned on the loan for periods ending December 31, 2020, 2021, 2022, and 2023 was \$61,668, \$61,500, \$47,144, and \$26,133, respectively. On June 1, 2024, RiverStone Group paid off a loan entered into between the Company and RiverStone Resources.

2. Effective December 23, 2019, the Company loaned \$350 million to Fairfax US, which bore interest at 4.5% per year, payable semi-annually on June 1 and December 1 of each year, with the principal to be paid on December 1, 2024. For the periods ending December 31, 2020, 2021, 2022, and 2023, interest earned on the loan was \$15,750,000. The loan balance was \$350 million as of December 31, 2023. On December 1, 2024, Fairfax (US) transferred cash of \$357,875,000 for the payoff of the loan, and then the Company transferred \$350 million for the reissue of a new loan to Fairfax US. On November 29, 2024, Fairfax US entered into a \$350 million loan with the Company due and payable on December 1, 2029, providing for an interest rate of 5.5%. Interest on the loan is paid semi-annually. At December 31, 2024, the loan balance was \$350 million. For the period ended December 31, 2024, interest earned on the loan was \$1,630,464. The CDI approved the transaction on October 2, 2024.
3. Effective January 24, 2020, the Company entered into a Loan Agreement in favor of RiverStone Resources LLC for \$2.5 million. The loan bears interest at 2.55% per year, and the principal and interest thereon are required to be paid on February 1, 2023. This loan obligation was assigned to RiverStone Group LLC, effective December 1, 2020. For periods ending December 31, 2020, 2021, and 2022, interest earned on the loan was \$59,908, \$63,750, and \$63,750, respectively. On February 1, 2023, RiverStone Resources LLC repaid the loan in full.
4. Effective October 23, 2020, RiverStone Resources entered into a \$8.5 million loan with the Company due and payable to the Company on October 23, 2025, with an interest rate of 1.33% annually. This loan obligation was assigned to RiverStone Group, effective December 1, 2020. At December 31, 2023, the loan balance was

\$8.5 million. For the periods ending December 31, 2020, 2021, 2022, and 2023, interest earned on the loan was \$21,681, \$113,050, \$113,050, and \$113,050, respectively.

5. Effective November 5, 2021, RiverStone Group entered into a \$7.5 million loan with the Company due and payable to the Company on November 5, 2026, with an interest rate of 2.13%. Interest on the loan is paid annually. At December 31, 2023, the loan balance was \$7.5 million. For the period ending December 2021, 2022, and 2023, interest earned on the loan was \$24,974, \$159,750, and \$159,750, respectively.
6. Effective January 21, 2023, RiverStone Group entered into a \$5 million loan due and payable to the Company on February 1, 2028, with an interest rate of 3.55%. At December 31, 2023, the loan balance was \$5 million. For the period ending December 31, 2023, interest earned on the loan was \$165,342.
7. Effective March 2, 2023, RiverStone Group entered into a \$10 million loan due and payable to the Company on March 1, 2028, with an interest rate of 4.19%. At December 31, 2023, the loan balance was \$10 million. For the period ending December 31, 2023, interest earned on the loan was \$344,384.
8. On January 23, 2024, RiverStone Group entered into a \$3 million loan with the Company. The principal and interest are due and payable to the Company on January 23, 2029. The loan provides for an interest rate of 4.05%.
9. On April 29, 2024, RiverStone Group entered into a \$5.5 million loan with the Company. The principal and interest are due and payable to the Company on April 29, 2029. The loan provides for an interest rate of 4.65%.
10. As stated in #2 above, on December 1, 2024, Fairfax US entered into a \$350 million loan due and payable to the Company on December 11, 2029. The loan provides an interest rate of 5.5% with interest to be paid semi-annually. There is a \$350,000,000 loan balance as of December 31, 2024.
11. On December 11, 2024, RiverStone Group entered into a \$1 million loan with principal and interest due and payable to the Company on December 11, 2029. The loan provides for an annual interest rate of 4.13%.

Fairfax US guarantees the performance to the Company for the loans noted above dated June 14, 2019, October 23, 2020, November 5, 2021, January 21, 2023, and March 2, 2023. The total of all the loans guaranteed was \$35 million. On April 29, 2024, the guarantee increased from \$35 million to \$40 million. The loans subject to the guarantee include those dated October 23, 2020, November 5, 2021, January 21, 2023, March 2, 2023, January 23, 2024, April 29, 2024, and December 11, 2024.

Pledged Assets

1. On December 31, 2023, the Company had a trust with collateral assets with a fair market value of \$547,282,518. The trust is used to provide collateral for the Company's reinsurance obligations related to reinsurance obligations per agreements with the Company affiliates, United States Fire Insurance Company and other third-party companies.
2. The Company was provided access to a letter of credit facility from the Bank of Nova Scotia (Scotiabank) established by Resolution Group Reinsurance (Barbados) Limited (RGR Barbados), an affiliate. The line of credit facility was established for \$420,000,000, of which RGR Barbados utilized \$170,000,000, effective December 30, 2022, to secure its liabilities under the Adverse Development Cover Reinsurance Agreement between RGR Barbados and the Company. The remaining \$250,000,000 was redeployed for the benefit of and to partially collateralize the Company's reinsurance obligations to certain affiliates in the Crum and Forster insurance group for purposes of its U.S. Treasury listing (see preceding paragraph). The letter of credit was renewed on January 16, 2024, and effective December 30, 2023, for these purposes. During 2024, the letter of credit facility was increased from \$420,000,000 to \$550,000,000. There is no change in the amounts assigned to the Company. Fairfax guarantees RGR Barbados performance under the letter of credit and also guarantees the Company's performance to RGR Barbados.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2023, the Company was licensed to transact multiple lines of property and casualty insurance and is admitted in all 50 states and the District of Columbia. The Company is in run-off and under the management of RiverStone Resources LLC, which provides management, administrative, and technical services. This Company resides in the U.S. Run-Off Operations segment of the businesses, which are ultimately owned by Fairfax Financial Holdings Limited, a Canadian financial service holding company, which is publicly traded on the Toronto Stock Exchange. The United States subsidiaries fall under the intermediate ownership of Fairfax (US) Inc. The Company is focused on the settlement of remaining liabilities while maximizing investment income and controlling operating expenses.

Effective December 2002, the Company ceased writing new business and has since concentrated on the orderly settlement of remaining liabilities while maximizing investment income and controlling operating expenses. Any remaining direct premium activity primarily represented the impact of involuntary pool participation, obligatory writings under various fronting arrangements, and statutory renewal regulations.

Prior to discontinuing writing new business, the Company and its subsidiaries offered reinsurance, personal lines, workers' compensation, and commercial products, primarily throughout the United States.

REINSURANCE

The Company is a run-off company and, therefore, no longer actively participates in the reinsurance market. The vast majority of reinsurance activities consist of collecting amounts recoverable from reinsurers and the handling of ceded claims as a participant in assumed reinsurance contracts. There have been no material changes to the reinsurance program during the examination period.

Assumed

The Company assumed business from over 250 cedants, including seven affiliated authorized reinsurers. All assumed treaties are in run-off. Business assumed from affiliates represented approximately 32.2% of the \$402.8 million of assumed case losses and loss adjustment expense reserves on December 31, 2023. Affiliated assumed reinsurance payables resulted primarily from reinsurance with Crum & Forster Insurance Company, The North River Insurance Company, and United States Fire Insurance Company in the amounts of \$45.9 million, \$49.2 million, and \$33.5 million, respectively. The material unaffiliated assumed case losses and loss and loss adjustment expense reserves payable to non-affiliates include Metropolitan Property and Casualty Insurance Company (Rhode Island), Allstate Insurance Company (Illinois), American Home Assurance Company (New York), Lexington Insurance Company (Delaware), Continental Insurance Company (Pennsylvania), National Workers Compensation Reinsurance Pool (New York), and Granite State Insurance Company (Illinois), in the amounts of \$23.9 million, \$17.8 million, \$17.4 million, \$11.6 million, \$10.4 million, \$9.0 million, and \$8.9 million, respectively.

Ceded

The Company has a complex reinsurance ceded program, involving both authorized and unauthorized reinsurers. Many reinsurers had several treaties with the Company, all in run-off status. As a run-off company, the Company no longer actively participates in the prospective reinsurance market, while existing reinsurance contracts are occasionally amended through either novation or commutation. As of December 31, 2023, the net amount recoverable for all reinsurers totaled \$783.6 million, or approximately 185.4% of surplus as regards policyholders. Approximately \$300.3 million of the above net amount recoverable was from affiliated authorized and unauthorized reinsurers, with the remaining \$483.3 million from non-affiliated authorized and unauthorized reinsurers and pools.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance and present the financial condition of the Company for the period ending December 31, 2023. The accompanying comments on financial statements should be considered an integral part of the financial statements. There were no examination adjustments made as a result of the examination.

Statement of Financial Condition as of December 31, 2023

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

Reconciliation of Surplus as Regards Policyholders from December 31, 2019
through December 31, 2023

Statement of Financial Condition
as of December 31, 2023

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 386,947,053	\$	\$ 386,947,053	
Preferred stocks	38,853,862		38,853,862	
Common stocks	157,066,789		157,066,789	
Cash, cash equivalents and short-term investments	177,925,831		177,925,831	
Derivatives	1,059,478		1,059,478	
Other invested assets	467,323,647		467,323,647	
Investment income due and accrued	4,717,286		4,717,286	
Amounts recoverable from reinsurers	90,758,657		90,758,657	
Funds held by or deposited with reinsured companies	2,839,039		2,839,039	
Other amounts receivable under reinsurance contracts	53,145		53,145	
Electronic data processing equipment and software	1,164,202	1,164,202	0	
Receivables from parent, subsidiaries and affiliates	77,732,708		77,732,708	
Aggregate write-ins for other than invested assets	<u>147,497,726</u>	<u>1,498,710</u>	<u>145,999,016</u>	(1)
Total assets	<u>\$ 1,553,939,423</u>	<u>\$ 2,662,912</u>	<u>\$ 1,551,276,511</u>	
<u>Liabilities, Surplus and Other Funds</u>				
Losses and loss adjustment expenses			\$ 1,057,179,776	(2)
Reinsurance payable on paid loss and loss adjustment expenses			4,750,001	
Commissions payable, contingent commissions and other similar charges			2,209,291	
Other expenses			4,965,304	
Ceded reinsurance premiums payable			175,183	
Funds held by company under reinsurance treaties			7,315,976	
Amounts withheld or retained by company for account of others			1,342,237	
Provision for reinsurance			21,652,200	
Payable for parent, subsidiaries and affiliates			2,241,010	
Payable for securities			228,707	
Aggregate write-ins for liabilities			<u>26,590,641</u>	
Total liabilities			1,128,650,016	
Common capital stock		\$ 4,329,920		
Preferred capital stock		57,528		
Gross paid in and contributed surplus		1,791,631,185		
Unassigned funds (surplus)		<u>(1,373,392,138)</u>		
Surplus as regards policyholders			<u>422,626,495</u>	
Total liabilities, Surplus, and other funds			<u>\$ 1,551,276,511</u>	

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

<u>Underwriting Income</u>		<u>Current Year</u>
Premium earned		\$ (450,950)
Deductions:		
Losses and loss expenses incurred	\$ 231,844,974	
Other underwriting expenses incurred	<u>76,503,539</u>	
Total underwriting deductions		<u>308,348,513</u>
Net underwriting loss		(308,799,463)
<u>Investment Income</u>		
Net investment income earned	\$ 37,980,113	
Net realized capital gain	<u>15,289,097</u>	
Net investment gain		53,269,210
<u>Other Income</u>		
Aggregate write-ins for miscellaneous income	\$ <u>(3,702,344)</u>	
Total other income		<u>(3,702,344)</u>
Net income after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		(259,232,597)
Federal and foreign income taxes incurred		<u>120,042</u>
Net loss		<u>\$ (259,352,639)</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2022		\$ 438,253,108
Net loss	\$ (259,352,639)	
Change in net unrealized capital losses	(40,327)	
Change in net unrealized foreign exchange capital gains	619,559	
Change in net deferred income tax	153,973	
Change in nonadmitted assets	664,821	
Change in provision for reinsurance	2,328,000	
Surplus adjustments:		
Paid-in	<u>240,000,000</u>	
Change in surplus as regards policyholders for the year		<u>(15,626,613)</u>
Surplus as regards policyholders, December 31, 2023		<u>\$ 422,626,495</u>

Reconciliation of Surplus as Regards Policyholders
from December 31, 2019 through December 31, 2023

Surplus as regards policyholders, December 31, 2019			\$ 483,287,945
	Gain in Surplus	Loss in Surplus	
Net income	\$	\$ 736,781,713	
Net unrealized capital gains	42,08,389		
Change in net unrealized foreign exchange capital gains	4,500,572		
Change in net deferred income tax	8,513,728		
Change in nonadmitted assets	5,750,072		
Change in provision for reinsurance	189,800		
Surplus adjustment: Paid-in	615,000,000		
Aggregate write-ins for gains	<u>117,702</u>		
Total gains and losses	<u>\$ 676,120,263</u>	<u>\$ 736,781,713</u>	
Net decrease in surplus as regards policyholders			<u>(60,661,450)</u>
Surplus as regards policyholders, December 31, 2023			<u>\$ 422,626,495</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Aggregate Write-ins for Other Than Invested Assets

The Company reported \$147.5 million of aggregate write-ins for other than invested assets on its 2023 Annual Statement. Of these, \$140 million was the capital contribution recorded as a Type I subsequent admitted asset receivable. The California Department of Insurance (CDI) approved the transaction on February 23, 2024.

(2) Losses and Loss Adjustment Expenses

INS Consultants, Inc. (INS) has been retained by the Delaware Department of Insurance (Delaware) to perform actuarial services on the multi-state coordinated financial condition examination of the Fairfax Group as of December 31, 2023. As such, the Company was included in the scope of this examination. INS has been authorized to provide actuarial services for the CDI in the examination of these companies as part of the multi-state coordinated exam. The INS analysis of losses and loss adjustment expense (LAE) reserves is performed gross and net of reinsurance. Based on the analysis by INS and the review of their work by a Casualty Actuary from the CDI, the Company's December 31, 2023, reserves for losses and LAE were found to be reasonably stated and have been accepted for the purpose of this examination.

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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