

**EXAMINATION REPORT**  
**OF**  
**BLACKBOARD INSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2020**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
BLACKBOARD 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.

A handwritten signature in blue ink, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 24th day of June, 2022

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May 26, 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. 21.002, dated September 25, 2020, an examination has been made of the affairs, financial condition and management of

**BLACKBOARD INSURANCE COMPANY**

hereinafter referred to as BIC or the Company. The Company is incorporated under the laws of the State of Delaware as a stock company with its registered office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The administrative office of the Company is located at 1271 Avenue of the Americas, 37<sup>th</sup> Floor, New York, New York 10020-1304. 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**

We have performed our multi-state examination of the Company. The previous examination was conducted as of December 31, 2016, by the Delaware Department of Insurance (Department). This examination of the Company covers the period of January 1, 2017 through December 31, 2020. Our examination was coordinated with examination of certain of the

Company's affiliates and was performed concurrently with the Department's examination of the Company's immediate parent company. 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.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers LLP (PwC). Certain work papers for PwC's 2020 audit of the Company have been incorporated into the work papers of the examiners. The work papers were 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**

As reflected in the Company's 2020 statutory audit report issued by PwC, the Company identified corrections to its reported 2020 NAIC Annual Statement that resulted in after-tax statutory adjustments to decrease capital and surplus as regards policyholders in the amount of approximately \$474,000. The impact of these corrections on surplus, assets and liabilities as of December 31, 2020, are summarized in this examination report section – *Analysis of Changes in Financial Statements*.

### **COMPANY HISTORY**

The Company was originally incorporated under the laws of the State of Iowa on June 1, 1973 and commenced business in October 1975 as Coastline Insurance Company. Valiant Insurance Group (VIG) acquired the Company on October 1, 2007, from Maryland Casualty Company, which was a wholly owned subsidiary of Zurich America Insurance Company. On November 15, 2007 the Company redomesticated from the State of Iowa to the State of Delaware and was renamed Valiant Insurance Company (VIC). At that time, VIG's ultimate parent was Ariel Holdings, Ltd. (Ariel). On July 15, 2008, VIC incorporated Valiant Specialty Insurance Company (VSIC) as a wholly owned subsidiary domiciled in the State of Delaware.

On November 5, 2010, First Mercury Financial Corporation's (FMFC) principal insurance subsidiary, First Mercury Insurance Company, purchased VIG from Ariel. On February 9, 2011,

FMFC merged with a wholly owned indirect subsidiary of Fairfax Financial Holdings Limited (Fairfax), a Canadian financial service holding company with shares listed and publicly traded on the Toronto Stock Exchange. At this time, Fairfax became the Company's ultimate parent, and the immediate parent of VIC became TIG Insurance Company (TIG), a property and casualty insurer domiciled in the State of California.

On October 6, 2014, the Company and VSIC were purchased by Hamilton Insurance Group, Ltd. (HIG) and Hamilton U.S. Holdings, Inc. (HUS) became the immediate parent of the Company. On November 21, 2014, the Company's name was changed from VIC to Hamilton Insurance Company (HIC) and VSIC's name was changed to Hamilton Specialty Insurance Company (HSIC). In 2015, the Department approved a quasi-reorganization whereby ownership of HIC was transferred to HSIC.

Pursuant to a Purchase and Sale Agreement dated July 8, 2017, American International Group, Inc. (AIG) acquired HUS. The transaction was approved by the Department on September 20, 2017. Around this time, HUS was renamed as Blackboard U.S. Holdings, Inc. (BUS), and the Company's name was changed from HIC to BIC. Additionally, the Company's direct parent was renamed from HSIC to Blackboard Specialty Insurance Company (BSIC).

#### Capitalization

The Company's Certificate of Incorporation authorizes the issue of 5.0 million shares of common stock with a par value of \$1.00 per share. As of December 31, 2020, the Company had 5.0 million common shares issued and outstanding totaling \$5.0 million. All outstanding common shares of the Company are owned by BSIC. As of December 31, 2020, the Company reported gross paid in and contributed surplus of \$92.8 million.

### Gross Paid in & Contributed Surplus

The Company received capital contributions from BSIC during the examination period in the amounts of \$30 million, \$15 million, \$22.6 million and \$15 million for the years ended December 31, 2017, 2018, 2019 and 2020, respectively.

### Dividends

No stockholder dividends were declared or paid during the examination 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, the business and affairs of the Company must be managed by, or under the authority of, its Board of Directors (Board). The Company's bylaws require its Board consist of not less than four or more than eighteen individuals. Directors are elected annually by the stockholders and hold office until the next annual meeting of the stockholders. Directors duly elected and serving as of December 31, 2020, are as follows:

<u>Name</u>	<u>Business Affiliation</u>
Salvatore Anthony Branca	Chief Operating Officer Blackboard U.S. Holdings, Inc.
Elias Farid Habayeb	Deputy Chief Financial Officer – AIG; and Chief Financial Officer – AIG General Insurance
Michael David Price	Senior Vice President – AIG; and Chief Executive Officer – AIG General Insurance, North America
Anthony Vidovich	Senior Vice President – AIG; and Chief Claims Officer – AIG General Insurance



Officers

Officers were appointed in accordance with the Company's bylaws during the period under examination. The bylaws require appointment of a Chief Executive Officer, a President, one or more Vice Presidents, a Secretary and a Treasurer. At its discretion, the Board may appoint a Chairman of the Board and a Vice Chairman of the Board. The Board may also appoint one or more assistant vice presidents, assistant secretaries and assistant treasurers. One person may hold two positions with the exception that the office of the President and Secretary may not be held by the same person. The primary officers serving as of December 31, 2020, were as follows:

<u>Name</u>	<u>Title</u>
Michael David Price	Chairman of the Board
Christopher Jordan Flatt	President and Chief Executive Officer
Brian Greenspan	Statutory Controller and Senior Vice President
Elias Farid Habayeb	Chief Financial Officer and Executive Vice President
Tanya Evelyn Kent	Secretary
Justin Caulfield	Treasurer and Vice President

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 as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. The following is an organizational chart of the insurance holding company system as of December 31, 2020, followed by a summary of significant affiliated agreements:

<u>Company</u>	<u>Domicile</u>
American International Group, Inc.	Delaware
Blackboard U.S. Holdings, Inc.	Delaware
Blackboard Customer Care Insurance Services, LLC	Delaware
Blackboard Services, LLC	Delaware
Blackboard Specialty Insurance Company	Delaware
<b>Blackboard Insurance Company</b>	<b>Delaware</b>
AIG Property Casualty, Inc.	Delaware
AIG Property Casualty U.S., Inc.	Delaware
Attune Holdings, LLC <sup>1</sup>	Delaware
Attune Insurance Services, LLC <sup>1</sup>	Delaware
AIG Assurance Company <sup>2</sup>	Illinois
AIG Property Casualty Company <sup>2</sup>	Illinois
AIG Specialty Insurance Company <sup>2</sup>	Illinois
AIU Insurance Company <sup>2</sup>	New York
American Home Assurance Company <sup>2</sup>	New York
Commerce and Industry Insurance Company <sup>2</sup>	New York
Granite State Insurance Company <sup>2</sup>	Illinois
Illinois National Insurance Co. <sup>2</sup>	Illinois
Lexington Insurance Company <sup>2</sup>	Delaware
National Union Fire Insurance Company of Pittsburgh, Pa. <sup>2</sup>	Pennsylvania
New Hampshire Insurance Company <sup>2</sup>	Illinois
The Insurance Company of the State of Pennsylvania <sup>2</sup>	Illinois
Eaglestone Reinsurance Company	Pennsylvania
Western World Insurance Company	New Hampshire
Tudor Insurance Company	New Hampshire
Stratford Insurance Company	New Hampshire

<sup>1</sup>Attune Holdings, LLC (Attune Holdings) is a joint venture owned 33.34% by AIG Property Casualty U.S., Inc. Attune Holdings owns Attune Insurance Services, LLC (Attune Services), a Managing General Agent (MGA) for BIC with a technology-enabled platform. Other owners of Attune Holdings include affiliates of Two Sigma Investments, LP and affiliates of HIG.

<sup>2</sup>Entities are participants to an intercompany reinsurance pooling agreement whereby each participant cedes all direct and assumed business (except for certain business) to National Union Fire Insurance Company of Pittsburgh, Pa. (NUFIC). In turn, each participant then assumes its percentage share of the pooled business as specified in the agreement.

Agreements with Affiliates

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

*Management and Service Agreement*

Effective October 1, 2017, the Company entered into a Service and Expense Agreement with AIG and its affiliates by amendment to the original agreement which was effective February 1, 1974. AIG and its subsidiaries have agreed to provide at cost, services and facilities as required to the named parties to this agreement, which include legal, investment, electronic data processing, internal audit, actuarial, claims, underwriting, accounting, tax and employee benefits.

*Investment Advisory Agreement*

Effective February 1, 2020, the Company entered an investment advisory agreement with AIG Asset Management U.S., LLC (Manager). In accordance with the agreement, the Company appointed the Manager to provide investment management and advisory services in respect of one or more portfolios of cash, securities, loans, derivatives, real estate and/or other investments or assets delivered or assigned to the Manager. In turn, the Manager receives fees for services rendered as defined in the contract.

*Tax Allocation Agreement*

Originally effective January 1, 2017, and last amended effective January 1, 2018, the Company is party to a tax sharing agreement with AIG. In accordance with the agreement, taxes are recognized and computed on a separate company basis. To the extent the Company's net operating losses, tax credits or net capital losses are utilized on a consolidated basis, the Company receives a refund based upon the amount of the deduction and credits utilized in the consolidated federal income tax return.

### **TERRITORY AND PLAN OF OPERATION**

The Company is licensed in all states and the District of Columbia. The Company has two business segments: Middle-market Commercial Package Policies and Small Business Owners Package Policies (BOP) written through a program management agreement with Attune Services, an affiliated MGA. In 2020, the Company began the process of non-renewing all policies issued in connection with the middle market business as the policies expire in accordance with applicable state laws and regulations. The Company continued to write business under the MGA agreement with Attune Services through December 31, 2020. Attune Services made arrangements to transfer the BOP business to another insurer in 2020.

### **REINSURANCE**

The Company reported the following distribution of gross and net premium written for the years ended December 31, 2020, and the prior examination date of December 31, 2016:

	2020	% of Gross Premium Written	2016	% of Gross Premium Written
Direct business	\$ 137,684,187	99.9%	\$ 12,213,977	100.0%
Reinsurance assumed from affiliates	-	0.0%	-	0.0%
Reinsurance assumed from non-affiliates	156,905	0.1%	-	0.0%
Gross premiums written	<u>\$ 137,841,092</u>	<u>100.0%</u>	<u>\$ 12,213,977</u>	<u>100.0%</u>
Reinsurance ceded to affiliates	98,626,534	71.6%	7,939,757	65.0%
Reinsurance ceded to non-affiliates	39,136,151	28.4%	1,655,832	13.6%
Total ceded	<u>\$ 137,762,685</u>	<u>99.9%</u>	<u>\$ 9,595,589</u>	<u>78.6%</u>
Net premiums written	<u>\$ 78,407</u>	<u>0.1%</u>	<u>\$ 2,618,388</u>	<u>21.4%</u>

The Company's reinsurance program consists of both affiliated and a third party ceded reinsurance arrangements designed to limit the Company's exposure to certain levels of risk or for other strategic purposes. The following is a summary of the Company's affiliated and unaffiliated reinsurance programs as of December 31, 2020.

### Affiliated Ceded Reinsurance

Effective October 1, 2017, the Company entered an 85% quota share reinsurance treaty and a stop loss reinsurance treaty with NUFIC. Effective January 1, 2019, the before mentioned quota share agreement was amended to increase NUFIC's quota share percentage from 85% to 100% on a go-forward basis.

### Third Party Ceded Reinsurance

The Company is party to a 100% quota share reinsurance agreement with TIG, whereby TIG assumes all insurance and reinsurance assets and liabilities of the Company incurred prior to and inclusive of October 6, 2014. This agreement coincides with the acquisition of the Company by HUS and the business ceded is referred to as the Blackboard Legacy Portfolio. The Company retains certain rights to third party reinsurance agreements assigned to TIG in relation to the Blackboard Legacy Portfolio, however, the Company's NAIC reporting only reflects the cession to TIG and other reinsurance contracts entered on or after the October 6, 2014.

In respect to business written in policy years 2015 and subsequent, the Company maintains multiple reinsurance agreements with various third-party reinsurance companies. These arrangements were entered in the normal course of business for strategic purposes and/or whereby the Company seeks to reduce the potential amount of loss arising from claims 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, 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, 2016 to December 31, 2020

Statement of Assets  
As of December 31, 2020

	Ledger <u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$ 11,524,025	\$ -	\$ 11,524,025
Cash	23,099,978	-	23,099,978
Cash equivalents	4,429,413	-	4,429,413
Receivable for securities	200,000	-	200,000
Investment income due and accrued	59,497	-	59,497
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	14,799,681	258,289	14,541,392
Deferred premiums and agents' balances and installments booked but deferred and not yet due	1,534,882	-	1,534,882
Amounts recoverable from reinsurers	3,496,622	-	3,496,622
Current federal tax recoverable	6,511,695	-	6,511,695
Receivables from parent, subsidiaries and affiliates	7,562,781	-	7,562,781
Aggregate write-ins for other than invested assets	435,836	400,000	35,836
Total assets	<u>\$ 73,654,410</u>	<u>\$ 658,289</u>	<u>\$ 72,996,121</u>

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

		<u>Notes</u>
Losses	\$ 1,741,882	1
Loss adjustment expenses	5,795,394	1
Commission payable, contingent commissions and other similar charges	55,415	
Other expenses	17,500	
Taxes, licenses and fees	2,968,063	
Unearned premiums	9,448	
Ceded reinsurance premiums payable	46,103,710	
Provision for reinsurance	333,280	
Payable to parent, subsidiaries and affiliates	3,105,733	
Aggregate write-ins for liabilities	<u>(1,645,765)</u>	
Total liabilities	<u>\$ 58,484,660</u>	
Common capital stock	\$ 5,000,000	
Gross paid in and contributed surplus	92,752,637	
Unassigned funds (surplus)	<u>(83,241,176)</u>	
Total surplus as regards policyholders	<u>\$ 14,511,461</u>	
Total liabilities, capital and surplus	<u>\$ 72,996,121</u>	

Statement of Income  
For the Year Ended December 31, 2020

Premiums earned	\$	68,958
<b>DEDUCTIONS:</b>		
Losses incurred	\$	(514,960)
Loss adjustment expenses incurred		4,510,334
Other underwriting expenses incurred		21,128,666
Total underwriting deductions	\$	<u>25,124,040</u>
 Net underwriting gain or (loss)	 \$	 <u>(25,055,082)</u>
<b>INVESTMENT INCOME:</b>		
Net investment income earned	\$	146,245
Net realized capital gains or (losses)		108,058
Net investment gain or (loss)	\$	<u>254,303</u>
<b>OTHER INCOME (LOSS):</b>		
Net gain (loss) from agents' or premium balances charged off	\$	(154,815)
Aggregate write-ins for miscellaneous income		(700)
Total other income	\$	<u>(155,515)</u>
 Net income before federal income taxes	 \$	 <u>(24,956,294)</u>
Federal and foreign income taxes incurred		<u>(6,533,589)</u>
Net income	\$	<u><u>(18,422,705)</u></u>



**Reconciliation of Capital and Surplus**  
**For the Period from the Prior Examination**  
**As of December 31, 2016 to December 31, 2020**

	Common Capital Stock	Aggregate Write- ins for Other Than Special Surplus Funds	Gross Paid In & Contributed Surplus	Unassigned Funds (Surplus)	Total
December 31, 2016	\$ 5,000,000	\$ -	\$ 35,984,977	\$ (19,326,971)	\$ 21,658,006
2017 Aggregate Write-in	-	600,000	-	-	600,000
2017 Capital Contribution	-	-	30,000,000	-	30,000,000
2017 Net Income (loss)	-	-	-	(7,787,021)	(7,787,021)
2017 Unrealized Gain (loss)	-	-	-	(1,092)	(1,092)
2017 Other Changes <sup>1</sup>	-	-	-	(1,275,177)	(1,275,177)
December 31, 2017	<u>\$ 5,000,000</u>	<u>\$ 600,000</u>	<u>\$ 65,984,977</u>	<u>\$ (28,390,261)</u>	<u>\$ 43,194,716</u>
2018 Aggregate Write-in	-	(600,000)	-	368,293	(231,707)
2018 Capital Contribution	-	-	15,000,000	-	15,000,000
2018 Quasi-reorganization <sup>2</sup>	-	-	(25,832,340)	25,832,340	-
2018 Net Income (loss)	-	-	-	(18,692,906)	(18,692,906)
2018 Unrealized Gain (loss)	-	-	-	1,092	1,092
2018 Other Changes <sup>1</sup>	-	-	-	1,029,452	1,029,452
December 31, 2018	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ 55,152,637</u>	<u>\$ (19,851,990)</u>	<u>\$ 40,300,647</u>
2019 Capital Contribution	-	-	22,600,000	-	22,600,000
2019 Net Income (loss)	-	-	-	(44,658,216)	(44,658,216)
2019 Other Changes <sup>1</sup>	-	-	-	(837,858)	(837,858)
December 31, 2019	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ 77,752,637</u>	<u>\$ (65,348,064)</u>	<u>\$ 17,404,573</u>
2020 Capital Contribution	-	-	15,000,000	-	15,000,000
2020 Net Income (loss)	-	-	-	(18,422,705)	(18,422,705)
2020 Other Changes <sup>1</sup>	-	-	-	529,593	529,593
December 31, 2020	<u>\$ 5,000,000</u>	<u>\$ -</u>	<u>\$ 92,752,637</u>	<u>\$ (83,241,176)</u>	<u>\$ 14,511,461</u>

<sup>1</sup>Other Changes in Unassigned Funds (Surplus) for each year may include change in provision for reinsurance, change in non-admitted assets and change in aggregate write-ins for gains and losses in surplus.

<sup>2</sup>The Company performed a quasi-reorganization under the rules set forth in SSAP No. 72 – *Surplus and Quasi-Reorganizations* whereby its financial statements were restated such that negative unassigned funds were netted down against gross paid in and contributed surplus. The adjustment did not affect the Company's overall surplus as regards policyholders.

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

The following is a summary of adjustments to the Company's financial statements acknowledged during this examination.

As reflected in the Company's 2020 statutory audit report issued by PwC, the Company identified corrections to its reported 2020 NAIC Annual Statement that resulted in after-tax statutory adjustments to decrease capital and surplus as regards policyholders in the amount of approximately \$474,000. The adjustments are primarily the result of accounting errors in the Company's reinsurance program. Control issues contributing to these errors are in the process of remediation as of the issuance of this examination report. The impact of these corrections on surplus, assets and liabilities as of December 31, 2020, are summarized as follows:

Adjustments <sup>1</sup>	Policyholders Surplus	Total Admitted Assets	Total Liabilities
Balance reported as of December 31, 2020	\$ 14,511,461	\$ 72,996,121	\$ 58,484,660
Adjustments to reported balances:			
Asset corrections	(491,000)	(491,000)	-
Liability corrections	17,000	-	(17,000)
Total adjustment to reported balances	<u>\$ (474,000)</u>	<u>\$ (491,000)</u>	<u>\$ (17,000)</u>
Balance at December 31, 2020, as adjusted	<u>\$ 14,037,461</u>	<u>\$ 72,505,121</u>	<u>\$ 58,467,660</u>

<sup>1</sup>The reconciliation above reflects the impact of adjustments to the Company's reported cash, reinsurance recoverables, reinsurance payables, receivables/payables from/to related parties, losses and losses incurred as of December 31, 2020.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Note 1:

Losses	\$1,741,882
Loss Adjustment Expenses	5,795,394

The Department retained the actuarial services of INS Consultants Inc. (Consulting Actuary) to perform a risk-focused review of the Company's significant reserving activities. The Consulting Actuary assisted in review of the inherent risks, management oversight and other

mitigating controls over the Company's actuarial processes and procedures. The Consulting Actuary performed an independent reserve analysis including an assessment of the Company's reserves for compliance with applicable *Actuarial Standards of Practice* and the NAIC *Accounting Practices and Procedures Manual*.

### **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 transactions or events were deemed material for disclosure in this examination report.

#### **Related Party Claims Service Agreement**

Effective March 26, 2021, the Company became party to a claims service agreement with AIG Claims, Inc. (AIG Claims) and multiple affiliates as specified in the contract that was originally effective July 15, 2012. In accordance with the agreement, AIG Claims provides claims administrative services on behalf of the Company and other participants. In turn, AIG Claims allocates costs incurred in relation to the services and functions provided to the Company.

#### **Related Party Reinsurance Agreement**

Effective August 1, 2021, the Company and NUFIC entered an Adverse Development Excess of Loss Reinsurance Agreement. In accordance with the agreement, NUFIC agreed to indemnify the Company for 100% of its ultimate net loss paid over and above the Company's retention of \$7.54 million subject to \$25 million limit. In return, the Company agreed to pay NUFIC a single premium as specified in the agreement.

Capital Contributions

The Company received capital contributions from BSIC totaling \$9 million subsequent to the examination period. The capital contributions were received from BSIC in the amounts of \$2 million and \$7 million on September 30, 2021 and December 21, 2021, respectively.

Sale of Attune Holdings

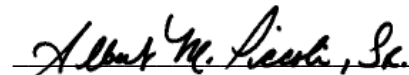
AIG's investment in Attune Holdings was sold to a third party in September 2021. Prior to the sale, Attune Services made arrangements to transfer business produced by the Company to another insurer. As a result, the Company began non-renewing the business produced by Attune Services.

**SUMMARY OF RECOMMENDATIONS**

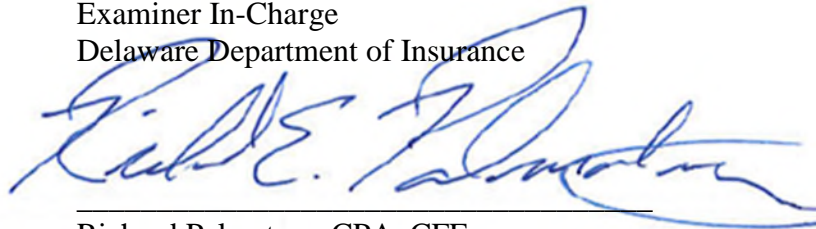
There were no recommendations as a result of this examination.

The assistance of Department's Consulting Actuary is acknowledged. In addition, the assistance and cooperation of the Company's outside audit firm, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,




Albert M. Piccoli, Sr., CFE  
Examiner In-Charge  
Delaware Department of Insurance



Richard Palmatary, CPA, CFE  
Supervising Examiner  
Delaware Department of Insurance

I, Albert M. Piccoli, Sr., 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. 21.002.

A handwritten signature in black ink that reads "Albert M. Piccoli, Sr." in a cursive script.

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Albert M. Piccoli, Sr., CFE