



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

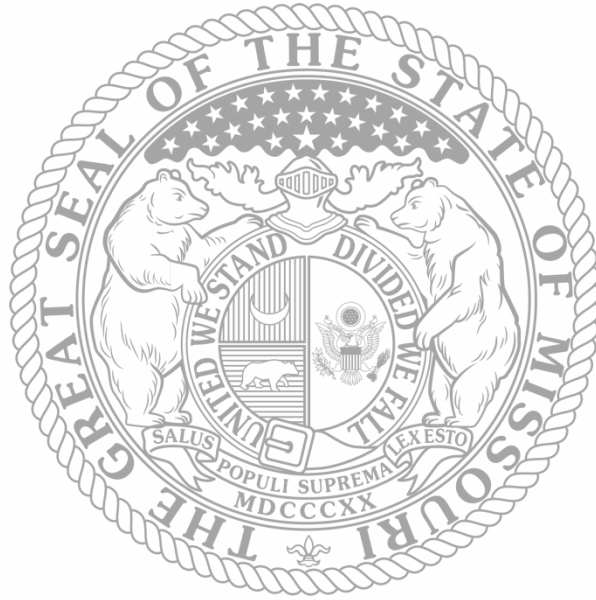
After full consideration and review of the report of the financial examination of Fletcher Reinsurance Company for the period ended December 31, 2023, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Mick Campbell, Acting Director of the Missouri 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 Fletcher Reinsurance Company as of December 31, 2023, be and is hereby ADOPTED as filed and for Fletcher Reinsurance Company 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 24th day of February, 2025.



Mick Campbell, Acting Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

FLETCHER REINSURANCE COMPANY

AS OF
DECEMBER 31, 2023

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
December 26, 2024

Honorable Mick Campbell, Acting Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Acting Director Campbell:

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

Fletcher Reinsurance Company (NAIC #11054)

hereinafter referred to as such, as Fletcher Re, or as the Company. Its administrative office is located at 150 2nd Avenue North, 3rd Floor, St. Petersburg, FL 33701. The fieldwork for this examination began on October 1, 2024, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a multi-state financial examination of Fletcher Re. The last examination of the Company by the Department covered the period of January 1, 2015, through December 31, 2019. The current examination covers the period of January 1, 2020, through December 31, 2023, 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. 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.

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

On December 27, 2018, Maiden Reinsurance North America, Inc. (Maiden Re) was acquired by Enstar Holdings (US) LLC (Enstar US), a subsidiary of the ultimate Bermuda parent, Enstar Group Limited (Enstar), and placed into run-off. As part of the acquisition approval by the Department, a Capital Maintenance Agreement, dated as of December 27, 2018, was established between Maiden Re and Enstar. On January 9, 2020, the Department issued a non-objection letter to Fletcher Re regarding its name change to Fletcher Reinsurance Company. The Missouri Secretary of State approved the name change by issuing a Certificate of Amendment on January 23, 2020.

On September 6, 2023, the Oklahoma County District Court (Cleveland County) issued a Judgment and Order approving an Insurance Business Transfer (IBT) that effectively novated all of Fletcher Re's insurance business to its affiliate Yosemite Insurance Company. Fletcher Re has no residual liability tied to these writings. Effective October 1, 2022, the direct parent of Fletcher Re was changed to Enstar Solutions II (US) LLC, which is a wholly-owned indirect subsidiary of Enstar.

Mergers, Acquisitions, and Major Corporate Events

Other than the acquisition by Enstar US, there were no additional mergers, acquisitions or major corporate events involving Fletcher Re during the examination period.

Dividends and Capital Contributions

No capital contributions were made during the examination period.

All dividends during the examination period were paid to Enstar (US) Holdings, with the exception of the 2023 dividend, which was paid to Enstar Solutions II (US) LLC. The table below represents the dividends paid during the period under examination.

Year	Amount
2020	\$ 170,000,000
2021	53,000,000
2022	120,000,000
2023	61,000,000
Total	\$ 404,000,000

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 is elected by the shareholders. The Company's Articles of Incorporation specify that there shall be nine members. The Board of Directors elected and serving as of December 31, 2023, was as follows:

<u>Name and Address*</u>	<u>Principal Occupation and Business Affiliation**</u>
Richard Seelinger, Chairman	President & Chief Executive Officer Enstar (US) Inc.
Sharon Fletcher	Vice President Enstar (US) Inc.
Vyacheslav (Steve) Kolker	Senior Vice President & Tax Officer Enstar (US) Inc.
Jennifer Miu	Chief Financial Officer Enstar (US) Inc.
Steven Norrington	Executive Vice President Cranmore (US) Inc.
Teresa Reali	Senior Vice President & Treasurer Enstar (US) Inc.
Robert Redpath	Senior Vice President Enstar (US) Inc.
Mark Kern	Chief Operating Officer Enstar (US) Inc.
Michael Sheehan	Senior Vice President Enstar (US) Inc.

* Address: 150 2nd Avenue North, 3rd floor, St. Petersburg, FL 33701

** Business Affiliation: Enstar (US) Inc. and Cranmore (US) Inc. are wholly-owned indirect subsidiaries of Enstar.

Senior Officers

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

<u>Name</u>	<u>Office</u>
Richard Seelinger	Chairman, President & Chief Executive Officer
Jennifer Miu	Chief Financial Officer
Keng Mui	Senior Vice President
Robert Redpath	Senior Vice President
Mark Kern	Senior Vice President
Michael Sheehan	Senior Vice President
Teresa Reali	Senior Vice President & Treasurer
Sara Kirkpatrick*	Corporate Secretary
Sharon Fletcher	Vice President
Joseph McNally	Vice President
Nadja Quick	Assistant Secretary
Vyacheslav (Steve) Kolker	Senior Vice President & Tax Officer

* Effective July 10, 2024, Ms. Kirkpatrick resigned as Corporate Secretary, and Peter Calleo was appointed as her replacement effective August 15, 2024.

Principal Committees

The Bylaws grant the Board of Directors the ability to appoint various committees. The Company's only standing committee is the Investment Committee. Members of the Investment Committee as of December 31, 2023, were Richard Seelinger, Jennifer Miu and Teresa Reali.

Fletcher Re does not maintain a standing Audit Committee. The Company appointed the Audit Committee of its ultimate parent, Enstar Group Limited, to act on its behalf. The appointed Audit Committee is made up of three independent members of Enstar Group Limited's Board of Directors.

Corporate Records

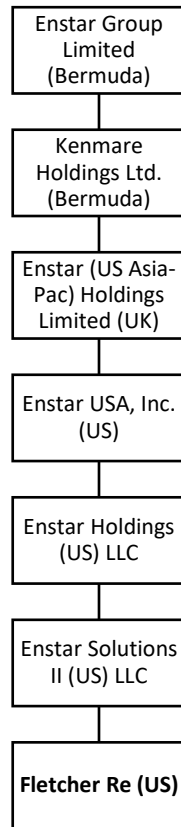
The Company's Articles of Incorporation and Bylaws were reviewed. Both documents were revised to reflect the Company's name change from Maiden Re to Fletcher Re. No other revisions occurred during the period under examination. The minutes of the Sole Shareholder, Board of Directors and Investment Committee meetings were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

Fletcher Re is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). The Company's direct parent is Enstar Solutions II (US) LLC. The ultimate controlling entity is Enstar Group Limited. Enstar is publicly traded on the NASDAQ under the ticker symbol "ESGR".

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2023.

**Intercompany Transactions**

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2023. A brief description of these agreements is as follows:

Services Agreement: Agreement between Fletcher Re and Enstar (US) Inc. whereby Enstar (US) Inc. provides executive and various administrative services. Fletcher Re pays a quarterly fee equal to the amount determined for those services.

Capital Maintenance Agreement: Agreement between Fletcher Re and Enstar whereby Enstar commits to maintain Fletcher Re's Authorized Control Level RBC of 300%.

Tax Sharing Agreement: Agreement between Fletcher Re, Enstar (US), Enstar USA, Inc. and other affiliates. The agreement states that any tax liabilities or refunds arising from the filing of a consolidated tax return are allocated to the appropriate parties as if each had filed on a separate return basis.

Net Retained Liability Reinsurance Agreement and Notification of Insurance Business Transfer (IBT): Agreement between Fletcher Re and Yosemite Insurance Company (Yosemite). Under the agreement, Yosemite reinsured 100% of Fletcher Re's net liability effective September 30, 2022, in connection with the planned IBT (described below).

Insurance Business Transfer (IBT) from Fletcher Reinsurance Company to Yosemite Insurance Company: Agreement between Fletcher Re and Yosemite. Effective September 6, 2024, the IBT transferred and novated all of Fletcher Re's assumed runoff reinsurance business to Yosemite.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2023, Fletcher Re was licensed in forty-four states and the District of Columbia and is an accredited reinsurer in six states. During the period under examination, Fletcher Re provided reinsurance to property and casualty insurers writing automobile, commercial multiple-peril, workers' compensation, and minimal amounts of accident and health business. There are no new writings, and effective August 29, 2018, the Company stopped assuming new and renewal business.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and capital and surplus levels for the period under examination. Negative premiums and declining surplus are due to runoff status since 2018 and 100% reinsurance agreement in 2022.

(\$000s omitted)

Year	Net Premiums Written	Capital and Surplus
2020	\$ (33)	\$ 260,647
2021	(2,515)	227,356
2022	(251,596)	85,855
2023	0	7,923

The table below summarizes the Company's premiums earned and incurred losses for the period under examination. The large negative premiums and losses in 2022 are the result of the 100% ceded reinsurance previously noted.

(\$000s omitted)

Year	Net Premiums Earned	Net Losses and Loss Adjustment Expenses
2020	\$ (33)	\$ 10,427
2021	(2,515)	5,971
2022	(251,596)	(247,798)
2023	0	0

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	2020	2021	2022	2023
Direct Premiums Written	\$ 0	\$ 0	\$ 0	\$ 0
Reinsurance Assumed:				
Affiliates	0	0	0	0
Non-Affiliates	(686)	(2,613)	561	0
Reinsurance Ceded:				
Affiliates	(264)	191	251,605	0
Non-Affiliates	(389)	(289)	551	0
Net Premiums Written	\$ (33)	\$ (2,515)	\$ (251,595)	\$ 0

Assumed Reinsurance

Effective August 29, 2018, the Company ceased assuming new and renewal business and is currently in runoff with no retained insurance risk.

Ceded Reinsurance

The Company historically purchased several types of reinsurance coverage to protect from catastrophic losses. However, the IBT agreement established September 6, 2023, has effectively novated the liabilities to Yosemite Insurance Company. Therefore, Fletcher Re has no residual liability tied to these writings.

ACCOUNTS AND RECORDS**Independent Auditor**

Fletcher Re requested and received approval for an exemption from filing 2023 audited financial statements due to the approval of the IBT in September of 2023. The certified public accounting (CPA) firm, KPMG, in New York, New York, performed the statutory audit of the Company for the years 2020-2021. The certified public accounting (CPA) firm, PWC, in New York, New York, performed the statutory audit of the Company for the year 2022. Reliance was placed upon the CPA workpapers as deemed appropriate.

Actuarial Opinion

Fletcher Re requested and received approval for an exemption from filing the 2023 actuarial reports due to the approval of the IBT in September of 2023.

Consulting Actuary

No consulting actuary was used for this examination as the Company had no insurance risk exposure at December 31, 2023.

Information Systems

No information systems review was performed for this examination as the Company had no insurance operations at December 31, 2023.

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 Fletcher Re for the period ending December 31, 2023. 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, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 4,787,756	\$ 0	\$ 4,787,756
Cash, Cash Equivalents, and Short- Term Investments	2,942,180	0	2,942,180
Investment Income Due and Accrued	45,953	0	45,953
Receivables from Parents, Subsidiaries and Affiliates	230,373	0	230,373
TOTAL ASSETS	\$ 8,006,261	\$ 0	\$ 8,006,261

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2023

Other Expenses	\$ 21,740
Current Federal and Foreign Income Taxes	44,466
Payable to Parent, Subsidiaries, and Affiliates	16,562
TOTAL LIABILITIES	\$ 82,768
Common Capital Stock	4,000,000
Gross Paid In and Contributed Surplus	36,983,304
Unassigned Funds (Surplus)	(33,059,811)
TOTAL CAPITAL AND SURPLUS	\$ 7,923,493
TOTAL LIABILITIES AND SURPLUS	\$ 8,006,261

STATEMENT OF INCOME
For the Year Ended December 31, 2023

Premiums Earned	\$ 0
DEDUCTIONS:	
Losses Incurred	0
Loss Adjustment Expenses Incurred	0
Other Underwriting Expenses Incurred	2,158,967
Total Underwriting Deductions	<u>\$ 2,158,967</u>
Net Underwriting Gain (Loss)	\$ (2,158,967)
Net Investment Income Earned	9,850,714
Net Realized Capital Gains (Loss)	<u>(19,874,607)</u>
Net Investment Gain (Loss)	\$ (10,023,893)
Net Gain (Loss) from Agents' or Premium Balances Charged Off	75,098
Aggregate Write-Ins for Miscellaneous Income	<u>(5,408,341)</u>
Total Other Income (Loss)	\$ (5,333,243)
Federal and Foreign Income Tax Incurred	<u>613,318</u>
NET INCOME (LOSS)	<u>\$ (18,129,421)</u>

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2020 to December 31, 2023

(\$000s omitted)

	2020	2021	2022	2023
Capital and Surplus, Beginning of Year	\$ 401,278	\$ 260,647	\$ 227,356	\$ 85,855
Net Income (Loss)	41,652	12,405	(11,382)	(18,129)
Change in Net Unrealized Capital Gains (Losses) Less Capital Gains Tax	(4,588)	1,968	(3,659)	256
Change in Net Unrealized Foreign Exchange Capital Gain (Loss)	(10,939)	2,236	(11,663)	
Change in Net Deferred Income Tax	518	(1,330)	5,283	824
Change in Provision for Reinsurance	2,750	(29)	(79)	117
Capital Changes:				
Dividends	(170,000)	(53,000)	(120,000)	(61,000)
Aggregate Write-Ins for Gains and Losses in Surplus	(24)	4,459	0	
Net Change in Capital and Surplus	<u>(140,631)</u>	<u>(33,291)</u>	<u>(141,501)</u>	<u>(77,932)</u>
Capital and Surplus, End of Year	<u>\$ 260,647</u>	<u>\$ 227,356</u>	<u>\$ 85,855</u>	<u>\$ 7,923</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

A stock purchase agreement, dated October 1, 2024, was executed to sell all outstanding shares of the Company to Continental Casualty Company. A closing date is expected during first quarter 2025, pending regulatory approval.


ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Fletcher Reinsurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of Greene)

I, James Simmerman, 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 Fletcher Reinsurance 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.



James Simmerman, CFE
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

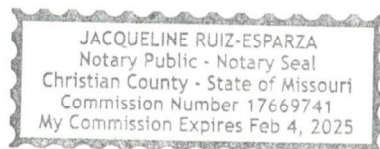
Sworn to and subscribed before me this 17 day of January, 2025.

My commission expires:

2/4/2025



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



Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance