EXAMINATION REPORT

OF

FIRST NONPROFIT INSURANCE COMPANY

AS OF

DECEMBER 31, 2021

TRINIDAD NAVARRO
COMMISSIONER

STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION

OF

FIRST NONPROFIT 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 ___9th____ day of ________June_________, 2023

♦INSURANCE.DELAWARE.GOV♦
1351 W. NORTH ST., SUITE 101, DOVER, DELAWARE 19904
(302) 674-7300 DOVER♦ (302) 259-7554 GEORGETOWN♦ (302) 577-5280 WILMINGTON

TABLE OF CONTENTS

May 25, 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. 22.029, dated January 11, 2022, an examination has been made of the affairs, financial condition and management of

FIRST NONPROFIT INSURANCE COMPANY

hereinafter referred to as Company or FNIC. 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.

SCOPE OF EXAMINATION

We have performed our multi-state examination of FNIC. The last examination of the Company was conducted by the Delaware Department of Insurance (Department) and covered the period of January 1, 2015 through December 31, 2017. This examination covers the period of January 1, 2018 through December 31, 2021.

Our examination was performed as part of the multi-state coordinated examination of the AmTrust Financial Services, Inc. (AFSI) Group of regulated entities wherein Delaware is the lead state. The examination was conducted concurrently with that of the Company's Delaware domiciled affiliates, Technology Insurance Company, Inc. (TIC), Wesco Insurance Company (WIC), Security National Insurance Company (SNIC), CorePointe Insurance Company (CPIC), Milford Casualty Insurance Company (MCIC) and AmTrust Insurance Company (AIC), along with the following thirteen (13) United States (U.S.) affiliate insurers:

Company	State of Domicile
Associated Industries Insurance Company, Inc. (AIIC)	FL
ARI Insurance Company (ARI)	PA
Developers Surety and Indemnity Company (DSIC)	CA
Heritage Indemnity Company (HIC)	CA
Sequoia Insurance Company (SEQ)	CA
Southern Underwriters Insurance Company (SUIC)	OK
Republic Fire and Casualty Insurance Company (RFC)	OK
Republic Lloyds (RL)	TX
Republic Underwriters Insurance Company (RUIC)	TX
Southern Insurance Company (SOIC)	TX
Rochdale Insurance Company (RIC)	NY
AmTrust Title Insurance Company (ATIC)	NY
Republic-Vanguard Insurance Company (RVIC)	AZ

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 are 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, KPMG LLP (KPMG). Certain auditor work papers from the December 31, 2021 and 2020 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 and commenced business on January 1, 1978, under the laws of Illinois. The Company was originally organized as First Illinois Religious and Charitable Risk Pooling Trust (the Trust), pursuant to the Illinois Religious and Charitable

Risk Pooling Trust Act (the Act). The Act was established to provide a stable market for the insurance needs of the non-profit community.

On June 24, 1981, the Trust's name was changed to First Non-Profit Risk Pooling Trust and then again to First Nonprofit Trust (FNT) on February 11, 1991. On April 1, 1993, FNT was reorganized into a reciprocal insurance company as First Nonprofit Insurance Company, a Reciprocal (FNICR). The conversion to reciprocal enabled FNICR policies to come under the protection of the Insurance Guaranty Fund of Illinois. To coincide with the conversion, a second trust was established to maintain the original trust's workers' compensation business in a trust format. In addition, as a reciprocal, FNICR management had the flexibility to ultimately expand operations into additional states.

Effective December 31, 1997, FNICR was merged into a related entity, First Nonprofit Mutual Insurance Company (FNMIC). Subsequently, on August 1, 2002, a mutual insurance holding company was formed called First Nonprofit Mutual Holding Company (FNMHC) as FNMIC converted to a stock company and became a downstream subsidiary of FNMHC, adopting the Company's current name.

On November 15, 2007, Mutual Insurers Holding Company (MIHC) merged into FNMHC with MIHC surviving as ultimate parent and its subsidiary, Milwaukee Insurance Company (MIC), becoming a wholly owned subsidiary of the Company. On June 29, 2012, the Company converted from an Illinois corporation to a Delaware corporation. Subsequently, in September 2012, MIC merged into the Company and ceased to exist. At that time, the Company directly owned HSC Claims Administration, Inc. (HCA), First Nonprofit Consulting, Inc. (FNC), First Nonprofit Insurance Agency, Inc. (FNIA) and Human Services Benefits Company (HSBC).

On May 13, 2013, AFSI, through a sponsored conversion, purchased 100% of the stock of MIHC, thereby owning 100% of the stock of the Company. Shortly after, on June 28, 2013, MIHC merged into AFSI and ceased to exist. Later that year, on November 5, 2013, the Company's wholly owned entities, HCA and FNC were dissolved and FNIA and HSBC were sold.

Effective December 31, 2019, pursuant to an internal reorganization of certain AFSI U.S. affiliate insurance companies, the Company became a wholly owned subsidiary of WIC.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 1,000 shares of common stock with a $5,000 par value. As of December 31, 2021, the Company had all 1,000 common shares issued and outstanding totaling $5,000,000. All outstanding common shares of the Company are owned by WIC. As of December 31, 2021, the Company reported gross paid in and contributed surplus of $33,600,525.

Dividends

The Company's Board of Directors (Board) did not approve or authorize any dividends to stockholders during the exam period.

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 shall consist of one (1) or more members and the total number of directors shall be determined by the Board.

Each Director is elected annually by the stockholder and holds office until the next annual election and until their successors are elected and qualified except as removed for cause and the successor elected by a special meeting of the stockholder. Directors duly elected and serving as of December 31, 2021, are as follows:

Name	Title
Donald Thomas DeCarlo	Attorney (Self-Employed)
Evan Marc Greenstein	SVP, Commercial Lines, AFSI
Stephen Barry Ungar	EVP, General Counsel, AFSI
Susan Carol Fisch	Retired (Reinsurance Broker Executive)
Adam Zev Karkowsky	President, AFSI

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, Secretary and Treasurer. Any number of offices may be held by the same person. The primary officers serving as of December 31, 2021, were as follows:

Name	Title
Christopher Harold Foy #	President
Stephen Barry Ungar	Secretary
Harry Chaim Schlachter	Treasurer
Jeffrey Howard Mayer	Chief Actuary
Barry Wolff Moses	Assistant Secretary, Vice President and Senior Regulatory Counsel

- elected June 30, 2021

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. Company files for the examination period also indicated conflict of interest disclosure questionnaires were completed in accordance with 18 *Del. C.* §320(c).

Insurance Holding Company System

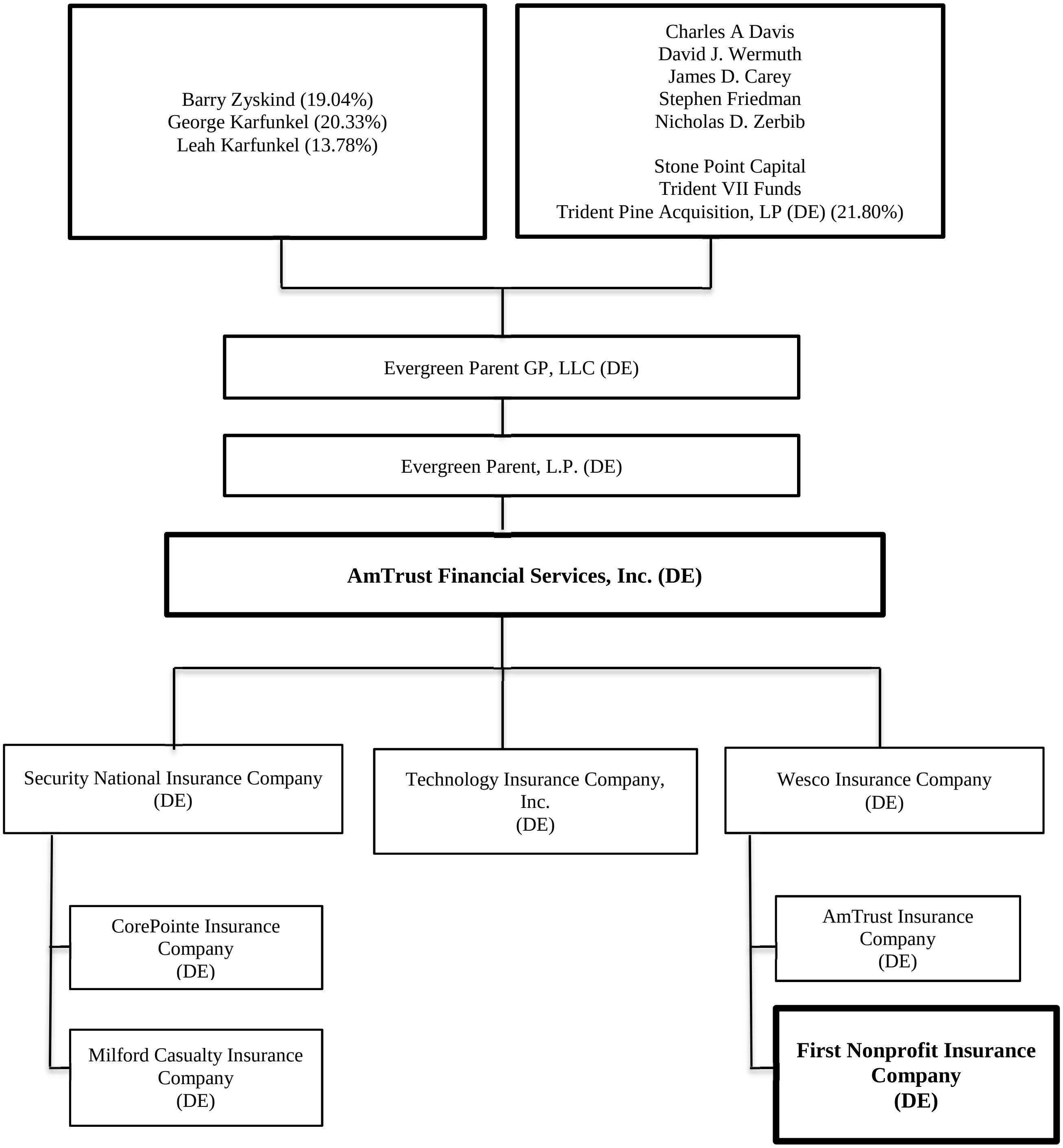
The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 5001 (7) of the Delaware Insurance Code. FNIC is a wholly owned subsidiary of WIC, which is a wholly owned subsidiary of AFSI, the ultimate parent in the insurance holding company system.

AFSI, a privately held stock company, is wholly owned by Evergreen Parent, L.P. (Evergreen Parent), which is wholly owned by Evergreen Parent GP, LLC (Evergreen GP). As of December 31, 2021, percentage of ownership interest in each of Evergreen GP and Evergreen Parent are held by the Karfunkel-Zyskind family (George Karfunkel, Leah Karfunkel and Barry Zyskind) and related persons (65.73%), Trident Pine Acquisition, LP (Trident Pine), 21.80%, Enstar Group Ltd. (Enstar), through its affiliate Cavello Bay Reinsurance Limited (8.41%) and MH JV (3.74%), along with and certain members of AmTrust's management team (0.33%).

On November 28, 2018, a merger closed whereby Evergreen Parent (formed by private equity firm Stone Point Capital LLC), together with the Karfunkel-Zyskind family and joined by Enstar, an entity controlled by Madison Dearborn Partners, acquired AFSI's outstanding common shares, par value $0.01 per share that were not currently owned or controlled by the Karfunkel-Zyskind family and its affiliates and certain related parties for $14.75 per share of common stock in cash. As a result of this transaction, AFSI's outstanding common stock was no longer publicly traded.

In addition, Trident Pine, a Delaware limited liability company, holds a controlling interest in both Evergreen Parent and Evergreen GP by virtue of its rights under the Amended and Restated Limited Liability Company Agreement of Evergreen GP, dated as of November 29, 2018.

An abbreviated organizational chart of the AFSI holding company system showing FNIC and its Delaware domiciled affiliate insurers as of December 31, 2021, is as follows (ownership of subsidiaries is 100% unless otherwise noted):



Agreements with Affiliates

The following affiliated agreements within the AFSI organizational structure and applicable to the Delaware domiciled companies (Companies) were identified and in effect as of December 31, 2021:

Tax Allocation Agreement

Effective on various dates and during the examination period, each of the Companies, along with other AFSI insurance affiliates, are party to a Tax Allocation Agreement, whereby each affiliate Company pays AFSI its tax liability as if it were computed on a stand-alone basis. Each affiliate remits to AFSI its federal tax liability due, as each is legally obligated to make pursuant to the terms of the agreement.

Pool Management Agreement

Effective January 1, 2019, ANA, TIC, and the Company entered into a Pool Management Agreement. Under the terms of the agreement, ANA manages all of the business that the Company cedes to TIC, as pool manager. Refer to the REINSURANCE section below.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2021, the Company is licensed to write business in 31 states, and the District of Columbia. FNIC has the authority to write various types of property and casualty business, including fire, allied lines, farm owners multiple peril, inland marine, other liability, products liability, commercial auto liability and auto physical damage and workers' compensation. The Company's primary lines of business in 2021, in terms of direct premiums written, were Surety (75.0%) and Workers' Compensation (23.6%), with Commercial Multi-Peril, Commercial Auto Liability and Auto Physical Damage making up the remaining 1.4% of direct written premium in 2021.

REINSURANCE

The Company reported the following distribution of premiums written for the years ended December 31, 2021, and the prior examination date of December 31, 2017:

	2021	2017
Direct premiums written	$ 5,252,433	$ 44,638,231
Assumed premiums (from affiliates)	-	-
Assumed premiums (from non-affiliates)	488,481	(4,849)
Gross premiums written	$ 5,740,914	$ 44,633,382
Ceded premiums (to affiliates)	5,601,048	32,492,698
Ceded premiums (to non-affiliates)	139,866	3,141,459
Net premiums written	$ -	$ 8,999,225

Reinsurance Pooling Agreement

Effective October 1, 2017, and amended January 1, 2021, the Company became party to an intercompany Reinsurance Pooling Agreement (RPA). Under the RPA, affiliate TIC, as the lead company in the pool, assumes one hundred percent (100%) of the insurance business obligations of thirteen (13) of the U.S. insurance affiliates (pool affiliates). TIC then cedes fifty percent (50%) of the pooled net premiums and losses to Bermuda affiliate AmTrust International Insurance, Ltd. (AIIL) under a fifty percent (50%) quota share (QS) reinsurance agreement. The intercompany QS with AIIL was amended on January 1, 2019 to cede ten percent (10%) of the pooled net premiums and losses defined as Swiss Re Covered Business to AIIL. All other pooled net premiums and losses continued to be ceded at fifty percent (50%).

After the cession to AIIL, TIC retrocedes a total of forty-two percent (42%) of the pool’s net retained liabilities to the following three (3) pool affiliates: 1) WIC assumes twenty two percent (22%) of the retrocession, SNIC assumes twelve (12%) and DSIC assumes eight percent (8%) of the pool's net retained liabilities.

Assumed Reinsurance – Affiliates

FNIC did not assume any business from affiliates in 2021.

Assumed Reinsurance – Non-Affiliates

The small amount of assumed business from non-affiliates reported by the Company in 2021 was primarily commercial auto liability business. The majority of the business was assumed from the Illinois Commercial Auto Insurance Procedure (60.2%), along with the New Jersey Commercial Auto Insurance Procedure (20.0%).

Ceded Reinsurance – Affiliates

As mentioned above, under terms of the intercompany pooling arrangement, the Company cedes to the pool one hundred percent (100%) of its "insurance business obligations" as of and/or incurred on or after October 1, 2017. Insurance business obligations are defined as liabilities on all insurance policies and all assumed reinsurance contracts that were in force as of October 1, 2017, or that had expired or had been terminated or non-renewed as of October 1, 2017, as well as one hundred percent (100%) of its liabilities on all insurance policies and all assumed reinsurance contracts issued after October 1, 2017.

Ceded Reinsurance – Non-Affiliates

Swiss Re America Corporation (Swiss Re)

Effective January 1, 2021, the Company and certain affiliates renewed the QS agreement with Swiss Re for the Company's U.S. commercial liability business. The contract is now a thirty-four percent (34%) QS agreement (a reduction from 38.25% in 2020 and 2019) and contains a funds withheld provision, with pooled balances of $980.9 million and $636.6 million in 2021 and 2020, respectively.

Premia Reinsurance Ltd.

Effective June 30, 2017, AIIL, TIC and WIC entered into an Adverse Loss Development Cover Agreement (ADC) with Premia Reinsurance Ltd. (Premia). The ADC is accounted for as retroactive reinsurance as required by SSAP No. 62R. Under terms of the ADC, Premia is obligated to pay up to an aggregate limit of $1.025 billion for ultimate net losses in excess of retention of approximately $5.962 billion, for a one-time premium payment of $675.0 million, of which $50.0 million represents payment for adverse coverage above the carried loss reserves as of March 31, 2017. During the exam period, the contract was amended, and TIC was given a permitted practice by the Department to deviate from SSAP No. 62R for changes made to the ADC. A total deposit of $679.8 million, representing the premium amount of $675.0 million and interest of $4.8 million, was placed in a collateral trust account established to secure Premia's claims payment obligations under the agreement. In addition, Premia deposited an incremental $100.0 million of excess collateral at inception and is obligated to deposit incremental collateral in accordance with a pre-agreed schedule. Consideration to Premia under the ADC also includes a $1 million, annual claims administration monitoring fee, but not for more than thirty (30) annual payments. The reinsurance transaction is inclusive of all occurrences and claims made prior to April 1, 2017. For the year ended December 31, 2017, $400.0 million of net adverse loss development was recorded, which increased the retroactive reinsurance recoverable to the aggregate limit of $1.025 billion as of December 31, 2017. As of December 31, 2021, TIC has a balance of $1,016,939,827 of the retroactive contra liability attributable to Premia.

Other Third-Party Reinsurance

Below describes the excess of loss (XOL) and QS third-party reinsurance programs that all U.S. domestic companies are covered under as of December 31, 2021.

Workers' Compensation XOL – retention of $20,000,000 up to a maximum protection of $350,000,000. Coverage is one hundred percent (100%) of $330,000,000.

Property Per Risk XOL – retention of $5,000,000 up to a maximum protection of $35,000,000. Coverage is one hundred percent (100%) of $30,000,000.

Property Catastrophe XOL – retention varies by layer up to a maximum protection of $450,000,000. Coverage is one hundred percent (100%) of $383,000,000.

Casualty XOL – retention of $5,000,000 up to a maximum protection of $5,000,000. Coverage is one hundred percent (100%) of $5,000,000.

Casualty/Clash XOL – retention of $10,000,000 up to a maximum protection of $40,000,000. Coverage is one hundred percent (100%) of $40,000,000.

Commercial Core QS – thirty-four percent (34%) QS, net of insuring other reinsurance, subject to the following limits:

- Workers' Compensation $1,000,000 limit any one occurrence;
- General Liability and Employers Liability and Umbrella $5,000,000 limit any one occurrence;
- Professional Liability $5,000,000 limit any one occurrence;
- Cyber Liability and Professional Advantage limit $1,500,000, any one claim made, any one policy;
- Umbrella limit $1,500,000 any one policy;
- Property $5,000,000 any one risk, $15,000,000 any one occurrence;
- Subject net earned premium shall not exceed $3.45 billion during term. If put into run-off premium shall not exceed $570 million.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, include:

- Statement of Assets and Liabilities 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, 2017 to December 31, 2021

Statement of Assets and Liabilities
As of December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 4,653,916	$ -	$ 4,653,916
Cash ($437,332); cash equivalents ($415,076); and short-term investments ($0)	852,408		852,408
Receivables for securities	127,625		127,625
Investment income due and accrued	27,236		27,236
Amounts recoverable from reinsurers	497,293		497,293
Funds held by or deposited with reinsured companies	737,126		737,126
Net deferred tax asset	2,340,085	1,508,354	831,731
Receivables from parent; subsidiaries and affiliates	3,150,415		3,150,415
Totals	$ 12,386,104	$ 1,508,354	$ 10,877,750

		Note
Losses	$ -	1
Reinsurance payable on paid losses and loss adjustment expenses	(264)	
Loss adjustment expenses	-	1
Other expenses	(100)	
Current federal and foreign income taxes	2,920	
Provision for reinsurance	169	
Payable to parent,subsidiaries and affiliates	19,506	
Total liabilities	$ 22,231	
Common capital stock	$ 5,000,000	
Gross paid in and contributed surplus	33,600,525	
Unassigned funds (surplus)	(27,745,006)	
Surplus as regards policyholders	$ 10,855,519	
Total Liabilities, Capital and Surplus	$ 10,877,750	

Statement of Income
For the Year Ended December 31, 2021

Underwriting Income	
Premiums earned	$ -
Deductions	
Losses incurred	$ -
Loss adjustment expenses incurred	
Other underwriting expenses incurred	237
Total underwriting deductions	$ 237
Net underwriting gain or (loss)	$ (237)
Investment Income	
Net investment income earned	$ 87,573
Net realized capital gains or (losses)	107,961
Net investment gain or (loss)	$ 195,534
Other Income	
Net gain (loss) from agents' or premium balances charged off	$ -
Finance and service charges not included in premiums	-
Aggregate write-ins for miscellaneous income	-
Total other income	$ -
Net income before dividends to policyholders	$ 195,297
Dividends to policyholders	-
Net income; after dividends to policyholders	$ 195,297
Federal and foreign income taxes incurred	(262,944)
Net Income	$ 458,241

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
December 31, 2017 to December 31, 2021

		Common Capital Stock	Surplus Notes	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/17		$ 5,000,000	$ 6,500,000	$ 33,600,525	$ (29,423,893)	$ 15,676,632
12/31/18	(1)				(857,117)	(857,117)
12/31/18	(2)				218,086	218,086
12/31/18	(3)				(12,830)	(12,830)
12/31/19	(1)				355,155	355,155
12/31/19	(2)				872,449	872,449
12/31/19	(4)		(6,500,000)			(6,500,000)
12/31/20	(1)				556,669	556,669
12/31/20	(2)				(240)	(240)
12/31/21	(1)				458,241	458,241
12/31/21	(2)				88,474	88,474
12/31/21		$ 5,000,000	$ -	$ 33,600,525	$ (27,745,006)	$ 10,855,519

(1) Net income

(2) Change in unrealized capital gains (losses), change in net deferred tax, change in nonadmitted assets, change in provision for reinsurance

(3) Aggregate write-ins for gains and losses in surplus: Miscellaneous

(4) Change in surplus notes

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 $ -0-
Loss Adjustment Expenses $ -0-

The examination liability for the aforementioned captioned items of $ -0- and $ -0- are the same as reported by the Company as of December 31, 2021. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Actuarial Principles and

Standards of Practice and Statutory Accounting Principles, including NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principle No. 55 *Unpaid Claims, Losses and Loss Adjustment Expenses* (SSAP No. 55).

SUBSEQUENT EVENTS

The Company received a capital cash contribution of $4,000,000 from its direct parent, WIC, on September 16, 2022.

The Company received a capital cash contribution of $3,500,000 from its direct parent, WIC, on March 23, 2023.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, KPMG and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

James M Perkins

James M. Perkins, CFE
Examiner In-Charge
State of Delaware

Anthony Cardone

Tony Cardone, CFE
Supervising Examiner
State of Delaware

I, James M. Perkins, 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. 22.029.

James M Perkins

James M. Perkins, CFE