

REPORT ON EXAMINATION
OF THE
STEADFAST INSURANCE COMPANY
AS OF
DECEMBER 31, 2016

Trinidad Navarro
Commissioner



Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2016 of

STEADFAST INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

Attest By: Rylyn Brown

Date: May 30, 2018



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 1st day of June, 2018.

Trinidad Navarro
Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF
STEADFAST INSURANCE COMPANY
AS OF
DECEMBER 31, 2016

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

Dated this 15th day of June, 2018

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SALUTATION

January 25, 2018

Honorable Trinidad Navarro
Delaware Department of Insurance
Rodney Building
841 Silver Lake Blvd.
Dover, Delaware 19904

Dear Commissioner,

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 17.024, dated April 25, 2017, an examination has been made of the affairs, financial condition and management of the

STEADFAST INSURANCE COMPANY

hereinafter referred to as “Company” or “SIC”, incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The examination was conducted at the Company’s administrative office located at 1299 Zurich Way, Schaumburg, Illinois 60196. Concurrent with this examination, the following affiliated insurance companies within the Zurich Holding Company of America, Inc. (ZHCA), a Delaware domiciled holding company, were also examined and separate Reports of Examination have been issued:

- Zurich American Insurance Company (NY) (Pool Leader)
- American Guarantee and Liability Insurance Company (NY)
- American Zurich Insurance Company (IL)
- Zurich American Insurance Company of Illinois (IL)
- Universal Underwriters Insurance Company (IL)
- Universal Underwriters of Texas Insurance Company (IL)
- Fidelity and Deposit Company of Maryland (MD)
- Colonial American Casualty and Surety Company (MD)
- Empire Indemnity Insurance Company (OK)

- Empire Fire and Marine Insurance Company (NE)

The New York Department of Financial Services (NYDFS) facilitated this examination as the lead state. All companies examined participate in an Intercompany Pooling Agreement in which all transactions included in the net income or loss resulting from underwriting operations of each pool participant and the related asset and liability accounts after the effects of third party reinsurance are pooled 100% to Zurich American Insurance Company (ZAIC). The States of California, Delaware, Illinois, Maryland, Nebraska and Oklahoma participated on the examination with New York.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a full-scope risk-focused financial examination of the Company. The last examination was conducted as of December 31, 2011. This examination covered the period of January 1, 2012 through December 31, 2016 and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2016. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination of the Company was performed as part of the multi-state coordinated examination led by the NYDFS as the lead state as of December 31, 2016. To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook)

and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company 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 significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 Del. C. §321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers, LLP, (PwC). Certain auditor workpapers of their 2016 audit have been incorporated into the workpapers of the examiners

and have been utilized in determining the scope, areas of emphasis in conducting the examination and in risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes as a result of this examination.

COMPANY HISTORY

The Company was incorporated on August 31, 1973 under the laws of Delaware as a stock multiple lines insurance company having perpetual existence. The Company's original Delaware Certificate of Authority was issued on November 28, 1983 and last amended October 4, 1991.

Common Capital Stock and Paid-in Surplus

All the Company's 4,100 authorized and issued common capital shares with a \$1,000 par value per share were owned by ZAIC.

Dividends

Dividends approved by the Department and paid to the sole stockholder during examination period were as follows:

Date Declared	Date Paid	Dividend Paid
December 11, 2012	December 27, 2012	\$19,500,000
December 6, 2013	December 27, 2013	\$21,700,000
December 15, 2014	December 30, 2014	\$7,200,000
December 14, 2015	December 31, 2015	\$13,400,000
December 14, 2016	December 30, 2016	\$11,800,000

MANAGEMENT AND CONTROL

Board of Directors

Pursuant to the Company's charter and bylaws, management of the Company is vested in a Board of Directors (Board) consisting of not less than thirteen members nor

more than twenty-one members. As of December 31, 2016, the Board was comprised of the following thirteen members:

Name	Occupation
Michael Thomas Foley Inverness, IL	Chief Executive Officer, Zurich North America
Eugenio Miguel Fernandez Wilmette, IL	Chief Underwriting Officer, Zurich North America
Dalynn Jean Hoch Huntley, IL	Chief Financial Officer, Zurich North America
Dennis Francis Kerrigan, Jr. North Barrington, IL	General Counsel, Zurich North America
Kathleen Anne Savio Wilmette, IL	Head of Alternative Markets, Zurich North America
Earl Randall Clouser Princeton, NJ	Head of ZNA Mktg, Distribution and Reg Mgmt Zurich North America
Paul Horgan * New York, NY	Head of Global Corporate in North America, Zurich North America
Craig Jay Fundum Inverness, IL	Head of Commercial Markets, Zurich North America
Nancy Diane Mueller Kildeer, IL	Chief Operations Officer, Zurich North America
Alan Charles Fairhead Suffolk UK	Chief Underwriting Officer, Zurich Insurance Group
Steven Michael Hatch North Barrington, IL	Chief Claims Officer, Zurich North America
Richard Patrick Kearns E. Williston, NY	Independent Director
Bryan James Salvatore Rye Brook, NY	Head of Specialty Products, Zurich North America

*Effective 1/1/2017 - Head of North America Commercial Insurance, Zurich North America

Corporate documentation for the Company's ultimate parent company, Zurich Insurance Group Ltd (Zurich Insurance Group), was reviewed and it was noted that the Zurich Insurance Group Board membership is independent and in compliance with the regulatory requirements of Switzerland. Switzerland governance requirements are similar to the requirements applicable to U.S. Stock Companies. Zurich Insurance Group is traded on the Swiss Stock Exchange.

Officers

In accordance with its bylaws, the Board elected the required executive officers.

The following officers were serving as of December 31, 2016:

Michael Thomas Foley	CEO and Chairman
Eugenio Miguel Fernandez	EVP, Chief Underwriting Officer
Dalynn Jean Hoch	EVP, Chief Financial Officer
Dennis Francis Kerrigan, Jr.	EVP, Secretary, Chief Legal Officer
Kathleen Anne Savio	EVP
Earl Randall Clouser	EVP
Craig Jay Fundum	EVP
Paul Horgan	EVP
Nancy Diane Mueller	EVP, President, Chief Operations Officer
Steven Michael Hatch	EVP, Chief Claims Officer
Bryan James Salvatore	EVP
Robert John Burne	Treasurer
Bob David Effinger Jr.	EVP, Chief Actuary
Barry Franklin	SVP, Chief Risk Officer

In accordance with the Company's bylaws, the Board voted to elect the Executive Committee from its own Board members and appointed committees as required. The Company utilizes committees that were developed at the ZAIC Board levels. As of December 31, 2016, the Board had appointed the following significant committees and members:

Executive Committee

Executive Committee Members as of December 31, 2016 were:

Michael Thomas Foley (Chair)
Dennis Francis Kerrigan, Jr.
Richard Patrick Kearns
Dalynn Jean Hoch
Nancy Diane Mueller
Steven Michael Hatch

Audit Committee

Audit committee members are independent. Members of the Audit Committee as of December 31, 2016 were:

Wayne Howard Fisher (Chair)
Richard Patrick Kearns
Susan Schmidt Bies
Donald Thor Nicolaisen
Debra Kay Broek

Various Management Committees

Various management committees established to oversee affairs of the Pool companies included:

Risk and Control Committee
Insurance Regulatory Sub-Committee
Balance Sheet Committee
Reinsurance Committee
Disclosure Committee
ZNA Reserve Committee
Pension and Saving Committee
Health and Work Life Committee
Asset/Liability Management & Investment Committee

Holding Company System

The Company is a member of an insurance holding company system as defined under 18 Del. C. §5001 of the Delaware Insurance Code. The Company is a wholly owned

subsidiary of ZAIC. ZAIC is a wholly owned subsidiary of ZHCA which is 99.18% owned by Zurich Insurance Company Ltd whose ultimate parent is Zurich Insurance Group.

Zurich Insurance Group is a leading multi-line insurance provider that serves its customers in global and local markets. With about 54,000 employees, it provides a wide range of property and casualty and life insurance products and services in more than 210 countries and territories. Zurich Insurance Group's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations.

Organizational Chart

An abbreviated organizational chart of the ZHCA as of December 31, 2016 is as follows (ownership of subsidiaries is 100% unless otherwise noted):

Zurich Holding Company of America, Inc. (DE)
Zurich American Insurance Company (NY) (Pool Lead)
Pool Participants as of December 31, 2016
American Guarantee and Liability Insurance Company (NY)
Fidelity and Deposit Company of Maryland (MD)
Colonial American Casualty and Surety Company (MD)
Universal Underwriters Insurance Company (IL)
Universal Underwriters of Texas Insurance Company (IL)
Steadfast Insurance Company (DE)
American Zurich Insurance Company (NY)
Zurich American Insurance Company of Illinois (IL)
Empire Indemnity Insurance Company (OK)
Empire Fire & Marine Insurance Company (NE)

The Company (and other Pool Participants) receives all its administrative services from ZAIC pursuant to the Intercompany Service Agreement. The service agreement was most currently amended on March 31, 2011.

Intercompany Agreements

In addition to the intercompany Pooling Agreement discussed in the Reinsurance section of this report, the Company was a party to the following agreements with members of its holding company system as of December 31, 2016:

Intercompany Service Agreement (Pool)

Effective January 1, 2008, and as amended January 1, 2010 and March 31, 2011, the Company and all other entities that are members of the Pool entered into an agreement with ZAIC to provide a variety of administrative and back-office support type services to the participating entities at cost. Services include accounting, human resources related, group management, compliance and risk management, procurement services, tax, information technology (IT), financial and overall business management services. The financial category includes budgeting, cash management, investment management and analysis and investment advisory services. Costs are to be allocated out to each entity based upon actual or agreed upon methodology, with monthly reporting and settlement to follow within a stated maximum number of days.

Intercompany Tax Sharing Agreement

The Company is a participant in a tax sharing agreement with all of the direct and indirect subsidiaries of ZHCA. The Tax Sharing Agreement was originally effective in December 1981, and subsequently Amended and Restated in its entirety with an effective date of January 1, 2006. The Company's federal income tax return is consolidated with other affiliated entities within the ZHCA holding company group. The agreement sets out the method of allocating tax between the companies, which in general provides that the allocation is

to be based upon separate return calculation with no immediate benefit for a taxable loss. Intercompany tax balances are to be settled within thirty days following applicable transactions.

TERRITORY AND PLAN OF OPERATION

Territory:

The Company is licensed only in the State of Delaware in which it did not write any direct business during the exam period. However, Steadfast was eligible to operate as a surplus lines insurer in all the remaining states, the District of Columbia, Guam, Puerto Rico and the U. S. Virgin Islands.

Of the Company's 2016 \$1.243 billion gross written premiums, \$9.8 million was written in other alien territories (or less than 1% of the total). A majority of the business written in the other alien territories was due to customers in North America having operations in alien territories. This business was written by Zurich Insurance Group affiliates who were authorized to write in those countries and this business was ceded back to the Company.

Plan of Operation:

The Company utilizes the resources of ZAIC to market its products. In 2016, direct written premium for the Company was produced by a combination of approximately 8,593 independent and general agencies, 336 insurance brokers which are supported by the Zurich Insurance Group network of four regional offices and 63 field offices. In most instances, these agencies and brokers also represent other companies that compete with the Zurich Insurance Group companies.

The Company wrote primarily Other Liability business on an occurrence and claims made basis and Commercial auto liability business in those remaining states and alien

territories during the exam period. The Other Liability (occurrence and claims made) and commercial auto liability lines of business comprised approximately 71% of its total direct written premium. 53.4% of the Companies business was written in six states, California, Texas, New York, New Jersey, Illinois and Florida being the top producing states in 2016.

REINSURANCE

The Company reported the following distribution of premiums written as of December 31, 2016 and the prior examination date of December 31, 2011:

	<u>2016</u>	<u>% GPW</u>	<u>2011</u>	<u>% GPW</u>
Direct business	\$ 1,076,111,215	86.6%	\$ 946,251,084	82.2%
Reinsurance assumed from affiliates	130,090,879	10.5%	170,895,884	14.8%
Reinsurance assumed from non-affiliates	36,546,221	2.9%	33,923,605	2.9%
Gross premiums written	<u>\$ 1,242,748,315</u>	<u>100.0%</u>	<u>\$ 1,151,070,573</u>	<u>100.0%</u>
Reinsurance ceded to affiliates	\$ 828,106,168	66.6%	\$ 890,547,113	77.4%
Reinsurance ceded to non-affiliates	414,642,147	33.4%	260,523,460	22.6%
Total ceded	<u>\$ 1,242,748,315</u>	<u>100.0%</u>	<u>\$ 1,151,070,573</u>	<u>100.0%</u>
Net premiums written	<u>\$ 0</u>	<u>0.0%</u>	<u>\$ 0</u>	<u>0.0%</u>

Zurich Pool

Effective January 1, 2009 (and last amended January 1, 2012), the Company entered into an Amended Intercompany Pooling Agreement. This agreement superseded the Amended and Restated Intercompany Pooling Agreement originally entered on January 1, 1999. As of 2016, a total of eleven (11) affiliated insurers participated in the agreement. ZAIC is the lead company in the Pool. The agreement provides that all transactions included in the net income or loss resulting from each participant's underwriting operations and the related asset and liability accounts after effects of third-party reinsurance are distributed to ZAIC with no retrocession. As a result of the agreement, the only remaining assets, liabilities and income items on the Company's balance sheet and income statement were related to statutory deposits, investments, investment income, third-

party reinsurance balances not previously settled with ZAIC and balances that result from timing differences. The agreement also states that ZAIC is liable for any participant amounts disallowed relating to unauthorized reinsurers and non-admitted assets.

As of December 31, 2016, the following eleven insurers participated in the Pool:

1. Zurich American Insurance Company (NY) (Pool Lead)
2. Steadfast Insurance Company (DE)
3. American Zurich Insurance Company (IL)
4. Empire Indemnity Insurance Company (OK)
5. Zurich American Insurance Company of Illinois (IL)
6. Fidelity and Deposit Company of Maryland (MD)
7. Colonial American Casualty and Surety Company (MD)
8. Empire Fire and Marine Insurance Company (NE)
9. American Guarantee and Liability Insurance Company (NY)
10. Universal Underwriters Insurance Company (IL)
11. Universal Underwriters of Texas Insurance Company (IL)

Assumed

As noted in the above premium chart, the majority of assumed business comes from affiliates. The Company has a customer base that has an international operation thus in order to provide full services to its customer base, the Company utilizes Zurich Insurance Group international businesses to write coverage in territories in which the Company is not authorized and an authorized Zurich Insurance Group affiliate company writes the coverage and cedes the business back to the Company.

Ceded

The Company cedes business prior to pooling to non-affiliates for risks that do not fit into the overall Zurich Insurance Group Risk Profile. In addition, business written for a

Steadfast Insurance Company

specific program was ceded to an insured owned captive. All business left after cessions to non-affiliates are ceded directly to ZAIC as part of the pooling arrangement.

FINANCIAL STATEMENTS

Financial statements, as reported and filed by the Company with the Department are reflected in the following:

- Statement of Assets
- Statement of Liabilities, Capital and Surplus
- Statement of Income
- Reconciliation of Capital and Surplus

Statement of Assets
As of December 31, 2016

	<u>Assets</u>	<u>Non admitted Assets</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 270,830,929	\$ 0	\$270,830,929	1
Common stocks	230,734,759		230,734,759	2
Cash, Cash Equivalents and Short-term Investments	(3,102,461)		(3,102,461)	1
Other invested assets	0		0	
Receivables for securities	0		0	
Securities lending reinvested collateral assets	1,515,000		1,515,000	
Subtotals, cash and invested assets	<u>\$ 499,978,227</u>	<u>\$ 0</u>	<u>\$499,978,227</u>	
Investment income due and accrued	2,077,662		2,077,662	
Uncollected premiums and agents' balances in the course of collection	23,175,874		23,175,874	
Deferred premiums, agents' balances booked but not due	0		0	
Amounts recoverable from reinsurers	71,726,263		71,726,263	
Current federal and foreign income tax recoverable and interest thereon	0		0	
Net deferred tax asset	82,103		82,103	
Receivable from parent, subsidiaries and affiliates	8,889,719		8,889,719	
Totals	<u><u>\$ 605,929,846</u></u>	<u><u>\$ 0</u></u>	<u><u>\$605,929,846</u></u>	

Statement of Liabilities, Capital and Surplus
As of December 31, 2016

	Current Year	Note
Losses	\$0	
Reinsurance payable on paid losses and LAE	0	
Loss Adjustment expenses	0	
Commissions payable, contingent commissions	0	
Other Expenses	61,332	
Taxes, licenses and fees	0	
Current federal and foreign income taxes	1,816,717	
Unearned premiums	0	
Advanced premiums	0	
Dividends declared and unpaid: Policyholders	0	
Ceded reinsurance premiums payable	103,791,855	
Funds held by company under reinsurance treaties	0	
Amounts withheld or retained by company for account of others	0	
Remittances and items not allocated	0	
Provisions for reinsurance	0	
Payable to parent, subsidiary and affiliates	0	
Payable for securities	0	
Payable for securities lending	1,515,000	
Total liabilities	<u>\$107,184,904</u>	
Common capital stock	\$ 4,100,000	
Gross paid in and contributed capital	483,640,590	
Unassigned funds (surplus)	<u>11,004,352</u>	
Surplus as regards policyholders	<u>\$ 498,744,942</u>	
Totals	<u><u>\$ 605,929,846</u></u>	

Statement of Income
For the Year Ended December 31, 2016

		<u>Notes</u>
Premiums earned	\$ 0	
Losses incurred	\$ 0	
Loss adjustment expenses incurred	0	
Other underwriting expenses incurred	0	
Total underwriting deductions	<u>\$ 0</u>	
Net underwriting gain (loss)	<u>\$ 0</u>	
Net investment income earned	6,593,056	
Net realized capital gains or (losses)	458,988	
Net investment gain (loss)	<u>\$ 7,052,044</u>	
Net gain (loss) from agents' or premiums balances charged off	\$ 0	
Finance and service charges not included in premiums		
Miscellaneous income	0	
Net interest on funds held		
Miscellaneous other income (expenses)		
Foreign exchange gain (loss)		
Total other income	<u>\$ 0</u>	
Net income before dividends to policyholders	7,052,044	
Dividends to policyholders	<u>0</u>	
Net income, after dividends to policyholders	\$ 7,052,044	
Federal and foreign income taxes incurred	551,069	
Net income	<u>\$ 6,500,975</u>	
Surplus as regards policyholders, December 31, 2015	<u>\$ 499,590,041</u>	
Net income (losses)	6,500,975	
Change in net unrealized capital gains (losses)	4,440,246	
Change in net unrealized foreign exchange gains (losses)	0	
Change in net deferred income tax	13,680	
Change in non-admitted assets	0	
Change in provision for reinsurance	0	
Surplus adjustment: Paid in	0	
Dividends to stockholders	(11,800,000)	
Change in provision for reinsurance ceded to pool members	<u>0</u>	
Net change in capital and surplus for the year	<u>\$ (845,099)</u>	
Surplus as regards policyholders, December 31, 2016	<u>\$ 498,744,942</u>	

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2011 to December 31, 2016

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
1/1/2012	\$ 4,100,000	\$ 418,640,590	\$ 19,558,271	\$ 442,298,861
12/31/2012 1			21,647,603	21,647,603
12/31/2012 2			(19,500,000)	(19,500,000)
12/31/2013 1			7,268,119	7,268,119
12/31/2013 2			(21,700,000)	(21,700,000)
12/31/2014 1			13,370,675	13,370,675
12/31/2014 2			(7,200,000)	(7,200,000)
12/31/2015 1			11,804,782	11,804,782
12/31/2015 2			(13,400,000)	(13,400,000)
12/31/2015 3		65,000,000		65,000,000
12/31/2016 1			10,954,901	10,954,901
12/31/2016 2			(11,800,000)	(11,800,000)
Rounding			1	1
	<u>\$ 4,100,000</u>	<u>\$ 483,640,590</u>	<u>\$ 11,004,352</u>	<u>\$ 498,744,942</u>

- (1) Represents net income, change in unrealized capital gain (losses), change in net deferred income tax and change in non-admitted assets.
- (2) Dividends to stockholder.
- (3) Surplus adjustment: Paid in. Received \$65 million contribution from ZAIC which was contributed by Steadfast to American Zurich Insurance Company.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS FROM EXAMINATION

There were no financial adjustments to the Company's financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENTS

Note 1 Schedule D – Bonds \$ 270,830,929

As of December 31, 2016, the Company reported total bond investments with book adjusted carrying values in the amount of \$270,830,929 and fair market values of \$272,673,485. The Company reported an additional \$21,539,450 in money market mutual

funds at book adjusted carrying value as short-term investments for total investment holdings of \$292,370,379. Bonds were comprised of the following classes:

	<u>Statement Value</u>	<u>% of Total</u>
U.S. Government Bonds	\$ 68,573,469	23.5%
Other Governments	123,341,625	42.2%
U.S. States, Territories & Possessions - Guaranteed	0	0.0%
U.S. Political Subdivisions	0	0.0%
U.S. Special Revenue - Issuer Obligations	0	0.0%
Industrial & Miscellaneous	78,915,835	27.0%
Sub-total Bonds (Schedule D)	<u>\$ 270,830,929</u>	<u>92.6%</u>
Schedule DA - Short Term Investments	<u>\$ 21,539,450</u>	<u>7.4%</u>
Total Investments	<u><u>\$ 292,370,379</u></u>	<u><u>100.0%</u></u>

Of the Company's total bond short-term holdings, 96.2% were categorized as Class 1 with respect to NAIC credit quality standards and were primarily publicly traded securities. Bond maturities were heavily weighted to the short-term relative to maturity with 40.1 %, 37.0%, 20.9% and 1.0% maturing in less than one year, one to five years, five to ten years and ten to twenty years respectively.

Note 2: Schedule D – Common Stocks \$ 230,734,759

As of December 31, 2016, the Company reported total common stocks in the amount of \$230,734,759, which was comprised 100% of stock in their subsidiary American Zurich Insurance Company (25,000 shares at \$9,229.39 per share).

Note 3: Losses \$0
 Loss Adjustment Expenses \$0

Due to the effect of the Pooling Agreement, all underwriting results and the related asset and liability accounts are ceded to ZAIC, the Pool Leader and parent of the Company.

SUBSEQUENT EVENTS

On June 22, 2017 the Board ratified the new registered office address for the Company in the State of Delaware as 251 Little Falls Drive, Wilmington, Delaware 19808.

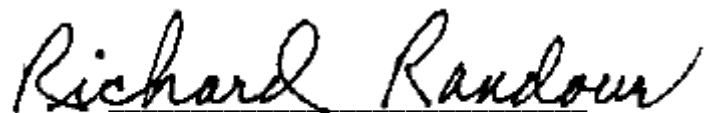
COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no recommendations contained in the prior examination report issued by the Department as of December 31, 2011.

CONCLUSION

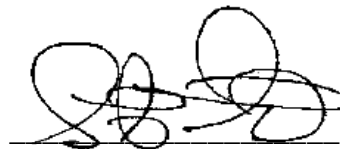
The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, Oliver Wyman, the consulting information systems specialist, Risk & Regulatory Consulting, the Company's outside audit firm, PricewaterhouseCoopers LLC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Richard Randour, CPA, CFE
Examiner In-Charge
State of Delaware

Respectfully submitted,



Steve Guest, CPA, CFE
Supervising Examiner
State of Delaware