EXAMINATION REPORT

OF

FIRST NONPROFIT INSURANCE COMPANY
AS OF

DECEMBER 31, 2017

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, 2017 of

FIRST NONPROFIT INSURANCE COMPANY

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

Attest By: Rufuyan Brown

Date: 28th day of June, 2019

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 28 day of June, 2019.

Trinidad Navarro
Insurance Commissioner

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

Trinidad Navarro
Commissioner

Delaware Department of Insurance

REPORT ON EXAMINATION

OF

FIRST NONPROFIT INSURANCE COMPANY

AS OF

DECEMBER 31, 2017

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 28 day of June, 2019

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

TABLE OF CONTENTS

SALUTATION

May 28, 2019

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 18.005, dated October 23, 2017, an examination has been made of the affairs, financial condition and management of

FIRST NONPROFIT INSURANCE COMPANY

hereinafter referred to as the Company or FNIC. FNIC was incorporated under the laws of Delaware as a stock company with its registered office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The examination was conducted at the administrative office of the Company located at 233 North Michigan Avenue, Suite 1000, Chicago, Illinois 60601. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of FNIC. The last examination was conducted as of December 31, 2014, by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2015 through December 31, 2017. Our examination was performed as part of the multi-state coordinated examination of the AmTrust Financial Services, Inc. (AFSI) Group of regulated entities wherein Delaware is the lead state.

The examination was conducted concurrently with that of the Company's Delaware domiciled affiliates, Technology Insurance Company (TIC), Wesco Insurance Company (WIC), Security National Insurance Company (SNIC), Milford Casualty Insurance Company (MCIC) and CorePointe Insurance Company (CPIC), along with the following eighteen (18) United States (U.S.) affiliate insurers:

Company	State of Domicile
AmTrust Insurance Company of Kansas, Inc. (AICK)	KS
AmTrust Title Insurance Company (ATIC)	NY
Associated Industries Insurance Company, Inc. (AIIC)	FL
ARI Casualty Company (ACC)	NJ
ARI Insurance Company (ARI)	PA
Developers and Surety Indemnity Company (DSIC)	CA
Heritage Indemnity Company (HIC)	CA
Indemnity Company of California (ICC)	CA
Republic Fire & Casualty Insurance Company (RFC)	OK
Republic Lloyds (RL)	TX
Republic Underwriters Insurance Company (RUIC)	TX
Republic Vanguard Insurance Company (RVIC)	AZ
Rochdale Insurance Company (RIC)	NY
Sequoia Indemnity Company (SIC)	NV
Sequoia Insurance Company (SEQ)	CA
Southern County Mutual Insurance Company (SCM)	TX
Southern Insurance Company (SOIC)	TX
Southern Underwriters Insurance Company (SUIC)	OK

To the fullest extent, the efforts, resources, project materials 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 Delaware Insurance Code and Regulations. 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 Delaware Corporation Law 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, KPMG LLP (KPMG). Certain auditor work papers of the 2017 audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

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

COMPANY HISTORY

The Company was incorporated and commenced business on January 1, 1978, under the laws of Illinois. The Company was originally organized as First Illinois Religious and Charitable Risk Pooling Trust (the Trust), pursuant to the Illinois Religious and Charitable Risk Pooling Trust Act (the Act). The Act was established to provide a stable market for the insurance needs of the non-profit community.

On June 24, 1981, the Trust's name was changed to First Non Profit Risk Pooling Trust and then again to First Nonprofit Trust (FNT) on February 11, 1991. On April 1, 1993, FNT was reorganized into a reciprocal insurance company as First Nonprofit Insurance Company, a Reciprocal (FNICR). The conversion to reciprocal enabled FNICR policies to come under the protection of the Insurance Guaranty Fund of Illinois. To coincide with the conversion, a second trust was established to maintain the original trust's workers' compensation business in a trust format. In addition, as a reciprocal, FNICR management had the flexibility to ultimately expand operations into additional states.

Effective December 31, 1997, FNICR was merged into a related entity, First Nonprofit Mutual Insurance Company (FNMIC). Subsequently, on August 1, 2002, a mutual insurance holding company was formed, called First Nonprofit Mutual Holding Company (FNMHC) as FNMIC converted to a stock company and became a downstream subsidiary of FNMHC, adopting the Company's current name.

On November 15, 2007, Mutual Insurers Holding Company (MIHC) merged into FNMHC with MIHC surviving as ultimate parent and its subsidiary, Milwaukee Insurance Company (MIC), becoming a wholly owned subsidiary of the Company. Subsequently, in September 2012, MIC merged into the Company and ceased to exist. At that time, the Company directly owned HSC Claims Administration, Inc. (HCA), First Nonprofit Consulting, Inc. (FNC), First Nonprofit Insurance Agency, Inc. (FNIA) and Human Services Benefits Company (HSBC).

On May 13, 2013, AFSI, through a sponsored conversion, purchased 100% of the stock of MIHC, thereby owning 100% of the stock of the Company. Shortly after, on June 28, 2013, MIHC merged into AFSI and ceased to exist. Later that year, on November 5, 2013, the Company's wholly owned entities, HCA and FNC, were dissolved and FNIA and HSBC were sold.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 1,000 shares of common stock with a $5,000.00 par value. As of December 31, 2017, the Company had all 1,000 common shares issued and outstanding totaling $5,000,000. All outstanding common shares of the Company are owned by AFSI. As of December 31, 2017, the Company reported gross paid in and contributed surplus of $33,600,525.

Dividends

The Company's Board of Directors (Board) approved and authorized two extraordinary dividends during the examination period. A $15,000,000 extraordinary dividend, approved by the Department on November 24, 2015, was paid to AFSI on December 21, 2015. On July 19, 2017, a $12,000,000 extraordinary dividend was approved by the Department in connection with

the U.S. intercompany pooling arrangement. Although a $12,000,000 dividend was approved, only a $9,000,000 dividend was deemed necessary and was paid to AFSI on December 27, 2017. AFSI contributed the dividend payment to the pool leader, TIC, to support the pooled insurance business assumed by TIC from the affiliate ceding companies.

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Delaware Corporation Laws, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by or under the direction of its Board, which shall not have less than three (3) or more than five (5) members.

Each Director is elected annually by the stockholder and holds office until the next annual election and until their successors are elected and qualified except as removed for cause and the successor elected by a special meeting of the stockholder. Directors duly elected and serving as of December 31, 2017, are as follows:

Name	Title
Donald Thomas DeCarlo	Attorney (Self-Employed)
Harry Schlachter	Treasurer, AFSI
Stephen Barry Ungar	General Counsel and Secretary, AFSI
Adam Zev Karkowsky	Executive Vice President, Chief Financial Officer, AFSI
Susan Carol Fisch	Retired (Reinsurance Broker Executive)

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, Secretary and Treasurer. Any number of offices may be held by the same person. The primary officers serving as of December 31, 2017, were as follows:

Name	Title
James Joseph Scardino	President
Stephen Barry Ungar	Secretary
Harry Schlachter	Treasurer
Kerry James Heitz	Executive Vice President and Chief Financial Officer

Corporate Records

The shareholder and Board recorded minutes were reviewed for the period under examination. The recorded Board minutes adequately documented the Board's meetings and approval of Company transactions and events including approval of investment transactions in accordance with 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 in compliance with 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. As noted above, the Company is a wholly-owned subsidiary of AFSI, the ultimate parent in the insurance holding company system.

The ultimate controlling parties of AFSI are Leah Karfunkel, George Karfunkel and Barry Zyskind, who beneficially own directly and indirectly an aggregate of 42.7% of the issued and outstanding shares of common stock of AFSI (Leah Karfunkel 11.3%, George Karfunkel 16.5% and Barry Zyskind 14.9%) based on 196,053,133 shares of AFSI common stock outstanding as of December 31, 2017.

Mr. Zyskind holds 29,272,013 shares of AFSI common stock, with 259,276 of these shares as a custodian for his children under the Uniform Transfers to Minors Act and 783,234 shares in a family trust for which he has sole investment control. The Teferes Foundation, a

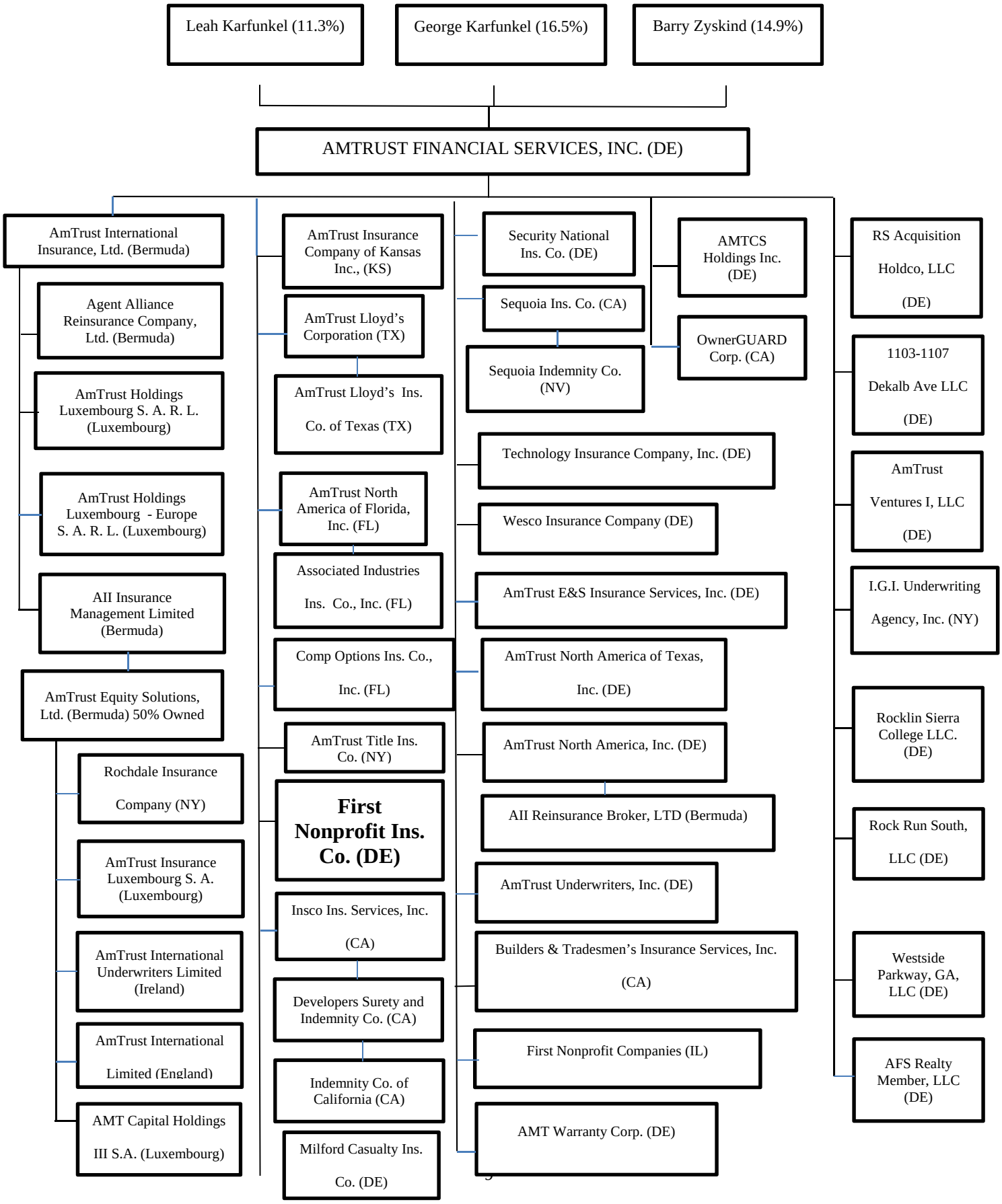
charitable foundation controlled by Mr. Zyskind, owns 2,413,546 shares. Gevurah, a religious organization for which Mr. Zyskind is a trustee and officer and shares voting power and control with two other trustees, holds 12,020,000 of the shares. In addition, Mr. Zyskind, along with Leah Karfunkel, is a co-trustee with shared voting and dispositive power of 15,504,562 shares of common stock held by the Michael Karfunkel Family 2005 Trust (MK Family Trust).

George Karfunkel holds 32,438,408 shares of AFSI common stock, with 880,000 of these shares in a family trust for which he has sole voting and investment control. The Chesed Foundation of America, a charitable foundation controlled by Mr. Karfunkel, owns 12,215,836 of the shares of common stock.

Leah Karfunkel holds 22,101,025 shares of AFSI common stock, with 19,729,562 of these shares in the MK Family Trust and the remaining 2,371,463 shares in the Leah Karfunkel 2016 - AMT GRAT. As mentioned above, Mrs. Karfunkel is co-trustee with Mr. Zyskind over 15,504,562 shares of common stock in the MK Family Trust. ACP Re Holdings, LLC, a Delaware LLC owned 99.9% by the MK Family Trust, holds the remaining 4,225,000 shares of AFSI common stock. Mrs. Karfunkel has sole voting and investment power over the shares held by ACP Re Holdings, LLC.

The following page reflects an abbreviated organizational chart of the AFSI holding company system as of December 31, 2017 (ownership of subsidiaries is 100% unless otherwise noted):

First Nonprofit Insurance Company



Agreements with Affiliates

- Insurance Services, Management and Agency Agreement

Effective May 13, 2013, the Insurance Services, Management and Agency Agreement states that AmTrust North America, Inc. (ANA), an affiliate insurance agency, is to provide compliance, marketing, billing and collection, underwriting and other administration services to the Company as defined in the agreement. For the services provided, the Company pays a flat ten percent (10%) commission on all business written, plus an amount equal to the commission paid to the producing agents for the business written.

- Intercompany Management Agreement

Effective May 13, 2013, the Company became party to an Intercompany Management Agreement (Management Agreement) with its parent, AFSI, by which AFSI provides certain management, financial and accounting, underwriting and administrative services to the Company. All expenses incurred by AFSI on behalf of the Company are to be allocated in a manner consistent with 18 Del. C. §5005(a). Pursuant to the Management Agreement, the Company reimburses AFSI for all direct and operational expenses within forty-five (45) days of the end of each calendar quarter.

- Tax Allocation Agreement

Effective June 8, 2008, the Company became party to a Tax Allocation Agreement, whereby each AFSI affiliate company party to the agreement pays AFSI its tax liability as if it were computed on a stand-alone basis. Each affiliate remits to AFSI its federal tax liability due, as each is legally obligated to make pursuant to terms of the agreement.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2017, the Company is licensed to write business in 31 states and the District of Columbia. The Company has the authority to write the following lines of businesses: fire, allied lines, commercial multi-peril, inland marine, earthquake, workers' compensation, general liability, umbrella, director's and officers' professional liability, commercial auto liability, commercial auto physical damage, fidelity, surety, glass, burglary and theft, boiler and machinery. The Company's primary lines of business in 2017, in terms of direct premiums written, were commercial multi-peril (59.6%), surety (13.7%), commercial auto liability (12.9%) and workers' compensation (10.1%).

REINSURANCE

The Company reported the following distribution of premiums written for the years ended December 31, 2017, and the prior examination date of December 31, 2014:

	2017	2014
Direct premiums written	$ 44,638,231	$ 58,043,632
Assumed premiums (from affiliates)	-	-
Assumed premiums (from non-affiliates)	(4,849)	52,316
Gross premiums written	$ 44,633,382	$ 58,095,948
Ceded premiums (to affiliates)	32,492,698	51,555,282
Ceded premiums (to non-affiliates)	3,141,459	6,540,666
Net premiums written	$ 8,999,225	$ -

Intercompany Pooling Arrangement

Effective October 1, 2017, the Company became party to an intercompany reinsurance pooling arrangement with affiliate company, TIC, as the lead company in the pool. Under the

pooling arrangement, the Company, along with fifteen (15) other U.S. insurance affiliates (Pool Affiliates), cedes one hundred percent (100%) of its insurance business obligations to TIC. TIC then cedes fifty percent (50%) of the pooled net premiums and losses to Bermuda affiliate, AmTrust International Insurance, Ltd. (AIIL). After the cession to AIIL, TIC retrocedes to three (3) Pool Affiliates a total of forty-five percent (45%) of the pool's net retained liabilities. WIC assumes twenty five percent (25%) of the retrocession, with SNIC and DSIC each assuming ten percent (10%) of the pool's net retained liabilities.

As a result of the pooling arrangement, the Quota Share (QS) reinsurance agreement in place prior to October 1, 2017, between the Company and AIIL, which had a fifty percent (50%) cession, was effectively commuted. The net effect of the commutation was a $5,743,015 increase in overall underwriting income to AIIL.

Assumed Reinsurance – Affiliates

Under the terms of the pooling arrangement, the Company does not assume any of the pool's net retained liability as a retrocession from the pool lead company, TIC.

Assumed Reinsurance – Non-Affiliates

In 2017, the Company had no significant assumed business from non-affiliates. The negative premium of $4,849 was related to workers' compensation business assumed from the Pennsylvania Manufacturers' Association Insurance Company.

Ceded Reinsurance - Affiliates

As mentioned above, under the terms of the reinsurance pooling arrangement, the Company cedes to the pool lead company, TIC, one hundred percent (100%) of its "insurance business obligations" as of and/or incurred on/or after October 1, 2017. Insurance business obligations are defined as liabilities on all insurance policies and all assumed reinsurance contracts

that were in force as of October 1, 2017, or that had expired or had been terminated or non-renewed as of October 1, 2017, as well as one hundred percent (100%) of its liabilities on all insurance policies and all assumed reinsurance contracts issued subsequent to October 1, 2017.

Ceded Reinsurance – Non-Affiliates

Below is a description of the third-party reinsurance programs that all of the U.S. domestic companies are covered under as of December 31, 2017.

- Workers' compensation XOL reinsurance – retention of $10,000,000 up to a maximum protection of $710,000,000. Coverage is one hundred percent (100%) of $700,000,000.
- Property per risk XOL reinsurance – retention of $3,000,000 up to a maximum protection of $36,000,000. Coverage is one hundred percent (100%) of $33,000,000.
- Property catastrophe XOL reinsurance – retention of $20,000,000 up to a maximum protection of $830,000,000. Coverage is one hundred percent (100%) of $810,000,000.
- Non-program umbrella QS reinsurance – retention of $1,500,000 up to a maximum protection of $10,000,000. Coverage is one hundred percent (100%) of $8,500,000.
- Casualty/Professional XOL reinsurance – retention of $3,000,000 up to a maximum protection of $50,000,000. Coverage is one hundred percent (100%) of $47,000,000.
- Surety XOL reinsurance - retention of $3,000,000 up to a maximum protection of $50,000,000. Coverage is one hundred percent (100%) of $47,000,000.
- Equipment Breakdown QS reinsurance – no retention; Coverage is one hundred percent (100%) of $100,000,000 per policy occurrence.

FINANCIAL STATEMENTS

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

- Statement of Assets, Liabilities and Surplus as of December 31, 2017
- Statement of Income for the year ended December 31, 2017
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2014 to December 31, 2017

Statement of Assets, Liabilities and Surplus
As of December 31, 2017

	Assets	Non Admitted Assets	Net Admitted Assets
Bonds	$ 18,224,460	$ 0	$ 18,224,460
Common stocks	3,769,298		3,769,298
Cash	6,562,961		6,562,961
Other invested assets	1,625,529		1,625,529
Receivables for securities	2,438		2,438
Subtotals, cash and invested assets	$ 30,184,686	$ 0	$ 30,184,686
Investment income due and accrued	167,888		167,888
Amounts recoverable from reinsurers	7,939,534		7,939,534
Current federal and foreign income tax recoverable and interest thereon	1,911,673		1,911,673
Net deferred tax asset	3,448,037	2,613,071	834,966
Aggregate write-ins for other than invested assets:			
Miscellaneous	12,698		12,698
Totals	$ 43,664,516	$ 2,613,071	$ 41,051,445

			Notes
Losses	$	0	1
Reinsurance payable on paid losses and LAE		0	
Loss adjustment expenses		0	1
Other expenses		1,121,819	
Current federal and foreign income taxes		(549,586)	
Ceded reinsurance premiums payable		311,000	
Provisions for reinsurance		1,007,000	
Payable to parent, subsidiaries, and affiliates		23,484,580	
Total liabilities	$	25,374,813	
Common capital stock	$	5,000,000	
Surplus note		6,500,000	
Gross paid in and contributed surplus		33,600,525	
Unassigned funds (surplus)		(29,423,893)	
Surplus as regards policyholders	$	15,676,632	
Totals	$	41,051,445	

Statement of Income
For the Year Ended December 31, 2017

Premiums earned	$	18,237,275
Losses incurred	$	8,574,167
Loss adjustment expenses incurred		2,411,627
Other underwriting expenses incurred		6,650,450
Total underwriting deductions	$	17,636,244
Net underwriting gain (loss)	$	601,031
Net investment income earned	$	623,391
Net realized capital gains or (losses)		368,502
Net investment gain (loss)	$	991,893
Net gain (loss) from agents' or premiums balances charged off	$	0
Finance and service charges not included in premiums		0
Total other income	$	0
Net income after dividends to policyholders	$	1,592,924
Dividends to policyholders		15,927
Net income, after dividends to policyholders	$	1,576,997
Federal and foreign income taxes incurred		(2,047,758)
Net income	$	3,624,755
Surplus as regards policyholders, December 31, 2016	$	29,185,677
Net income (losses)	$	3,624,755
Change in net unrealized capital gains (losses)		(1,463,280)
Change in net deferred income tax		(6,347,006)
Change in non-admitted assets		7,433,214
Change in provision for reinsurance		(1,007,000)
Surplus adjustment: Paid in		(2,500,000)
Dividends to stockholders		(9,000,000)
Aggregate pooling adjustment		(4,249,728)
Net change in capital and surplus for the year	$	(13,509,045)
Surplus as regards policyholders, December 31, 2017	$	15,676,632

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2014 to December 31, 2017

		Common Capital Stock	Surplus Note	Gross Paid-in and Contributed	Unassigned Surplus	Total
12/31/2014		$ 5,000,000	$ 6,500,000	$ 36,100,525	$ (11,496,771)	$ 36,103,754
12/31/2015	1				1,608,057	1,608,057
12/31/2015	3				(15,000,000)	(15,000,000)
12/31/2016	1				6,473,866	6,473,866
12/31/2017	1				2,240,683	2,240,683
12/31/2017	2			(2,500,000)		(2,500,000)
12/31/2017	4				(9,000,000)	(9,000,000)
12/31/2017	5				(4,249,728)	(4,249,728)
		$ 5,000,000	$ 6,500,000	$ 33,600,525	$ (29,423,893)	$ 15,676,632

(1) Represents 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 provisions for reinsurance, and cumulative effect of changes in accounting principles.
(2) Capital Change - Paid In.
(3) Dividend.
(4) Dividend as a result of Pooling Agreement.
(5) Aggregate pooling adjustment.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	**$ 0**
Loss Adjustment Expenses	**$ 0**

The examination liability for the aforementioned captioned items of $0 are the same as reported by the Company as of December 31, 2017. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Generally Accepted Actuarial

Principles and Statutory Accounting Principles, including NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principle No. 55 (SSAP No. 55).

SUBSEQUENT EVENTS

Sale of U.S. Fee-Based Business

Effective February 28, 2018, AFSI completed the transfer of the U.S. fee-based business with Madison Dearborn Partners (MDP). To complete the transfer, AFSI and Mayfield Holdings (Mayfield) entered into an Acquisition Agreement (Agreement) with MH JV Holdings L.P. (MHJV); an investment vehicle owned my MDP. Under the terms of the Agreement:

- MHJV contributed to Mayfield approximately $225.8 million in cash in exchange for approximately 51.0% of the common units of Mayfield;

- AFSI contributed to Mayfield equity interests in certain of the entities comprising the U.S. fee-based business with a value of approximately $217.0 million in exchange for approximately 49.0% of the common units of Mayfield; and

- One or more subsidiaries of Mayfield acquired from AFSI, the remaining portion of the entities comprising the U.S. fee-based business in exchange for a base cash purchase price of approximately $933.0 million, subject to adjustments based upon the amount of cash, indebtedness and transaction expenses of Mayfield and its subsidiaries at the closing of the transaction.

As a result of the transfer, AFSI will cease consolidating the results of the U.S. fee-based business within its consolidated financial statements and report its ownership interest in Mayfield, using the equity method of accounting.

AFSI Privatization and Merger

Effective November 29, 2018, Evergreen Parent, LP (Evergreen), an entity formed by private equity funds managed by Stone Point Capital LLC (Stone Point), acquired approximately 45.0% of AFSI's issued and outstanding common shares. The transaction valued the fully

diluted equity of AFSI at approximately $2.95 billion, excluding AFSI's outstanding preferred stock.

Termination of Maiden Reinsurance QS

Effective January 1, 2019, all reinsurance agreements with Maiden Reinsurance Ltd. (Maiden Re) were terminated and a QS agreement with Swiss Re to cover AFSI's Small Commercial Business segment became effective. The QS with Swiss Re renews on an annual basis and the Maiden Re agreements are on a run-off basis.

Pursuant to the Swiss Re QS, Swiss Re assumes 38.25% with respect to new, renewal and in-force policies providing coverage for workers' compensation, general liability, umbrella liability and professional liability (including cyber) lines of business. Maiden Re continued to fully collateralize its obligations for all U.S. and European business ceded to it through December 31, 2018, including business which was in-force on December 31, 2018. In addition, Swiss Re will assume business directly from AFSI's U.S. pool, reducing the business ceded to AFSI's Bermuda reinsurer, AIIL, by approximately $1.05 billion.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

CONCLUSION

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, KPMG and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

James M. Perkins, CFE
Examiner In-Charge
State of Delaware

Tony Cardone, CFE
Supervising Examiner
State of Delaware