

REPORT ON EXAMINATION
OF THE
COMMONWEALTH INSURANCE COMPANY OF AMERICA
AS OF
DECEMBER 31, 2014

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

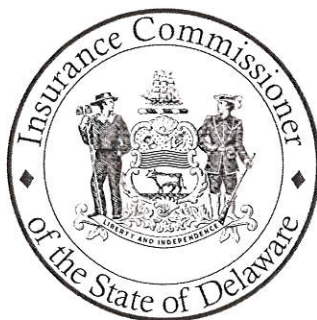
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT OF EXAMINATION, made as of December 31, 2014 of the

COMMONWEALTH INSURANCE COMPANY OF AMERICA

is a true and correct copy of the document filed with this Department.

Attest By:  _____

Date: May 31, 2016

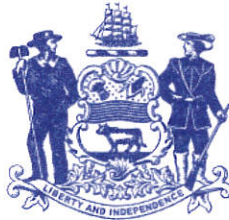


In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 31st day of May, 2016.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT OF EXAMINATION
OF THE
COMMONWEALTH INSURANCE COMPANY OF AMERICA
AS OF
DECEMBER 31, 2014

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart", is written over a horizontal line.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 31st day of May, 2016

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SALUTATION

April 12, 2016

Honorable Karen Weldin Stewart, CIR-ML
Delaware Insurance Commissioner
Delaware Department of Insurance
Rodney Building
841 Silver Lake Blvd.
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 15.012, dated February 3, 2015, a risk focused examination has been made of the affairs, financial condition and management of

COMMONWEALTH INSURANCE COMPANY OF AMERICA

hereinafter referred to as the “Company” and incorporated under the laws of the State of Delaware. The Company’s registered office in the State of Delaware is located at 1209 Orange Street, Wilmington, Delaware. The examination was conducted at the main administrative office of the Company, located at 250 Commercial Street, Suite 5000, Manchester, New Hampshire 03101.

This examination was conducted concurrently as part of the coordinated examination of the Fairfax Insurance Group. The State of Delaware was the assigned lead state by the National Association of Insurance Commissioners (NAIC). Separate reports of examination were filed for each of the US insurers which are subsidiaries of Fairfax Financial Holdings Limited (Fairfax

Insurance Group or Fairfax Holdings). The report for this examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The last examination was completed as of December 31, 2013. This examination covered the period of January 1, 2014, through December 31, 2014, 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 at December 31, 2014. 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 Laws and Regulations of the State of Delaware. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to Delaware state regulations.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. The examination also included assessing the principles used and

significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to Delaware state regulations. 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, 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 (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

During the examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers LLP (PwC), Boston, Massachusetts. Certain auditor work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant material adverse findings, adjustments to the financial statements, or specific recommendations as a result of this examination.

COMPANY HISTORY

General

The Company was incorporated under the laws of the State of Washington on October 26, 1994, was granted a certificate of authority to transact insurance business on January 1, 1995,

and commenced business on January 17, 1995. The Company was wholly owned by Northbridge Indemnity Insurance Corporation (Northbridge Indemnity), which is wholly owned by Northbridge Financial Corporation (Northbridge Financial), which is wholly owned by Fairfax Financial Holdings Limited (Fairfax Holdings). The Company was placed in run-off on May 1, 2012. On January 7, 2013 Northbridge Indemnity sold 100% of the outstanding stock of the Company to TIG Insurance Company (TIG), a property and casualty insurer domiciled in the State of California who has been in run off since 2002. The ultimate corporate parent Company is Fairfax Insurance Group, a Canadian financial services holding Company that, through its subsidiaries, is engaged in property, casualty and life insurance, investment management and insurance claims management.

The Company is managed by its affiliate, RiverStone Resources LLC (RiverStone). RiverStone is a subsidiary of Fairfax Holdings. The Company's primary, on-going focus is the orderly resolution of claims, settlement of Company obligations and collections of reinsurance and other recoverable balances. Any remaining written premium activity primarily represents the impact of final premium adjustments and cancellations.

The Company re-domesticated from the State of Washington to the State of Delaware on December 31, 2014. The transaction was approved by the Washington and Delaware Insurance Departments.

Capitalization

The Company is authorized to issue 1,000,000 shares of common capital stock with a par value of \$10 per share. Currently, 300,000 shares are issued and held by TIG Insurance Company. Gross Paid-in & Contributed Surplus is \$16,929,710 as of December 31, 2014. There

was no change in Capital Stock and Gross Paid-in & Contributed Surplus amounts during the examination period.

Dividends

According to Company records for the examination period, and as reflected in minutes to the Board of Directors' meetings, no dividends were paid to the sole stockholder.

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).

The bylaws provide that the number of directors that shall constitute the whole Board shall not be less than three members nor more than nine, with the exact number to be fixed within the limits specified by approval of the Board of Directors or the Shareholders in the manner provided by the bylaws. Each director shall be elected for a term of one year and serve until such director's successor is elected and qualified or their earlier resignation, removal or retirement.

Board of Directors

The Board of Directors, duly elected in accordance with the Company's bylaws and serving as of December 31, 2014 were as follows:

Individual

Nicholas Craig Bentley
Exeter, New Hampshire

John Joseph Bator
Bedford, New Hampshire

Principal Business Affiliation

Chairman, Chief Executive Officer and President
Commonwealth Insurance Company of America

Chief Financial Officer, Treasurer, and Senior Vice President
Commonwealth Insurance Company of America

Nina Lynn Caroselli Bedford, New Hampshire	Chief Operating Officer and Senior Vice President Commonwealth Insurance Company of America
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Richard Joseph Fabian Windham, New Hampshire	General Counsel, Secretary, and Senior Vice President Commonwealth Insurance Company of America
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Officers

The bylaws of the Company state that officers shall be elected or appointed by the Board.

As of December 31, 2014, the Company's principal officers and their respective titles were as follows:

<u>Individual</u>	<u>Title</u>
Nicholas Craig Bentley	Chairman, Chief Executive Officer and President
John Joseph Bator	Chief Financial Officer, Treasurer, and Senior Vice President
Nina Lynn Caroselli	Senior Vice President
Richard Joseph Fabian	General Counsel, Secretary, and Senior Vice President
Frank Joseph DeMaria	Senior Vice President
Henry Woods Edmiston	Senior Vice President
James King Kelly	Senior Vice President

Committees

The Board of Directors may appoint an Executive Committee from among its members, to consist of such number of Directors, not less than three (3), as may be fixed by the Board. The Executive Committee shall have the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation (except the power to declare dividends and to adopt, amend, or repeal bylaws) as shall be delegated to it by the Board of Directors. The Board of Directors may from time to time appoint other committees and shall prescribe the powers and authority of such committees.

During the period of this examination, there were no committees at the Company level. The Company does not have its own Audit Committee. Equivalent activities of an Audit

Committee are currently undertaken by the full board of the Company, as well as the Audit Committee of TIG Insurance Company, its parent. All members of the Company's Board are invited to attend the TIG Audit Committee, and three members of the Company's Board are also members of the TIG Audit Committee.

Corporate governance is administered at the full board level.

Conflict of Interest

The Company has in place an established conflict of interest policy and procedure for the disclosure of any material interest or affiliation by any director, officer or employee, which is likely to conflict with their official duties.

Insurance Holding Company System

The Company is a member of an insurance holding company system known as Fairfax Holdings Financial Holdings Limited (Fairfax Holdings) as defined under 18 Del. C. §5001 of the Delaware Insurance Code. The Company maintains that V. Prem Watsa, a Canadian citizen, is the ultimate controlling entity of Fairfax Holdings. As of December 31, 2014, Fairfax Holdings had consolidated assets of \$36.131 billion and shareholders' equity of \$9.526 billion.

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.” V. Prem Watsa and The Watsa Family Trust, which collectively owned or controlled 10% or more of the voting shares of the Company as of the examination date, are considered ultimate controlling entities of the Company.

The Company is a wholly owned subsidiary of TIG Insurance Company, a property and casualty insurer domiciled in California who has been in run off since 2002, which is ultimately

owned by Fairfax Holdings. Fairfax Holdings is publicly traded on the Toronto Stock Exchange under the symbol FFH.

A partial organizational chart of Fairfax Holdings as of December 31, 2014, with domicile in brackets along with the control percentages of the upstream affiliates' control of the downstream affiliate is presented below:

		Economic Ownership Control <u>Percent</u>	Voting Control <u>Percent</u>	
V. Prem Watsa and The Watsa Family Trust {1}	{2}	1.51%	43.97%	{3}
All Other Publicly Traded Shares Held {4}	{5}	98.49%	56.03%	{6}
Fairfax Financial Holdings Limited [Canada] (FFH) {7}		100.00%	100.00%	
FFHL Group Ltd. [Canada]		100.00%	100.00%	
Fairfax (US) Inc. [DE]		100.00%	100.00%	
TIG Holdings, Inc.		100.00%	100.00%	
TIG Insurance Company (CA)		100.00%	100.00%	
Commonwealth Insurance Company of America (DE)		100.00%	100.00%	

{1} Through voting and economic ownership control, both directly and indirectly, of the following individual and entities: Mr. V. Prem Watsa, 2771489 Canada Limited, 1109519 Ontario Limited, 810679 Ontario Limited and The Sixty Two Investment Company Limited

{2} V. Prem Watsa, an individual, holds 100% of the preference shares (carrying 2/3 of the votes) and The Watsa Family Trust holds 100% of the common shares of 1109519 Ontario Limited, which holds 50.01% of The Sixty Two Investment Company Limited. 2771489 Canada Limited, which is wholly-owned by Fairfax Financial Holdings Limited, holds 49.99% of The Sixty Two Investment Company Limited. The Sixty Two Investment Company Limited owns 1,548,000 multiple voting shares (100%), entitled to ten votes per share, and 50,620 of the 20,427,398 outstanding subordinate voting shares, entitled to one vote per share, of Fairfax Financial Holdings Limited. V. Prem Watsa personally and beneficially owns 258,115 subordinate voting shares of Fairfax Financial Holdings Limited. Calculated as 308,735 subordinate voting common shares held (258,115 plus 50,620 (see {3})) / 20,427,398 total subordinate voting common shares X \$8,361,000,000 [FFH common stock equity] / \$9,525,700,000 [FFH common stock and preferred stock equity] (see {7})

- {3} Including through his control of The Sixty Two Investment Company Limited, V. Prem Watsa's holdings represent 43.97% of the total votes attached to all shares of Fairfax Financial Holdings Limited at December 31, 2014. Calculated as 0.72% through V. Prem Watsa and 43.25% through The Watsa Family Trust and the four entities described in {1}. The 0.72% part is calculated as 139,835 subordinate voting common shares (139,835 votes) through 810679 Ontario Limited + 84,780 subordinate voting common shares (84,780 votes) held personally by Mr. V. Prem Watsa + 33,500 subordinate voting common shares (33,500 votes) held through Prenstin Holdings Ltd. which = 258,115 votes / 35,907,398 total votes. The 43.25% part is calculated as 50,620 subordinate voting common shares (50,620 votes) + 1,548,000 multiple voting common shares (15,480,000 votes) held through The Watsa Family Trust, 1109519 Ontario Limited, 810679 Ontario Limited and The Sixty Two Investment Company which equals 15,530,620 votes / 35,907,398 total votes (see {7})
- {4} No individual or entity owns or controls greater than 10% of FFH as of December 31, 2014
- {5} Calculated as 100.00% - 1.51% {2} = 98.49%
- {6} Calculated as 100.00% - 43.97% {3} = 56.03%
- {7} Subordinate voting common shares are publicly traded on the Toronto Stock Exchange in Canadian dollars under the symbol "FFH" and in U.S. dollars under the symbol "FFH.U".

At December 31, 2014, FFH had issued 1,548,000 multiple voting common shares (which carry ten votes per share), 20,865,645 subordinate voting common shares [less 438,247 shares held in treasury for an outstanding balance of 20,427,398 shares] (which carry one vote per share), 6,016,384 non-voting preferred Series C shares, 3,983,616 non-voting preferred Series D shares, 7,924,674 non-voting preferred Series E shares, 10,000,000 non-voting preferred Series G shares, 12,000,000 non-voting preferred Series I shares and 9,500,000 non-voting preferred Series K shares. The total votes then consist of 35,907,398 as follows: 15,480,000 votes attributable to the 1,548,000 multiple voting common shares and 20,427,398 votes attributable to the 20,427,398 subordinate voting common shares. Shareholders' equity attributable to shareholders of Fairfax at December 31, 2014, totals \$9,525,700,000 (\$ U.S.) which consists of \$8,361,000,000 related to voting common shares (87.77% of the total) and \$1,164,700,000 related to non-voting preferred shares (12.23% of the total).

As of the date of the prior examination (December 31, 2011), Southeastern Asset Management, Inc. (SAM), beneficially held 2,717,437 of the 19,627,026 subordinate voting shares of Fairfax Financial Holdings Limited then outstanding, which represented 13.85% ownership control and 7.75% voting control of Fairfax Financial Holdings Limited. SAM filed a disclaimer of affiliation with the Delaware Department of Insurance dated November 22, 2004. In the first quarter of 2014, SAM disposed of 887,749 of its subordinate voting shares of Fairfax Financial Holdings Limited, reducing its holdings to

1,829,688 subordinate voting shares. As a result, SAM's ownership and voting control percentages both fell below 10%.

Intercompany Management and Service Agreements

The Company was party to the following affiliated agreements in effect as of December 31, 2014.

Service and Cost Allocation Agreement

Effective January 1, 2013, the Company entered into a service and cost-allocation agreement with its affiliates Northbridge Indemnity Insurance Corporation and Northbridge Financial Corporation. The following services are provided to the Company as part of this agreement:

- Claims payment and adjustment
- Preparation of financial reports
- Underwriting
- Administrative
- Books and records
- Office space necessary for the Company to conduct its business

Tax and Compliance Services Agreement

Effective January 1, 2013, the Company entered into a tax and compliance services agreement with its affiliate Fairfax (US), Inc., which provides federal, state and international tax return preparation of checks and wires for federal, state and international tax filings, bank reconciliations and escheat compliance with respect to the preparation of checks, and research, and compliance related to tax reporting in financial statements.

Tax Allocation Agreement

Effective January 7, 2013, the Company became a party to the January 1, 2000 Intercompany Tax Allocation Agreement of the U.S. Tax Group of Fairfax, Inc., of which TIG Holdings, Inc., is a party. The Company and its U.S. affiliates file a consolidated U.S. federal

income tax return in accordance with Section 1501 of the U.S. Internal Revenue Code of 1986 (as amended).

Each company in the consolidated group computes and remits its tax liability on a separate company basis. Entities are reimbursed for their operating losses, capital loss and credits to the extent such can be used at their separate company basis in the current year or carryback regardless of their use at the consolidated Fairfax US level.

Management Services Agreement

Effective January 1, 2013, the Company entered into a management services agreement with RiverStone Resources LLC (RiverStone). This agreement provides the management, administrative and technical services necessary for a portion of the Company's operations. Services to be provided include financial services, human resources, legal services, administration and management services necessary for the daily operation of the Company, ceded reinsurance collection, commutation and recovery services, and strategic planning advice.

Investment Agreement

Effective January 1, 2003, the Company entered into an investment agreement with its affiliates, Hamblin Watsa Investment Counsel Ltd (HW) and Fairfax Holdings. HW agrees to manage, on a continuous basis, the Company's investment account under the terms and conditions set out in the agreement, and in accordance with the investment objectives communicated in writing by Company management. Fairfax Holdings agrees to provide the investment administrative services set forth in Schedule A of the agreement.

Claims Management Services Agreement

Effective January 1, 2013, the Company entered into a management services agreement with RiverStone Claims Management LLC (RiverStone Claims). The Company appointed RiverStone Claims as its claims manager, legal representative and true and lawful attorney to act on its behalf and in its name in the course of providing the services to the Company. Services to be provided include insurance claims and assumed reinsurance claims administration.

Renewal Rights Transfer Agreement - US

Effective May 1, 2012, the Company entered into an agreement with its affiliate, Hudson Insurance Company (Hudson) to sell, transfer and assign a significant portion of the renewal rights to its US commercial property business.

Payment Assignment and Assumption Agreement

Effective December 17, 2012, the Company entered into an agreement with its affiliate, Northbridge Indemnity (“Assignee”) with respect to payments due under the May 1, 2012 Renewal Rights Transfer Agreement.

Renewal Rights Transfer Agreement - Canada

Effective December 20, 2012, the Company entered into an agreement with its affiliate, Northbridge Indemnity to sell, transfer and assign its renewal rights for certain of its Canadian cross-border policyholders to Northbridge Indemnity.

Master Administrative Services Agreement

The Company entered into a Master Administrative Services Agreement among various U.S. operating subsidiaries of Fairfax Holdings effective November 1, 2014. 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.

The Company did not provide or receive any services or payments under this agreement in 2014.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2014, the Company was licensed in 48 states and the District of Columbia.

Plan of Operation

The Company has no current plans to write new business and is in run off. The Company's primary on-going focus is the orderly resolution of claims, settlement of its obligations and collection of reinsurance and other recoverable balances. Any remaining written premium activity primarily represents the impact of final premium adjustments and cancellations and is currently at immaterial levels. The Company's day to day operations are managed by its affiliate, RiverStone.

REINSURANCE

Assumed

The Company did not assume any business at December 31, 2014.

Ceded

The Company did not enter any new reinsurance treaties during the examination period. The Company had numerous ceded reinsurance treaties in effect at December 31, 2014. The Company limits its liability to a maximum amount on any one loss of \$500,000 and any one event to \$25 million. In addition, the Company has obtained reinsurance to limit its liability in the event of a series of claims arising out of a single occurrence.

FINANCIAL STATEMENTS

Financial statements, as reported and filed by the Company with the State Department of Insurance, as of December 31, 2014, are reflected in the following:

- o Statement of Assets
- o Statement of Liabilities, Surplus and Other Funds
- o Statement of Income
- o Reconciliation of surplus for the period since the last examination

Commonwealth Insurance Company of America
Assets
For the Year Ended December 31, 2014

		<u>Note</u>
Bonds	\$ 1,357,630	1
Cash and short term investments	<u>20,749,950</u>	1
Subtotals	<u>\$ 22,107,580</u>	
Investment income due and accrued	17,064	
Amounts recoverable from reinsurers	13,261	
Receivables from parent, subsidiaries and affiliates	<u>87,332</u>	
Total Assets	<u>\$ 22,225,237</u>	

*There were no non-admitted assets during the examination period.

**Commonwealth Insurance Company of America
Liabilities, Surplus and Other Funds
For The Year Ended December 31, 2014**

		Note
Losses	\$ 814,458	2
Loss adjustment expenses	84,695	2
Other expenses	77,836	
Current federal income taxes	408,831	
Ceded reinsurance premiums payable	42	
Provision for reinsurance	1,162,204	3
Payable to parent, subsidiaries and affiliates	80,893	
Aggregate write-ins for liabilities	27,700	
 Total Liabilities	 \$ 2,656,659	
 Common capital stock	 \$ 3,000,000	
Gross paid in and contributed surplus	16,929,710	
Unassigned funds (surplus)	(361,132)	
 Surplus as Regards Policyholders	 \$ 19,568,578	
 Total Liabilities, Surplus & Other Funds	 \$ 22,225,237	

Commonwealth Insurance Company of America
Statement of Income
For the Year Ended December 31, 2014

Underwriting Income

Premiums earned	\$ (1,234)
Deductions	
Losses incurred	8,670
Loss adjustment expenses incurred	68,803
Other underwriting expenses incurred	567,727
Total underwriting deductions	<u>645,200</u>
Net underwriting (loss)	<u>(646,434)</u>

Investment Income

Net investment income earned	13,719
Net realized capital gains	<u>214,918</u>
Net investment gain	<u>228,637</u>

Other Income

Aggregate write-ins for miscellaneous income	<u>(15,435)</u>
Total other income (loss)	<u>(15,435)</u>

Net income (loss) before federal & foreign income taxes	(433,232)
Federal income taxes incurred	<u>(79,295)</u>
Net Income (loss)	<u>\$ (353,937)</u>

**Commonwealth Insurance Company of America
Reconciliation of Capital and Surplus for the exam period
For the Year Ended December 31, 2014**

	<u>Common Capital Stock</u>	<u>Paid In & Contributed Surplus</u>	<u>Unassigned Funds (Surplus)</u>	<u>Total</u>
December 31, 2013	\$ 3,000,000	\$ 16,929,710	\$ (537,398)	\$ 19,392,312
2014 Operations (1)			176,266	176,266
December 31, 2014	<u>\$ 3,000,000</u>	<u>\$ 16,929,710</u>	<u>\$ (361,132)</u>	<u>\$ 19,568,578</u>

(1) Operations is defined as: net income, change in net unrealized capital gains or (losses), change in net unrealized foreign exchange capital gains or (losses), change in net deferred income tax, change in non-admitted assets, change in provision for reinsurance and aggregate write-ins for gains and losses in surplus.

Common Capital Stock

As of December 31, 2014, the Company had 1,000,000 shares of \$10 par value authorized and 300,000 shares issued and outstanding for a total paid in capital of \$3,000,000.

SCHEDULE OF EXAMINATION ADJUSTMENTS

No examination changes were made as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

Note 1

Bonds	\$ 1,357,630
Cash and Short-Term Investments	\$ 20,749,950

The above-captioned amounts, which are the same as reported by the Company in its Annual Statement, have been accepted for purposes of this report.

The Company's bond and cash holdings comprised 100% of total invested assets and approximately 99.5% of total admitted assets.

The Company's bond portfolio consisted of four statutory deposits.

Note 2

Losses	\$ 814,458
Loss Adjustment Expense	\$ 84,695

The above-captioned amounts, which are the same as reported by the Company in its Annual Statement, have been accepted for purposes of this report.

The examiner reviewed the appointed actuary opinion, the CPA review of the loss and loss adjustment expenses and subsequent development in 2015. The examiner concluded that the reserves were reasonable at December 31, 2014.

Note 3

Provision for Reinsurance	\$ 1,162,204
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The above-captioned amount, which is the same as reported by the Company in its Annual Statement, has been accepted for purposes of this report.

The Provision for Reinsurance, as properly reflected in the Schedule F of the Company's Annual Statement, is comprised of \$1,021,000 in amounts ceded to two unauthorized affiliated reinsurers, \$141,000 in amounts ceded to unauthorized unaffiliated reinsurers and a provision for overdue reinsurance in the amount of \$204.

SUBSEQUENT EVENTS

On July 8, 2015, the Delaware Department of Insurance approved an extraordinary dividend payment of \$10 million to be paid to the Company's parent, TIG Insurance Company. The distribution was paid on August 4, 2015 and was accounted for as a return of capital.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The prior examination report, as of December 31, 2013, was prepared by the Delaware Department of Insurance disclosed no comments or recommendations.

SUMMARY OF RECOMMENDATIONS

No recommendations were made as a result of this examination.

CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

<u>Description</u>	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2014</u>	<u>Increase</u> <u>(Decrease)</u>
Assets	\$ 28,881,286	\$ 22,225,237	\$ (6,656,049)
Liabilities	\$ 9,488,974	\$ 2,656,659	\$ (6,832,315)
Common Capital Stock	3,000,000	3,000,000	-
Gross Paid In and Contributed Surplus	16,929,710	16,929,710	-
Unassigned Funds (Surplus)	(537,398)	(361,132)	176,266
Total Surplus as Regards Policyholders	\$ 19,392,312	\$ 19,568,578	\$ 176,266
Totals	\$ 28,881,286	\$ 22,225,237	\$ (6,656,049)

As of December 31, 2013, the Company had a Payable for Securities balance of \$6,992,621, which was settled in 2014. As of December 31, 2014 the Payable for Securities balance was \$0. This settlement comprises the majority of the decrease in assets and liabilities noted during the examination period.

The assistance of Delaware's consulting information technology specialist with INS Services, Inc. is acknowledged. In addition to the undersigned, Anthony Cardone, CPA, CFE, (Examination Supervisor), participated in the examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "K. Willison", written over a horizontal line.

Kelly Willison, CPA, CFE
Examiner-In-Charge
State of Delaware