

EXAMINATION REPORT
OF
OBSIDIAN SPECIALTY INSURANCE COMPANY
AS OF
DECEMBER 31, 2024

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
OBSIDIAN SPECIALTY 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.

A handwritten signature in blue ink, which appears to read "Trinidad Navarro", is written above a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 2 day of June, 2026

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May 27, 2026

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. 25.029, dated December 30, 2024, an examination has been made of the affairs, financial condition and management of

OBSIDIAN SPECIALTY INSURANCE COMPANY

hereinafter referred to as the Company or OSIC. OSIC was incorporated under the laws of Delaware as a stock company with its statutory home office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The Company's administrative office is located at 1330 Avenue of the Americas, Suite 23A New York, NY, US 10019.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The last examination of OSIC was an organizational examination as of September 3, 2020 by the Delaware Department of Insurance (Department). The Company commenced business on December 1, 2020, resulting in the prior period examination date of December 31, 2020. This risk-focused surveillance financial examination of OSIC covered the period January 1, 2021 through December 31, 2024. The

examination was conducted concurrently with Delaware domiciled affiliate Obsidian Pacific Insurance Company (OPIC) and Ohio domiciled Obsidian Insurance Company (OIC) as part of a coordinated examination, wherein the State of Delaware was the lead state regulator and the State of Ohio was the participating state. To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

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 is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of facts, 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, Deloitte & Touche LLP (Deloitte). Certain auditor work papers of the year end 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 areas 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

OSIC was incorporated on June 16, 2020, under the laws of the State of Delaware. On September 22, 2020, the Company received its certificate of authority as a domestic surplus lines' insurance carrier as described in Delaware Insurance Code, Chapter 19.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 100,000 shares of common stock with a \$50.00 par value. As of December 31, 2024, OSIC had all common shares issued and outstanding totaling \$5,000,000 and reported policyholder surplus of \$74,839,554.

Dividends to Stockholders

No dividends were paid to stockholders during the period under examination.

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 and affairs of the Company must be managed by or under the direction of its Board of Directors (Board). The bylaws provide that the number of Directors that constitutes the whole Board may change by resolution of the shareholder at the annual meeting of shareholders.

The number of Directors constituting the Board shall not be less than five (5) or more than fifteen (15). Each Director shall be elected at the annual meeting of stockholders. Each initial Director shall hold office until the first stockholders' meeting at which directors are elected. The term of every other director shall expire at the next annual shareholders' meeting. As of December 31, 2024, OSIC's Board was comprised of the following five (5) Directors:

<u>Name</u>	<u>Title</u>
William Manning Jewett	Chief Executive Officer, OSIC
Craig Michael Rappaport	President & Chief Operating Officer, OSIC
Emily Canelo	Chief Legal Officer, OSIC
James Ryan Clark	Managing General Director, Genstar Capital, LLC.
Michael Thomas Waller	Vice President, Genstar Capital, LLC.

Officers

The Officers of the corporation shall consist of a President, a Secretary and a Treasurer, and, if the Board so determines, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers and such other Officers as the Board may from time to time deem necessary or desirable. Any two (2) or more offices may be held by the same person. Following are the primary Officers that were elected and served as of December 31, 2024:

<u>Name</u>	<u>Professional Position</u>	<u>Officer Title</u>
William Manning Jewett	Chief Executive Officer	Chief Executive Officer
Craig Michael Rappaport	President and Chief Operating Officer	President and Chief Operating Officer
Emily Canelo	Chief Legal Officer	Secretary
Nicholas Russell Dagenais	Chief Financial Officer	Treasurer
Kaitlyn Marie Whitney	Deputy General Counsel	Assistant 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, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

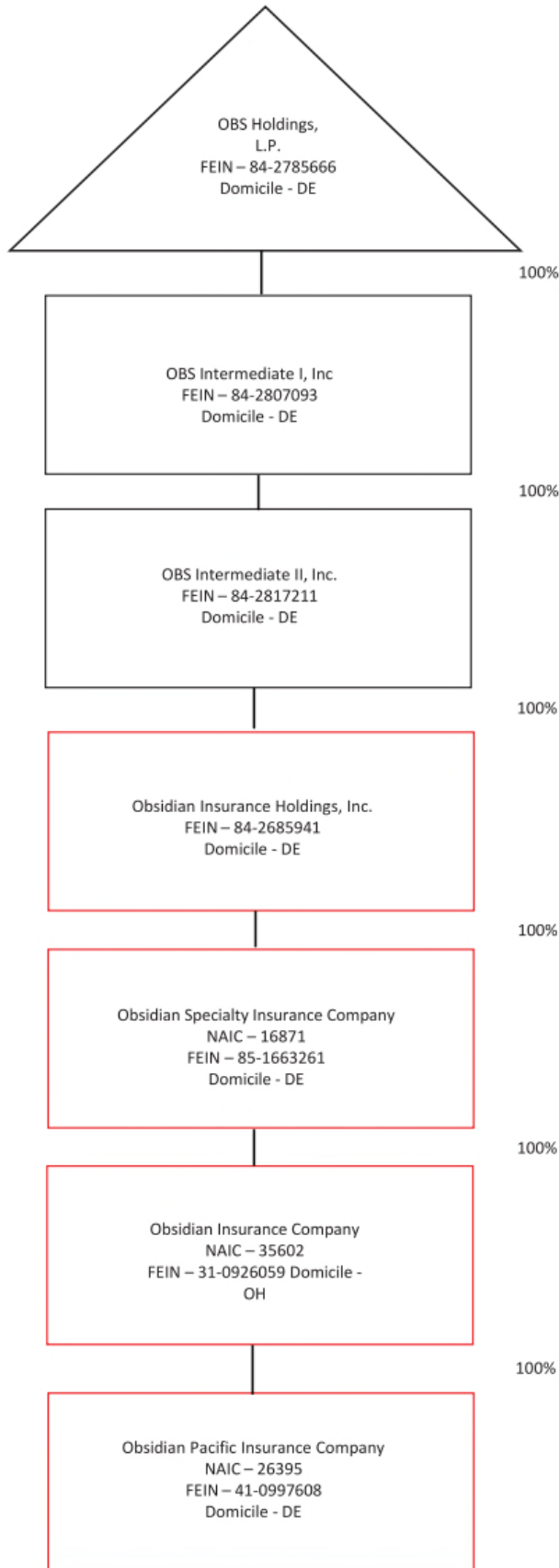
OSIC is a member of an insurance holding company system as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. The ultimate controlling entity within the insurance holding company system is Genstar IX GP LLC (Genstar), a Delaware limited liability company and San Francisco-based private equity firm. Genstar is collectively owned by five (5) managing directors (J. Ryan Clark, Jean-Pierre Conte, Robert Rutledge, Anthony Salewski and Eli Weiss). Genstar executes control in growth-oriented companies in a variety of sectors, including financial services and insurance.

Below Genstar in the hierarchy of ownership within the group organizational structure is OBS Holdings, LP, which owns 100% of OBS Intermediate I, Inc., which owns 100% of OBS Intermediate II, Inc., which owns 100% of Obsidian Insurance Holdings, Inc. (OIH), the holding company of the three (3) U.S statutory insurance companies (three Companies) under examination.

On November 15, 2024, OIH filed a request for exemption from filing a Form A with the Department pursuant to 18 *Del. C.* §5003(e) regarding the reorganization and intermediate change of ownership whereby OPIC would become a wholly owned subsidiary of OIC and an indirect subsidiary of OIH and OSIC. On December 6, 2024, the Department approved the exemption and on December 18, 2024, the Boards of the three Companies adopted written resolutions by unanimous consent approving the reorganization of the holding company system.

The result of the reorganization has OIH owning 100% of OSIC, OSIC owning 100% of OIC and OIC owning 100% of OPIC as of December 31, 2024. The following organizational chart depicts the Company's relationship within the insurance holding company system as of December 31, 2024:

Obsidian Specialty Insurance Company



Agreements with Affiliates

The following affiliated agreements within OSIC's organizational structure were identified and in effect as of December 31, 2024:

Administrative Services and Cost Sharing Agreement

Effective November 4, 2020, the Administrative Services and Cost Sharing Agreement is shared between OIH (Parent), OIC and OSIC. The agreement allows the Parent to offer certain administrative services with respect to the operations of OIS and OSIC, such as services, facilities, and amenities to be provided by the Parent. Each Company shall pay all costs and expenses actually incurred by the Parent on behalf of each Company to provide the services under the agreement.

An amendment to the agreement was effective July 30, 2021 to include Western Home Insurance Company (WHICH) to be added as a Company under the agreement. On February 24, 2022, the agreement was amended to change the name of WHIC to OPIC. The agreement acknowledged that effective September 30, 2022, OPIC redomesticated from Minnesota to Delaware.

Tax Sharing Agreement

Effective October 1, 2020, the Tax Sharing and Allocation Agreement was entered between OBS Intermediate I, Inc., OBS Intermediate II, Inc. and OIH (all three Delaware Corporations), OIC and OSIC. The agreement determines the amount of federal income taxes, both current and deferred, to be allocated to members of the group and the amount of tax, both current and deferred, each member will pay to or receive from OIH.

An amendment to the agreement was enacted on July 30, 2021 to include WHIC to be added as a Company under the agreement. On February 24, 2022, the agreement was amended to

change the name of WHIC to OPIC. The agreement acknowledged that effective September 30, 2022, OPIC redomesticated from Minnesota to Delaware.

Reinsurance Pooling Agreement

Effective October 1, 2020, a Reinsurance Pooling Agreement (Pooling Agreement) was entered between OIC and OSIC. The Pooling Agreement outlines the pooled businesses through OIC cessions to OSIC. OSIC reinsures and assumes 100% of the OIC net liability. OIC cedes to OSIC and OSIC accepts 100% of OIC gross net written premiums and all reserves, including unearned premium reserves and reserves for loss adjustment expenses and IBNR.

An amendment to the Pooling Agreement effective July 30, 2021 includes WHIC to be added to the agreement resulting in OIC and WHIC cessions to OSIC. On February 24, 2022, the Pooling Agreement was amended again to change the name of WHIC to OPIC. The agreement acknowledged that effective September 30, 2022, OPIC redomesticated from Minnesota to Delaware.

A third amendment to the Pooling Agreement, effective December 31, 2023, has OSIC retaining 100% of the liabilities of the pool. As amended, net premium, net losses, and net reserves after taking into account all third-party reinsurance results in OIC and OPIC ceding 100% of their business to OSIC, the lead entity in the pool. OSIC retains 100% of the premiums, losses and reserves of the pool.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2024, OSIC is eligible or approved to write business as a surplus lines' insurance carrier in all fifty (50) states and the District of Columbia. OSIC focuses on specialty insurance programs underwritten by Managing General Agents (MGAs), whereby the

Company underwrites a diverse portfolio of property and casualty specialty lines' insurance programs within multiple lines of business distributed across the country.

REINSURANCE

Under the Pooling Agreement, as mentioned above, all insurance related liabilities including loss and loss adjustment expenses after third party reinsurance are ceded to and assumed by OSIC. Following are the pooling participation percentages as of December 31, 2024: OSIC 100%, OIC 0% and OPIC 0%.

Quota share (QS) reinsurance is utilized for the specialty programs written. The QS arrangements provide to not retain more than 10% of any one program. Each program has its own participants and ranges in the number of participants. In total, across programs of business, the three Companies operate with over 200 different reinsurance entities. In addition to QS reinsurance within the programs, the three Companies purchase facultative reinsurance and excess of loss reinsurance for certain programs consistent with the group's risk management framework.

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, 2020 to December 31, 2024

Obsidian Specialty Insurance Company

Assets
As of December 31, 2024

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 52,770,595	\$ -	\$ 52,770,595
Common stocks	75,924,825	-	75,924,825
Cash, cash equivalents and short-term investments	8,668,188	-	8,668,188
Subtotals, Cash and Invested Assets	137,363,608	-	137,363,608
Investment income due and accrued	329,498	-	329,498
Uncollected premiums and agents' balances in the course of collection	67,397	-	67,397
Deferred premiums, agents' balances and installments booked but deferred and not yet due	106,145,589	-	106,145,589
Amounts recoverable from reinsurers	25,054,060	-	25,054,060
Other amounts receivable under reinsurance contracts		-	
Current federal and foreign income tax recoverable and interest thereon	2,414,026	-	2,414,026
Receivables from parent, subsidiaries and affiliates	22,921,681	-	22,921,681
Aggregate write-ins for other than invested assets		-	-
Receivable	7,893,316	-	7,893,316
Prepaid exp	94,134	94,134	-
Total	<u>\$ 294,295,859</u>	<u>\$ 94,134</u>	<u>\$ 302,189,175</u>

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

		<u>Notes</u>
Losses	\$ 31,146,727	1
Reinsurance payable on paid losses and loss adjustment expenses	1,511,670	
Loss adjustment expenses	15,348,648	1
Commissions payable, contingent commissions and other similar charge	15,504,653	
Other Expenses (excluding taxes, licenses and fees)		
Taxes, licenses and fees (excluding federal and foreign income taxes)	3,803,435	
Unearned premiums	22,331,548	
Ceded reinsurance premiums payable (net of ceding commissions)	113,184,190	
Funds held by company under reinsurance treaties	1,075,353	
Provision for reinsurance	7,518,982	
Aggregate write-ins for liabilities	15,924,415	
Total Liabilities	<u>\$ 227,349,621</u>	
Common capital stock	\$ 5,000,000	
Gross paid in and contributed surplus	84,583,637	
Unassigned funds (surplus)	<u>(14,744,083)</u>	
Surplus as regards policyholders	<u>\$ 74,839,554</u>	
Total Liabilities and Surplus	<u>\$ 302,189,175</u>	

Statement of Income
For the Year Ended December 31, 2024

Underwriting Income	
Premiums earned	\$ 29,023,390
Losses incurred	18,594,236
Loss adjustment expenses incurred	18,265,292
Other underwriting expenses incurred	(5,519,229)
Total underwriting deductions	<u>31,340,299</u>
Net underwriting loss	<u>\$ (2,316,909)</u>
 Investment Income	
Net investment income earned	\$ 2,843,506
Net realized capital gains less capital gains tax	<u>(6,656)</u>
Net investment gain	<u>\$ 2,836,850</u>
 Other Income	
Aggregate write-ins for miscellaneous income: Service Income	<u>\$ 600,000</u>
Net income before dividends to to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>1,119,941</u>
Net income	<u>\$ 1,119,941</u>

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2020 to December 31, 2024

	<u>Common Capital Stock</u>	<u>Gross Paid In and Contributed Surplus</u>	<u>Unassigned Funds (Surplus)</u>	<u>Total</u>
December 31, 2020	\$ 5,000,000	\$ 52,429,608	\$ (1,568,915)	\$ 55,860,693
2021 Net Income			(138,650)	(138,650)
2021 Other Changes ¹			(2,323,606)	(2,323,606)
December 31, 2021	\$ 5,000,000	\$ 52,429,608	\$ (4,031,171)	\$ 53,398,437
2022 Net Income			(1,198,399)	(1,198,399)
2022 Other Changes ¹			1,198,399	1,198,399
December 31, 2022	\$ 5,000,000	\$ 52,429,608	\$ (4,031,171)	\$ 53,398,437
2023 Net Income			(21,412,946)	(21,412,946)
2023 Surplus Adjustments:				
Paid in		32,154,029		32,154,029
2023 Other Changes ¹			1,903,432	1,903,432
December 31, 2023	\$ 5,000,000	\$ 84,583,637	\$ (19,509,514)	\$ 70,074,123
2024 Net Income	-		1,119,941	1,119,941
2024 Other Changes ¹	-		3,645,490	3,645,490
December 31, 2024	<u>\$ 5,000,000</u>	<u>\$ 84,583,637</u>	<u>\$ (14,744,083)</u>	<u>\$ 74,839,554</u>

(1) Represents net income, 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, change in provision for reinsurance, aggregate write-ins for gains and losses in surplus.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$ 31,146,727
Loss adjustment expenses	\$ 15,348,648

The examination liability for the aforementioned captioned items of \$31,146,727 and \$15,348,648 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

There are no significant subsequent events noted as a result of this examination.

SUMMARY OF RECOMMENDATIONS

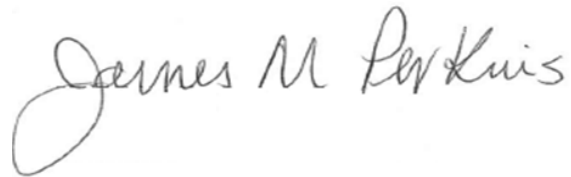
There were no recommendations as a result of this examination.

The assistance and cooperation of the Company's independent audit firm, Deloitte, and examination representatives from Ohio, the consulting actuarial firm, INS Consultants, Inc., and the Company's management and staff were appreciated and is acknowledged.

Respectfully submitted,



Craig Jackson, CPA, CFE, FLMI, ARM-E
Examiner In-Charge
Delaware Department of Insurance



James M. Perkins, CFE
Supervising Examiner
Delaware Department of Insurance

I, Craig Jackson, 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. 25.029.



Craig Jackson, CPA, CFE, FLMI, ARM-E
Examiner In-Charge
Delaware Department of Insurance