REPORT ON EXAMINATION

OF

HAMILTON INSURANCE COMPANY

AS OF

DECEMBER 31, 2016

Trinidad Navarro
Commissioner

Delaware Department of Insurance

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2016 of the

HAMILTON INSURANCE COMPANY

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

Attest By: Rebecca Brown

Date: May 31, 2018

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, 2018.

Trinidad Navarro
Insurance Commissioner

841 Silver Lake Blvd., Dover, DE 19904-2465 • www.delawareinsurance.gov
(302) 674-7300 Dover • (302) 739-5280 fax • (302) 577-5280 Wilmington

Trinidad Navarro
Commissioner

Delaware Department of Insurance

REPORT ON EXAMINATION

OF THE

HAMILTON INSURANCE COMPANY

AS OF

DECEMBER 31, 2016

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Trinidad Navarro
Insurance Commissioner

Dated this 8th day of June, 2018

841 Silver Lake Blvd., Dover, DE 19904-2465 • www.delawareinsurance.gov
(302) 674-7300 Dover • (302) 739-5280 fax • (302) 577-5280 Wilmington

TABLE OF CONTENTS

SALUTATION

March 22, 2018

Honorable Trinidad Navarro
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 Exam Authority No. 17.016, dated April 25, 2017, an examination has been made of the affairs, financial condition and management of the

HAMILTON INSURANCE COMPANY

with statutory home office located at 1209 Orange Street, Wilmington, Delaware 19801 and its administrative home office located at 600 College Road East, Suite 3500, Princeton, New Jersey 08540. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of Hamilton Insurance Company (HIC). The last examination covered the period of January 1, 2007 through December 31, 2011. This examination covers the period of January 1, 2012 through December 31, 2016, and encompassed 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 as of

December 31, 2016. Transactions after the examination date were reviewed where deemed necessary.

The examination was conducted concurrently with that of its Delaware-domiciled immediate parent Hamilton Specialty Insurance Company (HSIC).

We conducted the 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 the Department 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 (SSAP). 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 auditing firm, Ernst & Young LLP (E&Y), New York, NY. Certain auditor work papers have been incorporated into the work papers of the examination.

SUMMARY OF SIGNIFICANT FINDINGS

This examination had no material adverse findings, significant non-compliance findings, material changes in financial statements, or updates on other significant regulatory information disclosed in the previous examination.

COMPANY HISTORY

General

The Company was incorporated under the laws of the State of Iowa on June 1, 1973 and commenced business in October 1975. 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. The Company redomesticated from the State of Iowa to the State of Delaware on November 15, 2007 and was renamed Valiant Insurance Company (VIC). At that time, VIC was a wholly-owned subsidiary of VIG, whose ultimate parent was Ariel Holdings, Ltd. (Ariel).

On November 5, 2010, First Mercury Financial Corporation's (FMFC) principal insurance subsidiary, First Mercury Insurance Company (FMIC), 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 services holding company with shares listed and publicly-traded on the Toronto Stock Exchange. Fairfax then became the Company's

ultimate parent and the immediate parent of the Company was TIG Insurance Company (TIG), a California-domiciled property and casualty insurer within the Fairfax Group.

On October 6, 2014, VIC and its subsidiary Valiant Specialty Insurance Company (subsequently renamed HSIC) were purchased by Hamilton Insurance Group, Ltd. (HIG) and Hamilton U.S. Holdings, Inc. (Hamilton US), a Delaware-domiciled holding company, became the immediate parent of the Company. The Company's name was changed to Hamilton Insurance Company. Through a quasi-reorganization in 2015 approved by the Department, ownership of HIC was transferred to HSIC.

Capitalization

The Company is authorized to issue 5,000,000 shares of common capital stock with a par value of $1 per share. As of December 31, 2016, 5,000,000 common stock shares are issued, outstanding and owned by HSIC.

The following table reflects the Company's capitalization activity since the prior examination:

	Common Stock	Gross Paid-in & Contributed Surplus
December 31, 2011	$5,000,000	$65,500,000
Dividends to Former Shareholder		(16,405,475)
Quasi-reorganization under SSAP 72		(38,382,716)
Restructuring of Affiliated Holdings		(5,276,832)
Contributions from Current Parent		30,550,000
December 31, 2016	$5,000,000	$35,984,977

The following contributions were received by the Company during the exam period:

2014	$11,000,000
2015	9,300,000
2016	10,250,000
Total	$30,550,000

Dividends and Distributions

According to Company records for the years indicated, as reflected in the Board of Directors (Board) meeting minutes, dividends and distributions were paid to the sole stockholder and approved by the Department as follows:

Approved	Paid	Paid Amount	Type	Form
July 26, 2014	October 5, 2014	$16,405,475	(1) Extraordinary Dividend	Cash

(1) Relates to the transfer of ownership of the Company on October 6, 2014, as part of the sale of the Company from VIG to Hamilton US.

MANAGEMENT AND CONTROL

Pursuant to the General Corporation Law 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. The Board shall consist of at least four members and subject to a maximum of eighteen members.

The Board as of December 31, 2016, was comprised of four members, each elected or appointed in accordance with Company bylaws. Each Director shall hold office until his successor is elected and qualified, or until earlier resignation or removal.

Directors

The Board, duly elected in accordance with the Company's bylaws and serving as of December 31, 2016, were as follows:

Director Name	Principal Business Affiliation
Seraina Macia	President & CEO
Michael Joseph Garceau	Chief Operating Officer
Patricia Marie Haemmerle Aprill	Senior Vice President – Finance & Treasurer
Keith James Wagner	Senior Vice President, General Counsel & Secretary

Committees

There were no standing Board committees as of December 31, 2016.

Officers

The bylaws of the Company state that the principal officers shall be a Chairman of the Board, a Vice Chairman of the Board, a Chief Executive Officer, a President, one or more Vice-Presidents, a Secretary, a Treasurer, one or more Assistant Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers and such other officers as the Board from time to time may determine.

As of December 31, 2016, the Company's principal officers and their respective titles were as follows:

Officer Name	Title
Seraina Macia	President & CEO
Michael Joseph Garceau	Chief Operating Officer
Patricia Marie Haemmerle Aprill	Senior Vice President – Finance & Treasurer
Keith James Wagner	Senior Vice President, General Counsel & Secretary
Diana Lyn Branciforte	Vice President – Finance & Controller
Brian Gorgas	Vice President, Chief Technology Officer & Chief Privacy and Security Officer
John Thomas Rooney	Vice President-Legal Services & Assistant Secretary

The minutes of the meetings of the Stockholder and Board held during the period of examination, were read and noted. Attendance at meetings, election of directors and officers and approval of investment transactions were also noted.

Inspection of Company files indicated that an ethics statement/conflict of interest statement was completed by all employees for the examination period. A review of the Company's bylaws revealed that no changes were made during the examination period.

A review was performed for compliance with 18 *Del. C.* § 4919. Based on our review, the Company is in compliance.

Corporate Records

The recorded minutes of the 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, for the approval of investment transactions in accordance with 18 *Del. C.* §1304.

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. As previously noted, the immediate parent of the Company as of December 31, 2016, was HSIC and the ultimate parent was HIG.

The organizational chart of HIG as of December 31, 2016, with domicile in parentheses along with the control percentages of the upstream affiliates' control of the downstream affiliate is presented below:

	Economic Control	Voting Control
Sango Hoken Holdings, LLC {1}	24.3%	9.5%
Hopkins Holdings, LLC {1}	24.3%	9.5%
BSOF Master Fund, LP {1}	13.7%	9.5%
All Others	37.7%	71.5%
Hamilton Insurance Group, Ltd. (Bermuda)	100.0%	100.0%
Hamilton Re, Ltd. (Bermuda)	100.0%	100.0%
Hamilton U.S. Holdings, Inc. (Delaware)	100.0%	100.0%
Hamilton Specialty Insurance Company (Delaware)	100.0%	100.0%
Hamilton Insurance Company (Delaware)		
Hamilton U.S. Holdings, Inc. (Delaware)	100.0%	100.0%
Hamilton Services, LLC (Delaware)		
Hamilton U.S. Holdings, Inc. (Delaware	100.0%	100.0%
Hamilton Customer Care Insurance Services, LLC (Delaware)		
Hamilton U.S. Holdings, Inc. (Delaware)	33.3%	33.3%
Attune Holdings, LLC (Delaware)	100.0%	100.0%
Attune Insurance Services, LLC (Delaware)		

{1} HSIC filed a disclaimer of affiliation with the Delaware Department of Insurance on this entity's behalf at the October 6, 2014, acquisition by Hamilton US from VIG, which was approved on January 28, 2015.

The Company filed the required Annual Form B and Form C filings for all of the years under examination, which were reviewed for compliance with the Delaware Insurance code.

Affiliated Agreements

Tax Allocation Agreement

Effective October 6, 2014, the Company entered into a tax allocation agreement among Hamilton US, Hamilton Services, LLC (Hamilton Services), HSIC and Hamilton Custom Care Insurance Services, LLC (added by amendment effective April 4, 2016), for tax years ending December 31, 2014 and later. Under this agreement, income tax expenses are computed on a separate company basis as if each affiliate filed a separate tax return. Intercompany balances are settled on a quarterly basis. The tax allocation agreement was approved by the Department on September 8, 2014.

Administrative Services Agreements

Effective October 6, 2014, the Company entered into an administrative services agreement among Hamilton US, Hamilton Services and HSIC. Hamilton Services as administrator will provide the following services on behalf of its affiliates: underwriting, policy administration, systems and information technology, marketing and corporate affairs, filing of rates and forms, reserving, reinsurance, investment management, tax compliance, treasury, budget and cost accounting, legal, office space, accounting and actuarial, human resources and personnel. Invoicing and settlement of balances occurs quarterly. The administrative services agreement was approved by the Department on September 8, 2014. This administrative services agreement was terminated and replaced with the amended and restated administrative services agreement described in the following paragraph.

Effective October 4, 2015, the Company entered into an amended and restated administrative services agreement among Hamilton US, Hamilton Services and HSIC, similar to and replacing the administrative services agreement described in the preceding paragraph. The amended and restated administrative services agreement was approved by the Department on September 14, 2015.

Capital Maintenance Agreements

Effective October 6, 2014, the Company and HSIC entered into a capital maintenance agreement with HIG whereby HIG would guarantee to maintain the combined policyholder surplus of HSIC and HIC above $45 million. Any party may terminate the agreement with written notice. This agreement was approved by the Department on September 28, 2014. This capital maintenance agreement was terminated and replaced with the amended and restated capital maintenance agreement described in the following paragraph.

Effective October 6, 2014, the Company and HSIC entered into an amended and restated capital maintenance agreement with HIG whereby HIG would guarantee to maintain the combined policyholder surplus of HSIC and HIC above $50 million. Any party may terminate the agreement with at least twelve months written notice. This agreement was approved by the Department on January 29, 2015.

Unaffiliated Agreements

Custodial Agreement

Effective March 29, 2011, the Company entered into a custodial agreement with The Bank of New York Mellon (BNY-Mellon), which provides for the safekeeping of the Company's invested assets. The most recent SSAE16 Report for BNY-Mellon was obtained and reviewed without exception.

The custodial agreement contains all of the required protective language specified in the NAIC Handbook with the exception of Paragraph "L" which requires the custodial agreement to state: "The foreign bank acting as a custodian, or a U.S. custodian's foreign agent, or a foreign clearing corporation is only holding foreign securities or securities required by the foreign country in order for the insurer to do business in that country. A U.S. custodian must hold all other securities."

It is recommended that the Company amend its custodial agreement to comply with NAIC Handbook guidelines.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is currently licensed in the District of Columbia and all fifty U.S. states except Massachusetts.

Plan of Operation

The Company has two tracks for its strategy. The first track relates to HIC's ongoing activities in relation to the joint venture with Attune Insurance Services, LLC (Attune). In September of 2016, HIC and certain of its affiliates (including, without limitation, HSIC) entered into a joint venture with AIG Property Casualty U.S., Inc. and certain of its affiliates (collectively AIG) and Two Sigma Coverage Technologies Holdings, LP and certain of its affiliates (collectively Two Sigma) that resulted in the creation of Attune, a general agency and surplus lines broker focused on the marketing and distribution of small business insurance. While the original intention of the joint venture parties was that both HSIC and HIC would write business through the Attune facility, the expectation at this point and for the foreseeable future is that only admitted business written on HIC paper will be included in that facility. In January 2017, HIC launched its Business Owners Policy (BOP) product through this platform, and the

relevant AIG insurers are working with Attune and the other joint venture parties to launch AIG's Excess Liability and Workers' Compensation products on the platform by early 2018. Over time, the Attune product offerings will expand to include other products, such as various Professional Liability lines of business, which will allow Attune to become a one-stop shop for small business insurance buyers. HIC is expected to achieve gross premiums of $16 million through the Attune facility during 2017 and to reach premium levels of approximately $128 million by 2021.

As for the second track, HIC will be entering the middle market with a variety of admitted product offerings, including Commercial Property, General Liability, Workers' Compensation, Commercial Automobile, and certain Professional Liability lines of business. Like HSIC, HIC will be developing robust analytics and information technological tools to improve underwriting outcomes and the customer experience. HIC expects to implement an early iteration of its middle market technology platform in July of 2018 and will bring products to market in a limited number of states, targeting a limited number of industries.

During the balance of 2018, HIC will expand its marketing efforts in states and industries. HIC's total middle market premium during 2017 is expected to be modest, reaching only about $1.5 million as HIC builds out its platform, but HIC expects that premium base to grow to approximately $450 million by 2021. As with HSIC's exit from Program business, HIC is currently exiting its Program arrangements as well. HIC's share of Hamilton US' total $77 million in Programs premium during 2016 was approximately $10 million and that premium number will decline during the balance of 2017 and into 2018.

A.M. Best Rating

Based on A.M. Best's current opinion of the consolidated financial condition and operating performance, the Company was assigned an A.M. Best rating of A- (Excellent) for the year ended 2016. A.M. Best notes that the rating reflects the Company's start-up nature and its risk adjusted capitalization.

REINSURANCE

The Company reported the following distribution of premiums written in 2016:

Direct	$12,213,977
Reinsurance assumed from affiliates	0
Reinsurance assumed from non-affiliates	0
Total gross (direct and assumed)	$12,213,977
Reinsurance ceded to affiliates	$7,939,757
Reinsurance ceded to non-affiliates	1,655,832
Total ceded	$9,595,589
Net premiums written	$2,618,388

The Company retained 21.4% of its gross business in 2016.

Assumed

The Company does not assume any business.

Ceded to Affiliates

The Company ceded $7,939,757 of its gross premiums to affiliate Hamilton Re, Ltd. (Hamilton Re) in 2016 under the 75% quota share reinsurance agreement and the stop loss reinsurance agreement for 90% of the Company's net retained liability. The cessions under these two affiliated reinsurance agreements represent 82.7% of the $9,595,589 total written premiums ceded for 2016, which demonstrates the extent of the Company's reliance on its affiliate Hamilton Re for reinsurance support.

Ceded to Non-affiliates

Cession to TIG

Effective January 1, 2015, HSIC and HIC entered into a 100% quota share agreement with TIG, whereby TIG assumes any and all insurance and reinsurance assets and liabilities of HSIC and HIC incurred prior and up to October 6, 2014. While HSIC and HIC share certain rights to third party reinsurance agreements assigned to TIG, schedule F of the Annual Statement reflects only the cession to TIG. This agreement was approved by the Department. During 2016, no premiums were ceded under this agreement.

As of December 31, 2016, the Company reported the following ceded loss and (loss adjustment expense (LAE) reserves to TIG:

Case Loss and LAE Reserves	$34,654,000
Incurred But Not Reported Loss and LAE Reserves	33,453,000
Total Loss and LAE cessions to TIG	$68,107,000

Cessions to Others

As noted above, the Company ceded $1,655,832 in written premiums to non-affiliated reinsurers in 2016, which represents 17.3% of the $9,595,589 total written premiums ceded for 2016.

HSIC and HIC entered into the following external covers, which constituted the majority of the unaffiliated cessions in 2016:

Description	Effective	Ending	Limits	HSIC 2016 Written Premiums Ceded	HIC 2016 Written Premiums Ceded
Alta Excess and Umbrella 100% quota share 90% placement	3/1/2016	3/1/2017	$9 million per claim or policy	$5,623,454	$199,800
Property Catastrophe Excess of Loss	6/1/2016	6/1/2017	$145m excess $15m each loss in 3 layers: $35m excess $15m $30m excess $50m $80m excess $80m $290m all losses	5,100,726	693,134
Alta Environmental Liability 100% quota share 30% placement	1/1/2016	1/1/2017	$11 million per claim or policy	3,304,780	152,720
Total these three contracts				$14,028,960	$1,045,654
Total all unaffiliated cessions				$18,139,760	$1,655,832
Total % of these three contracts				77.34%	63.15%

Written premiums ceded to external reinsurers is broken down as follows:

Reinsurer	Premium	Percent
Munich Reinsurance America, Inc. (Delaware)	$465,000	28.1%
Everest Reinsurance Company (Delaware)	196,000	11.8%
All Others (9 reinsurers)	389,000	23.5%
Authorized Domestic (12 reinsurers)	$1,050,000	63.4%
Authorized Foreign (15 reinsurers)	$317,000	19.1%
Unauthorized Foreign (6 reinsurers)	270,000	16.3%
Certified Foreign (1 reinsurer)	19,000	1.2%
Total	$1,656,000	100.0%

FINANCIAL STATEMENTS

The following pages contain the Company's Financial Statements for the year ended December 31, 2016, as determined by this examination, with supporting exhibits as detailed below:

Analysis of Assets,
Statement of Liabilities, Surplus and Other Funds
Underwriting and Investment Exhibit - Statement of Income
Reconciliation of Surplus since last Examination
Schedule of Examination Adjustments

Analysis of Assets
As of December 31, 2016

Assets	Assets	Nonadmitted Assets	Net Admitted Assets	Note
Bonds	$23,992,087		$23,992,087	1
Cash, cash equivalents and short-term investments	6,208,214		6,208,214	
Investment income due and accrued	98,984		98,984	
Uncollected premiums and agents' balances in the course of collection	1,616,444	3,612	1,612,832	
Aggregate write-ins for other than invested assets	435,060	435,060	0	
Total Assets	**$32,350,789**	**$438,672**	**$31,912,117**	

Statement of Liabilities, Surplus and Other Funds
As of December 31, 2016

			Note
Losses	$	850,439	2
Loss adjustment expenses		198,146	2
Commissions payable, contingent commissions & other similar		269,914	
Other expenses		2,673,377	
Taxes, licenses and fees		88,185	
Unearned premium reserve		1,628,437	
Ceded reinsurance premiums payable		4,149,459	
Amounts withheld by company for others		36,294	
Payable to parent,subsidiaries and affiliates		359,860	
Total Liabilities	$	10,254,111	
Common capital stock	$	5,000,000	
Gross paid in and contributed surplus		35,984,977	
Unassigned funds (surplus)		(19,326,971)	
Surplus as regards policyholders	$	21,658,006	
Total Liabilities, Capital and Surplus	$	31,912,117	

Underwriting and Investment Exhibit - Statement of Income
For the Year Ended December 31, 2016

UNDERWRITING INCOME		
Premiums earned	$	1,828,140
DEDUCTIONS		
Losses incurred	$	890,483
Loss adjustment expenses incurred		262,653
Other underwriting expenses incurred		10,577,110
Aggregate write-ins for underwritting deductions		-
Total underwriting deductions	$	11,730,246
Net underwriting gain or (loss)	$	(9,902,106)
INVESTMENT INCOME		
Net investment income earned	$	232,484
Net realized capital gains or (losses) less capital gains tax of $0		-
Net investment gain or (loss)	$	232,484
Other Income		
Net gain (loss) from agents' or premium balances charged off (amount recovered $0 amount charged off $0	$	-
Aggregate write-ins for miscellaneous income		-
Total other income	$	-
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$	(9,669,622)
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes		(9,669,622)
Federal and foreign income taxes incurred		-
Net Income	$	(9,669,622)

Reconciliation of Surplus Since last Exam
As of December 31, 2016

	Capital Stock	Gross Paid in and Contributed Capital	Unassigned Surplus	Total
Beginnng Balance (2011)	$ 5,000,000	$ 65,500,000	$ (40,140,729)	$ 30,359,271
2012 1			1,900,435	1,900,435
2013 1			(58,035)	(58,035)
2014 1			(1,409,088)	(1,409,088)
2014 2		(16,405,475)		(16,405,475)
2014 3		(5,276,832)		(5,276,832)
2014 4		11,000,000		11,000,000
2015 1			(7,906,183)	(7,906,183)
2015 4		9,300,000		9,300,000
2015 5		(38,382,716)	38,382,716	-
2016 1			(10,096,087)	(10,096,087)
2016 4		10,250,000		10,250,000
Ending Balance (2016)	$ 5,000,000	$ 35,984,977	$ (19,326,971)	$ 21,658,006

(1) Aggregates net income, change in unrealized capital gains(losses), change in unrealized foreign exchange gain(losses), change in net deferred income tax, change in non- admitted assets, change in reinsurance for unauthorized reinsurers.
(2) Dividends and distributions were approved by the Board.
(3) Aggregate Write-ins for Gains and Losses in Surplus.
(4) Capital contributions received from parent.
(5) Quasi-reorganization pursuant to SSAP 72 approved by the Department.

SCHECULE OF EXAMINATION ADJUSTMENTS

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Bonds **$23,992,087**

The above-captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report. With the exception of bonds held for statutory purposes, investments are held by BNY-Mellon under a custodial agreement. A review of corporate records indicates that the Board has approved the Company's investment transactions made during the examination period in accordance with 18 *Del. C.* § 1304.

Bonds designations as rated by the NAIC are as follows:

Designation	Book Value	Percentage of Portfolio
NAIC 1	$23,794,427	99.18%
NAIC 3	197,660	0.82%
Total	$23,992,087	100.00%

The Bond portfolio as of December 31, 2016, consisted of the following classes:

Description	Book/Adjusted Carrying Value	Percent of Total
US Government Bonds	$17,125,959	71.38%
Canadian Government Bonds	0	0.00%
Foreign Government Bonds	0	0.00%
US Political Subdivisions	345,420	1.44%
US Special Revenue	370,000	1.54%
US Industrial and Miscellaneous	5,747,510	23.96%
Canadian Industrial and Miscellaneous	0	0.00%
Foreign Industrial and Miscellaneous	403,199	1.68%
Total	$23,992,087	100.00%

Note 2 - Losses	**$850,439**
Loss Adjustment Expenses	**$198,146**

The above-captioned amounts, which are the same as those reported by the Company in its Annual Statement, have been accepted for purposes of this report.

Losses

Reported Losses (Case)	
Direct	$29,538,396
Reinsurance Assumed	1,761,859
Reinsurance Ceded	(30,881,911)
Net Reported Losses	$ 418,344
Incurred but not reported (IBNR)	
Direct	$18,341,053
Reinsurance Assumed	2,786,434
Reinsurance Ceded	(20,695,392)
Net IBNR	$ 432,095
Net Losses Unpaid	$ 850,439
Loss Adjustment Expenses (LAE)	$ 198,146

The Delaware Insurance Department retained the firm of INS Consultants, Inc. (INS) to review the Company's stated reserves. INS was provided with the Company's statement of actuarial opinion and an actuarial report as supporting documentation of the actuarial opinion with loss and loss adjustment expense reserves evaluated as of December 31, 2016. In addition, INS was provided with other reports, schedules, exhibits and relevant information as requested.

INS' review of loss and allocated loss adjustment expenses (ALAE) reserves consisted of separately analyzing the Company's property and casualty books of business on a gross and net basis. In addition, for unallocated loss adjustment expenses (ULAE), the consulting actuary reviewed the methodology employed by the Company's actuaries. INS accepted the methodology and factor selections utilized by the Company's actuaries and ultimately found the Company's reserves to be reasonable.

In conjunction with the actuarial review, the examination team validated loss data used by the Company without material exception.

ANALYSIS OF CHANGES IN THE FINANCIAL STATEMENTSRESULTING FROM EXAMINATION

There were no financial adjustments to the Company's financial statements as a result of this examination.

SUBSEQUENT EVENTS

Capital Contributions from HSIC

The Company received the following capital contributions from HSIC subsequent to December 31, 2016:

First Quarter 2017	$1,500,000
Second Quarter 2017	3,200,000
Third Quarter 2017	5,300,000
Total	$10,000,000

Sale of Hamilton US

On October 2, 2017, American International Group, Inc. (AIG) purchased Hamilton US from HIG, which included the Company and HSIC, with the approval of the Department. On that date, AIG became the ultimate parent of the Company. In addition, on that date, AIG contributed capital of $30.0 million to HSIC, of which $20.0 million was then contributed to HIC on October 27, 2017.

As a result of the change of control noted above, the existing tax allocation agreement, the administrative services agreement and the capital maintenance agreement were all terminated effective October 2, 2017. In addition, the 75% quota share reinsurance agreement was terminated effective September 30, 2017, and the 90% stop loss reinsurance agreement was novated from Hamilton Re to National Union Fire Insurance Company of Pittsburgh, Pennsylvania, (NUFIC) effective October 1, 2017.

Furthermore, as a result of the change of control noted above, with the approval of the Department and effective October 1, 2017 through an amendment, the Company entered into the AIG tax sharing agreement. With the approval of the Department and effective October 2, 2017 through an amendment, the Company entered into the 1974 service and expense agreement with the AIG Companies whereby the Company and the AIG affiliates provide affiliated services and allocate expenses between and among the participating companies. With the approval of the Department and effective October 1, 2017, the Company entered into an 85% quota share reinsurance agreement and a stop loss reinsurance agreement with NUFIC.

Correction of Error

During 2017, the Company identified a correction that resulted in an after-tax statutory adjustment to beginning capital and surplus of $600,000. The decrease in liabilities is a result of

an overstatement of accrued expenses. In accordance with SSAP 3, a correction of the error has been reported in the 2017 annual statement as an increase adjustment to unassigned funds (surplus) and disclosed at Note 14 to the financial statements of the 2017 annual statement.

Quasi-reorganization

On January 26, 2018, the Department approved the Company's request for a quasi-reorganization under SSAP 72. As a result, the Company is allowed to restate its financial statements such that negative unassigned funds (surplus), in the amount of $(28,390,261) at December 31, 2017, will be netted against gross paid in and contributed surplus. This restatement allows the Company to reflect its post-acquisition performance on the unassigned funds (surplus) line.

Corporate Name Change

The Company filed a certificate of amendment to its certificate of incorporation with the Delaware Secretary of State on October 17, 2017, changing the Company's name to Blackboard Insurance Company effective February 1, 2018. On the same date, the Company moved its administrative offices to 120 Broadway, 17th Floor, New York, NY 10271.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no prior examination recommendations.

SUMMARY OF RECOMMENDATIONS

The custodial agreement contains all of the required protective language specified in the NAIC Handbook with the exception of Paragraph "L" which requires the custodial agreement to state: "The foreign bank acting as a custodian, or a U.S. custodian's foreign agent, or a foreign clearing corporation is only holding foreign securities or securities required by the foreign

country in order for the insurer to do business in that country. A U.S. custodian must hold all other securities."

It is recommended that the Company amend its custodial agreement to comply with NAIC Handbook guidelines.

CONCLUSION

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc. and INS Services, Inc. is acknowledged. In addition, the assistance and cooperation of the Company's outside audit firm, E&Y, and the Company's management and staff were appreciated and are acknowledged.

Respectfully submitted,

Andrew Chiodini, CFE
Examiner-In-Charge
Delaware Department of Insurance

Anthony Cardone, CFE
Administrative Supervisor
Delaware Department of Insurance