REPORT ON EXAMINATION

OF

UNITED STATES FIRE INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT OF EXAMINATION, made as of December 31, 2014 of the

UNITED STATES FIRE INSURANCE COMPANY

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

Attest By: ______________________

Date: June 8, 2016

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 8th day of June, 2016.

Insurance Commissioner of the State of Delaware

____

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

REPORT OF EXAMINATION

OF THE

UNITED STATES FIRE INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

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.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 8th day of June, 2016

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SALUTATION

May 2, 2016

Honorable Karen Weldin Stewart, CIR-ML
Delaware Insurance Commissioner
Delaware Department of Insurance
Rodney Building
841 Silver Lake Blvd.
Dover, Delaware 19904

Dear Commissioner,

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 15.005 dated February 2, 2015, an examination has been made of the affairs, financial condition and management of

UNITED STATES FIRE INSURANCE COMPANY

hereinafter referred to as “Company” or “US Fire”, incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 1209 Orange Street, Wilmington, Delaware 19801. The examination was conducted at the Company’s administrative office located at 305 Madison Avenue, Morristown, New Jersey 07962. The examination of the Company was conducted concurrently with Fairfax Financial Holdings Limited (“Fairfax Holdings” or “FFH”), a large international organization. The State of Delaware was assigned lead state status by the National Association of Insurance Commissioners (“NAIC”). The Crum & Forster Insurance Companies sub-group consists of the Company, Crum & Forster Indemnity Company (“Indemnity”) a Delaware domiciled company, Crum & Forster Specialty Insurance Company (“C&F Specialty”), a Delaware domiciled Company, Seneca Specialty Insurance Company (“SSIC”) a Delaware domiciled company, The North River Insurance Company (“North River”) a New Jersey domiciled company, Crum & Forster

Insurance Company ("CFIC") a New Jersey domiciled company, First Mercury Insurance Company ("FMIC") an Illinois domiciled company, Seneca Insurance Company ("Seneca") a New York domiciled company, American Underwriters Insurance Company ("AUIC") an Arkansas domiciled company and AMC Re, Inc. ("AMC") an Arkansas domiciled company. Separate reports of examination were filed for each company.

SCOPE OF EXAMINATION

The last examination was as of December 31, 2010. This examination covered the period of January 1, 2011 through December 31, 2014, and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company at December 31, 2014. Transactions subsequent to the examination date were reviewed where deemed necessary.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* ("Handbook") and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to Delaware state regulations.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to Delaware state regulations. 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 (e.g., subjective conclusions, proprietary information, etc.), 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 auditor work papers from their 2014 audit have been incorporated into the work papers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, adjustments to the financial statements, or specific recommendations as a result of this examination.

COMPANY HISTORY

The Company was incorporated under the laws of New York on April 1, 1824. The Company absorbed the following companies by merger: Peter Cooper Insurance Company of New York in September, 1911; Williamsburg City Fire Insurance Company of New York on October 31, 1916; Colonial Assurance Corporation of New York on December 21, 1922; Allemannia Fire Insurance Company of Pittsburgh on May 31, 1951 and Southern Fire Insurance Company on September 21, 1956.

During 2003, MJR Fire Insurance Company was incorporated in Delaware as a wholly owned property and casualty insurance company subsidiary of United States Fire Insurance Company. Effective December 31, 2003, the United States Fire Insurance Company, a New York domiciled Company, was merged with and into the MJR Fire Insurance Company. In connection with the merger, MJR Fire Insurance Company's name was changed to United States Fire Insurance Company and became the wholly owned subsidiary of Crum & Forster Holding Inc., which is a wholly owned subsidiary of Fairfax (US) Inc.

MANAGEMENT AND CONTROL

Management

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property, business and affairs of the

Company shall be managed by a Board of Directors. The bylaws require the Board of Directors consist of three directors but not more than seven.

The Directors are elected annually by the stockholder and hold office until the next annual election and until their successors are elected. Directors duly elected and serving as of December 31, 2014, are as follows:

Name	Business Affiliation
Marc James Adee	Chairman of the Board, President & Chief Executive Officer, US Fire Insurance Company
Paul William Bassaline	Senior Vice President, Chief Financial Officer & Treasurer, US Fire Insurance Company
Stephen Michael Mulready	Executive Vice-President & Chief Operating Officer, US Fire Insurance Company

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, and may elect one or more Vice Presidents, a Treasurer, a Secretary, one or more Assistant Vice Presidents and Assistant Secretaries. The Board of Directors may also elect a Chairman of the Board of Directors and a Chief Executive Officer at its discretion. The primary officers serving as of December 31, 2014 were as follows:

Name	Title
Marc James Adee	Chairman of the Board, President & Chief Executive Officer
Paul William Bassaline	Senior Vice President, Chief Financial Officer & Treasurer
James Vincent Kraus	Senior Vice President, Secretary & General Counsel

Corporate Records

The minutes of the Stockholder and Board of Directors were reviewed for the period under examination. The recorded minutes documented activities and transactions of the Company.

The bylaws require the Board of Directors to meet annually immediately after the annual stockholder meeting, provided a quorum is present. Other meetings may be held as determined by Board of Director resolution, and special meetings may be called by the Chairman of the Board or President. The minutes of the meetings verified annual meetings took place in each year of the examination period.

All applicable agreements were filed with and approved by the Delaware Department of Insurance in accordance with 18 Del. C. §5005 (a)(2) of the Delaware Insurance Code.

Insurance Holding Company System

The Company is a member of an insurance holding company system known as Fairfax Holdings as defined under 18 Del. C. §5001 of the Delaware Insurance Code. The Company maintains that V. Prem Watsa, a Canadian citizen, is the ultimate controlling entity of Fairfax Holdings. As of December 31, 2014, Fairfax Holdings had consolidated assets of $36.1 billion and shareholders' equity of $9.5 billion.

18 Del. C. §5001(3) states that ". . . Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10 percent or more of the voting securities of any other person." V. Prem Watsa and The Watsa Family Trust, which collectively owned or controlled 10% or more of the voting shares of the Company as of the examination date, are considered ultimate controlling entities of the Company.

A partial organizational chart of Fairfax Holdings as of December 31, 2014, with domicile in brackets along with the control percentages of the upstream affiliates' control of the downstream affiliate is presented below:

		Economic Ownership Control Percent	Voting Control Percent	
V. Prem Watsa and The Watsa Family Trust {1}	{2}	1.51%	43.97%	{3}
All Other Publicly Traded Shares Held {4}	{5}	98.49%	56.03%	{6}
Fairfax Financial Holdings Limited [Canada] (FFH) {7}		100.00%	100.00%	
FFHL Group Ltd. [Canada]		100.00%	100.00%	
Fairfax (US) Inc. [DE]		100.00%	100.00%	
Crum & Forster Holdings Corp. [DE]		100.00%	100.00%	
United States Fire Insurance Company [DE]		**100.00%**	**100.00%**	
Crum & Forster Specialty Company [DE]		100.00%	100.00%	
American Underwriters Insurance Company [AR]		100.00%	100.00%	
AMC Re. Inc. [AR]		100.00%	100.00%	
North River Insurance Company [NJ]		100.00%	100.00%	
Seneca Insurance Company [NY]		100.00%	100.00%	
Seneca Specialty Insurance Company [DE]		100.00%	100.00%	
Crum & Forster Indemnity Company [DE]		100.00%	100.00%	
Crum & Forster Insurance Company [NJ]		100.00%	100.00%	
First Mercury Insurance Company [IL]		100.00%	100.00%	

{1} Through voting and economic ownership control, both directly and indirectly, of the following individual and entities: Mr. V. Prem Watsa, 2771489 Canada Limited, 1109519 Ontario Limited, 810679 Ontario Limited and The Sixty Two Investment Company Limited

{2} V. Prem Watsa, an individual, holds 100% of the preference shares (carrying 2/3 of the votes) and The Watsa Family Trust holds 100% of the common shares of 1109519 Ontario Limited, which holds 50.01% of The Sixty Two Investment Company Limited. 2771489 Canada Limited, which is wholly-owned by Fairfax Financial Holdings Limited, holds 49.99% of The Sixty Two Investment Company Limited. The Sixty Two Investment Company Limited owns 1,548,000 voting shares (100%), entitled to ten votes per share, and 50,620 of the 20,427,398 outstanding subordinate voting shares, entitled to one vote per share, of Fairfax Financial Holdings Limited. V. Prem Watsa personally and beneficially owns 258,115 subordinate voting shares of Fairfax Financial Holdings Limited. Calculated as 308,735 subordinate voting common shares held (258,115 plus 50,620 (see {3})) / 20,427,398 total subordinate voting common shares X $8,361,000,000

[FFH common stock equity] / $9,525,700,000 [FFH common stock and preferred stock equity] (see {7})

{3} Including through his control of The Sixty Two Investment Company Limited, V. Prem Watsa's holdings represent 43.97% of the total votes attached to all shares of Fairfax Financial Holdings Limited at December 31, 2014. Calculated as 0.72% through V. Prem Watsa and 43.25% through The Watsa Family Trust and the four entities described in {1}. The 0.72% part is calculated as 139,835 subordinate voting common shares (139,835 votes) through 810679 Ontario Limited + 84,780 subordinate voting common shares (84,780 votes) held personally by Mr. V. Prem Watsa + 33,500 subordinate voting common shares (33,500 votes) held through Prenstin Holdings Ltd. which = 258,115 votes / 35,907,398 total votes. The 43.25% part is calculated as 50,620 subordinate voting common shares (50,620 votes) + 1,548,000 subordinate multiple voting common shares (15,480,000 votes) held through The Watsa Family Trust, 1109519 Ontario Limited, 810679 Ontario Limited and The Sixty Two Investment Company which equals 15,530,620 votes / 35,907,398 total votes (see {7})

{4} No individual or entity owns or controls greater than 10% of FFH as of December 31, 2014

{5} Calculated as 100.00% - 1.51% {2} = 98.49%

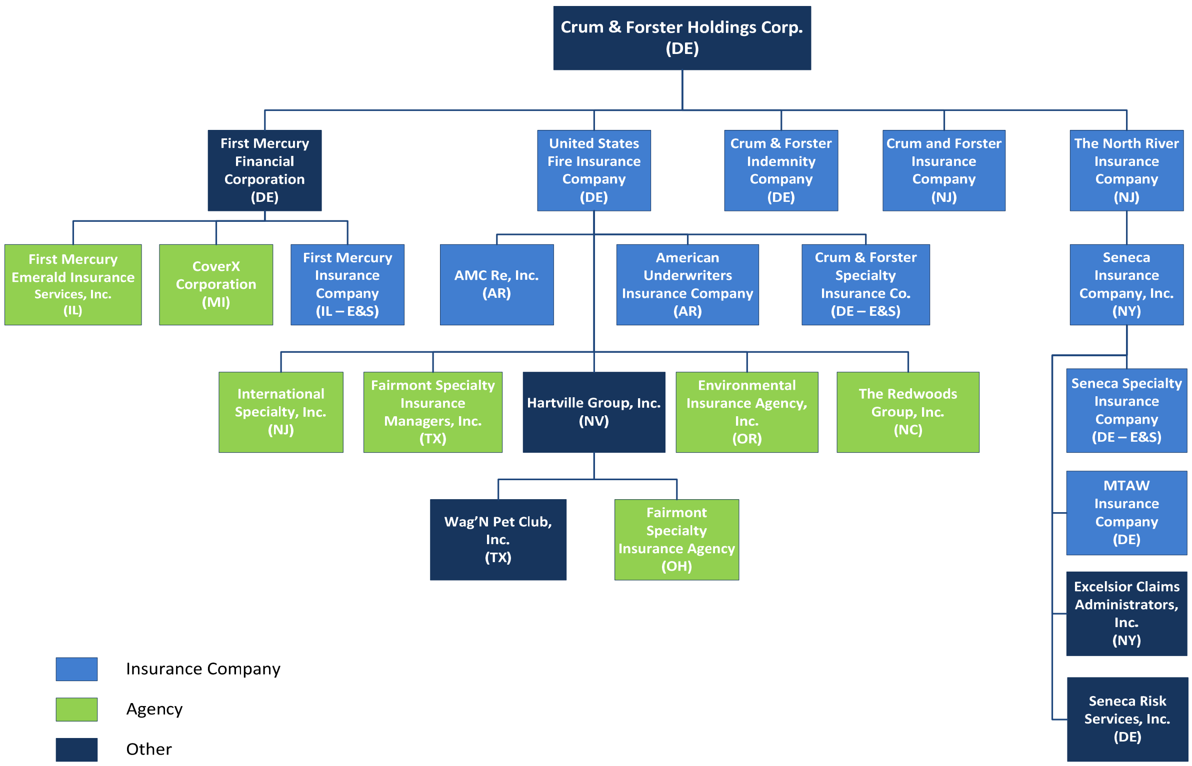
{6} Calculated as 100.00% - 43.97% {3} = 56.03%

{7} Common shares are publicly traded on the Toronto Stock Exchange under the symbol "FFH" and secondarily on the Over-The-Counter market (OTC, or "pink sheets") in the U.S. under the symbol "FRFHF".

At December 31, 2014, FFH has issued 1,548,000 multiple voting common shares (which carry ten votes per share), 20,865,645 subordinate voting common shares [less 438,247 shares held in treasury for an outstanding balance of 20,427,398 shares] (which carry one vote per share), 6,016,384 non-voting preferred Series C shares, 3,983,616 non-voting preferred Series D shares, 7,924,674 non-voting preferred Series E shares, 10,000,000 non-voting preferred Series G shares, 12,000,000 non-voting preferred Series I shares and 9,500,000 non-voting preferred Series K shares. The total votes then consist of 35,907,398 as follows: 15,480,000 votes attributable to the 1,548,000 subordinate multiple voting common shares and 20,427,398 votes attributable to the 20,427,398 subordinate voting common shares. FFH's non-minority capital account at December 31, 2014, totals $9,525,700,000 ($ U.S.) which consists of $8,361,000,000 related to voting common shares (87.77% of the total) and $1,164,700,000 related to non-voting preferred shares (12.23% of the total)

As of the date of the prior examination (December 31, 2011), Southeastern Asset Management, Inc. (SAM), beneficially held 2,717,437 of the 19,627,026 subordinate voting shares of Fairfax Financial Holdings Limited then outstanding, which represented 13.85% ownership control and 7.57% voting control of Fairfax Financial Holdings Limited. SAM filed a disclaimer of affiliation with the Delaware Department of Insurance dated November 22, 2004. In the first quarter of 2014, SAM disposed of 887,749 of its subordinate voting shares of Fairfax Financial Holdings Limited, reducing its holdings to 1,829,688 subordinate voting shares. As a result, SAM's ownership and voting control percentages both fell below 10%.

The relationship of each insurance company within the Group is illustrated below:



Affiliated Agreements:

The Company has entered into various agreements with members of the affiliated group in an effort to obtain efficiencies in operations and limit cost. The Company had the following material intercompany agreements in effect as of December 31, 2014:

Expense Allocation & Administration Services Agreement

This agreement dated April 1, 2010 between the Company and C&F Holdings pertains to the performance of certain administrative services by the Company for Holdings relating to accounting, legal, and other corporate matters. Additionally, the agreement applies to the allocation of certain holding company operating expenses of Holdings and insurance company operating expenses of the Company pertaining to shared personnel and to certain resources and services provided by the Company to Holdings.

Administrative Service Agreement

The Company is a party to an administrative service agreement with the pool participants effective January 1, 1993. By amendments dated June 12, 1995 and December 21, 2000, CFIC and CFSIC, respectively, were added to these agreements. The Company provides all administrative services such as underwriting, claims handling, reinsurance and premium collections on behalf of the parties. Operating expenses incurred in the performance of services are allocated in accordance with SSAP 70. Pool participants are charged their respective shares of operating expenses. The above mentioned agreement with CFIC was replaced with a similar agreement effective June 30, 2010.

Personal Lines Administrative Services Agreement
Personal Lines Reinsurance Agreement
Reinsurance and Insurance Management and Services Agreement
Quota Share Reinsurance Agreement

The Company is a party to the above mentioned agreements; a personal lines administrative services agreement, a personal lines reinsurance agreement, a reinsurance and insurance management and services agreement effective January 1, 1993, and a quota share reinsurance agreement effective January 1, 2000, with TIG, formerly International Insurance Company, an Illinois insurer. TIG provides certain underwriting and administrative services relating to the personal lines reinsurance agreement between TIG and the Company. TIG provides the Company with management of certain reinsurance recoverables and for run-off along with performing discontinued operations previously performed by certain of the C&F business units on behalf of the Company as well as the underwriting, issuance and delivery of policies, and handling of claims in the state of Hawaii. The Company agrees to pay all costs and expenses incurred by TIG for these services.

Tax Allocation Agreement

The Company is a party to a tax allocation agreement with the Parent along with certain of its affiliates effective January 1, 2009. The Parent, the Company and affiliates constitute an affiliated group and have elected to file a consolidated return under the provisions of §1501 of the Internal Revenue Code of 1986. Pursuant to the terms of the tax allocation agreement, no party will be required to pay more in taxes or receive a lesser payment of a refund than it would have paid or received if it computed its taxes independently and filed a separate tax return.

Additionally, the Company has an enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Master Repurchase Agreement

The Company is a party to a master repurchase agreement with FFH effective July 1, 2000, with an amendment dated September 11, 2001. The agreement provides for the repurchase of securities that are transferred to FFH from time to time in order to provide liquidity in the event that the Company is required to pay claims or other corporate obligations, subject to an aggregate limitation for US Fire and North River of $100 million and for Indemnity and CFIC of $5 million.

Pursuant to the agreement, the Company is obligated to repurchase from FFH securities that are transferred for this purpose before the end of each calendar year in which the original purchase took place at a price equal to the amount initially raised from their sale plus the stated interest rate for each security pursuant to the initial sale. During the time that such securities are transferred to FFH, the Company is entitled to receive income payable on such securities. There were no transactions under this agreement during the examination period.

Administrative Services Agreement

The Company is a party to an administrative services agreement with Seneca Insurance Company, a New York insurance company and wholly-owned by the Company's immediate parent, C&F Holdings, effective August 31, 2000. The Company provides Seneca with certain underwriting and administrative services. Seneca agrees to pay all costs and expenses incurred by the Company.

Investment Agreement

The Company is a party to an investment management and administrative services agreement among Hamblin Watsa Investment Counsel Ltd. (Hamblin Watsa) and FFH effective October 1, 2002 and amended April 1, 2007. Pursuant to the agreement, Hamblin Watsa is authorized to supervise and direct all investments of the Company and to exercise whatever powers the Company may possess with respect to its invested assets. Investment transactions will be in accordance with investment objectives of the Company and subject to restrictions established by the Company, as communicated to Hamblin Watsa in writing from time to time.

Subject to these limitations, Hamblin Watsa may buy, sell, exchange, convert and otherwise trade and engage in investment transactions of any nature whatsoever involving any stocks, bonds, commercial paper, money market instruments and other securities and assets when it deems appropriate and without prior consultation with the Company.

Administrative Services Agreement

The Company is a party to an administrative services agreement with Seneca Specialty Insurance Company ("Seneca Specialty"), a Delaware company, effective January 1, 2005. The Company provides Seneca Specialty with certain underwriting and administrative services. Seneca Specialty agrees to pay all costs and expenses incurred by the Company.

Claims Service and Management Agreement

The Company is a party to a claims services and management agreement among Fairmont Premier Insurance Company ("Fairmont Premier"), Fairmont Specialty Insurance Company ("Fairmont Specialty") and Fairmont Insurance Company ("Fairmont") effective January 1, 2006. US Fire provides claims services for certain identified types of claims for Fairmont Premium, Fairmont Specialty and Fairmont. Fairmont Premier, Fairmont Specialty and Fairmont each agree to pay a fee based on each entity's share of the costs, overhead and general expenses incurred by the Company in providing the services.

Master Administrative Service Agreements

The Company is a party to an administrative service agreement with various affiliates, effective November 1, 2014. The agreement allows for the exchange of certain administrative and general services between affiliates.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2014, the Company was licensed to transact multiple property and casualty lines of insurance in all fifty states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

The Company is a national commercial property and casualty insurance company with a focused underwriting strategy, targeting specialty classes of business and underserved market opportunities. The Company writes business through approximately 2,000 insurance producers nationwide who, on a direct written basis, generally fall into four categories: wholesale brokers 27%, independent regional retail firms 58%, national brokers 14% and Managing General Underwriters (”MGU”) / Managing General Agents (“MGA”) 1%. Specialty program business is written through MGUs where appropriate for the class Accident & Health (“A&H”), Bail Bonds and Excess & Surplus binding authorities. The Company generally conducts business on a brokerage basis through their home office and regional branch network, allowing them to control the underwriting process and build close relationships with producers and policyholders. The Company has producers located throughout the United States, writing a broad range of coverage, including general liability, A&H, workers’ compensation on both a guaranteed cost and large deductible basis, excess and umbrella, commercial multi-peril, environmental and commercial automobile.

The Company’s objective is to expand opportunistically into classes of business or market segments that have the potential to generate an underwriting profit. The Company’s business is diversified in terms of product line, varying policy sizes, and geographic mix, with only two states individually comprising more than 10% of total direct written premiums. The Company anticipates increased net premiums written in 2015 due to continued growth of their diversified portfolio and increased retentions of more profitable business.

The Company uses MGU’s to write and administer A&H, pet and travel insurance as well as marine and energy and management and professional liability. In aggregate, the amount of premium written through the MGU’s totals $416 million or $46.3% of surplus, with two

MGU's each writing more than 5% of surplus. FL Dean and Associates wrote $61.5 million and Travel Insured International, Inc. wrote $45.5 million.

On the filed Annual Statement for 2014, the Company reported the following distribution of Direct Premiums Written:

Group Accident and Health	$ 224,006,667	31.1%
Inland Marine	141,061,044	19.6%
Workers' Compensation	94,834,057	13.2%
Other Liability – Occurrence	78,936,534	11.0%
Ocean Marine	52,748,532	7.3%
Commercial Auto Liability	47,187,698	6.5%
Commercial Multiple Peril	36,792,141	5.1%
Auto Physical Damage	14,631,611	2.0%
All Other Lines < $10,000,000 individually	30,201,239	4.2%
Total	$ 720,399,523	100.0%

REINSURANCE

General

The Company reported the following distribution of net premiums written for 2014:

Direct	$ 720,399,523
Reinsurance assumed from affiliate	873,241,517
Reinsurance assumed from non-affiliates	25,837,090
Total gross (direct and assumed)	$1,619,478,130
Reinsurance ceded to affiliates	$ 398,762,942
Reinsurance ceded to non-affiliates	195,622,575
Total ceded	$ 594,385,517
Net premiums written	$1,025,092,613

The Company retained 63.3% of its gross business in 2014.

Assumed – Non-Pooled

In addition to assumptions from the three pool participants, the Company assumes business under 100% quota share treaties with four affiliates: Seneca Insurance Company, FMIC, C&F Specialty, and AUIC. The premiums assumed from Seneca, FMIC and C&F Specialty, and AUIC were $271.5 million, $237.5 million, $132.3 million and $11.2 million, respectively.

Ceded

Effective January 1, 2000, the Company and certain affiliates (Pool Participants) entered into a Reinsurance Participation Agreement (Pooling Agreement) by which premiums, losses, dividends to policyholders and other underwriting expenses of each participant are pooled by means of mutual reinsurance on a fixed percentage basis as follows:

Pool Participants	
United States Fire Insurance Company	76%
The North River Insurance Company	22%
Crum & Forster Insurance Company	1%
Crum & Forster Indemnity Company	1%

The Pooling Agreement provides that the Company, acting as lead Company, assumes from the Pool Participants 100% of the premiums, losses, and dividends to policyholders and other underwriting expenses.

As of December 31, 2014, the Company was a party to the following significant reinsurance contracts on a per risk basis:

Coverage	Limits	Retention
Property catastrophe	$90 million, excess of	$30 million
Property per risk	$48 million, excess of	$2 million
Consolidated casualty	$35 million, excess of	$5 million

During 2014, the Company reviewed its reinsurance programs and modified the coverage and retention levels of certain programs as deemed necessary. In general, the Company's reinsurance contracts provide coverage for domestic acts of terrorism. The agreements have additional terrorism coverage under the Terrorism Risk Insurance Program Reauthorization Act of 2007.

Finite

The Pool Participants entered into an adverse development contract, effective September 30, 2001, with North American Specialty Insurance Company, a subsidiary of Swiss Reinsurance America Corporation. This contract provided $400 million of limit in excess of retention for accident years 2000 and prior, subject to a $200 million sub-limit on 1998 and prior accident years and an asbestos and environmental sub-limit of $100 million. Premiums were based on 35% of amounts ceded plus a reinsurer margin of $8 million. The contract contained provisions that would increase the premium rate to as high as 62% under conditions that Company management considers unlikely. The contract was on a funds held basis with interest credited at 7%. As of December 31, 2014, the Pool had ceded $334.0 million in cumulative losses, and incurred premium of $116.9 million and inception to date funds held interest of $208.1 million for a pretax surplus benefit of $9.0 million (US Fire recorded its 76% share under the Pooling Agreement). At December 31, 2014, and December 31, 2013, the Pool Participants had reinsurance recoverable balances of $334.0 million (for 2014 and 2013) and funds held balances of $317.0 million and $296.2 million, respectively, related to this agreement, of which the Company is a 76% participant.

The Company recorded this contract with North American as retroactive reinsurance, in accordance with SSAP 62R.

Subsequent to the examination date, on October 15, 2015, the Company commuted this contract. The funds held by the Company were used to offset the reinsurer's liabilities as full and final settlement of the agreement. The funds held were determined to be equal to the reinsurer's liabilities which did not require any additional settlement by either party.

The Pool Participants entered into a reinsurance agreement with an affiliate, Clearwater Insurance Company ("Clearwater"), effective December 31, 2011 in which the Companies ceded certain liabilities for asbestos, environmental and other latent claims but exclusive of workers' compensation and surety under insurance and reinsurance contracts covering substantially all of the Companies' liabilities for these lines of business incurred on or prior to December 31, 1998. Effective December 31, 2014, the Companies transferred an additional $73.0 million, including $29.6 million of net loss and loss adjustment reserves from assumed retroactive reinsurance, of net reserves related to the New York Branch office and other builders and contractors business. Cash and securities of equal value were transferred resulting in no surplus impact. The Companies had reinsurance recoverable of $404.5 million and $391.9 million at December 31, 2014 and 2013 respectively from Clearwater related to this agreement. US Fire recorded its 76% share as part of the Pooling Agreement.

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2014, as determined by this examination, along with supporting exhibits as detailed below:

Assets
Liabilities, Surplus and Other Funds
Statement of Income
Capital and Surplus Account
Reconciliation of Capital and Surplus from the Prior Examination
Schedule of Examination Adjustments

Assets
As of December 31, 2014

	Assets	Nonadmitted Assets	Net Admitted Assets	Note
Bonds	$ 1,510,698,563		$ 1,510,698,563	1
Preferred stocks	14,866,169		14,866,169	
Common stocks	648,988,079	$ 15,244,464	633,743,615	2
Short-term investments	409,729,820		409,729,820	1
Cash	20,975,373		20,975,373	
Other invested assets	222,120,330	2,900,000	219,220,330	3
Derivatives	59,963,832		59,963,832	4
Investment income due and accrued	17,299,717		17,299,717	
Uncollectible premiums and agents'balances in course of collection	92,231,087	3,159,805	89,071,282	
Deferred premiums, agents balances and installments booked but deferred & not yet	45,956,425	499,850	45,456,575	
Accrued retrospective premiums	30,400,000	3,040,000	27,360,000	
Amounts recoverable from reinsurers	13,551,502		13,551,502	
Funds held by or deposited with reinsured companies	17,178,544		17,178,544	
Net deferred tax asset	225,275,017	108,844,460	116,430,557	
software	13,425,549	12,238,909	1,186,640	
Furniture and equipment	2,757,661	2,757,661	-	
affiliates	10,001,301		10,001,301	
Aggregate write-ins:	87,892,114	45,991,641	41,900,473	
Total Assets	$ 3,443,311,083	$ 194,676,790	$ 3,248,634,293	

Liabilities, Surplus and Other Funds
As of December 31, 2014

Liabilities, Surplus and Other Funds			Note
Losses	$	1,364,626,440	5
Reinsurance payable on paid losses and LAE		53,181,846	
Loss adjustment expenses		410,990,554	5
Commissions payable, contingent commissions & other similar charges		4,848,486	
Other expenses		48,734,962	
Taxes, licenses and fees		12,336,355	
Current federal and foreign income taxes		65,260	
Unearned premiums		368,376,689	
Advance premium		5,512,376	
Ceded reinsurance premiums payable		15,367,532	
Funds held by company under reinsurance treaties		254,188,906	
Amounts withheld or retained by company for account of others		37,589,573	
Provision for reinsurance		1,092,319	
Payable to parent, subsidiaries and affiliates		1,530,079	
Derivatives		12,236,034	4
Payable for securities		158,809	
Aggregate write-ins for liabilities:		(240,817,881)	
Total Liabilities	$	2,350,018,339	
Aggregate write-ins for special surplus funds	$	149,005,261	
Common capital stock		8,007,567	
Gross paid in and contributed surplus		676,492,567	
Unassigned funds (surplus)		65,110,559	
Surplus as regards policyholders	$	898,615,954	
Total Liabilities, Capital and Surplus	$	3,248,634,293	

Statement of Income
As of December 31, 2014

UNDERWRITING INCOME		
Premiums earned	$	985,323,507
DEDUCTIONS		
Losses incurred	$	490,554,386
Loss adjustment expenses incurred		174,837,762
Other underwriting expenses incurred		346,065,636
Total underwriting deductions	$	1,011,457,784
Net underwriting gain or (loss)	$	(26,134,277)
INVESTMENT INCOME		
Net investment income earned	$	36,563,652
Net realized capital gains or (losses)		185,998,233
Net investment gain or (loss)	$	222,561,885
OTHER INCOME		
Finance and service charges not included in premiums		908,782
Aggregate write-ins for miscellaneous income	$	(22,167,421)
Total other income	$	(21,258,639)
Net income before dividends to policyholders and before federal income taxes	$	175,168,969
Dividends to policyholders	$	-
Net income after dividends to policyholder but before federal income taxes	$	175,168,969
Federal and foreign income taxes incurred		(20,517,522)
Net income	$	195,686,491

Capital and Surplus Account
As of December 31, 2014

Capital and Surplus Account

Surplus as regards policyholders December 31, 2013	$	812,097,210
Net Income	$	195,686,491
Change in net unrealized capital gains		(22,221,177)
Change in net unrealized foreign exchange capital gain		(2,366,526)
Change in net deferred income tax		(8,516,675)
Change in non-admitted assets and related items		58,757,061
Change in provision for reinsurance		179,570
Capital paid in		145,225
Surplus adjustments to paid in		14,854,775
Dividends to stockholder		(150,000,000)
Change in surplus as regards policyholders for the year	$	86,518,744
Surplus as regards policyholders December 31, 2014	$	898,615,954

Reconciliation of Capital and Surplus from the Prior Examination
From December 31, 2010 to December 31, 2014

		Aggregate Write-ins for Surplus Funds	Common Capital Stock	Gross Paid-in & Contributed Surplus	Unassigned Funds (Surplus)	Total
December 31, 2010		$ 155,915,261	$ 4,586,262	$ 279,329,699	$ 461,357,011	$ 901,188,233
2011 Operations	(1)				(171,373,045)	(171,373,045)
2011 Capital Changes			2,224,680			2,224,680
2011 Write-ins	(2)	75,388,700			(75,388,700)	-
2011 Dividends	(3)				(90,000,000)	(90,000,000)
2011 Surplus Adj.				252,775,320		252,775,320
December 31, 2011		$ 231,303,961	$ 6,810,942	$ 532,105,019	$ 124,595,266	$ 894,815,188
2012 Operations	(1)				(23,098,853)	(23,098,853)
2012 Capital Changes			78,810			78,810
2012 Surplus Adj.				9,921,190		9,921,190
December 31, 2012		$ 231,303,961	$ 6,889,752	$ 542,026,209	$ 101,496,413	$ 881,716,335
2013 Operations	(1)				(190,203,298)	(190,203,298)
2013 Capital Changes			972,590			972,590
2013 Surplus Adj.				119,611,583		119,611,583
December 31, 2013		$ 231,303,961	$ 7,862,342	$ 661,637,792	$ (88,706,885)	$ 812,097,210
2014 Operations	(1)				221,518,744	221,518,744
2014 Capital Changes			145,225			145,225
2014 Dividends	(3)				(150,000,000)	(150,000,000)
2014 Surplus Adj.				14,854,775		14,854,775
December 31, 2014		$ 231,303,961	$ 8,007,567	$ 676,492,567	$ (17,188,141)	$ 898,615,954

(1) Operations is defined as: net income, change in net unrealized capital gains or (losses), change in net deferred income tax, change in non-admitted assets, change in provision for reinsurance, and aggregate write-ins for gains and losses to surplus.
(2) Due to the adoption of SSAP 101 by the NAIC, the Company reclassified balances in 2011 which did not result in any cumulative effect to surplus.
(3) Dividends were approved by the DDOI and paid to the Company's immediate parent, Crum & Forster Holdings Corporation.

Common Capital Stock

As amended on June 25, 2014, the Company's Certificate of Incorporation authorizes the issue of 2,669,189 shares of common stock with a $3.00 par value. As of December 31, 2014, the Company had all common shares issued and outstanding totaling $8,007,567. All outstanding common shares of the Company are owned by Crum & Forster Holdings Corporation.

Paid in Surplus

As of December 31, 2014, the Company reported gross paid in and contributed surplus of $676,.5 million. The change in gross paid in and contributed surplus during the examination period was due primarily to capital contributions of $255.0 million in 2011 and $120.5 million in 2013 from its parent, Crum & Forster Holdings Corporation. As result, the Company's paid in surplus increased by $397.2 million during the examination period.

Dividends

The Company paid extraordinary dividends to its parent of $90.0 million in 2011 and $150.0 million in 2014. Both payments were approved by the Delaware Department of Insurance.

SCHEDULE OF EXAMINATION ADJUSTMENTS

No examination changes were made as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

Note 1:

Schedule D - Bonds	**$ 1,510,698,563**
Schedule DA – Short-term Investments	**409,729,820**

As of December 31, 2014, the Company reported total bond investments on Schedule D – Part 1 with book adjusted carrying values in the amount of $1.5 billion and fair market values of $1.6 billion. The Company reported additional short-term fixed income investments on Schedule

DA – Part 1 with book adjusted carrying values of $409.7 million resulting in total bonds and short-term investments of $1.9 billion. Bonds were comprised of the following classes:

	Statement Value	% of Total
Schedule D - Part 1		
U.S. Government Bonds	$ 287,080,968	14.9%
Other Government Bonds	94,568,398	4.9%
U.S. States, Territories and Possession Obligations	292,872,681	15.3%
U.S. Special Revenue - Issuer Obligations	657,518,604	34.2%
Industrial and Miscellaneous Bonds	178,657,912	9.3%
Sub-total	$1,510,698,563	78.6%
Schedule DA - Part 1		
U.S. Treasury Bills	$ 312,672,931	16.3%
Exempt Money Market Mutual Funds	95,956,889	5.0%
Industrial and Miscellaneous Bonds	1,100,000	0.1%
Sub-total	$ 409,729,820	21.4%
Total Bonds and Short-term Investments	$1,920,428,383	100%

Of the Company's total bond holdings, 98.6% were categorized as class 1 or 2 with respect to NAIC credit quality standards and 99.0% were publicly traded securities. Bond maturities were structured with a barbell strategy with maturities of 21.3%, 26.2%, 2.7%, 2.5% and 47.3% maturing in less than one year, one to five years, five to ten years, ten to twenty years and over twenty years, respectively.

Note 2:
Common Stock **$633,743,615**

As of December 31, 2014, the Company reported total common stock investments with book and fair market values totaling $648.9 million and $633.7 net of non-admitted common stocks. The Company's common stock holdings consisted of unaffiliated common stock holdings in publicly traded companies totaling $402.2 million and investments in affiliates totaling $246.8 million. The following is a summary of the Company's common stock holdings as of December 31, 2014:

(In thousands of dollars)

Description	Book/Fair Value	Actual Cost	Current Year Dividends Received	Date Acquired
Unaffiliated Common Stock Holdings				
Commercial International Bank - Egypt	$ 81,087	$ 67,965	$ -	11/1/2014
Bank of Ireland	67,172	17,766	-	12/19/2011
BlackBerry Limited	58,669	40,074	-	7/6/2012
International Business Machines Corp.	47,667	53,181	911	10/20/2014
Overstock.com, Inc.	41,948	11,958	-	9/20/2011
Eurobank Ergasias	37,847	54,683	-	12/19/2014
Resolute Forest Products	24,630	17,906	-	8/8/2013
Others - Various Holdings	43,198	53,430	1,409	Various
Subtotal	$ 402,218	$ 316,963	$ 2,320	
Affiliated Insurance Common Stock Holdings				
C&F Specialty Insurance Company	$ 47,313	$ 26,900	$ -	12/14/2012
Advent Capital Holdings PLC	20,452	17,044	-	8/14/2002
Zenith National Insurance Corparation	16,106	22,058	-	5/20/2010
Environmental Insurance Agency	8,343	8,535	612	12/1/2014
TRG Holding Corporation	8,212	5,025	455	12/27/2000
International Specialty, Inc.	6,703	6,800	-	12/1/2014
American Underwriters Insurance Company	5,297	5,437	-	9/30/2013
Fairmont Specialty Insurance Managers	186	18	-	5/21/2008
Hartville Group, Inc.	13	35,662	-	7/3/2013
Subtotal	$ 112,625	$ 127,479	$ 1,067	
Other Affiliated Common Stock Holdings				
HWIC Asia Fund Class A	$ 96,992	$ 33,099	$ -	9/26/2002
Grivalia Properties S.A.	37,154	39,067	-	1/22/2014
Subtotal	$ 134,146	$ 72,166	$ -	
Less Non-admitted	(15,244)			
Grand Total	$ 633,745	$ 516,608	$ 3,387	

Note 3:
Other Invested Assets **$219,220,330**

As of December 31, 2014, the Company reported total other invested assets with book and fair values in the amount of $222.1 million and $219.2 net of non-admitted other invested assets. The following is a summary of Schedule BA investments by the reported NAIC investment type/category including the percentage owned and additional commitments as of December 31, 2014:

Name or Description	Book/Fair Value	Actual Cost	Investment Income	% Ownership	Additional Commitment
Hedge Fund - Multi-strategy					
BDT Capital Partners Oak, LP	$ 48,412	$ 53,114	$ -	4.6%	$ -
Overlook Limited Partnership	26,548	6,785	-	2.2%	-
Transportation Recovery Fund, LP	10,333	9,558	-	5.6%	8,727
BDT Capital Partners Annex, LP	5,541	5,204	-	1.2%	6,984
Agrigroupe Investments, LP	3,992	3,829	-	4.3%	-
Lefurgy Acquisition, LLC	2,900	2,900	37	100%	-
Subtotal	$ 97,726	$ 81,390	$ 37		$ 15,711
Private Equity - Venture Capital					
Asian Value Investment Fund III, Ltd.	$ 30,476	$ 20,385	$ -	17.9%	$ 14,850
FFHL, LP - The Keg Class A	10,530	11,009	-	18.3%	-
Subtotal	$ 41,006	$ 31,394	$ -		$ 14,850
Hedge Fund - Emerging Market					
Dalton Greater China Fund	$ 29,963	$ 13,266	$ -	47.4%	$ -
Hedge Fund - Long/Short Equity					
India Infoline Participation Notes	$ 26,938	$ 14,629	$ 806	-	$ -
MPIC Fund 1, LP	2,000	2,000	-	15.9%	-
Subtotal	$ 28,938	$ 16,629	$ 806		$ -
Hedge Fund - Sector Investing					
Ivy Realty Fund II, LP	$ 9,311	$ 6,335	$ -	11.3%	$ -
KWF Real Estate Venture I, LP	8,702	9,959	-	14.0%	-
KWF Real Estate Venture XIII, LP	6,257	7,506	-	11.4%	-
Subtotal	$ 24,270	$ 23,800	$ -		$ -
Private Equity - Mezzanine Financing					
Unison Capital II, LP	220	1,815	-	1.2%	-
Less Non-admitted	(2,900)				
Grand Total	$ 219,223	$ 168,294	$ 844		$ 30,562

Note 4:
Derivative Assets **$ 59,963,832**
Derivative Liabilities **12,236,034**

As of December 31, 2014, the Company reported total net derivative assets and liabilities on Schedule DB – Part D – Section 1 with book adjusted carrying values in the amount of $47.7 million. The Company utilizes derivatives for hedging, replication and income generation. All hedging transactions are accounted for as ineffective hedges in accordance with SSAP #86 and are reported at fair value.

Note 5:
Losses **$ 1,364,626,440**
Loss Adjustment Expenses **$ 410,990,554**

INS Consultants, Inc. ("INS") performed a review of the inherent risks, management oversight and other mitigating controls over the Company's actuarial processes and procedures. INS' review included detail testing and an independent calculation of the Company's loss and loss adjustment expense reserves as of December 31, 2014. The Company's actuarial staff provided INS its Statement of Actuarial Opinion and the supporting actuarial data, documents and calculations. The Consulting Actuary determined the Company's loss and loss adjustment expenses reserves were sufficient on both a gross and net basis as of December 31, 2014.

The INS reserve analysis was performed on both a gross and net of reinsurance basis and did not address the collectability of reinsurance recoverables. The INS reserve review found the Company's combined net loss and loss adjustment expenses ("LAE") reserves were adequate to support the business underwritten.

Loss and LAE reserves are subject to errors of estimation arising from the fact that the ultimate liability for claims evaluated as of the valuation date are dependent on future contingent events which cannot always be anticipated. The possible occurrence of such events, as well as the inherent uncertainty associated with statistical estimates, allows no guarantee that the actual ultimate liabilities will be the same as the reserve levels described in this examination report. The review was conducted in conjunction with the current financial examination

SUBSEQUENT EVENTS

Capital Contribution:

The Company received a capital contribution of 100% of the outstanding shares of The North River Insurance Company from its parent, Crum & Forster Holdings Corp. ("C&F Holdings"), effective December 31, 2015.

Change in Capital Valuation:

The Company increased the authorized shares from 2,669,189 to 3,638,000 and the authorized capital from $8,007,567 to $10,914,000. A reverse stock split was made to change the authorized shares of 3,638,000 at $3.00 per share to 3,638 at $3,000 per share. The remaining authorized 968.811 shares were issued to its parent. All of these transactions were effective as of December 31, 2015.

Dividend to Stockholder:

The Company's Board of Directors declared and paid an ordinary cash dividend to the stockholder of record on January 4, 2016, for $65.0 million, which was approved by the Delaware Department of Insurance.

Commutation of Retroactive Reinsurance Agreement:

As of October 15, 2015, the Company commuted an Adverse Loss Development Reinsurance Agreement ("the Agreement") with North American Specialty Insurance Company ("the Reinsurer") which was treated as a retroactive reinsurance contract. The Agreement allowed for the commutation once the funds held balance was equal to the Reinsurer's liabilities. On the commutation date, the Company reduced funds held by the company under reinsurance treaties and aggregate write-ins for liabilities. The commutation resulted in no additional fund settlement between the Company and the Reinsurer and had no impact on the Statement of Income. In addition, the Company decreased special surplus funds and increased unassigned surplus.

Acquisitions:

On October 6, 2015, the Company acquired Nutmeg Group, LLC ("Nutmeg"), which owns the real estate occupied by the Company. The cost of the Nutmeg acquisition was $4.0 million, including $3.6 million of land and building. As a result, the Company has a single real estate property investment that is directly and wholly owned by the Nutmeg LLC and reflected by US Fire as real estate.

On April 10, 2015, the Company acquired Redwoods Group, Inc. ("Redwoods"), a managing general underwriter providing property and casualty insurance products for non-profit organizations, such as YMCA and Jewish Community organizations. The cost of Redwoods was $20.0 million and is fully non-admitted.

On June 25, 2015 the Company dissolved AMC and AMC's net assets were transferred to the Company.

On December 31, 2015, North River became a wholly owned subsidiary of the Company as a result of Holdings contributing its ownership of North River to US Fire at a fair market value of $310.2 million which was equal to its statutory surplus at September 30, 2015.

PRIOR EXAM COMMENTS AND RECOMMENDATIONS

There were no recommendations made in the prior examination report.

COMMENTS AND RECOMMENDATIONS

There were no recommendations made in the examination report.

CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

Description	December 31, 2010	December 31, 2014	Increase (Decrease)
Assets	$ 2,511,795,130	$ 3,248,634,293	$ 736,839,163
Liabilities	$ 1,610,606,897	$ 2,350,018,339	$ 739,411,442
Special Surplus Funds	155,915,261	149,005,261	$ (6,910,000)
Common Capital Stock	4,586,262	8,007,567	3,421,305
Gross Paid In and Contributed Surplus	279,329,699	676,492,567	397,162,868
Unassigned Funds (Surplus)	461,357,011	65,110,559	(396,246,452)
Total Surplus as Regards Policyholders	$ 901,188,233	$ 898,615,954	$ (2,572,279)
Totals	$ 2,511,795,130	$ 3,248,634,293	$ 736,839,163

The assistance of the Delaware Insurance Department's consulting actuarial firm, INS Consultants, Inc. and INS Services, Inc., is acknowledged.

Respectfully submitted,

Joseph Murano Jr.

Joseph Murano Jr., CFE
Examiner-In-Charge
State of Delaware