

**REPORT ON EXAMINATION
OF
ENDURANCE ASSURANCE CORPORATION
AS OF
DECEMBER 31, 2021**

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
ENDURANCE ASSURANCE CORPORATION
AS OF
DECEMBER 31, 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.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

Dated this 28th day of June, 2023

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS.....	3
COMPANY HISTORY	3
CAPITALIZATION	4
DIVIDENDS	4
MANAGEMENT AND CONTROL.....	5
DIRECTORS	5
OFFICERS.....	5
CORPORATE RECORDS.....	6
INSURANCE HOLDING COMPANY SYSTEM.....	6
AGREEMENTS WITH AFFILIATES	7
TERRITORY AND PLAN OF OPERATION.....	9
TERRITORY	9
PLAN OF OPERATION	10
REINSURANCE	10
NON-AFFILIATED ASSUMED.....	11
NON-AFFILIATED CEDED REINSURANCE.....	12
FINANCIAL STATEMENTS.....	13
STATEMENT OF ASSETS	14
STATEMENT OF LIABILITIES AND SURPLUS.....	15
STATEMENT OF INCOME.....	16
CAPITAL & SURPLUS ACCOUNT.....	17
RECONCILIATION OF CAPITAL AND SURPLUS.....	18
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION.....	19
COMMENTS ON FINANCIAL STATEMENT ITEMS	19
SUBSEQUENT EVENTS.....	19
SUMMARY OF RECOMMENDATIONS.....	20

May 17, 2023

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. 22.016, dated January 11, 2022, an examination has been made of the affairs, financial condition and management of

ENDURANCE ASSURANCE CORPORATION

hereinafter referred to as the Company or EAC. The Company was incorporated under the laws of the State of Delaware as a stock company with its home office located at 1209 Orange Street, Wilmington, Delaware. The administrative office of the Company is located at 4 Manhattanville Road, Purchase, New York.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The previous regulatory examination of the Company covered the four-year period from January 1, 2013 through December 31, 2016. This examination covers the five-year period from January 1, 2017 through December 31, 2021.

The examination of the Company was performed as part of the multi-state coordinated examination of Sampo U.S. Group (Sampo Group) of companies as of December 31, 2021. The Department was the lead state for the Sampo Group examination.

The examination was conducted concurrently with that of its affiliates:

<u>Name</u>	<u>Domicile</u>
Endurance American Insurance Company (EAIC)	DE
Endurance Risk Solutions Assurance Co. (ERSAC)	DE
Endurance American Specialty Insurance Company (EASIC)	DE
Endurance Specialty Insurance Ltd. U.S. Reinsurance Trust (ESIL-MBT)	DE
Endurance Specialty Insurance Ltd. U.S. Reduced Collateral Reinsurance Trust (ESIL-RCT)	DE
Sampo Fire & Marine Insurance Company (SAFM)	NY
Sampo America Insurance Company (SAIC)	NY
Bond Safeguard Insurance Company (BSIC)	SD
American Agri-Business Insurance Company (AA-BIC)	TX
Lexon Insurance Company (LIC)	TX

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 the course of this examination, consideration was given to work performed by the Company's external accounting firm Ernst & Young, LLP (E&Y). Certain auditor work papers of the 2021 E&Y audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

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

COMPANY HISTORY

Endurance Reinsurance Company of America was incorporated on March 15, 2007, under the laws of the State of Delaware in order to facilitate by merger the re-domestication of Endurance Reinsurance Corporation of America (ERCA-NY), from the State of New York. The re-domestication was accomplished in order to enhance operational efficiencies and streamline the regulatory compliance efforts of the Company

and its insurance company affiliates. The Company received its domestic insurance license on October 19, 2007 to write all lines of property and casualty insurance and reinsurance. ERCA-NY was incorporated on September 5, 2002, and received its domiciliary license from the State of New York on December 18, 2002, to write all lines of property and casualty insurance and reinsurance. The merger of ERCA-NY into the Company was accomplished on January 30, 2008. Simultaneously, the Company amended and restated its certificate of incorporation to change its name to Endurance Reinsurance Corporation of America. Effective July 21, 2016, ERCA amended and restated its certificate of incorporation to change its name to EAC.

On March 28, 2017, the Company became part of the Sompo Holdings, Inc. (Sompo Holdings) insurance holding company system and control was acquired through the acquisition of 100% of the outstanding ordinary shares of Endurance Specialty Holdings Ltd. (ESHL). Sompo Holdings created a holding company, Sompo International Holdings, Ltd. (SIHL), domiciled in Bermuda, who owns Endurance Specialty Insurance Ltd. (ESIL), also domiciled in Bermuda, and the Sompo Group.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 5,000,000 shares of common stock with a \$1.00 par value. As of December 31, 2021, the Company had 5,000,000 common shares issued and outstanding totaling \$5,000,000. All outstanding common shares of the Company are owned by Endurance U.S. Holdings Corp. (EUSH). As of December 31, 2021, the Company reported gross paid in and contributed surplus of \$2,474,282,258.

Dividends

The Company's Board of Directors (Board) did not approve or authorize any

dividends during the exam period.

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, all corporate powers and its business property and affairs are managed by, or under the direction of, its Board. In accordance with the Company's bylaws, the number of directors constituting the Board shall never be less than one and shall be determined by resolution of the Board, except as otherwise provided by law or the certificate of incorporation. Directors shall be elected annually by the stockholders and each director shall hold office until such director's successor has been duly elected and qualified. The members of the Board, serving as of December 31, 2021 were as follows:

<u>Name</u>	<u>Affiliation</u>
Christopher Arthur Donelan	Chief Executive Officer, Global Reinsurance, SIHL
Windy Lee Lawrence	General Counsel, SIHL
Michael James McGuire	Chief Financial Officer, SIHL

Officers

In accordance with its bylaws, the Board shall elect one or more presidents, a treasurer and a secretary. The Board may also elect a chairman, executive vice presidents, vice presidents and such assistant secretaries and assistant treasurers as they may deem proper. The senior officers serving as of December 31, 2021, were as follows:

<u>Name</u>	<u>Title</u>
Steven Douglas Hanke	President
Entela Hana	Treasurer
Daniel Simeon Lurie	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 in accordance with 18 *Del. C.* §1304. In addition, the 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 in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system as it is defined under 18 *Del. C.* § 5001 (7) of the Delaware Insurance Code.

The controlling person was ESHL, a Bermuda corporation, which is primarily engaged through its subsidiaries in the business of property and casualty insurance and reinsurance. Effective March 28, 2017, control was acquired through the acquisition of 100% of the outstanding ordinary shares of ESHL by Sompo Holdings, a Japanese domestic company.

An abbreviated organizational chart of Sompo Holdings, as of December 31, 2021, is as follows (ownership of subsidiaries is 100% unless otherwise noted):

- Sompo Holdings, Inc. (Japan)
 - Sompo Japan Insurance Inc. (Japan)
 - Sompo International Holdings Ltd. (Bermuda)*
 - Endurance Specialty Insurance Ltd. (Bermuda)
 - (U.S. Reinsurance Trust)**
 - (U.S. Reduced Collateral Reinsurance Trust)**
 - Endurance U.S. Holdings Corp. (DE)
 - Agri-Sompo North America, Inc. (TX)
 - American Agri-Business Insurance Company (TX)
 - Endurance Assurance Corporation (DE)**
 - Sompo America Insurance Company (NY)

Sompo America Fire & Marine Insurance Company (NY)
Endurance Risk Solutions Assurance Co. (DE)
Endurance American Insurance Company (DE)
Endurance American Specialty Insurance Company (DE)
Lexon Insurance Company (TX)
Bond Safeguard Insurance Company (SD)

* Effective September 2017, ESHL transferred substantially all of its assets (including the U.S. Reinsurance Trust and the U.S. Reduced Collateral Reinsurance Trust) and liabilities to its affiliate, SIHL, a Bermuda corporation. Subsequently, ESHL was liquidated.

** The U.S. Reinsurance Trust and the U.S. Reduced Collateral Reinsurance Trust are wholly owned trust accounts of ESIL. They are not entities or “subsidiaries” as that term is commonly understood in the context of an insurance holding company system.

Agreements with Affiliates

Administrative Services Agreement

Effective April 1, 2018, the Company entered into a Second Amended and Restated Administrative Services Agreement with SIHL which allows for the sharing of management and administrative services among the various participating entities. This agreement replaced all prior administrative services agreements.

Credit Facility

On November 2, 2017, the Company became a Subsidiary Obligor under the Uncommitted Letter of Credit and Reimbursement agreement by and between SIHL, various subsidiary Obligors and the Mizuho Bank, Ltd. (Mizuho Credit Facility). The Mizuho Credit Facility is an unsecured credit facility with a capacity of \$1,250,000,000. The Mizuho Credit Facility requires compliance with certain customary restrictive covenants. The amount of letters of credit issued by the Company to secure ceding company and other obligations totaled \$311,563,834 and \$24,993,357 as of December 31, 2021 and 2020, respectively.

On December 21, 2017, the Company became an applicant under the Continuing Letter of Agreement (for standby Letters of Credit) by and Between SIHL, various applicants and Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU Credit Facility). The BTMU Credit

Facility is an unsecured credit facility with a capacity of \$500,000,000. The BTMU Credit Facility requires compliance with certain customary restrictive covenants. The amount of letter of credit issued by the Company to secure ceding company obligations totaled \$5,273,224 for the years ended December 31, 2021 and 2020.

Effective March 23, 2016, the Company became a Designated Subsidiary Borrower under a \$450 million five-year revolving Credit Facility by and among SIHL, various designated subsidiary borrowers, various lenders and JPMorgan Chase Bank, N.A (JP Morgan) as the administrative agent (JPM Credit Facility). On April 13, 2018, SIHL notified JP Morgan that the lenders' commitment under the JPM Credit Facility was reduced from \$450 million to \$100 million. The JPM Credit Facility is collateralized on a several basis by each entity incurring an obligation with cash and securities deposited into collateral accounts with Deutsche Bank Trust Company Americas as collateral agent. The JPM Credit Facility expired on March 31, 2021.

Financial Guaranty

Effective October 5, 2007, EAC entered into an unconditional financial guaranty whereby EAC guarantees EASIC's minimum capital and surplus at the greater of regulatory action risked-based capital or the minimum requirements for capital and surplus, each in the amount of \$500,000. The guaranty was required in order for EASIC to obtain surplus lines eligibility in the State of Maine.

Indemnity Agreement

Effective March 12, 2009, an Indemnity Agreement between the Company and EAIC, as the Indemnitors and Continental Casualty Company and its affiliates as Surety. Under this agreement the Surety is protected in the event of a default on a forfeiture bond. The

agreement was required as a condition of EAIC receiving a waiver of the license seasoning period under New Jersey law.

Net Worth Agreement

Effective January 1, 2018, the Company entered into a Net Worth Agreement with ESIL. The agreement provides for ESIL to provide sufficient cash funds or liquid assets to satisfy valid claims under policies issued by EAC and valid claims of financial creditors as they fall due for payment in the event EAC's capital resources fall below the required capital as determined by the Department.

Consolidated Tax Allocation Agreement

Effective January 30, 2008, the Company became a party to a Consolidated Tax Allocation Agreement with EUSH. The agreement sets forth the manner in which the total consolidated federal income tax liability or benefit is allocated to each entity in the group as if separate tax returns were filed. Various amendments were added to include additional affiliates over the exam period.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is licensed to transact business in 54 United States jurisdictions: all states and the District of Columbia, Guam, Puerto Rico and U.S. Virgin Islands. It is an accredited reinsurer in Florida and South Dakota. For the year ending December 31, 2021, the Company wrote approximately 62.02% of its business in the jurisdictions of New York (23.33%), Florida (15.64%), Illinois (8.02%), California (8%) and Texas (7.02%).

Plan of Operation

EAC offers property, casualty, marine and energy, personal accident, professional liability and workers' compensation insurance and reinsurance and related services. It serves the insurance and reinsurance needs of risk managers and reinsurance buyers.

REINSURANCE

The Company reported the following distribution of premiums written for the years ended December 31, 2021, and the prior examination date of December 31, 2016:

	2021	%GPW	2016	% GPW
Direct Written	\$ 510,198,063	23.73%	\$ 45,261,579	6.97%
Reinsurance assumed from affiliates	91,154,554	4.24%	-	
Reinsurance assumed from non- affiliates	1,548,342,785	72.03%	604,061,570	93.03%
Gross premiums Written	<u>\$ 2,149,695,402</u>	<u>100.00%</u>	<u>\$ 649,323,149</u>	<u>100.00%</u>
Reinsurance ceded to affiliates	1,130,929	0.05%	304,633,111	46.92%
Reinsurance ceded to non -affiliates	233,199,690	10.85%	45,735,632	7.04%
Total Ceded	<u>\$ 234,330,619</u>	<u>10.90%</u>	<u>\$ 350,368,743</u>	<u>53.96%</u>
Net premium written	<u>\$ 1,915,364,783</u>	<u>89.10%</u>	<u>\$ 298,954,406</u>	<u>46.04%</u>

Affiliated Reinsurance

Assumed from Affiliates

Effective October 15, 2017, and terminated on a run-off basis, effective October 1, 2020, EAC assumes 100% of certain Property, Workers Comp, Commercial General Liability and Commercial Automobile Insurance and/or reinsurance business from SAIC.

Effective June 1, 2018, EAC entered into the Quota Share Agreement in which it assumes 100% of the net retained liability on contracts issued or renewed on or after June 1, 2018, of its affiliates LIC and BSIC. LIC and BSIC primarily write Fidelity and Surety Bond coverages and cede the net results to EAC.

Ceded to Affiliates

Effective January 1, 2021, the Sampo Group entered into a facultative reinsurance agreement with Sampo Japan Insurance, Inc. (SJII). The business ceded applies to all lines of business that each respective insurer is licensed and authorized to write including reinsurance of any business assumed by such insurance which is written for accounts designated as Japanese interested accounts. The terms of the cession will be governed by each individual facultative certificate. The Company ceded approximately \$1.1 million to SJII during 2021.

Effective July 1, 2021, EAC and EAIC entered into a 100% quota share reinsurance agreement with SJII. Under the terms of the agreement, EAC and EAIC cede 100% of new and renewal bonds written and classified as Contract Surety and Commercial Surety Bonds written by the Bond and Specialty business for the Toshiba Corporation and/or Toshiba America and its subsidiaries and affiliated companies and/or corporations to SJII.

Non-Affiliated Assumed Reinsurance

The Company is a professional reinsurer and had assumed premiums in 2021 of \$1,639,497,339, with \$1,548,342,785 of that amount assumed from non-affiliated companies and \$91,154,554 assumed from affiliated companies. The reinsurance platform during 2021 offered the following principal classes of business:

Property: The property reinsurance line of business reinsures property insurance policies issued by their ceding company clients for personal, commercial and industrial exposures. Policies principally cover buildings, structures, automobiles, equipment, contents and time element coverages. The Company provides treaty coverage for policies which have exposure to losses from perils including fire, explosions, collapse, riot, vandalism, wind, tornado, flood and earthquake.

Casualty: The casualty and workers' compensation reinsurance line of business reinsures third party liability exposures from ceding company clients for exposures such as automobile liability, general liability, umbrella liability, workers' compensation and professional lines. Professional lines reinsures third party professional liability policies issued by our ceding company clients for exposures such as directors' and officers' liability, directors' and officers' and management liability, errors and omissions, employment practices liability, cyber liability, fiduciary and pension trust liability. Underlying policyholders are non-profit and for-profit entities representing a wide range of industry groups.

Specialty: The specialty reinsurance line of business reinsures surety and other specialty exposures.

Non-Affiliated Ceded Reinsurance

The Company purchases of reinsurance are coordinated with the Sampo Group. The Sampo Group purchases reinsurance from highly rated domestic and international reinsurers. The group utilizes reinsurance to manage underwriting risks. It cedes to a 1 in 250 year probable maximum loss to reported group capital which is comparable to its peers. In the reinsurance segment, the Sampo Group purchases proportional and excess of loss retrocessional coverage on the catastrophe line of business and proportional coverage on the specialty line of business. The Sampo Group's insurance operating subsidiaries use proportional and excess reinsurance to protect larger limits on certain business written by the insurance segment. The Sampo Group's agriculture insurance line of business participates in a crop reinsurance program sponsored by the U.S. federal government and utilizes third party reinsurance covers. Excess reinsurance coverage is purchased in relation to the property insurance line of business to protect against catastrophic events.

FINANCIAL STATEMENTS

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

- Statement of Assets as of December 31, 2021
- Statement of Liabilities and Surplus as of December 31, 2021
- Statement of Income for the year ended December 31, 2021
- Statement of Capital and Surplus Account for the year ended December 31, 2021
- Reconciliation of Capital and Surplus for the Period December 31, 2016 to December 31, 2021

STATEMENT OF ASSETS
As of December 31, 2021

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets 2021
Bonds	\$ 2,826,199,095	\$ -	\$ 2,826,199,095
Preferred stocks (stocks)	3,101,433	-	3,101,433
Common stocks (stocks)	1,859,809,144	-	1,859,809,144
Real Estate	-	-	-
Cash	572,740,272	-	572,740,272
Cash equivalents	129,437	-	129,437
Short Term Investments	29,522,087	-	29,522,087
Other invested assets	288,834,583	-	288,834,583
Receivables for securities	634,118	335,527	298,591
Subtotals, cash and invested assets	<u>\$ 5,580,970,168</u>	<u>\$ 335,527</u>	<u>\$ 5,580,634,641</u>
Investment income due and accrued	14,402,951	135,939	14,267,012
Uncollected premiums and agents' balances in the course of collection	143,378,818	15,739,169	127,639,649
Deferred premiums	702,824,952	-	702,824,952
Accrued retrospective premiums	825,143	-	825,143
Amounts recoverable from reinsurers	91,567,812	-	91,567,812
Funds held by or deposited with reinsured companies	11,294,677	-	11,294,677
Current federal and foreign income tax recoverable and interest thereon	1,297,141	-	1,297,141
Net deferred tax asset	89,947,609	21,011,229	68,936,380
Electronic data processing equipment software	-	-	-
Receivables from parent; subsidiaries and affiliates	21,730,483	-	21,730,483
Aggregate write-ins for other than invested assets:	<u>13,156,846</u>	<u>46,072</u>	<u>13,110,774</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>\$ 6,671,396,600</u>	<u>\$ 37,267,936</u>	<u>\$ 6,634,128,664</u>
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	-	-	-
Total	<u><u>\$ 6,671,396,601</u></u>	<u><u>\$ 37,267,936</u></u>	<u><u>\$ 6,634,128,664</u></u>

STATEMENT OF LIABILITIES AND SURPLUS
As of December 31, 2021

		Note
Losses	\$ 2,004,519,544	1
Reinsurance payable on paid losses and loss adjustment expenses	68,046,631	
Loss adjustment expenses	187,364,921	1
Commissions payable; contingent commissions and other similar charges	11,862,683	
Other expenses (excluding taxes; licenses and fees)	31,428,386	
Taxes, licenses, and fees (excluding federal and foreign income tax)	7,951,006	
Current federal and foreign income taxes	-	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$101,405,865 and including warranty reserves of \$0)	1,199,480,124	
Ceded reinsurance premiums payable (net of ceding commissions)	103,198,615	
Funds held by company under reinsurance treaties	697,440	
Amounts withheld or retained by company for account of others	175,617,518	
Remittances and items not allocated	48,907,615	
Provision for reinsurance (including \$571,000 certified)	29,827,400	
Net adjustments in assets and liabilities due to foreign exchange rates	-	
Payable to parent, subsidiaries and affiliates	64,784,043	
Payable for securities	5,359,709	
Aggregate write-ins for liabilities	<u>2,734,603</u>	
Total liabilities excluding protected cell liabilities	<u>\$ 3,941,780,238</u>	
Total liabilities	<u>\$ 3,941,780,238</u>	
Aggregate write-ins for special surplus funds	1,665,571	
Common capital stock	5,000,000	
Gross paid in and contributed surplus	2,474,282,258	
Unassigned funds (surplus)	<u>211,400,597</u>	
Surplus as regards policyholders	<u>\$ 2,692,348,426</u>	
Totals of liabilities & surplus	<u><u>\$ 6,634,128,664</u></u>	

STATEMENT OF INCOME
For the Year Ended December 31, 2021

Underwriting Income	
Premiums earned	<u>\$ 1,739,008,943</u>
Deductions	
Losses incurred	\$ 987,933,645
Loss adjustment expenses incurred	96,315,699
Other underwriting expenses incurred	<u>618,983,497</u>
Total underwriting deductions	<u>\$ 1,703,232,841</u>
Net underwriting gain (loss)	<u>\$ 35,776,102</u>
Investment Income	
Net investment income earned	\$ 55,559,548
Net realized capital gains (losses) less capital gains tax of \$3,072,921	<u>11,560,036</u>
Net investment gain (loss)	<u>\$ 67,119,584</u>
Other Income	
Net gain (loss) from agents' or premium balances charged off (amount recovered \$0..... amount charged off \$.....120,053)	\$ (120,053)
Aggregate write-ins for miscellaneous income	<u>234,531</u>
Total other income	<u>\$ 114,478</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 103,010,164</u>
Dividends to policyholders	<u>231,935</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 102,778,229
Federal and foreign income taxes incurred	<u>37,189,383</u>
Net Income	<u>\$ 65,588,846</u>

CAPITAL & SURPLUS ACCOUNT
For the Year Ended December 31, 2021

Surplus as regards to policyholders; December 31 prior year	\$ 2,044,999,957
Net income	65,588,846
Change in net unrealized capital gains (losses) less capital gains tax of\$7,053,909	184,243,515
Change in net unrealized foreign exchange capital gain (loss)	-
Change in net deferred income tax	20,983,163
Change in nonadmitted assets	73,047,594
Change in provision for reinsurance	(11,514,649)
Surplus adjustment: Paid in	315,000,000
Transferred to Capital (Stock Dividend)	-
Dividends to stockholders	-
Aggregate write-ins for gains and losses in surplus	-
Change in surplus as regards policyholders for the year	<u>\$ 647,348,469</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 2,692,348,426</u>

RECONCILIATION OF CAPITAL AND SURPLUS
As of December 31, 2016 to December 31, 2021

	Common Capital Stock	Aggregate Write ins for special surplus	Gross Paid-in and Contributed Surplus	Unassigned Surplus		Total
12/31/2016	\$ 5,000,000	1,029,084	\$ 1,014,000,000	\$ (233,220,004)		\$ 786,809,080
12/31/2017	-		-	(11,327,984)	(1)	(11,327,984)
12/31/2017	-		-	(86,772,791)	(2)	(86,772,791)
12/31/2017	-		200,000,000		(3)	200,000,000
12/31/2017	-		-	2,769,904	(4)	2,769,904
12/31/2017		257,424		(257,424)	(5)	-
12/31/2018	-		-	(2,012,122)	(1)	(2,012,122)
12/31/2018	-		-	(40,728,369)	(2)	(40,728,369)
12/31/2018	-		260,000,000		(3)	260,000,000
12/31/2018		9,161		(9,161)	(5)	-
12/31/2019	-		-	42,451,073	(1)	42,451,073
12/31/2019	-		-	49,397,267	(2)	49,397,267
12/31/2019	-		468,282,258		(3)	468,282,258
12/31/2019	-	(11,940)	-	11,940	(5)	-
12/31/2020	-		-	(39,221,548)	(1)	(39,221,548)
12/31/2020				198,353,189	(2)	198,353,189
12/31/2020			217,000,000		(3)	217,000,000
12/31/2020		44,877		(44,877)	(5)	-
12/31/2021				65,588,846	(1)	65,588,846
12/31/2021				266,759,623	(2)	266,759,623
12/31/2021			315,000,000		(3)	315,000,000
12/31/2021	-	336,965	-	(336,965)	(5)	-
Total	<u>\$ 5,000,000</u>	<u>\$ 1,665,571</u>	<u>\$ 2,474,282,258</u>	<u>\$ 211,400,597</u>		<u>\$ 2,692,348,426</u>

- (1) Represents net income
- (2) Change in unrealized capital gains (losses), Change in net unrealized foreign exchange capital gain, Change in net deferred income tax, Change in non-admitted assets, Change in provision for reinsurance.
- (3) Capital infusion
- (4) Aggregate write-ins for gains and losses in surplus (Change in post-retirement liability, Change in foreign exchange adjustment, Change in contingent reserve for municipal bond)
- (5) Aggregate write-ins special surplus

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM
THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$ 2,004,519,544
Loss Adjustment Expenses	\$ 187,364,921

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2021. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Actuarial Principles and Standards of Practice and Statutory Accounting Principles, including NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles No. 55 *Unpaid Claims, Losses and Loss Adjustment Expenses* (SSAP No. 55).

SUBSEQUENT EVENTS

Effective January 1, 2022, EAIC, EASIC, ERSAC, LIC, BSIC, SAIC and SAFM entered into a pooling agreement with EAC. Under the terms of the agreement all intercompany reinsurance agreements among the ceding companies including the previous Endurance U.S. Insurance (EUSI) pool will be novated to EAC and EAC will assume all policies issued or assumed by the ceding companies from and after the effective shall automatically and obligatory cede to EAC.

Effective January 1, 2022, the Company terminated a quota share agreement with LIC and BSIC, whereby LIC and BSIC ceded 100% of their net retained liability on contracts issued or renewed on or after the effective date of June 1, 2018.

Effective July 1, 2022, the Company entered into a quota share agreement with AA-BIC, whereby AA-BIC cedes 100% of its net business to EAC. The commission is equal to AA-BIC's actual costs directly allocable to the contracts plus a share of internal expenses attributable to the contracts.

During 2022, the Company received \$1,005,855,022 capital infusions from EUSH in the form of cash and affiliated companies' common stock. The capital infusion was primarily related to the new pooling arrangement.

On December 29, 2022, the Company issued a surplus note to EUSH for \$350 million in exchange for cash. The note was approved by the Department. No interest or principal payments were made during 2022.

Effective December 29, 2022, via three different capital contributions, EAC became the new direct owner of BSIC, LIC, AgriSompo North America, Inc. and the indirect owner of AA-BIC.

EAC declared a regular dividend payment of \$61,420,000, to its sole shareholder, EUSH. On March 21, 2023, the Board approved the dividend. The cash dividend was paid on March 28, 2023. On March 23, 2023, the Department acknowledged/approved the ordinary dividend.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

The assistance and cooperation of the Company's outside audit firm, E&Y, and the Company's management and staff was appreciated and is acknowledged.

Respectfully Submitted,



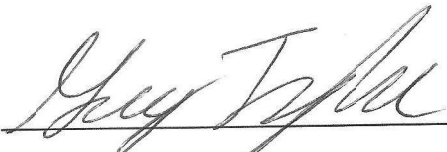
Greg Taylor, CFE
Examiner In-Charge
State of Delaware



Anthony Cardone, CPA, CFE
Supervising Examiner
State of Delaware

Endurance Assurance Corporation

I, Greg Taylor, 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. 22.016.



Greg Taylor, CFE