

# STATE OF MISSOURI



## DEPARTMENT OF COMMERCE & INSURANCE

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

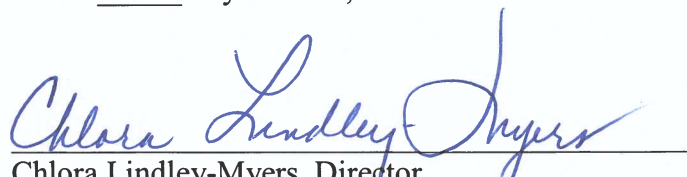
### ORDER

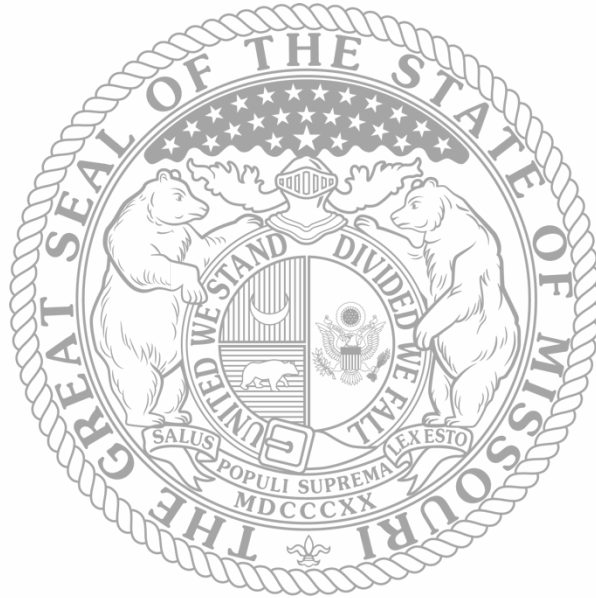
After full consideration and review of the report of the financial examination of First Specialty Insurance Corporation for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance 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 finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of First Specialty Insurance Corporation as of December 31, 2021, be and is hereby ADOPTED as filed and for First Specialty Insurance 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) 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 20<sup>th</sup> day of June, 2023.



  
Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# FIRST SPECIALTY INSURANCE CORPORATION

AS OF  
DECEMBER 31, 2021

STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO  
May 31, 2023

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Commerce and Insurance  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Director Lindley-Myers:

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

**First Specialty Insurance Corporation (NAIC #34916)**

hereinafter referred to as such, as FSIC, or as the Company. Its administrative office is located at 1200 Main Street, Suite 800, Kansas City, Missouri 64105, telephone number 816-235-3700. The fieldwork for this examination began on May 2, 2022 and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

The Missouri Department of Commerce and Insurance (Department) has performed a multiple-state financial examination of FSIC. The last examination of the Company by the Department covered the period of January 1, 2014, through December 31, 2016. The current examination covers the period of January 1, 2017, through December 31, 2021, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

**Procedures**

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department 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 the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to FSIC included Investments, Premiums and Underwriting, Claims Handling and Reserving, Reinsurance, and Related Party Transactions. The examination also included a review and evaluation of information technology general controls.

This examination was conducted as part of a coordinated examination of the U.S. domestic insurers/reinsurers within the Swiss Re Ltd (SRL) holding company system (Swiss Re or Group), which, for the purposes of this examination, consists of fourteen insurers (including two captives) domiciled in Missouri, New Hampshire, and New York. The Missouri Department of Commerce and Insurance is the lead state regulator for the Group. Along with Missouri, New Hampshire and New York participated in the coordinated examination. The examination was also conducted concurrently with the examinations of the Company's Missouri domiciled affiliates, as follows:

- Swiss Re Life & an Health America Inc. (SRLHA)
- Westport Insurance Corporation (WIC)
- Swiss Re Property & Casualty America Inc. (SRPCA)
- North American Elite Insurance Company (NAE)
- North American Specialty Insurance Company (NAS)
- Washington International Insurance Company (WIIC)
- Lumico Life Insurance Company (LLIC)
- Elips Life Insurance Company (ELIC)
- Wing Re Inc. (Wing Re)
- Wing Re II Inc. (Wing Re II)

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) 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 are 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 financial statements noted during the examination.

### **COMPANY HISTORY**

#### **General**

The Company was organized as a stock property and casualty insurer in Missouri under the insurance laws of Chapter 379 RSMo (Insurance Other Than Life). FSIC was incorporated on November 13, 1989 and commenced operations on November 21, 1989. FSIC has been a wholly owned subsidiary of WIC since its inception. In 2006, General Electric Company (GE) sold GE Insurance Solutions Corporation (GEIS) and its subsidiaries, including FSIC and WIC, to Swiss Reinsurance Company Ltd (SRZ). Subsequently, GEIS was re-named Swiss Re Solutions Holding Corporation (SRS) and served as the immediate parent of WIC and its subsidiaries.

In 2011, SRS transferred its ownership of WIC and all of its subsidiaries to Swiss Re America Holding Corporation (SRAH), which subsequently transferred its ownership to SR Corporate Solutions America Holding Corporation (SRCSAH). SRCSAH currently serves as the immediate parent of WIC and the indirect parent of all WIC's subsidiaries, including FSIC. Effective October 30, 2015, FSIC converted from a property and casualty insurer organized under Chapter 379

RSMo to a domestic surplus lines insurer governed by Section 384.018 RSMo. WIC and FSIC are integral members of the Corporate Solutions business unit of the Swiss Re Group formed in 2011. The Missouri domestic insurers are indirect subsidiaries of Swiss Re Corporate Solutions Ltd., an insurer/reinsurer domiciled in Switzerland.

**Mergers, Acquisitions, and Major Corporate Events**

In order to simplify the organizational structure, reduce complexity, and strategically align operational and business models, Corporate Solutions North America has undergone a reorganization. The reorganization was designed to permit the Group to more efficiently allocate capital and leverage a common carrier to pool business and risks. The reorganization consists of the creation of a new holding company, Swiss Re Corporate Solutions Holding, as a subsidiary of SRZ and the merger of Swiss Re Corporate Solutions Ltd. (SRCS) with and into SRZ. In furtherance of the reorganization, WIC transferred via extraordinary dividend, ownership of its subsidiaries to SR Corporate Solutions America Holding Corporation (SRCSAH) on September 1, 2021. In turn, FSIC, NAE, and North American Capacity Insurance Company (NAC) were contributed by SRCSAH to NAS.

**Dividends and Capital Contributions**

The only dividend paid during the examination period was a \$25,000,000 dividend to WIC in 2019. There were no capital contributions during the examination period.

**Surplus Notes**

There were no surplus notes issued or outstanding during the examination period.

**MANAGEMENT AND CONTROL**

**Board of Directors**

The management of the Company is vested in a Board of Directors that are elected by the stockholders. The Company's Bylaws specify that there shall be no less than nine and no more than twenty-five board members. The Directors elected and serving as of December 31, 2021, are listed on the following page:

<b><u>Name and Address</u></b>	<b><u>Principal Occupation and Business Affiliation</u></b>
Laura Fincke Coppola* Cranford, New Jersey	Managing Director, Head of Casualty and Fin Pro Swiss Re Corporate Solutions North America
Ivan Javier Gonzalez* Larchmont, New York	President/Head of North America Swiss Re Corporate Solutions
Robin Renee LaFollette Overland Park, Kansas	Senior Vice President, Head Fin Pro Claims Swiss Re Corporate Solutions North America
Michael Pasquale LaRocca New York, New York	Managing Director, Head of Property & Specialty Swiss Re Corporate Solutions North America
Kathleen Ann McGrath Haddonfield, New Jersey	Managing Director, Head Accident & Health Swiss Re Corporate Solutions North America
Elizabeth Tesson McInerney Scarsdale, New York	Managing Director, Head of Business Operations Swiss Re Corporate Solutions North America
Sharon Mary O’Sullivan Scarsdale, New York	Managing Director, Chief Financial Officer Americas Swiss Re Corporate Solutions
Katarina Scamborova New York, New York	Managing Director, Head Standard Propositions Swiss Re Corporate Solutions North America
Elizabeth Pittman Whitney Chicago, Illinois	Senior Vice President, Head Agents US Swiss Re Corporate Solutions North America

\*Effective August 8, 2022, John William Fries replaced Ivan Javier Gonzalez.

\*Effective December 31, 2022, David Gerard Satory replaced Laura Fincke Coppola

**Senior Officers**

The officers elected and serving, as of December 31, 2021, were as follows:

<b><u>Name</u></b>	<b><u>Office</u></b>
Ivan Javier Gonzalez*	Chief Executive Officer & President
Deryck Michael Malone*	Chief Financial Officer & Senior Vice President
Elissa Beth Rueben Kenny	Secretary & Senior Vice President
Christopher Roy Ritter	Appointed Actuary & Senior Vice President
Steven Paul Anderson*	Senior Vice President
Michael Gray Bohannon	Vice President
Laura Fincke Coppola*	Managing Director
Krystle Marie Dunn	Senior Vice President
Annette Marie Kurtzweil	Senior Vice President & Chief Risk Officer
Michael Pasquale LaRocca	Managing Director
Kathleen Ann McGrath	Managing Director
Elizabeth Tesson McInerney	Managing Director
Sharon Mary O’Sullivan	Managing Director

\*Effective July 1, 2022, Kathleen Ann McGrath replaced Ivan Javier Gonzalez.

\*Effective May 26, 2022, Allison Lynn Burke replaced Deryck Michael Malone.



\*Effective March 31, 2022, Steven Paul Anderson retired from the Company.

\*Effective November 4, 2022, Laura Coppola left the Company.

### **Principal Committees**

The entire Board serves as the Company's Executive and Audit Committees.

### **Corporate Records**

The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the Board of Directors were reviewed for the period under examination.

### **Holding Company, Subsidiaries, and Affiliates**

FSIC is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). FSIC is part of the Swiss Re Group. The Swiss Re Group is a wholesale provider of reinsurance, insurance, and other insurance-based forms of risk transfer. Working through brokers and a network of offices around the globe, the Group serves a client base made up of insurance companies, medium-to-large-sized corporations, and public sector clients. The ultimate controlling party of the Group is SRL, a corporation based in Zurich, Switzerland.

SRL is a diversified global reinsurer, offering a wide variety of reinsurance products and financial services solutions to manage capital and risk. SRL is a publicly traded company on the SIX Swiss Exchange under the symbol SREN; no single shareholder was determined to own 10% or more of its outstanding shares. Swiss Financial Market Supervisory Authority (FINMA) is the lead international regulator of the Swiss Re Group. As the lead state, Missouri represents the U.S. regulators in the Swiss Re Group Supervisory College organized by FINMA.

Following a restructuring and effective for the 2021 financial reports, the Group's operations are managed and reported through two business units and one stand-alone division that correspond to the Group's core activities, as described below:

- **Reinsurance Business Unit**  
The Reinsurance Business Unit offers traditional reinsurance products, insurance-based capital market instruments, and risk management services globally through two operating segments – P&C Reinsurance and L&H Reinsurance.
- **Corporate Solutions Business Unit**  
The Corporate Solutions Business Unit is the commercial arm of the Group, providing risk transfer solutions to large and mid-sized corporations around the world.
- **Division iptiQ**  
iptiQ is a global Business-to-Business-to-Consumer digital insurance platform aimed at both digital and traditional affinity distribution partners.

**Organizational Chart**

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2021.



**Intercompany Transactions**

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2021. A brief description of these agreements are as follows:

**Service Agreement:** This agreement, effective January 28, 2009, is between FSIC, Flint Hills Insurance Agency LLC (Flint) (fka FSIC Insurance Agency, LLC), and WIC. Per the agreement, WIC provides FSIC and Flint with general management and administrative services such as legal, personnel, information systems, accounting, finance, risk management, actuarial, underwriting, claims, and other services. FSIC and Flint reimburse WIC for the cost incurred in providing the services.

**Service Agreement:** This agreement, effective December 1, 2010, is between FSIC and SRCSAH. Per the agreement, SRCSAH provides FSIC with general management and administrative services such as legal, personnel, information systems, accounting, finance, risk management, actuarial, underwriting, claims, and other services. FSIC reimburses SRAH for the cost incurred in providing the services.

**Service Agreement:** This agreement, effective January 1, 2012, is between FSIC and SRCSAH. Per the agreement, SRCSAH provides FSIC with general management and administrative services such as legal, personnel, information systems, accounting, finance, risk management, actuarial, underwriting, claims, and other services. FSIC reimburses SRCSAH for the cost incurred in providing the services.

**Operating Agreement:** This agreement, effective January 1, 1998, is between FSIC and Flint. Per the agreement, Flint, as underwriter for FSIC, is given the authority to solicit and bind contracts of insurance, collect and receive premiums, cancel and non-renew policies, and various other underwriting functions. FSIC pays Flint a monthly service fee equal to monthly operating expenses incurred in rendering services or producing business for FSIC.

**Branding Agreement:** This agreement, effective January 1, 2012, is between FSIC, WIC, and SRL. Per the agreement, FSIC and WIC are granted the non-exclusive, non-transferable, and non-sub-licensable right to use all registered and unregistered trademarks and other rights, including goodwill, in and to the Swiss Re brand worldwide.

**Parental Guarantee:** This agreement, effective June 30, 2003, is between FSIC and WIC. Per the agreement, WIC acts as guarantor and agrees to reimburse FSIC for any uncollectible external reinsurance.

**Tax Allocation Agreement:** This agreement, effective October 4, 2011, is between SRCSAH and its subsidiaries including FSIC. Per the agreement, FSIC agrees to join in the filing of the consolidated federal income tax returns filed by SRCSAH. Each insurance subsidiary computes its federal income tax liability on a separate return basis, but in no event are payments made by an insurance subsidiary to exceed its tax liability on a separate return basis for the year. SRCSAH reimburses the subsidiary for the subsidiary's loss or credit used in the consolidated return to reduce the consolidated tax liability.

**Collateralized Securities Lending Agreement:** This agreement, effective April 1, 2013, is between FSIC and SRZ. Per the agreement, FSIC appoints SRZ as its agent to lend securities from its custodial safekeeping account from time to time to borrowers in accordance with the terms of the Master Security Loan Agreement. FSIC pays SRZ an agent's fee of 20% of the net fee income derived from lending securities to market participants.

**Investment Management Agreement:** This agreement, effective January 1, 2019, is between FSIC and SRCSAH. Per the agreement, SRCSAH agrees to manage the investment portfolio of FSIC and assist and advise FSIC in the preparation of the financial statements as they relate to investments managed, valuations, purchases and sales, and income on a monthly basis. Other services include cash management, tax basis reporting, and performance monitoring. Investments are managed within the parameters established by FSIC. SRCSAH is reimbursed for costs incurred, to include salaries and related expenses, rent, rental or depreciation of equipment and employee benefits.

### TERRITORY AND PLAN OF OPERATION

FSIC operates as an excess and surplus lines insurer writing blocks of specialty insurance with a focus on professional liability and commercial property.

In mid-2019, FSIC conducted a review of its entire portfolio with the development and implementation of action plans for each line of business. As part of this review, FSIC exited the Excess & Surplus casualty (general liability) market.

### GROWTH OF COMPANY AND LOSS EXPERIENCE

As the Company cedes all of its business, both net written and net earned premium, along with current accident year losses, are not significant. The table below summarizes the Company's premiums, losses and surplus for the period under examination:

(\$000s omitted)

Year	Net Premiums Written	Net Premiums Earned	Net Losses and Loss Adjustment Expenses	Capital and Surplus
2017	\$ (9)	\$ 57	\$ 3,518	\$ 73,324
2018	0	37	(4,076)	80,990
2019	0	43	1,489	65,849
2020	1	0	(1,239)	68,704
2021	0	(19)	1,387	70,372

### REINSURANCE

#### General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

Premium Type	2017	2018	2019	2020	2021
Direct Premiums Written	\$226,286	\$274,540	\$259,895	\$215,871	\$187,794
Reinsurance Assumed:					
Affiliates	0	0	0	0	0
Non-Affiliates	0	320	105	0	0
Reinsurance Ceded:					
Affiliates	225,999	273,738	259,068	214,633	185,871
Non-Affiliates	296	1,121	932	1,238	1,924
<b>Net Premiums Written</b>	<b>\$ (9)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

#### Assumed Reinsurance

The Company did not assume any significant premiums during the period under examination.

#### Ceded Reinsurance

The Company has an Adverse Development cover with WIC, which provides unlimited coverage for adverse reserve development on accident years 2002 and prior as valued at June 30, 2003, the agreement date.

Effective June 30, 2003, the Company entered into a parental guarantee agreement with WIC, which provided for reimbursement for any uncollectible external reinsurance. The agreement was terminated when the Company was contributed to NAS effective September 1, 2021.

Due in part to corporate restructuring, prior to January 1, 2021, the Company entered into and terminated various reinsurance agreements with affiliated companies. Effective January 1, 2021, the Company entered into a multiple line non-obligatory quota share reinsurance agreement with WIC. Under the agreement, the Company ceded up to 100% of covered net liability. The agreement was terminated on a cutoff basis effective January 1, 2022.

Effective January 1, 2022, the Company entered into similar separate multiple line non-obligatory quota share reinsurance agreements with NAS and NAE.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance contract.

## **ACCOUNTS AND RECORDS**

### **Independent Auditor**

The certified public accounting (CPA) firm KPMG LLP, in New York, New York, performed the Company's 2021 statutory audit. The CPA firm PricewaterhouseCoopers, LLP, in New York, New York, performed the Company's statutory audit for the years 2017 through 2020. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, narrative descriptions of information technology processes and controls, internal control and substantive testing relating to claim and premium activities, and fraud risk analysis.

### **Actuarial Opinion**

The Company's actuarial opinion regarding loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Christopher Ritter, ACAS, MAAA, for the years 2018 through 2021. Christopher Ritter is employed by WIC in Kansas City, Missouri. The Company's 2017 actuarial opinion regarding loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Steven Book, FCAS, MAAA, who was employed by WIC in Overland Park, Kansas.

### **Consulting Actuary**

Pursuant to a contract with the Department, Kristine M. Fitzgerald, ACAS, MAAA, FCA of Actuarial & Technical Solutions, Inc., reviewed the underlying actuarial assumptions and methodologies used by FSIC to determine the adequacy of loss reserves and LAE reserves. Kristine M. Fitzgerald determined that the Company made a reasonable provision for the loss and LAE reserves that were reported in the statutory financial statements as of December 31, 2021.

### **Information Systems**

The Department also engaged a third-party firm, Noble Consulting Services Inc. (Noble), to perform a review of the Group's information technology systems, policies, and procedures. Noble's work was completed under the supervision of Kimberly Dobbs, CFE, AES, CISA, Information Systems Examiner-in-Charge for the Department.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of FSIC for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the “Comments on Financial Statement Items.” These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

**ASSETS**

As of December 31, 2021

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$ 49,973,294	\$ -	\$ 49,973,294
Cash, Cash Equivalents, and Short- Term Investments	7,625,704	-	7,625,704
Receivables for Securities	6,250,000	-	6,250,000
Investment Income Due and Accrued	95,061	-	95,061
Premiums and Considerations:			
Uncollected Premiums and Agents' Balances in the Course of Collection	11,881,355	893,092	10,988,263
Deferred Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due	2,566,517	715	2,565,802
Amounts Recoverable from Reinsurers	53,832,986	-	53,832,986
Net Deferred Tax Asset	312,215	68,611	243,604
Aggregate Write-Ins for Other-Than- Invested Assets	18,951,984	-	18,951,984
<b>TOTAL ASSETS</b>	<b>\$ 151,489,116</b>	<b>962,418</b>	<b>\$ 150,526,698</b>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

As of December 31, 2021

Losses	\$ 7,085,096
Loss Adjustment Expenses	2,664,333
Current Federal and Foreign Income Taxes	626,101
Unearned Premiums	19,620
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	29,057,696
Funds Held by Company Under Reinsurance Treaties	10,548,374
Remittances and Items Not Allocated	14,856,294
Provision for Reinsurance	1,301,284
Payable to Parent, Subsidiaries, and Affiliates	6,550,683
Aggregate Write-Ins for Liabilities	7,445,606
<b>TOTAL LIABILITIES</b>	<b>\$ 80,155,087</b>
Common Capital Stock	5,000,000
Gross Paid In and Contributed Surplus	41,000,000
Unassigned Funds (Surplus)	24,371,611
<b>TOTAL CAPITAL AND SURPLUS</b>	<b>\$ 70,371,611</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$ 150,526,698</b>

**STATEMENT OF INCOME**  
For the Year Ended December 31, 2021

Premiums Earned	\$	(19,204)
DEDUCTIONS:		
Losses Incurred		1,109,003
Loss Adjustment Expenses Incurred		277,599
Other Underwriting Expenses Incurred		162,308
Aggregate Write-Ins for Underwriting Deductions		(1,079,000)
Total Underwriting Deductions	\$	469,910
<b>Net Underwriting Gain (Loss)</b>	<b>\$</b>	<b>(489,114)</b>
Net Investment Income Earned		216,990
Net Realized Capital Gains		29,476
<b>Net Investment Gain (Loss)</b>	<b>\$</b>	<b>246,466</b>
Net Gain (Loss) from Agents' or Premium Balances Charged Off		(430)
Aggregate Write-Ins for Miscellaneous Income		10,909
Federal and Foreign Income Taxes Incurred		(92,323)
<b>NET INCOME (LOSS)</b>	<b>\$</b>	<b>(139,846)</b>

**RECONCILIATION OF CAPITAL AND SURPLUS**  
Changes from January 1 2017 to December 31, 2021

(\$000s omitted)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and Surplus,					
Beginning of Year	\$ 72,180	\$ 73,324	\$ 80,990	\$ 65,849	\$ 68,704
Net Income (Loss)	3,763	8,200	8,990	3,593	(140)
Change in Net Unrealized					
Capital Gains Less					
Capital Gains Tax	14	3	1	-	-
Change in Net Deferred					
Income Tax	(377)	(120)	(141)	(90)	(714)
Change in Nonadmitted					
Assets	(2,005)	(122)	765	(331)	3,204
Change in Provision for					
Reinsurance	(251)	(295)	244	(317)	(682)
Dividends to Stockholders	-	-	(25,000)	-	-
Net Change in Capital and					
Surplus	1,144	7,666	(15,141)	2,856	1,668
<b>Capital and Surplus, End</b>					
<b>of Year</b>	<b>\$ 73,324</b>	<b>\$ 80,990</b>	<b>\$ 65,849</b>	<b>\$ 68,704</b>	<b>\$ 70,372</b>



**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

Effective January 1, 2022, cedes 100% of its business written and renewed to NAS.

Effective August 1, 2022, FSIC changed its name to Swiss Re Corporate Solutions Capacity Insurance Corporation.

In 2023, Swiss Re streamlined its organizational structure. The Reinsurance Business Unit was split into P&C Reinsurance and L&H Reinsurance, with each having full authority over the respective underwriting and claims management processes. Corporate Solution's organizational model is not changing. The Group Functions will also adapt to optimally align with the new setup. The reorganization will not change the way Swiss Re reports its financial results externally. The reorganization was effective April 3, 2023.

The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of First Specialty Insurance Corporation during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Laura Church – CFE, CPA, Kim Waller – CFE, Lisa Li – CFE, CPA, ARe, Emily Pennington – CFE, Adrienne Lewis, James Le – CFE, CPA, ARe, Josh Nash – CFE, CPA, Kimberly Dobbs - CFE, AES, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

**VERIFICATION**

State of Missouri            )  
  )    ss  
County of Cole             )

I, Marc Peterson, CFE, 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 First Specialty Insurance Corporation, 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.

*Marc Peterson*

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Marc Peterson, CFE  
Examiner-In-Charge  
Missouri Department of Commerce and  
Insurance

Sworn to and subscribed before me this 2nd day of June, 2023.

My commission expires: May 18, 2024 *Kimberly Landers*  
\_\_\_\_\_  
Notary Public



KIMBERLY LANDERS  
My Commission Expires  
May 18, 2024  
Callaway County  
Commission #12558402

### **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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



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Sara McNeely, CFE  
Assistant Chief Financial Examiner  
Missouri Department of Commerce and  
Insurance