EXAMINATION REPORT

OF

CENTRE INSURANCE COMPANY

AS OF

DECEMBER 31, 2021

TRINIDAD NAVARRO
COMMISSIONER

STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION

OF

CENTRE INSURANCE COMPANY

AS OF

DECEMBER 31, 2021

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 19 day of May, 2023

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May 4, 2023

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. 22.024, dated August 15, 2022, an examination has been made of the affairs, financial condition and management of

CENTRE INSURANCE COMPANY

hereinafter referred to as Company or CICO. 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 administrative offices of the Company are located at 4 World Trade Center, 53rd Floor, 150 Greenwich Street, New York, New York 10007-2366.

SCOPE OF EXAMINATION

We have performed our multi-state examination of CICO. The last examination was conducted as of December 31, 2016, by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2017 through December 31, 2021.

We conducted our examination in accordance with the *National Association of Insurance Commissioners* (NAIC) *Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and

Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

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 originally incorporated under the laws of the State of Delaware on May 26, 1977, for the purpose of changing the corporate domicile of London Guarantee & Accident Company of New York to Delaware. After numerous changes in ultimate control throughout the late 1970's and early 1980's, the Company was acquired by the California Compensation Insurance Company (Cal Comp) on February 16, 1995. Cal Comp was a direct subsidiary of Business Insurance Group, Inc. and was ultimately controlled by Foundation Health Corporation. On February 17, 1995, the Company changed its name from London Guarantee & Accident Company of New York to Business Insurance Company.

The Company was acquired by Superior National Insurance Group, Inc. (SNIG) on December 10, 1998. In anticipation of this acquisition, the Company cancelled its pooling arrangement with the Business Insurance Group of companies as of October 1, 1998 and ceded reserves were returned to the Company.

Centre Solutions Holdings (Delaware) Limited (Centre Holdings) acquired the Company from SNIG and changed its name to Centre Insurance Company on December 18, 1998. Concurrent with the acquisition, 100% of the Company's gross liabilities and obligations arising out of policies written prior to the acquisition were reinsured through a loss portfolio transfer to its prior affiliates, Cal Comp and Superior National Insurance Company (SNIC). The Company continued to write new and renewal workers compensation insurance through underwriting agreements with SNIG affiliates. All risk on the workers' compensation business was ceded under a reinsurance agreement with Cal Comp. In September 2000, SNIG and its affiliates including Cal Comp and SNIC were placed into rehabilitation by the California Department of Insurance. At this time, the Company ceased writing workers compensation insurance under the SNIG underwriting management agreements. As a result of the rehabilitation, the Company's reinsurance on the workers compensation business was cancelled. A settlement was subsequently reached with the California receiver and the Company continues to administer the workers compensation business originally produced prior to the Centre Holdings acquisition or through

SNIG affiliates subsequent to the acquisition. In addition to the SNIG workers' compensation insurance, the Company wrote other lines of business through various other underwriting management agreements between 1998 and 2004. However, due to rating downgrades from both Standard & Poor's and Moody's on the Centre Group of companies, the last remaining line of business was placed in voluntary run-off as of March 31, 2004.

In 2007, Centre Holdings was merged into its direct parent Centre Solutions (U.S.) Limited (CSUS), which is an insurance and reinsurance company domiciled in Bermuda. As a result, ownership of the Company was transferred from Centre Holdings to CSUS. The Department approved an exemption from a Form A filing related to the merger because the transaction did not result in a change in the ultimate control or ownership of the Company.

Effective June 30, 2014, the Company entered into a non-cancellable Loss Portfolio Transfer Reinsurance Agreement (LPT) with Swiss Reinsurance America Corporation (Swiss Re) that indemnifies the Company for the remaining loss exposure of the subject business as defined in the LPT. All reinsurance on the subject business inures to the benefit of Swiss Re and an affiliate of the Company provided adverse development coverage for the subject business. As of December 31, 2021, the LPT effectively covers all the Company's remaining loss exposure.

Capitalization

The Company's Certificate of Incorporation authorizes the issuance of 5,000 shares of common stock with a $1,000 par value. As of December 31, 2021, the Company had 5,000 shares authorized, issued and outstanding totaling $5,000,000. All shares of the Company are owned by CSUS. As of December 31, 2021, the Company reported gross paid in and contributed surplus of $5,238,396.

Dividends and Return of Capital

In 2019, the Company's Board of Directors (Board) approved an ordinary dividend, an extraordinary dividend and a return of capital in the amount of $2,071,634, $2,928,366 and $5,000,000, respectively. Notification was sent to the Department on August 22, 2019 and the Department approved the transactions on September 5, 2019. The Company paid the ordinary dividend, extraordinary dividend and return of capital in cash to CSUS on September 30, 2019.

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. The Board consists of seven members, which may be changed from time to time by the affirmative vote of a majority of the entire Board or by action of the stockholder. Directors duly elected and serving as of December 31, 2021, are as follows:

Name	Title
Simon Barnes	Chief Executive Officer[1] Zurich Legacy Solutions
Ali Rifai	General Counsel Zurich Legacy Solutions
Steven Richardson	Chief Financial Officer Zurich Legacy Solutions
Joth Tupper	Actuary Zurich Insurance Group
Michael Coe	Head of Operations Management North America Zurich Legacy Solutions
Ian Burningham	Chief Actuary Zurich Legacy Solutions
Phillip Drewer	Head of Restructuring North America Zurich Legacy Solutions

[1]Ali Rifai retired from Zurich Legacy Solutions as of April 30, 2022, but remained on the Board of the Company as independent non-executive director effective as of May 1, 2022.

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, one or more Vice Presidents, a Secretary and a Treasurer. The primary officers serving as of December 31, 2021, were as follows:

Name	Title
Ali Rifai[1]	President and Chief Executive Officer
Steven Richardson	Senior Vice President and Chief Financial Officer
Phillip Drewer	Senior Vice President
Michael Rohwetter	Vice President - Investments
Glenn Carrascoso	Vice President and Assistant Treasurer
Michael Coe	Vice President - Operations
Alistair Cogill	Vice President and Treasurer
Keith Sunvold	Vice President and Actuary
John Ruth	Assistant Vice President - Actuarial
John Skowronski	Assistant Vice President
Katie Miller	Assistant Vice President
Michael Inderbitzin	Vice President and Corporate Secretary
Rita Falco	Assistant Corporate Secretary
Ryan Gibbons	Assistant Secretary
Amy Jackson	Assistant Secretary
Li Jun Wang	Assistant Secretary

[1]Simon Barnes replaced Ali Rifai as President & Chief Executive Officer the Company effective May 1, 2022.

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, 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 Zurich Insurance Group, Ltd (ZIG) as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. The Company is a wholly owned subsidiary of CSUS, whose ultimate parent is ZIG. An abbreviated organization chart of the ZIG holding company system as of December 31, 2021, is as follows:

Zurich Insurance Group Ltd (Switzerland)
Zurich Insurance Company Ltd (Switzerland)
Zurich Finance Company AG (Switzerland)
Zurich Structured Finance, Inc. (Delaware)
Centre Group Holdings (U.S) Limited (Delaware)
Centre Solutions (U.S.) Limited (Bermuda)
Centre Insurance Company (Delaware)

Agreements with Affiliates

As of December 31, 2021, the Company had no direct employees and all services were provided under various affiliated and unaffiliated management and administrative contracts. Below is a summary of material affiliated agreements in effect as of December 31, 2021.

Intercompany Service Agreement

Effective January 1, 2004, the Company entered into an intercompany service agreement with Centre Group Holdings (U.S) Limited (CGHUS). Pursuant to the terms of this agreement, CGHUS provides certain services to CICO that are required by CICO in order to conduct its business. These services may include accounting services, actuarial services, administration and transaction management services, finance services, human resource services, legal services, claim services, risk management services, work-out services, real estate analysis services, payer services, senior management services, tax services and management information services. The agreement provides for the allocation back to CICO of the costs and operating expenses incurred by CGHUS in providing the said services to CICO.

Investment Services Agreement

Effective March 19, 2002, the Company entered into an investment services agreement with Zurich Investment Services Limited (ZIS) and Zurich Global Investment Advisors Limited. Pursuant to the terms of the agreement, ZIS provides cash management, reconciliation and settlement of trades as well as other back-office functions with respect to accounts managed under an unaffiliated Investment Management Agreement with Deutsche Investment Management Americas, Inc.

Tax Allocation Agreements

Effective December 16, 1998, the Company entered a Tax Allocation Agreement with CGHUS and other affiliates. In accordance with the agreement, federal income tax is to be paid or received to/from CGHUS based on the Company's taxable income or taxable loss calculated on a separate return basis. The agreement requires tax balances to be estimated and settled quarterly and tax adjustments settled annually when the tax return is filed. In December 2004, the agreement was amended to relieve the Company of all indebtedness to the parent for obligations created by the Company's utilization of affiliated losses under the Tax Sharing Agreement. The amendment stipulates the Company will receive relief in any year its taxable income is offset by affiliated losses in the future.

Effective June 28, 2019, the Company became party to a consolidated Tax Allocation Agreement with Zurich Structured Finance and various other entities in the ZIG holding company system. Intercompany tax balances are settled within thirty days after the filing of the consolidated Federal income tax return; the payment of an estimated payment; an additional assessment of the consolidated tax liability; a refund of the consolidated tax liability or any other adjustment to the member's apportioned tax liability in accordance with the terms of the tax sharing agreement.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to write various types of property and casualty insurance and reinsurance in all fifty (50) states and the District of Columbia. The Company has been in voluntary runoff since 2004 and does not plan on writing any new business in the future. The Company's remaining policyholder obligations consist primarily of two direct lines of business and a small amount of assumed business inforce. The direct lines consist primarily of workers' compensation and homeowners' liabilities. The assumed business consists primarily of aviation liabilities. The Company's remaining business is administered by Zurich Legacy Solutions, which is an operating unit of ZIG. Zurich Legacy Solutions is responsible for overseeing the Company's run-off including administering all rights and obligations under affiliated and third-party agreements.

REINSURANCE

As of December 31, 2021, the Company continued to cede and assume risks under unaffiliated reinsurance contracts with effective dates prior to the voluntary run-off period. The following is a summary of the primary assumed and ceded reinsurance contracts inforce as of December 31, 2021.

Assumed Reinsurance

The Company's primary assumed reinsurance business inforce consists primarily of aviation policy liabilities assumed under the Aviation Excess of Loss program of The Cigna Casualty Group of Insurance Companies (Cigna) that is now managed by Chubb Limited (formerly ACE Limited). The Company assumed the business via novation from an affiliate in 2001. Cigna is a pro rata insurer of various worldwide aviation carriers and shares in industry wide losses. The policies provide reinsurance coverage for gaps in Cigna's aviation reinsurance placement. The Company is one of several excess of loss reinsurers who participate over five years of coverage. The program comprises five contracts incepting on July 1, 1993, 1994, 1995, 1996 and 1997. This business is covered under the LPT between the Company and Swiss Re. As of December 31, 2021, there were no remaining open claims and liabilities for this program.

Ceded Reinsurance - Loss Portfolio Transfer and Adverse Development Coverage

Effective June 30, 2014, the Company entered a LPT with Swiss Re that covers losses for policies written or renewed by the Company prior to the LPT effective date on subject business including workers' compensation, homeowners', aviation or non-standard auto policies as defined in the LPT. As of December 31, 2021, the LPT effectively covers all the Company's remaining loss exposure on active deals consisting primarily of a workers compensation block of policies written from 1995 through 2000.

In accordance with the LPT, all reinsurance covering the subject business inures to the benefit of Swiss Re. The primary remaining reinsurance that inures to the benefit of Swiss Re includes: 1.) an excess of loss agreement between the Company and General Reinsurance Corporation covering workers' compensation and employers' liabilities written by the Company from June 1, 1995 through December 31, 1998 and 2.) an excess of loss agreement between the Company and Trustmark Insurance Company covering workers' compensation liabilities written by the Company from May 1, 1998 through December 31, 1998.

Additionally, the LPT required an affiliate of the Company to provide an adverse loss development for the benefit of Swiss Re. As required by the LPT, Centre Reinsurance (U.S) Limited (Centre Reinsurance) and Swiss Re entered an Adverse Development Cover Reinsurance Agreement (ADC). In accordance with the LPT, Centre Reinsurance provides reinsurance for aggregate losses in excess of $92.5 million subject to certain limits as specified in the ADC.

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, 2021
- Statement of Liabilities, Capital and Surplus as of December 31, 2021
- Statement of Income for the year ended December 31, 2021
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2016 to December 31, 2021

Statement of Assets
As of December 31, 2021

	Assets	Non admitted Assets	Net Admitted Assets
Bonds	$ 9,681,974	$ -	$ 9,681,974
Cash	1,230,220	-	1,230,220
Subtotals cash and invested assets	$ 10,912,194	$ -	$ 10,912,194
Investment income due and accrued	59,793		59,793
Net deferred tax asset	139,241	139,241	-
LPT Loss Recoverable from Swiss Re	17,097,881		17,097,881
Totals	$ 28,209,109	$ 139,241	$ 28,069,868

Statement of Liabilities, Capital and Surplus
As of December 31, 2021

		Notes
Losses	$ 14,185,959	1
Loss adjustment expenses	3,221,923	1
Current federal and foreign income taxes	3,429	
Payable to parent, subsidiaries and affiliates	17,575	
Total Liabilities	$ 17,428,886	
Common capital stock	$ 5,000,000	
Gross paid in and contributed surplus	5,238,396	
Unassigned funds (surplus)	402,586	
Surplus as regards policyholders	$ 10,640,982	
Totals - Liabilities, Capital and Surplus	$ 28,069,868	

Statement of Income
For the Year Ended December 31, 2021

Premiums earned	$	-
Losses incurred	$	(1,072,285)
Loss adjustment expenses incurred		537,032
Other underwriting expenses incurred		216,875
Total underwriting deductions	$	(318,378)
Net underwriting gain or (loss)	$	318,378
Net investment income earned	$	64,317
Net realized capital gains or (losses)		(1,583)
Net Investment gain	$	62,734
Aggregate write-ins for miscellaneous income		(560,449)
Total other income	$	(560,449)
Net income before federal and foreign income taxes	$	(179,337)
Federal and foreign income taxes incurred		(67,186)
Net Income	$	(112,150)

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2016 to December 31, 2021

	Capital Stock	Gross Paid in and Contributed Capital	Unassigned Surplus	Total
As of December 31, 2016	$5,000,000	$10,238,396	$5,251,147	$ 20,489,543
2017 Net Income	-	-	82,462	82,462
2017 Other Changes[1]	-	-	44,191	44,191
As of December 31, 2017	$ 5,000,000	$ 10,238,396	$ 5,377,800	$ 20,616,196
2018 Net Income	-	-	134,829	134,829
2018 Other Changes[1]	-	-	(34,686)	(34,686)
As of December 31, 2018	$ 5,000,000	$ 10,238,396	$ 5,477,943	$ 20,716,339
2019 Net Income	-	-	74,405	74,405
2019 Other Changes[1]	-	-	794	794
2019 Dividends[2]	-	-	(5,000,000)	(5,000,000)
2019 Return of Capital[2]	-	(5,000,000)		(5,000,000)
As of December 31, 2019	$ 5,000,000	$ 5,238,396	$ 553,142	$ 10,791,538
2020 Net Income	-	-	(38,446)	(38,446)
2020 Other Changes[1]	-	-	(10,016)	(10,016)
As of December 31, 2020	$ 5,000,000	$ 5,238,396	$ 504,680	$ 10,743,076
2021 Net Income	-	-	(112,150)	(112,150)
2021 Other Changes[1]	-	-	10,056	10,056
As of December 31, 2021	$ 5,000,000	$ 5,238,396	$ 402,586	$ 10,640,982

[1]Other changes may include changes in unrealized capital gains (losses), changes in unrealized foreign exchange capital gain (loss), changes in net deferred tax and changes in non-admitted assets.
[2] During 2019, the Company paid an ordinary dividend in the amount of $2,071,634 and an extraordinary dividend in the amount of $2,928,366 to its parent CSUS.
[3]On September 30, 2019, the Company paid $5,000,000 to its parent CSUS that represented a return of capital.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statement as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	$ 14,185,959
Loss Adjustment Expenses	$ 3,221,923

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2021. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with applicable *Actuarial Principles and Standards of Practice* and Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual, SSAP No. 55 Unpaid Claims, Losses and Loss Adjustment Expenses Unpaid Claims, Losses and Loss Adjustment Expenses*.

SUBSEQUENT EVENTS

There were no material subsequent events through the date this examination report was available to be issued.

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. and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

Albert M. Piccoli, Sr., CFE
Examiner-In-Charge
State of Delaware

Richard Palmatary, CPA, CFE
Supervising Examiner
State of Delaware

I, Albert M. Piccoli Sr., 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. 22.024.

Albert M. Piccoli, Sr., CFE