

EXAMINATION REPORT
OF THE
FAIR AMERICAN SELECT INSURANCE COMPANY
AS OF
DECEMBER 31, 2024

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
FAIR AMERICAN SELECT INSURANCE COMPANY
AS OF
DECEMBER 31, 2024

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 31st day of March, 2026

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February 24, 2026

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

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 25.007, dated February 24, 2025, an examination has been made of the affairs, financial condition and management of the

FAIR AMERICAN SELECT INSURANCE COMPANY

hereinafter referred to as FASIC or the Company. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The main administrative office is located at One Liberty Plaza, 165 Broadway, New York, New York 10006.

SCOPE OF EXAMINATION

We have performed our full-scope risk-focused surveillance examination of the Company. The last examination was conducted as of December 31, 2019, by the Delaware Department of Insurance (Department) and covered the four-year period from January 1, 2017 through December 31, 2019. This examination covered the five-year period from January 1, 2020 through December 31, 2024 and was performed as part of the multi-state coordinated examination of

Transatlantic Holdings, Inc. (THI or Group). Insurance companies examined within the Group included Transatlantic Reinsurance Company (TransRE), a New York domiciled insurance company, along with two of its wholly owned subsidiaries, FASIC and New York domiciled affiliate Fair American Insurance and Reinsurance Company (FAIRCO).

The New York Department of Financial Services (NYDFS) was the lead state regulator facilitating the coordinated examination, with the Department as a fully participating state regulator. To the fullest extent, the efforts, resources, project materials and findings were coordinated and made available to all examination participants. Separate examination reports were filed for each company within the Group.

The examination encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2024. Transactions subsequent to the examination date were reviewed where deemed necessary.

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 was 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 were separately communicated to other regulators and/or the Company.

During the course of this examination, the Department gave consideration to work performed by the Company's external accounting firm, Deloitte & Touche LLP (D&T). Certain auditor work papers from D&T's 2024 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 adjustments to the Company's financial statements resulting from this examination.

COMPANY HISTORY

FASIC was incorporated on October 1, 2012, under the laws of the State of Delaware, and commenced business on May 15, 2014. On November 5, 2015, the Company became a wholly owned subsidiary of TransRE following an internal stock purchase and organizational restructuring. Prior to 2022, Alleghany Corporation was the ultimate parent within the insurance holding company system. Pursuant to an Agreement and Plan of Merger, dated as of March 20,

2022, by and among Berkshire Hathaway Inc. (Berkshire) companies, Alleghany Corporation became a wholly owned subsidiary of Berkshire, the current ultimate parent within the insurance holding company system.

Capitalization

The Company's original Certificate of Incorporation authorized the issue of 1,000 common shares with a par value of \$1 per share. Effective May 14, 2013, the Company amended its Certificate of Incorporation and stock certificate via a Board Resolution and Unanimous Written Consent, as filed with the Delaware Secretary of State, changing the par value of its issued common stock from \$1 per share to \$500 per share. As of December 31, 2024, the Company had 1,000 common shares issued and outstanding totaling \$500,000 in capital common stock. All outstanding common shares of FASIC are owned by TransRE. The Company's gross paid in and contributed surplus as December 31, 2024 totaled \$100,500,000.

Dividends to Stockholders

The Company's Board of Directors (Board) approved and authorized two (2) cash dividends during the examination period as follows:

<u>Year</u>	<u>Amount</u>	<u>Date Declared</u>	<u>Date Paid</u>
2020	1,000,000	October 27, 2020	November 9, 2020
2021	1,000,000	October 26, 2021	November 3, 2021

The examination noted that the Company did not notify the Department of the \$1,000,000 dividends FASIC paid to its parent, TransRE in 2020 and 2021 in violation of 18 *Del. C.* § 5004(e)(1) "Reporting of dividends to shareholders" that states,

...each registered insurer shall provide notice to the Commissioner of all dividends and other distributions to shareholders within 5 business days following the declaration thereof and at least 10 days prior to the payment thereof.

Therefore,

It is recommended that the Company comply with 18 Del. C. § 5004(e)(1) by notifying the Department of all dividends to shareholders within 5 business days following the declaration of the dividend and at least 10 days prior to the payment of the dividend.

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Law of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and business of the Company is managed by the Board of Directors (Board). The Board shall consist of not less than one (1) or more than ten (10) directors, who may or may not be stockholders of the Company and who shall be elected annually by the stockholders for the term of one year and shall serve until the election and acceptance of their duly qualified successors. The following individuals served as Board members of the Company as of December 31, 2024:

<u>Name</u>	<u>Principal Business Affiliation</u>
Kenneth W. Brandt	Chairman, President and CEO Transatlantic Reinsurance Company
Matthew D. Mahoney	Chief Financial Officer Transatlantic Reinsurance Company
Christopher A. O'Gwen	President and Chief Executive Officer Fair American Select Insurance Company

Officers

The Company's bylaws state that the officers of the corporation shall be a President, a Treasurer, and a Secretary, all of whom shall be elected by the Board and who shall hold office until their successors are elected. In addition, the Board may elect a Chairman, one or more Vice Presidents, and such Assistant Secretaries and Assistant Treasurers as they may deem proper. As of December 31, 2024, the Company's principal officers and their respective titles were as follows:

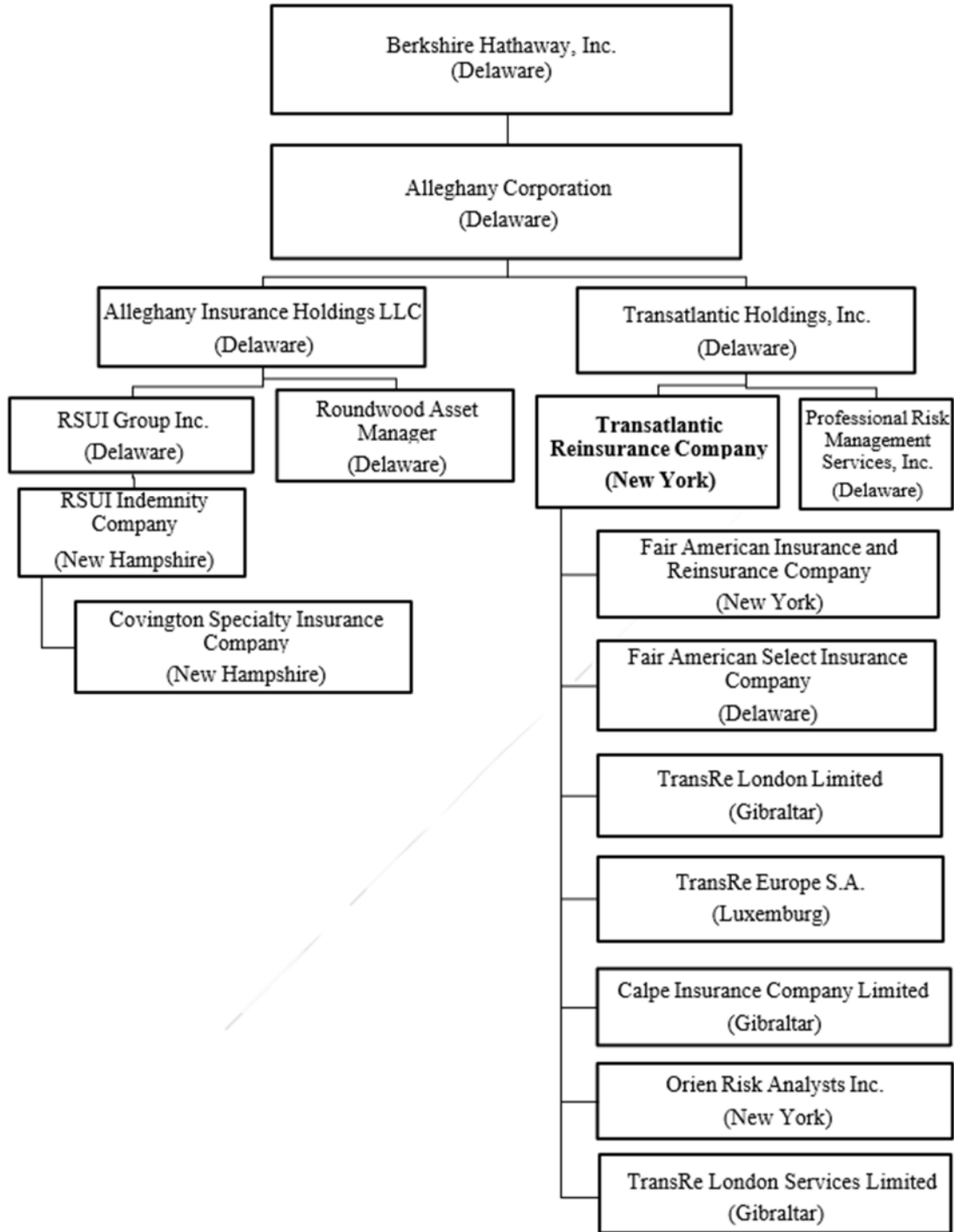
<u>Name</u>	<u>Title</u>
Christopher A. O’Gwen	President and Chief Executive Officer
Brian D. Gallahue	Senior Vice President and Chief Financial Officer
Amy M. Cinquegrana	Vice President, Corporate Secretary and Chief Compliance Officer

Corporate Records

The recorded minutes of the shareholders and the Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, and approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, a review of Company files indicated that written correspondence was submitted to the Department regarding 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. The ultimate parent within the holding company system is Berkshire, which is owned 30.29519% by Warren E. Buffett as of December 31, 2024. Berkshire 100% owns Alleghany Corporation, which 100% owns THI, which 100% owns TransRE, which 100% owns both FASIC and FAIRCO. An abbreviated organizational chart of the holding company system as of December 31, 2024, follows:



Affiliated Agreements

Within the insurance holding company system, the Company was a party to the following affiliated agreements in effect as of December 31, 2024:

Service Agreement

Effective October 2, 2013, the Company became party to a Service Agreement with FAIRCO whereby FAIRCO provides insurance facilities and administrative services. The services provided include accounting, investment and actuarial services, and other services as requested by FASIC. The Service Agreement was approved by the Department and appropriately included in the Company's Form B (Insurance Holding Company System Annual Registration Statement) filings for the examination period. For services provided under the agreement in the twelve months ending December 31, 2024, the Company was charged \$4,768,285 at cost.

Tax Allocation Agreement

Effective October 19, 2022, the Company entered into a Tax Allocation Agreement with Berkshire that provides for the allocation of the consolidated income tax liability on a separate return basis with a current credit for losses. The Tax Allocation Agreement was approved by the Department on December 7, 2022, but was *not* appropriately included in the Company's annual Form B filings or the filed Annual Statements, Notes to the Financial Statements (No. 10) “Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties” for the years 2022, 2023, and 2024.

In addition, review of the Company’s filed Annual Statements and annual Form B filings for the examination period noted two (2) affiliated agreements that were *not* approved by the Department as follows:

Tax Sharing Agreement

A Tax Sharing Agreement with affiliate Alleghany Insurance Holdings LLC that is reported in the filed 2023 and 2024 Annual Statements and the annual 2023 and 2024 Form B filings.

Investment Agreement

An Investment Agreement with affiliate New England Asset Management Inc. was reported in the 2023 and 2024 Annual Statements but was *not* disclosed in the annual 2023 and 2024 Form B filings.

Both agreements were not in compliance with 18 *Del. C.* § 5005(a)(2)(d) "Standards and management of an insurer within an insurance holding company system" that states,

(a) Transactions within an insurance holding company system.

(2) The following transactions involving a domestic insurer and any person in its insurance holding company system, including amendments or modifications of affiliate agreements previously filed pursuant to this section, which are subject to any materiality standards contained in paragraphs (a)(2)a. through e. of this section, may not be entered into unless the insurer has notified the Commissioner in writing of its intention to enter into such transaction at least 30 days prior thereto, or such shorter period as the Commissioner may permit, and the Commissioner has not disapproved it within such period. The notice for amendments or modifications shall include the reasons for the change and the financial impact on the domestic insurer.

(d) All management agreements, service contracts, tax allocation agreements, and all cost-sharing arrangements.

Therefore,

It is recommended that the Company comply with 18 *Del. C.* § 5005(a)(2)(d) and implement a formal process to ensure that all management agreements, service contracts, tax allocation agreements, and/or all cost-sharing arrangements are filed with the Commissioner for approval.

Investment Services Agreement

Effective October 19, 2022, and approved by the Department, the Company entered into an Investment Services Agreement with Berkshire, whereby Berkshire provides investment management services to the Company. The examination noted that the agreement was not disclosed in the filed Annual 2022, 2023, and 2024 annual Form B filings in violation of 18 *Del. C.* § 5004(b)(3)(e) "Registration of Insurers" that states,

(b) Information and form required. — Every insurer subject to registration shall file the registration statement with the Commissioner on a form and in a format prescribed by the National Association of Insurance Commissioners, which shall contain the following current information:

(3) The following agreements in force, and transactions currently outstanding or which have occurred during the last calendar year between such insurer and its affiliates:

(e) All management agreements, service contracts and all cost-sharing arrangements.

Therefore,

It is recommended that the Company comply with 18 Del. C § 5004(b)(3)(e) and disclose the Investment Services Agreement with Berkshire in the annual Form B filings.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2024, FASIC is licensed in the State of Delaware and functions on a non-admitted basis as a surplus lines' carrier eligible to write business in all the other 49 states and the District of Columbia.

The Company's plan of operation is to write program business to facilitate coverage where FAIRCO admitted policies would not be appropriate. The Company's program business in 2024 was primarily in the commercial auto and commercial property lines of business.

REINSURANCE

The Company reported the following distribution of premiums written for the years ended December 31, 2024, and the prior examination date of December 31, 2019:

	<u>2024</u>	<u>2019</u>
Direct premiums written	\$ 77,386,640	\$ 5,828,745
Assumed premiums (from affiliates)	-	-
Assumed premiums (from non-affiliates)	-	-
Gross premiums written	\$ 77,386,640	\$ 5,828,745
Ceded premiums (to affiliates)	66,636,655	4,910,686
Ceded premiums (to non-affiliates)	<u>3,352,965</u>	<u>434,138</u>
Net premiums written	<u>\$ 7,397,020</u>	<u>\$ 483,921</u>

Assumed Reinsurance

The Company does not assume any business.

Ceded Reinsurance - Affiliated

Effective July 1, 2013, the Company's entered into a 90% ceded reinsurance quota share (QS) agreement with TransRE. The agreement was amended effective June 30, 2015 to provide tax liability insurance, resulting in the QS percentage being 95.5%.

Ceded Reinsurance – Non-Affiliated

The Company purchased third-party excess-of-loss reinsurance to reduce the effect of catastrophic losses. In 2024, 99.8% of the Company's ceded premium to non-affiliates was in 'other liability' line of business and was approximately 4.8% of total ceded premium.

FINANCIAL STATEMENTS

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

- Assets as of December 31, 2024
- Liabilities, Surplus and Other Funds as of December 31, 2024
- Statement of Income for the Year Ended December 31, 2024
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2019, to December 31, 2024

Assets
As of December 31, 2024

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ -	\$ -	\$ -
Cash and short-term investments	<u>113,088,178</u>		<u>113,088,178</u>
Subtotals, cash and invested assets	<u>\$ 113,088,178</u>	<u>\$ -</u>	<u>\$ 113,088,178</u>
Uncollected premiums, agents' balances in the course of collection	8,334,527		8,334,527
recoverables	74,438		74,438
Net deferred tax asset	323,412	86,088	237,324
Receivables from parent, subsidiaries and affiliates	129,659		129,659
Aggregate write-ins for other than invested assets:			
Other Miscellaneous	<u>403,819</u>		<u>403,819</u>
Total	<u>\$ 122,354,033</u>	<u>\$ 86,088</u>	<u>\$ 122,267,945</u>

Liabilities, Surplus and Other Funds
As of December 31, 2024

		Note
Losses	\$ 8,519,914	1
Loss adjustment expenses	108,529	1
Other expenses	516	
Unearned premiums	4,276,757	
Ceded reinsurance premiums payable	(648,947)	
Payable to parent, subsidiaries and affiliates	1,430,851	
Aggregate write-ins for liabilities:		
Other Miscellaneous	7,338	
Total Liabilities	\$ 13,694,958	
Common capital stock	\$ 500,000	
Gross paid in and contributed surplus	100,500,000	
Unassigned funds (surplus)	7,572,987	
Surplus as regards policyholders	\$ 108,572,987	
Total Liabilities, Capital and Surplus	\$ 122,267,945	

Statement of Income
For the year ending December 31, 2024

<u>Underwriting Income</u>	
Premiums earned	\$ 5,713,861
Deductions	
Losses incurred	4,061,548
Loss adjustment expenses incurred	261,110
Other underwriting expenses incurred	<u>2,317,736</u>
Total underwriting deductions	\$ 6,640,394
Net underwriting gain or (loss)	<u>\$ (926,533)</u>
<u>Investment Income</u>	
Net investment income earned	\$ 5,813,049
Net realized capital gains or (losses)	<u>1,137</u>
Net investment gain or (loss)	<u>\$ 5,814,186</u>
<u>Other Income</u>	
Net gain from agents or premium balances	<u>\$ (664)</u>
Total other income	<u>\$ (664)</u>
Net income before dividends to policyholders and before federal income taxes	\$ 4,886,989
Dividends to policyholders	
Net income after dividends to policyholders and before federal income taxes	<u>\$ 4,886,989</u>
Federal and foreign income taxes incurred	<u>1,159,475</u>
Net income	<u><u>\$ 3,727,514</u></u>

Reconciliation of Capital and Surplus
for the Period from the Prior Examination as of
December 31, 2019 to December 31, 2024

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/19	\$ 500,000	\$ 100,500,000	\$ 4,084,345	\$ 105,084,345
12/31/20 (1)			1,081,684	1,081,684
12/31/20 (2)			25,437	25,437
12/31/20 (3)			(1,000,000)	(1,000,000)
12/31/21 (1)			1,628,009	1,628,009
12/31/21 (2)			7,270	7,270
12/31/21 (3)			(1,000,000)	(1,000,000)
12/31/22 (1)			(5,767,032)	(5,767,032)
12/31/22 (2)			210,884	210,884
12/31/23 (1)			4,578,616	4,578,616
12/31/23 (2)			(82,884)	(82,884)
12/31/24 (1)			3,727,514	3,727,514
12/31/24 (2)			79,145	79,145
	<u>\$ 500,000</u>	<u>\$ 100,500,000</u>	<u>\$ 7,572,987</u>	<u>\$ 108,572,987</u>

(1) Net income

(2) Change in net unrealized capital gains or (losses), change in net deferred income tax, and change in nonadmitted assets

(3) Dividends to stockholders

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes in financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$ 4,888,873
Loss Adjustment Expenses	\$ 1,863,793

The examination liability for the aforementioned captioned items of \$4,888,873 and \$1,863,793 are the same as reported by the Company as of December 31, 2024. The examination

analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with General Accepted Actuarial Principles and Statutory Accounting Principles, including *NAIC Accounting Practices and Procedures Manual, SSAP No. 55*.

SUBSEQUENT EVENTS

On November 14, 2025, the Company paid a \$5,000,000 dividend to its direct parent TransRE, as declared and approved by its Board on October 21, 2025. The examination noted that the Company did not notify the Department of the dividend in violation of 18 *Del. C.* § 5004(e)(1) "Reporting of dividends to shareholders" that states,

...each registered insurer shall provide notice to the Commissioner of all dividends and other distributions to shareholders within 5 business days following the declaration thereof and at least 10 days prior to the payment thereof.

Therefore,

It is recommended that the Company comply with 18 *Del. C.* § 5004(e)(1) by notifying the Department of all dividends to shareholders within 5 business days following the declaration of the dividend and at least 10 days prior to the payment of the dividend.

SUMMARY OF RECOMMENDATIONS

The following recommendation is reflected in the following sections of the report:

- Dividends to Stockholders (pg.5)
- Subsequent Events (pg. 16)

It is recommended that the Company comply with 18 *Del. C.* § 5004(e)(1) by notifying the Department of all dividends to shareholders within 5 business days following the declaration of the dividend and at least 10 days prior to the payment of the dividend.

The following recommendation is reflected in the Affiliated Agreements section (pg.9).

It is recommended that the Company comply with 18 *Del. C.* § 5005(a)(2)(d) and implement a formal process to ensure that all management agreements, service contracts, tax allocation agreements, and/or all cost-sharing arrangements are filed with the Commissioner for approval.

The following recommendation is reflected in the Affiliated Agreements section (pg.10).

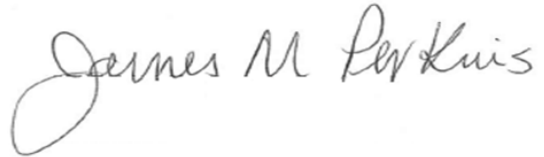
It is recommended that the Company comply with 18 Del. C § 5004(b)(3)(e) and disclose the Investment Services Agreement with Berkshire in the annual Form B filings.

The assistance of the Department's consulting actuarial firm, INS Consultants, Inc. is acknowledged. In addition, the assistance and cooperation of the Company's external audit firm, D&T, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Darryl Reese, CFE
Examiner In-Charge
Delaware Department of Insurance



James M. Perkins, CFE
Supervisor In-Charge
Delaware Department of Insurance

I, Darryl Reese, 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 authority 25.007.



Darryl Reese, CFE