

REPORT OF EXAMINATION
OF THE
ZNAT 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 15, 2025

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

ZNAT INSURANCE COMPANY

(hereinafter also referred to as the Company). The Company's home office is located at 21255 Califa Street, Woodland Hills, California 91367.

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 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 California as the facilitating state of the Zenith subgroup of the Fairfax Group of regulated United States (U.S.) property and casualty insurance companies (Fairfax U.S. Group). 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:

Group/Company	NAIC CoCode	Domiciled State
ZENITH GROUP		
Zenith Insurance Company	13269	CA
ZNAT Insurance Company	30120	CA
RIVERSTONE GROUP		
TIG Insurance Company	25534	CA
ALLIED WORLD GROUP⁽¹⁾		
Allied World National Assurance Company	10690	NH
Allied World Assurance Company (U.S.) Inc.	19489	DE
Allied World Surplus Lines Insurance Company	24319	AR
Allied World Specialty Insurance Company	16624	DE
Allied World Insurance Company	22730	NH
Vantapro Specialty Insurance Company	44768	AR

Group/Company	NAIC CoCode	Domiciled State
CRUM & FORSTER GROUP		
United States Fire Insurance Company	21113	DE
Crum & Forster Specialty Insurance Company	44520	DE
North River Insurance Company	21105	NJ
First Mercury Insurance Company	10657	DE
Crum & Foster Indemnity Company	31348	DE
Seneca Ins Company Inc.	10936	NY
Seneca Specialty Insurance Company	10729	DE
Crum & Forster Insurance Company	42471	NJ
American Underwriters Insurance Company	10251	AR
MTAW Insurance Company	16498	DE
HUDSON GROUP ⁽²⁾		
Hudson Insurance Company	25054	DE
Hudson Excess Insurance Company	14484	DE
Hilltop Specialty Insurance Company ⁽³⁾	37079	NY
ODYSSEY RE GROUP		
Greystone Insurance Company	10019	CT
Odyssey Reinsurance Company	23680	CT

(1) Fairfax Financial Holdings Limited and Allied World Assurance Company Holdings, Ltd sold their majority interest in Vault Reciprocal Exchange and Vault E&S Insurance Company in March 2021.

(2) 100% owned by Odyssey Re Group below

(3) Hudson Specialty Insurance Company name changed to Hilltop Specialty Insurance Company, effective October 26, 2020.

COMPANY HISTORY

Capitalization

As of December 31, 2023, the Company had 25,000 shares of \$240 par value common stock authorized, of which 13,000 were issued and outstanding.

Dividends Paid to Parent

During the period under review, the Company has paid ordinary dividends in cash to Zenith Insurance Company in the following amounts:

<u>Year</u>	<u>Amount</u>
2020	\$ 2,500,000
2021	2,400,000
2022	2,300,000
2023	2,100,000
2024	2,000,000*
Total	<u>\$11,300,000</u>

* Subsequent to the examination date

MANAGEMENT AND CONTROL

The Company is a wholly-owned subsidiary of Zenith Insurance Company (ZIC), which is a wholly-owned subsidiary of Zenith National Insurance Corp. (ZNIC), which is a wholly-owned indirect subsidiary of Fairfax Financial Holdings Limited (Fairfax), a Canadian financial services holding company, whose common stock is publicly traded on the Toronto Stock Exchange (TSX). Fairfax is principally engaged in property and casualty insurance, reinsurance, and associated investment management.

The following abridged organizational chart, which is limited to Fairfax along with its subsidiary insurance companies, depicts the Company's relationship within the Fairfax holding company system as of December 31, 2023 (except as otherwise noted, all ownership is 100%):

Fairfax Financial Holdings Limited (Canada)
 CRC Reinsurance Ltd (Barbados)
 TRG Holding Corporation (Delaware) (31.49%)
 Hamblin Watsa Investment Counsel Ltd. (Canada)
 1102952 B.C. Unlimited Liability Holding Company (British Columbia)
 Allied World Assurance Company Holdings, Ltd (Bermuda) (83.41%)
 Allied World Assurance Company Holdings I, Ltd (Bermuda)
 Allied World Assurance Company, Ltd (Bermuda)
 FFHL Group Ltd. (Canada)
 Northbridge Financial Corporation (Canada)
 Northbridge General Insurance Corporation (Canada)
 Brit Limited (England & Wales) (8%)
 Brit Insurance Holdings Limited (England & Wales)
 Fairfax Holdings, Inc. (Connecticut)
 Fairfax (Barbados) International Corp. (Barbados)
 Fairfax Luxembourg Holdings (Luxembourg)

Colonnade Insurance S. A. (Luxembourg)
 TIG (Bermuda) Ltd. (Bermuda)
 Fairfax (US) Inc. (Delaware)
 FFI (U.S.) LLC (Delaware)
 Fairfax FFI (U.S.) LLC (Delaware)
 Cairo Mezz PLC (0.13%) (Delaware)
 Crum and Forster Holdings, Corp. (Delaware)
 United States Fire Insurance Company (Delaware)
 Fairfax India Holding Corporation (13.03% v / 9.69% e) (Canada)
 Helios Fairfax Partner Corporation (4.31% v / 2.25% e) (Canada)
 Crum & Forster Specialty Insurance Company (Delaware)
 HWIC Asia Fund (Mauritius)
 Grivalia Hospitality S.A. (7.51%) (Greece)
 Crum & Forster Insurance Broker, Inc (Texas)
 Crum & Forster SPC Reinsurance Company (Cayman Islands)
 Zenith National Insurance Corp. (1.90%) (Delaware)*
 American Underwriters Insurance Company (Arkansas)
 The Redwoods Group, Inc. (North Carolina)
 Crum & Forster Services India Private Limited (99.99%) (India)
 MTAW Insurance Company (Delaware)
 Monitor Life Insurance Company of New York (New York)
 Partners Managing General Underwriters, LLC (Delaware)
 Workforce Insurance Underwriters, LLC (68.42%) (Delaware)
 Bail USA (Pennsylvania)
 Crum & Forster Indemnity Company (Delaware)
 Crum & Forster SPC (FKA International Travel Ins. Segregated Portfolio)
 Crum & Forster Insurance Company (New Jersey)
 The North River Insurance Company (New Jersey)
 Seneca Insurance Company, Inc. (New York)
 Seneca Specialty Insurance Company (Delaware)
 HWIC Asia Fund (Delaware)
 Zenith National Insurance Corp. (Delaware) (0.10%)*
 2018296 Alberta ULC (22.00%) (Alberta)
 Dexterra Group Inc (0.64%) (Alberta)
 Fairfax India Holding Corporation (0.08% v / 0.89% e) (Canada)
 Farmers Edge Inc (11.08%) (Canada)
 Poseidon Acquisition Corp (0.74%) (Marshall Islands)
 Crum & Forster Indemnity Company
 First Mercury Insurance Company (Delaware)
 Fairfax GVAC LP (39.96% LP Interest) (Delaware)
 Crum & Forster SPC
 C & F Insurance Agency, Inc (Ohio)
 CoverX Corporation (Michigan)
 Travel Insured International, Inc. (Connecticut)
 DMC Insurance, Inc. (Indiana)
 RiverStone Group LLC (Delaware)

RiverStone Resources LLC (Delaware)
 Riverstone Services LLC
 RiverStone Claims Management LLC (Delaware)
 E.R. Quinn Co. Inc. (New York)
 Loyola Group, Inc. (New York)
 Arya Claims Services, LLC (Delaware)
 Rockville Risk Management Associates, Inc. (New York)
 Zenith National Insurance Corp. (Delaware) (91.93%)*
 Zenith Insurance Company (California)
 Fairfax India Holdings Corporation (3.75% v/ 1.04% e)
 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)
 HWIC Asia Fund (Mauritius)
 Boat Rocker Media Inc. (Canada) (18.02% v/ 8.93% e)
 Helios Fairfax Partners Corporation (8.17% v/ 4.27% e)
 Recipe Unlimited Corporation (Canada) (2.48%)
 2018296 Alberta ULC (Canada) (5.00%)
 AGT Food and Ingredients Inc. (Canada) (3.08%)
 10960934 Canada Inc (25%) (Canada)
 Astarta Holding NV (Ukraine) (3.27%)
 Peak Achievement Athletics, Inc. (Canada) (3.40% v / 2.83% e)
 Farmers Edge, Inc. (Canada) (3.47%)
 EXCO Resources, Inc. (Texas) (1.15%)
 Poseidon Acquisition Corp (1.18%)
 Transportation Recovery Fund L.P. (Cayman Islands) (1.78%)
 Grivalia Hospitality S.A. (Greece) (1.82%)
 Stelco Holdings Inc (Canada) (3.13%)
 FF Meadow Holdings Limited (England & Wales) (20.30%)
 ONX Inc. (Delaware) (3.03%)
 Ovostar Union NV (Cyprus) (10.02%)
 Zenith Development Corp. (Nevada)
 Western Property & Casualty Insurance Company
 Fairfax Financial (US) LLC (Delaware)
 FFI (US) Inc. (Delaware)
 GMPCI Insurance Company, Ltd. (Cayman Islands)
 American Safety Holdings II Corporation (Delaware)
 Bluestone Agency, Inc. (Arizona)
 Bluestone Surety, Ltd. (Cayman Islands)
 TRG Holding Corporation (Delaware)
 TIG Insurance Company (California)
 Recipe Unlimited (Ontario)
 HWIC Asia Fund (Mauritius)
 Dexterra Group Inc (2.44%)

EXCO Resources, Inc. (Texas) (2.44%)
 Poseidon Acquisition Corp (1.68%)
 Transportation Recovery Fund L.P (3.55%)
 Resolution Group Reinsurance (Barbados) Limited
 Connerma Reinsurance Company Ltd.
 Odyssey US Holding, Inc. (Delaware)
 Odyssey Group Holdings, Inc. (Delaware)
 Dexterra Group Inc (17.5%)
 Singapore Reinsurance Corporation (8.83%)
 Poseidon Acquisition Corp (1.96%) (Marshall Islands)
 Sterling Road Films (20.00%) (California)
 Stelco Holding Inc (3.77%) (Ontario)
 Odyssey Reinsurance Company (Connecticut)
 Greystone Insurance Company (Connecticut)
 Hudson Insurance Company (Delaware)
 Hudson Crop Insurance Services (Delaware)
 Hilltop Specialty Insurance Company (New York)
 Hudson Excess Insurance Company (Delaware)
 Napa River Insurance Services, Inc. (California)
 Pacific Surety Insurance Agency, Inc. (California)
 Hudson Insurance Services, Inc. (Canada)
 Odyssey Holdings Latin America, Inc. (Delaware)
 Zenith National Insurance Corp. (Delaware) (6.07%)*

*Fairfax (US) Inc. owns 91.93% of ZNIC, with the remaining balance owned by Odyssey Reinsurance Company (6.07%), United States Fire Insurance Company (1.90%), and the North River Insurance Company (0.10%). All owners are 100% indirectly owned by Fairfax.

Management of the Company is vested in a three-member board of directors elected annually. A listing of the members of the Board and Principal Officers serving at December 31, 2023, follows:

Directors

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Kari L. Van Gundy Chatsworth, California	Chief Executive Officer and Chairperson ZNAT Insurance Company
Chad J. Helin Westlake Village, California	Executive Vice President and General Counsel ZNAT Insurance Company

Name and Location

Jack D. Miller^(a)
La Quinta, California

Principal Business Affiliation

Director
Zenith National Insurance Corp.

Principal OfficersNameTitle

Kari L. Van Gundy ^(b)

Chief Executive Officer and Chairperson

Davidson M. Pattiz ^(b)

President and Chief Operating Officer

Antonio Gaitan^(c)

Executive Vice President, Chief Financial Officer, and Treasurer

Chad J. Helin

Executive Vice President and General Counsel

Jason T. Clarke

Executive Vice President and Chief Actuary

The following changes in Directors and Principal Officers occurred subsequent to the examination date:

- ^(a) On September 25, 2024, Davidson M. Pattiz was elected as a Director of the Company, succeeding Jack D. Miller, effective January 1, 2025.
- ^(b) On July 10, 2024, the Company announced the appointment of Davidson M. Pattiz as President and Chief Executive Officer and Kari L. Van Gundy as Chairperson, effective January 1, 2025.
- ^(c) On September 30, 2024, the Company announced the appointment of Elina Baron as Chief Financial Officer following Antonio Gaitan's retirement effective February 28, 2025.

Management Agreements

Administrative Services and Cost Sharing Agreement: Effective November 19, 2018, and approved by the California Department of Insurance (CDI) on December 4, 2018, the Company entered into an Amended & Restated Administrative Services and Cost Sharing Agreement with Zenith National Insurance Corp. (ZNIC), Zenith Insurance Company (ZIC), Zenith Insurance Management Services Inc., and Zenith Captive Insurance Company. Under the terms of the agreement, costs of shared facilities, services, and expenses incurred by ZIC are allocated to each party using actual and reasonable costs. During the years under examination, the Company paid ZIC under this Agreement the

amounts of \$41.2 million, \$44.6 million, \$46.4 million, and \$35.0 million for the years ending December 31, 2023, 2022, 2021, and 2020, respectively.

Under the terms of the Intercompany Pooling and Reinsurance Agreement described within the Reinsurance section below, the Company paid \$7.1 million, \$9.7 million, \$3.9 million, and \$10.3 million for the years ended December 31, 2023, 2022, 2021, and 2020, respectively, to ZIC. The Administrative Services and Cost Sharing Agreement allocation between the Company and ZNAT and the Intercompany Pooling and Reinsurance Agreement should be considered in the aggregate.

Investment Management Agreement: Effective May 20, 2010, and approved by the CDI on June 14, 2010, the Company entered into an Investment Management Agreement with Fairfax Financial Holdings Limited (Fairfax) and Hamblin Watsa Investment Counsel Ltd (HWIC). Under the terms of the agreement, HWIC, a wholly owned subsidiary of Fairfax, will continuously provide investment advisory and management services to the Company unless terminated by either party with at least 30 days' advance written notice. A base fee of 0.30% is payable quarterly after the end of each calendar quarter based on the average of the market value for that period. In addition to the base fee, an incentive fee is paid annually based on the performance of equity securities managed. If the performance equals or exceeds the benchmark of Standard & Poor's 500 index by 200 basis points, the incentive fee is determined as a continuous rate of 10 basis points for every 100 basis points of outperforming the benchmark. If performance is less than the benchmark, the base fee will be reduced to 90% of the current fee. Fairfax is to collect fees from the Company and distribute them back to HWIC. During the years under examination, the Company paid the amounts of \$145.5 thousand, \$136.4 thousand, \$166.7 thousand, and \$97.0 thousand for the years ending December 31, 2023, 2022, 2021, and 2020, respectively.

Inter-Company Loan Agreement: Effective June 3, 2016, and approved by the CDI on May 23, 2016, the Company entered into an Inter-Company Loan Agreement with its parent, ZIC. Under the terms of the agreement, ZIC may loan to the Company up to a maximum of \$200 million total in single or multiple transactions, and allows the Company

to loan to ZIC up to a maximum of \$50 million total in single or multiple transactions. For the loan to be provided, its principal sum, maturity date, and interest rate (which is based on the applicable U.S. Treasury Constant Maturity Rate most closely related to the term of the loan at the time of inception) must be approved and accepted by each of the Boards of Directors of the lending and borrowing Party and be executed by Promissory Note. During 2020, \$28 million was loaned from the Company to ZIC and repaid within the same year. The Company earned \$70,545 as interest income during the period the loan was outstanding from ZIC. No subsequent amounts were loaned under the agreement.

Inter-Company Tax Allocation Agreement: Effective May 21, 2010, and approved by the CDI on June 14, 2010, the Company entered into an Inter-Company Tax Allocation Agreement with ZNIC and its subsidiaries. The Agreement provides for participants to file a consolidated federal income tax return with ZNIC. Allocation of taxes is based upon separate return calculations, with inter-company tax balances payable or receivable being settled in amounts equal to the amounts which would be due to or from federal taxing authorities if separate returns were filed. During the years under examination, the Company paid the amounts of \$377.4 thousand, \$184.3 thousand, \$320.9 thousand, and \$442.9 thousand for the years ending December 31, 2023, 2022, 2021, and 2020, respectively.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2023, the Company was licensed to transact multiple lines of property and casualty (P&C) insurance in the following 29 states:

Alabama	Illinois	Missouri	Ohio	Utah
Arizona	Indiana	Nebraska	Oklahoma	Virginia
Arkansas	Iowa	Nevada	Pennsylvania	Washington
California	Kentucky	New Jersey	South Carolina	West Virginia
Delaware	Michigan	North Carolina	Tennessee	Wyoming
Georgia	Mississippi	North Dakota	Texas	

The Company primarily writes workers' compensation, fire, commercial multiple peril (non-liability and liability portions), earthquake, other liability (for occurrence and claims-made), other commercial auto liability, commercial auto physical damage, and burglary and theft.

In 2023, the Company wrote \$117.9 million of direct premiums, all in the workers' compensation line of business. Of these direct premiums, the top three states were California (45.9%) with direct premiums written of \$54.1 million, Illinois (12.9%) with direct premiums written of \$15.3 million, and Texas (9.5%) with direct premiums written of \$11.2 million.

The Company's business is written through approximately 1,200 independent licensed insurance agents. Business is produced exclusively through the independent agents with local office contact points. The Company and its insurance affiliate maintain branch offices in Dublin, Fresno, Orange, Roseville, San Diego, San Francisco, and Woodland Hills, California. Additionally, the Company maintains regional offices in Itasca and Springfield, Illinois; Orlando and Sarasota, Florida; Charlotte, North Carolina; East Norriton, Pennsylvania; and Austin, Texas.

REINSURANCE

Intercompany Reinsurance Agreement

Effective January 1, 2008, the Company is a party to an Amended and Restated Intercompany Reinsurance and Pooling Agreement with its parent, Zenith Insurance Company (ZIC). Under the terms of this agreement, business is pooled, and premiums, losses, and expenses are reapportioned and shared as follows:

<u>Pool Member</u>	<u>Percentage</u>
Zenith Insurance Company	98%
ZNAT Insurance Company	2%

The current agreement, which includes all of its amendments, was approved by the CDI on March 14, 2008.

Assumed

The Company did not participate in reinsurance assumed agreements apart from Intercompany Reinsurance and Pooling Agreement with Zenith Insurance Company.

Ceded

Effective April 1, 2023, for the workers' compensation line, the Company actively participates in the reinsurance market and maintains excess of loss and catastrophe reinsurance providing protection up to \$150 million for losses, including catastrophe losses arising out of earthquakes and acts of terrorism including nuclear, biological, chemical and radiological attacks (NBCR). The Company also maintains a multiple cedant reinsurance contract for the \$50 million excess of \$100 million layer shared with other Fairfax affiliates. For the agriculture workers' compensation business, the Company retains the first \$10 million of each loss arising from industrial accidents and the first \$20 million of each loss arising out of earthquakes and acts of terrorism. For all other business classes, the Company retains the first \$20 million of each loss.

Effective April 1, 2023, for the P&C Agribusiness line, the Company maintained an excess of loss per risk and catastrophe reinsurance. Per risk, providing protection up to \$25

million with the Company's retention of the first \$3.5 million. The catastrophe reinsurance provides protection up to \$40 million with \$6 million retention by the Company.

Effective July 1, 2023, the Company participated in a quota share reinsurance agreement for the umbrella line of business. The Company retains 10% of the first dollar up to \$5 million on any one policy, any claim, or any one occurrence.

The following is a summary of the Company's principal ceded reinsurance treaties in force as of December 31, 2023, covering its workers' compensation and property and casualty agriculture business:

Workers' Compensation Business

Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Maximum Limits
1 st Catastrophe Excess of Loss	The Cincinnati Insurance Company 10.0% Transatlantic Reinsurance Company 7.5% Houston Casualty Company, London Branch 5.0% Chaucer Insurance Company DAC, Bermuda 2.0% Allied World Assurance Company Limited * 6.0% AXIS Reinsurance Company 1.5% Arch Reinsurance Company 5.0% Odyssey Reinsurance Company 5.0% Munich Reinsurance America Inc 5.0% Markel Bermuda Limited 1.5% Lloyds of London 41.5% Odyssey Reinsurance Company 10.0%	\$10 Million	\$10 million in excess of \$10 million, with an aggregate limit of \$20 million on all loss occurrences
2 nd Catastrophe Excess of Loss	XL Re Europe SE * 4.0% The Cincinnati Insurance Company 8.0% Transatlantic Reinsurance Company 4.0% Houston Casualty Company, London Branch 5.0% Chaucer Insurance Company DAC, Bermuda * 2.0% Allied World Assurance Company Limited * 6.0% AXIS Reinsurance Company 1.5% Arch Reinsurance Company 5.0% Odyssey Reinsurance Company 5.0% Munich Reinsurance America Inc 5.0% Markel Bermuda Limited 1.5% Lloyds of London 43.0% Odyssey Reinsurance Company 10.0%	\$20 million (covered by 1 st Catastrophe Excess of Loss)	\$30 million in excess of \$20 million, with an aggregate limit of \$60 million on all loss occurrences
3 rd Catastrophe Excess of Loss	XL Re Europe SE * 4.0% The Cincinnati Insurance Company 8.0% Transatlantic Reinsurance Company 4.0% Houston Casualty Company, London Branch 5.0% Chaucer Insurance Company DAC, Bermuda * 2.0% Allied World Assurance Company Limited * 6.0% AXIS Reinsurance Company 1.5% Arch Reinsurance Company 4.0% Hanover RE (Bermuda) Limited * 13.5% Odyssey Reinsurance Company 8.0% Munich Reinsurance America Inc 5.0% Markel Bermuda Limited 1.5% Lloyds of London 27.5% Odyssey Reinsurance Company 10.0%	\$50 million (covered by 1 st and 2 nd Catastrophe Excess of Loss)	\$50 million in excess of \$50 million, with an aggregate limit of \$100 million on all loss occurrences

Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Maximum Limits
4 th Catastrophe Excess of Loss	Hannover Re (Bermuda) Limited * 13.5% Houston Casualty Company, London Branch 5.0% Lloyds London 52.5% Markel Global Reinsurance Company * 14.0% XL Re Europe SE * 5.0% Odyssey Reinsurance Company 10.0%	\$100 million (covered by 1 st 2 nd and 3 rd Catastrophe Excess of Loss)	\$50 million in excess of \$100 million with an aggregate limit of \$100 million on all loss occurrences

(*) Unauthorized reinsurers

Property and Casualty – Agriculture Business

Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Maximum Limits
1 st Per Risk Excess of Loss	Munich Reinsurance America Inc 10.0% Lloyd's Underwriter Syndicate No. 2001 AML 10.0% Houston Casualty Company 1.5% Renaissance Reinsurance U.S. Inc 3.5% Allied World Insurance Company 5.0% Arch Reinsurance Company 10.0% R+V Versicherung AG * 20.0% Odyssey Reinsurance Company 5.0% Hannover Ruck Se * 25.0% Odyssey Reinsurance Company 10.0%	\$3.5 million	\$6.5 million in excess of \$3.5 million Limit of Reinsurers' Liability \$6.5 million each loss, each risk \$13 million, each loss occurrence, \$13 million contract limit
2 nd Per Risk Excess of Loss	Munich Reinsurance America Inc 10.0% Lloyd's Underwriter Syndicate No. 2001 AML 6.5% Houston Casualty Company 2.5% Renaissance Reinsurance U.S. Inc 1.0% Allied World Insurance Company 5.0% Arch Reinsurance Company 10.0% R+V Versicherung AG * 20.0% Odyssey Reinsurance Company 5.0% Odyssey Reinsurance Company 10.0% Hannover Ruck Se * 30.0%	\$10 million	\$15 million in excess of \$10 million Limit of Reinsurers' Liability \$15 million each loss, each risk, \$15 million each loss occurrence, \$30 million contract limit
1 st Catastrophe Layer	Allied World Insurance Co 8.0% Chaucer Insurance Company DAC, Bermuda * 6.5% Pillar * 5.5% Hannover Ruck Se * 30.0% R+V Versicherung* 20.0% Lloyds London 20.0% Odyssey Reinsurance Company 10.0%	\$6 million	\$14 million in excess of \$6 million Reinsurers' aggregate limit of \$28 million for all loss occurrences
2 nd Catastrophe Layer	Allied World Insurance Co 2.5% Arch Reinsurance Company 7.5% Chaucer Insurance Company DAC, Bermuda * 5.0% Pillar * 5.0% Hannover Ruck Se * 30.0% R+V Versicherung * 20.0% Lloyds London 20.0% Odyssey Reinsurance Company 10.0%	\$20 million	\$10 million in excess of \$20 million Reinsurers' aggregate limit of \$20 million for all loss occurrences

Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Maximum Limits
Quota Share Reinsurance of Umbrella Business	Renaissance Reinsurance U.S. Inc 10.0% Chaucer Insurance Company DAC, Bermuda * 10.0% Hannover Ruck Se * 25.0% Axis Reinsurance Company 10.0% Odyssey Reinsurance Company 10.0% Partner Reinsurance Company of the U.S. 25.0%	10%	90% of \$5 million for any one policy, any one claim or occurrence
Quota Share Reinsurance of Equipment Breakdown	Factory Mutual Insurance Company 100.0%	\$0	Limit any policies of total insured up to \$100 million

(*) Unauthorized reinsurers

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 to the amounts reported in the annual 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	\$ 42,813,386	\$	\$ 42,813,386	
Cash, cash equivalents, and short-term investments	1,571,817		1,571,817	
Investment income due and accrued	310,744		310,744	
Uncollected premiums and agents' balances in the course of collection	577,305	19,377	557,928	
Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$104,370 earned but unbilled premiums)	832,699	10,437	822,262	
Amounts recoverable from reinsurers	11,784		11,784	
Funds held by or deposited with reinsured companies	28,063		28,063	
Net deferred tax asset	623,513		623,513	
Guaranty funds receivable or on deposit	1,243		1,243	
Aggregate write-ins for other than invested assets	471,833	59,171	412,662	
Total assets	<u>\$ 47,242,387</u>	<u>\$ 88,985</u>	<u>\$ 47,153,402</u>	
<u>Liabilities, Surplus and Other Funds</u>				<u>Notes</u>
Losses			\$ 16,055,745	(1)
Reinsurance payable on paid losses and loss adjustment expenses			46,167	
Loss adjustment expenses			3,939,879	(1)
Commissions payable, contingent commissions and other similar charges			234,896	
Other expenses (excluding taxes, licenses and fees)			487,874	
Taxes, licenses and fees (excluding federal and foreign income taxes)			127,152	
Current federal and foreign income taxes			33,512	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$12,467,506)			2,470,973	
Advance premiums			68,223	
Ceded reinsurance premiums payable (net of ceding commissions)			88,333	
Amounts withheld or retained by company for account of others			80,020	
Payable to parent, subsidiaries and affiliates			2,371,081	
Payable for securities			17,912	
Aggregate write-ins for liabilities			<u>207,855</u>	
Total liabilities			26,229,623	
Common capital stock	\$ 3,120,000			
Gross paid-in and contributed surplus	1,175,000			
Unassigned funds (surplus)	<u>16,628,779</u>			
Surplus as regards policyholders			<u>20,923,779</u>	
Total liabilities, surplus, and other funds			<u>\$ 47,153,402</u>	

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

Statement of Income

Underwriting Income

Premium earned		\$ 14,835,290
Deductions:		
Losses incurred	\$ 5,597,948	
Loss adjustment expenses incurred	2,350,400	
Other underwriting expenses incurred	<u>5,682,113</u>	
Total underwriting deductions		<u>13,630,461</u>
Net underwriting gain		1,204,828

Investment Income

Net investment income earned	\$ 1,847,391	
Net realized capital losses less capital losses tax of (\$141,778)	<u>(650,732)</u>	
Net investment gain		1,196,659

Other Income

Net gain (loss) from agents' or premium balances charged off (amount recovered \$14,699 amount charged off \$19,535)	\$ (4,836)	
Total other income		<u>(4,836)</u>
Net income before dividends to policyholders, after capital losses tax, and before all other federal and foreign income taxes		2,396,651
Dividends to policyholders		<u>379,077</u>
Net income after dividends to policyholders, after capital losses tax, and before all other federal and foreign income taxes		2,017,574
Federal and foreign income taxes incurred		<u>520,609</u>
Net income		<u>\$ 1,496,965</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2022		\$ 21,596,872
Net income	\$ 1,496,965	
Change in net deferred income tax	(5,487)	
Change in nonadmitted assets	(64,571)	
Dividends to stockholders	<u>(2,100,000)</u>	
Change in surplus as regards policyholders for the year		<u>(673,093)</u>
Surplus as regards policyholders, December 31, 2023		<u>\$ 20,923,779</u>

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

Surplus as regards policyholders, December 31, 2019			\$ 25,834,830
	Gain in Surplus	Loss in Surplus	
Net income	\$ 4,306,116	\$	
Change in net deferred income tax	153,000	17,487	
Change in nonadmitted assets	19,092	71,772	
Dividend to stockholders		9,300,000	
Total gains and losses	<u>\$ 4,478,208</u>	<u>\$ 9,389,259</u>	
Net decrease in surplus as regards policyholders			<u>(4,911,051)</u>
Surplus as regards policyholders, December 31, 2023			<u>\$ 20,923,779</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

Based on an independent review and analysis by the Casualty Actuary for the California Department of Insurance, the Company's gross and net loss and loss adjustment expense reserves as of December 31, 2023, were found to be reasonably stated and have been accepted for purposes 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,

Amy M. Alves, CFE
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