STATE OF MISSOURI

MDCCCXX

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Safety National Casualty Corporation for the period ended December 31, 2014

ORDER

After full consideration and review of the report of the financial examination of Safety National Casualty Corporation for the period ended December 31, 2014, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pensions, stock ownership and insurance plans, territory and plan of operation, growth of company, loss experience, reinsurance, accounts and records, statutory deposits, financial statements, comments on the financial statements, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Safety National Casualty Corporation as of December 31, 2014 be and is hereby ADOPTED as filed and for Safety National Casualty Corporation to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on the Financial Statements and/or Summary of Recommendations section of such report; and (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 28th day of March, 2016.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF

FINANCIAL EXAMINATION

Safety National Casualty Corporation

As of:

DECEMBER 31, 2014

FILED
APR 7 2016
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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February 11, 2016
St. Louis, MO

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Director Huff:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Safety National Casualty Corporation

hereinafter referred to as "Safety National", "SNCC", or the "Company". The Company's home office is located at 1832 Schuetz Road, St. Louis, Missouri 63146; telephone number (314) 995-5300. Examination fieldwork began on March 23, 2015, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of Safety National Casualty Corporation. The last examination was completed as of December 31, 2011. This examination covers the period from January 1, 2012, through December 31, 2014. This examination also included material transactions or events occurring subsequent to December 31, 2014.

Procedures

This examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the NAIC, except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (Department or DIFP) or statutes of the State of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This includes 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 is documented separately following the Company's financial statements. The following key activities were identified during the examination: Capital and Surplus, Claims, Investments, Premiums and Underwriting, Reinsurance, Reserves and Treasury.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues or material changes to the balance sheet or income statement identified during the examination.

SUBSEQUENT EVENTS

In 2015, Safety National acquired 100% of the issued and outstanding stock of SPARTA Specialty Insurance Company (SSIC). The agreement was approved by DIFP and became effective on December 4, 2015. SPARTA is an acronym for Specialty Purpose and Risk Transfer Alternatives, which reflects the types of business previously written by the company.

SSIC was a shell company at the time of acquisition with no existing operations, in-force policies or outstanding claims. The transaction was accounted for as a Quasi-Reorganization in accordance with SSAP No. 72 (Surplus and Quasi-Reorganizations) and SSIC's Unassigned funds (surplus) balance was re-set to $0 upon completion of the purchase.

SSIC was previously domiciled in Connecticut and subsequently re-domiciled to Missouri. Upon completion of the acquisition the company was renamed Safety Specialty Insurance Company. The purpose of this acquisition was to allow Safety National to write surplus lines and other coverage to existing excess workers compensation customers.

Contemporaneous with the closing of this acquisition, SSIC entered the following attendant agreements with SPARTA Insurance Company (SPARTA) and/or SPARTA-affiliated companies.

Assumption Agreement

Parties: SSIC and Sparta Insurance Company (SIC)

Effective: December 4, 2015

Terms: Under this agreement, SIC will discharge SSIC from all of its liabilities arising from business prior to the closing of the Stock Purchase Agreement. SSIC grants, assigns and sets over to SIC all of its rights, claims, payments, receivables and recoveries arising out of the assumed liabilities and agrees to pay SIC all amounts received in regards to any such related rights.

Rate(s): There are no costs under this agreement. The assumption of the liabilities of SSIC is being provided in consideration of the Stock Purchase Agreement between Safety National and SIC.

Reinsurance Agreement

Parties: SSIC and SIC

Effective: December 4, 2015

Terms: Under the terms of the agreement SIC agrees to assume on a 100% quota share basis all of the gross liabilities and obligations of all insurance policies and contracts issued by SSIC prior to the closing date of the acquisition of SSIC by SNCC. This agreement shall remain in force so long as any reinsured liabilities are outstanding or in effect, unless terminated earlier by mutual written agreement.

Rate(s): SSIC paid SIC an amount equal to the estimated reinsured liabilities as of the closing date of the Stock Purchase Agreement. SIC is responsible for administering the policies and will provide a report to SSIC no later than 30 days after the end of each quarter. If any amounts are owed by either party they are to be settled within 30 days of the receipt of the report.

Administrative Services Agreement

Parties: SSIC and SIC

Effective: December 4, 2015

Terms: Under the terms of the agreement SIC will administer all aspects of the reinsured contracts under the Reinsurance Agreement, and all liabilities assumed under the Assumption Agreement with SSIC.

Rate(s): There are no costs under this agreement. The services are being provided in consideration of the Stock Purchase Agreement between Safety National and SIC.

Guaranty Agreement

Parties:	SSIC, SIC, SNCC and Catalina Holdings (Bermuda) Ltd. (CHBL)
Effective:	December 4, 2015
Terms:	Under the terms of the agreement CHBL agrees to guarantee the obligations of SIC pursuant to the Administrative Services Agreement, the Assumption Agreement, and the Reinsurance Agreement. CHBL is the parent company of SIC.
Rate(s):	There are no costs under this agreement. The guaranty of the obligations of SIC is being provided in consideration of the Stock Purchase Agreement between Safety National and SIC.

In the near future, SSIC will be added to the existing intercompany service agreement, tax allocation agreement and investment management agreement in which SNCC currently participates.

Effective December 31, 2015, SNCC made a $30 million capital contribution to SSIC, consisting of approximately $28.7 million of investment grade bonds and $1.3 million cash. The purpose of the contribution was to boost SSIC's surplus and further their ability to write surplus lines insurance on a national basis.

COMPANY HISTORY

General

Safety Mutual Casualty Corporation was incorporated in the state of Missouri on November 28, 1942, and commenced business on December 28, 1942, as a mutual property and casualty insurer operating under Chapter 379 RSMo (Insurance Other than Life).

Safety Mutual Casualty Corporation was originally organized to provide excess workers' compensation coverage to self-insured employers. Insurers Service Corporation managed the operations of Safety Mutual Casualty Corporation until 1982 when the two shareholders of Insurers Service Corporation sold their interests to Frank B. Hall & Company. The management agreement between Safety Mutual Casualty Corporation and Insurers Service Corporation was terminated in 1988 under a settlement that required the Company to pay Insurers Service Corporation 6% of direct and assumed premiums until December 31, 1989, and 7% from January 1, 1990, to December 31, 2002.

Safety Mutual Casualty Corporation was converted to a stock company on September 30, 1991, and the name was changed to Safety National Casualty Corporation. SIG Holdings, Inc., a Missouri corporation, became the sole shareholder of the Company at that time.

On March 5, 1996, SIG Holdings Inc., a Delaware corporation and subsidiary of Delphi Financial Group, Inc., (DFG) purchased SIG Holdings Inc. of Missouri and merged it into SIG Holdings Inc. of Delaware.

In 2012, Tokio Marine Holdings, Inc. acquired 100% of the stock of Delphi Financial Group, Inc. This agreement was approved by DIFP on February 28, 2012, and became effective on May 15, 2012. As a result of this transaction Tokio Marine Holdings, Inc. is now the ultimate controlling entity of the Company.

Capital Stock and Paid-In Surplus

The Company is authorized to issue 5,000 shares of common stock with a par value of $1,000 per share. The Company is also authorized to issue 1,000,000 shares of preferred stock with a par value of $100 per share. At December 31, 2014, the Company had 5,000 shares of common stock and 250,000 shares of preferred stock issued and outstanding, resulting in total capital stock of $30 million.

Total paid-in and contributed surplus increased from $106,649,399 to $311,649,399 during the examination period. The Company received capital contributions in the amount of $75 million in 2012, $100 million in 2013 and $30 million in 2014 from Delphi Financial Group, Inc. through SIG Holdings, Inc. These contributions were made to provide a cushion for the Company's RBC ratio, which must remain above 300% per the Capital Maintenance Agreement with DFG.

Dividends

Dividends paid from inception through 2011 totaled $97 million. The Company paid ordinary preferred stock dividends of $2 million per year for the years 2012-2014. All of the dividends were paid to Delphi Financial Group, Inc.

Acquisitions, Mergers and Major Corporate Events

In 2012, Tokio Marine Holdings, Inc. acquired 100% of the stock of Delphi Financial Group. This agreement was approved by DIFP on February 28, 2012, and became effective on May 15, 2012. As a result of this transaction Tokio Marine Holdings, Inc. is now the ultimate controlling entity of the Company.

Surplus Debentures

The Company issued a $40,000,000 surplus note to Delphi Financial Group in exchange for cash on December 24, 2008. The effective interest rate for the note is 7.0% per annum paid semiannually. The initial maturity date was set at January 15, 2029. The note was amended in 2009 to extend the maturity date to January 15, 2035. The Company paid $2.8 million of interest on this note during each year from 2012-2014.

The Company issued a $40,000,000 surplus note to Reliance Standard Life Insurance Company in exchange for cash on December 29, 2014. The effective interest rate for the note is 5.0% per annum paid semiannually and the date of maturity is January 15, 2045.

The surplus notes and subsequent interest payments were properly requested and approved by DIFP. No principal payments have been made by the Company to date on either note.

CORPORATE RECORDS

The Articles of Incorporation and Bylaws of Safety National were reviewed. There were no changes to the Articles of Incorporation or Bylaws during the examination period.

The minutes of the shareholder, board of directors and committee meetings were reviewed for the period under examination. The minutes appear to properly document and approve corporate events and transactions.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a board of 13 directors. The directors serving at December 31, 2014, were as follows:

Name	Principal Occupation and Business Affiliation
John P. Csik Columbia, Illinois	Executive Vice President, Chief Financial Officer and Chief Risk Officer Safety National Casualty Corporation
Yoshinari Endo Greenwich, Connecticut	Senior Vice President Tokio Marine North America, Inc.
Duane A. Hercules St. Louis, Missouri	President Safety National Casualty Corporation
Steven A. Hirsh Highland Park, Illinois	Chairman and President Astro Communications, Inc.
James M. Litvack Princeton, New Jersey	Retired Professor Princeton University
Steven F. Luebbert Webster Groves, Missouri	Chief Operating Officer Safety National Casualty Corporation
Eugene R. Maier St. Louis, Missouri	Executive Vice President and Chief Underwriting Officer Safety National Casualty Corporation
James N. Meehan	Retired Managing Director

Arlington Heights, Illinois	Bank of America
Philip R. O'Conner Chicago, Illinois	President/Owner PROactive Strategies, Inc.
Jeffrey W. Otto St. Louis, Missouri	Senior Vice President, General Counsel and Secretary Safety National Casualty Corporation
Robert Rosenkranz New York, New York	Chairman and Chief Executive Officer Delphi Financial Group
Donald A. Sherman New York, New York	President and Chief Operating Officer Delphi Financial Group
Mark A. Wilhelm St. Louis, Missouri	Chief Executive Officer Safety National Casualty Corporation

Officers

The officers of the Company at December 31, 2014, were as follows:

Name	Position
Mark A. Wilhelm	Chief Executive Officer
Duane A. Hercules	President
Jeffrey W. Otto	Secretary
John P. Csik	Executive VP, Chief Financial Officer and Treasurer
Gus E. Aivaliotis	Senior VP Large Casualty
Raymond Harkins, Jr.	Senior VP Treaty Reinsurance
Steven F. Luebbert	Chief Operating Officer
Eugene R. Maier	Executive VP and Chief Underwriting Officer
Carleton S. Reynolds, III	Senior VP Workers Compensation Claims
Seth A. Smith	Senior VP Workers Compensation Underwriting

Committees

The Company has three formal committees in place: an Audit Committee, a Derivative Use Plan Compliance Committee and an Executive and Investment Committee. The individuals serving on each committee as of December 31, 2014, were as follows:

Audit Committee
James N. Meehan, Chairman
Steven A. Hirsh
James M. Litvack
Philip R. O' Connor

Derivative Use Plan Compliance Committee
Duane A. Hercules
Steven F. Luebbert

Mark A. Wilhelm

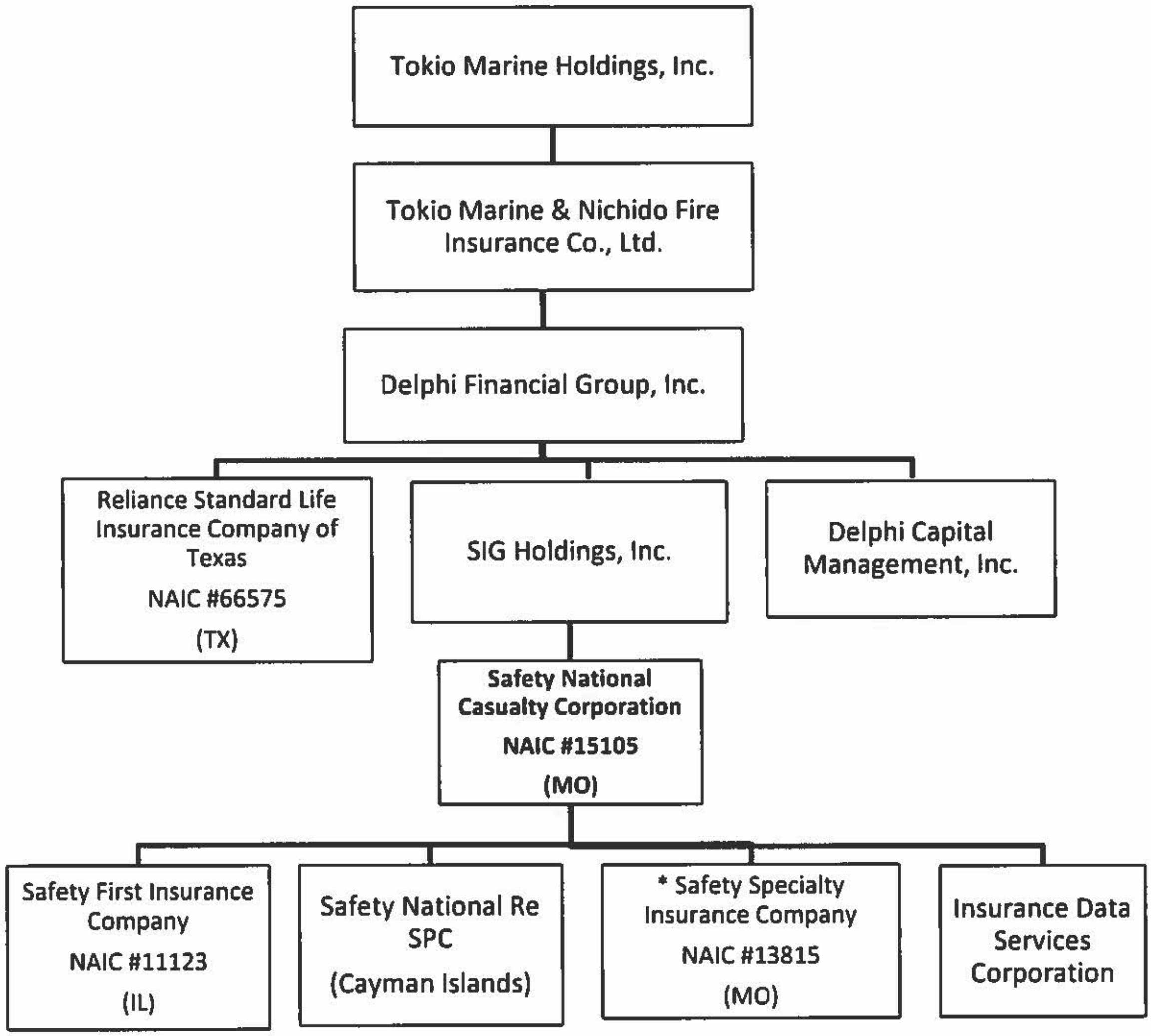
<u>Executive and Investment Committee</u>
Duane A. Hercules
Steven F. Luebbert
Robert Rozenkranz
Donald A. Sherman
Mark A. Wilhelm

Holding Company, Subsidiaries and Affiliates

The company is a member of an insurance holding company system as defined by Chapter 382 RSMo (Insurance Holding Companies). Affiliations are described in the Company History section above. Tokio Marine Holdings, Inc. is the ultimate controlling entity within the holding company system.

Organization Chart

The following is an abridged organizational chart which depicts the structure of companies relating to Safety National. The state or country of domicile is denoted beneath the insurance company affiliates. All subsidiaries are wholly owned unless otherwise noted.



* Safety Specialty Insurance Company was acquired in 2015 as described in the Subsequent Events section of this report.

Affiliated Transactions

The Company enters into various agreements with affiliates. The intercompany agreements in effect as of December 31, 2014, are discussed below.

Tax Allocation Agreement

Parties:	Delphi Financial Group, Inc. and subsidiaries, including SNCC.
Effective:	January 1, 2001
Terms:	Delphi Financial Group, Inc. files a consolidated federal income tax return annually on behalf of all participating members of the agreement.
Rate(s):	Each participant will pay its share of the consolidated tax liability on the same basis as if it had filed its tax return on a separate and individual basis. The Company paid $2,744,839 to DFG in 2014 under this agreement.

Cost Sharing Agreement

Parties:	SNCC and Delphi Capital Management, Inc. (DCM)
Effective:	January 1, 1997
Terms:	DCM agrees to provide SNCC with all investment advisory and administrative services necessary for the conduct of its business.
Rate(s):	SNCC pays DCM its proportionate share of the costs of such services on an at-cost basis. The Company paid $7,428,755 to DCM in 2014 under this agreement.

Cost Sharing Agreement

Parties:	SNCC and First Reliance Standard Life Insurance Company (FRSL)
Effective:	December 16, 1997
Terms:	FRSL provides office space and personnel support to SNCC within its offices in the State of New York.
Rate(s):	SNCC pays FRSL its proportionate share of the costs of such services on an at-cost basis. No fees were paid to FRSL in 2014 under this agreement.

Intercompany Service Agreement

Parties: SNCC and Safety First Insurance Company (SFIC)

Effective: October 4, 2007

Terms: SNCC provides services, staff and data processing functions to SFIC as necessary for the conduct of SFIC's insurance operations.

Rate(s): SFIC will reimburse SNCC for its allocable share of the costs of providing such services, based on generally accepted allocation methodologies. The Company received $297,541 from SFIC in 2014 under this agreement.

Intercompany Service Agreement

Parties: SNCC and Insurance Data Services Corporation (IDS)

Effective: October 31, 2011

Terms: SNCC provides services in the fields of accounting, finance, management and law as requested by IDS.

Revolving Loan Agreement (DFG Lender)

Parties: SNCC and Delphi Financial Group, Inc.

Effective: July 19, 2011.

Terms: DFG will advance to SNCC amounts not to exceed, in aggregate, $100 million, for short-term cash needs as deemed necessary for the conduct of SNCC's insurance operations. SNCC may pre-pay the outstanding advances (and interest accrued on same) at any time and without penalty during the term of the agreement. All advances and accrued interest outstanding are due and payable by SNCC to DFG on the Termination Date of the agreement, defined in the agreement as December 31, 2016.

Rate(s): No loans were outstanding as of December 31, 2014, under this agreement.

Revolving Loan Agreement (SNCC Lender)

Parties: SNCC and Delphi Financial Group, Inc.

Effective: September 14, 2011.

Terms: SNCC will advance to DFG amounts not to exceed, in aggregate, $100 million, for short-term cash needs as deemed necessary for the conduct of DFG's operations. DFG may pre-pay the outstanding advances (and interest accrued on same) at any time and without penalty during the term of the agreement. All advances and accrued interest outstanding are due and payable by DFG to SNCC on the Termination Date of the agreement, defined in the agreement as August 25, 2018.

Rate(s): No loans were outstanding as of December 31, 2014, under this agreement.

Capital Maintenance Agreement

Parties: SNCC and Delphi Financial Group, Inc.

Effective: December 3, 2012

Terms: Pursuant to the Agreement, DFG will: a) no later than December 31, 2012, make or cause to be made, a capital contribution to SNCC of no less than $75 million dollars, and b) agree to ensure that the capital and surplus of SNCC is maintained at a level to allow SNCC to report an RBC ratio of at least 300% as of December 31, 2013 and December 31, 2014.

The Capital Support Agreement with Tokio Marine & Nichido Fire Insurance Co. Ltd. will ensure that SNCC maintains an RBC ratio of at least 300% in the future.

Rate(s): No rates are involved in this transaction. All funds transferred are considered a capital/surplus infusion from DFG to SNCC. In addition to the $75 million contribution in 2012, SNCC received surplus infusions from DFG of $100,000,000 in 2013 and $30,000,000 in 2014.

Capital Support Agreement

Parties: SNCC and Tokio Marine & Nichido Fire Insurance Co Ltd. (TMNF)

Effective: May 21, 2013

Terms: TMNF will provide SNCC and/or SFIC an amount of statutory capital and surplus that is necessary for SNCC and/or SFIC to maintain a level at least equal to 300% of the amount of their authorized control level RBC.

Rate(s): No rates are involved in this transaction. All funds transferred are considered a capital/surplus infusion from TMNF to SNCC.

Investment Expense Sharing Agreement

Parties:	SNCC, Reliance Standard Life Insurance Company (RSLIC), Philadelphia Indemnity Insurance Company (PIIC) and Delphi Capital Management (DCM)
Effective:	July 1, 2014
Terms:	SNCC, RSLIC, and PIIC all have service agreements with DCM under which DCM provides investment services. As part of their services, DCM sometimes utilizes third party investment managers, some of whose fees are based on the performance of the portfolio they manage. Under the terms of the agreement, when one or more of the insurers who are party to this agreement have investments with a manager whose fees are performance based, the fees may be based on the aggregate performance of their portfolios, rather than on a per company basis.
Rate(s):	DCM only calculates the fees paid to the investment managers. There is no exchange of funds as part of this agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a financial institution bond with its parent that provides coverage with a single loss limit of $20,000,000 and a $150,000 deductible. This coverage exceeds the minimum amount of fidelity insurance recommended by the NAIC.

The Company is also insured on policies that provide the following coverages: commercial property and liability, commercial excess liability, directors and officers, errors and omissions, employer practices liability, professional liability, special risks, workers' compensation and umbrella liability. The Company's insurance coverage appears to be adequate.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

Safety National provides its employees with benefits typical of the industry including medical, dental and vision coverage; life and disability insurance; paid sick, personal, vacation and holiday leave; dependent care assistance; and, educational assistance. The Company also sponsors a 401(K) plan and a profit-sharing bonus plan for eligible employees.

Expenses and liabilities associated with employee benefits and with the Company's obligation for its 401(k) and profit-sharing plans appear to have been properly reported in the 2014 Annual Statement.

TERRITORY AND PLAN OF OPERATIONS

Safety National is licensed in Missouri under Chapter 379 RSMo (Insurance Laws Other than Life) to write property, liability, fidelity and surety, accident and health and miscellaneous insurance. The Company is licensed in all 50 states, the District of Columbia, Guam, Puerto Rico, the US Virgin Islands and Canada. The Company is no longer writing new business in Canada.

Safety National is currently the largest writer of Excess Workers' Compensation insurance in the United States, with approximately 38% of the total domestic market. Excess Workers' Compensation premiums account for approximately 60% of the Company's total gross written premiums. The Company's Excess Workers' Compensation policyholders consist primarily of municipalities, hospitals, educational institutions and medium-sized manufacturing entities. The Excess Workers' Compensation core line of business results primarily in coverage of death and disability cases which are in excess of the self-insured employers' retention. The Company also writes a sizable amount of Primary and Large Deductible Workers Compensation business, which represented approximately 16% of gross written premiums in 2014.

Safety National began writing commercial auto liability and commercial general liability business in 2009. To diversify its product lines even further, the Company recently executed and continues to expand its new Large Casualty program, which bundles auto liability, general liability and large deductible workers compensation coverage into one insurance product. This represents a change in the Company's exposures, as Safety National has traditionally focused almost exclusively on workers' compensation coverages.

Business is produced through a network of 376 independent agents and brokers. The top ten brokers produced over 56% of premium revenue in 2014. The Company also uses licensed third party administrators, which provide loss control and claims settlement services.

DIFP has a separate Division of Insurance Market Regulation which performs reviews of market conduct issues and generates market conduct reports. Additional market conduct reviews are sometimes performed by other states. The Department conducted a market conduct examination of Safety National during the examination period and issues were noted relating to properly submitting filings for individually rated large deductible workers compensation insurance policies and reporting losses on a gross basis without obtaining the written agreement of the policyholder. On April 15, 2013, the Department issued a Stipulation of Settlement under which the Company agreed to a voluntary forfeiture of $61,250.

The only market conduct activity from other states during the examination period was the issuance of a market conduct examination report by the Connecticut Department of Insurance on February 23, 2012. The report contained an adverse producer licensing finding that resulted in a fine of $7,500.

GROWTH OF COMPANY

The table below shows various indicators of Safety National's growth over the past four years.

	2011	2012	2013	2014
Admitted Assets	$ 2,868,933,136	$ 3,544,051,071	$ 4,183,550,016	$ 4,985,126,645
Premium Income	417,854,456	508,283,756	625,434,883	663,354,895
Net Income	89,888,159	36,846,218	112,697,197	110,161,656
Capital and Surplus	844,471,876	960,817,306	1,153,846,360	1,367,629,465
Premiums: Surplus Ratio	49.48%	52.90%	54.20%	48.50%

The Company experienced a significant amount of growth during each year in the examination period. Total admitted assets increased by 74% during the examination period from $2.9 billion to $5.0 billion while capital and surplus increased by 62% from $800 million to $1.4 billion. Premiums earned increased by 59% from $417 million in 2011 to $663 million in 2014.

LOSS EXPERIENCE

The following exhibit illustrates Safety National's underwriting results for each of the last four years.

	2011	2012	2013	2014
Net Premiums Earned	$ 417,854,456	$ 508,283,756	$ 625,434,883	$ 663,354,895
Net Underwriting Gain	(16,018,608)	(147,316,183)	(32,434,285)	(81,768,749)
Net Investment Gain	117,257,165	155,407,432	166,999,610	202,737,927
Net Income	89,888,159	36,846,218	122,697,197	110,161,656
1-Yr Loss Development	10.2%	30.4%	11.6%	1.4%
2-Yr Loss Development	28.1%	46.5%	45.4%	15.6%
RBC Ratio	326.5%	300.8%	307.0%	307.3%

The Company reported an underwriting loss in each of the last four years. However the underwriting losses were offset by a sizable net investment income, resulting in positive net income in each of the four years.

Safety National has experienced a significant amount of adverse reserve development dating back to the early 2000s. The Company's primary line of business (excess workers compensation), by the nature of the fixed lifetime indemnity pension payout coverage that it provides, has one of the longest payout tails of all property and casualty lines of business. Due to the uncertainty of increasing medical costs and other factors, adverse development on workers compensation and other related long-tail lines of business has been experienced industry-wide in recent years.

The Company discounts a portion of its excess workers' compensation and workers' compensation reserves. The indemnity portion of these reserves is discounted on a tabular basis using the Vital Statistics of the United States Life Tables and the Company's historical payment pattern at 3.5%. The medical portion of reserves is not discounted. The reserve calculation as of December 31, 2014, includes a total discount of approximately $677 million, resulting in net discounted reserves of approximately $3.2 billion.

During the fourth quarter of 2012 the Company took steps to address the adverse loss development by strengthening net Excess Workers' Compensation reserves by approximately $110 million. In addition, the Company has worked with DIFP to develop more comprehensive and conservative guidelines regarding its discounting methodologies in recent years. As a result, the Company's one year and two year loss development improved considerably in 2014 compared with previous years.

It is noted that the magnitude of the risk associated with the adverse reserve development has been reduced by the Capital Support Agreement between SNCC and Tokio Marine & Nachido Fire Insurance Company Ltd. Under this agreement, TMNF will provide SNCC with an amount of statutory capital and surplus that is necessary for the Company to maintain RBC of at least 300%.

Consulting actuary, Greg Wilson, FCAS, MAAA of Lewis & Ellis Inc. was retained by DIFP to review the adequacy of the Company's reserves. He concluded that reserves as of December 31, 2014, were reasonable. He also concluded that the revised discounting methodology used by the Company since the prior examination is reasonable. Due to the extremely long-tailed nature of the lines of business, the true adequacy of the reserves will not be known for many years.

REINSURANCE

General

Premiums written by the Company during the examination period were as follows:

	2011	2012	2013	2014
Direct Written	$ 390,978,371	$ 455,491,175	$ 545,786,018	$ 593,170,070
Assumed from Affiliates	2,188,786	2,217,656	2,470,562	2,037,128
Assumed from Non-Affiliates	91,373,123	129,109,733	163,275,363	174,328,057
Ceded to Affiliates	2,908,956	7,082,722	7,557,775	47,391,679
Ceded to Non-Affiliates	32,475,071	30,710,059	39,103,312	50,911,730
Net Written Premiums	$ 449,156,253	$ 549,025,783	$ 664,870,856	$ 671,231,846

Assumed

The Company assumes workers' compensation risks through facultative certificates for self-insured groups. SNCC's facultative workers' compensation excess of loss reinsurance assumed is underwritten and priced in a similar manner to the excess workers' compensation product. Retrocession coverage is obtained on assumed risks under the same reinsurance agreements, and on the same terms, as the reinsurance coverage obtained on the excess workers' compensation product, described in the Ceded section below.

The Company also assumes workers' compensation and casualty risk through excess of loss reinsurance treaties. In these arrangements, SNCC provides coverage for losses in excess of a specified amount, subject to specified maximums or layers. Participation by layer varies by treaty. Coverage for losses arising out of nuclear, biological, chemical and radiological weapons terrorism is generally excluded from these treaties. The assumed treaties are underwritten in a similar manner to the Company's excess workers compensation product and all accounts are priced by the Company's actuaries.

In addition, SNCC provides a surety aggregate excess of loss treaty for one client and assumes a small amount of casualty and workers compensation business on a quota share basis.

__Ceded__

Safety National cedes business to its reinsurers primarily to reduce net liability on individual risks and to protect against catastrophic losses. Below is a summary of the key coverage in effect as of December 31, 2014. All of the reinsurance agreements are for one year terms and are renegotiated annually.

- Treaty reinsurance coverage in the amount of $380 million in excess of $20 million per occurrence with various levels of participation on its Specific Excess Workers' Compensation, Specific Large Deductible Workers' Compensation and Primary Workers' Compensation business.

- 50% Quota Share of the first $1 million on Primary Workers' Compensation business. The Company's excess reinsurance structure, described above, assumes the exposure above SNCC's retention.

- Treaty reinsurance coverage in the amount of $8 million excess of $2 million per occurrence on Texas Non-Subscriber business.

- Casualty Clash treaty reinsurance coverage in the amount of $6 million excess of $4 million per occurrence on Large Casualty business.

- 50% Quota Share of the first $2 million on Automobile Liability business.

- 10% Quota Share on the Net Retained Liability on Specific Excess Workers' Compensation business.

- 10% Quota Share of the first $5,000,000 on Aggregate Excess Workers' Compensation business.

- Treaty reinsurance in the amount of $10,000,000 excess of the greater of the policy deductible or self-insured retention or $250,000 per occurrence on Industrial Aid Aircraft exposure.

- Treaty reinsurance coverage in the amount of $50,000,000 excess of $25,000,000 per occurrence on Assumed Workers' Compensation business.

- Facultative reinsurance coverage in the amount of $8,000,000 excess of $2,000,000 per occurrence on Excess Public Entity Automobile Liability, General Liability and Professional Liability business. This contract is for a one year term and is renegotiated annually.

Safety National also maintains additional facultative reinsurance coverage at various levels on Excess Specific Excess Workers' Compensation, Specific Large Deductible Workers' Compensation, Primary Workers' Compensation and Automobile Liability business.

Safety National does not currently maintain reinsurance for Aggregate and Specific Excess Unemployment Compensation business, Aggregate Excess Workers' Compensation business, Surety - Bail Bonds or Surety -Workers' Compensation Self-Insurance Bonds. Instead, the Company attempts to limit exposure on these coverages through its policy terms and underwriting practices.

ACCOUNTS AND RECORDS

General

The Company uses a commercial software accounting system for general ledger, accounts payable and payroll. Claims are processed on a commercial system (Claims Management System) while premiums are processed on a combination of internally developed and commercially available systems. Investment functions are performed at the Delphi Financial level for all subsidiaries, including Safety National.

Independent Auditor

The Company's financial statements are audited annually by the accounting firm PwC, while internal audit functions are being performed by E & Y. The workpapers and reports of the most recent independent audit were reviewed for this examination. These workpapers and reports were used in the course of this examination as deemed appropriate.

Independent Actuaries

Reserves and related actuarial accounts reported in the financial statements were reviewed and certified by William R. Wilkins, FCAS, MAAA, who is the Company's Chief Reserving, Appointed Actuary, Enterprise Risk Management Actuary and Commercial Lines Pricing Actuary.

Consulting actuary, Greg Wilson, FCAS, MAAA of Lewis & Ellis Inc. was retained by the Missouri DIFP to review the adequacy of the Company's reserves.

Information Systems

In conjunction with this examination, Andrew Balas, Information Systems Financial Examiner with the Missouri DIFP conducted a review of the Company's information systems.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP as of December 31, 2014, as reflected below, were sufficient in par and market value to meet the deposit requirement for the state of Missouri in accordance with Section 379.098 RSMo (Securities to be deposited by all companies, kind and amount).

Type of Security	Par Value	Market Value	Statement Value
Metro St. Louis Sewer District Muni Bond	$2,750,000	$2,987,903	$2,987,078

Deposits with Other States

The Company also has funds on deposit with other states and Canada to satisfy their statutory deposit requirements. Those funds on deposit as of December 31, 2014, were as follows:

State	Type of Security	Par Value	Market Value	Statement Value
Arizona	Various	$ 27,699,606	$ 29,860,909	$ 27,684,347
California	Municipal Bonds	348,775,000	373,566,923	346,341,215
Delaware	IL Midway Bond	100,000	109,501	95,053
Florida	WA Municipal Bond	1,500,000	1,689,390	1,529,581
Georgia	Various	125,000	109,501	95,053
Idaho	US Treasury Note	300,000	406,550	399,459
Indiana	IN Cash Bail Bond	75,000	75,024	75,024
Maine	Various	800,000	533,260	522,716
Massachusetts	IL Municipal Bond	1,150,000	1,259,262	1,093,107
Montana	US Treasury Note	4,525,000	4,727,068	4,545,539
Nevada	WA Municipal Bond	100,000	100,661	100,116
New Hampshire	IL Municipal Bond	1,600,000	1,752,016	1,520,845
New Jersey	CA Municipal Bond	200,000	213,144	201,639
New Mexico	Municipal Bonds	400,000	436,673	397,475
North Carolina	Various	1,871,362	1,942,032	1,876,581
Oklahoma	Municipal Bonds	4,500,000	4,650,800	4,505,433
Oregon	Municipal Bonds	6,530,000	16,645,369	15,316,771
South Carolina	PA Municipal Bond	175,000	198,226	182,218
Texas	Certificates of Deposit	3,285,311	2,579,659	2,579,659
Virginia	IL Municipal Bond	300,000	328,503	285,158
Guam	Municipal Bonds	50,000	50,000	50,000
Puerto Rico	Municipal Bonds	1,905,000	1,950,948	1,996,133
U.S. Virgin Islands	Municipal Bonds	500,000	494,350	497,509
Canada	Municipal Bonds	34,994,125	36,767,014	31,860,819
Alien & Other	US Treasury Note	400,000	407,120	398,759
Totals		$ 441,460,404	$ 480,853,903	$ 444,150,209

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company and present the financial condition of the Company for the period ending December 31, 2014. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

There may have been additional differences found in the course of this examination that are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

ASSETS

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$3,907,352,106	$ -	$ 3,907,352,106
Preferred stocks	220,552,991	-	220,552,991
Common stocks	219,013,567	121,337	218,892,230
Mortgage loans: First liens	32,335,243	-	32,335,243
Mortgage loans: Other than first liens	42,265,005	787,321	41,477,684
Real Estate	22,515,533	-	22,515,533
Cash and short-term investments	106,660,876	-	106,660,876
Derivatives	2,748,753	-	2,748,753
Other invested assets	189,821,240	-	189,821,240
Receivables for securities	6,072,585	-	6,072,585
Investment income due and accrued	55,437,407	-	55,437,407
Uncollected premiums	40,668,032	3,358,033	37,309,999
Deferred premiums	101,557,195	-	101,557,195
Amounts recoverable from reinsurers	2,268,543	-	2,268,543
Net deferred tax asset	31,511,206	9,300,005	22,211,201
Guaranty funds receivable	454,685	-	454,685
Electronic data processing equipment	13,326,391	10,792,488	2,533,903
Furniture and equipment	3,028,132	3,028,132	-
Receivables from affiliates	1,238,399	-	1,238,399
Deposits and other prepaid items	13,686,072	-	13,686,072
Prepaid assets	474,567	474,567	-
TOTAL ASSETS	**$5,012,988,528**	**$ 27,861,883**	**$ 4,985,126,645**

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	$ 2,831,901,546
Loss adjustment expenses	58,998,835
Other expenses	39,739,519
Taxes, licenses and fees	10,889,639
Current federal and foreign income taxes	8,563,429
Unearned premiums	258,588,941
Ceded reinsurance premiums payable	14,829,010
Funds held under reinsurance treaties	813,334
Amounts withheld for account of others	38,284,723
Remittances and items not allocated	6,171,586
Provision for reinsurance	1,478,800
Payable for securities	22,301,232
Assumed retroactive insurance reserves	311,457,692
Assumed retroactive insurance other expenses	8,411,303
Deposits	5,067,590
TOTAL LIABILITIES	**$ 3,617,497,180**
Common capital stock	5,000,000
Preferred capital stock	25,000,000
Surplus notes	81,288,889
Gross paid in and contributed surplus	311,649,399
Unassigned funds (surplus)	944,691,177
SURPLUS AS REGARDS POLICYHOLDERS	**$ 1,367,629,465**
TOTAL LIABILITIES AND SURPLUS	**$ 4,985,126,645**

STATEMENT OF INCOME

Underwriting Income:		
Premiums earned		$ 663,354,895
Deductions:		
Losses incurred	$ 560,394,297	
Loss adjustment expenses incurred	21,699,658	
Other underwriting expenses incurred	161,441,716	
Retroactive insurance loss	1,587,973	
Total underwriting deductions		745,123,644
Net Underwriting Gain (Loss)		**$ (81,768,749)**
Investment Income:		
Net investment income earned	$ 212,067,817	
Net realized capital gains	(9,329,890)	
Net Investment Gain (Loss)		**$ 202,737,927**
Other Income:		
Net loss from agents or premium balances charged off	$ (651,227)	
Finance and service charges	-	
Other income	61,151	
Total Other Income		**$ (590,076)**
Net income before dividends and FIT		**$ 120,379,102**
Dividends to policyholders		-
Federal income taxes incurred		10,217,446
Net income		**$ 110,161,656**

RECONCILIATION OF SURPLUS

Changes from December 31, 2011 to December 31, 2014

	2012	2013	2014
Capital and surplus, prior year	$ 844,471,876	$ 960,817,306	$ 1,153,846,360
Net income	36,846,218	122,697,197	110,161,656
Change in net U/R capital gains	6,307,394	(17,919,402)	35,580,307
Change in net fx capital gains	2,087,220	(2,195,665)	(5,863,591)
Change in net deferred income tax	(633,355)	2,198,961	2,464,643
Change in nonadmitted assets	(7,230,047)	(7,195,837)	954,690
Change in provision for reinsurance	5,968,000	(2,556,200)	2,485,400
Change in surplus notes (Note 1)	1,283,333	1,283,333	1,288,889
Surplus adjustments: Paid in (Note 1)	75,000,000	100,000,000	70,000,000
Dividends to stockholders	(2,000,000)	(2,000,000)	(2,000,000)
Unapproved interest on surplus notes	(1,283,333)	(1,283,333)	(1,288,889)
Change in capital and surplus	116,345,430	193,029,054	213,783,105
Capital and surplus, current year	**$ 960,817,306**	**$ 1,153,846,360**	**$ 1,367,629,465**

ANALYSIS OF EXAMINATION CHANGES

Summary of Changes to Surplus

No adjustments were made to surplus as a result of the examination.

Summary of Reclassifications

Statement of Income Line Item	*Balance Per Annual Statement*	*Increase*	*Decrease*	*Adjusted Balance*
Change in surplus notes	-	40,000,000	-	40,000,000
Surplus adjustments:				
Paid in	70,000,000		40,000,000	30,000,000

COMMENTS ON FINANCIAL STATEMENTS

Safety National received a $70 million capital infusion from Delphi Financial Group in December 2014, consisting of $30 million cash and a $40 million surplus note. This transaction was incorrectly reported on the Capital and Surplus Account reconciliation on page 4 of the 2014 Annual Statement. The Company reported the entire $70 million on the Surplus adjustments: Paid in line. Instead, $30 million should have been reported on the Surplus adjustments: Paid in line and $40 million on the Change in surplus notes line. The Company is aware of the error and has reported this transaction correctly, beginning with the March 2015 Quarterly Statement.

SUMMARY OF RECOMMENDATIONS

There are no recommendations.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of Safety National Casualty Corporation during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andy Balas, AES, CFE, CPA, Michael Behrens, CFE, Thomas Cunningham, CFE, CPA, James Le, CPA, ARe, and Rick Stamper, CFE; examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, John Boczkiewicz, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

BONNIE K. BANNISTER
MY COMMISSION EXPIRES JULY 2, 2017
NOTARY SEAL
ST. LOUIS COUNTY #13740917
NOTARY PUBLIC, STATE OF MISSOURI

John M. Boczkiewicz, CFE, CPA
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 14 day of JANUARY
My commission expires:
JULY 2 2017

Bonnie K Bannister
Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Insurance, Financial Institutions and Professional Registration

SAFETY NATIONAL
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A member of the Tokio Marine Group

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March 23, 2016

Leslie Nehring, CPA, CFE
Chief Financial Examiner
Division of Company Regulation
301 West High Street, Room 530
Jefferson City, MO 65102-0690

Dear Ms. Nehring:

Thank you for the opportunity to respond to the report of financial examination of Safety National Casualty Corporation, made as of December 31, 2014.

We agree with the one Examination Change reflected on Page 25 of the report, and as you pointed out, we have already reflected the change in subsequent financial statements.

We appreciate the professionalism demonstrated by the Financial Examiners and all the members of the Division of Company Regulation during the course of the examination, and we look forward to working with the Division and the Department of Insurance, Financial Institutions and Professional Registration in the future.

We would like this response to be included as part of the public report of financial examination.

Sincerely,

Steve C. Divine

Steven C. Divine
Senior Vice President - Finance
Safety National Casualty Corporation