REPORT OF EXAMINATION

OF THE

TIG INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

Filed on June 23, 2016

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Los Angeles, California
April 12, 2016

Honorable Dave Jones
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) at its main administrative office and primary location of its books and records 250 Commercial Street, Suite 5000, Manchester, New Hampshire 03101. The Company's statutory home office was 11440 West Bernardo Court, Suite #120, San Diego, California 92108. Effective April 5, 2016, the statutory home office is 7676 Hazard Center Drive, Suite 210 San Diego, California 92108.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2011. This examination covered the period from January 1, 2012 through December 31, 2014.

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. The examination also included identifying and evaluating significant risks that could cause the 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 includes assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment was identified, the impact of such adjustment 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 Delaware as the lead state for the Fairfax Financial Group (the Group). Fairfax Financial Holdings Limited ("FFHL') is a holding company incorporated and domiciled in Ontario, Canada which, through its subsidiaries, is principally engaged in property and casualty insurance and reinsurance and the associated investment management. California is the lead state of the TIG Group, a subsidiary of the Group, which consists of the following California domestic companies; Fairmont Insurance Company, Fairmont Specialty Insurance Company, Fairmont Premier Insurance Company and TIG Insurance Company. The examination was conducted concurrently with other insurance entities in the holding company group, including the Crum and Forster Holdings Corporation, Odyssey Re Holdings Corporation, and Zenith National Insurance Corporation. Delaware and Oklahoma participated on the TIG Group examination which included the examination of the Company.

COMPANY HISTORY

On January 7, 2013, the Washington Department of Insurance approved the Company's purchase of 100% of the common stock of Commonwealth Insurance Company of America (Commonwealth) from its parent company, Northbridge Indemnity Insurance Corporation. Commonwealth became a wholly-owned subsidiary of the Company.

Effective October 3, 2013, Fairfax Financial Holdings Limited ("FFHL") and certain of its subsidiaries completed the acquisition of American Safety Casualty Insurance Company ("ASCIC") and American Safety Indemnity Company ("ASIC"). ASCIC and ASIC are both Oklahoma domiciled property-casualty insurance companies. The acquisition was effected through a merger of American Safety Insurance Holdings, Ltd. ("ASIH"); a Bermuda domiciled holding company, and Fairfax Bermuda Holdings Limited, a Bermuda company formed solely for the purpose of effecting the merger and an indirect, wholly-owned subsidiary of FFHL. As a result of the merger and a subsequent restructuring within the FFHL, ASCIC became a direct, wholly-owned subsidiary of American Safety Holdings Corporation (ASHC), a Georgia corporation, and ASIC, in turn, became a direct, wholly-owned subsidiary of ASCIC. At the time of the examination, ASHC was a wholly-owned subsidiary of General Fidelity Insurance Company, a South Carolina domiciled insurance company, which is a wholly-owned subsidiary of the Company. Effective September 30, 2015, General Fidelity Insurance Company was merged with and into TIG Insurance Company.

Effective October 6, 2014, the Company sold its indirect subsidiaries, Valiant Insurance Company ("VIC") and Valiant Specialty Insurance Company ("VSIC") to Hamilton U.S. Holdings, Inc., a Delaware corporation and subsidiary of Hamilton Insurance Group, Ltd., a Bermuda company. In connection with the sale of these entities, the Company assumes all pre-close liabilities associated with business written by VIC and VSIC, as well as post-close liabilities associated with policies written prior to close and which VIC or VSIC were required by law to renew, if any.

In the fourth quarter of 2014, the Company participated in a series of transactions with FFHL and certain affiliates designed to consolidate ownership of Odyssey Re Holdings Corporation ("Odyssey Re") under a single intermediate holding company within the Fairfax US group. The Company owned, directly and indirectly, shares of Odyssey Re and acquired additional Odyssey Re shares when TIG Insurance Group, Inc. was merged with and into the Company. Odyssey Re redeemed 6,144 shares of stock for cash and/or cash equivalents. Thereafter, to effect this consolidation, the Company transferred its remaining ownership of Odyssey Re via an extraordinary dividend consisting of its shares in Odyssey Re and cash. These transactions were approved by the California Department of Insurance (CDI), as well as the Delaware Department of Insurance and the Connecticut Insurance Department as applicable.

As a result of these series of transactions the Company no longer holds shares of Odyssey Re.

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, 2014, there were 30,978 shares issued and outstanding.

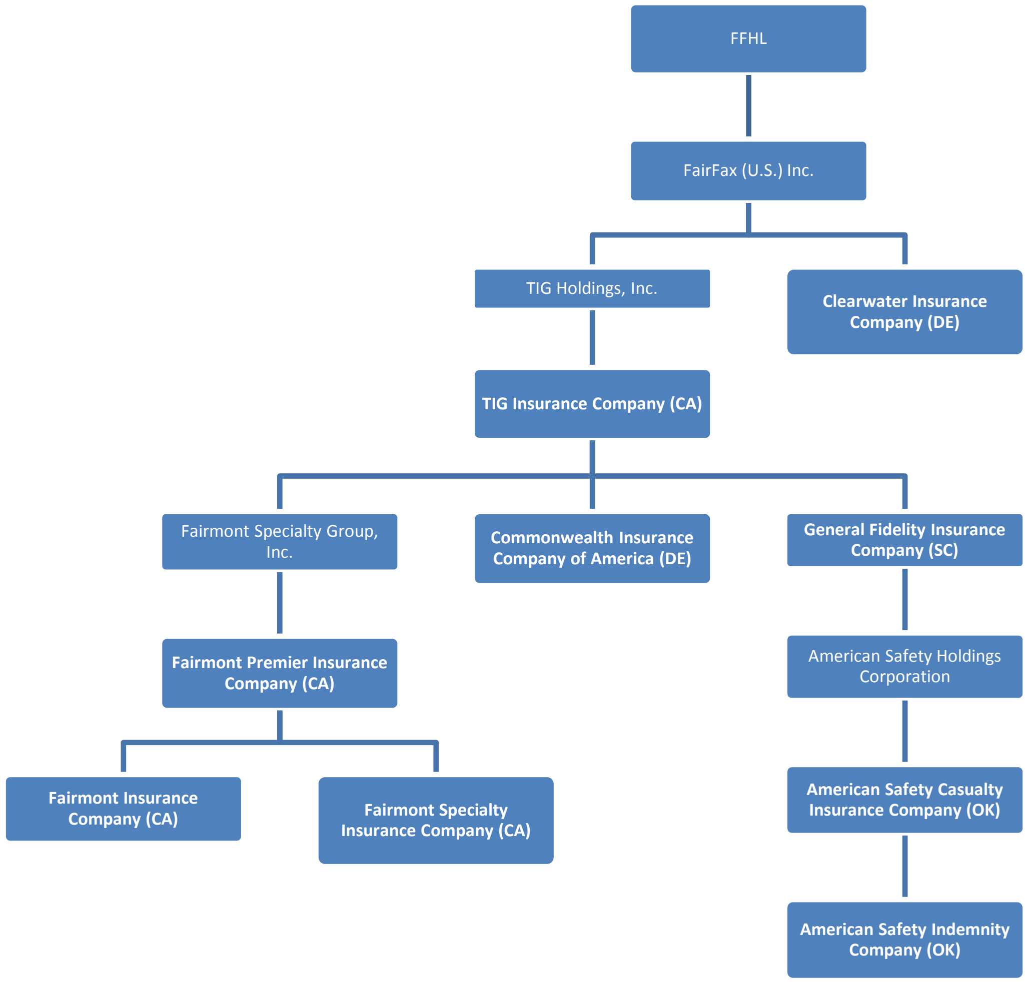
The Company is also authorized to issue 57,528 shares of preferred stock with a par value of $1 per share. As of December 31, 2014 there were 57,528 issued and outstanding.

Dividends

During the fourth quarter of 2014, the Company participated in a series of transactions with FFHL and certain affiliates designed to consolidate ownership of Odyssey Re under a single intermediate holding company within the Fairfax US group. As a result of these transactions a dividend payment of $312,948,587 was reflected on the company's annual statement. These transactions were approved by the CDI on December 10, 2014.

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 and all of the subsidiaries and affiliates of the TIG Group is contractually provided by RiverStone Resources, LLC, an indirect subsidiary of FFHL. The following abridged organizational chart depicts the interrelationship of the Company and its affiliates within Fairfax (U.S.) Inc., a wholly-owned subsidiary of FFHL, as of December 31, 2014 (all ownership is 100%):



The five 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, 2014:

Directors

Name and Location	Principal Business Affiliation
John J. Bator (2) Bedford, New Hampshire	Senior Vice President, Chief Financial Officer, and Treasurer RiverStone Resources, LLC
Nicholas C. Bentley Exeter, New Hampshire	President and Chief Executive Officer RiverStone Resources, LLC

Name and Location	Principal Business Affiliation
Frank J. DeMaria (1) Windham, New Hampshire	Senior Vice President RiverStone Resources, LLC
Nina L. Caroselli Manchester, New Hampshire	Senior Vice President RiverStone Resources, LLC
Richard J. Fabian Windham, New Hampshire	Senior Vice President RiverStone Resources, LLC

Principal Officers

Name	Title
Nicholas C. Bentley	President and Chief Executive Officer
John J. Bator (2)	Senior Vice President and Chief Financial Officer, Treasurer
Nina L. Caroselli	Senior Vice President
Frank J. DeMaria (1)	Senior Vice President
Richard J. Fabian	Senior Vice President
James K. Kelly	Senior Vice President
Henry W. Edmiston	Senior Vice President

(1) Frank J. DeMaria retired effective April 1, 2015
(2) John J. Bator retired effective March 31, 2016

NOTE: As of September 1, 2015 the Company appointed Deborah Ann Irving as Director, Senior Vice President, Treasurer and Chief Financial Officer. Mr. John Bator remained Senior Vice President and Director until March 31, 2016.

Management Agreements

The following are the principal intercompany management agreements in place during the period under examination.

Tax Allocation Agreement: Effective 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 other affiliated companies. Each company computes its federal income tax liability on a separate basis and settles with its parent. The California Department of Insurance (CDI) approved the Agreement on January 1, 2001. Tax amounts paid or (received) by the Company for each year under examination were ($778,668), ($97,732), and ($3,773,457) for the years 2012, 2013, and 2014, respectively.

Tax Services Agreement: Effective June 1, 2008, the Company is a party to a Tax Services Agreement with Fairfax (U.S.) Inc. tax services include federal and state tax planning, preparation of federal and state returns, preparation of checks and wires for tax filings, and compliance related to tax reporting on financial statements. Fees are based on a pro-rata (cost) basis. The Agreement was approved by the CDI on June 4, 2009. This Agreement was amended to include other affiliates Fairmont Premier Insurance Company; Fairmont Insurance Company, and Fairmont Specialty Insurance Company. Tax service amounts paid or (received) by the Company for each year under examination were ($5,421,841), ($3,774,357), and $4,032,445 for 2012, 2013, and 2014, respectively.

Investment Agreement: Effective January 1, 2003, the Company is party to an affiliated Investment Agreement with Hamblin Watsa Investment Counsel Ltd. (HWIC) and Fairfax Financial Holdings Limited (Fairfax). 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 Fairfax, and Fairfax reimburses HWIC for investment management services. Fees are based on portfolio size and profitability. The Agreement was approved by the CDI on December 3, 2003. Investment fees paid by the Company were $3,908,201, $5,268,233 and $3,464,317 for the years 2012, 2013, and 2014, respectively.

Information Technology Services Agreement: Effective January 1, 2004 and with various amendments, the Company is party to an Information Technology Services Agreement with affiliate, Fairfax Information Technology Services, Inc. (FITS). Pursuant to this Agreement, FITS is authorized to manage and provide information technology services to the Company. The Agreement was initially approved on September 17, 2001 along with the various amendments. Fees charged are based on actual cost of services provided. The amounts paid by the Company were $78,806, $297,585, and $802,364 for the years 2012, 2013, and 2014, respectively.

Services Agreement: Effective August 11, 1999, the Company is party to a Services Agreement between RiverStone Resources LLC (RiverStone Resources) and the former International Insurance Company of Illinois (IIC). The Company became a party to this agreement as a result of the December 2002 merger with IIC. 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 actual cost of services provided. The amounts paid by the Company were $25,309,407, $23,897,161, and $28,664,559 for the years 2012, 2013, and 2014, respectively.

Master Administrative Services Agreement: Effective November 1, 2014, the Company is a party to a Master Administrative Services Agreement with various Fairfax affiliates. Pursuant to the agreement the affiliated parties may provide and receive administrative services such as those related to accounting, underwriting, claims, reinsurance, preparation of regulatory reports, actuarial matters, legal services and human resources. Fees charged are based on actual cost of services provided. The agreement was approved by the CDI on September 15, 2014.

Claims Service and Management Agreement: Effective December 31, 2000, the Company is 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. The agreement was approved by the CDI on December 26, 2000. The amounts paid by the Company were $13,713,020, $10,637,808, and $12,619,100 for 2012, 2013, and 2014, respectively.

Reinsurance Service Agreement: Effective December 31, 2000, concurrent with the aforementioned Claims Service and Management Agreement, the Company also entered into a Reinsurance Service Agreement with RiverStone Reinsurance Services LLC (RiverStone Reinsurance). RiverStone Reinsurance provides reinsurance collection services for the Company on an actual cost reimbursement basis. The agreement was approved by the CDI on December 26, 2000. Effective December 6, 2012, RiverStone Reinsurance was merged with and into RiverStone Resources which became successor to RiverStone Reinsurance's rights and obligations in the above captioned agreement. The amount paid by the Company for the year 2012 was $882,358.

Claims Services Agreement: Effective October 16, 2006, the Company had a Claims Services Agreement with Risk Enterprise Management Limited (REM), a non-affiliated third-party-administrator. Most of the Company's workers' compensation claims handling were outsourced to REM after the Company closed several of its claims offices. The Agreement was cancelled and replaced with a new agreement effective December 7, 2012. The Agreement was thereafter terminated effective September 29, 2013. Fees charged are based on actual cost of services provided. The amounts paid by the Company were $3,414,446 and $1,701,853 for 2012 and 2013, respectively.

Claims Administrative Agreement: Effective March 1, 2013, the Company is a party to a Claims Administration Agreement with Zenith Insurance Company (Zenith). Pursuant to the Agreement, Zenith provides claims handling administration for the insurers' workers compensation claims. On January 1, 2015, the Agreement was amended to change the fee structure. The Agreement was approved by the CDI on February 28, 2013 and the amendment approved on December 22, 2014. Fees charged are based on actual cost of services provided. The amounts paid by the Company were $1,002,737 and $5,884,732 for 2013 and 2014, respectively.

Broker Service Agreement: Effective May 4, 2009, the Company is a party to a Broker

Service Agreement with RiverStone Management Ltd. ("RSML"). Pursuant to the Agreement, RSML provides reinsurance collection services in connection with reinsurance recoverables in the London market. The Agreement was approved by the CDI on December 18, 2009. The amounts paid by the Company were $400,000, $660,000, and $660,000 for 2012, 2013, and 2014, respectively.

Claims Services Agreement: Effective February 1, 2009, the Company is a party to a Claims Services Agreement with RSML. Pursuant to the Agreement, RSML provides claims services for assumed reinsurance. The Agreement was approved by CDI on December 18, 2009. Fees charged are based on actual cost of services provided. The amounts paid by the Company were $2,127,824, $1,503,195, and $347,764 for 2012, 2013, and 2014, respectively.

Related Party Transactions

The Company's direct intermediate parent company, Fairfax (U.S.) Inc., has provided a guarantee via a Financial Support Agreement to the Company. Fairfax (U.S.) Inc. owns all of the remaining companies in the U.S. Run-Off operations. The guarantee to the Board of the Company is that the ratio of surplus to Authorized Control Level for RBC purposes will be at least 200% as of each December 31, and that the Company will maintain a net statutory reserve to surplus ratio of 3 to 1 or less at all times. The Company has met these requirements at December 31, 2013 and 2014.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2014, 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 and Canada; however, the Company is currently in runoff. The Company has no current plans to write new business. The Company announced its intention to enter into an orderly runoff in late 2002. Because of contractual requirements with certain Managing General Agents and Managing General Underwriters the Company continued to write substantial amounts of business through 2003.

Prior to discontinuing its operations, the Company and its subsidiaries offered reinsurance, personal lines, workers' compensation, and commercial products, primarily throughout the United States and Canada. Premiums were generated through brokers and independent agents, and a limited number of general agents.

The Company's primary on-going focus is the orderly resolutions of claims, settlement of its obligations, and collection of reinsurance and other recoverable balances. The Company's day to day operations are managed by its affiliate, RiverStone Resources, LLC.

REINSURANCE

Assumed

The Company assumed business from 89 reinsurers, voluntary and mandatory pools, and associations, including seven affiliated reinsurers. All assumed treaties are in runoff. Business assumed from affiliates represented roughly 22.78% of the $264.9 million of assumed case and loss adjustment expense reserves at December 31, 2014. Affiliated assumed reinsurance payables resulted primarily from reinsurance with North River Insurance Company and Crum & Forster Insurance Company. The material assumed case loss and loss adjustment expense reserves payable to non-affiliates included $41,700,000 to Ace Property and Casualty Insurance Company (Pennsylvania) and $33,400,000 to Valiant Insurance Company (Delaware).

Ceded

The Company has a very complex reinsurance ceded program, involving both authorized and unauthorized reinsurers. Many of the reinsurers had several treaties with the Company, all in run-off.

The following schedule represents the most recently active principal ceded reinsurance program:

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Casualty Lines:			
Workers'Comp Excess of Loss Layers 4 to 5 Calendar year 2002	American National, American United Life Insurance Company, London Life Reinsurance Company, Life Insurance Company of North America, Transatlantic Reinsurance Company and various other reinsurers	$10 million each occurrence	$5 million excess of $10 million, $10 million excess of $15 million
Workers'Comp Excess of Loss Layers 2 thru 5 Calendar year 2003	Lloyds Syndicates, Arch Re, Endurance Specialty, Renaissance Re	$6 million each occurrence	$4 million excess of $6 million, $5 million excess $10 million, $10 million excess of $15 million, $25 million excess $25 million
Corporate Casualty Clash Excess of Loss Layer 1 Calendar 2002	XL Reinsurance Company of America (55%) and Odyssey Reinsurance (5%)	$2 million each occurrence, plus 40% of $3 million excess of $2 million each occurrence	60% of $3 million excess of $2 million each occurrence
Corporate Casualty Clash Excess of Loss Layers 2 thru 4 Calendar 2002	Various including XL Reinsurance Company of America, Transatlantic Reinsurance Company, and Swiss Reinsurance America Corporation	$5 million each occurrence	$5 million excess $5 million, $15 million excess of $10 million, $25 million excess of $25 million
Corporate Casualty Excess of Loss July 1, 2002 thru June 30, 2003	Arch Reinsurance Company Ace Tempest Reinsurance, St. Paul Fire and Marine Insurance Company, Odyssey America Reinsurance Company	$500,000 each and every claim plus $3 million aggregate deductible	$500,000 excess of $500,000 each and every claim excess of $3 million aggregate deductible
Quota Share Umbrella and Special Risk Business July 1, 2002 thru June 30, 2003	American Reinsurance Company, Arch Reinsurance Company, Ace Tempest Reinsurance USA, St. Paul Fire and Marine Insurance Company, Odyssey America Reinsurance Company	15% quota share up to $10 million	85% quota share up to $10 million
Hawaii Umbrella Quota Share April 1, 2002 thru March 31, 2003	General Cologne Re	20% quota share up to $5 million	80% quota share up to $5 million umbrella
Quota Share Professional Liability Umbrella October 1, 2001 thru February 1, 2003	XL Reinsurance America and Odyssey America Reinsurance	Primary $1 million plus 20% quota share of $5 million umbrella	80% quota share up to $5 million
Public Transportation 1st XOL April 1, 2002 thru March 31, 2003	Swiss Reinsurance America Corporation	$500,000 per occurrence plus 5% of $500,000 excess of $500,000	95% of $500,000 excess of $500,000 per occurrence

Public Transportation 2nd XOL April 1, 2002 thru March 31, 2003	Swiss Reinsurance America Corporation	$1,000,000 plus 5% of $4 million excess of $1 million per occurrence	95% of $4,000,000 excess of $1,000,000 per occurrence
Public Entity 1st XOL August 1, 2002 thru July 31, 2003	Swiss Reinsurance America Corporation	$1 million per occurrence	$5,000,000 excess of $1,000,000 per occurrence
Public Entity 2nd and 3rd XOL August 1, 2002 thru July 31, 2003	Endurance Specialty Ins. Ltd., Brit Insurance Ltd., Converium Re North America, Odyssey America Re, Lloyds Syndicates, Liberty Mutual	$6 million per occurrence	$5,000,000 excess of $6,000,000 and $10 million excess of $11 million per occurrence

Property Lines:

Corporate Property First Excess of Loss July 1, 2002 thru June 30, 2003	Various including Ace Tempest Reinsurance USA, Odyssey America Re, and Partner Reinsurance Company	$1 million per risk, plus $1 million annual aggregate, plus 15% of $4 million excess of $1 million	85% of $4 million excess of $1 million per risk, up to $16 million per occurrence
Corporate Property Second Excess of Loss July 1, 2002 thru June 30, 2003	Various including American Reinsurance Company, Lloyd's Syndicates, Hanover Insurance Company, Liberty Mutual Insurance Company, Partner Reinsurance Company	$5 million per risk	$10 million excess $5 million per risk, up to $30 million per occurrence
Corporate Property Third Excess of Loss July 1, 2002 thru June 30, 2003	Lloyd's Syndicates, Hanover Insurance Company, Montpelier Insurance Company, Patriot Insurance Company, Odyssey America Reinsurance Company	$15 million per risk	$10 million excess $15 million per risk, up to $20 million per occurrence
Corporate Property Catastrophe First Excess of Loss July 1, 2002 thru June 30, 2003	Lloyd's Syndicates, XL Reinsurance Company of America, Montpelier Insurance Company, Odyssey America Reinsurance Company, General Cologne Re, Liberty Mutual Insurance Company	$15 million per occurrence	$5 million excess of $15 million per occurrence
Corporate Property Catastrophe Second Excess of Loss July 1, 2002 thru June 30, 2003	Lloyd's Syndicates, XL Reinsurance Company of America, Odyssey America Reinsurance Company, General Cologne Re, Liberty Mutual Insurance Company	$20 million per occurrence	$10 million excess of $20 million per occurrence
Corporate Property Catastrophe Third Excess of Loss July 1, 2002 thru June 30, 2003	Lloyd's Syndicates, XL Reinsurance Company of America, Odyssey America Reinsurance Company, General Cologne Re, Liberty Mutual Insurance Company	$30 million per occurrence	$20 million excess of $30 million per occurrence

Healthcare/Medical Malpractice

Healthcare Professional Liability Quota Share June 1, 2002 thru May 31, 2003	Arch Reinsurance Company 10% Odyssey Re 10%,	75% quota share of $500,000 plus certain percentages of upper layers	25% quota share up to $20 million

Healthcare Professional Liability 2nd XOL June 1, 2002 thru May 31, 2003	Hannover Re 12.5%, Lloyds Syndicates 10%, Lumberman's Casualty 2.5%	35% of $3 million excess of $2 million	65% of $3 million excess of $2 million
Healthcare Professional Liability 3rd XOL June 1, 2002 thru May 31, 2003	Hannover Re 7.5%, Lloyds Syndicates 11.57%	25% of $10 million excess of $5 million	75% of $10 million excess of $5 million
Healthcare Professional Liability 4th XOL June 1, 2002 thru May 31, 2003	Hannover Re 10%, Lloyds Syndicates 11.26%,	33.25% of $5 million excess of $15 million	66.75% of $5 million excess of $15 million

As a run-off company, the Company no longer actively participates in the prospective reinsurance market. The vast majority of the reinsurance activities consist of the collection of amounts recoverable from reinsurers and the potential for negotiations resulting in contract commutations. As of December 31, 2014, reinsurance recoverable for all ceded reinsurance totaled $487,850,000 or 68.2% of surplus as regards policyholders. Approximately $62,065,000 of the above ceded reinsurance recoverable was from affiliated admitted reinsurers with the remaining $425,785,000 from non-affiliated admitted and non-admitted reinsurers and pools.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements as filed by the Company with the California Department of Insurance and present the financial condition of the Company for the period ending December 31, 2014. These financial statements were prepared by management and are the responsibility of management. No adjustments were made to the statutory financial statements filed by the Company.

Statement of Financial Condition as of December 31, 2014

Underwriting and Investment Exhibit for the Year Ended December 31, 2014

Reconciliation of Surplus as Regards Policyholders from December 31, 2011 through December 31, 2014

Statement of Financial Condition
as of December 31, 2014

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 621,813,907	$	$ 621,813,907	
Preferred stocks	2,876,438		2,876,438	
Common stocks	832,416,300		832,416,300	
Cash and short-term investments	114,330,125		114,330,125	
Derivatives	14,579,974		14,579,974	
Other invested assets	429,104,018		429,104,018	
Investment income due and accrued	10,105,625		10,105,625	
Premiums and agents' balances in course of collection	1,674,994	1,674,994		
Amount recoverable from reinsurers	20,568,861		20,568,861	
Funds held by or deposited with reinsured companies	746,624		746,624	
Other amounts receivable under reinsurance contracts	(1,357,685)		(1,357,685)	
Electronic data processing equipment and software	9,162,887	9,162,887		
Furniture and equipment	389,777	389,777		
Receivable from parent, subsidiaries and affiliates	4,333,710	59,478	4,274,232	
Aggregate write-ins for other than invested assets	5,654,114	178,974	5,475,140	
Total assets	$ 2,066,399,669	$ 11,466,110	$ 2,054,933,559	

Liabilities, Surplus and Other Funds

Losses and loss adjustment expenses		$ 1,264,819,618	(1)
Reinsurance payable on paid loss and loss adjustment expenses		395,638	
Commissions payable, contingent commissions and other similar charges		638,489	
Other expenses		21,141,231	
Current federal and foreign income taxes		802,059	
Ceded reinsurance premiums payable		1,194,361	
Funds held by company under reinsurance treaties		5,321,150	
Provision for reinsurance		40,222,782	
Payable to parent, subsidiaries and affiliates		2,610,381	
Derivatives		37,063	
Aggregate write-ins for liabilities		2,870,339	
Total liabilities		1,340,053,111	
Common capital stock	$ 4,329,920		
Preferred capital stock	57,528		
Gross paid-in and contributed surplus	524,837,771		
Unassigned funds (surplus)	185,655,229		
Surplus as regards policyholders		714,880,448	
Total liabilities, surplus and other funds		$2,054,933,559	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2014

Statement of Income

Underwriting Income		
Premiums earned		$ 9,876
Deductions:		
Losses and loss expenses incurred	$ 48,188,363	
Other underwriting expenses incurred	59,833,672	
Total underwriting deductions		108,022,035
Net underwriting loss		(108,012,159)
Investment Income		
Net investment income earned	$ 17,040,289	
Net realized capital gain	719,343,593	
Net investment gain		736,383,882
Other Income		
Aggregate write-ins for miscellaneous income	437	
Total other income		437
Net income after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		628,372,160
Federal and foreign income taxes incurred		(52,178,584)
Net income		$ 680,550,744

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2013		$ 849,958,784
Net income	$ 680,550,744	
Change in net unrealized capital gains	(420,589,876)	
Change in net unrealized foreign exchange capital gain	2,293,920	
Change in net deferred income tax	(309,609)	
Change in nonadmitted assets	4,049,438	
Change in provision for reinsurance	(9,407,366)	
Capital changes:		
Paid-in	1,807,170,000	
Surplus adjustments:		
Paid-in	(1,885,887,000)	
Dividends to stockholders	(312,948,587)	
Change in surplus as regards policyholders for the year		(135,078,336)
Surplus as regards policyholders, December 31, 2014		$ 714,880,448

Reconciliation of Surplus as Regards Policyholders
from December 31, 2011 through December 31, 2014

	Gain in Surplus	Loss in Surplus	
Surplus as regards policyholders, December 31, 2011			$ 862,889,585
Net income	$ 411,856,623	$	
Net unrealized capital loss		92,503,924	
Change in net foreign exchange capital losses		839,264	
Change in net deferred income tax		558,513,855	
Change in nonadmitted assets	586,221,772		
Change in provision for reinsurance	19,719,378		
Capital changes: Paid-in	1,807,170,000		
Surplus adjustments: Paid-in		1,945,887,000	
Dividends to stockholders		312,948,587	
Aggregate write-ins for gains and losses to surplus		62,284,280	
Total gains and losses	$2,824,967,773	$2,972,976,910	
Net decrease in surplus as regards policyholders			(148,009,137)
Surplus as regards policyholders, December 31, 2014			$ 714,880,448

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) 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, 2014. Four of the companies included in the scope of this examination are Fairmont Insurance Company, Fairmont Specialty Insurance Company, Fairmont Premier Insurance Company, and the Company. All of these companies are domiciled in the state of California. INS has been authorized to provide actuarial services for the California Department of Insurance (CDI) in the examination of these companies as part of the multi-state coordinated exam. The CDI actuarial staff monitored, reviewed, and agreed to the analysis plan and conclusions of the review performed by INS.

The INS analysis of loss and loss adjustment expense (LAE) reserves is performed gross and net of reinsurance. The INS analysis does not address the collectability of reinsurance recoverables. There would be additional contingent liabilities should any of the reinsurers fail to fulfill their obligations as stated in their contracts with the Company.

INS reviewed the Company's 2014 Annual Statements, the related 2014 Statements of Actuarial Opinion (SAO) signed by these entities' Appointed Actuary, Matthew Kunish, FCAS, MAAA, of RiverStone Resources, LLC; the Actuarial Report accompanying the SAO, and Actuarial Opinion Summaries.

Based on the review, the INS estimate of the gross loss and LAE reserves of $1,737.4 million is higher than the Company's carried reserve of $1,721.8 million by $15.624 million, or 0.9% of gross annual statement reserves at December 31, 2014.

The INS estimate of the net loss and LAE reserves of $1,263.5 million is lower than the Company's carried reserve of $1,264.8 million by $1.3 million, or 0.1% of net annual statement reserves at December 31, 2014.

INS finds the Company's booked gross and net loss and LAE reserves as of December 31, 2014 are reasonably stated.

Investments

As noted earlier in this report, the Company entered into an Investment Agreement in January 2003 with its affiliate, Hamblin Watsa Investment Counsel (HWIC). Since January 2003, HWIC follows an investment strategy based on the investment guidelines set forth in the Investment Agreement. The investment policy and philosophy is based on the value approach by investing in companies at prices below the underlying long term values to protect capital from loss and earn income over time and provide operating income as needed. Purchase of equities is based on identifying financially sound companies with good potential profitability which are selling at large discounts to the intrinsic value. A similar approach is used on bond purchases where attractively priced bonds are sought offering yields better than Treasury bonds. Derivative investments are used for hedging purposes.

The investment mix will change somewhat as a result of the effectuated merger activity in 2015 reducing the investment in affiliated common stocks by a fairly large degree. Also, over the last three years, the Company's investment strategy has resulted in notable losses as a result of the derivative strategy.

SUBSEQUENT EVENTS

Approved by CDI on June 23, 2015 and effective June 30, 2015 Fairmont Insurance Company, Fairmont Specialty Insurance Company and Fairmont Premier Insurance Company, all California domestic insurers and subsidiaries of the Company, were merged with and into the Company with the Company being the surviving entity. Also, effective September 30, 2015, General Fidelity Insurance Company, a South Carolina domestic, was merged with and into the Company. Also scheduled for merger with and into the Company are American Safety Casualty Insurance Company and American Safety Indemnity Company, both are Oklahoma domestics. This merger has been scheduled for 2016. The Company also closed its Canadian Branch and ceased transacting business in Canada. All of the remaining insurance liabilities were reinsured on an assumption basis, with Northbridge General Insurance Corporation, an affiliate. The Company's order to insure in Canada risks was revoked effective April 24, 2015.

In 2014, the Company carried as a $46.3 million common stock investment in a subsidiary, TRG Holdings Corporation (TRG), representing ownership of 28.96% of the common stock. TRG was the sole owner of the The Resolution Group, Inc. Prior to the 2014 merger between the Company and its parent, TIG Insurance Group, The Resolution Group, Inc. had an investment in the preferred shares of TIG Insurance Group. As a result of the merger the primary asset of the The Resolution Group, Inc. was an investment in 100% of the preferred stock of the Company.

Annually, the Company files with the National Association of Insurance Commissioners (NAIC) Securities Valuation Office, (SVO), seeking approval for the amount the Company reports on the annual statement for its affiliated companies. Consequently, the SVO approved the $46.1 valuation of the common stock of TRG in 2014 for 2012.

The Company is in the midst of an initiative to simplify its corporate structure. As a result of this effort, the Company analyzed the investment in TRG during the 4th quarter of 2015 and recognized that the $46.2 million investment in TRG common stock was an investment in its own preferred stock. Upon clarification of the ownership structure and supporting information provided to the SVO, the SVO concluded the valuation of the TRG investment as of December 31, 2015 was to be $0 and the Company agreed. The Resolution Group, Inc. remains an asset of TRG and TRG remains an investment of the Company, however, in 2015 this investment is non-admitted in its entirety based on the decision reached by the NAIC SVO.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

Accounts and Records – Information Systems Controls (Page 13): It was recommended that the Company should evaluate the recommendations and make appropriate changes to strengthen its information system controls. The Company made various changes as recommended.

Accounts and Records – Workers' Compensation Actuarial Data Base (Page 13): Examiner review of case reserve data, provided by the Company for validation purposes, indicated that the workers' compensation case reserves were systematically incorrect in 2011. Near the conclusion of this examination, the Company's management stated that they had performed procedures in 2012 to correct the workers' compensation case reserves in the Company data base. Based on a review of the controls, and a sample of claims provided by the Company, its current workers' compensation data base system appears to have appropriate controls and appears to be generating accurate case reserve amounts. Therefore, based on the results of the assessment during the prior examination, as noted above, the Company complied with this recommendation.

ACKNOWLEDGMENT

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

Respectfully submitted,

__/S/___________________________

William M. Fedak, CFE
Contract Examiner-In-Charge
Department of Insurance
State of California

__/S/___________________________

Aram Shahenian, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California