

REPORT ON EXAMINATION
OF
UNITED STATES FIRE INSURANCE COMPANY
AS OF
DECEMBER 31, 2023

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
UNITED STATES FIRE 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.

A handwritten signature in blue ink, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 21st day of May, 2025

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May 15, 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. 24.001, an examination has been made of the affairs, financial condition and management of

UNITED STATES FIRE INSURANCE COMPANY

hereinafter referred to as the Company or USF. 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 located at 305 Madison Avenue, Morristown, New Jersey.

SCOPE OF EXAMINATION

We have performed our multi-state examination of USF. 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 subgroup:

Allied World Subgroup:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
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

Crum & Forster Subgroup:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
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 Co. of NY	81442	NY

Hudson Subgroup – 100% owned by Odyssey Re Subgroup:

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

Odyssey Re Subgroup:

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

Riverstone/TIG Subgroup:

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

Zenith Subgroup:

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

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

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

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 6,260 shares of common stock with a \$3,000 par value. As of December 31, 2023, the Company had all common shares issued and outstanding for a total amount of \$18,780,000. All outstanding common shares of the Company are owned by CFH.

Dividends

The Company paid ordinary and extraordinary cash dividends to its sole shareholders 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>
December 16, 2020	December 17, 2020	December 27, 2020	\$ 15,000,000
February 17, 2022	February 17, 2022	February 27, 2022	\$ 25,000,000
September 15, 2022	September 15, 2022	November 2, 2022	\$ 700,000,000
February 7, 2023	February 7, 2023	February 28, 2023	\$ 75,000,000

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, the property, business and affairs of the

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

The Directors are elected annually by the stockholder and hold office until the next annual election and until their successors are elected. Directors duly elected and serving as of December 31, 2023, are as follows:

<u>Name</u>	<u>Title</u>
Marc James Adee	President, Chairman of the Board, & CEO
Arleen Ambrose Paladino	Senior Vice President & CFO
Alejandro Morales	Executive Vice President & COO

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, and may elect one or more Vice Presidents, a Treasurer, a Secretary, one or more Assistant Vice Presidents and Assistant Secretaries. The Board may also elect a Chairman of the Board and a Chief Executive Officer at its discretion. The primary officers serving as of December 31, 2023 were as follows:

<u>Name</u>	<u>Title</u>
Marc James Adee	President, Chairman of the Board, & CEO
Arleen Ambrose Paladino	Senior Vice President & CFO
Michael Patrick McTigue	Senior Vice President, General Counsel & 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 Fairfax Financial Holdings Limited, (FFHL) as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. FFHL is a publicly listed company whose subordinate voting shares trade on the Toronto Stock Exchange under the symbol FFH. As of December 31, 2023, FFHL 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 Crum & Forster sub-group are ultimately 100% owned by CFH, which is 100% owned by Fairfax US Inc., which is 100% owned by FFHL Group Ltd., which is 100% owned by FFHL.

An abbreviated organizational chart of FFHL 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:

United States Fire 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] {7}		100.0%	100.0%	
FFHL Group Ltd. [Canada]		100.0%	100.0%	
Fairfax (US) Inc. [DE]		100.0%	100.0%	
Crum & Forster Holdings Corp. [DE]		100.0%	100.0%	
United States Fire Insurance Company [DE]		100.0%	100.0%	
Crum & Forster Specialty Insurance Company [DE]		100.0%	100.0%	
Crum & Forster SPC Reinsurance Company [Cayman Islands]		100.0%	100.0%	
Crum & Forster SPC [Cayman Islands]		100.0%	100.0%	
American Underwriters Insurance Company [AR]		100.0%	100.0%	
The North River Insurance Company [NJ]		100.0%	100.0%	
Seneca Insurance Company, Inc. [NY]		100.0%	100.0%	
Seneca Specialty Insurance Company [DE]		100.0%	100.0%	
Crum & Forster Insurance Company [NJ]		100.0%	100.0%	
Crum & Forster Indemnity Company [DE]		100.0%	100.0%	
First Mercury Insurance Company [DE]		100.0%	100.0%	
MTAW Insurance Company [DE]		100.0%	100.0%	
Monitor Life Insurance Company of New York		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		
Prem Watsa SVS Shares:			
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%
Total SVS shares owned/controlled		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		
Total MVS + SVS Shares owned and controlled by Mr. Watsa		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, FFHL 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

The Company has entered into various agreements with members of the affiliated group in an effort to obtain efficiencies in operations and limit costs. The Company had the following material intercompany agreements in effect as of December 31, 2023:

Administrative Services Agreements

Effective August 31, 2000, USF entered into an Administrative Services Agreement with Seneca Insurance Company (SIC), a New York insurance company and wholly-owned by the Company's immediate parent, CFH. Under the terms of this agreement, USF provides SIC with certain underwriting and administrative services. SIC agrees to pay all costs and expenses incurred by the Company.

Effective January 1, 2005, USF entered into an Administrative Services Agreement with Seneca Specialty Insurance Company (SSIC), a Delaware company. Under the terms of this agreement, USF provides SSIC with certain underwriting and administrative services. SSIC agrees to pay all costs and expenses incurred by the Company.

Effective June 30, 2010, USF entered into an Administrative Services Agreement with Crum & Forster Indemnity Company (CFIIC). Under the terms of this agreement, USF provides CFIIC the following services: underwriting and administrative services, maintaining required bank accounts, binding new and renewal business, policy issuing and billing services, claims services, maintenance of company records, preparation and rendering of reports to any regulatory agency, collection of premiums and paying all of the operating expenses of CFIIC.

Effective December 1, 2020, USF entered into an Administrative Services Agreement with FFHL and Fairfax (US). Under the terms of this agreement each party agrees to provide and accept from the other Party certain administration and general services. The receiving party agrees to reimburse the Providing Party for the Services provided.

Effective January 1, 2021, USF entered into an Administrative Services Agreement with Monitor Life Insurance Company of New York (MLIC). Under the terms of this agreement, USF provides MLIC with certain underwriting and administrative services. MLIC agrees to pay all costs and expenses incurred by the Company.

Effective April 1, 2021, USF entered into an Administrative Services Agreement with MTAW Insurance Company (MTAW). Under the terms of this agreement, USF provides MTAW with certain underwriting and administrative services. MTAW agrees to pay all costs and expenses incurred by the Company.

Effective September 1, 2022, USF entered into an Administrative Services Agreement with Northbridge Financial Corporation (NFC). Under the terms of this agreement, USF provides NFC with certain underwriting and administrative services. NFC agrees to pay all costs and expenses incurred by the Company.

Effective January 21, 2023, USF entered into an Administrative Services Agreement with Partners Managing General Underwriters, LLC (PMGU). Under the terms of this agreement, USF provides PMGU with certain underwriting and administrative services. PMGU agrees to pay all costs and expenses incurred by the Company.

Claims Service and Management Agreement

Effective January 1, 2006, USF entered into a claims services and management agreement with Fairmont Premier Insurance Company (Fairmont Premier), Fairmont Specialty Insurance

Company (Fairmont Specialty) and Fairmont Insurance Company (Fairmont). Under the terms of this agreement, USF provides claims services for certain identified types of claims for Fairmont Premier, Fairmont Specialty and Fairmont. Fairmont Premier, Fairmont Specialty and Fairmont each agree to pay a fee based on each entity's share of the costs, overhead and general expenses incurred by the Company in providing the services.

Expense Allocation & Administration Services Agreement

Effective April 1, 2010, USF entered into an Expense Allocation & Administration Services Agreement with CFH pertaining to the performance of certain administrative services by the Company for CFH relating to accounting, legal, and other corporate matters. Additionally, the agreement applies to the allocation of certain holding company operating expenses of CFH and insurance company operating expenses of the Company pertaining to shared personnel and to certain resources and services provided by the Company to CFH.

Investment Agreement

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

Subject to these limitations, Hamblin Watsa may buy, sell, exchange, convert and otherwise trade and engage in investment transactions of any nature whatsoever involving any stocks, bonds,

commercial paper, money market instruments and other securities and assets when it deems appropriate and without prior consultation with the Company.

Master Repurchase Agreement

Effective July 1, 2000, with an amendment dated September 11, 2001, USF is party to a master repurchase agreement with FFHL. The agreement provides for the repurchase of securities that are transferred to FFHL from time to time in order to provide liquidity in the event that the Company is required to pay claims or other corporate obligations, subject to an aggregate limitation for USF and North River Insurance Company (NRIC) of \$100 million and limitation of \$5 million for CFHC and Crum & Forster Insurance Company (CFIC). Pursuant to the agreement, the Company is obligated to repurchase from FFHL securities that are transferred for this purpose before the end of each calendar year in which the original purchase took place at a price equal to the amount initially raised from their sale plus the stated interest rate for each security pursuant to the initial sale. During the time that such securities are transferred to FFHL, the Company is entitled to receive income payable on such securities. There were no transactions under this agreement during the examination period.

Master Administrative Service Agreement

Effective November 1, 2014, USF entered into a Master Administrative Services Agreement among various U.S. operating subsidiaries of FFHL. 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.

Tax Allocation Agreement

Effective January 1, 2009, USF became a party to a tax allocation agreement with the CFH along with certain of its affiliates. CFH, the Company and affiliates constitute an affiliated group

and have elected to file a consolidated return under the provisions of §1501 of the Internal Revenue Code of 1986. Pursuant to the terms of the tax allocation agreement, no party will be required to pay more in taxes or receive a lesser payment of a refund than it would have paid or received if it computed its taxes independently and filed a separate tax return.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2023, the Company was licensed to transact multiple property and casualty lines of insurance in all fifty states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

Plan of Operation

The Company is a national commercial property and casualty insurance company with a focused underwriting strategy, targeting specialty classes of business and underserved market opportunities. The Company writes business through approximately 2,000 insurance producers nationwide who, on a direct written basis, generally fall into four categories: wholesale brokers (34%), regional producers (19%), national brokers (12%) and Managing General Underwriters (MGU)/Managing General Agents (MGA) (22%). Direct business accounts for 14% of the Company's business. Specialty program business is written through MGUs where appropriate for the class Accident & Health (A&H), Bail Bonds and Excess & Surplus binding authorities. The Company generally conducts business on a brokerage basis through their home office and regional branch network, allowing them to control the underwriting process and build close relationships with producers and policyholders. The Company has producers located throughout the United States, writing a broad range of coverage, including general liability, A&H, workers' compensation

on both a guaranteed cost and large deductible basis, excess and umbrella, commercial multi-peril, environmental and commercial automobile.

The Company's objective is to expand opportunistically into classes of business or market segments that have the potential to generate an underwriting profit. The Company's business is diversified in terms of product line, varying policy sizes and geographic mix.

The Company uses MGAs and MGUs to write group A&H business.

The Company reported the following distribution of Direct Premiums Written on its filed 2023 Annual Statement:

Line of Business	Direct Premium Written	Percentage of Direct Premium Written
Other health	\$ 716,988,581	35%
Inland marine	685,480,694	33%
Surety	175,385,578	8%
Other commercial auto liability	154,907,306	7%
Other liability - occurrence	88,433,358	4%
Worker's compensation	72,379,835	4%
Commercial multiple peril - liability	51,087,667	2%
Commercial auto physical damage	32,922,364	2%
Commercial multiple peril - non-liability	26,957,281	1%
All other lines	61,558,529	3%
Total Direct Premium Written	\$ 2,066,101,193	100%

REINSURANCE

USF reported the following distribution of net premiums written for 2023:

Direct	\$2,066,101,193
Reinsurance assumed from affiliates	\$3,041,278,921
Reinsurance assumed from non-affiliates	<u>179,838,906</u>
Total gross (direct and assumed)	<u>\$5,287,219,020</u>
Reinsurance ceded to affiliates	\$1,343,580,854
Reinsurance ceded to non-affiliates	<u>976,019,639</u>
Total ceded	<u>\$2,319,600,493</u>
Net premiums written	<u>\$2,967,618,527</u>

Ceded

In order to control the exposure to losses and protect capital resources, the Companies cede a portion of their gross policy premiums to reinsurers in exchange for the reinsurers' agreement to share a portion of the covered losses under excess of loss and quota share reinsurance contracts, as well as facultative arrangements. The majority of the reinsurance contracts purchased provide coverage for a one-year term. During 2023, the Companies reviewed their reinsurance programs and modified coverage and retention levels of certain programs.

Affiliated Reinsurance

The Company is a participant in a 100% Reinsurance Participation Agreement (the Agreement) with other members of CFH by which the premiums, losses and other underwriting expenses of each participant are pooled by means of mutual reinsurance on a fixed percentage basis as follows:

<u>Pool Participants</u>	<u>NAIC #</u>	<u>Percentages</u>
USF	21113	76%
NRIC	21105	22%
CFIC	42471	1%
CFIIC	31348	1%

The Agreement provides that the Company, acting as the lead company, assumes from the Pool Participants 100% of their premiums, losses and other underwriting expenses and, in turn, cedes to each Pool Participant its percentage of premiums, losses and other underwriting expenses. Accounts are rendered at monthly intervals and are settled no later than thirty days after the close of the month. The obligation for insurance ceded by the Pool Participants to the Company does not relieve the Pool Participants of their primary liability as the originating insurers.

In addition, USF participates in 100% quota share reinsurance agreements with its CFH affiliates Crum & Forster Specialty Insurance Company, First Mercury Insurance Company, American Underwriters Insurance Company and SIC. Under the terms of these agreements USF assumes all the liabilities of these companies for all insurance business written. SIC assumes 100% of the liabilities under the business written by SSIC.

Effective October 1, 2018, USF entered into a 100% quota share reinsurance agreement with Crum and Forster SPC (CFSPC), a Cayman Islands segregated portfolio company. Under the terms of the agreement USF assumes 100% of the segregated portfolios written by CFSPC.

USF has a 100% quota share reinsurance agreement in effect with Northbridge Insurance Company (Northbridge). Northbridge is a Canadian company which is 100% owned by FFHL. Under these agreements USF assumes 100% of the business written by Northbridge related to Cross Border Business.

Effective October 1, 2022, USF entered into a loss portfolio transfer agreement with Resolution Group Reinsurance (Barbados) Limited (Resolution Group). Under this agreement the Company cedes subject policies with effective dates on or prior to December 31, 2014. Subject business is defined as all subject policies with effective dates on or prior December 31, 2014, and to which any of the ceding companies has liabilities exclusive of (i) A&H business (but inclusive

of the FL Dean general liability policies written by the A&H division), (ii) non-voluntary workers' compensation business and (iii) any and all Policies acquired or assumed by the Ceding Companies after the Effective Time. The following shall also not be included within the definition of Subject Business: (1) Policy liabilities subject to and ceded by any of the Ceding Companies to an entity other than an affiliated company within CFH pursuant to the Assumption and Indemnity Reinsurance Agreements under the plan of Restructuring of the Insurance Operations of Crum and Forster, Inc.; (2) any other Policy liabilities fully and irrevocably transferred to an entity other than an affiliated company within the CFH holding company system and (3) Policy liabilities subject to and ceded by any of the Ceding Companies pursuant to the Reinsurance Agreement between the Ceding Companies and TIG Insurance Company (as successor to Clearwater Insurance Company) dated December 31, 2011. The reinsurer's liability under the contract is limited to 150% of the subject premium.

Effective March 2, 2023, USF entered into a loss portfolio transfer agreement with Resolution Group. The contract transfers all business assumed by USF according to the novation agreement with Builders Insurance Company of Nevada in receivership dated March 2, 2022.

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	\$ 1,726,028,698	\$ -	\$ 1,726,028,698
Preferred stocks	144,307,613	-	144,307,613
Common stocks	2,382,877,605	13,301,756	2,369,575,849
First liens - mortgage loans on real estate	1,043,090,964	-	1,043,090,964
Properties occupied by the company	87,814,794	-	87,814,794
Properties held for sale	2,100,000	-	2,100,000
Cash	12,839,239	-	12,839,239
Cash equivalents	144,186,018	-	144,186,018
Short term investments	16,607,441	-	16,607,441
Derivatives	14,049,444	-	14,049,444
Other invested assets	469,218,933	50,587,500	418,631,433
Subtotals, cash and invested assets	<u>\$ 6,043,120,749</u>	<u>\$ 63,889,256</u>	<u>\$ 5,979,231,493</u>
Investment income due and accrued	31,165,524	-	31,165,524
Uncollected premiums and agents' balances in the course of collection	446,126,373	6,266,721	439,859,652
Deferred premiums; agents' balances and installments booked but deferred and not yet due	80,025,109	-	80,025,109
Accrued retrospective premiums and contracts subject to redetermination	13,300,000	1,330,000	11,970,000
Amounts recoverable from reinsurers	137,741,085	-	137,741,085
Funds held by or deposited with reinsured companies	153,726,393	-	153,726,393
Net deferred tax asset	192,552,999	-	192,552,999
Electronic data processing equipment and software	36,394,281	35,267,549	1,126,732
Receivables from parent; subsidiaries and affiliates	59,012,393	-	59,012,393
Aggregate write-ins for other-than-invested assets	222,649,750	90,396,676	132,253,074
Total Assets	<u><u>\$ 7,429,128,437</u></u>	<u><u>\$ 210,463,983</u></u>	<u><u>\$ 7,218,664,454</u></u>

Statement of Liabilities and Surplus
As of December 31, 2023

		Notes
Losses	\$ 2,664,609,947	1
Reinsurance payable on paid losses and loss adjustment expenses	75,510,927	
Loss adjustment expenses	432,456,225	1
Commissions payable; contingent commissions and other similar charges	16,849,866	
Other expenses	110,490,333	
Taxes; licenses and fees	35,485,242	
Current federal and foreign income taxes	11,452,403	
Unearned premiums	1,120,526,178	
Advance premium	21,919,186	
Ceded reinsurance premiums payable	153,400,619	
Funds held by company under reinsurance treaties	63,328,858	
Amounts withheld or retained by company for account of others	146,272,077	
Provision for reinsurance	1,706,282	
Payable to parent; subsidiaries and affiliates	25,899,852	
Derivatives	16,554,853	
Payable for securities	4,391,719	
Aggregate write-ins for liabilities	35,935,816	
Total liabilities	<u>\$ 4,936,790,383</u>	
Common capital stock	\$ 18,780,000	
Gross paid in and contributed surplus	1,502,074,940	
Unassigned funds (surplus)	761,019,131	
Surplus as regards policyholders	<u>\$ 2,281,874,071</u>	
Total liabilities & surplus	<u><u>\$ 7,218,664,454</u></u>	

Statement of Income
For the Year Ended December 31, 2023

Underwriting Income	
Premiums earned	<u>\$ 2,844,727,004</u>
Deductions	
Losses incurred	\$ 1,693,578,461
Loss adjustment expenses incurred	222,017,693
Other underwriting expenses incurred	<u>891,998,065</u>
Total underwriting deductions	<u>\$ 2,807,594,219</u>
Net underwriting gain (loss)	<u>\$ 37,132,785</u>
Investment Income	
Net investment income earned	\$ 194,583,081
Net realized capital gains (losses) less capital gains tax of \$64,719,188	<u>(70,892,806)</u>
Net investment gain (loss)	<u>\$ 123,690,275</u>
Other Income	
Net gain (loss) from agents' or premium balances charged off (amount recovered \$17,689 amount charged off \$178,183)	\$ (160,494)
Finance and service charges not included in premiums	(1,102)
Aggregate write-ins for miscellaneous income	<u>(10,576,302)</u>
Total other income	<u>\$ (10,737,898)</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 150,085,162</u>
Dividends to policyholders	<u>73,818</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 150,011,344
Federal and foreign income taxes incurred	<u>54,999,492</u>
Net income	<u><u>\$ 95,011,852</u></u>

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

Surplus as regards policyholders; December 31 prior year	\$ 2,045,817,823
Net income	95,011,852
Change in net unrealized capital gains or (losses) less capital gains tax of \$21,385,943	164,987,881
Change in net unrealized foreign exchange capital gain (loss)	10,180,232
Change in net deferred income tax	76,025,321
Change in nonadmitted assets	(36,080,891)
Change in provision for reinsurance	931,853
Dividends to stockholders	(75,000,000)
Change in surplus as regards policyholders for the year	<u>\$ 236,056,248</u>
Surplus as regards policyholders; December 31 current year	<u><u>\$ 2,281,874,071</u></u>

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

	<u>Common Capital Stock</u>	<u>Gross Paid-in and Contributed Surplus</u>	<u>Unassigned Surplus</u>		<u>Total</u>
12/31/2019	\$ 14,943,000	\$ 1,374,911,940	\$ 16,221,482		\$ 1,406,076,422
12/31/2020	3,837,000	-		(4)	3,837,000
12/31/2020	-	-	(397,465,179)	(1)	(397,465,179)
12/31/2020	-	-	238,893,483	(2)	238,893,483
12/31/2020	-	-	(15,000,000)	(3)	(15,000,000)
12/31/2020	-	282,163,000		(4)	282,163,000
12/31/2021	-	-	289,025,532	(1)	289,025,532
12/31/2021	-	-	125,818,677	(2)	125,818,677
12/31/2021	-	(80,000,000)		(5)	(80,000,000)
12/31/2022	-	-	1,159,311,879	(1)	1,159,311,879
12/31/2022	-	-	(166,842,991)	(2)	(166,842,991)
12/31/2022	-	-	(725,000,000)	(3)	(725,000,000)
12/31/2022	-	(75,000,000)		(5)	(75,000,000)
12/31/2023	-	-	95,011,852	(1)	95,011,852
12/31/2023	-	-	216,044,396	(2)	216,044,396
12/31/2023	-	-	(75,000,000)	(3)	(75,000,000)
Total	<u>\$ 18,780,000</u>	<u>\$ 1,502,074,940</u>	<u>\$ 761,019,131</u>		<u>\$ 2,281,874,071</u>

- (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
- (4) Capital Infusion
- (5) Return of Capital to Holdings

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	\$2,664,609,947
Loss Adjustment Expenses	\$432,456,225

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

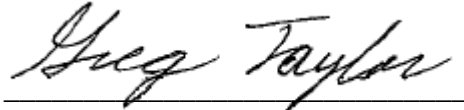
There were no material subsequent events noted for the Company.

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,



Greg Taylor, CFE
Examiner In-Charge
State of Delaware



Anthony Cardone, CPA, CFE
Supervising Examiner
State of Delaware

United States Fire Insurance Company

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 Department pursuant to Examination Certification No. 24.001.



Greg Taylor, CFE