

EXAMINATION REPORT OF
STATE AUTO PROPERTY & CASUALTY INSURANCE COMPANY
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2023

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an examination has been made of the records, business affairs and financial condition of

STATE AUTO PROPERTY & CASUALTY INSURANCE COMPANY

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2023

at its Home Office, 4601 Westown Parkway, Suite 300, West Des Moines, Iowa. The report, containing applicable comments and financial data, is presented herein.

INTRODUCTION

State Auto Property & Casualty Insurance Company, hereinafter referred to as the “Company”, was last examined as of December 31, 2018, by the Iowa Insurance Division. The examination reported herein was conducted as an examination of an insurance holding company group with the Massachusetts Division of Insurance acting as the lead state and the Iowa Insurance Division participating in the holding company group examination. The examination was performed by a contract firm, Risk & Regulatory Consulting, LLC, and examiners from the Iowa Insurance Division. The Company’s affiliates, Milbank Insurance Company and Plaza Insurance Company, were also examined as part of the holding company group examination, with a separate examination report prepared for each entity.

SCOPE OF THE EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2019, to the close of business on December 31, 2023, including any material transactions and/or events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The Handbook requires that we plan and perform the examination to evaluate the financial condition, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

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

This examination report includes significant findings of fact and general information about the insurer and its financial condition.

HISTORY

The Company was organized on January 25, 1950, under the laws of South Carolina as the Dixie Fire and Casualty Company. It was licensed and commenced business on April 1, 1950. State Automobile Mutual Insurance Company (SAM) acquired the Company in 1958. The Company merged with an affiliated company, The Southern Home Insurance Company on December 31, 1963. The surviving company simultaneously changed its name to The Southern Home Insurance Company. The Company adopted its current name on January 1, 1988. The Company redomesticated to the State of Iowa with an effective date of November 14, 2006. Farmers Casualty Insurance Company merged into State Auto Property & Casualty Insurance Company on December 31, 2012.

On May 16, 1991, SAM re-activated a stock company, State Auto Financial Corporation (STFC) as a downstream holding company. All of the outstanding stock of the Company, as well as the stock of certain other subsidiaries of the parent, were contributed to STFC, as part of its initial capitalization. SAM offered 34% of the stock of STFC in an initial public offering and retained the remaining 66%. Currently, approximately 60% of STFC's outstanding shares are owned by SAM.

On March 1, 2022, Liberty Mutual Holding Company Inc. (Liberty Mutual) acquired SAM and the Company, and its affiliates were added to the Liberty Mutual Insurance Company pool.

CAPITAL STOCK & DIVIDENDS THEREON

The Company has 550,000 shares of \$20 par value common stock authorized and 253,860 shares issued and outstanding, resulting in reporting common capital stock of \$5,077,200, and the Company reported gross paid in and contributed surplus of \$144,184,034.

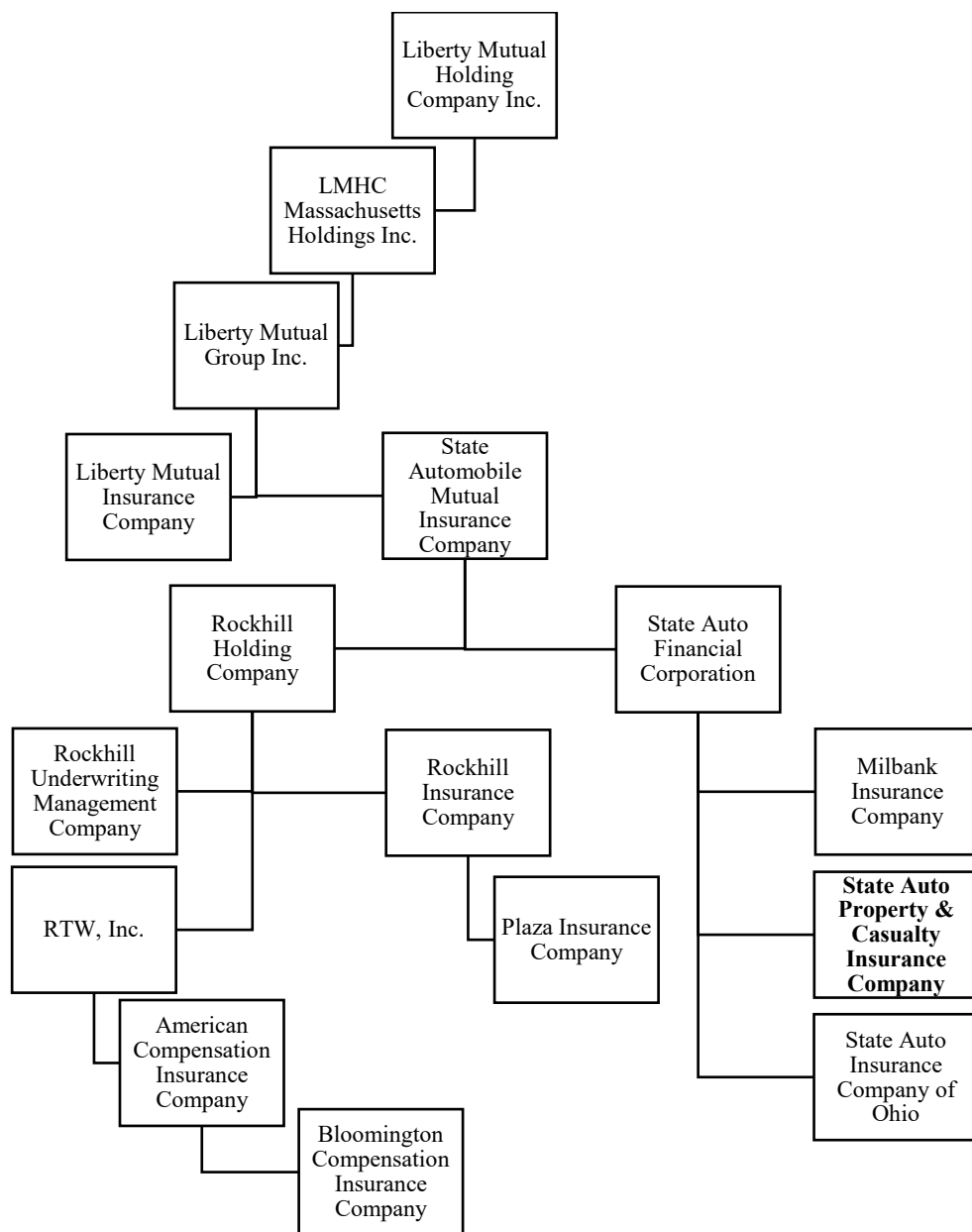
During the examination period the Company paid dividends as follows:

<u>Year</u>	<u>Dividends</u>
2019	\$ 10,000,000
2020	15,000,000
2021	10,000,000
2023	385,000,000

HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. Liberty Mutual Holding Company Inc., a Massachusetts mutual holding company, is the ultimate controlling person for the group. An Insurance Holding Company System Registration Statement was filed with the Iowa Insurance Division for each year of the examination period.

An abbreviated organizational chart identifying the Company within the Holding Company System as follows:



MANAGEMENT AND CONTROL

STOCKHOLDERS

The annual meeting of shareholders for the election of directors and the transaction of such other business as may be brought before the meeting shall be held within a period of six months after the close of each fiscal year of the corporation, on such day in such period as shall be designated by the Board of Directors, and at such time and at such place in or out of the State of Iowa as shall be fixed in the notice of the meeting. Special meetings of the shareholders may be held at any time and at any place in or out of the State of Iowa upon call by the President or Secretary or by a majority of the members of the Board of Directors acting with or without a meeting.

BOARD OF DIRECTORS

The Bylaws provide that the business and affairs of the Company shall be managed by a Board of Directors. The number of directors which shall constitute the whole Board shall not be less than five nor more than 21, the exact number to be specified from time to time by the Bylaws or by resolution of the Board of Directors or by the shareholders at their annual meeting. Directors shall be elected for a one-year term.

The elected and qualified individuals serving as directors at, December 31, 2023, are as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
James Czapla Marblehead, MA	Deputy General Counsel of U.S. Retail Markets Liberty Mutual Group Inc.	2024
Michael Fallon Bedford, MA	President of North America Major Accounts Liberty Mutual Group Inc.	2024
Hamid Mirza Norwell, MA	Executive Vice President and President of U.S. Retail Markets Liberty Mutual Group Inc.	2024
Matthew Dolan Avon, Connecticut	President of North America Specialty and Executive Vice President of Global Risk Solutions Liberty Mutual Group Inc.	2024
Damon Hart Brookline, MA	Executive Vice President, Chief Legal Officer, and Secretary Liberty Mutual Group Inc.	2024
Elizabeth Morahan Newtonville, MA	Deputy General Counsel of Global Risk Solutions Liberty Mutual Group Inc.	2024
Alison Erbig Stoneham, MA	Chief Financial Officer of Global Risk Solutions Liberty Mutual Group Inc.	2024
Matthew Johnson Boston, MA	Chief Financial Officer of U.S. Retail Markets Liberty Mutual Group Inc.	2024
Paul Sanghera Medfield, MA	Executive Vice President, and Comptroller Liberty Mutual Group Inc.	2024

COMMITTEES

The Company did not have any directors serving on board committees as of December 31, 2023.

The governance and oversight functions provided by Liberty Mutual Holding Company Inc.'s board committees also apply to the Company. Appointments to the Liberty Mutual Holding Company Inc.'s board committees as of December 31, 2023:

Finance & Audit Committee

Nancy W. Quan
Angel Ruiz
Eric A. Spiegel
Annette M. Verschuren
Anne Waleski*

Executive Committee

David H. Long*
William C. Van Faasen
Timothy M. Sweeney
Myrtle S. Potter
George Serafeim
Eric A. Spiegel
Anne Waleski

Risk Committee

Timothy M. Sweeney
Jay Hooley
Myrtle S. Potter
Ellen A. Rudnick
Angel A. Ruiz
Martin P. Slark
Eric A. Spiegel*

Compensation Committee

William C. Van Faasen
Jay Hooley
Myrtle S. Potter*
Nancy Quan
Anne Waleski

Investment Committee

Timothy M. Sweeney
George Serafeim*
Martin P. Slark
Eric A. Spiegel
Annette M. Verschuren

Governance & Sustainability Committee

David H. Long*
William C. Van Faasen
Timothy M. Sweeney
Jay Hooley
Myrtle S. Potter
Ellen A. Rudnick
George Serafeim

* Committee Chair

OFFICERS

The Bylaws provide that the officers of the corporation shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers and assistant officers as shall be elected by the Board of Directors. Any person may hold two or more offices at the same time, subject to approval of the Board of Directors, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if such instrument is required by law to be executed, acknowledged, or verified by two or more officers.

Duly elected officers serving as of December 31, 2023, were as follows:

<u>Name</u>	<u>Title</u>
Hamid Mirza	President and Chief Executive Officer
Damon Hart	Chairman of the Board, Executive Vice President, Chief Legal Officer, and Secretary
Nikos Vasilakos	Executive Vice President and Treasurer
Christopher Peirce ¹	Executive Vice President and Chief Financial Officer
Paul Sanghera	Executive Vice President and Comptroller
Vlad Barbalat	Executive Vice President and Chief Investment Officer

¹Christopher Peirce resigned on December 31, 2024, and was succeeded by Julie Haase.

CONFLICT OF INTEREST

The Company maintains a formal conflict of interest policy statement and has established procedures for the Board of Directors or committee thereof to receive information on the annual conflict of interest disclosure procedures of any material interest or affiliation on behalf of the Company's directors, officers, and key employees, which is in conflict with their official duties. The examination team reviewed the conflict-of-interest questionnaires completed by the Company's

directors and officers for each year of the period covered by this examination. There were no disclosures that were determined to present a material conflict of interest.

CORPORATE RECORDS

There were no amendments to the Articles of Incorporation and By-Laws during the examination period.

The recorded minutes of the Shareholder and Board of Directors were reviewed for the examination period. The minutes appeared to be complete and were found to be properly attested.

The recorded minutes of the Board of Directors were silent on acceptance of the Examination Report as of December 31, 2018, prepared by the Iowa Insurance Division.

INTERCOMPANY AGREEMENTS

Credit Agreement

The Company, as lender, entered into a Credit Agreement with SAM, as borrower, whereby the Company issued a Term Loan Note for the principal amount of \$50 million cash. The Term Loan Note had a 10-year term, with principal due at maturity on May 8, 2019. On May 8, 2019, the Company amended the Credit Agreement to modify the maturity date from May 8, 2019, to May 8, 2029, and modify the interest rate from 7% to 4.05%.

The Company, as lender, entered into a Credit Agreement with STFC, as borrower, whereby the Company issued a Term Loan Note for the principal amount of \$85 million cash for the repayment of STFC's outstanding Senior Notes. The Term Loan Note had a 20-year term at 5.28% and was funded July 11, 2013. A payment in the amount of \$10,018,805.48 was made on January 13, 2023 by STFC to the Company on the Term Loan Note in the principal amount of \$85 million.

Management and Operations Agreement

The Company entered into a Management and Operations Agreement with SAM and certain affiliates, whereby in exchange for a fee, the Company is responsible for performing all organizational, operational and management functions for each of the companies and SAM provides certain facilities, office equipment, and other tangible property as needed to conduct their respective businesses.

Midwest Security Insurance Company Management Agreement

The Company entered into a Midwest Security Insurance Company Management Agreement with SAM and State Auto Insurance Company of Wisconsin (SAWI), whereby in exchange for a fee, the Company is responsible for performing all organizational, operational and management functions for SAWI, and SAM provides certain facilities, office equipment, and other tangible property to SAWI. This agreement has been replaced by the Management Services Agreement with Liberty Mutual Insurance Company and will be terminated.

Investment Management Agreement

The Company entered into an Investment Management Agreement with Stateco Financial Services, Inc. (Stateco), whereby Stateco manages the investment portfolios of the Company and in return receives an investment management fee based on performance and the size of the portfolios. This agreement has been replaced by the Investment Management Agreement with Liberty Mutual Group Asset Management Inc. and will be terminated.

Consulting Services Agreement

The Company entered into a Consulting Services Agreement with RTW, Inc. (RTW), whereby RTW in exchange for a fee, will provide case management of certain claims under the workers compensation program.

Management Agreement and Operations Agreement

The Company entered into a Management and Operations Agreement with SAM, and certain subsidiaries of Rockhill Holding Company, whereby in exchange for a fee, the Company is responsible for performing all organizational, operational and management functions for each of the companies and SAM provides certain facilities, office equipment, and other tangible property as needed to conduct their respective businesses. This agreement has been replaced by the Management Services Agreement with Liberty Mutual Insurance Company and will be terminated.

Management Services Agreement

The Company entered into a Management Services Agreement with Liberty Mutual Insurance Company whereby Liberty Mutual Insurance Company provides certain services to the Company.

Cash Management Agreement

The Company entered into a Cash Management Agreement with Liberty Mutual Insurance Company, whereby Liberty Mutual Insurance Company provides short term cash liquidity pool management services to the Company.

Investment Management Agreement

The Company entered into an Investment Management Agreement with Liberty Mutual Group Asset Management Inc. (LMGAM) whereby LMGAM provides investment management services and in return receives an investment management fee.

Federal Tax Sharing Agreement

The Company entered into a Federal Tax Sharing Agreement with Liberty Mutual Holding Company Inc. and each of its wholly owned subsidiaries. The income tax allocation is subject to a written tax sharing agreement and allocation is based upon separate return calculations with credit applied for losses as appropriate. The Company has the enforceable right to recoup prior year payments in the event of future losses.

FIDELITY BONDS AND OTHER INSURANCE

The Company is protected by a financial institution bond up to a single loss limit of \$15,000,000, and an aggregate loss limit of \$30,000,000, with a single loss deductible of \$10,000,000. The insurance coverage meets the NAIC's suggested minimum amount of coverage. The financial institution bond policy as well as other insurance policies under the Liberty Mutual Holding Company, Inc. insurance program provide adequate coverages and are all with authorized insurers.

EMPLOYEES' WELFARE

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan deferred compensation arrangements, compensated absences or other postretirement benefit plans. Services for the operation of the Company are provided under provisions of the management services agreements. Furthermore, employee benefits are provided at the enterprise level and accessed through a series of intercompany management service agreements, that have been filed and non-disapproved by the respective departments of insurance.

REINSURANCE

REINSURANCE POOLING AGREEMENT

The Company entered into a Reinsurance Pooling Agreement with Liberty Mutual Insurance Company and a number of affiliates, whereby the pooling participants share the results of their underwriting operations. Liberty Mutual Insurance Company is the lead insurer and as such is the principal administrator of most pooling operations. After recording all of the affiliate transactions, Liberty Mutual Insurance Company records 100% of its external assumed and ceded reinsurance and the net underwriting activity is retroceded to the pool participants in accordance with each company's pro-rata pooling participation percentage as noted below, except for Wausau Business Insurance Company, Wausau General Insurance Company and Wausau

Underwriters Insurance Company, which cede 100% of its underwriting activity to Employers Insurance Company of Wausau, which then 100% retrocedes to Liberty Mutual Insurance Company to be included in the pool.

The Liberty Mutual Insurance Company pool participants and their respective pro-rata pooling percentages as of December 31, 2023, are as follows:

	Legal Entity	NAIC #	2023 Pooling Percentage	State of Domicile
Lead Company	Liberty Mutual Insurance Company	23043	50%	MA
Affiliated Pool Companies	Peerless Insurance Company	24198	20%	NH
	Employers Insurance Company of Wausau	21458	8%	WI
	Liberty Mutual Fire Insurance Company	23035	8%	WI
	The Ohio Casualty Insurance Company	24074	8%	NH
	Safeco Insurance Company of America	24740	6%	NH
	American Compensation Insurance Company***	45934	0%	MN
	American Economy Insurance Company	19690	0%	IN
	America First Insurance Company	12696	0%	NH
	American Fire and Casualty Company	24066	0%	NH
	America First Lloyd's Insurance Company	11526	0%	TX
	American States Insurance Company	19704	0%	IN
	American States Insurance Company of Texas	19712	0%	TX
	American States Lloyds Insurance Company	31933	0%	TX
	American States Preferred Insurance Company	37214	0%	IN
	Bloomington Compensation Insurance Company***	12311	0%	MN
	Colorado Casualty Insurance Company	41785	0%	NH
	Consolidated Insurance Company	22640	0%	IN
	Excelsior Insurance Company	11045	0%	NH
	First National Insurance Company of America	24724	0%	NH
	The First Liberty Insurance Corporation	33588	0%	IL
	General Insurance Company of America	24732	0%	NH
	Golden Eagle Insurance Corporation	10836	0%	NH
	Hawkeye-Security Insurance Company	36919	0%	WI
	Insurance Company of Illinois	26700	0%	IL
	Indiana Insurance Company	22659	0%	IN
	Ironshore Indemnity Inc.*	23647	0%	IL
	Ironshore Specialty Insurance Company*	25445	0%	AZ
	Liberty Insurance Corporation	42404	0%	IL
	Liberty Insurance Underwriters Inc.	19917	0%	IL
	Liberty County Mutual Insurance Company	19544	0%	TX
	LM General Insurance Company	36447	0%	IL
	Liberty Lloyds of Texas Insurance Company	11041	0%	TX
	LM Insurance Corporation	33600	0%	IL
	Liberty Mutual Mid-Atlantic Insurance Company	14486	0%	MA
	Liberty Mutual Personal Insurance Company	12484	0%	NH
	Liberty Northwest Insurance Corporation	41939	0%	OR
	Liberty Personal Insurance Company	11746	0%	NH
	Liberty Surplus Insurance Corporation	10725	0%	NH
	Meridian Security Insurance Company***	23353	0%	IN
	Mid-American Fire & Casualty Company	23507	0%	NH
	Milbank Insurance Company***	41653	0%	IA
	Montgomery Mutual Insurance Company	14613	0%	MA
	The Midwestern Indemnity Company	23515	0%	NH
	National Insurance Association	27944	0%	IN
	The Netherlands Insurance Company	24171	0%	NH
	North Pacific Insurance Company	23892	0%	OR
	Ohio Security Insurance Company	24082	0%	NH

	Legal Entity	NAIC #	2023 Pooling Percentage	State of Domicile
	Oregon Automobile Insurance Company	23922	0%	OR
	Patrons Mutual Insurance Company of Connecticut***	14923	0%	CT
	Peerless Indemnity Insurance Company	18333	0%	IL
	Plaza Insurance Company***	30945	0%	IA
	Rockhill Insurance Company***	28053	0%	AZ
	Safeco Insurance Company of Illinois	39012	0%	IL
	Safeco Insurance Company of Indiana	11215	0%	IN
	Safeco Insurance Company of Oregon	11071	0%	OR
	Safeco Lloyds Insurance Company	11070	0%	TX
	Safeco National Insurance Company	24759	0%	NH
	Safeco Surplus Lines Insurance Company	11100	0%	NH
	State Automobile Mutual Insurance Company***	25135	0%	OH
	State Auto Insurance Company of Ohio***	11017	0%	OH
	State Auto Property & Casualty Insurance Company***	25127	0%	IA
	State Auto Insurance Company of Wisconsin***	31755	0%	WI
	Wausau Business Insurance Company **	26069	0%	WI
	Wausau General Insurance Company**	26425	0%	WI
	Wausau Underwriters Insurance Company**	26042	0%	WI
	West American Insurance Company	44393	0%	IN
100% Quota Share Affiliated	LM Property and Casualty Insurance Company	32352	0%	IN

* Effective July 1, 2017, Ironshore Indemnity Inc. (III) and Ironshore Specialty Insurance Company (ISIC) became members of the Liberty Mutual Insurance Company Pool. All III and ISIC underwriting assets and liabilities were ceded to Liberty Mutual Insurance Company and retroceded to the Liberty Mutual Insurance Company Pool participants in accordance with each company's Liberty Mutual Insurance Company Pool participation percentage as noted above.

**Wausau Business Insurance Company, Wausau General Insurance Company and Wausau Underwriters Insurance Company, each cedes 100% of its direct underwriting activity to Employers Insurance Company of Wausau, who then retrocedes 100% to the Liberty Mutual Insurance Company Pool.

*** Effective April 1, 2022, the Company was added to the Liberty Mutual Insurance Company Pool as part of the SAM acquisition.

Ceded premium from intercompany pooling reported for 2023 totaled \$553,487,000.

ASSUMED

The Company entered into a quota share reinsurance agreement with Home State County Mutual Insurance Company for the purpose of underwriting private passenger automobile insurance in the state of Texas. In accordance with the quota share agreement with Home State Mutual, the Company underwrites Texas private passenger automobile business on Home State County Mutual Insurance Company paper and the Company assumes 100% of the premiums, losses, and commissions from Home State County Mutual Insurance Company. The Company pays Home State County Mutual Insurance Company a fronting fee and a ceding commission for associated commission. The assumed reinsurance contract with Home State County Mutual Insurance Company is in run-off and the assumed premium is ceded to Liberty Mutual Insurance and included with other pooled balances. Assumed premium from Home State County Mutual Insurance Company reported for 2023, totaled \$35,916,000.

The Company participates in various mandatory pools and associations. Assumed premium from mandatory pools and associations reported for 2023, totaled \$1,637,000.

CEDED

Liberty Mutual Insurance Company administers corporate reinsurance programs placed with various external reinsurers on behalf of the Liberty Mutual Insurance Company Pool. The following is a summary of the U.S. Corporate Property Catastrophe and the Adverse Development Cover with National Indemnity Company (NICO) in place as of December 31, 2023:

1) U.S. Corporate Property Catastrophe Program

The Company has property catastrophe reinsurance coverage for its domestic business and certain specialty operations including: 1) hurricanes and earthquake reinsurance covering the United States, Canada and the Caribbean, excluding certain reinsurance exposures; and 2) quota share reinsurance programs. These programs are structured to meet the Company's established tolerances under its Enterprise Risk Management Program. This program is comprised of several contracts including:

A) Homeowners Quota Share

This treaty provides quota share reinsurance coverage on a losses-occurring basis for domestic homeowner's multiline policies, covering both property and liability. Liberty Mutual Insurance Company retains a 92.9% participation.

B) Property Catastrophe Excess of Loss

i) Property Catastrophe Excess of Loss (Named Storms and Earthquake Only)

Covers business classified by the company as Property business including commercial lines automobile physical damage coverages and personal lines automobile physical damage with losses directly resulting from a Named Storm (i.e. hurricanes) and Earthquake occurring anywhere in the United States, Canada, and the Caribbean including Bermuda and The Bahamas.

ii) Property Catastrophe Excess of Loss (All Perils)

Covers business classified by the company as Property business including commercial lines automobile physical damage coverages and personal lines automobile physical damage with losses directly resulting from any one disaster, accident or loss or series of disasters, accidents or losses arising out of one event occurring anywhere in the United States, Canada, and the Caribbean including Bermuda and The Bahamas.

iii) Property Catastrophe Excess of Loss (Placed with Mystic Re)

Includes Index and Indemnity Bonds, covers business classified by the company as Property business including commercial lines automobile physical damage coverages and personal lines automobile physical damage with losses directly resulting from a Named Storm (i.e. hurricanes) and Earthquake. Mystic Re indemnity cat bonds cover events occurring anywhere in the United States, Canada, and the Caribbean – including Bermuda and The Bahamas. The Mystic Re index bond is triggered based on a state-weighted PCS industry event loss and covers Named Storm events that occur in the United States, Puerto Rico and The Bahamas, and Earthquake events that occur in the United States, Puerto Rico, The Bahamas and all territories of Canada.

iv) Multi-Year Property Catastrophe Excess of Loss Treaty (All Perils)

This treaty is comprised of a single layer and has a reinstatement at 100% provision. It covers business classified by the Company as Property business including commercial lines automobile physical damage coverages and personal lines automobile physical damage with losses directly resulting from any one disaster, accident or loss or series of disasters, accidents or losses arising out of one event occurring anywhere in the United States, Canada, and the Caribbean including Bermuda and The Bahamas.

2) Adverse Development Cover - National Indemnity Company

Liberty Mutual Insurance Company entered into an adverse development cover with NICO, a subsidiary of Berkshire Hathaway Inc., effective January 1, 2014 which provides coverage for Liberty Mutual Insurance Company's U.S. commercial workers' compensation and asbestos and environmental (A&E) exposures. Specifically, the treaty provides \$6.5 billion of aggregate coverage on carried undiscounted loss and allocated loss adjustment expense reserves of \$15.8 billion as of December 31, 2013, with an attachment point of \$12.5 billion on combined undiscounted workers' compensation and A&E reserves. Sub-limits are also in place, consisting of \$3.1 billion on A&E and \$4.5 billion on workers' compensation large deductible

policy reserves. In conjunction with the treaty, Resolute Management, an affiliate of NICO, assumed claim handling responsibility for A&E claims. Liberty Mutual retained the handling of workers' compensation claims. The contract is accounted for on a retroactive basis.

In conjunction with the Ironshore acquisition and effective May 1, 2017, the Company entered into a reinsurance transaction with NICO on a combined aggregate excess of loss agreement providing coverage for substantially all Ironshore's reserves related to losses occurring prior to January 1, 2017. The first layer of the contract transfers \$0.4 billion of held reserves at inception, for which the Company established reinsurance recoverables on the consolidated balance sheets. The second layer of the contract provides adverse development coverage for 95% of \$0.5 billion above a retention equal to approximately \$3 billion, minus paid losses between January 1, 2017 and May 1, 2017, which retention approximates the total held reserves on the covered business on Ironshore's opening balance sheet. The contract includes a sublimit of \$0.277 billion for certain construction liability liabilities. The contract is accounted for on a retroactive basis.

On November 5, 2019, Liberty Mutual Insurance Company entered into a reinsurance transaction with NICO, a subsidiary of Berkshire Hathaway Inc, on a combined aggregate excess of loss agreement for certain USRM Business Lines and Global Risk Solutions National Insurance workers compensation, commercial auto liability and general liability excluding umbrella and warranty liabilities. The first layer of the contract attaches at \$300 million below applicable held reserves at inception of \$8.3 billion of combined aggregate reserves. The second layer of the contract provides adverse development coverage for \$1 billion above a retention equal to \$8.7 billion. The contract includes a sublimit of \$100 million for certain general liability liabilities. This contract is accounted for on a retroactive basis.

3) Auto Physical Damage Quota Share

This treaty provides quota share reinsurance coverage on a losses-occurring basis for domestic personal lines Private Passenger Auto Physical Damage policies. Liberty Mutual Insurance Company retains an 80.0% participation. Treaty is placed with an affiliated entity Liberty Specialty Markets Bermuda Limited.

4) Global Casualty Excess of Loss and Quota Share

This treaty covers Liberty Mutual Group's global excess casualty portfolio which is approximately \$3.5 billion of annual gross written premium. The program is comprised of an Excess of Loss component and a Quota Share component, with the covered subject business being identical for both treaties. The Excess of Loss is a risks attaching treaty that provides coverage at an individual risk (insured) level, with multiple excess layers being considered a single layer for the application of the retention. There are two layers that in total cover \$40M xs \$10M at a risk level, and both layers are 60% placed. The Quota Share is 35% placed and covers the same risks as the Excess of Loss from ground up to \$50M max at an individual risk level.

STATUTORY DEPOSIT

The book/adjusted carrying value of securities held in a custodial account and vested in the Iowa Commissioner of Insurance for the benefit of all policyholders as of December 31, 2023, totaled \$2,574,376, which met the minimum statutory requirement.

TERRITORY AND PLAN OF OPERATION

The Company writes commercial automobile, farmowners, homeowners, workers' compensation, fire and allied, commercial multi-peril, ocean and inland marine, earthquake, other health, other and product liability, fidelity, surety, burglary and theft, and boiler and machinery. The Company markets their insurance products through retail agencies in 35 states. On March 1, 2022, Liberty Mutual Holding Company Inc. finalized its acquisition of SAM. The Company has been updating their business plan which includes migrating the personal lines book of business through Safeco programs and migrating the commercial lines book business to Liberty Mutual programs, except for the legacy SAM farmowners lines.

The Company is authorized to transact business in the following states:

Alabama	Illinois	Missouri	Rhode Island
Alaska	Indiana	Montana	South Carolina
Arizona	Iowa	Nebraska	South Dakota
Arkansas	Kansas	Nevada	Tennessee
Colorado	Kentucky	New Jersey	Texas
Connecticut	Louisiana	New York	Utah
Delaware	Maine	North Carolina	Vermont
Dist. Columbia	Maryland	North Dakota	Virginia
Florida	Massachusetts	Ohio	West Virginia
Georgia	Michigan	Oklahoma	Wisconsin
Hawaii	Minnesota	Oregon	Wyoming
Idaho	Mississippi	Pennsylvania	

GROWTH OF COMPANY

The following significant data, as taken from the office copies of the Company's filed annual statements for the years indicated.

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus to Policyholders</u>	<u>Net Premium Earned</u>	<u>Net Losses Incurred</u>	<u>Investment Income Earned</u>
2019	\$2,474,260,485	\$704,617,675	\$ 983,084,847	\$558,663,828	\$55,737,511
2020	2,549,989,419	701,690,211	1,083,490,143	652,274,421	53,761,203
2021	2,665,307,372	731,591,127	1,175,609,792	800,100,858	48,306,155
2022	859,033,716	621,099,295	312,020,618	182,520,306	25,605,097
2023	343,974,785	185,654,530	-	-	7,242,018

ACCOUNTS AND RECORDS

The Company's general ledger is maintained on an accrual basis. Trial balances were prepared for the examination years under review. Amounts from the general ledger accounts were reconciled and found to be in agreement with balances reported on the filed annual statements for assets, liabilities, income, and disbursements.

SUBSEQUENT EVENTS

No significant subsequent events noted for the Iowa companies.

FINANCIAL STATEMENTS
AND COMMENTS THEREON

NOTE: The following financial statements are based on the statutory financial statements filed by the Company with the Iowa Insurance Division and present the financial condition of the Company for the period ending December 31, 2023.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Ledger</u>	Not <u>Admitted</u>	<u>Admitted</u>
Bonds	\$ 61,186,769	\$ -	\$ 61,186,769
Stocks:			
Common stocks	687,300	-	687,300
Cash and short-term investments	63,506,244	-	63,506,244
Other invested assets	<u>14,105,425</u>	<u>(17)</u>	<u>14,105,442</u>
Subtotals, cash and invested assets	\$139,485,738	\$ (17)	\$139,485,755
Investment income due and accrued	(946,069)	-	(946,069)
Premiums and considerations:			
Uncollected premiums in course of collection	726,884	-	726,884
Reinsurance:			
Amounts recoverable from reinsurers	88,435,580	-	88,435,580
Net deferred tax asset	24,101,000	22,995,000	1,106,000
Receivables from parent, subsidiaries, affiliates	115,147,310	-	115,147,310
Aggregate write-ins for other-than-invested assets:	19,325	-	19,325
Total Assets excluding separate, segregated, and protected accounts	<u>\$366,969,768</u>	<u>\$22,994,983</u>	<u>\$343,974,785</u>
Total assets	<u>\$366,969,768</u>	<u>\$22,994,983</u>	<u>\$343,974,785</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ -
Reinsurance payable on paid losses and loss adjustment expenses	(3,085,796)
Loss adjustment expenses	-
Current federal and foreign income taxes	9,772,101
Ceded reinsurance premiums payable	105,077,962
Amounts withheld or retained for account of others	13,711,493
Provision for reinsurance	15,000
Payable to parent, subsidiaries, and affiliates	20,565,314
Aggregate write-ins for liabilities	<u>12,264,182</u>
Total liabilities	<u>\$158,320,255</u>
Common capital stock	\$ 5,077,200
Gross paid in and contributed to surplus	144,184,034
Unassigned funds (surplus)	<u>36,393,295</u>
Surplus as regards policyholders	<u>\$185,654,530</u>
Total liabilities and surplus	<u>\$343,974,785</u>

STATEMENT OF INCOME

Underwriting Income

Premiums earned	\$ -
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Deductions

Losses incurred	\$ -
Loss adjustment expenses incurred	-
Other underwriting expenses incurred	-
Aggregate write-ins for underwriting deductions	-
Total underwriting deductions	<u>\$ -</u>
Net underwriting gain	\$ -

Investment Income

Net investment income earned	\$ 7,242,018
Net realized capital gains	<u>(57,170,349)</u>
Net investment gain	\$ (49,928,331)

Other Income

Net (loss) from agents' or premium balances charged off	\$ -
Finance and service charges not included in premiums	-
Aggregate write-ins for miscellaneous income	<u>(2,055)</u>
Total other income	<u>\$ (2,055)</u>
Net income before dividends to policyholders	\$ (49,930,386)
Dividends to policyholders	<u>-</u>
Net income before federal income tax	\$ (49,930,386)
Federal and foreign income taxes incurred	<u>4,075,181</u>
Net income	<u>\$ (54,005,568)</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2022	<u>\$ 621,099,295</u>
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Gains and (Losses) in Surplus

Net income	\$ (54,005,568)
Change in net unrealized capital gains	2,775,894
Change in net deferred income tax	1,395,933
Change in nonadmitted assets	(5,082,530)
Change in provision for reinsurance	(15,000)
Dividends to stockholders	(385,000,000)
Aggregate write-ins for gains and losses in surplus	4,486,506
Change in surplus as regards policyholders for the year	<u>\$(435,444,764)</u>
Surplus as regards policyholders, December 31, 2023	<u>\$ 185,654,530</u>

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$(63,298,825)	
Net investment income	12,626,290	
Miscellaneous income	<u>(2,055)</u>	
Total		\$ (50,674,590)
Benefit and loss related payments	\$(61,307,272)	
Federal and foreign income taxes paid (recovered)	<u>(37,899,704)</u>	
Total		<u>\$ (99,206,975)</u>
Net cash from operations		<u>\$ 48,532,385</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$371,959,105	
Stocks	7,931,300	
Other invested assets	136,749,781	
Net gains or (losses) on cash, cash equivalents, and short-term investments	(1,582)	
Miscellaneous proceeds	<u>3,879,332</u>	
Total investment proceeds		\$ 520,517,936
Cost of investments acquired (long-term only):		
Bonds	\$ 77,269,334	
Other invested assets	<u>1,741,289</u>	
Total investments acquired		<u>\$ 79,010,623</u>
Net cash from investments		<u>\$ 441,507,313</u>

Cash from Financing and Miscellaneous Sources

Dividends to stockholders	\$385,000,000	
Other cash provided (applied)	<u>(76,491,011)</u>	
Net cash from financing and miscellaneous sources		<u>\$(461,491,011)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ 28,548,687
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>34,957,557</u>
End of period	<u>\$ 63,506,244</u>

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company is hereby acknowledged.

In addition to the undersigned, Jan Moenck, CFE of Risk & Regulatory Consulting, LLC; and Aaron Syverson, Financial Examiner for the Iowa Insurance Division participated in the examination and preparation of this report.

Respectfully submitted,

/s/ Joshua J. Johnson
Joshua J. Johnson, CFE
Examiner in Charge
Risk & Regulatory Consulting, LLC
On behalf of the Iowa Insurance Division

/s/ Amanda Theisen
Amanda Theisen, CFE
Supervisor and Assistant Chief Examiner
Iowa Insurance Division