

DISSOLUTION REPORT
OF
AMERICAN SPECIAL RISK INSURANCE COMPANY

AS OF

NOVEMBER 30, 2021

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON DISSOLUTION EXAMINATION
OF
AMERICAN SPECIAL RISK INSURANCE COMPANY
AS OF
NOVEMBER 30, 2021

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.

Trinidad Navarro
Insurance Commissioner

Dated this 27 day of December, 2021

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December 15, 2021

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority 21.031, dated October 14, 2021, a Dissolution Examination has been made of the affairs, financial condition and management of

AMERICAN SPECIAL RISK INSURANCE COMPANY

hereinafter referred to as ASRIC or Company. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 306 State Street, Dover, Delaware 19901. The administrative offices of the Company are located at 200 East Randolph Street, 10th Floor, Chicago, Illinois 60601. The examination was conducted remotely given office closures and travel restrictions in connection with the COVID-19 pandemic. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

This Dissolution Report is related to a limited-scope examination and is not intended to communicate all matters of importance for an understanding of the Company's financial condition. The last full-scope financial examination of the Company was performed by the Delaware

Department of Insurance (Department) as of December 31, 2015. This Dissolution Examination is as of November 30, 2021.

As a result of a shareholder decision, the Company is to be dissolved. Accordingly, this Dissolution Examination was performed by the Department to:

- Verify the remaining cash and invested assets of the Company and review the nature and extent of any operating receivables that may exist.
- Verify the Company has no gross or net policyholder liabilities or other material liabilities other than residual general operating expenses.
- Review documents as necessary to verify reported balances, disclosures and management representations in connection with the Company's dissolution.

HISTORY

The Company was incorporated on July 13, 1977, under the laws of the State of Delaware as Cranford Insurance Company and began business on October 21, 1977. On January 1, 1981, the Company changed its name to American Special Risk Insurance Company. The Company was ultimately controlled by Alexander Howden Group, Ltd. (Howden) until Howden was acquired by Alexander & Alexander Services, Inc. (Alexander & Alexander) on November 23, 1981. The Company was placed into voluntary run-off in October 1983. Alexander & Alexander was acquired by a subsidiary of Aon Corporation on January 15, 1997. Alexander and Alexander was renamed Aon Group, Inc. on December 31, 1997. On April 12, 2012, a reorganization of the corporate structure of the group of companies controlled by Aon Corporation was completed and Aon Corporation was merged with one of its indirect wholly owned subsidiaries. As part of this reorganization, Aon plc was formed and redomesticated to the United Kingdom. Aon plc, or its predecessor, has maintained ultimate control of the Company since 1997.

Aon plc had or its predecessor elected to maintain the Company as a dormant shell believing it may provide strategic value. However, in 2021 it was determined the best course was to surrender the Company's Certificate of Authority and take steps to file a Certificate of

Dissolution with the Department. The Company's Board of Directors (Board) approved its dissolution plan on November 19, 2021.

PROCEDURES PERFORMED

Procedures performed for the period January 1, 2016 through November 30, 2021 and subsequently included:

- A review of the Company's 2020 *National Association of Insurance Commissioners* (NAIC) Annual Statement and the September 30, 2021 NAIC Quarterly Statement.
- A review of the Company's general ledger for the period from January 1, 2016 through November 30, 2021.
- A review of the Company's custodian account statements as of December 31, 2020 and as of November 30, 2021.
- A review of the Company's shareholder and Board meeting minutes from January 1, 2016 through November 30, 2021.
- A review of the Company's significant related party agreements in effect as of November 30, 2021.
- A review of the Company's potential gross and net policyholder liabilities.
- A review of the Company's potential operating receivables and potential other liabilities.
- A review of the Company's reinsurance agreement in effect during the examination period.
- A review of the Company's exemption from filing audited statutory financial statements and an Actuarial Opinion for the year ended December 31, 2020, as approved by the Department.

SUMMARY CONCLUSIONS

The following is a summary of significant conclusions pertaining to the Company's proposed dissolution as determined by the examination procedures performed. This examination reviewed the following segments to ensure that the Company complied with the dissolution requirements of the Department and ensure there were no unidentified material liabilities.

Corporate Records

The recorded minutes of the Shareholder and Board were reviewed for the period under examination. The minutes of the Shareholder and Board contained approval of the Company's

dissolution, which is contingent upon the approval by the Department.

Related Party Agreements

The following related party agreements were reviewed for the period under examination:

Cost Sharing Agreement

In 1997, the Company became a party to a cost sharing agreement with Aon Corporation and its eligible subsidiaries that was originally executed on January 1, 1985. In accordance with the agreement, the Company is eligible to receive services, facilities, equipment and tangible and intangible property including but not limited to: contributions, executive office, financial related services, treasury and payroll, internal audit, corporate tax, risk management, human resources, actuarial, information systems, building rent, law department and other miscellaneous services. Costs of these services are allocated based on proportionate utilization determined by time studies, actual utilization, actual floor space and other factors stated in the agreement. This agreement will be canceled upon approval of the dissolution by the Department and upon final settlement.

Tax Sharing Agreement

In 1997, the Company became a party to a tax sharing agreement with Aon Corporation and its subsidiaries that was originally executed on January 1, 1994, and amended and updated from time to time, thereafter. The tax allocation agreement provides for tax allocation between Aon Corporation and various participating subsidiaries. This agreement will be canceled upon approval of the dissolution by the Department and upon final settlement.

Reinsurance Agreement

The following significant reinsurance agreement in effect during the examination period was reviewed:

In 2009, the Company transferred and assigned all of its policy liabilities as well as all of

its rights, interests, duties, obligations, responsibilities and liabilities under the policies by way of an Indemnification, Substitution and Assumption Reinsurance and Administrative Services Agreement with Atlanta International Insurance Company (AIIC). The intent of the transaction was for the Company to both assign to AIIC all policy liabilities and for AIIC to effectively assume the Company's obligations with respect to these policies as well as all remaining policy administration duties. In accordance with the agreement, AIIC was granted full power to do everything whatsoever required or necessary to be done in the place of the Company with respect to the policy liabilities. AIIC is ultimately controlled by Berkshire Hathaway, Inc., and claims administration is performed by Resolute Management, Inc.

The examination reviewed final policyholder settlements in accordance with this agreement during the examination period and noted no outstanding policyholder or reinsurance balances due or outstanding as of November 30, 2021. The Company's management indicated this reinsurance agreement will not be terminated.

Custodial Agreement

The examination reviewed the Company's assets held under custody agreements during the examination period. Effective February 8, 2008, the Company entered into a Custodial Agreement with BNY Midwest Trust Company (BNYMTC). The examination verified BNYMTC held the Company's invested assets other than cash equivalents held as statutory deposits with the Department as of November 30, 2021.

Policyholder Liabilities

The examination performed procedures to verify the Company had no outstanding gross or net policyholder liabilities, including incurred but not reported claims as of November 30, 2021.

Balance Sheet

The Company's 2020 NAIC Annual Statement, September 30, 2021 NAIC Quarterly Statement and subsequent transactions were reviewed as part of this examination. Significant transactions, reported balances, disclosures and management representations were reviewed and verified.

The following Statement of Assets, Liabilities and Policyholder Surplus was compiled from the Company's November 30, 2021 general ledger:

**Statement of Assets, Liabilities and Policyholder Surplus
As of November 30, 2021**

Assets

Cash, cash equivalents and short-term investments	\$ 820,169
Total	<u>\$ 820,169</u>

Liabilities

Other Expenses	\$ 177
Total	<u>\$ 177</u>

Policyholder Surplus

Common capital stock	\$ 540,000
Gross paid in and contributed surplus	8,704,181
Unassigned funds (surplus)	<u>(8,424,189)</u>
Total	<u>\$ 819,992</u>

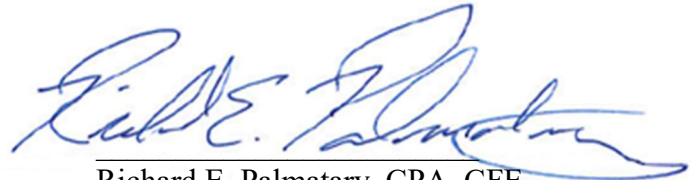
Total Liabilities and Policyholder Surplus	<u>\$ 820,169</u>
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The Company has complied with the dissolution requirements of the Department. The examination was conducted by the undersigned.

Respectfully Submitted,



Nicholas R. O'Dell
Examiner-In-Charge
Delaware Department of Insurance



Richard E. Palmatary, CPA, CFE
Supervisor In Charge
Delaware Department of Insurance

I, Nicholas R. O'Dell, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Exam Authority No. 21.031.

A handwritten signature in black ink, appearing to read "Nicholas R. O'Dell", written in a cursive style.

Nicholas R. O'Dell