REPORT ON EXAMINATION
OF
ZURICH AMERICAN INSURANCE COMPANY

AS OF DECEMBER 31, 2021

EXAMINER:	**WAYNE LONGMORE**
DATE OF REPORT:	**APRIL 1, 2023**

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April 1, 2023

Honorable Adrienne A. Harris
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 32295 dated August 19, 2021, attached hereto, I have made an examination into the condition and affairs of Zurich American Insurance Company as of December 31, 2021, and submit the following report thereon.

Wherever the designations "ZAIC" or "the Company" appears herein without qualification, it should be understood to indicate Zurich American Insurance Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

1. SCOPE OF EXAMINATION

The Department has performed an examination of Zurich American Insurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2016. This examination covered the five-year period from January 1, 2017, through December 31, 2021. Transactions occurring subsequent to this period were reviewed when deemed appropriate by the examiner.

New York was the lead state of the Zurich Insurance Group ("ZAIG"). The examination was performed concurrently with the examinations of the following insurers:

Company	State of Domicile
American Guarantee and Liability Insurance Company	New York
American Zurich Insurance Company	Illinois
Zurich American Insurance Company of Illinois	Illinois
Steadfast Insurance Company	Illinois
Fidelity and Deposit Company of Maryland	Illinois
Colonial American Casualty and Surety Company	Illinois
Universal Underwriters Insurance Company	Illinois
Universal Underwriters of Texas Insurance Company	Illinois
Empire Fire & Marine Insurance Company	Illinois
Empire Indemnity Insurance Company	Oklahoma
Rural Community Insurance Company	Minnesota

Other states participating in this examination were Illinois, Oklahoma, Minnesota, and California.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company 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. This 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 New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Company history
- Management and control
- Territory and plan of operation
- Reinsurance
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Summary of recommendations

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations, or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Zurich American Insurance Company was incorporated under the laws of the State of New York on June 3, 1998 and commenced business on December 31, 1998. The Company was organized to provide the vehicle for domestication under Article 72 of the New York Insurance Law of the United States Branch of Zurich Insurance Company ("Branch"). On December 31, 1998, all of the assets and liabilities of the Branch were transferred to the Company and the Branch ceased to exist. ZAIC is the lead company within ZAIG. The Company is domiciled in New York and its headquarters are located in Schaumburg, Illinois.

A. Corporate Governance

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven nor more than 12 members. The board meets at least four times during each calendar year. As of December 31, 2021, the board of directors was comprised of the following nine members:

Name and Residence	Principal Business Affiliation
Debra K. Broek Big Stone City, South Dakota	Trainer/Facilitator, GAAP Dynamics
Wayne H. Fisher Bonita Springs, Florida	Retired
Peter C. Hirs Lake Forest, Illinois	Executive Vice President and Chief Financial Officer, Zurich American Insurance Company

Name and Residence	Principal Business Affiliation
Richard P. Kearns East Williston, New York	Retired
Mark E. Knipfer Lake Forest, Illinois	Executive Vice President, Chief Operations and Technology Officer, Zurich American Insurance Company
Laura J. Lazarczyk Oak Park, Illinois	Executive Vice President and Chief Legal Officer, Zurich American Insurance Company
Laura A. Rock Lake Barrington, Illinois	Executive Vice President and Chief Human Resources Officer, Zurich American Insurance Company
Kristof F.R. Terryn Chicago, Illinois	President and Chief Executive Officer, Zurich American Insurance Company
Angela J. Yochem Charlotte, North Carolina	Chief Transformation and Digital Officer, Novant Health

As of December 31, 2021, the principal officers of the Company were as follows:

Name	Title
Kristof F.R. Terryn	President and Chief Executive Officer
Peter C. Hirs	Executive Vice President and Chief Financial Officer
Laura J. Lazarczyk	Executive Vice President, Chief Legal Officer and Secretary
Mark E. Knipfer	Executive Vice President, Chief Operations and Technology Officer
Laura A. Rock	Executive Vice President and Chief Human Resources Officer
Brandon S. Fick [1]	Executive Vice President and Chief Underwriting Officer
Paul Horgan [2]	Executive Vice President and Head of National Accounts
Paul Lavelle [3]	Executive Vice President and Chief Claims Officer
Alexander B. Wells	Executive Vice President and Head of Middle Markets
Michael P. Day [4]	Executive Vice President and Head of Crop
Vincent L. Santivasi	Executive Vice President and Head of Direct Markets
David J. Fike	Executive Vice President and Head of Life, Accident and Health
Barry A. Franklin	Executive Vice President and Chief Actuary
Vinayak Awati	Treasurer

Note: Christopher Lewis started on May 16, 2022, as Head of Excess and Surplus Lines business unit and reports to the Chief Executive Officer.

[1] Brandon S. Fick resigned and was replaced by Peter Caminiti as ad interim Chief Underwriting Officer effective July 28, 2022.

[2] Paul Lavelle replaced Paul Horgan as Head of National Accounts effective April 1, 2022. Paul Horgan remains with the Company as Senior Advisor to the Chief Executive Officer until his planned retirement on April 1, 2023.

[3] Keith Daly replaced Paul Lavelle as Chief Claims Officer effective April 1, 2022.

[4] Jason Meador replaced Michael P. Day as Head of Crop effective February 1, 2022. Michael P. Day retired effective March 31, 2022.

B. Territory and Plan of Operation

As of December 31, 2021, the Company was licensed to write business in all 50 states, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Islands.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
3	Accident and health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity
22	Residual value
24	Credit unemployment

Paragraph	Line of Business
26	Gap
27	Prize indemnification
28	Service contract reimbursement
29	Legal services insurance

The Company is authorized to write such workers' compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law. The Company is licensed to conduct the business of special risk insurance pursuant to Article 63 of the New York Insurance Law and is also authorized by Section 4102(c) of the New York Insurance Law to reinsure risks of every kind or description and insure property or risks of every kind or description located or resident outside of the United States, its territories, and possessions.

Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $35,000,000. However, pursuant to Section 6302(c)(1) of the New York Insurance Law, to be licensed to write special risks, the Company is required to maintain a surplus as regards policyholders of at least 250% of its authorized control level risk-based capital; therefore, the Company was required to maintain a minimum surplus to policyholders in the amount of $4,275,677,347 as of December 31, 2021.

The Company is the leader of an inter-company pool and in accordance with the pooling agreement (described more fully in section 2C), it assumes the business written by the other pool members. For each year covered under the examination, approximately 95% of the Company's assumed business comes from affiliates.

The following schedule shows the direct written premiums and premiums assumed by the Company for the period under examination:

Calendar Year	Direct Premiums	Assumed Premiums	Total Gross Premiums
2017	$5,933,968,373	$5,857,461,585	$11,791,429,958
2018	$5,969,099,519	$5,330,185,317	$11,299,284,836
2019	$6,353,062,305	$5,395,137,859	$11,748,200,164
2020	$6,834,001,016	$5,507,220,277	$12,341,221,293
2021	$7,349,510,410	$6,295,815,426	$13,645,325,836

The Company markets a variety of commercial property and casualty insurance products. In 2021, direct written premiums were mainly attributable to other liability (23%), followed by workers' compensation (21%), and then commercial auto liability (12%). Other liability includes directors' and officers' liability, professional liability, excess and umbrella liability, and general casualty/liability products.

The Company offers its products and services primarily through independent insurance agents and brokers. The Company is represented by approximately 5,700 independent and general insurance agencies and 500 insurance brokers, which are supported by the Company's network of four regional offices and 35 field offices. In most instances, these agencies and brokers also represent other companies that compete with the Company.

Due to the pooling agreement described in Section 2C of this report, the net exposure of the Company is significantly different than its direct and assumed exposure.

C. Reinsurance Ceded

The Company, as lead company, participates in the Zurich-American Insurance Companies Amended Inter-Company Pooling Agreement (the "Pooling Agreement"), effective January 1, 2009. The agreement was amended three times (as of April 1, 2010, as of January 1, 2012, and as of January 1, 2018) primarily to add or remove pooled companies. This agreement supersedes the inter-company pooling agreement effective January 1, 1999. Pursuant to the terms of the agreement, the pooled companies cede 100% of all underwriting assets, liabilities, and expenses, as well as underwriting income and losses, net of applicable reinsurance, to the Company. There is no retrocession from the Company to any of the pooled companies. The Company is liable for 100% of the liabilities of the pool, including charges against its surplus for non-admitted assets of each pooled company resulting from assets pooled to the Company.

All of the pooled companies are either directly or indirectly owned by the Company. As of December 31, 2021, the pooled companies include the following subsidiaries:

- American Guarantee and Liability Insurance Company ("AGLIC")
- American Zurich Insurance Company ("AZIC")
- Colonial American Casualty and Surety Company ("CACSC")
- Empire Fire and Marine Insurance Company ("Empire Fire")
- Empire Indemnity Insurance Company ("Empire Indemnity")
- The Fidelity and Deposit Company of Maryland ("Fidelity")

- Rural Community Insurance Company (“RCIC”)
- Steadfast Insurance Company (“Steadfast”)
- Universal Underwriters Insurance Company (“UUIC”)
- Universal Underwriters of Texas Insurance Company (“UU of Texas”)
- Zurich American Insurance Company of Illinois (“ZAICIL”)

The Pooling Agreement and amendments were filed with the Department pursuant to Section 1505(d)(2) of the New York Insurance Law.

The Company’s reinsurance program included the following significant coverages:

Treaty Type	Cession
Global Catastrophe Excess of Loss	$1,000,000,000 excess $650,000,000 ultimate net loss. Limit of $3,000,000,000 for all loss occurrences during each contract period and not to exceed $6,000,000,000 for all loss occurrences over the period of the agreement. With respect to a loss occurring in international territories, limit $500,000,000 ultimate net loss each and every loss occurrence. With respect to a loss occurring in the U.S., $1,200,000,000 ultimate net loss each and every loss occurrence.
U.S. Property Catastrophe Aggregate Excess of Loss	$600,000,000 excess $600,000,000 ultimate net loss, any one loss occurrence. There shall be no coverage under this contract for any loss unless two or more risks or policies covered are involved in the same loss occurrence and unless there are two loss occurrences subject to this contract within the term of this contract. The maximum amount of loss that can be contributed to this contract from any one loss occurrence is $500,000,000.
U.S. Property Catastrophe Excess of Loss contract and Crop Insurance Stop Loss, Sections 1 and 2	Section 1: U.S. Property Catastrophe Excess of Loss: $550,000,000 excess $650,000,000 ultimate net loss in respect of each and every loss occurrence. Section 2: Crop Insurance Stop Loss: Coverage (A) – Crop Hail and Named Peril and Multiple Peril Crop Insurance business: Company retention is 105% of the combined subject premium for the 2021 crop season. Reinsurers’ limit is 100% of 15% of the combined subject premium for the 2021 crop season.

Treaty Type	Cession
	Coverage B – Multiple Peril Crop Insurance ("MPCI"): Company retention is 107% of the MPCI net premiums earned subject to coverage (B) for the 2021 crop season. Reinsurers' limit is 100% of 10% of the MPCI net premiums earned subject to coverage (B) for the 2021 crop season. The reinsurers' liability under A and B combined shall never exceed $1,100,000,000 combined ultimate net loss plus MPCI ultimate net loss subject to coverage (B) in the aggregate for all losses subject to this contract. Losses shall be applied to such combined limit in chronological order as determined by the Company.
Global Underlying Property Auto Facility Excess of Loss	$40,000,000 excess $10,000,000 ultimate net loss, each loss, any one risk.
North America High Excess Property Auto Facility Excess of Loss Contract	$350,000,000 excess $500,000,000 ultimate net loss, each loss on any one risk. The ultimate net loss shall include no more than $25,000,000 per policy per risk ceded for contingent time element insurance or contingent business interruption insurance. Limit $700,000,000 each loss occurrence.
Global Property and Energy Onshore Property per Risk Reinsurance Contract	Large Property (4 layers) $425,000,000 excess $75,000,000 ultimate net loss, every loss, any one risk. Except Large Property (4 layers) $450,000,000 excess $50,000,000 ultimate net loss, every loss, any one risk. Energy onshore (3 layers) $220,000,000 excess $30,000,000 ultimate net loss, every loss, any one risk.

2021 Whole Account Quota Share

Effective January 1, 2021, Zurich Global, Ltd. ("ZGL"), an authorized affiliate that is domiciled in Bermuda, as reinsurer, will be liable for a 50% quota share participation of the Company's net retained liability as respects losses occurring within the respective calendar year under policies covered. This agreement covers policies in force, written, or renewed within the term of the contract, January 1, 2021, to December 31, 2021, that was written by the Company and for which the Company has the authority to underwrite, regardless of the line or class of business.

International Programs U.S. Received Business Quota Share

Effective June 1, 2020, the Company, AGLIC, Empire Fire, Fidelity, Steadfast, ZAICIL, and AZIC (collectively, the "Cedant") will cede to ZGL (the "Reinsurer"), and the Reinsurer obligates itself to assume from the Cedant 100% quota share participation of the Cedant's liability as respects to policies of the International Programs attaching during the term of this contract. The International Programs shall mean the writing of insurance policies by companies within the ZAIG and that are part of a network of local unaffiliated insurers on behalf of multinational companies having operations and facilities in various countries. Unless otherwise mutually agreed, reinsurance hereunder on business in-force on the effective date of expiration shall remain in full force and effect until policy expiration, renewal, or cancellation of such business, whichever first occurs.

U.S. Commercial Insurance Property Quota Share (12.5% placed)

Effective January 1, 2021, the Company obligates itself to cede to various unaffiliated subscribing reinsurers (collectively, the "Reinsurer") and the Reinsurer assumes from the Company, a quota share proportion of the net retained liability in respect of each loss, each risk, on business covered which includes business written by U.S. Commercial Insurance ("USCI") and Middle Markets and classified within the property lines of business. The Reinsurer shall accept its quota share percent of the Company's net retained liability, not to exceed $30,000,000 per risk for business classified as energy onshore property and $50,000,000 per risk for all business other than business classified as energy onshore property. Furthermore, the Reinsurer shall accept its quota share percentage of the Company's net retained liability, not to exceed $800,000,000 per loss occurrence as respects each loss(es) occurring inside the United States under the covered policies, and not to exceed $400,000,000 per loss occurrence as respects each loss(es) occurring outside the United States under the covered policies; the amount recoverable hereunder shall not exceed $800,000,000 per loss occurrence.

U.S. Directors' and Officers' ("D&O") Quota Share (35% placed)

Effective January 1, 2021, various unaffiliated subscribing reinsurers (collectively, the "Reinsurer") shall indemnify the Company, ZGL, and Zurich Insurance Company, Ltd, ("ZIC"), (collectively, the "Cedant") for liability which may accrue to the Cedant in respect of all business written by or through the Cedant's offices located in the United States and attaching during the term of this contract. The Reinsurer shall accept a quota share participation of $25,000,000 of the Cedant's gross net liability for each loss to each policy, subject to the exceptions noted in the agreement. The Reinsurer will be liable for its proportionate share of any extra contractual obligations, excess of original policy limits liability, and allocated loss adjustment expense arising from such loss. For extra contractual obligations and excess of original policy limits liability, the Reinsurer will be liable for its proportional share of one additional limit of $25,000,000 under this contract, each loss, each policy.

As respects business classified by the Cedant or the policy issuing company (defined as an insurance company that issues a policy or policies subject to this contract while it is a pool participant in the Pooling Agreement and any former pool member that issues a policy or policies subject to this contract that is novated to another pool participant) as contingent liability, the Reinsurer shall accept a quota share participation of $10,000,000 of the Cedant's gross net liability for each loss to each policy.

Notwithstanding the limits on contingent liability business, as respects business classified by the Cedant as contingent liability for loans made under The Paycheck Protection Program as established by the CARES Act, 15 U.S.C. 9001, the Reinsurer shall accept a quota share participation not in excess of $1,500,000 of the Cedant's gross net liability for each loss to each policy.

North America Multi-Line Liability Quota Share

Effective January 1, 2021, the Company and ZGL (collectively, the "Cedant") agree to cede to various unaffiliated subscribing reinsurers (collectively, the "Reinsurer"), and the Reinsurer obligates itself to assume from the Cedant 50% quota share of the Cedant's policies covered, each loss, each coverage part, each policy subject to maximum policy limits of $5,000,000 as respects each claim or occurrence, $10,000,000 general liability in the aggregate, $25,000,000 general aggregate when required by insured, subject to any limits replicating endorsement contained in the policy, and $10,000,000 products completed operations liability in the aggregate as applicable each policy, each insured, subject to the following limits:

1. As respects risks classified by construction as railroad protective liability, the maximum policy limits are $15,000,000 as respects each claim or occurrence, and $30,000,000 in the aggregate, each policy, each insured.
2. As respects risks underwritten within the environmental impairment liability line of business, the maximum policy limits are $25,000,000 as respects each claim or occurrence, each policy, each insured.
3. As respects risks underwritten within the environmental contractors line of business, the maximum policy limits are $25,000,000 as respects each claim or occurrence, each policy, each insured.

4. As respects risks underwritten within the large self perform line of business, the maximum policy limits are $20,000,000 as respects each claim or occurrence, $40,000,000 in the aggregate, subject to any limits replicating endorsement contained in the policy, and $40,000,000 products completed operations liability in the aggregate as applicable each policy, each insured.
5. As respects risks underwritten within the large construction management line of business, the maximum policy limits are $20,000,000 as respects each claim or occurrence, and $40,000,000 in the aggregate, subject to any limits replicating endorsement contained in the policy, $40,000,000 products completed operations liability in the aggregate as applicable each policy, each insured.
6. As respects risks underwritten with the international programs ("IPZ") large casualty and IPZ energy casualty line of business, the maximum policy limits are $25,000,000 as respects each claim or occurrence, each policy.

Intercompany Loss Portfolio Transfer Retrocessional Agreement ("LPT")

Effective October 1, 2019, the Company entered into a loss portfolio transfer with its Bermuda affiliate, Centre Solutions (U.S.) Limited. The LPT transfers all policies issued on or prior to December 31, 1986, in the U.S. either by (a) the Company or (b) any pooling insurer reinsured to the Company under the Pooling Agreement, excluding workers' compensation, as defined in the agreement. The LPT transferred liability is capped at $1 billion of losses on net liabilities transferred or approximately $500 million of adverse development cover. Management notes that the limit is based on net liabilities as of September 30, 2017, as rolled forward to execution date. Pursuant to the LPT, $402.1 million of liabilities were transferred for consideration of $491.1 million, consisting of cash and pre-existing insurance and reinsurance receivables associated with the portfolio. As the LPT is with an affiliate, and the Company did not have a gain on the transfer, the LPT was accounted for as a prospective reinsurance agreement in accordance with guidelines prescribed in the NAIC Accounting Practices and Procedures Manual Statement of Statutory Accounting Principles ("SSAP") 62R paragraph 36.d. The LPT required regulatory approval and was approved by the Department on September 3, 2019. The consideration paid for the LPT of $491.1 million was recorded as a component of ceded written/earned premium, and the reserves transferred of $402.1 million was recorded as a component of prior year changes in loss reserves.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements and amendments were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62R. Representations were supported by an attestation from the Company's Chief Executive Officer and Chief Financial Officer. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements.

D. Holding Company System

The Company is a member of the ZAIG. The Company is a wholly owned subsidiary of Zurich Holding Company of America, Inc. ("ZHCA"), a Delaware holding company, which in turn is wholly owned by ZIC. ZIC is wholly owned by Zurich Insurance Group Ltd (Switzerland) ("ZIG"). ZIG is a publicly traded holding company and is listed on the SIX Swiss Exchange.

ZAIG, through its individual legal entities, has licenses in all 50 states, the District of Columbia, and several U.S. territories. It provides a variety of commercial insurance and risk management products and services to domestic and international companies. The property and casualty insurance companies within ZAIG are operated as separate legal entities, under a common management structure, with coordinated operations and strategy.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system as of December 31, 2021:

Zurich Insurance Group Ltd. (Switzerland)
- Allied Zurich Limited (United Kingdom)
- Zurich Insurance Company Ltd (Switzerland)
  - 31.2% - Zurich Canadian Holding Limited
  - 87.9% - Farmers Group, Inc. (NV) (12.1% Zurich Insurance Group Ltd)
    - Zurich Holding Company of America, Inc. (DE)
      - ZFUS Services, LLC (DE)
        - ZNA Services, LLC (DE)
      - Zurich Global, Ltd. (Bermuda)
      - Universal Underwriters Service Corporation (MO)
      - The Zurich Services Corporation (IL)
      - Zurich Agency Services Inc. (formerly Universal Underwriters Insurance Services, Inc.) (MA)
      - **Zurich American Insurance Company (NY)**
        - Fidelity and Deposit Company of Maryland (IL)
          - Colonial American Casualty and Surety Company (IL)
        - Empire Fire and Marine Insurance Company (IL)
        - Rural Community Insurance Company (MN)
        - Empire Indemnity Insurance Company (OK)
        - Steadfast Insurance Company (IL)
          - American Zurich Insurance Company (IL)
            - Zurich American Insurance Company of Illinois (IL)
        - Zurich E&S Brokerage, Inc.
        - Universal Underwriters Insurance Company (IL)
          - Universal Underwriter of Texas Insurance Company (IL)
        - American Guarantee and Liability Insurance Company (NY)

Holding Company Agreements

As of December 31, 2021, the Company was party to the following agreements with other members of its holding company system:

Producer Agreement

Effective January 18, 2012, the Company, AGLIC, and other named affiliates entered into a Producer Agreement with Zurich Agency Services, Inc. (“ZAS”), formerly Universal Underwriters Insurance Services Inc. Pursuant to the terms of this agreement, ZAS may provide insurance producer services to the Company and other parties to the agreement. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on November 14, 2011.

Service Agreements

Effective July 1, 2007, the Company entered into a Master Service Agreement with ZFUS Services, LLC (“ZFUS”). Pursuant to this agreement, ZFUS and its subsidiaries (collectively, “supplier”), may provide administrative and back-office support-type services such as finance and accounting services, corporate, fleet management, and information technology services to the Company, for itself, and for the benefit of certain U.S-based affiliates. The agreement includes a provision that the supplier’s costs shall not be subject to any markup and will include the actual cost to the supplier to provide the services to the Company, incorporating the complete cost of the supplier’s internal resources including overhead and third-party resources. Specific costs are charged 100% to the entity(s) receiving the benefit of the service/product. At least on a monthly basis, the Company will pay the supplier costs to the supplier less amounts due to the Company from the supplier. Amendment No. 1, which became effective January 1, 2010, added premium audit services to the services that may be provided by ZFUS and its subsidiaries to the Company. Amendment No. 2, which became effective January 1, 2017, deleted certain services, including, but not limited to, human resource operations and group information security, from the list of services to be provided by ZFUS to the Company. This agreement and amendments were filed with the Department pursuant to Section 1505 of the New York Insurance Law and were non-disapproved.

Effective January 1, 2008, the Company entered into an Intercompany Service Agreement with several affiliated companies. Under the terms of the agreement, the Company provides administrative and back-office support-type services such as financial and accounting, human resources, and IT services for the benefit of the other pooled companies. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on May 29, 2007. Amendment No. 1, which became effective as of January 1, 2010, provides that additional services may be provided by ZAIC through one of its affiliates. Amendment 1 was non-disapproved by the Department on January 8, 2010. These additional services include managed care-related services, risk-engineering services, general claims adjusting services, workers compensation hearing representation services, care center services, and recovery services. A second amendment to the agreement, which was non-disapproved by the Department on July 29, 2011, and became effective as of March 31, 2011, added subsection (aa), “Aircraft Transportation Services”. This agreement supersedes the Amended and Restated Information Technology Service Agreement with the Farmers Group.

Effective as of January 1, 2012, the Company entered into a Service Agreement with Zurich Canadian Holdings Limited ("ZCHL") and Zurich Insurance Company Ltd., Canadian Branch (“ZIC

Canadian Branch"). Pursuant to the terms of the agreement, the Company can provide certain services to the parties of the agreement. Amendment No. 1, effective January 1, 2014, (i) added ZIC Canadian Branch as a service recipient to the Agreement, and (ii) acknowledges the service provider's obligations to provide the Chief Agent of ZIC Canadian Branch with such information and assistance as required by the Chief Agent in order to carry out his duties and responsibilities under applicable Canadian law. Amendment No. 2 added a five percent markup to personnel costs of the service fees charged by the Company to ZCHL and ZIC Canadian Branch. This agreement and amendments were filed with the Department pursuant to Section 1505 of the New York Insurance Law and were non-disapproved.

Effective January 1, 2015, the Company entered into a Service Agreement with Universal Underwriters Service Corporation ("UUSC"), pursuant to which ZAIC provides a broad set of services to UUSC such as accounting services, actuarial services, administration and transaction management services, claim services, compliance services, finance and treasury services, human resources, legal services, management information services, marketing and sales organization services, payor services, real estate services, risk management services, senior management services, tax services, and technical center—underwriting services. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on March 11, 2015.

Effective September 1, 2018, the Company entered into a service agreement (one of two, see below) with The Zurich Services Corporation ("ZSC"). Under the terms of the agreement, the Company provides administrative services such as accounting, claims, compliance, corporate, finance and treasurer, Information Technology Infrastructure, application development and support, legal, marketing and sales organization, payor, payroll, benefits, human resources, real estate, risk management, recovery, senior management, tax, and aircraft pilot services to ZSC. This agreement (along with the agreement described directly below) is one of two agreements that replaced a previous two-way service agreement between the Company and ZSC effective February 1, 2007. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on August 2, 2018.

Effective September 1, 2018, the Company entered into a service agreement (two of two) with ZSC. Under the terms of the agreement, ZSC provides certain insurance-related services such as managed care, risk engineering services, special investigation unit services, general claim adjusting services, workers' compensation hearing representation, care center services, recovery, and aircraft transportation services to the Company. This agreement is one of two agreements that replaced a previous two-way service agreement between the Company and ZSC. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on August 2, 2018. Amendment 1 became effective January 1, 2021 and amended the cost at which risk engineering services are provided. This amended agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on December 10, 2020.

Effective August 1, 2019, the Company entered into a Service Agreement with ZGL. Pursuant to the terms of the agreement, the Company provides certain general reinsurance accounting services, financial services, reporting services, and actuarial services to ZGL. This agreement superseded and replaced the service agreement in place with ZGL dated June 30, 2007. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on August 1, 2019.

Tax Allocation Agreement

The Company is a party to the Zurich Holding Company of America, Inc., and Subsidiaries Amended and Restated Tax Allocation Agreement ("TAA"), which amended and restated the tax allocation agreement dated December 1981. The TAA became effective with the tax year 1996 and was subsequently amended on December 1, 1999, to clarify the consolidated tax liability calculation. It was further amended effective March 1, 2021, to address the change in U.S. tax law with respect to the Base Erosion and Anti-Abuse Tax. The agreement provides that the Company's tax liability on a consolidated basis will not exceed the liability had it filed its tax return on a separate return basis. The agreement and amendments were filed with the Department in accordance with Department Circular Letter No. 33 (1979) and were non-disapproved.

E. Significant Ratios

The following operating ratios, computed as of December 31, 2021, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC:

Operating Ratios	Result
Net premiums written to policyholders' surplus	64%
Two-year overall operating	79%

The adjusted liabilities to liquid assets ratio of 107% fell outside of the NAIC IRIS benchmark due to the Company's investment in affiliate common stock of $1,776,484,077 reported on the year-end 2021 balance sheet. Investments in subsidiaries are not counted as part of liquid assets in determining the ratio.

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	Amount	Ratio
Losses and loss adjustment expenses incurred	$17,006,455,169	78.63%
Other underwriting expenses incurred	3,672,918,709	16.98%
Net underwriting gain (loss)	948,234,339	4.39%
Premiums earned	$21,627,608,217	100.00%

The Company's reported risk-based capital ("RBC") score was 450% as of December 31, 2021. The RBC score is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC score of 200% or below can result in regulatory action. There were no financial adjustments in this report that impacted the Company's RBC score.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities, and surplus as regards policyholders as of December 31, 2021, as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$16,632,198,754	$ 0	$16,632,198,754
Preferred stocks	6,000,000	6,000,000	0
Common stocks	2,938,751,320	10,000	2,938,741,320
Properties occupied by the company	4,082,514	0	4,082,514
Properties held for the production of income	1,180,272,326	0	1,180,272,326
Properties held for sale	10,753,930	0	10,753,930
Cash, cash equivalents and short-term investments	158,275,566	0	158,275,566
Derivatives	4,892,042	0	4,892,042
Other invested assets	1,529,554,852	18,330,003	1,511,224,849
Receivables for securities	22,978,778	266,182	22,712,596
Employee trust for deferred compensation plan	114,975,842	0	114,975,842
Investment income due and accrued	118,216,755	156,390	118,060,365
Uncollected premiums and agents' balances in the course of collection	1,966,100,846	173,659,427	1,792,441,419
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,718,258,827	29,256,925	3,689,001,902
Accrued retrospective premiums	453,123,501	38,393,134	414,730,367
Amounts recoverable from reinsurers	1,288,549,705	0	1,288,549,705
Net deferred tax asset	471,599,585	0	471,599,585
Guaranty funds receivable or on deposit	9,774,019	0	9,774,019
Electronic data processing equipment and software	214,036,017	214,036,017	0
Furniture and equipment, including health care delivery assets	25,157,095	25,157,095	0
Receivables from parent, subsidiaries and affiliates	130,569,184	1,557,063	129,012,121
Surcharges and other amounts recoverable	321,128,679	1,613,196	319,515,483
Recoverable under high deductible policies	196,727,855	5,662,233	191,065,622
Equities and deposits	18,122,744	0	18,122,744
Reinsurance deposits	125,557	0	125,557
Other asset	463	0	463
Prepaid benefit expense	189,398,218	189,398,218	0
Overfunded plan asset SSAP 102	40,704,830	40,704,830	0
Prepaid expenses	30,090,178	30,090,178	0
Leasehold improvements	25,415,103	25,415,103	0
Total assets	$31,819,835,085	$799,705,994	$31,020,129,091

Liabilities, Surplus and Other Funds

Liabilities

Losses and loss adjustment expenses		$12,244,569,908
Reinsurance payable on paid losses and loss adjustment expenses		1,673,061,383
Commissions payable, contingent commissions and other similar charges		160,324,275
Other expenses (excluding taxes, licenses and fees)		567,659,017
Taxes, licenses and fees (excluding federal and foreign income taxes)		173,795,154
Current federal and foreign income taxes		10,641,098
Unearned premiums		4,276,836,095
Policyholders (dividends declared and unpaid)		7,805,742
Ceded reinsurance premiums payable (net of ceding commissions)		1,525,470,381
Funds held by company under reinsurance treaties		674,404,810
Amounts withheld or retained by company for account of others		320,697,646
Remittances and items not allocated		336,655,509
Provision for reinsurance		89,554,951
Payable to parent, subsidiaries and affiliates		353,084,887
Derivatives		741,394
Payable for securities		40,021,962
Amount held under high deductible policies		668,835,551
Retroactive reinsurance reserves – assumed		8,480,364
Deposit accounting		5,877,972
Escheat reserves		4,330,071
Liability for pension benefit SSAP 102		(9,114,572)
Total liabilities		$23,133,733,598
Surplus and Other Funds		
Special surplus for retroactive reinsurance	$ 3,996,000	
Common capital stock	5,000,000	
Gross paid in and contributed surplus	4,394,131,321	
Unassigned funds (surplus)	3,483,268,172	
Surplus as regards policyholders		$ 7,886,395,492
Total liabilities, surplus and other funds		$31,020,129,090

Note: The Internal Revenue Service has completed its audits of the Company's Consolidated Federal Income Tax returns through tax year 2017, as well as the audit of tax year 2019. The Revenue Agent's Report for tax year 2018 has been executed and a required review by the Joint Committee on Taxation has been completed. The Company awaits a closing letter to conclude the audit. All material adjustments, if any, made subsequent to the examination date and arising from said audits, are reflected in the financial statements. The Internal Revenue Service has not audited tax returns covering tax years 2020 and 2021.

B. Statement of Income

The net income for the examination period as reported by the Company was $4,383,767,671, as detailed below:

Underwriting Income		
Premiums earned		$21,627,608,217
Deductions:		
Losses and loss adjustment expenses incurred	$17,006,455,169	
Other underwriting expenses incurred	3,672,918,709	
Total underwriting deductions		20,679,373,878
Net underwriting gain or (loss)		$ 948,234,339
Investment Income		
Net investment income earned	$ 3,080,158,792	
Net realized capital gain	1,171,679,411	
Net investment gain or (loss)		4,251,838,203
Other Income		
Net gain (loss) from agents' or premium balances charged off	$ (30,983,652)	
Finance and service charges not included in premiums	(16,291,731)	
Miscellaneous other income/(expense)	(44,374,169)	
Net interest on funds held	(138,219,225)	
Interest on deposit contracts	(90,534,882)	
Foreign exchange gain/(loss)	(740,407)	
Total other income		(321,144,066)
Net income before dividends to policyholders and before federal and foreign income taxes		$ 4,878,928,476
Dividends to policyholders		44,476,370
Net income after dividends to policyholders and before federal and foreign income taxes		4,834,452,106
Federal and foreign income taxes incurred		450,684,435
Net income		$ 4,383,767,671

C. Capital and Surplus

Surplus as regards policyholders increased $34,716,881 during the examination period January 1, 2017, through December 31, 2021, as reported by the Company, detailed as follows:

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders as reported by the Company as of December 31, 2016			$7,851,678,614
Net income	$4,383,767,683		
Net unrealized capital gains or (losses)	8,712,614		
Change in net unrealized foreign exchange capital gain (loss)		$ 8,198,191	
Change in net deferred income tax		510,060,870	
Change in nonadmitted assets		135,455,659	
Change in provision for reinsurance		33,231,131	
Capital changes transferred to surplus			
Surplus adjustments paid in			
Dividends to stockholders		3,878,500,000	
SSAP 102 overfunded asset	170,895,924		
Change in liability for unfunded define benefit plans	36,786,511	0	
Total gains and losses	$4,600,162,732	$4,565,445,851	
Net increase (decrease) in surplus			34,716,881
Surplus as regards policyholders as reported by the Company as of December 31, 2021			$7,886,395,492*

*Rounding difference of $3

As of December 31, 2021, the Company's capital paid in was $5,000,000, consisting of 5,000 shares of common stock at $1,000 par value, per share. Gross paid in and contributed surplus was $4,394,131,321, which did not change during the examination period.

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

4. <u>LOSSES AND LOSS ADJUSTMENT EXPENSES</u>

The examination liability for the captioned items of $12,244,569,908 is the same as reported by the Company as of December 31, 2021. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including SSAP No. 55.

5. <u>COMPLIANCE WITH PRIOR REPORT ON EXAMINATION</u>

The prior report on examination did not contain any comments or recommendations.

6. <u>SUMMARY OF COMMENTS AND RECOMMENDATIONS</u>

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

____________/S/____________
Wayne Longmore
Financial Services Manager 1

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Wayne Longmore, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

____________/S/____________
Wayne Longmore

Subscribed and sworn to before me

this__________ day of ____________________, 2023.

APPOINTMENT NO. 32295

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **Linda A. Lacewell**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Wayne Longmore

as a proper person to examine the affairs of the

Zurich American Insurance Company

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name and affixed the official Seal of the Department at the City of New York

this 19th day of August, 2021

LINDA A. LACEWELL
Superintendent of Financial Services

By:

Joan Riddell

Joan Riddell
Deputy Bureau Chief