

**REPORT ON EXAMINATION**  
**OF**  
**HUDSON INSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2023**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
HUDSON INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2023

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 28th day of May, 2025

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May 7, 2025

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 West North Street  
Suite 101  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 24.007, an examination has been made of the affairs, financial condition and management of

**HUDSON INSURANCE COMPANY**

hereinafter referred to as the Company or HIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its home office located at 1209 Orange Street, Wilmington, Delaware. The administrative office of the Company is located at 100 William Street, 5th Floor, New York, New York, 10038.

**SCOPE OF EXAMINATION**

We have performed our multi-state examination of HIC. The last examination of the Company was conducted by the Delaware Department of Insurance (Department) and covered the five-year period from January 1, 2015 through December 31, 2019. This examination covers the four-year period from January 1, 2020 through December 31, 2023.

The examination of the Company was performed as part of the multi-state coordinated examination of Fairfax Group of regulated United States (U.S.) property and casualty insurance companies (Fairfax U.S. Group) as of December 31, 2023. The Department was the lead state for the Fairfax U.S. Group examination. The examination was conducted concurrently with that of the Company's U.S. affiliates. The Companies in the Fairfax U.S. Group and their state of domicile are summarized as follows by subgroups:

**Hudson Subgroup – 100% owned by Odyssey Re Subgroup below:**

<b><u>Company Name</u></b>	<b><u>NAIC Number</u></b>	<b><u>State of Domicile</u></b>
Hudson Excess Insurance Co	14484	DE
Hudson Insurance Co	25054	DE
Hilltop Specialty Insurance Co	37079	NY

**Odyssey Re Subgroup:**

<b><u>Company Name</u></b>	<b><u>NAIC Number</u></b>	<b><u>State of Domicile</u></b>
Greystone Insurance Co	10019	CT
Odyssey Reinsurance Co	23680	CT

**Crum & Forster Subgroup:**

<b><u>Company Name</u></b>	<b><u>NAIC Number</u></b>	<b><u>State of Domicile</u></b>
American Underwriters Ins Co	10251	AR
Crum & Foster Ind. Co	31348	DE
Crum & Forster Ins Co	42471	NJ
Crum & Forster Specialty Ins Co	44520	DE
First Mercury Ins Co	10657	DE
MTAW Insurance Co	16498	DE
North River Insurance Co	21105	NJ
Seneca Ins Co Inc.	10936	NY
Seneca Specialty Ins Co.	10729	DE
United States Fire Ins Co	21113	DE
Monitor Life Insurance Company	81442	NY

**Zenith Subgroup:**

<b><u>Company Name</u></b>	<b><u>NAIC Number</u></b>	<b><u>State of Domicile</u></b>
Zenith Insurance Co	13269	CA
ZNat Insurance Co	30120	CA

**Allied World Subgroup:**

<b><u>Company Name</u></b>	<b><u>NAIC Number</u></b>	<b><u>State of Domicile</u></b>
Allied World Assur Co US Inc.	19489	DE
Allied World Ins Co	22730	NH
Allied World Natl Assur Co	10690	NH
Allied World Surplus Lines Ins Co	24319	AR
Allied World Specialty Ins Co	16624	DE
Vantapro Specialty Ins Co	44768	AR

**Riverstone/TIG Subgroup:**

<b><u>Company Name</u></b>	<b><u>NAIC Number</u></b>	<b><u>State of Domicile</u></b>
TIG Insurance Co	25534	CA

To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation 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 accounting firm PricewaterhouseCoopers LLC (PwC). Certain auditor work papers of the 2023 PwC 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**

Fairfax (US) Inc. (Fairfax US), a Delaware corporation, purchased the Company along with Clearwater Insurance Company (CIC), its immediate parent, on May 31, 1996. The ultimate parent of Fairfax is Fairfax Financial Holdings Limited (FFH), a Canadian financial services company.

As of December 31, 2010, Hudson was 100% owned by CIC, an insurance company domiciled in the State of Delaware. CIC was 100% owned by Odyssey America Reinsurance Corporation (OARC), a Connecticut domiciled corporation, which was 100% owned by Odyssey Re Holdings Corp. (ORH), which was owned ultimately 100% by FFH. On January 1, 2011, OARC changed its name to Odyssey Reinsurance Company (ORC). Also, on January 1, 2011,

ORH transferred ownership of CIC to TIG Insurance Group, Inc. (TIG), which is a Fairfax subsidiary and at that time was a shareholder of ORH, in exchange for 5,921 shares of ORH common stock held by TIG. As a result of this transaction the Company became directly owned by ORC.

In the fourth quarter of 2014, FFH re-organized and aligned its ownership of ORH, ORC's 100% direct parent, under a newly-formed, single intermediate holding company named Odyssey US Holdings Inc. (OUSHI). As of December 31, 2023, OUSHI, a Delaware corporation, is 90.1% owned by Fairfax US, which is ultimately 100% owned by FFH. ORH changed its name to Odyssey Group Holdings, Inc. (OGHI) in 2018. OUSHI merged with and into Fairfax US in December 2024.

#### Capitalization

The Company is authorized to issue 25,000 shares of common stock with a par value of \$300 per share, and all 25,000 shares of the common stock are issued and held by ORC as of December 31, 2023. The Company is also authorized to issue 25,000 shares of preferred stock with a par value of \$0.01 per share and 23,807 shares of the preferred stock were issued and held by TIG as of December 31, 2023.

#### Dividends

The Company paid ordinary cash dividends to its sole shareholder during the period under examination as reflected in the Board of Directors (Board) meeting minutes and approved by the Department as follows:

<u>Date Declared</u>	<u>Notification Date</u>	<u>Date Paid</u>	<u>Dividend Paid</u>
June 16, 2020	June 16, 2020	June 30, 2020	\$40,000,000
October 5, 2020	October 7, 2020	November 2, 2020	\$ 1,309,389
October 5, 2021	October 8, 2021	October 21, 2021	\$ 1,309,389
October 5, 2022	October 10, 2022	November 2, 2022	\$ 1,309,389
October 9, 2023	October 9, 2023	October 20, 2023	\$ 1,309,389

Dividend payments for all years noted above were in compliance with 18 *Del. C.* §5004 (e) and 5005 (b).

### **MANAGEMENT AND CONTROL**

#### Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company’s Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction of, its Board.

In accordance with the Company’s bylaws, directors shall be elected annually by the sole shareholder and the number of directors who will constitute the entire Board, shall consist of no less than three (3) and no more than nine (9) members. The directors shall hold office until the next Annual Shareholders Meeting or until their successors are elected or appointed.

The members of the Board, serving as of December 31, 2023, each elected or appointed in accordance with the Company bylaws were as follows:

<u>Name</u>	<u>Title</u>
Christopher Liam Gallagher	Chairman, President and CEO Hudson Insurance Group
Michael Paul Cifone	Executive Vice President – HIC
Richard Frederick Coerver IV	Executive Vice President & Chief Financial Officer– Oghi
Jean-Raymond Kingsley	Senior Vice President - HIC
Margaret Mary Catherine Killeen	Executive Vice President – HIC
Elizabeth Ann Sander	Executive Vice President and Chief Actuary – Oghi
Leslie Weihrich Shore	Executive Vice President – HIC

Officers

In accordance with its bylaws, officers serving the Company shall be a Chairman of the Board, a President, one or more Vice Presidents (as determined by the Board), a Controller, a Corporate Secretary and other officers as may from time to time be appointed by the Board. The Vice Presidents may include Executive Vice Presidents and Senior Vice Presidents. Any two or more offices may be held by the same person, except that the President and the General Counsel cannot be the same person. The senior officers, duly appointed in accordance with the bylaws and serving as of December 31, 2023, were as follows:

<u>Name</u>	<u>Title</u>
Christopher Liam Gallagher	Chairman, President & Chief Executive Officer
Dina Georgia Daskalakis	Executive Vice President, General Counsel & Corporate Secretary
Rory Alexander Rose	Senior Vice President & Chief Financial Officer
Paola Andrea Corcoran	Senior Vice President & Controller
Alane Robinson Carey	Executive Vice President
Richard Frederick Coerver IV	Executive Vice President
Margaret Mary Catherine Kileen	Executive Vice President
Elizabeth Ann Sander	Executive Vice President & Chief Actuary
Francis Dennis Cerasoli	Senior Vice President
Michael Paul Cifone	Senior Vice President
Robert Ernest Crowther	Senior Vice President
Leslie Weihrich Shore	Senior Vice President
Jack Jeffrey Whittle	Senior Vice President, Assistant General Counsel & Assistant Corporate Secretary

Corporate Records

The recorded minutes of the Shareholders and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, the review of Company files indicated that written

correspondence was submitted to the Department with regard 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 known as FFH as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. FFH is a publicly listed company whose subordinate voting shares trade on the Toronto Stock Exchange under the symbol FFH. As of December 31, 2023, FFH had consolidated assets (IFRS Basis) of \$91,985 million and shareholders' equity of \$27,709 million. 18 *Del. C.* §5001(3) states that “. . . Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10 percent or more of the voting securities of any other person.” Pursuant to this presumption, V. Prem Watsa and The Watsa Family Trust, which collectively owned or controlled 10% or more of the voting shares of the Company as of the examination date, are considered controlling entities of the Company.

The companies in the Hudson sub-group are ultimately 100% owned by Oghi. As of December 31, 2023, Oghi was owned 90.01% by OUSHI and OUSHI was 100% owned by Fairfax US. OUSHI merged with and into Fairfax US in December 2024. Fairfax US is 100% owned by FFHL Group Ltd., which is 100% owned by FFH.

An abbreviated organizational chart of FFH as of December 31, 2023, with domicile in brackets, along with the control percentages of the upstream affiliates' control of the downstream affiliate is presented below:

Hudson Insurance Company

		Equity Ownership Percentage	Voting Control Percentage	
V. Prem Watsa and the Watsa Family Trust {1}{8}	{2}	9.84 %	43.88%	{3}
All Other Publicly Traded Shares Held {4}	{5}	90.16%	56.12%	{6}
Fairfax Financial Holdings Limited [Canada] (FFH) {7}		100.0%	100.0%	
FFHL Group Ltd. [Canada]		100.0%	100.0%	
Fairfax (US) Inc. [DE]		100.0%	100.0%	
Odyssey US Holdings Inc. [DE]		90.01%	100.0%	
Odyssey Group Holdings, Inc. [DE]		100.0%	100.0%	
Odyssey Reinsurance Company [CT]		100.0%	100.0%	
<b>Hudson Insurance Company [DE]</b>		100.0%	100.0%	
Hudson Crop Insurance Services, Inc. [DE]		100.0%	100.0%	
Napa River Insurance Services, Inc. [CA]		100.0%	100.0%	
Pacific Surety Insurance Agency, Inc.		100.0%	100.0%	
Hudson Insurance Services Inc [British Columbia]		100.0%	100.0%	
Hilltop Specialty Insurance Company [NY]		100.0%	100.0%	
Hudson Excess Insurance Company [DE]		100.0%	100.0%	

Notes 1 through 8 more fully describe the ownership and voting percentages throughout the holding company.

{1} Through voting and economic ownership control, both directly and indirectly, of the following individual and entities: Mr. V. Prem Watsa, 2771489 Canada Limited, The Second 1109 Holdco Limited and The Sixty-Two Investment Company Limited.

{2} Calculated as follows:

Description	Shares Outstanding	Shares Owned/Controlled	Percentage of total shares outstanding
Total Single Voting Shares (SVS) outstanding	22,254,478		
<b>Prem Watsa SVS Shares:</b>			
SVS Shares owned through Second 810 HoldCo Ltd.		257,517	1.1572%
SVS Shares owned through 12002574 Canada Inc.		195,100	.8767%
SVS shares held directly {8}		289,491	1.3008%
SVS Shares held through Sixty Two HoldCo		50,620	.2275%
Additional SVS shares under control and direction		2,100	.0094%
<b>Total SVS shares owned/controlled</b>		794,828	3.5715%
Total MVS Shares Outstanding	1,548,000		
MVS Shares owned and controlled through Sixty Two Holdco		1,548,000	100%
Total MVS + SVS Shares Outstanding	23,802,478		
<b>Total MVS + SVS Shares owned and controlled by Mr. Watsa</b>		2,342,828	9.8428%

- {3} Calculated as 1.95% through ownership of SVS shares held by V. Prem Watsa directly and/or through the Second 810 HoldCo Ltd. and 12002574 Canada Inc. as delineated in Note 2 above (including 2100 additional SVS shares under his control and/or direction) and 41.93% through ownership of MVS and SVS Shares held through Sixty-Two HoldCo. It should be noted that pursuant to Canadian securities filing requirements, the 2100 subordinate voting shares owned by immediate family members of Mr. Watsa are also considered to be under the control and/or direction of Mr. Watsa and are therefore included in the voting control percentages reported herein.
- {4} No other individual or entity owns or controls greater than 10% of the voting common shares of FFH as of December 31, 2023.
- {5} Calculated as 100.00% - 9.84% {2}
- {6} Calculated as 100.00% - 43.88% {3}
- {7} FFH common shares are publicly traded on the Toronto Stock Exchange in Canadian dollars under the symbol FFH and in US dollars under the symbol FFH.U. As of December 31, 2023, FFH has issued 1,548,000 multiple voting common shares, 22,254,478 subordinate voting common shares, and 58,239,178 non-voting preferred Series C thru M. FFH's equity attributable to Shareholders as of December 31, 2023, totals \$22,950.5 million (\$ U.S.) which consists of \$21,615 million (includes \$3.8 million of multiple voting shares)

related to voting common shares (94.18% of the total) and \$1,335.5 million related to non-voting preferred shares (05.82% of the total).

- {8} On May 13, 2024, FFH re-purchased 275,000 SVS from Mr. Watsa for cancellation, reducing the number of shares held directly by Mr. Watsa to 14,491. As a result, the 1.95% year-end 2023 ownership percentage shown in Note 3 above would be reduced to approximately 1.24% after cancellation in 2024.

### Agreements with Affiliates

#### *Expense Sharing Agreement*

Effective January 1, 2000, the Company entered into an Expense Sharing Agreement with Fairfax, ORC, CIC and CSIC, with one amendment since inception. Each party to the agreement is to make the following services available to the other parties: management, consulting, underwriting, claims, accounting, financial, legal, personnel and data processing services, to be used at times and in amounts determined necessary and appropriate by the managing officers of each company. Each party provides quarterly detailed statements to each company to which it provided services during the quarter.

#### *Investment Manager Agreement*

Effective January 1, 2003, the Company entered into an Investment Manager Agreement with Hamblin Watsa Investment Counsel, Ltd. (HW) and FFH. HW manages the Company's investment portfolio in accordance with investment objectives communicated in writing by Company management, subject to investment guidelines in compliance with the investment limitation statutes of the State of Delaware. In addition, FFH provides investment administrative services to the Company under guidelines established by the Board or authorized committee of the Board.

#### *Master Administrative Services Agreement*

Effective November 1, 2014, the Company entered into a Master Administrative Services Agreement among various U.S. operating subsidiaries of FFH. Each party to the agreement may

provide certain administrative services to any other party. Each party provides quarterly detailed statements to each company to which it provided services during the quarter.

*Revolving Line of Credit Agreement*

Effective September 16, 2014, the Company entered into a Revolving Line of Credit Agreement (Line of Credit) with ORC. The purpose of this agreement is to principally fund the short-term needs under the crop insurance program each September and October. The Line of Credit may not exceed \$50 million at any time and shall bear interest at the mid-term applicable federal rate prescribed by the Internal Revenue Service for the month in which the agreement is executed.

*Tax Allocation Agreement*

Effective January 1, 2000, the Company entered into a Tax Allocation Agreement with Fairfax US, OGHI, ORC, Clearwater Select Insurance Company and HSIC, with four amendments since inception. The Company and its U.S. affiliates file a consolidated U.S. federal income tax return in accordance with Section 1501 of the U.S. Internal Revenue Code of 1986 (as amended). Each company's tax liability is calculated based upon its respective share of consolidated income. The agreement further provides that each member receives reimbursement to the extent that its losses and other credits resulted in a reduction of the current year's consolidated tax liability, not to exceed its liability as if filed on an individual basis.

*Tax and Compliance Services Agreement*

Effective January 1, 2002, the Company entered into a Tax and Compliance Services Agreement with Fairfax US. Fairfax US provides tax compliance and consulting services to OGHI and its subsidiaries. The fees paid by each company are payable quarterly and include a total fixed base fee and a variable fee component that includes third party outside fees incurred on behalf of OGHI and its subsidiaries.

## **TERRITORY AND PLAN OF OPERATION**

### **Territory**

As of December 31, 2023, the Company has certificates of authority to write business in all 50 U.S. States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Canada and qualifies as an acceptable surety and/or reinsurer on Federal bonds.

During 2023, the Company wrote approximately 73.6% of its direct business in Multi-Peril Crop 53.0%, Tribal 10.3% and California 10.3%.

### **Plan of Operation**

The Company writes property and casualty products on a direct and program basis. Its direct business is underwritten by employed underwriters with employees responsible for marketing, policy issuance, premium collection and billing. Additionally, the Company's direct business is produced by brokers and appointed agents. The Company provides coverage to farmers in several states for multiple peril, crop hail and other named peril exposures. The Company also provides automobile (liability & physical damage), directors' and officers' liability, inland marine, personal liability, property, medical malpractice insurance and surety in certain states.

The Company's program business is written through specialized agents and managing general agents. These contracted agents write business that meets the underwriting guidelines on the Company's paper. Claims and claims management of the Company are managed through third party administrators, claims administrators and Company personnel who specialize in the business managed.

Direct written premiums in 2023 by line of business were as follows:

<u>Lines of Business</u>	<u>Premiums</u>	<u>% of Total</u>
Multiperil crop	\$ 1,017,318,729	53.1%
Other liability - claims-made	293,084,902	15.3%
Other liability - occurrence	290,992,888	15.2%
Other commercial auto liability	136,636,546	7.1%
Surety	72,045,305	3.8%
Commercial auto physical damage	44,358,141	2.3%
All Others	62,733,459	3.3%
Total	<u>\$ 1,917,169,970</u>	<u>100.0%</u>

### REINSURANCE

The Company reported the following distribution of premiums written for the year ended December 31, 2023, and the prior examination date of December 31, 2019:

	<u>2023</u>	<u>% GPW</u>	<u>2019</u>	<u>% GPW</u>
Direct written	\$ 1,917,169,970	98.2%	\$ 1,278,434,334	97.9%
Reinsurance assumed from affiliates	32,542,096	1.7%	11,708,236	0.9%
Reinsurance assumed from non-affiliates	<u>2,461,398</u>	<u>0.1%</u>	<u>15,904,961</u>	<u>1.2%</u>
Gross premiums written (GPW)	<u>\$ 1,952,173,464</u>	<u>100.0%</u>	<u>\$ 1,306,047,531</u>	<u>100.0%</u>
Reinsurance ceded to affiliates	\$ 1,002,527,365	51.4%	\$ 758,228,191	58.1%
Reinsurance ceded to non-affiliates	<u>628,479,932</u>	<u>32.2%</u>	<u>241,165,713</u>	<u>18.5%</u>
Total ceded	<u>\$ 1,631,007,297</u>	<u>83.5%</u>	<u>\$ 999,393,904</u>	<u>14.8%</u>
Net premiums written	<u>\$ 321,166,167</u>	<u>16.5%</u>	<u>\$ 306,653,627</u>	<u>23.5%</u>

HIC retained 16.5% of its gross business during 2023.

### Assumed

Total reinsurance premiums assumed from affiliate in 2023 was as follows:

<u>HIC Assumed Premiums</u>	<u>From Affiliates</u>	<u>% of Total</u>
Odyssey Reinsurance Company	\$ 16,877,000	51.9%
Singapore Reinsurance Corp Ltd	14,437,000	44.4%
Crum & Forster Indemnity Co	<u>1,228,000</u>	<u>3.8%</u>
Total Assumed from Affiliates	<u>\$ 32,542,000</u>	<u>100.0%</u>

Ceded

As of December 31, 2023, HIC had an affiliated retrocessional agreement covering its general book of business which ceded 70% of the business to ORC. This agreement was effective January 1, 2008, and amended effective January 1, 2009. This agreement and amendment were approved by the Department on December 7, 2007, and December 8, 2008, respectively. The business ceded is net of all reinsurance protections ceded to third party reinsurers. In addition, HIC has 100% quota share agreements with ORC for Private Crop and Livestock. ORC has agreed to participate on certain of HIC's external reinsurance placements, which ORC then retrocedes to CRC Reinsurance Limited, an affiliated Barbados reinsurer that is 100% owned by Fairfax. This retrocession arrangement is referred to as the Fairfax Internal Reinsurance Vehicle. During 2023 \$992.3 million of the total \$1,002.5 million of the total ceded to affiliates was ceded to ORC.

HIC's external reinsurance program is designed to protect its program business with quota share and excess treaties written for individual programs or classes of business written by the programs. HIC had in effect to protect the entire book a property catastrophe treaty \$15 million excess \$2.5 million and a contingency excess of loss written in two layers: \$5 million excess \$5 million and \$10 million excess \$10 million. To protect its largest book of business, Multiple Peril Crop Insurance, HIC had in effect a stop loss agreement which provides coverage as noted below:

Reverse Franchise Excess	5% excess 95%
1 <sup>st</sup> Excess	5% excess 100%
2 <sup>nd</sup> Excess	7.5% excess 105%
3 <sup>rd</sup> Excess	7.5% excess 112.5%

**FINANCIAL STATEMENTS**

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

- Statement of Assets as of December 31, 2023
- Statement of Liabilities and Surplus as of December 31, 2023
- Statement of Income for the year ended December 31, 2023
- Statement of Capital and Surplus Account for the year ended December 31, 2023
- Reconciliation of Capital and Surplus for the Period December 31, 2019 to December 31, 2023

Statement of Assets  
As of December 31, 2023

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets 2023
Bonds	\$ 213,611,946	\$ -	\$ 213,611,946
Preferred stock	55,803,393		55,803,393
Common stock	340,719,956		340,719,956
Mortgage loans	277,383,791		277,383,791
Cash	18,676,580		18,676,580
Cash equivalents	28,114,215		28,114,215
Short term investments	234,827		234,827
Other invested assets	42,792,231		42,792,231
Receivable for securities	450,540		450,540
Subtotals, cash and invested assets	<u>\$ 977,787,479</u>	<u>\$ -</u>	<u>\$ 977,787,479</u>
Investment income due and accrued	4,677,027		4,677,027
Uncollected premiums and agents' balances	32,738,772	6,280,026	26,458,746
Deferred premiums	158,846,220	386,435	158,459,785
Amounts recoverable from reinsurers	443,991,074		443,991,074
Net deferred tax asset	28,778,731	2,883,091	25,895,640
Electronic data processing equipment and software	12,569,498	11,694,936	874,562
Furniture and equipment	707,048	707,048	-
Receivables from parent, subsidiaries and affiliates	4,282,728		4,282,728
Aggregate write-ins for other than invested assets	735,920,488	5,434,538	730,485,950
Total Assets	<u>\$ 2,400,299,065</u>	<u>\$ 27,386,074</u>	<u>\$ 2,372,912,991</u>

Statement of Liabilities and Surplus  
As of December 31, 2023

		Notes
Losses	\$ 397,207,040	1
Loss adjustment expenses	39,537,629	1
Commissions payable; contingent commissions and other similar charges	63,322,383	
Other expenses (excluding taxes, licenses and fees)	34,149,978	
Taxes; licenses and fees (excluding federal and foreign income taxes)	2,384,681	
Current federal and foreign income taxes	2,064,371	
Unearned premiums	135,530,274	
Advance premium	8,942,789	
Ceded reinsurance premiums payable	877,185,803	
Funds held by company under reinsurance treaties	1,357,966	
Amounts withheld or retained by company for account of others	95,933,272	
Provision for reinsurance	5,313,000	
Drafts outstanding	18,674,034	
Payable to parent; subsidiaries and affiliates	9,761,021	
Payable for securities	418,853	
Aggregate write-ins for liabilities	1,241,942	
Total liabilities	\$1,693,025,036	
Common capital stock	\$ 7,500,000	
Preferred capital stock	238	
Gross paid in and contributed surplus	293,480,097	
Unassigned funds (surplus)	378,907,620	
Surplus as regards policyholders	\$ 679,887,955	
Total liabilities & surplus	\$2,372,912,991	

Statement of Income  
For the Year Ended December 31, 2023

Underwriting Income	
Premiums earned	\$ 345,967,129
Losses incurred	<u>232,595,707</u>
Loss adjustment expenses incurred	50,695,022
Other underwriting expenses incurred	<u>71,642,588</u>
Total underwriting deductions	<u>\$ 354,933,317</u>
Net underwriting gain (loss)	<u>\$ (8,966,188)</u>
Investment Income	
Net investment income earned	\$ 123,953,811
Net realized capital gains (losses) less capital gains tax of (\$454,323)	<u>(1,340,921)</u>
Net investment gain (loss)	<u>\$ 122,612,890</u>
Other Income	
Net gain (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$)	\$ -
Finance and service charges not included in premiums	-
Aggregate write-ins for miscellaneous income	<u>(4,889,599)</u>
Total other income	<u>\$ (4,889,599)</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 108,757,103
Federal and foreign income taxes incurred	<u>5,558,290</u>
Net income	<u>\$ 103,198,813</u>

Capital & Surplus Account  
For the Year Ended December 31, 2023

Surplus as regards policyholders; December 31 prior year	\$ 605,366,853
Net income	103,198,813
Change in net unrealized capital gains or (losses) less capital gain tax of 1,634,377	(32,422,612)
Change in net unrealized foreign exchange capital gain (loss)	544,877
Change in net deferred income tax	1,027,748
Change in nonadmitted assets	3,481,661
Dividends to stockholders	(1,309,385)
Change in surplus as regards policyholders for the year	<u>\$ 74,521,102</u>
Surplus as regards policyholders; December 31 current year	<u><u>\$ 679,887,955</u></u>

Reconciliation of Capital and Surplus  
As of December 31, 2019 to December 31, 2023

	Common Capital Stock	Preferred Stock	Aggregate Write ins for special surplus	Gross Paid-in and Contributed Surplus	Unassigned Surplus	
12/31/2019	\$ 7,500,000	\$ 238	\$ -	\$ 293,480,097	\$ 176,173,040	
12/31/2020	-	-	-	-	14,622,946	(1)
12/31/2020	-	-	-	-	18,505,951	(2)
12/31/2020	-	-	-	-	(41,309,385)	(3)
12/31/2021	-	-	-	-	61,435,956	(1)
12/31/2021	-	-	-	-	26,927,329	(2)
12/31/2021	-	-	-	-	(1,309,385)	(3)
12/31/2022	-	-	-	-	149,020,372	(1)
12/31/2022	-	-	-	-	(98,370,921)	(2)
12/31/2022	-	-	-	-	(1,309,385)	(3)
12/31/2023	-	-	-	-	103,198,813	(1)
12/31/2023	-	-	-	-	(27,368,326)	(2)
12/31/2023	-	-	-	-	(1,309,385)	(3)
<b>Total</b>	<b>\$ 7,500,000</b>	<b>\$ 238</b>	<b>\$ -</b>	<b>\$ 293,480,097</b>	<b>\$ 378,907,620</b>	

(1) Represents net income

(2) Change in unrealized capital gains (losses), Change in net unrealized foreign exchange capital gain, Change in net deferred income tax, Change in non-admitted assets and Change in provision for reinsurance

(3) Dividends to stockholders

**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	\$397,207,040
Loss Adjustment Expenses	\$39,537,629

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2023. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Actuarial Principles and Standards of Practice and Statutory Accounting Principles, including NAIC Accounting Practices

and Procedures Manual, Statement of Statutory Accounting Principles No. 55 *Unpaid Claims, Losses and Loss Adjustment Expenses* (SSAP No. 55).

**SUBSEQUENT EVENTS**

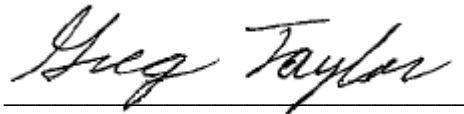
There were no material subsequent events noted for the Company.

**SUMMARY OF RECOMMENDATIONS**

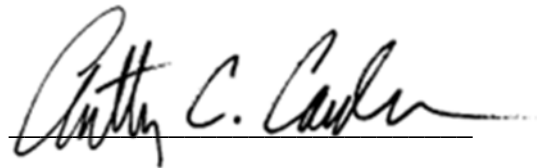
There are no exam report recommendations as a result of this examination.

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

Respectfully Submitted,

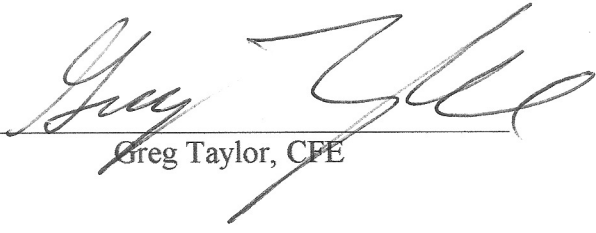
A handwritten signature in cursive script that reads "Greg Taylor". The signature is written in black ink and is positioned above a solid horizontal line.

Greg Taylor, CFE  
Examiner In-Charge  
State of Delaware

A handwritten signature in cursive script that reads "Anthony C. Cardone". The signature is written in black ink and is positioned above a solid horizontal line.

Anthony Cardone, CPA, CFE  
Supervising Examiner  
State of Delaware

I, Greg Taylor, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 24.007.

  
\_\_\_\_\_  
Greg Taylor, CFE