EXAMINATION REPORT

OF

SECURITY NATIONAL 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

SECURITY NATIONAL INSURANCE COMPANY

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

Attest By: Rufujan 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

SECURITY NATIONAL 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

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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. 18.004, dated October 23, 2017, an examination has been made of the affairs, financial condition and management of

SECURITY NATIONAL INSURANCE COMPANY

hereinafter referred to as the Company or SNIC. SNIC 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 4455 LBJ Freeway, Dallas, Texas 75244. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of SNIC. 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), First Nonprofit Insurance Company (FNIC), 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 on July 7, 1924, as a fire insurance company under the provisions of Chapter 861 of the Texas Insurance Code and commenced business on August 1, 1924 as Security National Fire Insurance Company. Trinity Universal Insurance Company (TUIC) acquired the Company on December 8, 1942, and subsequently on December 3, 1954, the Company's current name was adopted, as the powers of the Company were broadened to permit writing all lines of fire and casualty insurance under the provisions of Chapters 822, 861 and 862 of the Texas Insurance Code.

AFSI acquired the Company on June 1, 2008, as approved under Texas Commissioner's Order No. 08-0375, dated April 28, 2008. AFSI purchased the Company and certain affiliates with a combination of cash and notes payable to TUIC. On December 28, 2012, the Company re-domesticated from Texas to Delaware with the approval of both the Texas and Delaware Departments of Insurance.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 400,000 shares of common stock with a $10.00 par value. As of December 31, 2017, the Company had all 400,000 common shares issued and outstanding totaling $4,000,000. 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 $91,007,614.

Dividends

The Company's Board of Directors (Board) approved and authorized two dividends during the examination period, both in 2017. On April 13, 2017, an ordinary dividend of $16,500,000 was declared and paid to its parent, AFSI. Subsequently, an extraordinary dividend of $96,000,000 was approved by the Department and paid to AFSI on December 27, 2017.

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
Jeffrey Paul Leo	President
Stephen Barry Ungar	Secretary
Harry Schlachter	Treasurer

Corporate Records

The recorded shareholder and Board 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

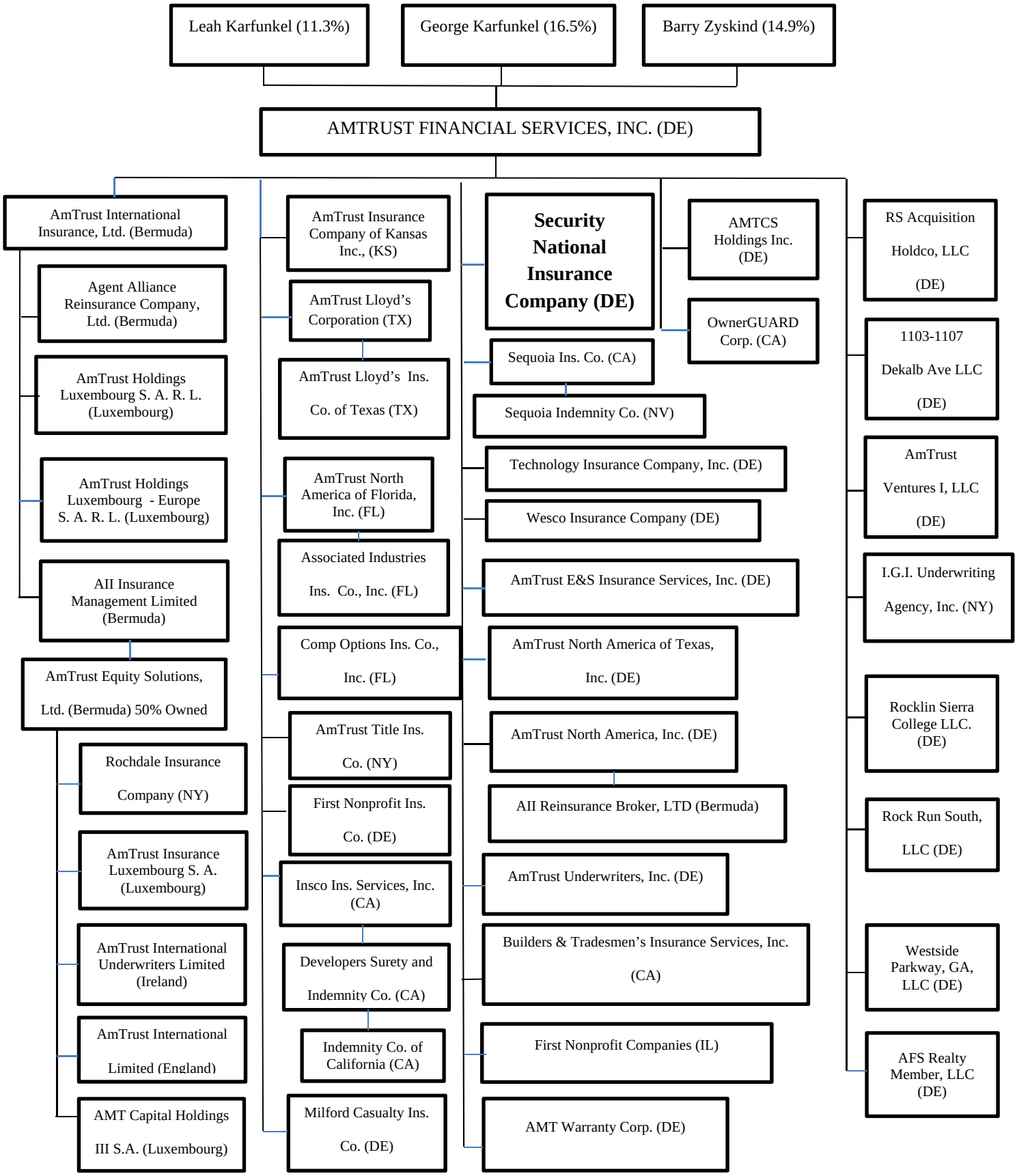
shares in a family trust for which he has sole investment control. The Teferes Foundation, a charitable foundation controlled by Mr. Zyskind, owns 2,413,546 shares. Gevurah, a religious organization for which Mr. Zyskind is a trustee and officer and shares voting power and control with two other trustees, 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):

Security National Insurance Company



Agreements with Affiliates

- Insurance Services, Management and Agency Agreement

Effective June 1, 2008, and amended June 30, 2011, 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. However, in certain instances, the parties may agree in writing to exclude either or both such commission amounts when such business relates to a particular program of business.

- Intercompany Management Agreement

Effective June 1, 2008, and amended September 30, 2009, the Company is party to an Intercompany Management Agreement (Management Agreement) with its parent, AFSI, by which AFSI provides certain management and administrative services and allocates the costs among the Company and other affiliates on a proportional basis. The fee charged for the services provided under the Management Agreement is equal to the lesser of two percent (2%) of total premiums written or $500,000, which can be waived by AFSI within 30 days of the end of each quarter. The Management Agreement gives AFSI the discretion to waive any part of all of the fees associated with services provided if the charge is deemed to be unduly burdensome on the Company's current surplus. Fees paid under the Management Agreement during 2017 totaled $132.9 million.

- 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 49 states and the District of Columbia. The Company is also eligible to write surplus lines in the State of Florida.

The Company has the authority to write the following lines of businesses: fire, allied lines, farm owners multiple peril, inland marine, other liability, products liability, commercial automobile liability and physical damage, and workers' compensation. The Company's primary lines of business in 2017, in terms of direct premiums written, were workers' compensation (73.9%) and other liability - occurrence (13.4%).

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	$ 749,489,417	$ 647,295,401
Assumed premiums (from affiliates)	200,608,085	-
Assumed premiums (from non-affiliates)	5,824,670	5,874,494
Gross premiums written	$ 955,922,172	$ 653,169,895
Ceded premiums (to affiliates)	647,095,459	571,337,371
Ceded premiums (to non-affiliates)	28,447,990	18,511,132
Net premiums written	$ 280,378,723	$ 63,321,392

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 the Company and two (2) other 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 the Company 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, TIC and AIIL, which had a fifty percent (50%) cession, was effectively commuted. The commutation had no effect on overall underwriting income to TIC or AIIL.

Assumed Reinsurance – Affiliates

As mentioned above, under terms of the pooling arrangement, the Company assumes ten percent (10%) of the pool's net retained liability as a retrocession from the pool lead company, TIC.

Assumed Reinsurance – Non-Affiliates

In 2017, the Company assumed business from non-affiliates of which 54.3% was workers' compensation business, 43.1% warranty business and the remaining 2.6% was commercial auto liability business. The assumed workers' compensation business came from the National Workers' Compensation Reinsurance Pool and the warranty business was assumed from Financial American Property and Casualty 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	$ 791,051,058	$ 0	$ 791,051,058
Common stocks	4,088,454		4,088,454
Cash	27,654,516		27,654,516
Short-term Investments	0		0
Other invested assets	11,719,608		11,719,608
Receivables for securities	24,845		24,845
Subtotals, cash and invested assets	$ 834,538,481	$ 0	$ 834,538,481
Investment income due and accrued	5,692,678		5,692,678
Uncollected premiums and agents' balances in the course of collection	74,807,858	21,647,917	53,159,941
Deferred premiums, Agents' Balances not yet due	129,431,544		129,431,544
Accrued retrospective premiums (premiums and considerations)	125,005		125,005
Accrued retrospective premiums	24,167,399		24,167,399
Other amounts receivable under reinsurance companies	13,166		13,166
Current federal and foreign income tax recoverable and interest thereon	9,982,274		9,982,274
Net deferred tax asset	14,844,155		14,844,155
Guaranty funds receivable or on deposit	94,482		94,482
Receivable from parent, subsidiaries and affiliates	22,000,000		22,000,000
Aggregate write-ins for other than invested assets: Claims suspense account	16,410,380		16,410,380
Other assets	662,118		662,118
Accounts receivable	2,946,734		2,946,734
Related party	1,805		1,805
Totals	$1,135,718,079	$ 21,647,917	$1,114,070,162

		Notes
Losses	$ 291,539,297	1
Reinsurance payable on paid losses and LAE	650,911	
Loss adjustment expenses	34,764,465	1
Commissions payable, contingent commissions	5,660,725	
Other expenses	14,475,104	
Taxes, licenses and fees	7,123,585	
Unearned premiums	134,740,319	
Advanced premiums	2,212,455	
Policyholders (dividends declared and unpaid)	13,671	
Ceded reinsurance premiums payable	32,833,142	
Funds held by company under reinsurance treaties	363,762	
Provisions for reinsurance	3,489,590	
Payable to parent, subsidiaries, and affiliates	471,788,275	
Surcharge payable	2,394,185	
Deferred miscellaneous revenue	3,084,060	
Other liability	(61,877)	
Total liabilities	$ 1,005,071,668	
Special surplus from Retroactive Reinsurance	$ 17,308,515	
Common capital stock	5,000,000	
Gross paid in and contributed surplus	90,007,614	
Unassigned funds (surplus)	(3,317,635)	
Surplus as regards policyholders	$ 108,998,494	
Totals	$ 1,114,070,162	

Statement of Income
For the Year Ended December 31, 2017

Premiums earned	$ 237,374,145
Losses incurred	$ 143,723,373
Loss adjustment expenses incurred	28,159,597
Other underwriting expenses incurred	82,948,273
Total underwriting deductions	$ 254,831,243
Net underwriting gain (loss)	$ (17,457,098)
Net investment income earned	$ 24,552,579
Net realized capital gains or (losses)	598,865
Net investment gain (loss)	$ 25,151,444
Net gain (loss) from agents' or premiums balances charged off	$ (3,858,388)
Finance and service charges not included in premiums	631,334
Retroactive reinsurance gain	26,628,485
Miscellaneous other income (expenses)	70,596
Total other income	$ 23,472,027
Net income after dividends to policyholders	$ 31,166,373
Dividends to policyholders	1,043,980
Net income, after dividends to policyholders	$ 30,122,393
Federal and foreign income taxes incurred	8,307,674
Net income	$ 21,814,719
Surplus as regards policyholders, December 31, 2016	$ 217,161,792
Net income (losses)	$ 21,814,719
Change in net unrealized capital gains (losses)	(10,880,126)
Change in net deferred income tax	(19,418,538)
Change in non-admitted assets	28,209,341
Change in provision for reinsurance	(3,489,148)
Surplus adjustment: Paid in	22,000,000
Dividends to stockholders	(112,500,000)
Aggregate pooling adjustment	(33,899,547)
Net change in capital and surplus for the year	$ (108,163,299)
Surplus as regards policyholders, December 31, 2017	$ 108,998,494

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

		Retroactive Reinsurance	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/2014		$ -	$ 4,000,000	$ 67,007,614	$ 52,726,877	$ 123,734,491
12/31/2015	2		1,000,000	1,000,000		2,000,000
12/31/2015	1				23,807,249	23,807,249
12/31/2016	1				67,620,051	67,620,051
12/31/2017	1				16,236,248	16,236,248
12/31/2017	3			22,000,000		22,000,000
12/31/2017	4				(112,500,000)	(112,500,000)
12/31/2017	5				(33,899,547)	(33,899,547)
12/31/2017	6	17,308,515			(17,308,515)	
		$17,308,515	$ 5,000,000	$ 90,007,614	$ (3,317,635)	$ 108,998,494

(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. 2016 included a $3,526,356 cumulative effect for changes of accounting principles.
(2) SNIC had reporting errors for its Common Capital Stock and Gross Paid-in and Contributed Surplus in report years 2015, 2016, and 2017. The error was a result for a merger adjustment made when AmTrust Lloyds Insurance Company of Texas (ALIC) merged into SNIC in 2015 and SNIC being the surviving Company. SNIC did not make the correcting adjustments until its 2018 second quarter statement. The correct value of its Common Capital Stock should be $4,000,000 and its Gross Paid in and Contributed Surplus should be $91,007,614.
(3) Surplus adjustment – Paid In - The Company received a permitted accounting practice to allow a receivable to be established as of the Statement date for $22,000,000 representing a capital infusion in February 2018.
(4) Dividends to stockholder – this amount represents a $16.5 million ordinary dividend paid and a $96.0 million extraordinary dividend paid. The $96.0 million extraordinary dividend was a result of the Pooling Agreement and was approved by the Department.
(5) Aggregate pooling adjustment.
(6) Special surplus from Retroactive Reinsurance- since this total was included in income, the number was backed out of Unassigned Surplus.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	**$ 291,539,297**
Loss Adjustment Expenses	**$ 34,764,465**

In order for the examination team to gain an adequate comfort level with the Company's loss and LAE reserve estimates, the Department retained the actuarial services of INS Consultants, Inc. (INS) to perform a risk-focused review of the Company's reserving and pricing activities. Certain risks within the pricing and reserving processes required Phase 5 substantive test work.

Based on the procedures performed and results obtained by INS, the examination team obtained sufficient evidence to support the conclusion that the Company's net loss and LAE reserves are reasonably stated as of December 31, 2017.

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.

Capital Contribution

Effective February 27, 2018, a capital contribution occurred from AFSI to the Company in the amount of $22,000,000. The capital contribution was allocated to the Company's surplus and available capital as of December 31, 2017.

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, the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, KPMG LLP 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