EXAMINATION REPORT

OF

TOKIO MARINE SPECIALTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2020

TRINIDAD NAVARRO
COMMISSIONER

STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION

OF

TOKIO MARINE SPECIALTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2020

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 31 day of May, 2022

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May 3, 2022

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 Examination Certification No. 21.021, dated February 1, 2021, an examination has been made of the affairs, financial condition and management of

TOKIO MARINE SPECIALTY INSURANCE COMPANY

hereinafter referred to as TMSIC or the Company. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Corporation Trust Center, Wilmington, Delaware 19801. The administrative offices of the Company are located at Three Bala Plaza East, Suite 400, Bala Cynwyd, Pennsylvania 19004. The examination was conducted remotely due to the COVID-19 pandemic. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The previous examination was conducted as of December 31, 2015, by the Department and covered the five-year period from January 1, 2011 through December 31,

2015. This examination covers the five-year period from January 1, 2016 through December 31, 2020.

The examination was performed as part of the multi-state coordinated examination of The Philadelphia Insurance Companies group of regulated entities, wherein the State of Pennsylvania Insurance Department is the lead state and Delaware is a participating state. 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 Laws 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.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in the Company's Financial Statements as a result of this examination.

COMPANY HISTORY

Effective November 1, 2012, Philadelphia Insurance Company changed its name to TMSIC and redomesticated from the Commonwealth of Pennsylvania to the State of Delaware. The Company is licensed in Delaware and approved for excess and surplus lines business in fifty states, the District of Columbia and the U.S. Virgin Islands. The Company is a wholly owned subsidiary of Philadelphia Consolidated Holding Corp. (PCHC) an insurance holding company domiciled in the Commonwealth of Pennsylvania. PCHC is a wholly owned subsidiary of Tokio Marine North America, Inc. (TMNA). TMNA is an insurance holding company domiciled in the State of Delaware.

The Company focuses on underwriting the group's niche products on a surplus lines basis in those jurisdictions in which the products are not offered on an admitted basis. Through the intercompany reinsurance pooling agreement with its affiliate Philadelphia Indemnity Insurance Company (PIIC), the Company assumes premiums from commercial insurance products which include commercial multi-peril package insurance targeting specialized niches, including, among others, non-profit organizations, condominium associations, private, vocational and specialty schools, religious organizations, day care facilities, commercial automobile insurance, property insurance for large commercial accounts, inland marine products, select classes of professional liability and management liability products and surety business.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 2,000,000 shares of common stock with a $14.25 par value. As of December 31, 2020, the Company had 299,996 common shares issued and outstanding totaling $4,274,943. All outstanding common shares of the Company are owned by PCHC. As of December 31, 2020, the Company reported gross paid in and contributed surplus of $18,642,853.

Dividends

The Company paid shareholder dividends totaling $95,123,000 during the examination period. The dividends declared and paid for each year were authorized by the Company's Board of Directors (Board) and notice of the dividend declaration was properly provided to the Department as required by 18 *Del. C.* §5004 (e).

Date of notice to Department	Amount	Approved by Board	Paid Date
September 30, 2016	$19,500,000	October 14, 2016	October 20, 2016
October 3, 2017	$19,750,000	October 16, 2017	October 23, 2017
October 9, 2018	$19,000,000	October 17, 2018	October 24, 2018
September 24, 2019	$19,000,000	October 21, 2019	October 28, 2019
October 14, 2020	$17,873,000	October 22, 2020	October 29, 2020

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by or under the direction of its Board. In accordance with the Company's bylaws, the shareholders shall elect a Board consisting not less than three (3) nor more than eighteen (18) members who shall hold office for one year or until their successors are elected and qualified.

Directors duly elected and serving as of December 31, 2020, were as follows:

Name	Title
John Glomb	President, Philadelphia Insurance Companies
Karen Ann Gilmer-Pauciello	Executive Vice-President, Chief Financial Officer and Treasurer, Tokio Marine North America, Inc.
Thomas Bruce Meyer	Retired
Donald Arthur Pizer	Retired
Robert Daniel O'Leary	Chairman and Chief Executive Officer, Philadelphia Insurance Companies
Michael Joseph Morris	Retired
Shuhei Furuta	Vice President, Tokio Marine North America, Inc.

Officers

The Company's officers were elected in accordance with the bylaws during the period under examination. The Company's bylaws state that the Board shall elect a President and may elect a Chairman of the Board. Other officers may be appointed by or under the authority of the Board. The Company's jurat page officers serving as of December 31, 2020, were as follows:

Name	Title
John Glomb	President
Robert O'Leary	Chief Executive Officer
Karen Ann Gilmer-Pauciello	Executive Vice-President, Chief Financial Officer and Treasurer
Edward Fabian Sayago	Secretary

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including approval of investment transactions as required by 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination as required by 18 *Del. C.* § 4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system known as PCHC as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. The Company is a direct subsidiary of PCHC. The following is an abbreviated organizational chart of the insurance holding company system as of December 31, 2020:

Tokio Marine Holdings, Inc.
- Tokio Marine & Nichido Fire Insurance Co., Ltd. (100%)
  - Tokio Marine North America, Inc. (100%)
    - Philadelphia Consolidated Holding Corp. (100%)
      - Philadelphia Indemnity Insurance Company (100%)
      - **Tokio Marine Specialty Insurance Company (100%)**

Agreements with Affiliates

The following is a summary of the Company's significant affiliated agreements in-force as of December 31, 2020:

Services Agreement

Effective July 3, 2012, the Company has entered into a Services Agreement with TMNA Services, LLC (TMNAS), whereby TMNAS will provide accounting, human resources, legal, actuarial, enterprise risk management and information technology services. TMNAS was established in 2012 as the non-insurance shared services company of TMNA.

Management Agreement

Effective March 22, 2013, the Company has an Amended and Restated Management Agreement with Maguire Insurance Agency, Inc. (MIA), an affiliated captive Underwriting Manager. MIA provides marketing and underwriting services to TMSIC.

Administrative Service Agreement

The Company is party to the Excess and Surplus Lines Broker and Administrative Services Agreement with PHLY E&S Insurance Solutions, Inc. (PHLY E&S), effective October 1, 2019, whereby PHLY E&S, in accordance with the limited binding authority guidelines attached to the agreement, will be authorized to market and present proposals of insurance to the Company for its acceptance, as well as bind insurance and amendments thereto.

Tax Sharing Agreement

Effective March 31, 2012, the PCHC entities are party to a Tax Sharing Agreement with TMNA and file income taxes as a member of the consolidated TMNA tax return. U.S. federal income taxes are allocated to the individual TMNA entities as if they were filing their own separate company returns, except those benefits for tax losses and attributes are recorded when utilized in the TMNA consolidated return.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2020, the Company is licensed in Delaware and approved for excess and surplus lines business in all fifty states, the District of Columbia and the U.S. Virgin Islands.

Plan of Operation

The Company's business plan focuses on underwriting the group's niche products on a surplus lines basis in those jurisdictions in which the products are not offered on an admitted basis.

The Company's direct premiums written were $220.8 million in 2020 as compared to $206.3 million in 2015. Through the intercompany reinsurance pooling agreement with its affiliate PIIC, the Company assumes premiums from commercial insurance products which include commercial multi-peril package insurance targeting specialized niches, including, among others, non-profit organizations, condominium associations, private, vocational and specialty schools, religious organizations, day care facilities, commercial automobile insurance, property insurance for large commercial accounts, inland marine products, select classes of professional liability and management liability products, and surety business.

REINSURANCE

The Company reported the following distribution of premiums written for the year ended December 31, 2020 and the prior examination date of December 31, 2015:

	2020	% GPW	2015	% GPW
Direct Business	$ 220,814,207	57.6%	$ 206,287,384	59.2%
Reinsurance assumed from affiliates	162,548,741	42.4%	141,904,399	40.8%
Gross premiums written	$ 383,362,948	100%	$ 348,191,783	100%
Reinsurance ceded to affiliates	$ 185,008,159	48.3%	$ 171,136,153	49.1%
Reinsurance ceded to non-affiliates	35,806,047	9.3%	35,151,231	10.1%
Total ceded	$ 220,814,206	57.6%	$ 206,287,384	59.2%
Net premiums written	$ 162,548,741	42.4%	$ 141,904,399	40.8%

Affiliated Reinsurance

Pooling Agreement

PIIC and the Company entered into a reinsurance and pooling agreement effective October 1, 2004, and subsequent whereby the Company cedes to PIIC (the lead company) 100% of its net reserves for: losses and loss adjustment expenses, unearned premium and underwriting expenses of the net insurance business produced, secured and written by the Company. In addition, effective

October 1, 2004, PIIC cedes to the Company 5% of PIIC's and the Company's combined net reserves for: losses and loss adjustment expenses, unearned premium and underwriting expenses of PIIC and the Company of all the combined net insurance business produced, secured and written by PIIC and the Company.

The pooling participants and each of their percentage participations in the pooled results effective October 1, 2004, and subsequent are as follows:

Insurer	**NAIC Code**	**Participation Percentage**
Philadelphia Indemnity Insurance Company	18058	95%
Tokio Marine Specialty Insurance Company	23850	5%

Each pool participant has a contractual right of direct recovery from its reinsurance treaties and its facultative reinsurers. Each pool participant also establishes its own provision for reinsurance and write-off of uncollectible reinsurance relating to their reinsurance treaties and facultative reinsurance. After all cessions to non-affiliated reinsurers, all business written by each of the pool participants is subject to pooling. There are no discrepancies between the assumed and ceded reinsurance schedules of the pool participants. As of December 31, 2020, the net intercompany pooling amounts due to/from the PIIC and TMSIC were as follows:

Insurer	**Net Amount Receivable/(Payable)**
Philadelphia Indemnity Insurance Company	$243,493
Tokio Marine Specialty Insurance Company	($243,493)

<u>Assumed Reinsurance</u>

The pooling agreement with the Company's affiliate, PIIC, on December 31, 2020, is the only assumed business.

Ceded Reinsurance

The Company's reinsurance program is placed through intermediaries or directly with the reinsurer. Where intermediaries were used, the Company has the requisite contract in place with the intermediary with at least all of the statutory language required. The Company has multiple active treaties in place on December 31, 2020, which are categorized as follows (treaties not considered material were not reflected in this examination report).

Casualty Excess of Loss

The treaty was originally placed by Willis Re, Inc. (Willis), but the Company changed intermediaries in August 2015, such that the 2016 and subsequent renewals will be with Guy Carpenter & Company, LLC (Guy Carpenter), a licensed reinsurance intermediary. Willis continues to process loss notices and collections for all reinsurance contracts on which they brokered prior to 2016. The treaty provides that casualty, liability, and fidelity risks in excess of $3,000,000 are ceded up to a limit of $18,000,000 with no reinsurer limit.

The participants are: Allied World Reinsurance Company, Aspen Insurance UK Limited, General Reinsurance Corporation (GenRe), QBE Reinsurance Corporation, Ryan Re (Nationwide Mutual Ins. Co.), SCOR Reinsurance Company, Swiss Reinsurance America Company (Swiss Re), Toa Re America, Transatlantic Reinsurance Company (TransRe) and XL Reinsurance America, Inc. All reinsurers are at least "A" rated by A.M. Best, and participate at levels from 0.5% to 16.0% with a total placement of 80% (20% co-participation).

Casualty Clash Excess of Loss

The treaty was originally placed by Willis, but the Company changed intermediaries in August 2015, such that the 2016 and subsequent renewals will be with Guy Carpenter. Willis will continue to process loss notices and collections for all reinsurance contracts on which they brokered prior to 2016. Casualty and liability risks are protected from exposures such as extra-contractual obligations and judgments in excess of policy limits through four coverage layers as follows:

1st Excess of Loss Layer - $5.0 million in excess of $5.0 million with a $10.0 million reinsurer limit, all loss occurrences and an annual terrorism limit of $5.0 million.

2nd Excess of Loss Layer - $10.0 million in excess of $10.0 million with a $20.0 million reinsurer limit, all loss occurrences and an annual terrorism limit of $10.0 million.

3rd Excess of Loss Layer - $10.0 million in excess of $20.0 million with a $20.0 million reinsurer limit, all loss occurrences and an annual terrorism limit of $10.0 million.

4th Excess of Loss Layer - $10.0 million in excess of $30.0 million with a $20.0 million reinsurer limit, all loss occurrences and an annual terrorism limit of $10.0.

There are twelve external reinsurers who fully subscribe each layer at varying percentages. 96% of each layer is placed with unaffiliated reinsurers, and 4% is placed with Tokio Marine GRV Re, Inc. (GRV Re) on each layer as well. All the reinsurers are rated “A” by A.M. Best.

Also, an errors and omissions insurance policy provides an additional $45.0 million of coverage with respect to these exposures.

Property per Risk Excess

The Company’s Property Per Risk excess of loss reinsurance treaty provides for coverage of $90.0 million of loss in excess of a $10.0 million retention in three Layers. In addition, there is an Underlying Property Per Risk Treaty in 2020 for $5.0 million of coverage in excess of a $5.0 million retention, each risk, subject to a $10.0 million annual aggregate deductible. All layers are placed from 11 reinsurers to up to nineteen reinsurers through Guy Carpenter. All the reinsurers except for one (rated as NR-4) are rated at least "A" by A.M. Best, with the one NR-4 being rated NR-4 by Standard and Poor's. The layers are defined as follows:

Underlying Per Risk Excess Layer – $5.0 million in excess of $5.0 million – and excess of a $10.0 million annual aggregate deductible. In this Treaty, reinsurance coverage applies only after $10.0 million of loss otherwise recoverable under the $5.0 million in excess of $5.0 million coverage has been incurred by the Company. Limits are provided by eleven Reinsurers at varying participation percentages aggregating to a 100% total participation. The loss limit on each loss occurrence in this Contract is $5.0 million. However, this Treaty provides for three free reinstatements, with the aggregate loss limit for all loss occurrences in this Treaty being $20.0 million.

1st Per Risk Excess Layer - $10.0 million in excess of $10.0 million, limits are provided in this Layer by fifteen Reinsurers at varying participation percentages aggregating to a 100% total participation with GenRe at 30% which is fully subscribed by GenRe. The loss limit on each loss occurrence in this layer is limited to $20.0 million. However, this layer provides for three free reinstatements. The aggregate loss limit for all loss occurrences in this layer is $40.0 million.

2nd Per Risk Excess Layer - $30.0 million in excess of $20.0 million, which is fully provided in this Layer by eighteen Reinsurers at varying participation percentages aggregating to a 100% total participation (Tokio Marine & Nichido Fire (Japan) (TMNF) at 25% and GenRe at 20%) which is fully subscribed by GenRe. The loss limit on each loss occurrence in this layer is limited to $30.0 million. However, this layer provides for two paid reinstatements (one PHLY and one First Insurance Company of Hawaii (FICOH)). The aggregate loss limit for all loss occurrences in this layer is $90.0 million but with a maximum limit of $60.0 million available for the Company and a maximum limit of $60.0 million available for FICOH.

3rd Per Risk Excess Layer - $50.0 million in excess of $50.0 million, with 75% subscribed to by various unaffiliated reinsurers and 25% with TMNF. The loss limit on each loss occurrence in this layer is limited to $50.0 million. However, this Layer provides for one paid reinstatement. The aggregate loss limit for all loss occurrences in this Layer is $100.0 million.

The property excess of loss reinsurance treaties discussed above provide for terrorism coverage in the aggregate of $90.0 million in excess of $10.0 million retention. All three of the Property Per Risk Layers, totaling $90.0 million in excess of $10.0 million, are shared with FICOH.

Wildfire Property Per Risk Treaty – A Property Per Risk Treaty covering property wildfire losses was renewed by the Company for one year, with an effective date of January 1, 2020, (prior Treaty period of April 15, 2019, thru April 15, 2020,was cutoff at December 31, 2019). Coverage on this Treaty is for $5.0 million in excess of $5.0 million, each Loss, each Risk, with a total limit for all losses of $20.0 million. This Treaty has three free reinstatements and the limits are provided by fourteen Reinsurers at varying participation percentages aggregating to a 100% total participation.

Catastrophe Excess of Loss

Effective June 1, 2020, the property catastrophe program for open-market catastrophe reinsurance coverage is $625.0 million in excess of a $100.0 million per occurrence retention. The Company has two layers of coverage under the treaty, which is placed through Guy Carpenter. The open-market catastrophe program has coverage provided by large reinsurers that are rated at least “A-” by A.M. Best Company. The layers are defined as follows:

> Property Cat XOL Treaty – Nationwide Coverage - $400.0 million in excess of $100.0 million for Nationwide catastrophe coverage, with this coverage also being shared with a related affiliated company, FICOH, whose risk exposure is in Hawaii only. This treaty is 100% placed with various unaffiliated reinsurers at 25% and 75% with TMNF. This Treaty provides Terrorism coverage in an amount equal to the $400.0 million Treaty limit, but not for Terrorism loss caused by Nuclear, Biological, Chemical, or Radiological terrorism incidents. This layer includes one mandatory reinstatement.
>
> Property Cat XOL Treaty – Northeast Coverage – $225.0 million in excess of $500.0 million Northeast coverage only. This treaty is 100% placed with various unaffiliated reinsurers at 25% and 75% with TMNF. This Treaty is not shared with FICOH, and does not provide Terrorism coverage. This layer includes one mandatory reinstatement. This Northeast Only catastrophic excess of loss coverage will only apply to losses occurring in the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont and the Canadian provinces of Newfoundland, New Brunswick, Nova Scotia and Prince Edward Island.

Environmental Excess

Effective July 1, 2020, a treaty placed with Guy Carpenter, covers Environmental Impairment Liability, including Professional Liability when such business is written as part of an Environmental Policy written by the Company. The Company has excess of loss reinsurance coverage on this Contract in excess of $2.0 million retention up to $25.0 million, in three layers as follows:

1st Excess of Loss Layer - $3.0 million in excess of $2.0 million

2nd Excess of Loss Layer - $5.0 million in excess of $5.0 million

3rd Excess of Loss Layer - $15.0 million in excess of $10.0 million.

The treaty is 100% placed in each excess layer – 90% with various unaffiliated reinsurers and 10% with GRV Re with Reinsurers on this Treaty being rated "A" or better by A.M. Best (one A- / Convex). Each Treaty Layer has multiple free and paid reinstatements applicable.

Surety Excess

Effective April 1, 2020, a treaty placed with Guy Carpenter, covers Surety Bonds written by the Company in excess of $4.0 million retention up to $75.0 million. Reinsurance coverage is provided in 3 Layers by eight Reinsurers who are rated "A" or better by A.M. Best Company. All 3 Layers include reinstatement coverage (Layer 1 = 1 Paid at 25%; 2 Paid at 50% and 1 Paid at 100%; Layers 2 & 3 = 1 Paid at 100%). Layers 1 and 2 of this reinsurance coverage is shared with FICOH; Layer 3 ($50.0 million in excess of $25.0 million) is Company only.

Facultative

The Company has a Property Facultative Binding Authority Agreement in effect, which is written directly with GenRe. This agreement covers risks for property losses in excess of $100.0 million up to $150.0 million, except for risks located in Florida, Hawaii or Harris County, Texas, where coverage for property losses is in excess of $100.0 million up to $130.0 million. In addition, this agreement provides for terrorism coverage in the aggregate of $50.0 million.

Facultative reinsurance that is provided on an individual risk basis is placed for property risks in excess of $150.0 million, except for risks located in Florida, Hawaii or Harris County, Texas, where facultative reinsurance coverage is placed for property risks in excess of $130.0 million.

The Company also has a Boiler and Machinery Facultative Agreement written directly with Travelers Indemnity Company, a Pennsylvania authorized reinsurer, which provides for 100% coverage up to a limit of $100.0 million.

In addition to the aforementioned facultative treaties, the Company purchases individual facultative coverage when considered appropriate.

Quota Share

The Company has five significant Quota Share reinsurance treaties with highly-rated companies, covering its Excess Liability (ExcessLiabQS), Fuel Dealer Casualty Quota Share (FuelDealersQS) and First and Third Party Cyber Liability (CyberQS) business. All ultimate assuming companies have a rating at least “A” by A.M. Best. A brief description of each follows:

> ExcessLiabQS – this treaty is placed by Guy Carpenter with fourteen unaffiliated reinsurers and provides varying (50% and 80%) Quota Share protection for this business classified by the Company as Excess and Umbrella liability business.
>
> FuelDealerQS and Excess – this treaty is placed with Swiss Re and provides liability coverage for policies covering primary and umbrella fuel dealers business

written by the Company. Primary fuel dealer policies are ceded to Swiss Re at 50%; Umbrella fuel dealer policies are ceded to Swiss Re at 75%.

CyberQS – this treaty is placed by Guy Carpenter and is subscribed to by Lloyds Syndicate – KILN 510 (a Tokio Marine affiliated Company) and provides 50% Quota Share protection for first and third party cyber liability policies, with higher Quota Share percentages applicable depending on the business classification of the covered policy insured.

HCCQS – this treaty is placed with an affiliated Company, Houston Casualty Company, covering Municipal Water District Policies referred by the Grundy Agency and written by the Company. These policies are then 85% ceded to Houston Casualty Company.

Product SpecificQS – this treaty is placed by Guy Carpenter at 50% (25% from GenRe and 25% with TransRe). The treaty covers specifically named Company Products – Property and Casualty Pool Contractors and Servicing business and Restaurant Program business. General and Automobile limits up to $1.0 million; Commercial Umbrella limits up to $5.0 million ($2.0 million for Pool Contractors and Servicing Policies); and Property Business limits up to $5.0 million are covered under this Quota Share Agreement for all lines of business except Boiler and Machinery.

The Company also has other Quota Share treaties for various insurance products that it writes, purchased on an "as needed" basis as determined by the Company's management.

FINANCIAL STATEMENTS

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

- Statement of Assets as of December 31, 2020
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2020
- Statement of Income for the Year Ended December 31, 2020
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2015 to December 31, 2020

Statement of Assets
as of December 31, 2020

	Assets	Non admitted Assets	Net Admitted Assets
Bonds	$ 486,966,858	$ -	$ 486,966,858
Common stocks	45,400	-	45,400
Cash and cash equivalents	8,266,803	-	8,266,803
Subtotals, cash and invested assets	$ 495,279,061	$ -	$ 495,279,061
Investment income due and accrued	$ 4,287,536	$ -	$ 4,287,536
Uncollected premiums and agents' balances	68,103,924	9,350,992	58,752,932
Deferred premiums, agents' balances and installments booked but deferred and not due	26,025,092	526,847	25,498,245
Amounts recoverable from reinsurers	32,980,787	-	32,980,787
Net deferred tax asset	9,358,229	-	9,358,229
Recievable from parent, subsidiary and affiliates	76,856	-	76,856
Aggregate write-ins for other than invested assets	8,409,869	5,062,997	3,346,872
Total Assets	$ 644,521,354	$ 14,940,835	$ 629,580,519

Statement of Liabilities, Surplus and Other Funds
as of December 31, 2020

			Notes
Losses	$	217,692,481	1
Reinsurance payable on paid losses and loss adjustment expense		23,984,559	
Loss adjustment expense		56,955,101	1
Commisions payable, contingent commssions and other similar charges		12,241,450	
Other expenses		148,400	
Taxes, licenses and fees		2,922	
Current federal and foreign income taxes		8,330,947	
Unearned Premiums		83,269,273	
Ceded reinsurance premiums payable		42,621,742	
Amounts withheld or retained by company for account of others		75,000	
Provision for reinsurance		14,000	
Payable to parent, subsidiaries and affiliates		6,553,762	
Payable for securities lending		169	
Aggregate write-ins for liabilities			
Total liabilities	$	451,889,805	
Common capital stock	$	4,274,943	
Gross paid in and contributed surplus		18,642,853	
Unassigned funds (surplus)		154,772,918	
Capital and Surplus	$	177,690,714	
Total liabilities, surplus and other funds	$	629,580,519	

Summary of Income
for the Year Ended December 31, 2020

Premiums earned	$	163,344,872
DEDUCTIONS:		
Losses incurred	$	86,128,471
Loss adjustment expenses incurred		18,609,138
Other underwriting expenses incurred		49,263,977
Total underwriting deductions	$	154,001,586
Net underwriting gains (losses)	$	9,343,287
INVESTMENT INCOME:		
Net investment income earned	$	14,923,560
Net realized capital gains		23,168
Net investment gain	$	14,946,728
OTHER INCOME (LOSS):		
Aggregate write-ins for miscellaneous income	$	138,075
Total other income	$	138,075
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	$	24,428,090
Federal and foreign income taxes incurred		4,164,221
Net income	$	20,263,869

Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2015 to December 31, 2020

		Common Capital Stock	Gross Paid-in & Contributed Surplus	Unassigned Funds	Total
December 31, 2015		$ 4,274,943	$ 18,642,853	$ 174,854,950	$ 197,772,746
2016 Other Changes	(1)	-	-	44,384	44,384
2016 Net Income				19,284,388	19,284,388
Dividend to Stockholder	(2)	-	-	(19,500,000)	(19,500,000)
December 31, 2016		$ 4,274,943	$ 18,642,853	$ 174,683,722	$ 197,601,518
2017 Other Changes	(1)	-	-	(6,666,258)	(6,666,258)
2017 Net Income				19,357,454	19,357,454
Dividend to Stockholder	(2)	-	-	(19,750,000)	(19,750,000)
December 31, 2017		$ 4,274,943	$ 18,642,853	$ 167,624,918	$ 190,542,715
2018 Other changes	(1)	-	-	781,139	781,139
2018 Net Income				18,944,618	18,944,618
Dividend to Stockholder	(2)			(19,000,000)	(19,000,000)
December 31, 2018		$ 4,274,943	$ 18,642,853	$ 168,350,675	$ 191,268,472
2019 Other Changes	(1)	-	-	(4,850,958)	(4,850,958)
2019 Net Income				11,317,663	11,317,663
Dividend to Stockholder	(2)			(19,000,000)	(19,000,000)
December 31, 2019		$ 4,274,943	$ 18,642,853	$ 155,817,380	$ 178,735,177
2020 Other Changes	(1)	-	-	(3,435,331)	(3,435,331)
2020 Net Income				20,263,869	20,263,869
Dividend to Stockholder	(2)			(17,873,000)	(17,873,000)
December 31, 2020		$ 4,274,943	$ 18,642,853	$ 154,772,918	$ 177,690,714

(1) Consists of, change in net unrealized capital gains (losses less capital gains tax, change in net unrealized foreign exchange capital gains (losses), change in net deferred income taxes, change in non-admitted assets and change in provision for reinsurance.

(2) Dividends declared and paid to Stockholder, PCHC.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Company's Financial Statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	$ 217,692,481
Loss Adjustment Expenses	56,955,101

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2020. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with General Accepted Actuarial Principles and Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual,* SSAP No. 55.

SUBSEQUENT EVENTS

Subsequent events were evaluated through the date that this examination report was available to be issued. Based on this evaluation, the following significant transaction was deemed material for disclosure in this examination report:

A dividend in the amount of $15.0 million was declared on December 6, 2021, and paid on December 21, 2021, to the sole shareholder PCHC.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the Consulting Actuary, the Company's outside audit firm, PricewaterhouseCoopers, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

Craig Jackson, CPA, CFE
Examiner In-Charge
State of Delaware

Anthony Cardone, CPA, CFE
Supervising Examiner
State of Delaware

I, Craig Jackson, 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 Examination Certification No. 21.021.

Craig Jackson, CPA, CFE