

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

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
VELOCITY 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.

Trinidad Navarro
Insurance Commissioner

Dated this 10th day of June, 2026

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June 3, 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. 25.037, an examination has been made of the affairs, financial condition and management of

VELOCITY SPECIALTY INSURANCE COMPANY

hereinafter referred to as the Company or VSIC and 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 Company's administrative office is located at 10 Burton Hills Boulevard, Suite 300B, Nashville, Tennessee 37215.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The previous regulatory examination of the Company covered the three-year period from January 1, 2018 through December 31, 2020. This examination covers the four-year period from January 1, 2021 through December 31, 2024, and 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 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 Deloitte & Touche LLP (D&T). Certain auditor work papers

of 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 in the financial statements as a result of this examination.

COMPANY HISTORY

The Company was incorporated on April 27, 1959, as a stock property and casualty company under the laws of the State of Ohio as Investment Life Insurance Company of America. A number of amendments have thereafter been made to the said Certificate of Incorporation by means of various Articles of Amendment, which included the change of the name of the company to Fireman's Fund Insurance Company of Ohio, all of which were filed in the State of Ohio. The Company was acquired along with its parent, Fireman's Fund Insurance Company, by Allianz Global Corporate & Specialty (Allianz) on April 1, 2015.

On January 1, 2017, Allianz sold all of the common stock of the Company to United Specialty Insurance Company (USIC), a wholly-owned subsidiary of the ultimate parent, State National Companies, Inc. (SNC). Effective January 30, 2017, the Company re-domesticated from the State of Ohio to the State of Delaware and simultaneously converted from a domestic property and casualty insurer to a domestic surplus lines insurer.

On November 17, 2017, the Company was indirectly acquired by Markel Corporation, as a result of its acquisition of SNC. At that time, the Company was re-named to Independent Specialty Insurance Company.

On June 27, 2023, the Company's parent, USIC, sold 100% of the Company's common shares to Velocity HoldCo, LLC (Velocity HoldCo). At that time, the Company was re-named to VSIC. As of December 31, 2024, the Company was 100% owned by Velocity HoldCo, a Delaware limited liability company.

Capitalization

As of December 31, 2024, the Company had 5,000,000 common shares authorized, with 4,500,000 shares issued and outstanding, with a par value of \$1 per share, all of which are owned by FMV Holding Company (FMV). The Company has no preferred stock outstanding or surplus notes.

Dividends

No dividends were declared or paid during the examination period.

MANAGEMENT AND CONTROL

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 of Directors (Board).

Directors

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) members nor more than twenty-one (21) members. The directors shall hold office until the next annual shareholder meeting or until their successors are elected or appointed.

The Directors elected and serving the Company as of December 31, 2024, were as follows:

<u>Name</u>	<u>Position/Title</u>
Jacob Eddy Rothfuss	Chief Executive Officer
Rohan Ajit Pai	Chief Financial Officer
Shelly Ann Northover	Corporate Secretary

Officers

In accordance with its bylaws, officers serving the Company shall be a President, one or more Vice Presidents (as determined by the Board), a Secretary, a Treasurer and any other officers as may from time to time be elected or appointed by the Board. The most senior officers, duly appointed in accordance with the bylaws and serving as of December 31, 2024, are as follows:

<u>Name</u>	<u>Position/Title</u>
Philip Glenn Bowie	Chairman and Founder
Paul Watson Carnegie	Chief Underwriting Officer
Shelly Ann Northover	Corporate Secretary
Jacob Eddy Rothfuss	Chief Executive Officer
Rohan Ajit Pai	Chief Financial Officer

Committees

The Company has not designated any committees.

Corporate Records

The recorded minutes of the Board were reviewed for the period under examination, which showed that the Company has adequately documented its meetings and approval of Company transactions and events, including the 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 with regards to any 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. VSIC is wholly-owned by Velocity HoldCo.

As of December 31, 2024, Oaktree Capital Management (74%), Velocity Management Group (16%) and Markel Corporation (10%) were the ultimate controlling entities of Velocity Holdco, which was the 100% owner of VSIC. At that time, Velocity Risk Underwriters, LLC (VRU), a Delaware limited liability company and managing general agency and Velocity Claims, LLC (VC), a Delaware limited liability company and third party claims administrator, were both 100%-owned subsidiaries of Velocity Holdco.

An organizational chart as of December 31, 2024, with domicile in brackets, along with the control percentages of the upstream affiliates' control of the downstream affiliate is presented below:

	<u>Ownership</u>
Oaktree Capital Management {1}	
Velocity Management Group {2}	
Markel Corporation {3}	
Velocity Holdco, LLC (DE)	100%
Velocity Specialty Insurance Company (DE)	100%
Velocity Claims, LLC (DE)	100%
Velocity Risk Underwriters, LLC (DE)	100%

{1} 74% ownership of Velocity HoldCo, considered an ultimate controlling entity

{2} 16% ownership of Velocity HoldCo, considered an ultimate controlling entity

{3} 10% ownership of Velocity HoldCo, considered an ultimate controlling entity

Based on a review of the Company's most recently filed Form B Insurance Holding Company Registration Statement, it appears that the Company has disclosed all intercompany arrangements and in turn has filed the applicable information/agreements with the Department.

Agreements with Affiliates

Through June 27, 2023, the Company was a party to the following related party agreements: Management Agreement, Reinsurance Pooling Agreement, Tax Allocation Agreement, Revolving Credit Facility Agreement and Investment Advisory Agreement. The Company was removed as a party to these agreements effective June 27, 2023, prior to its acquisition by Velocity HoldCo. All net insurance previously written by the Company is now covered by a Reinsurance Assumption Agreement with USIC.

Subsequent to the Company's acquisition by Velocity HoldCo, VSIC entered into the following agreements with affiliates.

Administrative Services Agreement

Effective July 12, 2023, the Company entered into an Administrative Services Agreement with VC and VRU, whereby VC and VRU share Services (costs, resources, personnel and facilities) and outlined the methodology for the sharing of costs and services, to effectuate the operations of the Company and its affiliates. The Company filed a Form D with the Department for this agreement, which was approved. This agreement was in effect as of December 31, 2024, but was subsequently terminated upon the change in corporate ownership on May 1, 2025 when the Company entered into a Mutual Services Agreement with Factory Mutual Insurance Company (FMIC) (Rhode Island), as discussed in the Subsequent Events section of this report.

Managing General Agency and Managing General Underwriting Agreements

Effective July 12, 2023, the Company entered into a Managing General Agency (MGA) Agreement and Managing General Underwriting (MGU) Agreement with VRU whereby VRU produces business on behalf of the Company. The Company filed a Form D with the Department for this agreement, which was approved. These agreements survived the change in corporate

ownership on May 1, 2025, with the Company's continued MGA/MGU relationship with VRU.

Claims Adjuster Agreement

Effective July 12, 2023, the Company entered into a Claims Adjuster Agreement with VC whereby VC processes and adjudicates the Company's claims on behalf of the Company. The Company filed a Form D with the Department for this agreement, which was approved. This agreement survived the change in corporate ownership on May 1, 2025, with the Company's continued claims processing and administration relationship with VC.

TERRITORY AND PLAN OF OPERATION

Territory

The Company has a certificate of authority to write business on an admitted basis in Delaware and is eligible to write on a surplus lines basis in the remaining forty-nine (49) U.S. States and the District of Columbia.

Plan of Operation

In 2024, 100% of VSIC's direct written business was produced by VRU through its wholesale channels.

VRU serves the middle market (MMB) segment in excess and surplus (E&S) commercial property lines with coverages greater than \$10 million in total insurance value (TIV). VRU writes the following MMB programs: MMB commercial property, CatLyte, DIC earthquake, MegaTIV and wind deductible buy back.

VRU also serves the small commercial business (SMB) segment in E&S commercial property lines with coverages less than \$10 million in TIV. VRU writes the following SMB programs: SMB commercial property and E&S coastal business owners policy.

The Company had the following distribution of direct written premiums (DWP) in 2024:

<u>Line</u>	<u>Description</u>	<u>DWP</u>	<u>Percentage</u>
5.1	Commercial multi-peril (non-liability)	\$184,862,816	98.4%
12	Earthquake	2,973,034	1.6%
5.2	Commercial multi-peril (liability)	<u>70,125</u>	<u>0.0%</u>
	Total	<u>\$187,905,975</u>	<u>100.0%</u>
	<u>State</u>		
	Florida (exempt)	\$75,632,867	40.2%
	Texas (exempt)	31,875,859	17.0%
	Louisiana (exempt)	23,584,806	12.6%
	All other jurisdictions combined (48)	<u>56,812,443</u>	<u>30.2%</u>
	Total	<u>\$187,905,975</u>	<u>100.0%</u>

REINSURANCE

The Company engages in ceded reinsurance programs to reduce exposure to certain lines of business through ceded reinsurance programs including quota share, excess of loss and catastrophe excess of loss agreements.

The Company reported the following distribution of NWP in 2024 as follows:

Direct Written Premiums	\$187,905,975
Assumed from Affiliates	\$0
Assumed from Non-affiliates	<u>0</u>
Subtotal Assumed	\$ 0
Gross Written Premiums	\$187,905,975
Ceded to Affiliates	\$ 0
Ceded to Non-affiliates	<u>111,525,488</u>
Subtotal Ceded	\$111,525,488
Net Written Premiums	<u>\$ 76,380,487</u>

Assumed

The Company did not assume any business in 2024.

Ceded

The Company has several reinsurance programs including quota share, excess of loss and catastrophe excess of loss programs. The Company ceded \$111.53 million, or 59.4%, of its \$187.91 million of 2024 gross written premiums, all to non-affiliates, for a retention rate of 40.6%.

FINANCIAL STATEMENTS

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

- Assets as of December 31, 2024
- Liabilities, Surplus and Other Funds as of December 31, 2024
- Summary of Operations for the year ended December 31, 2024
- Reconciliation of Capital and Surplus for the Period from the Prior Examination December 31, 2020 to December 31, 2024

Assets
As of December 31, 2024

	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 145,422,015	\$ -	\$ 145,422,015
Cash, Cash equivalents, Short Term Investments	<u>41,054,335</u>	<u>-</u>	<u>41,054,335</u>
Subtotals, Cash and Invested Assets	<u>\$ 186,476,350</u>	<u>\$ -</u>	<u>\$ 186,476,350</u>
Investment income due and accrued	1,317,891	-	1,317,891
Uncollected premiums	48,656,880	-	48,656,880
Amounts recoverable from reinsurers	2,030,992	-	2,030,992
Other amounts receivable under reinsurance contracts	856,778	-	856,778
Current Federal and foreign income tax recoverable	222,689	-	222,689
Net deferred tax asset	3,128,081	1,094,850	2,033,231
Aggregate write-ins for other than invested assets	<u>348,140</u>	<u>-</u>	<u>348,140</u>
Total Assets	<u>\$ 243,037,801</u>	<u>\$ 1,094,850</u>	<u>\$ 241,942,951</u>

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

		Notes
Losses	\$ 25,624,269	1
Reinsurance payable	-	
Loss adjustment expenses	2,759,948	
Commissions payable, contingent commissions and other similar charges	13,137,358	
Other expenses (excluding taxes; licenses and fees)	607,396	
Taxes, Licenses and fees	-	
Current federal and foreign income taxes	-	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$42,281,292 and including warranty reserves of \$0)	57,287,808	
Advance Premium	-	
Ceded reinsurance premiums payable (net of ceding commissions)	24,565,066	
Remittances and items not allocated	-	
Payable to parent; subsidiaries and affiliates	6,188,436	
Total liabilities excluding protected cell liabilities	<u>\$ 130,170,281</u>	
Total liabilities	<u>\$ 130,170,281</u>	
Aggregate write-ins for special surplus funds	\$ -	
Common capital stock	4,500,000	
Gross paid in and contributed surplus	69,389,181	
Unassigned funds (surplus)	37,883,489	
Surplus as regards policyholders	<u>\$ 111,772,670</u>	
Totals of liabilities & surplus	<u><u>\$ 241,942,951</u></u>	

Statement of Operations
For the Year Ended December 31, 2024

Underwriting Income

Premiums earned	\$ 64,814,591
Deductions	
Losses incurred	\$ 29,100,192
Loss adjustment expenses incurred	3,975,779
Other underwriting expenses incurred	<u>34,685,586</u>
Total underwriting deductions	<u>\$ 67,761,557</u>
Net underwriting gain (loss)	<u>\$ (2,946,966)</u>

Investment Income

Net investment income earned	\$ 7,026,330
Net realized capital gains (losses) of \$ (4,903) less capital gains tax of \$0	<u>18,276</u>
Net investment gain (loss)	<u>\$ 7,044,606</u>

Other Income

Net gain (loss) from agents' or premium balances charged off (amount recovered \$0)	\$ -
Finance and service charges not included in premium	-
Aggregate write-ins for miscellaneous income	<u>(2,322)</u>
Total other income	<u>\$ (2,322)</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 4,095,318
Dividends to policyholders	<u>-</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 4,095,318
Federal and foreign income taxes incurred	<u>1,557,168</u>
Net Income	<u><u>\$ 2,538,150</u></u>

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

		Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Funds (Surplus)	Surplus Notes	Dividends to Stockholders	Total
12/31/2020	(1)	\$ 4,500,000	\$ 21,000,310	\$ 33,850,807	\$ -	\$ -	\$ 59,351,117
12/31/2021	(1)			3,543,774			3,543,774
12/31/2022	(1)			3,912,310			3,912,310
12/31/2023	(1)			(7,612,597)			(7,612,597)
12/31/2023	(2)		48,482,785				48,482,785
12/31/2024	(1)			4,189,195			4,189,195
12/31/2024	(2)		(93,914)				(93,914)
		<u>\$ 4,500,000</u>	<u>\$ 69,389,181</u>	<u>\$ 37,883,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,772,670</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.

(2) Capital contribution

ANALYSIS OF CHANGES IN THE FINANCIAL STATEMENTS RESULTING FROM EXAMINATION

There were no financial adjustments to the Company's financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1

Losses	\$25,624,269
Loss Adjustment Expense	\$2,759,948

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2024. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual*, SSAP No. 55.

SUBSEQUENT EVENTS

Change in Ownership

On January 31, 2025, FMV, FMIC Holdings and FMIC (collectively Applicants), filed a Form A change of control with the Department, which was approved on April 17, 2025, prior to the consummation of the acquisition on May 1, 2025.

As a result of the acquisition, FMIC became the ultimate controlling entity of VSIC through its 100% ownership of FMIC Holdings, which owns 84.4% of FMV, which owns 100% of VSIC. Nine executive members of Velocity Management Group collectively own 5.7% of FMV. Lastly, Ryan Specialty Holdings, Inc. (RSH) owns 100% of Ryan Specialty, LLC (Ryan Specialty) which owns 9.9% of FMV. Collectively, the individual policyholders of FMIC own 100% of FMIC. As of May 1, 2025, VRU and VC are 100% owned subsidiaries of Ryan Specialty.

An organizational chart as of May 1, 2025, with domicile in brackets, along with the control percentages of the upstream affiliates' control of the downstream affiliate is presented below:

	<u>Ownership</u>
Factory Mutual Insurance Company (RI) {1}	
FMIC Holdings, Inc. (RI)	100%
FMV Holding Company (RI) {2}	84.4%
Velocity Specialty Insurance Company (DE)	100%
Ryan Specialty, LLC (DE) {3}	
FMV Holding Company (RI)	9.9%
Velocity Claims, LLC (DE)	100%
Velocity Risk Underwriters, LLC (DE)	100%

- {1} 100% owned by policyholders, FMIC is considered the ultimate controlling entity of VSIC
- {2} FMV is 5.7% owned collectively by nine (9) individuals known as the Velocity Management Group, and 9.9% owned by Ryan Specialty
- {3} Ownership of FMV is less than the 10% threshold for control, so this is not considered an ultimate controlling entity

Affiliated Agreements

Effective May 1, 2025, with the change in corporate ownership, the prior related party management and service agreement and the prior intercompany tax allocation agreement were terminated, and new related party agreements were entered into as follows:

Mutual Services Agreement

The Company entered into a Mutual Services Agreement with FMIC effective May 1, 2025, whereby FMIC provides specific services to VSIC as listed in the agreement. VSIC pays for all personnel dedicated 100% to VSIC. The Company filed a Form D with the Department for this agreement, which was approved.

Tax Allocation Agreement

Effective May 1, 2025, the Company entered into a Tax Allocation Agreement with FMIC and its U.S. subsidiaries and affiliates effective May 1, 2025. The Company will file as part of the consolidated federal income tax return with FMIC as all of the parties constitute an “Affiliated Group” as defined in and for the purposes of Internal Revenue Code (IRC) 1504(a). Under this agreement, allocation is primarily on a separate return basis, with current payment for losses and other tax items utilized in the consolidated return. The Company filed a Form D with the Department for this agreement, which was approved.

Reinsurance Agreements

Effective July 1, 2025, the Company entered into two excess of loss reinsurance agreements with affiliates. One with Risk Engineering Insurance Company, Ltd., an unauthorized Bermuda reinsurer and one with FMIC, an authorized Rhode Island reinsurer. The Company filed a Form D with the Department for each agreement, which were both approved.

Capital Contributions

In 2025, the Company received capital contributions from parent FMV in the aggregate amount of \$175,000,000, to support the Company’s growth plans, which increased the reported policyholder surplus balance to \$327,076,022 as of December 31, 2025.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no recommendations contained in the prior Examination Report.

SUMMARY OF RECOMMENDATIONS

There were no recommendations noted as result of this examination.

The assistance and cooperation from the Company's outside audit firm, D&T, and the Company's management and staff were appreciated and are acknowledged.

Respectfully submitted,



Andy Chiodini, CFE
Examiner-In-Charge
State of Delaware



Albert M. Piccoli, Sr., CFE, ACI
Supervising Examiner
State of Delaware

Velocity Specialty Insurance Company

I, Andy Chiodini, CFE, 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. 25.037.

A handwritten signature in cursive script, reading "Andy E. Chiodini". The signature is written in black ink and is positioned above a horizontal line.

Andy Chiodini, CFE
Examiner-In-Charge
Delaware Department of Insurance