

Examination Warrant Numbers 17-00457-35505-R1
17-00457-10726-R1

**Report of Examination of
Rockwood Casualty Insurance Company
Somerset Casualty Insurance Company
Rockwood, Pennsylvania**

As of December 31, 2017

For Informational Purposes Only

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Harrisburg, Pennsylvania
March 22, 2019

Honorable Joseph DiMemmo, CPA
Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrants 17-00457-35505-R1 and 17-00457-10726-R1, respectively dated July 11, 2017, examinations were made of

Rockwood Casualty Insurance Company, NAIC Code: 35505

a Pennsylvania domiciled, multi-state, stock property and casualty insurance company hereinafter referred to as "RCIC". The examination was conducted at RCIC's home office, located at 654 Main Street, Rockwood, Pennsylvania 15557.

and

Somerset Casualty Insurance Company, NAIC Code: 10726

a Pennsylvania domiciled, multi-state, stock property and casualty insurance company hereinafter referred to as "SCIC". The examination was conducted at SCIC's home office, located at 654 Main Street, Rockwood, Pennsylvania 15557.

Collectively the two companies will be referred to as the "Rockwood Group" or the "Companies".

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 were last examined as of December 31, 2012. This examination covered the five-year period from January 1, 2013 through December 31, 2017.

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 Companies share the same key processes, systems, and management. The Handbook provides for a group examination of multiple insurers in an insurance holding company group that have similar key processes, systems, and/or management.

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

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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. Statements were prepared by management and are therefore the responsibility of management. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Companies' financial statements.

This examination report includes significant findings of fact, in accordance with 40 P.S. § 323.5(a), and general information about the Companies and the 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 & Young, LLP ("E&Y") provided an unmodified audit opinion on both Companies' year-end financial statements based on statutory accounting principles. Relevant work performed by E&Y, during its annual audit of the Companies, was reviewed during the examination and incorporated into the examination workpapers.

The following two Pennsylvania domiciled companies were examined at the same time:

Company	NAIC Code
Rockwood Casualty Insurance Company	35505
Somerset Casualty Insurance Company	10726

HISTORY

RCIC was incorporated under the laws of Pennsylvania on September 13, 1990 as Rockwood Casualty Insurance Company and commenced business on December 31, 1990. RCIC was formed to serve as a vehicle to change the state of domicile of the Rockwood Insurance Company of Indiana to the Commonwealth of Pennsylvania. This change in domicile was effected on January 21, 1991, when RCIC absorbed the Indiana company by merger. RCIC was licensed by the Department on January 22, 1991.

SCIC was incorporated on January 21, 1997 as a wholly-owned subsidiary of RCIC. SCIC received a Certificate of Authority from the Department and commenced business on December 2, 1997.

In 2001, RCIC became a member of Argo Group International Holdings, Ltd. ("AGIH"), when AGIH's primary U.S. subsidiary, Argo Group US, Inc. ("Argo Group US") acquired all of the outstanding share of RCIC. RCIC remained the sole shareholder of SCIC.

RCIC and SCIC are 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, (c)(1) Fidelity and Surety, (c)(3) Glass, (c)(4) General Liability, (c)(6) Burglary and Theft, (c)(8) Water Damage, (c)(9) Elevator, (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 the examination date, December 31, 2017, RCIC's total capital was \$120,009,475, consisting of 500,000 shares of issued and outstanding Class A voting common stock, and 571,961 of issued and outstanding Class B non-voting common stock with no par value amounting to \$3,845,000, \$5,479,500 in paid in and contributed surplus, and \$110,684,975 in unassigned funds (surplus).

RCIC's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, is \$2,000,000 in capital and \$1,000,000 in surplus. RCIC has met all governing requirements throughout the examination period.

As of the examination date, December 31, 2017, SCIC's total capital was \$26,414,071, consisting of 1,000 shares of issued and outstanding common stock with no par value amounting to \$2,000,000, \$1,500,000 in paid in and contributed surplus, and \$22,914,071 in unassigned funds (surplus).

SCIC's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, is \$2,000,000 in capital and \$1,000,000 in surplus. SCIC has met all governing requirements throughout the examination period.

STOCKHOLDERS

RCIC's stock register indicates that all authorized shares are owned by Argo Group US, a Delaware insurance holding company. RCIC's ultimate controlling person is AGIH, a Bermuda based insurance holding company.

SCIC's stock register indicates that all authorized shares are owned by RCIC. SCIC paid no dividends during the period under examination.

RCIC reported both ordinary and extraordinary dividend payments during the period under examination. It was documented that all dividend payments were properly authorized by RCIC's Board of Directors and that all extraordinary dividends were properly reported to and approved by the Department prior to payment.

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The following is a summary of the dividends paid during the period under examination:

Year Paid	Amount	Type of dividend
2013	\$ 9,500,000	Ordinary
2014	20,000,000	Extra-ordinary
2016	<u>18,100,000</u>	Ordinary
Total	<u>\$47,600,000</u>	

INSURANCE HOLDING COMPANY SYSTEM

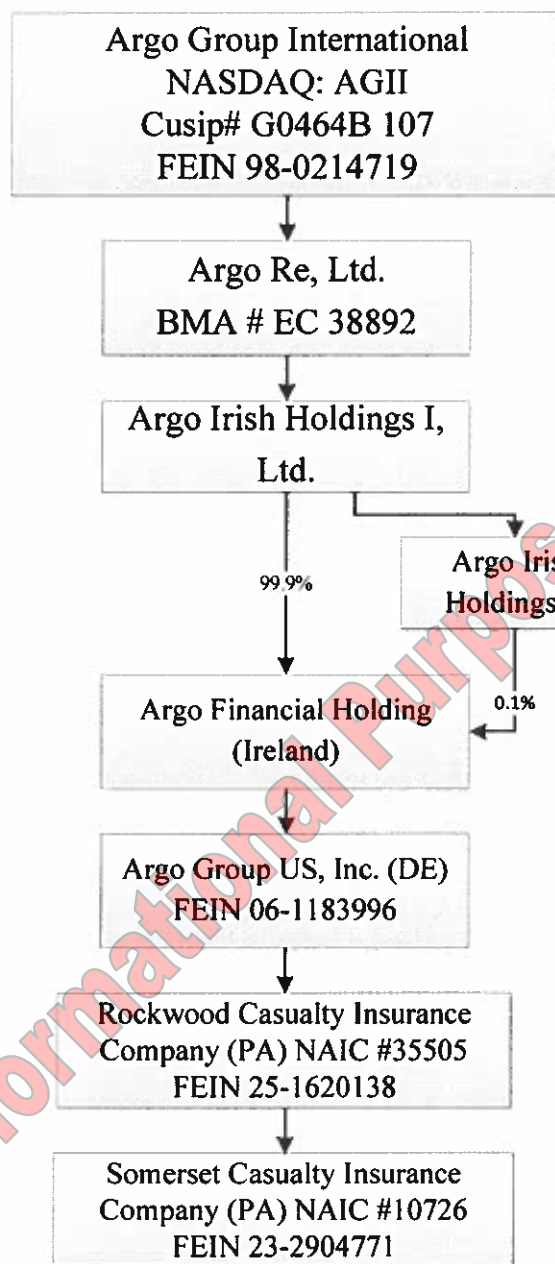
RCIC and SCIC meet the requirements for filing insurance holding company system registration statements as required by 40 P.S. § 991.1404. The annual insurance holding company system registration statements and various amendments were filed timely with the Department for the period under examination.

AGIH is named as the ultimate controlling person in the holding company system. The following abridged organizational chart depicts the Rockwood Group's relationship within the holding company system as of December 31, 2017:

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BOARD OF DIRECTORS

Management of the Rockwood Group is vested in their common Board of Directors (“Board”), which was comprised of the following members as of the examination date, December 31, 2017:

Name and Address

Craig S. Comeaux
San Antonio, Texas

Principal Occupation

Vice-President, Secretary and Corporate
Counsel
Argo Group, US, Inc.

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Frederick R. Davidson
Rockwood, Pennsylvania

Senior Vice-President and Chief
Underwriting Officer
Rockwood Casualty Insurance Company

David W. Hay
Somerset, Pennsylvania

Chief Financial Officer
Rockwood Casualty Insurance Company

Barbara L. Sutherland
San Antonio, Texas

Senior Vice President, General Counsel
and Chief Claims Officer
Argo Group, US, Inc.

Jack E. Tipton
Harrisburg, Pennsylvania

Vice President Claims
Rockwood Casualty Insurance Company

Kurt D. Tipton
Meyersdale, Pennsylvania

President, Chief Executive Officer
Rockwood Casualty Insurance Company

Philip I. Vedell
Atlanta, Georgia

Senior Vice President, US Chief Operating
Officer
Argo Group, US, Inc.

According to both Companies' By-Laws, the annual meeting of the shareholders for the election of directors and for the transaction of such other business is held on the last Tuesday in April of each year or at such other date and time that the shareholders shall designate, except as otherwise provided by law or by the provisions of the Articles of Incorporation.

The By-Laws provide that the Board of Directors is to be composed of at least seven (7) but not more than fifteen (15) members. All directors are elected annually by a majority of the shares represented at the annual meeting of shareholders and each director will serve for one year or until the next annual meeting of the shareholders and until their successors are elected and duly qualified. The number of directors may be increased or decreased by the shareholders, but in no case shall there be less than seven (7).

The annual meetings of the Board of Directors follow immediately after the annual meeting of the shareholders, at the place where such meeting of shareholders has been held, for the purpose of organization, election of officers, and consideration of any other business that may be brought before the meeting. If all of the directors shall severally or collectively consent in writing to any action to be taken by the Company, such action shall be as valid an action as though it had been authorized at a meeting of the Board of Directors.

At any meeting of the Board of Directors, the presence of a majority of the members of the Board then qualified and acting shall constitute a quorum for the transaction of any business except the filling of vacancies in the Board of Directors.

The examiner determined that the Companies' Board meets the independence requirements of 40 P.S. §§ 991.1405(c)(3) and (4) through the Argo Group US Board.

AGIH's Board of Directors has adopted Corporate Governance Guidelines and a Code of Conduct and Business Ethics that applies to all its directors, officers and employees, including the principal executive officer and the principal financial officer. As of the examination date, the Companies appeared to be in compliance with their By-Laws.

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COMMITTEES

The Companies have shared committees of their own; all committees are established at the AGIH level. The AGIH Board of Directors has determined that each of its directors except Mark E. Watson III, the Chief Executive Officer of AGIH, is "independent" and the Audit Committee is comprised solely of outside directors. As of the examination date, December 31, 2017, the directors and/or officers were assigned to serve on the following Committees as listed below:

Executive Committee - Gary V. Woods, Hector De Leon, Mark E. Watson III

Audit Committee - Mural R. Josephson (Chairman), F. Sedgwick Browne, Hector De Leon, Kathleen A. Nealon, John R. Power, Jr.

Investment Committee - H. Berry Cash, John H. Tonelli, Mark E. Watson III, Gary V. Woods

Human Resources Committee - F. Sedgwick Browne, H. Berry Cash, Hector De Leon, John R. Power, Jr., Gary V. Woods

Nominating Committee - F. Sedgwick Browne, John R. Power, Jr., John H. Tonelli, Gary V. Woods

Board Risk & Capital Committee - The Board established a Risk & Capital Committee ("BRCC") consisting of all members of the Board. The BRCC provides oversight of both Companies' Corporate Governance Guidelines and its policies and procedures relating to Compliance and Risk Management.

Pursuant to 40 P.S. § 991.1405(c)(5), the requirements of 40 P.S. § 991.1405(c)(3), (4) and (4.1) do not apply to the Companies as its parent, AGIH, maintains a Board and committees thereof which already meet the requirements of paragraphs (3), (4), and (4.1).

OFFICERS

As of the examination date, December 31, 2017, the following officers were appointed and serving in accordance with the Companies' By-Laws:

Name	Title
Kurt D. Tipton	Chief Executive Officer
David W. Hay	Chief Financial Officer
Craig S. Comeaux	Secretary

CORPORATE RECORDS

MINUTES

A review of minutes of the Board meetings held during the period under examination indicated that members of the Board were elected during annual meetings of the shareholders and officers were subsequently appointed during organizational meetings of the Board.

Quorums were established at all meetings of the shareholders and all of the annual meetings during the review period consisted of executed written consents to action in lieu of meetings. The Board approved the Companies' investment and reinsurance transactions. The shareholders ratified the actions of the Board and Officers at their annual meeting. These minutes revealed adequate attendance and active participatory oversight of the Companies' operations and compliance with governing By-Laws and regulations.

ARTICLES OF AGREEMENT and INCORPORATION

There were no changes or amendments to the RCIC Articles of Agreement during the period under examination.

There were no changes or amendments to the SCIC Articles of Incorporation during the period under examination.

BY-LAWS

There were no changes or amendments to the Companies' By-Laws during the period under examination.

SERVICE AND OPERATING AGREEMENTS

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

RCIC entered into a service agreement with SCIC, effective October 2, 1996. Under the agreement, RCIC agrees to provide SCIC with various administrative and operating services that including personnel and facilities, underwriting, investments and claims in exchange for a fee. The fee is based upon SCIC's net written premiums as a percentage of the combined total net written premiums of both Companies. This agreement may be terminated at any time on the mutual written agreement of both parties.

A Tax Allocation Agreement was entered into by and among Argo Group US, the parent company, and each of the subsidiary insurance companies effective January 1, 2002. Under this agreement, income taxes paid by Argo Group US on a consolidated basis for itself and its subsidiaries are allocated among those subsidiaries. Such allocations are calculated as if the specific subsidiary had filed its own tax return. Based on each subsidiary's share, any funds determined to be payable as taxes are paid by the subsidiary to Argo Group US, while any funds determined to be refundable to the subsidiary are returned to the subsidiary by Argo Group US.

RCIC entered into a management services agreement with Argonaut Management Services, Inc., ("AMSI") a Delaware corporation, effective December 31, 2002. Under the agreement AMSI will provide certain general services to RCIC such as legal; accounting; tax and other financial services; system design and maintenance; external reporting; personnel administration; payroll, benefit plans; executive oversight; corporate and business development strategy consulting services; marketing; corporate communications and public relations;

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regulatory matters and property management. AMSI will be reimbursed on an actual cost basis, without a profit factor.

All written agreements appear to be approved by the Companies' Board and all service and operating agreements appear to meet the fair and reasonable standards required by 40 P.S. § 991.1405(a)(1).

REINSURANCE

CEDED

The following summarizes the primary reinsurance contracts in effect as of December 31, 2017. The Rockwood Group companies were participants under all of the contracts listed below:

RCIC and SCIC

The Companies entered into an Intercompany Pooling Agreement ("Pooling Agreement") with an effective date of January 1, 1999. The term of the contract is continuous until terminated.

Under the Pooling Agreement, all 1999 and subsequent accident year Pennsylvania workers' compensation business is pooled, after reduction for any unaffiliated ceded reinsurance. The pooled business is then shared between RCIC and SCIC with respect to their pooling percentages (see below). RCIC is the lead member of the pool. The reserve analysis was performed for all pool companies combined and allocated to Companies based on their pooling percentages. Any favorable or adverse development will affect pool members in a manner commensurate with their pool participation.

- Rockwood Casualty Insurance Company: 85%
- Somerset Casualty Insurance Company: 15%

The Company's retention and the reinsurance limits are as follows:

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Type of business Covered</u>
85% by RCIC 15% by SCIC	None	Pennsylvania Workers' Compensation

The amount of premium ceded by RCIC under this agreement is \$5,609,000, which is 17.9% of total ceded premium of \$31,362,000. The total reinsurance recoverables of \$8,336,000 is 11.7% of total reinsurance recoverables of \$71,087,000.

The amount of premium ceded by SCIC under this agreement is \$819,000, which is 18.5% of total ceded premium of \$4,433,000. The total reinsurance recoverables of \$1,202,000 is 25.5% of total reinsurance recoverables of \$4,718,000.

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Argo Re, Ltd.

The Companies entered into a quota-share reinsurance agreement with Argo Re, Ltd. with an effective date of October 1, 2007. The term of the contract is continuous until terminated.

The Companies retention and the reinsurance limits are as follows:

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Type of business Covered</u>
70% Ultimate Net Loss per occurrence	None	Covered Classes

"Covered Classes" is defined as each class and line of business underwritten by RCIC and SCIC, but excludes those classes of business reinsured 100% by unaffiliated third parties.

The amount of premium ceded by RCIC under this agreement is \$22,453,000, which is 71.6% of total ceded premium of \$31,362,000. The total reinsurance recoverables of \$31,138,000 is 43.8% of total reinsurance recoverables of \$71,087,000.

The amount of premium ceded by SCIC under this agreement is \$3,450,000, which is 77.8% of total ceded premium of \$4,433,000. The total reinsurance recoverables of \$3,513,000 is 74.5% of total reinsurance recoverables of \$4,718,000.

The Companies' reinsurance intermediary, Guy Carpenter & Company, Inc., is licensed by the Department as required by 40 P.S. § 321.2(a). The Companies operates this program pursuant to a properly executed written authorization between the Companies and as required by 40 P.S. § 321.3.

ASSUMED

Reinsurance assumptions are limited to contracts with affiliated companies and mandatory participation in the National Workers' Compensation Reinsurance Pool and Commercial Automobile Insurance Plans.

Argonaut Great Central Insurance Company ("AGCIC"), Argonaut Insurance Company ("AIC"), Argonaut Midwest Insurance Company ("AMIC"), Argonaut Southwest Insurance Company ("ASIC"), Select Markets Insurance Company ("SMIC"), and Argo Limited Risk Insurance Company ("ALRIC")

RCIC and SCIC entered into a Quota Share Reinsurance Agreement with an effective date of November 11, 2012. The term of the contract is continuous until terminated.

The Company's retention and the reinsurance limits are as follows:

<u>Company's Retention</u>	<u>Reinsurance Limits</u>	<u>Type of business Covered</u>
100%	None	Certain workers compensation business and certain other business

The amount of premium assumed by RCIC under this agreement is \$4,990,000, which is 29.7% of total ceded premium of \$18,671,000. The total reinsurance on paid losses and loss adjustment expense and known cases losses and loss adjustment expense is \$1,192,000 is 16.3% of the total reported amount of \$7,304,000.

The amount of premium assumed by SCIC under this agreement is \$6,040,000, which is 51.9% of total ceded premium of \$11,648,000. The total reinsurance on paid losses and loss adjustment expense and known cases losses and loss adjustment expense is \$1,856,000 is 39.8% of the total reported amount of \$4,665,000.

All contracts contained satisfactory arbitration and insolvency clauses. Additionally, the examiner determined that all contracts transfer risks as required by the Statements of Statutory Accounting Principles No. 62R.

TERRITORY AND PLAN OF OPERATION

RCIC is licensed in the following jurisdictions: Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming and the District of Columbia.

RCIC specializes in underwriting workers' compensation coverage for both underground and surface coal mining operations and other commercial risks. RCIC produces its business through 514 independent agents and brokers.

RCIC writes property and casualty insurance primarily in the states of Pennsylvania (48.9%), West Virginia (14.0%), Indiana (6.5%), Kentucky (6.5%), and Maryland (6.1%) based on Direct Written Premiums. The following chart summarizes RCIC's Direct and Assumed, Ceded and Net Written Premiums by line of business for the year ending 2017:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium
December 31, 2017			
Fire	\$ 27,845	\$ 12,140	\$ 15,705
Allied lines	17,607	7,901	9,706
Inland marine	9,726	4,299	5,427
Workers' compensation	75,608,776	27,077,478	48,531,298
Other liability - occurrence	3,097,826	1,424,274	1,673,552
Other liability - claims-made	450,371	141,769	308,602
Excess workers' compensation	1,779,392	602,126	1,177,266
Products liability - occurrence	19,080	6,324	12,756
Commercial auto liability	2,217,202	1,193,615	1,023,587
Auto physical damage	810,617	260,938	549,679
Surety	1,923,895	630,836	1,293,059
Totals	<u>\$ 85,962,337</u>	<u>\$ 31,361,700</u>	<u>\$ 54,600,637</u>

SCIC is currently licensed only in the state of Pennsylvania; however, as a result of SCIC's participation in reinsurance agreements, SCIC meets the requirements to be regulated as a multi-state insurer. The SCIC was re-classified as a multi-state entity by the Department on July 18, 2018.

SCIC specializes in underwriting workers' compensation coverage for both underground and surface coal mining operations and other commercial risks. SCIC assumes the majority of its premium from RCIC and Argo Group US affiliates. SCIC produces its business through 310 independent agents and brokers.

The following chart summarizes SCIC's Direct and Assumed, Ceded and Net Written Premiums by line of business for the year ending 2017:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium
December 31, 2017			
Workers' compensation	\$ 12,478,631	\$ 4,433,307	\$ 8,045,324
Totals	\$ 12,478,631	\$ 4,433,307	\$ 8,045,324

SIGNIFICANT OPERATING RATIOS AND TRENDS

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

RCIC

	Amount	Percentage
Premiums earned	\$ 230,019,491	100.0 %
Losses incurred	\$ 73,748,404	32.1 %
Loss expenses incurred	18,697,662	8.1 %
Other underwriting expenses incurred	78,135,199	34.0 %
Net underwriting gain or (loss)	59,438,226	25.8 %
Totals	\$ 230,019,491	100.0 %

SCIC

	Amount	Percentage
Premiums earned	\$ 35,119,418	100.0 %
Losses incurred	\$ 13,244,712	37.7 %
Loss expenses incurred	2,844,609	8.1 %
Other underwriting expenses incurred	8,453,018	24.1 %
Net underwriting gain or (loss)	10,577,079	30.1 %
Totals	\$ 35,119,418	100.0 %

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

RCIC

	2017	2016	2015	2014	2013
Admitted assets	\$ 289,674,936	\$ 248,573,999	\$ 248,358,890	\$ 237,323,760	\$ 238,772,614
Liabilities	\$ 169,665,461	\$ 161,556,901	\$ 159,496,756	\$ 157,491,894	\$ 154,582,985
Surplus as regards policyholders	\$ 120,009,475	\$ 87,017,098	\$ 88,862,134	\$ 79,831,866	\$ 84,189,629
Gross premium written	\$ 85,962,337	\$ 64,128,902	\$ 70,644,669	\$ 78,821,677	\$ 73,684,588
Net premium written	\$ 54,600,637	\$ 40,118,097	\$ 43,771,494	\$ 47,966,899	\$ 45,916,859
Underwriting gain/(loss)	\$ 17,005,701	\$ 8,383,916	\$ 6,320,282	\$ 10,785,165	\$ 16,943,162
Investment gain/(loss)	\$ 23,734,098	\$ 7,410,099	\$ 15,503,869	\$ 5,856,791	\$ 7,841,545
Other gain/(loss)	\$ 116,088	\$ 165,269	\$ 113,256	\$ 68,674	\$ 365,592
Net income	\$ 33,232,924	\$ 11,337,656	\$ 18,154,968	\$ 13,302,204	\$ 18,050,440

SCIC

	2017	2016	2015	2014	2013
Admitted assets	\$ 44,661,271	\$ 41,513,503	\$ 38,352,500	\$ 34,602,373	\$ 32,150,160
Liabilities	\$ 18,247,200	\$ 17,300,167	\$ 16,205,201	\$ 14,006,945	\$ 13,316,416
Surplus as regards policyholders	\$ 26,414,071	\$ 24,213,336	\$ 22,147,299	\$ 20,595,428	\$ 18,833,744
Gross premium written	\$ 12,478,631	\$ 11,063,823	\$ 12,047,743	\$ 9,482,459	\$ 9,016,313
Net premium written	\$ 8,045,324	\$ 7,082,840	\$ 7,825,536	\$ 6,257,627	\$ 6,047,384
Underwriting gain/(loss)	\$ 2,378,219	\$ 2,551,232	\$ 2,090,346	\$ 2,123,350	\$ 1,433,932
Investment gain/(loss)	\$ 841,951	\$ 836,598	\$ 660,055	\$ 672,114	\$ 660,011
Other gain/(loss)	\$ 3,127	\$ 488	\$ 177	\$ (1,527)	\$ 18
Net income	\$ 2,237,774	\$ 1,972,469	\$ 1,600,156	\$ 1,824,520	\$ 1,566,561

PENDING LITIGATION

As of December 31, 2017, the Companies and the insurance industry in general, are subject to litigation and arbitration arising in the normal course of business. The Companies are not a party to any material litigation or arbitration other than as routinely encountered in claims activity, none of which will, in the opinion of management, have a material adverse effect on the Companies' capital and surplus.

FINANCIAL STATEMENTS

The financial condition of the Companies, as of December 31, 2017, 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 Companies' filed Annual Statements due to rounding errors.

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

RCIC

	2017	2016	2015	2014	2013
Bonds	\$ 223,814,398	\$ 176,374,227	\$ 178,950,755	\$ 118,902,377	\$ 124,875,232
Preferred stocks	497,400	0	0	0	0
Common stocks	34,793,805	46,859,639	42,849,223	61,144,868	56,924,379
Real estate	330,000	330,000	330,000	330,000	330,000
Cash, cash equivalents, and short term investments	14,715,256	12,828,374	11,953,347	15,059,179	10,848,292
Other invested assets	1,952,667	3,626,808	3,992,153	32,053,320	33,679,087
Receivable for securities	85,770	1,517	1,876	231,445	1,604
Subtotals, cash and invested assets	<u>276,189,296</u>	<u>240,020,563</u>	<u>238,077,354</u>	<u>227,720,989</u>	<u>226,658,594</u>
Investment income due and accrued	2,154,963	1,800,086	1,891,438	1,311,287	1,484,178
Premiums and agents' balances due	7,130,239	6,231,065	6,626,733	6,922,387	7,891,670
Current federal and foreign income tax recoverable and interest thereon	979,448	0	829,910	0	97,993
Net deferred tax asset	515,478	0	195,470	0	2,342,273
Guaranty funds receivable or on deposit	1,833	4,448	7,059	10,388	13,788
Receivable from parent, subsidiaries and affiliates	0	0	0	15,440	0
Aggregate write-ins for other than invested assets	2,703,679	517,839	730,926	613,886	504,118
Total	<u>\$ 289,674,936</u>	<u>\$ 248,573,999</u>	<u>\$ 248,358,890</u>	<u>\$ 237,323,760</u>	<u>\$ 238,772,614</u>
Losses	\$ 83,862,323	\$ 83,764,750	\$ 85,071,398	\$ 81,375,248	\$ 83,558,820
Loss adjustment expenses	12,798,377	12,761,235	12,562,126	12,728,749	13,192,587
Commissions payable, contingent commissions and other similar charges	1,438,083	1,195,054	1,534,839	1,124,845	1,249,434
Other expenses	1,519,107	1,509,545	1,627,306	2,237,299	1,964,023
Taxes, licenses and fees	1,169,866	762,050	983,978	923,072	1,063,765
Current federal and foreign income taxes	0	871,030	0	0	0
Net deferred tax liability	0	684,585	0	701,898	0
Unearned premiums	15,191,749	13,644,563	12,847,928	12,879,454	13,549,441
Dividends declared and unpaid:					
Policyholders'	188,962	13,708	449,428	200,395	299,733
Ceded reinsurance premiums payable (net of ceding commissions)	3,551,183	3,575,367	3,268,598	3,248,561	2,316,409
Funds held by company under reinsurance treaties	37,260,809	34,097,861	34,046,595	33,290,976	30,593,870
Amounts withheld or retained by company for account of others	10,957,087	8,111,256	6,365,428	8,326,132	5,739,167
Provision for reinsurance	7,106	8,882	8,882	11,400	30,664
Payable to parent, subsidiaries and affiliates	609,751	562,686	476,020	0	406,378
Payable for securities	1,000,000	0	32,250	0	0
Aggregate write-ins for liabilities	111,058	194,129	223,978	445,865	598,694
Total liabilities	<u>169,665,461</u>	<u>161,556,901</u>	<u>159,496,756</u>	<u>157,491,894</u>	<u>154,582,965</u>
Common capital stock	3,845,000	3,845,000	3,845,000	3,845,000	3,845,000
Gross paid in and contributed surplus	5,479,500	5,479,500	5,479,500	5,479,500	5,479,500
Unassigned funds (surplus)	110,684,975	77,692,598	79,537,634	70,507,366	74,885,129
Surplus as regards policyholders	120,009,475	87,017,098	88,862,134	79,831,866	84,189,629
Totals	<u>\$ 289,674,936</u>	<u>\$ 248,573,999</u>	<u>\$ 248,358,890</u>	<u>\$ 237,323,760</u>	<u>\$ 238,772,614</u>

SCIC

	2017	2016	2015	2014	2013
Bonds	\$ 37,068,818	\$ 36,052,533	\$ 33,069,820	\$ 28,793,455	\$ 24,971,255
Cash, cash equivalents, and short term investments	511,874	1,646,813	988,359	681,760	4,401,933
Subtotals, cash and invested assets	<u>37,580,692</u>	<u>37,699,346</u>	<u>34,058,179</u>	<u>29,655,215</u>	<u>29,373,188</u>
Investment income due and accrued	271,823	231,109	222,823	213,258	222,722
Premiums and agents' balances due	1,289,994	582,046	1,081,494	1,730,795	7,039
Funds held by or deposited with reinsured companies	5,450,000	2,900,000	2,900,000	2,900,000	2,410,000
Net deferred tax asset	68,782	101,002	90,004	103,105	137,211
Total	<u>\$ 44,661,271</u>	<u>\$ 41,513,503</u>	<u>\$ 38,352,500</u>	<u>\$ 34,602,373</u>	<u>\$ 32,150,160</u>
Losses	\$ 8,425,754	\$ 7,931,121	\$ 7,471,599	\$ 5,984,407	\$ 6,773,152
Loss adjustment expenses	1,038,064	968,999	1,051,413	1,030,598	897,351
Commissions payable, contingent commissions and other similar charges	6,283	4,108	3,782	2,442	3,157
Other expenses	12,923	21,022	11,321	10,277	0
Taxes, licenses and fees	22,517	22,094	18,931	12,443	5,079
Current federal and foreign income taxes	890,354	992,041	699,612	779,635	187,956
Unearned premiums	1,302,539	1,162,387	1,248,892	1,162,380	1,152,536
Dividends declared and unpaid:					
Policyholders'	211,981	267,837	249,149	212,198	121,897
Ceded reinsurance premiums payable (net of ceding commissions)	152,639	167,865	191,478	91,300	73,860
Funds held by company under reinsurance treaties	4,644,994	4,340,400	3,810,221	3,909,076	3,718,268
Amounts withheld or retained by company for account of others	731,683	943,821	948,808	(143,764)	(51,815)
Payable to parent, subsidiaries and affiliates	790,433	315,827	301,138	559,799	116,031
Aggregate write-ins for liabilities	17,056	162,845	198,657	376,154	320,944
Total liabilities	<u>18,247,200</u>	<u>17,300,167</u>	<u>16,205,201</u>	<u>14,006,945</u>	<u>13,316,416</u>
Common capital stock	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Gross paid in and contributed surplus	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Unassigned funds (surplus)	22,914,071	20,713,336	18,647,299	17,095,428	15,333,744
Surplus as regards policyholders	26,414,071	24,213,336	22,147,299	20,595,428	18,833,744
Totals	<u>\$ 44,661,271</u>	<u>\$ 41,513,503</u>	<u>\$ 38,352,500</u>	<u>\$ 34,602,373</u>	<u>\$ 32,150,160</u>

Comparative Statement of Income For the Year Ended December 31,

RCIC

	2017	2016	2015	2014	2013
Underwriting Income					
Premiums earned	\$ 53,061,111	\$ 39,331,754	\$ 43,902,225	\$ 48,796,781	\$ 44,927,620
Deductions:					
Losses incurred	16,091,774	12,201,332	18,345,600	17,669,392	9,440,306
Loss expenses incurred	3,451,095	4,048,439	3,415,242	3,725,051	4,057,835
Other underwriting expenses incurred	16,512,541	14,698,067	15,821,101	16,617,173	14,486,317
Total underwriting deductions	<u>36,055,410</u>	<u>30,947,838</u>	<u>37,581,943</u>	<u>38,011,616</u>	<u>27,984,458</u>
Net underwriting gain or (loss)	<u>17,005,701</u>	<u>8,383,916</u>	<u>6,320,282</u>	<u>10,785,165</u>	<u>16,943,162</u>
Investment Income					
Net investment income earned	5,614,369	6,553,478	3,683,618	3,409,175	4,904,168
Net realized capital gains or (losses)	18,119,729	856,621	11,820,251	2,447,616	2,937,377
Net investment gain or (loss)	<u>23,734,098</u>	<u>7,410,099</u>	<u>15,503,869</u>	<u>5,856,791</u>	<u>7,841,545</u>
Other Income					
Finance and service charges not included in premiums	55,314	51,120	49,794	50,634	51,561
Aggregate write-ins for miscellaneous income	67,088	116,049	65,572	63,156	318,958
Total other income	<u>116,088</u>	<u>165,269</u>	<u>113,256</u>	<u>68,674</u>	<u>365,592</u>
Net income before dividends to policyholders and before federal and foreign income taxes	40,855,885	15,959,284	21,937,407	16,710,630	25,150,299
Federal and foreign income taxes incurred	7,437,769	4,860,482	3,182,410	3,251,237	6,640,599
Net income	<u>\$ 33,232,924</u>	<u>\$ 11,337,656</u>	<u>\$ 18,154,968</u>	<u>\$ 13,302,204</u>	<u>\$ 18,050,440</u>

SCIC

	2017	2016	2015	2014	2013
Underwriting Income					
Premiums earned	\$ 8,050,961	\$ 7,205,356	\$ 7,936,322	\$ 6,172,573	\$ 5,754,206
Deductions:					
Losses incurred	2,732,784	2,402,866	3,537,852	1,863,957	2,707,253
Loss expenses incurred	477,549	607,153	652,263	642,004	465,640
Other underwriting expenses incurred	2,462,409	1,644,105	1,855,861	1,543,262	1,147,381
Total underwriting deductions	<u>5,672,742</u>	<u>4,654,124</u>	<u>5,845,976</u>	<u>4,049,223</u>	<u>4,320,274</u>
Net underwriting gain or (loss)	<u>2,378,219</u>	<u>2,551,232</u>	<u>2,090,346</u>	<u>2,123,350</u>	<u>1,433,932</u>
Investment Income					
Net investment income earned	846,220	759,638	593,303	547,989	671,170
Net realized capital gains or (losses)	(4,269)	76,960	66,752	124,125	(11,159)
Net investment gain or (loss)	<u>841,951</u>	<u>836,598</u>	<u>660,055</u>	<u>672,114</u>	<u>660,011</u>
Other Income					
Finance and service charges not included in premiums	3,581	486	198	162	198
Aggregate write-ins for miscellaneous income	0	0	0	29	0
Total other income	<u>3,127</u>	<u>488</u>	<u>177</u>	<u>(1,527)</u>	<u>18</u>
Net income before dividends to policyholders and before federal and foreign income taxes	3,223,296	3,388,317	2,750,578	2,793,937	2,093,961
Federal and foreign income taxes incurred	1,146,183	1,013,611	684,728	701,263	686,535
Net income	<u>\$ 2,237,774</u>	<u>\$ 1,972,469</u>	<u>\$ 1,600,156</u>	<u>\$ 1,824,520</u>	<u>\$ 1,566,561</u>

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

RCIC

	2017	2016	2015	2014	2013
Surplus as regards policyholders,					
December 31, previous year	\$ 87,017,098	\$ 88,862,134	\$ 79,831,866	\$ 84,189,629	\$ 70,534,901
Net income	33,232,924	11,337,656	18,154,968	13,302,204	18,050,440
Net unrealized capital gains or (losses)	(252,346)	4,245,933	(8,017,822)	3,242,410	4,304,941
Change in net deferred income tax	32,988	293,737	(890,319)	(996,999)	(403,530)
Change in nonadmitted assets	(22,965)	377,638	(219,077)	75,358	1,195,877
Change in provision for reinsurance	1,776	0	2,518	19,264	7,000
Dividends to stockholders	0	(18,100,000)	0	(20,000,000)	(9,500,000)
Change in surplus as regards policyholder for the year	32,992,377	(1,845,038)	9,030,288	(4,357,763)	13,654,728
Surplus as regards policyholders,					
December 31, current year	\$ 120,009,475	\$ 87,017,098	\$ 88,862,134	\$ 79,831,866	\$ 84,189,629

SCIC

	2017	2016	2015	2014	2013
Surplus as regards policyholders,					
December 31, previous year	\$ 24,213,336	\$ 22,147,299	\$ 20,595,428	\$ 18,833,744	\$ 17,303,056
Net income	2,237,774	1,972,469	1,600,156	1,824,520	1,566,561
Net unrealized capital gains or (losses)	860	50,986	(37,574)	(14,272)	213
Change in net deferred income tax	(35,807)	42,483	(33,332)	(87,209)	(52,380)
Change in nonadmitted assets	(2,092)	99	22,621	38,645	16,294
Change in surplus as regards policyholder for the year	2,200,735	2,066,037	1,551,871	1,761,684	1,530,688
Surplus as regards policyholders,					
December 31, current year	\$ 26,414,071	\$ 24,213,336	\$ 22,147,299	\$ 20,595,428	\$ 18,833,744

For Informational Purposes Only

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

RCIC

	2017	2016	2015	2014	2013
Cash from Operations					
Premiums collected net of reinsurance	\$ 53,565,990	\$ 40,975,933	\$ 43,875,251	\$ 49,689,059	\$ 44,888,406
Net investment income	5,892,402	7,587,055	4,360,678	5,007,971	6,011,206
Miscellaneous income	116,088	165,269	113,256	68,674	365,592
Total income	59,574,480	48,728,257	48,349,185	54,765,704	51,265,204
Benefit and loss related payments	15,994,202	13,507,980	14,649,450	19,852,963	15,153,309
Commissions, expenses paid and aggregate write-ins for deductions	19,231,269	19,279,473	19,532,336	20,889,800	18,595,504
Dividends to policyholders	9,937	196,866	350,996	256,527	860,438
Federal and foreign income taxes paid (recovered)	19,441,028	4,407,609	4,089,715	4,398,238	7,476,378
Total deductions	54,676,434	37,391,928	38,622,497	45,398,528	42,085,629
Net cash from operations	4,898,046	11,336,329	9,726,688	9,367,176	9,179,575
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	101,833,966	151,828,518	85,828,697	92,640,254	78,791,522
Stocks	49,381,875	573,942	25,748,141	2,340,278	6,127,054
Other invested assets	2,101,675	763,133	27,535,457	10,028,334	0
Net gain or (loss) on cash and short-term investments	(1,085)	0	0	0	402
Miscellaneous proceeds	915,748	0	261,819	0	0
Total investment proceeds	154,232,179	153,165,593	139,374,114	105,008,866	84,918,978
Cost of investments acquired (long-term only):					
Bonds	149,192,835	147,212,891	148,209,762	87,638,986	58,917,855
Stocks	11,735,916	499,468	2,782,912	2,037,168	1,367,505
Real estate	40,070	1,375	79,250	0	(46,965)
Other invested assets	144,327	32,042	204,730	5,026,380	27,027,748
Miscellaneous applications	0	31,891	0	229,842	1,523
Total investments acquired	161,113,148	147,777,667	151,275,654	94,932,376	87,267,666
Net cash from investments	(6,880,969)	5,387,926	(11,901,540)	10,076,490	(2,348,688)
Cash from Financing and Miscellaneous Services					
Other cash provided (applied):					
Dividends to stockholders (paid)	0	18,100,000	0	20,000,000	9,500,000
Other cash provided or (applied)	3,869,805	2,250,772	(930,980)	4,767,221	(745,380)
Net cash from financing and miscellaneous sources	3,869,805	(15,849,228)	(930,980)	(15,232,779)	(10,245,380)
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	1,886,882	875,027	(3,105,832)	4,210,887	(3,414,493)
Cash and short-term investments:					
Beginning of the year	12,828,374	11,953,347	15,059,179	10,848,292	14,262,785
End of the year	<u>\$ 14,715,256</u>	<u>\$ 12,828,374</u>	<u>\$ 11,953,347</u>	<u>\$ 15,059,179</u>	<u>\$ 10,848,292</u>

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

SCIC

	2017	2016	2015	2014	2013
Cash from Operations					
Premiums collected net of reinsurance	\$ 4,766,225	\$ 7,562,604	\$ 8,597,636	\$ 4,054,540	\$ 7,430,038
Net investment income	975,292	981,834	865,180	872,190	785,379
Miscellaneous income	3,127	488	177	(1,527)	18
Total income	5,744,644	8,544,926	9,462,993	4,925,203	8,215,435
Benefit and loss related payments	2,238,150	1,943,345	2,050,661	2,852,702	1,856,325
Commissions, expenses paid and aggregate write-ins for deductions	2,868,315	2,330,181	2,279,482	2,045,369	1,458,821
Dividends to policyholders	(104,806)	383,349	428,743	177,853	(7,804)
Federal and foreign income taxes paid (recovered)	1,245,572	762,821	800,695	176,420	1,513,417
Total deductions	6,247,231	5,419,696	5,559,581	5,052,344	4,620,759
Net cash from operations	(502,587)	3,125,030	3,903,412	(127,141)	3,594,676
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	15,870,677	23,911,655	19,091,461	12,198,636	15,491,338
Net gain or (loss) on cash and short-term investments	(213)	(49)	0	0	25
Total investment proceeds	15,870,464	23,911,606	19,091,461	12,198,636	15,491,363
Cost of investments acquired (long-term only):					
Bonds	17,069,878	26,918,062	23,603,331	16,156,295	18,229,274
Total investments acquired	17,069,878	26,918,062	23,603,331	16,156,295	18,229,274
Net cash from investments	(1,199,414)	(3,006,456)	(4,511,870)	(3,957,659)	(2,737,911)
Cash from Financing and Miscellaneous Services					
Other cash provided (applied):					
Other cash provided or (applied)	567,062	539,880	735,057	544,627	508,690
Net cash from financing and miscellaneous sources	567,062	539,880	735,057	544,627	508,690
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	(1,134,939)	658,454	126,599	(3,540,173)	1,365,456
Cash and short-term investments:					
Beginning of the year	1,646,813	988,359	861,760	4,401,933	3,036,478
End of the year	\$ 511,874	\$ 1,646,813	\$ 988,359	\$ 861,760	\$ 4,401,933

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, 2017, RCIC's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 223,814,398	81.1 %
Preferred stocks	497,400	0.2 %
Common stocks	34,793,805	12.6 %
Real estate	330,000	0.1 %
Cash	12,810,870	4.6 %
Cash equivalents	1,904,386	0.7 %
Other invested assets	1,952,667	0.7 %
Receivable for securities	85,770	0.0 %
Totals	<u>\$ 276,189,296</u>	<u>100.0 %</u>

RCIC's bond and short-term investment portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 162,480,624	72.1 %
2 - high quality	34,636,445	15.3 %
3 - medium quality	3,256,839	1.4 %
4 - low quality	15,552,081	6.9 %
5 - lower quality	7,737,080	3.4 %
6 - in or near default	2,055,715	0.9 %
Totals	<u>\$ 225,718,784</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 17,889,062	7.9 %
2 to 5 years	122,448,962	54.3 %
6 to 10 years	73,761,128	32.7 %
11 to 20 years	8,915,527	3.9 %
over 20 years	2,704,105	1.2 %
Totals	<u>\$ 225,718,784</u>	<u>100.0 %</u>

The bonds held in RCIC are primarily corporate bonds (49.1%) and U.S. and non-U.S. government bonds (26.2%). The common stock held is primarily that of SCIC with a fair value of \$26,414,071 (75.9%).

Rockwood Group

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SCIC's is reported at its underlying statutory equity plus the admitted portion of goodwill in accordance with NAIC valuation standards. SCIC's value represents 9.1% of admitted assets.

As of December 31, 2017, SCIC's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 37,068,818	98.6 %
Cash	419,203	1.2 %
Cash equivalents	92,671	0.2 %
Totals	<u>\$ 37,580,692</u>	<u>100.0 %</u>

SCIC's bond and short-term investment portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 29,720,795	80.0 %
2 - high quality	7,440,694	20.0 %
Totals	<u>\$ 37,161,489</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 4,002,041	10.8 %
2 to 5 years	18,653,710	50.2 %
6 to 10 years	11,006,564	29.6 %
11 to 20 years	1,590,334	4.3 %
over 20 years	1,908,840	5.1 %
Totals	<u>\$ 37,161,489</u>	<u>100.0 %</u>

The bonds held in SCIC are primarily corporate bonds (45.6%) and U.S. and non-U.S. government bonds (23.7%).

RCIC and SCIC's investment securities are kept by a custodian who acts as a non-discretionary custodian. The custodial agreements between the Companies and US Bank N.A. were effective November 30, 2009. The custodial agreements appear to be in compliance with the standards for custodial agreements as required in 31 Pa. Code § 148a.3.

The Companies have a written investment policy as required by 40 P.S. § 653b(b). The investment policy is reviewed and approved on an annual basis by the Board. The Companies were following their investment policies at December 31, 2017.

LIABILITIES

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

RCIC reported net reserves in the amount of \$83,862,323 for losses and \$12,798,377 for loss adjustment expenses ("LAE") on the December 31, 2017 Annual Statement.

SCIC reported net reserves in the amount of \$8,425,754 for losses and \$1,038,064 for LAE on the December 31, 2017 Annual Statement. These amounts represent reserves determined in accordance with the terms of the Pooling Agreement defined above.

The Companies discount unpaid losses and allocated LAE for workers' compensation business on a tabular and non-tabular basis, at an interest rate of 2.25%.

The Appointed Actuary ("AA") for both Companies is Ronald J. Swanstrom, FCAS, MAAA, Senior Vice President, and Chief Reserving Actuary for Argo Group US, for the entire five-year duration of the examination period.

For each year in the examination period and for both Companies, the AA provided a Statement of Actuarial Opinion stating that the reserve amounts made a reasonable provision for all unpaid loss and LAE expense obligations under the terms of its contracts and agreements, as provided in the *NAIC Annual Statement Instructions – Property and Casualty*.

E&Y, serving in the role of the Companies' independent auditor, also developed an independent estimate of the reserves as of December 31, 2017. Based on the results of their own reserve analyses, E&Y concluded that reserves were within acceptable ranges; and, therefore, were fairly stated.

The Department engaged the actuarial services of The Actuarial Advantage, Inc. ("TAA") to provide risk focused actuarial assistance to review the Companies' reserving and pricing activities. TAA actuarial support was provided by Laura S. Martin, FCAS, MAAA.

Based on the procedures performed and the results obtained, the examination team obtained sufficient documentation to support the conclusion that the Companies' carried loss and LAE reserve amounts are reasonably stated as of December 31, 2017.

SUBSEQUENT EVENTS

On March 29, 2019, the Companies' CFO, David W. Hay retired. On April 1, 2019, under unanimous consent, the Board appointed Andrew Romesberg CFO effective March 29, 2019.

RECOMMENDATIONS

PRIOR EXAMINATION

There were no recommendations for the Companies as a result of the previous examinations.

CURRENT EXAMINATION

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

CONCLUSION

As a result of this examination, the financial condition of Rockwood Casualty Insurance Company and Somerset Casualty Insurance Company, as of December 31, 2017, was determined to be as follows:

RCIC

	Amount	Percentage
Admitted assets	\$ 289,674,936	100.0 %
Liabilities	\$ 169,665,461	58.6 %
Surplus as regards policyholders	120,009,475	41.4 %
Total liabilities and surplus	\$ 289,674,936	100.0 %

SCIC

	Amount	Percentage
Admitted assets	\$ 44,661,271	100.0 %
Liabilities	\$ 18,247,200	40.9 %
Surplus as regards policyholders	26,414,071	59.1 %
Total liabilities and surplus	\$ 44,661,271	100.0 %

Since the previous examination, made as of December 31, 2012, RCIC's assets increased by \$58,544,175, its liabilities increased by \$9,069,602, and its surplus increased by \$49,474,574.

Since the previous examination, made as of December 31, 2012, SCIC's assets increased by \$15,053,062, its liabilities increased by \$5,942,047, and its surplus increased by \$9,111,015.

For Informational Purposes Only

This examination was conducted by Laura S. Martin, FCAS, MAAA of The Actuarial Advantage; David M. Smith, CISA, Robert W. Smith, CFE and George E. Horey, CFE with the latter in charge.

Respectfully,



Melissa L. Greiner
Director
Bureau of Financial Examinations



Philip M. Judge, CFE
Examination Manager



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.

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