

REPORT ON EXAMINATION AS TO THE CONDITION OF

THE NORTH RIVER INSURANCE COMPANY

MORRISTOWN, NEW JERSEY

AS OF DECEMBER 31, 2019

NAIC COMPANY CODE 21105

NAIC GROUP CODE 0158

FILED

JUNE 15, 2021

COMMISSIONER

**DEPARTMENT
OF
BANKING AND INSURANCE**

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State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

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May 26, 2021

Honorable Marlene Caride
Commissioner of Department of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625-0325

Commissioner:

In compliance with your instructions and pursuant to Insurance Laws and Rules of the State of New Jersey and as adopted by the National Association of Insurance Commissioners ("NAIC"), a comprehensive risk focused examination has been made of the books, records and financial condition of

**THE NORTH RIVER INSURANCE COMPANY
305 MADISON AVENUE
MORRISTOWN, NJ 07962
NAIC GROUP ODE 0158
NAIC COMPANY CODE 21105**

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter referred to as the "Company" or North River. The following examination report as to the condition of the Company is respectfully submitted.

SCOPE OF THE EXAMINATION

The New Jersey Department of Banking and Insurance, hereinafter referred to as the “NJDOBI” or “We”, conducted a risk-focused financial condition examination (the “Examination”) of North River Insurance Company, for the period of January 1, 2015 to December 31, 2019, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. The Examination was conducted pursuant to the authority granted by N.J.S.A. 17:23-22 and was last examined as of December 31, 2014.

The Examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook (the “Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company. This is accomplished by obtaining information about the Company including: corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with statutory accounting principles and annual statement instructions when applicable to domestic state regulations.

The Examination was performed under the holding company group approach and on a coordinated basis with the State of Delaware as the NAIC lead state. The insurance companies examined under this approach benefit to a large degree from common board and management members, governance policies, information systems, internal controls insurance products, and risk management processes, which are generally administered at the consolidated holding company or ultimate parent. NJDOBI participated in the coordinated examination of the Company and its insurance affiliates. The following is a listing of the Company’s affiliates and were examined concurrently with the Examination of the Company:

Crum & Forster Subgroup (Crum Group):

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
United States Fire Ins Co	21113	DE
Crum & Forster Specialty Ins Co	44520	DE
North River Insurance Co	21105	NJ
First Mercury Ins Co	10657	DE
Crum & Foster Ind. Co	31348	DE
Seneca Ins Co Inc.	10936	NY
Seneca Specialty Ins Co.	10729	DE
Crum & Forster Ins Co	42471	NJ
American Underwriters Ins Co	10251	AK
MTAW Insurance Co	16498	DE

Hudson Subgroup – 100% owned by Odyssey Re Subgroup below:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
Hudson Insurance Co	25054	DE
Hudson Excess Insurance Co	14484	DE
Hudson Specialty Insurance Co	37079	NY

Odyssey Re Subgroup:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
Greystone Insurance Co	10019	CT
Odyssey Reinsurance Co	23680	CT

Zenith Subgroup:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
Zenith Insurance Co	13269	CA
ZNat Insurance Co	30120	CA

Allied World Subgroup ¹:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
Allied World Natl Assur Co	10690	NH
Allied World Assur Co US Inc.	19489	DE
Allied World Surplus Lines Ins Co	24319	AK
Allied World Specialty Ins Co	16624	DE
Allied World Ins Co	22730	NH
Vantapro Specialty Ins Co	44768	AK
Vault Recip. Exch. FL NY	16186	FL
Vault E&S Ins Co	16237	AK

Riverstone Subgroup ²:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
Commonwealth Ins Co of America	10220	DE
TIG Insurance Co	25534	CA

¹ Fairfax Financial Holdings Limited and Allied World Assurance Company Holdings, Ltd recently announced, in a November 12, 2020 press release, that they have, through their subsidiaries, entered into an agreement to sell their majority interest in Vault Holdings Inc. The transaction closed on March 1, 2021.

² TIG Insurance Company sold Commonwealth Insurance Company of America to Brit Insurance USA Holdings Inc. (affiliate), effective April 30, 2018.

The NJDOBI exam team reviewed and leveraged the work performed by the State of Delaware Insurance Department, including but not limited to, examination planning assessments, identification of key functional activities, risks and inherent risk assessment, risk mitigation or internal control testing, and substantive testing.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm PricewaterhouseCoopers LLC ("PwC"). Certain auditor work papers of the 2019 PwC audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, and in the area of risk mitigation and substantive testing.

HISTORY AND KIND OF BUSINESS

The Company was incorporated under the laws of the State of New Jersey and received its Certificate of Incorporation on June 12, 1972, for the purpose of assuming the business of The North River Insurance Company, domiciled in New York. The predecessor company had been incorporated on February 6, 1822, under the laws of New York and was operating as a multiple-line property and casualty insurer at September 30, 1972, the date of its merger with the successor company. The Company commenced business on October 1, 1972.

In 1982, Xerox Financial Services, Inc., a wholly-owned subsidiary of Xerox Corporation, acquired the Company's then parent, Crum & Forster Holdings, Inc. ("Holdings"), which was also wholly-owned subsidiary of Xerox Corporation at the time.

On September 3, 1993, Holdings, a Delaware corporation that was wholly-owned by Talegen Holdings, Inc., acquired all of the Company's stock. Talegen Holdings, Inc. was a Delaware corporation that was wholly-owned by Xerox Financial Services, Inc., which was wholly-owned by Xerox Corporation.

On August 13, 1998, Fairfax Financial Holdings Limited ("FFH"), a Canadian corporation, acquired Holdings from Talegen Holdings, Inc. FFH assigned all of its rights under the acquisition to Fairfax Inc., now known as Fairfax (US) Inc.

The authorized capital stock of the Company as of December 31, 2019 was 25,000 common shares with a par value of \$168 per share for a total capital value of \$4,200,000.

The Company is presently authorized to transact the kinds of insurance in New Jersey specified in the following paragraphs of N.J.S.A. 17:17-1 et seq. a, b, d, e, f, g, i, j, k, l, m, n, and o.

The Company's statutory home office is located at 305 Madison Avenue, Morristown, NJ 07962. The Company's agent upon whom legal process against the Company may be served in New Jersey is located at the above address. The registered agent is Sonia Scala.

TERRITORY AND PLAN OF OPERATIONS

As of December 31, 2019, the Company was licensed to transact multiple property and casualty lines of insurance in all fifty states and the District of Columbia.

The Company and the insurers in the group are national commercial property and casualty insurers with a focused underwriting strategy, targeting specialty classes of business and underserved market opportunities. The Group writes business through approximately 2,000 insurance producers nationwide who, on a direct written basis, generally fall into the following categories: wholesale brokers 35%, independent regional retail firms 25%, national brokers 6%, managing general underwriters ("MGU") / managing general agents ("MGA") 23% and direct 11%. Specialty program business is written through MGUs where appropriate for the class (Accident & Health (A&H), Bail Bonds, and Excess & Surplus binding authorities). The Company/Group generally conducts business on a brokerage basis through their home office and regional branch network, allowing them to control the underwriting process and build close relationships with producers and policyholders. The Group has producers located throughout the United States, writing a broad range of coverage, including general liability, A&H, workers' compensation on both a guaranteed cost and large deductible basis, excess and umbrella, commercial multi-peril, environmental, and commercial automobile.

REINSURANCE

General

The Company reported the following distribution of net premiums written for 2019:

Direct	\$302,656,602
Reinsurance assumed from affiliates	\$622,674,781
Reinsurance assumed from non-affiliates	<u>\$807,522</u>
Total gross (direct and assumed)	<u>\$926,138,905</u>
Reinsurance ceded to intercompany pool	\$303,464,124
Reinsurance ceded to affiliates	14,862,615
Reinsurance ceded to non-affiliates	<u>94,329,212</u>
Total ceded	<u>\$412,655,951</u>
Net premiums written	<u>\$513,482,954</u>

External Ceded

In order to control the exposure to losses and protect capital resources, the Company cedes a portion of its gross policy premiums to reinsurers in exchange for the reinsurers' agreement to share a portion of the covered losses under excess of loss and quota share reinsurance contracts, as well as facultative arrangements, in order to limit the amount of loss retention. The majority of the reinsurance contracts purchased by the Company provide coverage for a one year term.

In general, the Crum Group's reinsurance contracts provide coverage for domestic acts of terrorism. Certain casualty contracts have additional terrorism coverage for acts of terrorism certified under the Terrorism Risk Insurance Program Reauthorization Act of 2007. None of the contracts cover acts of terrorism involving use of nuclear, biological or chemical agents.

Affiliated Reinsurance

The Company is a participant in a 100% Reinsurance Participation Agreement (the Agreement) with other members of the Group by which the premiums, losses and other underwriting expenses of each participant are pooled by means of mutual reinsurance on a fixed percentage basis as follows:

<u>Pool Participants</u>	<u>NAIC #</u>	<u>Percentages</u>
US Fire	21113	76%
North River	21105	22%
CFIC	42471	1%
Indemnity	31348	1%

The Agreement provides that United States Fire Insurance Company ("USF"), acting as the lead company, assumes from the Pool Participants 100% of their premiums, losses and other underwriting expenses and, in turn, cedes to each Pool Participant its percentage of premiums, losses and other underwriting expenses. Accounts are rendered at monthly intervals and are settled no later than thirty days after the close of the month. The obligation for insurance ceded by the Pool Participants to USF does not relieve the Pool Participants of their primary liability as the originating insurers.

MANAGEMENT AND CONTROL

The Company's amended and restated by-laws state that the annual meeting of stockholders for the election of directors and the transactions of any other business shall be held at the principal office of the Corporation on the fourth Tuesday of March. At the annual meeting, the stockholders shall elect a Board of Directors and may transact such other corporate business shall be stated in the notice of the meeting.

The Board of Directors shall consist initially of three directors, and thereafter shall consist of such number as may be fixed from time to time by resolutions of the stockholders. Directors duly elected and serving at December 31, 2019, were as follows:

<u>Name</u>	<u>Business Affiliation</u>
Mark J. Adee	Chairman of the Board, President & Chief Executive Officer
Arlene A. Paladino	Senior Vice President and Chief Financial Officer
James Vincent Kraus	Senior Vice President, General Counsel & Secretary

A review of the minutes of the Stockholders, Directors and Committees indicates that they adequately approve and support Company transactions and events. This review also indicated that the prior examination report was distributed to and reviewed by members of the Board of Directors.

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, and may elect one or more Vice Presidents, a Treasurer, a Secretary, one or more Assistant Vice Presidents and Assistant Secretaries. The Board of Directors may also elect a Chairman of the Board of Directors and a Chief Executive Officer at its discretion. The primary officers serving as of December 31, 2019 were as follows:

<u>Name</u>	<u>Title</u>
Mark James Adee	President, Chairman of the Board, President & CEO
Arlen Ambrose Paladino	Senior Vice President and Chief Financial Officer
James Vincent Krauss	Senior Vice President, General Counsel & Secretary
George R. French	Vice President and Treasurer
Robert Stanley Bennett	Senior Vice President
Steven Kenneth Dresner	Senior Vice President
Carmine Scaglione	Senior Vice President & Controller
Anthony Robert Slimowicz	Executive Vice President & COO
Michael Paul Kevin Ziemer	Senior Vice President

N.J.S.A. 17:27A-4d (3) states as follows: “Not less than one-third of the directors of a domestic insurer, and not less than one-third of the members of each committee of the board of directors of any domestic insurer, shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common control with, that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity. At least one such person shall be included in any quorum for the transaction of business at any meeting of the board of directors or any committee thereof.”

N.J.S.A. 17:27A-4d (4) states as follows: “The board of directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or any entity controlling, controlled by or under common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insurer or any such entity. The committee shall be responsible for recommending the selection of independent certified public accountants, reviewing the insurer’s financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be the principal officers of the insurer and recommending to the board of directors the selections and compensation, including bonuses or other special payments, of the principal officer.”

N.J.S.A. 17:27A-4d (5) states as follows: “The provisions of paragraphs (3) and (4) of this subsection shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors and committees thereof that substantially meet the requirements of those paragraphs.”

Crum and Forster Holdings Corp. have a board of directors and committees that substantially meet the requirements of N.J.S.A 17:27A paragraphs (3) and (4), therefore, these sections do not apply to the Company.

Committees of the Board

The Audit Committee (“AC”) for Crum Holdings serves as the AC for the Company. The AC is composed entirely of members of Fairfax Financial Holdings Limited (“FFHL”) Executive Management, and as such, is independent from the Company’s Management. There is also an investment and compensation committee at the Board Level. The following Fairfax employees sit on Crum Holdings AC:

<u>Name</u>	<u>Title</u>
Jennifer Allen	Chief Financial Officer of FFHL
Peter Clarke	Chief Risk Officer of FFHL
Oliver Quesnel	VP and Chief Actuary of FFHL

CONFLICT OF INTEREST

The Company has a formal “Code of Business Conduct and Ethics”, which includes a conflicts of interest policy and procedure for the annual disclosure to its Board of Directors, Officers and other Employees should avoid any situation where the personal interest of such director, officer or employee conflicts, or may appear or be likely to conflict, with those of the Company.

A review of senior management and the Board of Directors questionnaires for the examination period revealed no conflicts of interests.

PARENTS, SUBSIDIARIES AND AFFILIATES

The Company is a member of a holding company system as defined by N.J.S.A. 17.27 A-1. As of December 31, 2014, all of the outstanding shares of the Company are owned by Crum & Forster Holdings Corp, which in turn is a wholly-owned subsidiary of Fairfax Inc., a Wyoming Corporation, which in turn is a wholly-owned subsidiary of FFHL Group Ltd., a Canadian Corporation which in turn is a wholly-owned subsidiary of FFH, a Canadian Corporation.

A review of the Company's holding company registration statements and amendments thereto indicated that the Company is in compliance with N.J.S.A.17: 27A-3 Sections a-j, requiring registration of those insurers who qualify as determined by N.J.S.A.17: 27A-1.

An abbreviated organizational chart of FFHL as of December 31, 2019, with domicile in brackets, along with the control percentages of the upstream affiliates' control of the downstream affiliate is presented below:

		Equity Ownership Percentage	Voting Control Percentag e	
V. Prem Watsa and the Watsa Family Trust {1}{8}	{2}	6.73 %	42.49%	{3}
All Other Publicly Traded Shares Held {4}	{5}	93.27%	57.51%	{6}
Fairfax Financial Holdings Limited [Canada] (FFH) {7}		100.0%	100.0%	
FFHL Group Ltd. [Canada]		100.0%	100.0%	
Fairfax (US) Inc. [DE]*		93.98%	93.98%	
Crum & Forster Holdings Corp. [DE]		100.0%	100.0%	
United States Fire Insurance Company [DE]		100.0%	100.0%	
Crum & Forster Specialty Insurance Company [DE]		100.0%	100.0%	
Crum & Forster SPC Reinsurance Company [Cayman]		100.0%	100.0%	
Crum & Forster SPC [Cayman Islands]		100.0%	100.0%	
American Underwriters Insurance Company [AK]		100.0%	100.0%	
The North River Insurance Company [NJ]		100.0%	100.0%	
Seneca Insurance Company, Inc. [NY]		100.0%	100.0%	
MTAW Insurance Company [DE]		100.0%	100.0%	
Seneca Specialty Insurance		100.0%	100.0%	
Crum & Forster Insurance Company		100.0%	100.0%	
Crum & Forster Indemnity Company		100.0%	100.0%	
First Mercury Insurance Company		100.0%	100.0%	

As of December 31, 2019, unless otherwise indicated

* Fairfax Financial Holdings Limited directly owns 6.02% of Fairfax (US) Inc. and indirectly owns the remaining 93.98% through FFHL Group Ltd.

Notes 1 through 8 more fully describe the ownership and voting percentages throughout the holding company.

{1} Through voting and economic ownership control, both directly and indirectly, of the following individual and entities: Mr. V. Prem Watsa, 2771489 Canada Limited, The One Zero Nine Holdco Limited and The Sixty Two Investment Company Limited.

{2} Calculated as follows:

Description	Shares Outstanding	Shares Owned/Controlled	Percentage of total shares outstanding
Total SVS Shares outstanding	26,082,299		
SVS Shares owned personally and through 1109 HoldCo		258,790	0.9922%
Additional SVS shares under control and direction		2,100	0.0081%
SVS Shares held through Sixty Two HoldCo		<u>50,620</u>	<u>0.1941%</u>
Total SVS shares owned/controlled		311,510	1.1943%
Total MVS Shares Outstanding	<u>1,548,000</u>		
Total MVS + SVS Shares Outstanding	<u><u>27,630,299</u></u>		
MVS Shares owned and controlled through Sixty Two Holdco		<u>1,548,000</u>	<u>100%</u>
Total MVS + SVS Shares owned and controlled by Mr. Watsa		<u><u>1,859,510</u></u>	<u>6.73%</u>

{3} Calculated as 0.58% through V. Prem Watsa and 41.91% through ownership in the three entities as described above. It should be noted that pursuant to Canadian securities filing requirements, 2100 subordinate voting shares owned by immediate family members of Mr. Watsa are also considered to be under the control and/or direction of Mr. Watsa and are therefore included in the voting control percentages reported herein.

- {4} No other individual or entity owns or controls greater than 10% of the voting common shares of FFH as of December 31, 2019
- {5} Calculated as 100.00% - 6.73% {2}
- {6} Calculated as 100.00% - 42.49% {3}
- {7} FFH common shares are publicly-traded on the Toronto Stock Exchange in Canadian dollars under the symbol FFH and in US dollars under the symbol FFH.U. At December 31, 2019, FFH has issued 1,548,000 multiple voting common shares, 26,082,299 subordinate voting common shares, and 58,239,178 non-voting preferred Series C thru M. FFH's equity attributable to shareholders at December 31, 2019 totals \$14,378.1 million (\$ U.S.) which consists of \$13,042.6 million (includes \$3.8 million of multiple voting shares) related to voting common shares (90.71% of the total) and \$1,335.5 million related to non-voting preferred shares (9.29% of the total).
- {8} During the second quarter of 2020, Mr. V. Prem Watsa purchased an additional 482,600 subordinate voting common shares through 12002574 Canada Inc., which is wholly-owned by him, with the result that the total aggregate voting control increased from 42.49% to 43.61% at June 30, 2020.

INTERCOMPANY AGREEMENTS

Affiliated Agreements:

The Company has entered into various agreements with members of the affiliated group in an effort to obtain efficiencies in operations and limit cost. The Company had the following material intercompany agreements in effect as of December 31, 2019:

Administrative Service Agreements

The Company is a party to an administrative service agreement with its affiliate, USF. Under terms of the agreement USF performs all administrative services such as underwriting, claim and administrative services on behalf of the Company. Operating expenses incurred in the performance of services are allocated in accordance with SSAP 70. Pool participants are charged their respective shares of operating expenses.

Tax Allocation Agreement

The Company is a party to a tax allocation agreement with the Parent along with certain of its affiliates effective January 1, 2009. The Parent, the Company and affiliates constitute an affiliated group and have elected to file a consolidated return under the provisions of §1501 of the Internal Revenue Code of 1986. Pursuant to the terms of the tax allocation agreement, no party will be required to pay more in taxes or receive a lesser payment or a refund than it would have paid or received if it computed its taxes independently and filed a separate tax return.

Additionally, the Company has an enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses

carried forward as an offset to future net income subject to federal income taxes.

Master Repurchase Agreement

The Company is a party to a master repurchase agreement with FFHL effective January 8, 2004. The agreement provides for the repurchase of securities that are transferred to FFH from time to time in order to provide liquidity in the event that the Company is required to pay claims or other corporate obligations.

Pursuant to the agreement, the Company is obligated to repurchase from FFHL securities that are transferred for this purpose before the end of each calendar year in which the original purchase took place at a price equal to the amount initially raised from their sale plus the stated interest rate for each security pursuant to the initial sale. During the time that such securities are transferred to FFH, the Company is entitled to receive income payable on such securities. There were no transactions under this agreement during the examination period.

Investment Agreement

The Company is a party to an investment management and administrative services agreement among Hamblin Watsa Investment Counsel Ltd. (Hamblin Watsa) and FFH effective October 1, 2002 and amended April 1, 2007. Pursuant to the agreement, Hamblin Watsa is authorized to supervise and direct all investments of the Company and to exercise whatever powers the Company may possess with respect to its invested assets. Investment transactions will be in accordance with investment objectives of the Company and subject to restrictions established by the Company, as communicated to Hamblin Watsa in writing from time to time.

Subject to these limitations, Hamblin Watsa may buy, sell, exchange, convert and otherwise trade in and engage in investment transactions of any nature whatsoever involving any stocks, bonds, commercial paper, money market instruments and other securities and assets when it deems appropriate and without prior consultation with the Company.

Master Administrative Service Agreements

The Company is a party to an administrative service agreement with various affiliates, effective November 1, 2014 and amended August 1, 2018. The agreement allows for the exchange of certain administrative and general services between affiliates.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

As of December 31, 2019, the Company had in effect a Financial Institution Bond in the amount of \$10,000,000 with an aggregate limit of \$20,000,000. In addition, the Company maintained various types of insurance policies, including but not limited to: Property, Commercial General Liability, Business Auto, Umbrella, Travel Accident, Excess Liability, Fiduciary Liability, Workers' Compensation and Foreign package.

TREATMENT OF POLICYHOLDERS

The review of the Company's complaint log indicated that the Company maintains its complaint log in accordance with N.J.S.A. 17:29B-4(10).

STATUTORY DEPOSITS

As of December 31, 2019, the Company had total deposits with various jurisdictions for the benefit of policyholders, with a book value of \$6,470,185 and a fair value of \$6,534,902.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

- Exhibit A Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2019
- Exhibit B Summary of Operations for the Five Year Examination Period Ended December 31, 2019
- Exhibit C Capital and Surplus Account for the Five Year Examination Period Ended December 31, 2019

Statement of Assets, Liabilities, Surplus and Other Funds
at December 31, 2019

Exhibit A

	Current Examination at 12/31/19	Balance per Company at 12/31/19	Examination Change	Note
Assets:				
Bonds	\$441,415,816	\$441,415,816		1
Preferred Stocks	6,367,819	6,367,819		1
Common Stocks	216,873,732	216,873,732		1
Mortgage Loans on Real Estate	0	0		
Cash, Cash Equivalents & Short term investments	172,320,264	172,320,264		
Derivatives	0	0		
Other invested assets	130,594,564	130,594,564		
Receivable for Securities	0	0		
Investment income due and accrued	6,561,214	6,561,214		
Uncollected premium and agents' balances in the course of collection	57,555,489	57,555,489		
Deferred premiums, agents' balances and installments booked but deferred and not yet due	25,740,111	25,740,111		
Accrued retrospective premiums	5,445,000	5,445,000		
Amounts recoverable from reinsurers	12,135,082	12,135,082		
Funds held by or deposited with reinsured companies	5,223,379	5,223,379		
Current federal and oreign income tax recoverable and in	0	0		
Net deferred tax asset	36,092,771	36,092,771		
Guaranty funds receivable or on deposit	0	0		
Electronic data processing equipment and software	0	0		
Receivable from parent, subsidiaries and affiliates	1,078,858	1,078,858		
Healthcare and other amounts receivable	0	0		
Aggregate write-ins for other than invested assets	21,221,172	21,221,172		
Total Assets	\$1,138,625,271	\$1,138,625,271		
Liabilities:				
Losses	\$465,505,694	\$465,505,694		2
Reinsurance payable on paid loss and LAE	28,770,254	28,770,254		
Loss adjustment expenses	110,676,496	110,676,496		2
Commission payable, contingent commissions and other similar charges	1,867,326	1,867,326		
Other expenses	73,778	73,778		
Taxes, licenses and fees	3,891,737	3,891,737		
Current federal and foreign income taxes	1,110,344	1,110,344		
Unearned premiums	180,150,546	180,150,546		
Advance premiums	2,925,890	2,925,890		
Dividends declared and unpaid: policyholders	0	0		
Ceded reinsurance premium payable	11,617,025	11,617,025		
Funds held by company under reinsurance treaties	8,773,311	8,773,311		
Amounts withheld or retained by company for account of	19,847,516	19,847,516		
Provision for Reinsurance	410,938	410,938		
Payable to parent, subsidiars and affiliates	0	0		
Derivatives	2,270,667	2,270,667		
Payable for securities	0	0		
Aggregate write ins for liabilities	1,044,201	1,044,201		
Total Liabilities	\$838,935,723	\$838,935,723		
Capital and Surplus:				
Aggregate write-ins for special surplus funds	\$0	\$0		
Common capital stock	4,200,000	4,200,000		3
Gross paid in and contributed surplus	122,599,823	122,599,823		3
Unassigned Funds (surplus)	172,889,725	172,889,725		3
Surplus as regards policyholders	\$299,689,548	\$299,689,548		
Total Liabilities and Surplus and Other Funds	\$1,138,625,271	\$1,138,625,271		

Summary of Operations
For the Five Year Period Ending December 31, 2019

Exhibit B

	2015	2016	2017	2018	2019
<u>Underwriting Income</u>					
Premiums earned	\$334,791,369	\$389,300,106	\$407,609,779	\$431,393,926	\$482,639,504
Deductions:					
Loss incurred	172,542,400	201,836,416	225,452,883	231,535,771	263,134,091
Loss adjustment expenses incurred	41,966,265	46,140,799	38,393,418	41,356,310	40,723,624
Other underwriting expenses incurred	122,326,244	137,546,986	143,823,076	153,250,068	173,954,672
Total underwriting deductions	<u>336,834,909</u>	<u>385,524,201</u>	<u>407,669,377</u>	<u>426,142,149</u>	<u>477,812,387</u>
Net underwriting gain or loss	-\$2,043,540	\$3,775,905	-\$59,598	\$5,251,777	\$4,827,117
<u>Investment Income</u>					
Net investment income earned	\$15,712,840	\$15,000,390	\$8,946,348	\$16,527,480	\$21,806,563
Net realized capital gains or losses	41,516,740	-29,219,557	-44,602,056	-3,735,435	-10,042,384
Net investment gain or loss	<u>\$57,229,580</u>	<u>-\$14,219,167</u>	<u>-\$35,655,708</u>	<u>\$12,792,045</u>	<u>\$11,764,179</u>
<u>Other income</u>					
Net gain (loss) from agents' or premium balances charged off	\$41,762	-\$14,914	-\$38,436	\$4,897	-\$85,953
Finance and service charges not included in premiums	292,090	294,820	343,073	403,354	479,019
Aggregate write-ins for miscellaneous income	-2,975,953	450,244	-550,925	-433,341	-240,800
Total other income	<u>-\$2,642,101</u>	<u>\$730,150</u>	<u>-\$246,288</u>	<u>-\$25,090</u>	<u>\$152,266</u>
Net income before dividends to policyholders and before federal and foreign income taxes	\$52,543,938	-\$9,713,112	-\$35,961,594	\$18,018,732	\$16,743,562
Less: Federal & Foreign income taxes incurred	-2,747,356	-3,124,380	-2,144,389	1,813,048	7,800,144
Net income	<u><u>\$55,291,294</u></u>	<u><u>-\$6,588,732</u></u>	<u><u>-\$33,817,205</u></u>	<u><u>\$16,205,684</u></u>	<u><u>\$8,943,418</u></u>

Capital and Surplus
For the Five Year Period Ending
December 31, 2019

Exhibit C

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Gains and Losses in Surplus</u>					
Net Income or (loss)	\$55,291,294	-\$6,588,732	-\$33,817,205	\$16,205,684	\$8,943,418
Change in net unrealized capital gains or (losses) less capital gains tax of	-6,257,928	8,865,048	43,469,036	-19,929,918	-2,082,630
Change in unrealized foreign exchange capital gain(loss)	0	0	1,037,168	-4,845,208	3,364,808
Change in net deferred income tax	-16,935,604	6,363,527	-9,024,102	232,124	5,639,617
Change in non-admitted assets	9,704,943	415,114	6,657,109	-2,870,073	1,781,754
Change in provision for reinsurance	-320,178	260,894	111,989	87,558	-224,439
Dividends to stockholders	0	-30,600,000	0	0	0
Aggregate write-ins for gains and losses in surplus	0	0	0	0	0
Change in Surplus as regards to policyholders for the year	<u>\$41,482,527</u>	<u>-\$21,284,149</u>	<u>\$8,433,995</u>	<u>-\$11,119,833</u>	<u>\$17,422,528</u>
Surplus, December 31 previous year	<u>\$264,754,479</u>	<u>\$306,237,006</u>	<u>\$284,952,858</u>	<u>\$293,386,853</u>	<u>\$282,267,020</u>
Surplus, December 31, current year	<u>\$306,237,006</u>	<u>\$284,952,857</u>	<u>\$293,386,853</u>	<u>\$282,267,020</u>	<u>\$299,689,548</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: INVESTMENTS

The Company reported bonds and stocks of \$664,657,367 at December 31, 2019.

NOTE 2 – LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2019, the Company's reported reserves of \$465,505,694 for losses and \$110,676,496, for loss adjustment expenses. INS Consultants, Inc. ("INS") performed a review of the inherent risks, management oversight and other mitigating controls over the Company's actuarial processes and procedures. INS's review included detail testing and an independent calculation of the Company's loss and loss adjustment expense reserves as of December 31, 2019. The Company's actuarial staff provided INS its Statement of Actuarial Opinion and the supporting actuarial data, documents and calculations. The Consulting Actuary determined the Company's loss and loss adjustment expenses reserves were sufficient on both a gross and net basis as of December 31, 2019.

NOTE 3 – SURPLUS AS REGARDS POLICYHOLDERS

The Company's surplus as regards policyholders at December 31, 2019 was \$299,689,548, which consisted of common capital stock of \$4,200,000, gross paid in and contributed surplus of \$122,599,823 and unassigned funds of \$172,889,725. The amounts reported were accepted as stated by this examination.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and national, state and local governments have implemented a range of policies and actions to combat it. The extent of the impact of COVID-19 on world economies and the Company will depend on future developments, which are highly uncertain and difficult to predict, including the severity and duration of the pandemic, and the actions taken by government authorities and other third parties to contain or address its impact. Various government officials, including U.S. state insurance commissioners, have taken actions to protect consumers from hardship caused by COVID-19 that, in the aggregate, may adversely impact the Company's results of operations in the near term. While it is likely that certain lines of business may experience increased loss activity due to COVID-19, there are also segments in which the Company operates that may benefit from improved loss experience due to reduced exposures. Company Management will continue to monitor developments, and their impacts on the Company including its operations, capital position (including the risk-based capital ratio), the fair value of investments, and estimates reported in the financial statements and accompanying notes.

The Company and FFHL do not directly consider a pandemic event in their regular stress testing; however, the potential credit and market price fluctuation risks arising from COVID-19 are captured in regular stress testing conducted, both at the Fairfax level and subsidiary group level (including the Crum Group). The performance of Fairfax's subsidiaries investment portfolios since the start of the crisis falls within expectations. With nearly \$10 billion of cash and short-term investments held across its insurance portfolios at December 31, 2019, FFHL believes it has ample liquidity to withstand a prolonged economic slowdown.

At the date of this report, the extent and severity of the pandemic is not yet fully clarified by the Crum Group, but they do not expect a material adverse effect on any specific lines of business or products. The Company was fully operational and was providing services to its policyholders.

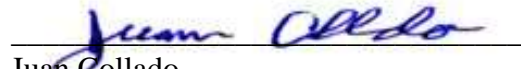
The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position and continues to closely monitor any impact on the Company and will take necessary action if warranted.

There were no other material subsequent events noted.

CONCLUSION

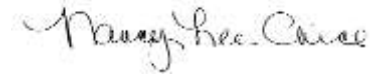
The undersigned hereby certifies that an examination has been made of North River Insurance Company and the foregoing report is true to the best of my knowledge and belief.

Respectfully submitted,



Juan Collado
Examiner-In-Charge
New Jersey Department of Banking and Insurance

Under the supervision of:



Nancy Lee Chice, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

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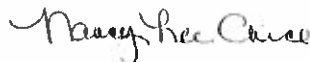
I, Juan Collado, the undersigned, hereby certify that the foregoing Report of Examination accurately discloses, to the best of my knowledge, all material and relevant information related to the financial condition of North River Insurance Company in accordance with the NAIC Financial Condition Examiners Handbook and New Jersey State Regulations.

Respectfully submitted,



Juan Collado
Examiner-in-Charge
New Jersey Department Banking and Insurance

Under the supervision of:



Nancy Lee Chice, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, Sheila M. Tkacs, on this
28th day of May, 2021.



Notary Public of New Jersey

My commission expires: July 2025