

Examination Warrant Numbers 21-04904-15645-R1
21-04904-14190-R1

Report of Examination of

**OBI America Insurance Company
OBI National Insurance Company
Harrisburg, Pennsylvania**

As of December 31, 2021

For Informational Purposes Only

OBI Insurance Companies

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Harrisburg, Pennsylvania
December 22, 2022

Honorable Melissa L. Greiner
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Madam:

In accordance with instructions contained in Examination Warrant Numbers 21-04904-15645-R1 and 21-04904-14190-R1, dated August 9, 2021, an examination was made of

OBI America Insurance Company, NAIC Code: 15645

OBI National Insurance Company, NAIC Code: 14190

Pennsylvania domiciled, multi-state, property and casualty insurance companies hereinafter referred to as the “Companies” or individually as OBI America Insurance Company (“OBIA”) and OBI National Insurance Company (“OBIN”).

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department (“Department”) has performed an examination of the companies, which was last examined as of December 31, 2016. This examination covered the five-year period from January 1, 2017 through December 31, 2021.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”).

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Companies’, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. 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 Companies 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.

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This examination report includes significant findings of fact, in accordance with 40 P.S. § 323.5(a), and general information about the Companies and their 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 Companies.

For each year of the examination period, the certified public accounting firm of Ernst and Young LLP (“CPA”) provided an unmodified audit opinion on the Companies’ year-end financial statements based on statutory accounting principles. Relevant work performed by the CPA, during its annual audit of the Companies, was reviewed during the examination and incorporated into the examination workpapers.

The New York Department of Financial Services (“NYDFS”), as lead state, led the coordinated examination of the U. S. companies in the Intact Financial Group (“IFG”).

The following companies were examined at the same time during the above examination:

<u>Company</u>	<u>Domestic State</u>	<u>NAIC Code</u>
Atlantic Specialty Insurance Company ("ASIC")	New York	27154
Guarantee Company of North America	Michigan	36650
Homeland Insurance Company of Delaware	Delaware	14231
Homeland Insurance Company of New York	New York	34452

HISTORY

OBIA was incorporated on January 17, 2013, licensed by the Department on February 23, 2015, and commenced business on or about April 15, 2016.

OBIN was incorporated on July 28, 2011, licensed by the Department on April 10, 2012 and commenced business on or about December 31, 2012.

OBIA and OBIN are each currently authorized to transact those classes of insurance described in 40 P.S. § 382, (b)(1) Property and Allied Lines, (b)(2) Inland Marine and Physical Damage, (b)(3) Ocean Marine, (c)(1) Fidelity and Surety, (c)(2) Accident and Health, (c)(3) Glass, (c)(4) Other Liability, (c)(5) Boiler and Machinery, (c)(6) Burglary and Theft, (c)(7) Credit, (c)(8) Water Damage, (c)(9) Elevator, (c)(10) Livestock, (c)(11) Auto Liability, (c)(12) Mine and Machinery, (c)(13) Personal Property Floater, and (c)(14) Workers’ Compensation.

MANAGEMENT AND CONTROL

CAPITALIZATION

As of December 31, 2021, OBIA’s total capital was \$15,805,233, consisting of 45,000 capital shares of issued and outstanding common stock with a par value of \$100 per share

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amounting to \$4,500,000; \$10,500,000 in gross paid in and contributed surplus; and \$805,233 in unassigned funds (surplus).

As of December 31, 2021, OBIN's total capital was \$13,718,950 consisting of 45,000 capital shares of issued and outstanding common stock with a par value of \$100 per share amounting to \$4,500,000; \$8,500,000 in gross paid in and contributed surplus; and \$718,950 in unassigned funds (surplus).

The Companies' minimum capital and minimum surplus requirements for the types of business for which they are licensed, pursuant to 40 P.S. § 386, is \$2,350,000 in capital and \$1,175,000 in surplus. The Companies have met the minimum capital and minimum surplus requirements throughout the examination period.

STOCKHOLDER

Atlantic Specialty Insurance Company ("ASIC"), a New York domiciled insurance company, directly owns all of the issued and outstanding common stock of OBIA and OBIN, representing 100% of the voting securities of each company.

During the examination period, the Companies paid the following ordinary dividends to ASIC.

<u>Year</u>	<u>Company</u>	<u>Amount</u>
2019	OBIA	\$674,915
2019	OBIN	\$388,515

There were no extraordinary dividends paid by OBIA or OBIN during the examination period.

The Companies reported all dividends to the Department in compliance with 40 P.S. § 991.1404(e).

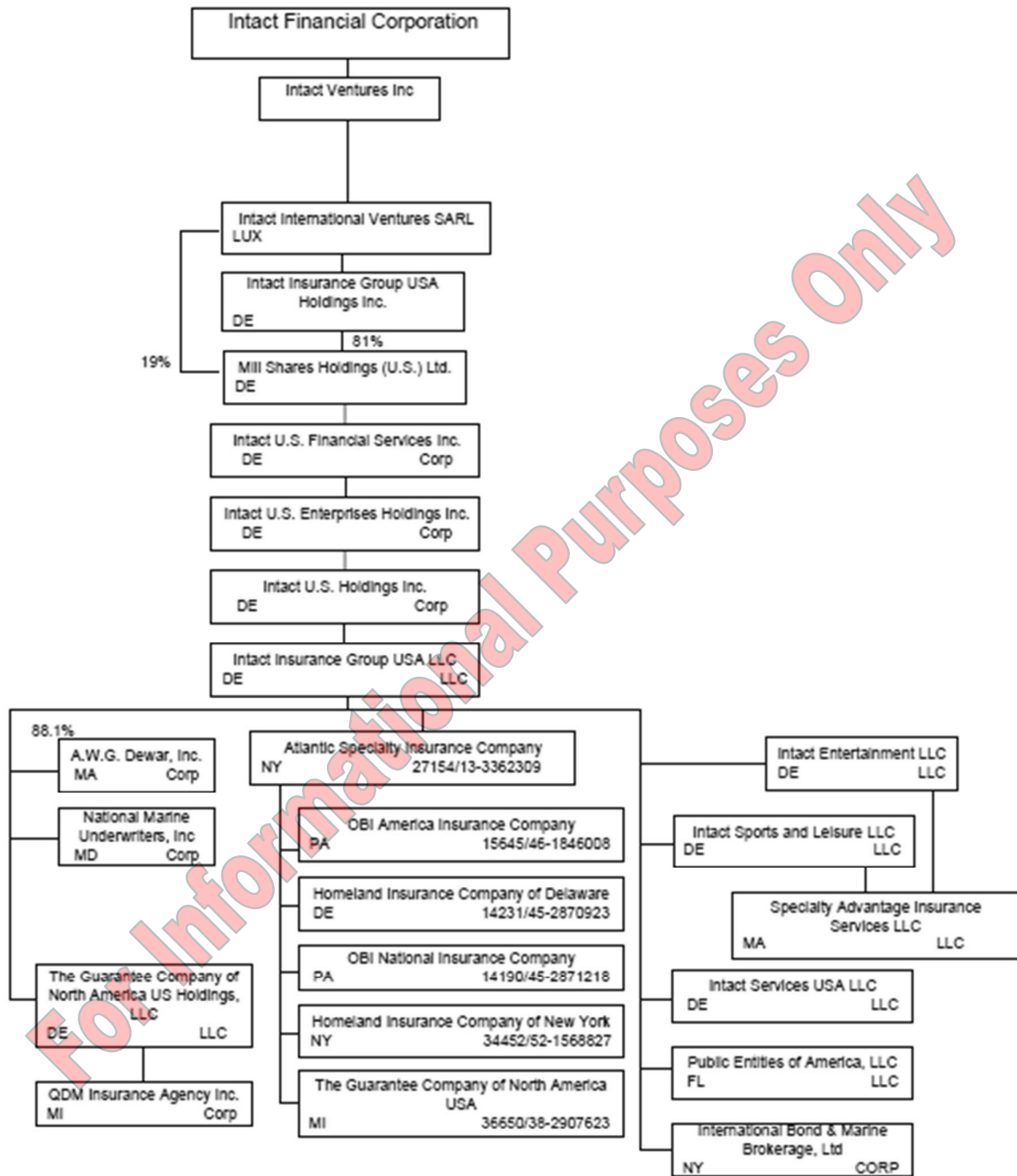
INSURANCE HOLDING COMPANY SYSTEM

The Companies meet the requirements for filing an insurance holding company system annual registration statement ("Annual Registration Statement"), in accordance with 40 P.S. § 991.1404. For each year of the examination period, the Companies filed the required Annual Registration Statement March 31.

The Companies are members of the Intact Financial Group USA which consists of six affiliated property and casualty insurance companies operating under common management and control. The Companies are direct wholly owned subsidiaries of ASIC, which is a direct wholly-owned subsidiary of Intact Insurance Group USA LLC, a Delaware limited liability company, which is ultimately controlled by Intact Financial Corporation.

The abridged organizational chart below depicts the Companies' direct and indirect ownership within its holding company system as of December 31, 2021.

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BOARD OF DIRECTORS

Management of the Companies are vested in its Board of Directors (“Board”), which was comprised of the following members as of December 31, 2021:

Name and Address	Principal Occupation
Paul J. Brehm Minneapolis, Minnesota	Senior Vice President - Actuarial, Global Specialty Lines Intact Financial Corporation
Robert C. Gallagher Brooklyn, New York	Executive of Global Marine Strategy, Global Specialty Lines Intact Financial Corporation
Louis Marcotte Quebec, Canada	Executive Vice President and Chief Financial Officer Intact Financial Corporation
Timothy M. Miller Deephaven, Minnesota	Chief Executive Officer, Global Specialty Lines Intact Financial Corporation
Lynn A. O’Leary Inver Grove Heights, Minnesota	Senior Vice President, Chief Operations Officer, and Global Specialty Lines Intact Financial Corporation
John C. Treacy Stillwater, Minnesota	Chief Financial Officer, U.S. Intact Financial Corporation
Mark A. Tullis Toronto, Canada	Vice Chairman Intact Financial Corporation

Directors are elected at the Companies’ annual meeting. Each director serves until the next annual meeting of the stockholders or until their successor is elected and qualified. There are no limits to the number of terms a director may serve on the Board. The Chairman of the Board is selected by the Board from among its members.

COMMITTEES

As of December 31, 2021, the Companies’ Board and the Board of its parent, ASIC, do not appoint any committees, however, the Companies benefit from the Board committee of their parent, IFG. The following committee was appointed by the Board of IFG and serving in accordance with each Companies’ by-laws:

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Audit Committee

Jane E. Kinney (Chairman)
Emmanuel Clarke
Janet De Silva
Frederick Singer
Carolyn A. Wilkins
William L. Young

OFFICERS

As of December 31, 2021, the following officers were appointed and serving in accordance with the Companies' by-laws:

Name	Title
Timothy M. Miller	President, U.S. and Specialty Solutions
Kara L. B. Barrow	Secretary
John C. Treacy	Senior Vice President, Treasurer and Chief Financial Officer
Lars T. Johnson	Chief Actuary and Appointed Actuary

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes for OBIA and OBIN revealed the following:

- The annual meetings of the Companies' stockholder were held in compliance with its by-laws.
- The stockholder elected directors at such meetings in compliance with the by-laws.
- The stockholder ratified the prior year's actions of the officers and directors.
- Quorums were present at all directors' meetings.
- The Companies' investment transactions are approved quarterly by the Board.
- All directors attended Board meetings regularly.
- The Companies' Board approved the reinsurance contracts.

ARTICLES OF INCORPORATION

There were no changes to the Companies' Articles of Incorporation during the examination period.

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BY-LAWS

There were no changes to the Companies' by-laws during the examination period.

SERVICE AND OPERATING AGREEMENTS

The Companies are party to various service and operating agreements, which include inter-company and related-party agreements. The following significant agreements were in place during the examination period.

Administrative Services Agreement

Effective December 31, 2017, the Companies are a party to separate administrative services agreements with Intact Services USA LLC ("Intact Services"), which provides administrative and management support services to the Companies' including non-claims payroll and most other operating expenses.

These inter-company agreements meet the fair and reasonable standards outlined in 40 P.S. § 991.1405(a)(1)(i).

Investment Management Agreement

Effective December 20, 2017, the Companies have an investment management agreement with Intact Investment Management Inc. ("IIM"). Pursuant to the terms of the agreement, IIM agrees to direct the investments in the investment account in accordance with the investment guidelines agreed upon by the Companies and IIM from time to time. The Board (or other similar governing body) of the Companies and each affiliated company shall oversee the activities of IIM pursuant to the agreement and shall retain ultimate and final authority over the investment account, in each case, in relation to their respective invested assets, decisions and policies, including but not limited to decisions regarding the purchase and sale of securities.

Tax Allocation Agreement

Effective October 16, 2017, the Companies are party to a federal tax allocation agreement that covers the allocation, settlement and financial statement presentation of current federal taxes. Under the terms of the agreement, each affiliate shall compute the amount of income taxes or estimated tax or refund each company would have to make or be entitled to if it filed a return, declaration, or refund claim as a separate corporation and had not been a member of the affiliated group.

REINSURANCE

CEDED

OBIA and OBIN are each a party to a 100% quota share reinsurance agreement for all business written with their parent, ASIC. OBIA's agreement became effective May 1, 2015 and OBIN's agreement became effective October 1, 2012. The agreements have no specified

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termination date but may be terminated in writing by either party. Both agreements were amended and restated on August 1, 2016. ASIC is licensed to write business in Pennsylvania and is also authorized in New York for all business it assumes from the Companies.

The total ceded premium for 2021 was \$882,058 for OBIA and \$28,714,054 for OBIN. The net amount recoverable for 2021 was \$1,426,000 for OBIA, which was approximately 9% of its surplus and \$55,820,000 for OBIN, which was approximately 407% of its surplus. As of December 31, 2021, the Companies had \$0 outstanding recoverables due from ASIC.

These reinsurance contracts contain the proper insolvency and arbitration clauses. Additionally, these contracts transfer risk as outlined in SSAP No. 62R.

ASSUMED

The Companies did not assume any business during the examination period.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2021, OBIA is licensed in all states (except Idaho) and the District of Columbia.

OBIA historically has sold only workers' compensation business. For the year ended December 31, 2021, OBIA sold \$882,058 in direct workers' compensation business.

The following chart depicts OBIA's premium distribution by line of business as of December 31, 2021:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium
December 31, 2021			
Workers' compensation	\$ 882,058	\$ 882,058	\$ 0
Totals	<u>\$ 882,058</u>	<u>\$ 882,058</u>	<u>\$ 0</u>

As of December 31, 2021, OBIN is licensed in all states, including the District of Columbia. OBIN's primary lines of business written include workers' compensation, ocean marine and credit. The top 3 states where OBIN writes business are California, Rhode Island and Florida.

The following chart depicts OBIN's premium distribution by line of business as of December 31, 2021:

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Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium
December 31, 2021			
Commercial multiple peril	\$ 63,365	\$ 63,365	\$ 0
Ocean marine	6,644,662	6,644,662	0
Inland marine	10,381	10,381	0
Group accident and health	16,432	16,432	0
Workers' compensation	19,666,770	19,666,770	0
Other liability - occurrence	58,640	58,640	0
Other liability - claims-made	605,487	605,487	0
Products liability - occurrence	1	1	0
Commercial auto liability	278,358	278,358	0
Auto physical damage	26,366	26,366	0
Surety	120	120	0
Burglary and theft	17,244	17,244	0
Credit	1,326,228	1,326,228	0
Totals	<u>\$ 28,714,054</u>	<u>\$ 28,714,054</u>	<u>\$ 0</u>

SIGNIFICANT OPERATING RATIOS AND TRENDS

OBIA's underwriting ratios summarized below are shown on an earned/incurred basis, and encompass the five-year period covered by this examination.

	Amount
Premiums earned	\$ -
Losses incurred	0
Other underwriting expenses incurred	17,785
Net underwriting gain or (loss)	(17,785)
Totals	<u>\$ -</u>

OBIN's underwriting ratios summarized below are shown on an earned/incurred basis, and encompass the five-year period covered by this examination.

	Amount
Premiums earned	\$ -
Losses incurred	0
Other underwriting expenses incurred	27,989
Net underwriting gain or (loss)	(27,989)
Totals	<u>\$ -</u>

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OBIA reported the following net underwriting, investment, and other gains or losses during the period under examination:

	2021	2020	2019	2018	2017
Admitted assets	\$ 15,817,066	\$ 15,648,326	\$ 15,349,964	\$ 15,717,472	\$ 15,478,344
Liabilities	\$ 11,833	\$ 29,836	\$ 51,082	\$ 42,557	\$ 30,864
Surplus as regards policyholders	\$ 15,805,233	\$ 15,618,490	\$ 15,298,882	\$ 15,674,915	\$ 15,447,480
Gross premium written	\$ 882,058	\$ 1,873,836	\$ 1,115,527	\$ 903,815	\$ 196,287
Underwriting gain/(loss)	\$ 0	\$ 0	\$ (16,507)	\$ (1,278)	\$ 0
Investment gain/(loss)	\$ 251,969	\$ 387,640	\$ 389,965	\$ 298,946	\$ 214,499
Net income	\$ 184,957	\$ 315,814	\$ 300,128	\$ 229,782	\$ 139,134

OBIN reported the following net underwriting, investment, and other gains or losses during the period under examination:

	2021	2020	2019	2018	2017
Admitted assets	\$ 13,743,552	\$ 13,580,298	\$ 13,315,605	\$ 13,430,093	\$ 13,277,707
Liabilities	\$ 24,602	\$ 59,226	\$ 62,064	\$ 41,578	\$ 26,500
Surplus as regards policyholders	\$ 13,718,950	\$ 13,521,072	\$ 13,253,541	\$ 13,388,515	\$ 13,251,207
Gross premium written	\$ 28,714,054	\$ 24,995,903	\$ 51,916,738	\$ 48,594,827	\$ 25,394,282
Underwriting gain/(loss)	\$ 0	\$ 0	\$ (27,989)	\$ 0	\$ 0
Investment gain/(loss)	\$ 269,488	\$ 329,272	\$ 341,268	\$ 210,349	\$ 176,638
Other gain/(loss)	\$ 0	\$ (8)	\$ 0	\$ 0	\$ 1
Net income	\$ 198,385	\$ 266,137	\$ 256,514	\$ 139,827	\$ 115,751

PENDING LITIGATION

As of the date of this examination report, management of the Companies attested that the Companies were not involved in any litigation and were not aware of any threatened litigation which will have a material adverse effect on the Companies' financial condition.

FINANCIAL STATEMENTS

The financial condition of the Companies, as of December 31, 2021, and the results of its operations for the five-year period under examination, are reflected in the following statements*:

- Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
- Comparative Statement of Income;
- Comparative Statement of Capital and Surplus; and
- Comparative Statement of Cash Flow

*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding errors.

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Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

OBI America Insurance Company

	2021	2020	2019	2018	2017
Bonds	\$ 15,463,028	\$ 15,354,170	\$ 15,169,791	\$ 15,466,928	\$ 14,807,026
Cash, cash equivalents, and short term investments	203,125	149,466	100,298	179,002	637,600
Receivable for securities	0	0	0	0	1,656
Subtotals, cash and invested assets	15,666,153	15,503,636	15,270,089	15,645,930	15,446,282
Investment income due and accrued	77,275	79,327	79,875	71,542	32,062
Net deferred tax asset	1,984	1,201	0	0	0
Receivable from parent, subsidiaries and affiliates	71,654	64,162	0	0	0
Total	\$ 15,817,066	\$ 15,648,326	\$ 15,349,964	\$ 15,717,472	\$ 15,478,344
Other expenses	\$ 6,136	\$ 6,281	\$ 6,789	\$ 4,284	\$ 4,893
Taxes, licenses and fees	(7,581)	(6,878)	0	0	0
Current federal and foreign income taxes	13,278	30,433	15,260	19,338	19,947
Net deferred tax liability	0	0	3,596	1,069	3
Payable to parent, subsidiaries and affiliates	0	0	25,437	17,866	6,021
Total liabilities	11,833	29,836	51,082	42,557	30,864
Common capital stock	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Gross paid in and contributed surplus	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000
Unassigned funds (surplus)	805,233	618,490	298,882	674,915	447,480
Surplus as regards policyholders	15,805,233	15,618,490	15,298,882	15,674,915	15,447,480
Totals	\$ 15,817,066	\$ 15,648,326	\$ 15,349,964	\$ 15,717,472	\$ 15,478,344

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Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

OBI National Insurance Company

	2021	2020	2019	2018	2017
Bonds	\$ 13,276,732	\$ 13,244,166	\$ 12,990,646	\$ 13,320,532	\$ 12,897,321
Cash, cash equivalents, and short term investments	219,108	109,021	241,090	30,425	336,743
Receivable for securities	0	0	0	0	3,375
Subtotals, cash and invested assets	13,495,840	13,353,187	13,231,736	13,350,957	13,237,439
Investment income due and accrued	82,359	83,815	83,869	79,136	39,959
Net deferred tax asset	0	0	0	0	309
Receivable from parent, subsidiaries and affiliates	165,353	143,296	0	0	0
Total	\$ 13,743,552	\$ 13,580,298	\$ 13,315,605	\$ 13,430,093	\$ 13,277,707
Other expenses	\$ 6,409	\$ 6,566	\$ 7,275	\$ 4,085	\$ 4,192
Taxes, licenses and fees	(2,025)	(562)	0	0	0
Current federal and foreign income taxes	15,921	49,433	11,165	15,254	16,641
Net deferred tax liability	4,296	3,789	5,183	1,679	0
Payable to parent, subsidiaries and affiliates	0	0	38,441	20,560	5,667
Payable for securities	1	0	0	0	0
Total liabilities	24,602	59,226	62,064	41,578	26,500
Common capital stock	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Gross paid in and contributed surplus	8,500,000	8,500,000	8,500,000	8,500,000	8,500,000
Unassigned funds (surplus)	718,950	521,072	253,541	388,515	251,207
Surplus as regards policyholders	13,718,950	13,521,072	13,253,541	13,388,515	13,251,207
Totals	\$ 13,743,552	\$ 13,580,298	\$ 13,315,605	\$ 13,430,093	\$ 13,277,707

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Comparative Statement of Income For the Year Ended December 31,

OBI America Insurance Company

Underwriting Income	2021	2020	2019	2018	2017
Deductions:					
Other underwriting expenses incurred	0	0	16,507	1,278	0
Total underwriting deductions	0	0	16,507	1,278	0
Net underwriting gain or (loss)	0	0	(16,507)	(1,278)	0
Investment Income					
Net investment income earned	229,555	276,703	376,854	325,470	217,205
Net realized capital gains or (losses)	22,414	110,937	13,111	(26,524)	(2,706)
Net investment gain or (loss)	251,969	387,640	389,965	298,946	214,499
Net income before dividends to policyholders and before federal and foreign income taxes	251,969	387,640	373,458	297,668	214,499
Federal and foreign income taxes incurred	67,012	71,826	73,330	67,886	75,365
Net income	<u>\$ 184,957</u>	<u>\$ 315,814</u>	<u>\$ 300,128</u>	<u>\$ 229,782</u>	<u>\$ 139,134</u>

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Comparative Statement of Income For the Year Ended December 31,

OBI National Insurance Company

Underwriting Income	2021	2020	2019	2018	2017
Deductions:					
Other underwriting expenses incurred	0	0	27,989	0	0
Total underwriting deductions	0	0	27,989	0	0
Net underwriting gain or (loss)	0	0	(27,989)	0	0
Investment Income					
Net investment income earned	257,333	289,290	330,807	268,719	176,744
Net realized capital gains or (losses)	12,155	39,982	10,461	(58,370)	(106)
Net investment gain or (loss)	269,488	329,272	341,268	210,349	176,638
Other Income					
Aggregate write-ins for miscellaneous income	0	(8)	0	0	1
Total other income	0	(8)	0	0	1
Net income before dividends to policyholders and before federal and foreign income taxes	269,488	329,264	313,279	210,349	176,639
Federal and foreign income taxes incurred	71,103	63,127	56,765	70,522	60,888
Net income	<u>\$ 198,385</u>	<u>\$ 266,137</u>	<u>\$ 256,514</u>	<u>\$ 139,827</u>	<u>\$ 115,751</u>

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Comparative Statement of Capital and Surplus For the Year Ended December 31,

OBI America Insurance Company

	2021	2020	2019	2018	2017
Surplus as regards policyholders,					
December 31, previous year	\$ 15,618,490	\$ 15,298,882	\$ 15,674,915	\$ 15,447,480	\$ 15,301,199
Net income	184,957	315,814	300,128	229,782	139,134
Change in net deferred income tax	1,115	5,127	(2,527)	(1,066)	7,147
Change in nonadmitted assets	671	(1,333)	1,281	(1,281)	0
Dividends to stockholders	0	0	(674,915)	0	0
Change in surplus as regards policyholder for the year	186,743	319,608	(376,033)	227,435	146,281
Surplus as regards policyholders,					
December 31, current year	\$ 15,805,233	\$ 15,618,490	\$ 15,298,882	\$ 15,674,915	\$ 15,447,480

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Comparative Statement of Capital and Surplus For the Year Ended December 31,

OBI National Insurance Company

	2021	2020	2019	2018	2017
Surplus as regards policyholders,					
December 31, previous year	\$ 13,521,072	\$ 13,253,541	\$ 13,388,515	\$ 13,251,207	\$ 13,135,146
Net income	198,385	266,137	256,514	139,827	115,751
Change in net deferred income tax	(507)	1,394	(3,504)	(1,766)	337
Change in nonadmitted assets	0	0	531	(503)	(28)
Dividends to stockholders	0	0	(388,515)	0	0
Aggregate write-ins for gains and losses in surplus	0	0	0	(250)	1
Change in surplus as regards policyholder for the year	197,878	267,531	(134,974)	137,308	116,061
Surplus as regards policyholders,					
December 31, current year	\$ 13,718,950	\$ 13,521,072	\$ 13,253,541	\$ 13,388,515	\$ 13,251,207

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Comparative Statement of Cash Flow For the Year Ended December 31,

OBI America Insurance Company

	2021	2020	2019	2018	2017
Cash from Operations					
Net investment income	\$ 332,539	\$ 348,779	\$ 364,307	\$ 287,234	\$ 245,978
Total income	332,539	348,779	364,307	287,234	245,978
Commissions, expenses paid and aggregate write-ins for deductions	0	6,878	16,507	1,278	0
Federal and foreign income taxes paid (recovered)	68,000	75,000	81,000	60,000	84,000
Total deductions	68,000	81,878	97,507	61,278	84,000
Net cash from operations	264,539	266,901	266,800	225,956	161,978
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	4,365,471	6,334,689	4,232,936	10,395,843	10,819,969
Net gain or (loss) on cash and short-term investments	0	0	0	0	125
Miscellaneous proceeds	0	1	0	1,656	0
Total investment proceeds	4,365,471	6,334,690	4,232,936	10,397,499	10,820,094
Cost of investments acquired (long-term only):					
Bonds	4,568,864	6,462,825	3,911,049	11,093,900	11,058,339
Miscellaneous applications	0	0	58	0	375
Total investments acquired	4,568,864	6,462,825	3,911,107	11,093,900	11,058,714
Net cash from investments	(203,393)	(128,135)	321,829	(696,401)	(238,620)
Cash from Financing and Miscellaneous Services					
Other cash provided (applied):					
Dividends to stockholders (paid)	0	0	674,915	0	0
Other cash provided or (applied)	(7,487)	(89,598)	7,582	11,847	68
Net cash from financing and miscellaneous sources	(7,487)	(89,598)	(667,333)	11,847	68
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	53,659	49,168	(78,704)	(458,598)	(76,574)
Cash and short-term investments:					
Beginning of the year	149,466	100,298	179,002	637,600	714,174
End of the year	\$ 203,125	\$ 149,466	\$ 100,298	\$ 179,002	\$ 637,600

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Comparative Statement of Cash Flow For the Year Ended December 31,

OBI National Insurance Company

	2021	2020	2019	2018	2017
Cash from Operations					
Net investment income	\$ 306,919	\$ 324,409	\$ 315,950	\$ 226,949	\$ 188,491
Miscellaneous income	0	(8)	0	0	0
Total income	306,919	324,401	315,950	226,949	188,491
Commissions, expenses paid and aggregate write-ins for deductions	0	0	27,989	0	0
Federal and foreign income taxes paid (recovered)	96,000	29,000	64,000	56,000	58,000
Total deductions	96,000	29,000	91,989	56,000	58,000
Net cash from operations	210,919	295,401	223,961	170,949	130,491
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	2,303,918	2,956,469	2,826,038	13,167,353	5,221,825
Net gain or (loss) on cash and short-term investments	0	0	0	0	17
Miscellaneous proceeds	1	0	0	3,399	0
Total investment proceeds	2,303,919	2,956,469	2,826,038	13,170,752	5,221,842
Cost of investments acquired (long-term only):					
Bonds	2,382,700	3,202,201	2,468,683	13,662,912	5,635,477
Miscellaneous applications	0	0	46	0	1,564
Total investments acquired	2,382,700	3,202,201	2,468,729	13,662,912	5,637,041
Net cash from investments	(78,781)	(245,732)	357,309	(492,160)	(415,199)
Cash from Financing and Miscellaneous Services					
Other cash provided (applied):					
Dividends to stockholders (paid)	0	0	388,515	0	0
Other cash provided or (applied)	(22,051)	(181,738)	17,910	14,893	427
Net cash from financing and miscellaneous sources	(22,051)	(181,738)	(370,605)	14,893	427
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	110,087	(132,069)	210,665	(306,318)	(284,281)
Cash and short-term investments:					
Beginning of the year	109,021	241,090	30,425	336,743	621,024
End of the year	\$ 219,108	\$ 109,021	\$ 241,090	\$ 30,425	\$ 336,743

SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

NOTES TO FINANCIAL STATEMENTS

ASSETS

INVESTMENTS

As of December 31, 2021, OBIA's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 15,463,028	98.7 %
Cash equivalents	203,125	1.3 %
Totals	<u>\$ 15,666,153</u>	<u>100.0 %</u>

OBIA's bond portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 15,463,028	100.0 %
Totals	<u>\$ 15,463,028</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 1,618,344	10.5 %
2 to 5 years	8,510,132	55.0 %
6 to 10 years	3,574,717	23.1 %
11 to 20 years	1,421,863	9.2 %
over 20 years	337,972	2.2 %
Totals	<u>\$ 15,463,028</u>	<u>100.0 %</u>

At December 31, 2021, OBIA had 98.7% of its invested assets in bonds all of which were investment grade with 88.7% having maturities of 10 years or less.

As of December 31, 2021, OBIN's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 13,276,732	98.4 %
Cash equivalents	219,108	1.6 %
Totals	<u>\$ 13,495,840</u>	<u>100.0 %</u>

OBIN's bond portfolio had the following quality and maturity profiles:

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NAIC Designation	Amount	Percentage
1 - highest quality	\$ 13,276,732	100.0 %
Totals	<u>\$ 13,276,732</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 1,281,758	9.7 %
2 to 5 years	8,462,508	63.8 %
6 to 10 years	2,859,709	21.5 %
11 to 20 years	522,147	3.9 %
over 20 years	150,610	1.1 %
Totals	<u>\$ 13,495,840</u>	<u>100.0 %</u>

At December 31, 2021, OBIN had 98.4% of its invested assets in bonds all of which were investment grade with 95.0% having maturities of 10 years or less.

Effective October 7, 2011, OBIN entered into a custodial agreement with The Bank of New York Mellon (“BONY”). Effective February 1, 2014, OBIA entered into a separate custodial agreement with BONY. Both custodial agreements comply with the standards for custodial agreements pursuant to 31 Pa. Code § 148a.3.

The Companies have written investment policies as required by 40 P.S. § 653b(b). The investment policy is reviewed and approved on an annual basis by the Companies’ Boards. The Companies were following their investment policies at December 31, 2021.

LIABILITIES

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The following chart depicts the Companies’ reported reserves for loss and loss adjustment expenses (“LAE”) on the December 31, 2021 Annual Statements.

<u>Company</u>	<u>Losses</u>	<u>LAE</u>
OBIA	\$0	\$0
OBIN	\$0	\$0

Lars T. Johnson, FCAS, Vice President – US Corporate Actuarial, of IFG was the Companies’ Appointed Actuary (“AA”) in 2021. Jeff Belmont, FCAS, MAAA, Vice President – US Corporate Actuarial, of IFG was the Companies AA from 2017 – 2020.

For each year in the examination period, the AA for the Companies provided a Statement of Actuarial Opinion (“Opinion”) stating that the loss and LAE reserve amounts made a reasonable provision on the adequacy of each Companies’ loss and LAE reserves as provided in the NAIC *Annual Statement Instructions – Property and Casualty*.

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The pricing portion of the examination was led by John R. Pedrick, FCAS, MAAA of INS Consultants, Inc. (“INS”). The reserving/underwriting portion of the examination was led by Michael Ying, of NYDFS.

Based on the procedures performed and the results obtained, the examination team obtained evidence to support the conclusion that the loss and LAE reserves for the Companies are reasonably stated as of December 31, 2021.

SUBSEQUENT EVENTS

Effective January 1, 2022, Intact USA LLC purchased from The Globe Insurance Company Limited, an Intact USA LLC affiliate incorporated and registered under the laws of England and Wales, 100% of the issued and outstanding shares of stock of Royal & Sun Alliance Insurance Agency, Inc. (“RSAIA”), a Delaware corporation, for \$16,700,000, the fair market value of RSAIA, as of January 1, 2022.

The Department is monitoring the impact of the COVID-19 global pandemic. The Department recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Company. As such, the Department will continue to monitor and share information with the Company as appropriate related to COVID-19 developments.

RECOMMENDATIONS

PRIOR EXAMINATION

The prior examination report contained no recommendations.

CURRENT EXAMINATION

There are no recommendations being made as a result of the current examination.

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CONCLUSION

As a result of this examination, the financial condition of OBIA, as of December 31, 2021, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 15,817,066	100.0 %
Liabilities	\$ 11,833	0.1 %
Surplus as regards policyholders	15,805,233	99.9 %
Total liabilities and surplus	\$ 15,817,066	100.0 %

Since the previous examination, made as of December 31, 2016, OBIA's assets increased by \$480,129, its liabilities decreased by \$23,905, and its surplus increased by \$504,034.

As a result of this examination, the financial condition of OBIN, as of December 31, 2021, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 13,743,552	100.0 %
Liabilities	\$ 24,602	0.2 %
Surplus as regards policyholders	13,718,950	99.8 %
Total liabilities and surplus	\$ 13,743,552	100.0 %

Since the previous examination, made as of December 31, 2016, OBIN's assets increased by \$586,157, its liabilities increased by \$2,353, and its surplus increased by \$583,804.

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This examination was conducted by James DiSanto and George E. Horey, CFE, with the latter in charge.

Respectfully submitted,

Matthew Milford

Matthew C. Milford, CFE
Director
Bureau of Financial Examinations

Shannon Hopkins

Shannon Hopkins (Mar 14, 2023 09:57 EDT)

Shannon Hopkins, CFE
Examination Manager

George E. Horey

George E. Horey, CFE
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.