

**REPORT ON EXAMINATION
OF
CRUM & FORSTER INDEMNITY COMPANY
AS OF
DECEMBER 31, 2019**

Office of the
Commissioner



Delaware
Department of Insurance

REPORT ON EXAMINATION
OF
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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 23 day of June, 2021

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May 26, 2021

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 Exam Authority No. 20.003, dated November 22, 2019, an examination has been made of the affairs, financial condition and management of

CRUM & FORSTER INDEMNITY COMPANY

hereinafter referred to as the Company or Indemnity. Indemnity was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware. Due to the COVID-19 Pandemic, the examination was conducted offsite. The administrative office of the Company located at 305 Madison Avenue, Morristown, New Jersey, 07960. The report of examination thereon is respectfully submitted.

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 four-year period from January 1, 2011 through December 31, 2014. This examination will cover the five-year period from January 1, 2015 through December 31,

2019, 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, 2019. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination of the Company was performed as part of the multi-state coordinated examination of the Fairfax Group of regulated United States property and casualty insurance companies (Fairfax U.S. Group) as of December 31, 2019. Delaware is the lead state for the Fairfax Group examination. The examination was conducted concurrently with that of the Company's affiliates.

Crum & Forster Subgroup (Crum Group):

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
United States Fire Ins Co (USF)	21113	DE
Crum & Forster Specialty Ins Co (CFSIC)	44520	DE
North River Insurance Co (NRIC)	21105	NJ
First Mercury Ins Co (FMIC)	10657	DE
Crum & Foster Ind. Co (Indemnity)	31348	DE
Seneca Ins Co Inc. (SIC)	10936	NY
Seneca Specialty Ins Co. (Seneca Specialty)	10729	DE
Crum & Forster Ins Co (CFIC)	42471	NJ
American Underwriters Ins Co (AUIC)	10251	AK
MTAW Insurance Co (MTAW)	16498	DE

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

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

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

Allied World Subgroup ¹:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
Allied World Natl Assur Co	10690	NH
Allied World Assur Co US Inc.	19489	DE
Allied World Surplus Lines Ins Co	24319	AK
Allied World Specialty Ins Co	16624	DE
Allied World Ins Co	22730	NH
Vantapro Specialty Ins Co	44768	AK
Vault Recip. Exch. FL NY	16186	FL
Vault E&S Ins Co	16237	AK

Riverstone Subgroup ²:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
Commonwealth Insurance Co of America	10220	DE
TIG Insurance Co	25534	CA

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

¹ Fairfax Financial Holdings Limited and Allied World Assurance Company Holdings, Ltd recently announced, in a November 12, 2020 press release, that they have, through their subsidiaries, entered into an agreement to sell their majority interest in Vault Holdings Inc. The transaction closed on March 1, 2021.

² TIG Insurance Company sold Commonwealth Insurance Company of America to Brit Insurance USA Holdings Inc. (affiliate), effective April 30, 2018.

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 2019 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 December 2, 1987, as Finmar Reinsurance Corporation (Finmar) and commenced business on December 31, 1987. On June 12, 1995, the Company merged with Premier Insurance Company with Finmar as the surviving corporation. Effective the same date, Finmar changed its name to Indemnity.

During 2003, BNM Indemnity Company (BNM) was incorporated in Delaware as a wholly owned property and casualty insurance subsidiary of Indemnity. Effective December 31, 2003, Indemnity, a New York domiciled company, was merged with and into BNM. In connection with the merger, BNM's name was changed to Indemnity and became the wholly owned subsidiary of Crum & Forster Holding Inc. (Crum Holdings), which is a wholly owned subsidiary of (US) Inc (Fairfax US).

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 100,000 shares of common stock with a \$35.00 par value. As of December 31, 2019, the Company had all common shares issued and outstanding totaling \$3,500,000. Crum Holdings owns all outstanding common shares of the Company.

Dividends

The Company paid a dividend of \$1.4 million on January 4, 2016, as reflected in the Board of Director (Board) meeting minutes, the dividend was paid to the sole stockholder and approved by the Department.

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 the 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, 2019, are as follows:

<u>Name</u>	<u>Title</u>
Marc James Adee	President, Chairman of the Board, & CEO
Arleen A. Paladino	Senior Vice President & CFO
Anthony R. Slimowicz	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 the Board 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 of Directors and a Chief Executive Officer at its discretion. The primary officers serving as of December 31, 2019 were as follows:

<u>Name</u>	<u>Title</u>
Marc James Adee	President, Chairman of the Board, & CEO
Arleen A. Paladino	Senior Vice President & CFO
James V. Kraus	Senior Vice President, General Counsel & Secretary

Corporate Records

The recorded minutes of the Shareholder 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 regards 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, 2019, FFHL had consolidated assets of \$70,508 million and shareholders' equity of \$17,907 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 FFHL as of the examination date, are considered ultimate controlling entities of the Company.

An abbreviated organizational chart of FFHL as of December 31, 2019, with domicile in brackets, along with the control percentages of the upstream affiliates' control of the downstream affiliate is presented below:

Crum & Forster Indemnity Company

		Equity Ownership Percentage	Voting Control Percentage	
V. Prem Watsa and the Watsa Family Trust {1}{8}	{2}	6.73 %	42.49%	{3}
All Other Publicly Traded Shares Held {4}	{5}	93.27%	57.51%	{6}
Fairfax Financial Holdings Limited [Canada] {7}		100.0%	100.0%	
FFHL Group Ltd. [Canada]		100.0%	100.0%	
Fairfax (US) Inc. [DE]*		93.98%	93.98%	
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 [AK]		100.0%	100.0%	
The North River Insurance Company [NJ]		100.0%	100.0%	
Seneca Insurance Company, Inc. [NY]		100.0%	100.0%	
MTAW Insurance Company [DE]		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%	

As of December 31, 2019, unless otherwise indicated

* FFHL directly owns 6.02% of Fairfax US and indirectly owns the remaining 93.98% through FFHL Group Ltd.

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 One Zero Nine 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 SVS Shares outstanding	26,082,299		
SVS Shares owned personally and through 1109 HoldCo		258,790	0.9922%
Additional SVS shares under control and direction		2,100	0.0081%
SVS Shares held through Sixty Two HoldCo		50,620	0.1941%
Total SVS shares owned/controlled		311,510	1.1943%
Total MVS Shares Outstanding	<u>1,548,000</u>		
Total MVS + SVS Shares Outstanding	<u>27,630,299</u>		
MVS Shares owned and controlled through Sixty Two Holdco		1,548,000	100%
Total MVS + SVS Shares owned and controlled by Mr. Watsa		<u>1,859,510</u>	<u>6.73%</u>

{3} Calculated as 0.58% through V. Prem Watsa and 41.91% through ownership in the three entities as described above. It should be noted that pursuant to Canadian securities filing requirements, 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, 2019.

{5} Calculated as 100.00% - 6.73% {2}.

{6} Calculated as 100.00% - 42.49% {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, 2019, FFH has issued 1,548,000 multiple voting common shares, 26,082,299 subordinate voting common shares, 58,239,178 non-voting preferred Series C thru M. FFH's equity attributable to Shareholders as of December 31, 2019, totals \$14,378.1 million (\$U.S.) which consists of \$13,042.6 million (includes \$3.8 million of multiple voting shares) related to voting common shares (90.71% of the total) and \$1,335.5 million related to non-voting preferred shares (9.29% of the total).

{8} During the second quarter of 2020, Mr. V. Prem Watsa purchased an additional 482,600 subordinate voting common shares through 12002574 Canada Inc., which is wholly owned by him, with the result that the total aggregate voting control increased from 42.49% to 43.61% as at June 30, 2020.

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 cost. The Company had the following material intercompany agreements in effect as of December 31, 2019:

Administrative Service Agreement

Effective June 30, 2010, Indemnity entered into an administrative service agreement with USF. Under the terms of this agreement, USF provides all administrative services such as underwriting, claims handling, reinsurance and premium collections on behalf of the parties. Operating expenses incurred in the performance of services are allocated in accordance with SSAP 70. Pool participants are charged their respective shares of operating expenses.

Tax Allocation Agreement

Effective January 1, 2009, Indemnity became a party to a tax allocation agreement with Crum Holdings along with certain affiliates. Crum Holdings, 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.

Additionally, the Company has an enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Investment Agreement

Effective October 1, 2002, and amended April 1, 2007, Indemnity 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 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 Administrative Service Agreement

Effective November 1, 2014, Indemnity 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. Effective August 1, 2018, this agreement was amended to add the Allied World subgroup.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2019, the Company was licensed to transact multiple property and casualty lines of insurance in all fifty states and the District of Columbia.

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 35%, regional producers 25%, national brokers 6%, Direct 11%, and Managing General Underwriters (MGU)/Managing General Agents (MGA) 23%. 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's principal lines of business include workers' compensation, commercial auto liability, and commercial multi-peril.

Plan of Operation

The Company's business is diversified in terms of product line, varying policy sizes, and geographic mix, with only three states individually comprising more than 10% of total direct written premiums. The Company increased its net premiums written in 2019 due to continued growth of its diversified portfolio and increased retentions of their more profitable business segments. These segments include the Company's longstanding presence in the Hawaii market and customer group expertise in the areas of propane distributors, explosive contractors, agriculture enterprises, and construction contractors.

On the filed Annual Statement for 2019, the Company reported the following distribution of Direct Premiums Written:

Line of Business	Direct Premium Written	Percentage of Direct Premium Written
Commercial auto liability	\$ 51,754,772	48%
Workers compensation	21,103,218	19%
Commercial multiple peril	17,270,072	16%
Auto physical damage	12,830,667	12%
Other liability - occurrence	2,197,932	2%
All other lines	3,392,190	3%
Total Direct Written Premiums	\$ 108,548,851	100%

REINSURANCE

General

The Company reported the following distribution of net premiums written for 2019:

Direct	\$108,548,851
Reinsurance assumed from affiliates	\$ 28,303,397
Reinsurance assumed from non-affiliates	<u>\$266,189</u>
Total gross (direct and assumed)	\$137,118,437
Reinsurance ceded to intercompany pool	\$108,815,000
Reinsurance ceded to affiliates	675,612
Reinsurance ceded to non-affiliates	<u>4,287,689</u>
Total ceded	\$113,778,302
Net premiums written	<u><u>\$ 23,340,135</u></u>

External Ceded

In order to control the exposure to losses and protect capital resources, the Company cedes 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, in order to limit the amount of

their loss retention. The majority of the reinsurance contracts purchased by the Company provide coverage for a one year term.

In general, the Crum Group's reinsurance contracts provide coverage for domestic acts of terrorism. Certain casualty contracts have additional terrorism coverage for acts of terrorism certified under the Terrorism Risk Insurance Program Reauthorization Act of 2007. None of the contracts cover acts of terrorism involving use of nuclear, biological, or chemical agents.

Affiliated Reinsurance

The Company is a participant in a 100% Reinsurance Participation Agreement (the Agreement) with other members of the Crum Group 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>Pool Percentages</u>
USF	21113	76%
NRIC	21105	22%
CFIC	42471	1%
Indemnity	31248	1%

The Agreement provides that USF, 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 USF does not relieve the Pool Participants of their primary liability as the originating insurers.

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, 2019
- Statement of Liabilities and Surplus as of December 31, 2019
- Statement of Income for the year ended December 31, 2019
- Statement of Capital and Surplus Account for the year ended December 31, 2019
- Reconciliation of Capital and Surplus for the Period December 31, 2014 to December 31, 2019

CRUM & FORSTER INDEMNITY COMPANY
STATEMENT OF ASSETS
AS OF DECEMBER 31, 2019

	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 31,206,191	\$ -	\$ 31,206,191
Cash	300,938	-	300,938
Cash equivalents	3,427,344	-	3,427,344
Short Term Investments	18,820,435	-	18,820,435
Subtotals, cash and invested assets	<u>\$ 53,754,908</u>	<u>\$ -</u>	<u>\$ 53,754,908</u>
Investment income due and accrued	200,947	-	200,947
Uncollected premiums and agents' balances	2,694,542	78,384	2,616,158
Deferred premiums	1,176,509	6,503	1,170,006
Accrued retrospective premiums	275,000	27,500	247,500
Amounts recoverable from reinsurers	551,595	-	551,595
Funds held by or deposited with reinsured companies	237,426	-	237,426
Net deferred tax asset	751,407	10,024	741,383
Receivables from parent; subsidiaries and affiliates	1,119,455	-	1,119,455
Aggregate write-ins for other than invested assets	<u>862,894</u>	<u>2,270</u>	<u>860,624</u>
Total Assets	<u>\$ 61,624,683</u>	<u>\$ 124,681</u>	<u>\$ 61,500,002</u>

CRUM & FORSTER INDEMNITY COMPANY
STATEMENT OF LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2019

	<u>2019</u>	<u>Note</u>
Losses	\$ 21,159,350	1
Reinsurance payable on paid losses and loss adjustment expenses	1,307,739	
Loss adjustment expenses	5,030,750	
Commissions payable; contingent commissions and other similar charges	84,878	
Other expenses (excluding taxes; licenses and fees)	3,354	
Taxes, licenses, and fees (excluding federal and foreign income tax)	2,562,153	
Current federal and foreign income taxes	25,257	
Unearned premiums	8,188,662	
Advance Premium	132,995	
Dividends declared and unpaid: Policyholders	-	
Ceded reinsurance premiums payable (net of ceding commissions)	528,047	
Funds held by company under reinsurance treaties	398,787	
Amounts withheld or retained by company for account of others	902,160	
Provision for reinsurance (Including \$0 certified)	16,431	
Aggregate write-ins for liabilities	47,462	
Total liabilities excluding protected cell liabilities	<u>40,388,025</u>	
Total liabilities	<u>\$ 40,388,025</u>	
Aggregate write-ins for special surplus funds	-	
Common capital stock	3,500,000	
Preferred capital stock	-	
Gross paid in and contributed surplus	2,750,000	
Unassigned funds (surplus)	<u>14,861,977</u>	
Surplus as regards policyholders	<u>\$ 21,111,977</u>	
Totals of liabilities & surplus	<u><u>\$ 61,500,002</u></u>	

CRUM & FORSTER INDEMNITY COMPANY
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>
Underwriting Income	
Premiums earned	\$ 21,938,159
Deductions	
Losses incurred	\$ 11,960,640
Loss adjustment expenses incurred	1,851,074
Other underwriting expenses incurred	7,911,131
Total underwriting deductions	<u>21,722,845</u>
Net underwriting gain (loss)	<u>\$ 215,314</u>
Investment Income	
Net investment income earned	\$ 1,132,579
Net realized capital gains (losses) less capital gains tax of \$19,718	<u>73,566</u>
Net investment gain (loss)	<u>\$ 1,206,145</u>
Other Income	
Net gain (loss) from agents' or premium balances charged off	\$ (3,907)
Finance and service charges not included in premium	21,774
Aggregate write-ins for miscellaneous income	<u>(16,637)</u>
Total other income	<u>\$ 1,230</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 1,422,689</u>
Dividends to policyholders	<u>-</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 1,422,689</u>
Federal and foreign income taxes incurred	322,108
Net Income	<u><u>\$ 1,100,581</u></u>

**CRUM & FORSTER INDEMNITY COMPANY
CAPITAL & SURPLUS ACCOUNT
AS OF DECEMBER 31, 2019**

	<u>2019</u>
Surplus as regards to policyholders; December 31, 2018	\$ 20,127,631
Net income	1,100,581
Change in net unrealized capital gains (losses) less capital gains tax of \$0	-
Change in net unrealized foreign exchange capital gain (loss)	-
Change in net deferred income tax	(86,408)
Change in nonadmitted assets	(21,670)
Change in provision for reinsurance	(8,157)
Capital Changes: Paid in	-
Surplus adjustment: Paid in	-
Transferred to Capital (Stock Dividend)	-
Dividends to stockholders	-
Aggregate write-ins for gains and losses in surplus	-
Net change in capital and surplus for the year	<u>\$ 984,346</u>
Capital and surplus; December 31, 2019	<u><u>\$ 21,111,977</u></u>

CRUM & FORSTER INDEMNITY COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
As of December 31, 2014 to December 31, 2019

	Common Capital Stock	Aggregate write-ins for special surplus funds	Gross Paid- in and Contributed Surplus	Unassigned Surplus		Total
12/31/2014	\$ 3,500,000	1,960,980	(3) \$ 2,750,000	6,597,460		\$ 14,808,440
12/31/2015	-	(1,960,980)	-	\$ 3,200,814	(1)	\$ 1,239,834
12/31/2016	-	-	-	1,902,973	(1)	1,902,973
12/31/2016	-	-	-	(1,400,000)	(2)	(1,400,000)
12/31/2017	-	-	-	969,668	(1)	969,668
12/31/2018	-	-	-	2,606,716	(1)	2,606,716
12/31/2019	-	-	-	984,346	(1)	984,346
	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ 2,750,000</u>	<u>\$ 14,861,977</u>		<u>\$ 21,111,977</u>

- (1) Represents net income, change in unrealized capital gains (losses), change in net deferred income tax, change in non-admitted assets, change in provision for reinsurance.
- (2) Dividends to Stockholders.
Retroactive Reinsurance cessions.

**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:

<u>Losses</u>	<u>\$21,159,350</u>
<u>Loss Adjustment Expenses</u>	<u>\$5,030,750</u>

The examination liability for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2019. 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*, Statement of Statutory Accounting Principles No. 55.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and national, state and local governments have implemented a range of policies and actions to combat it. The extent of the impact of COVID-19 on world economies and the Company will depend on future developments, which are highly uncertain and difficult to predict, including the severity and duration of the pandemic, and the actions taken by government authorities and other third parties to contain or address its impact. Various government officials, including U.S. state insurance commissioners, have taken actions to protect consumers from hardship caused by COVID-19 that, in the aggregate, may adversely impact the Company's results of operations in the near term. While it is likely that certain lines of business may experience increased loss activity due to COVID-19, there are also segments in which the Company operates that may benefit from improved loss experience due to

reduced exposures. Company Management will continue to monitor developments, and their impacts on the Company including its operations, capital position (including the risk-based capital ratio), the fair value of investments, and estimates reported in the financial statements and accompanying notes.

The Company and FFHL do not directly consider a pandemic event in their regular stress testing, the potential credit and market price fluctuation risks arising from COVID-19 crisis are captured in regular stress testing conducted, both at the Fairfax level and subsidiary group level (including the Crum Group) and the performance of Fairfax's subsidiaries investment portfolios since the start of the crisis falls within expectations. With nearly \$10 billion of cash and short-term investments held across its insurance portfolios at year end 2019, FFHL believes it has ample liquidity to withstand a prolonged economic slowdown.

At the date of this report, the extent and severity of the COVID-19 pandemic is not yet fully clarified by the Crum Group, but they do not expect a material adverse effect on any specific lines of business or products and the Company was fully operational and was providing services to its policyholders.

The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position and continues to closely monitor any impact on the Company and will take necessary action if a solvency concern arises.

There were no other material subsequent events noted.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

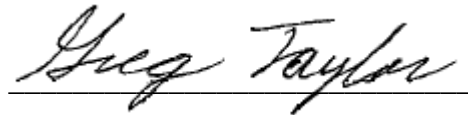
There were no recommendations contained in the prior examination report issued by the Department as of December 31, 2014.

SUMMARY OF RECOMMENDATIONS

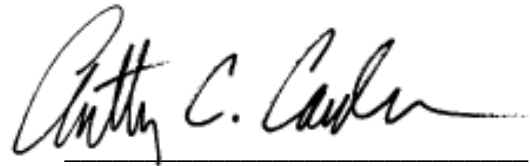
There were no recommendations as a result of this examination.

The assistance and cooperation of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the consulting investment specialist, Rutter Associates LLC, 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

Crum & Forster Indemnity 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 Delaware Department of Insurance pursuant to examination authority 20.003.

A handwritten signature in cursive script, appearing to read "Greg Taylor", is written above a horizontal line.

Greg Taylor, CFE