REPORT ON EXAMINATION
OF
HILLTOP SPECIALTY INSURANCE COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: **KIONNA PRESCOTT-LICORISH**
DATE OF REPORT: **MAY 7, 2025**

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May 7, 2025

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 32585 dated December 11, 2023, attached hereto, I have made an examination into the condition and affairs of Hilltop Specialty Insurance Company as of December 31, 2023, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Hilltop Specialty 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 Hilltop Specialty Insurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2019. This examination covered the four-year period from January 1, 2020 through December 31, 2023. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with the State of Delaware, which was the lead state of the Fairfax Financial Group. The examination was performed concurrently with the examinations of the following insurers:

Crum and Forster Subgroup

Company	NAIC Number	State of Domicile
United States Fire Insurance Company	21113	Delaware
Crum & Forster Specialty Insurance Company	44520	Delaware
The North River Insurance Company	21105	New Jersey
First Mercury Insurance Company	10657	Delaware
Crum & Foster Indemnity Company	31348	Delaware
Seneca Insurance Company, Inc.	10936	New York
Seneca Specialty Insurance Company	10729	Delaware
Crum & Forster Insurance Company	42471	New Jersey
American Underwriters Insurance Company	10251	Arkansas
MTAW Insurance Company	16498	Delaware
Monitor Life Insurance Company	81442	New York

Allied World Subgroup

Company	NAIC Number	State of Domicile
Allied World Assurance Company US Inc.	19489	Delaware
Allied World Specialty Insurance Company	16624	Delaware
Allied World Surplus Lines Insurance Company	24319	Arkansas
Vantapro Specialty Insurance Company	44768	Arkansas
Allied World Insurance Company	22730	New Hampshire
Allied World National Assurance Company	10690	New Hampshire

Hudson Subgroup
(100% owned by Odyssey Re Subgroup)

Company	NAIC Number	State of Domicile
Hudson Insurance Company	25054	Delaware
Hudson Excess Insurance Company	14484	Delaware
Hilltop Specialty Insurance Company	37079	New York

Odyssey Re Subgroup Company	NAIC Number	State of Domicile
Greystone Insurance Company	10019	Connecticut
Odyssey Reinsurance Company	23680	Connecticut

Riverstone/TIG Subgroup Company	NAIC Number	State of Domicile
TIG Insurance Company	25534	California

Zenith/ZNAT Subgroup Company	NAIC Number	State of Domicile
Zenith Insurance Company	13269	California
ZNAT Insurance Company	30120	California

Other states participating in this examination were Arkansas, California, Connecticut, New Hampshire and New Jersey.

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

A review was also made to ascertain what actions were taken by the Company with regard to recommendations contained in the prior report on examination.

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

Hilltop Specialty Insurance Company was incorporated under the laws of the State of New York on December 13, 1984, as Southwest International Reinsurance Company of New York ("Southwest NY") to serve as the vehicle for re-domestication of the Southwest International Reinsurance Company ("Southwest TX"), a Texas insurer. Effective December 31, 1985, Southwest TX merged with and into Southwest NY and the surviving company adopted the name of its predecessor. On August 30, 1993, the name of the Company was changed to General Security Indemnity Company.

Prior to July 3, 1990, the Company was 51% owned by The Dai-Tokyo Fire and Marine Insurance Company Ltd. ("Dai-Tokyo") of Tokyo, Japan, and 49% owned by SCOR Reinsurance Company ("SCOR Re"), a New York domiciled reinsurance company. On July 3, 1990, SCOR U.S. Corporation, the immediate parent of SCOR Re, purchased Dai-Tokyo's 51% interest in the Company and subsequently contributed that interest to SCOR Re.

On October 28, 2003, Odyssey Reinsurance Company ("Odyssey", formerly known as Odyssey America Reinsurance Corporation), a Connecticut domiciled reinsurance company, purchased 100% of the capital stock of the Company from SCOR Re. Odyssey is ultimately controlled by Fairfax Financial Holdings Limited ("Fairfax Financial"), a public Canadian financial services holding company. As part of the acquisition, all of the Company's liabilities for business written prior to the purchase date were transferred to General Security Indemnity Company of Arizona through an Assumption Reinsurance, Indemnification and Administration Agreement. Effective December 29, 2003, the Company changed its name to Hudson Specialty Insurance Company.

On December 30, 2003, Odyssey transferred ownership of the Company to its wholly owned subsidiary, Clearwater Insurance Company ("Clearwater"), a Delaware domiciled insurer. On July 29, 2010, Clearwater transferred ownership of the Company to its wholly owned subsidiary, Hudson Insurance Company ("Hudson"), a Delaware domiciled insurer. On January 1, 2011, Clearwater transferred its ownership of Hudson to Odyssey and as a result, the Company became an indirect, wholly owned subsidiary of Odyssey.

Effective October 26, 2020, the Company changed its name to Hilltop Specialty Insurance Company.

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 13 members. The board met once during calendar years 2021, 2022 and 2023. At December 31, 2023, the board of directors was comprised of the following seven members:

Name and Residence	Principal Business Affiliation
Richard Frederick Coerver IV Fairfield, Connecticut	Executive Vice President, Hilltop Specialty Insurance Company
Dina Georgia Daskalakis Stamford, Connecticut	Executive Vice President, General Counsel and Corporate Secretary, Hilltop Specialty Insurance Company
Christopher Liam Gallagher New York, New York	President and Chief Executive Officer, Hilltop Specialty Insurance Company
Margaret Mary Catherine Killeen Highlands, New Jersey	Executive Vice President, Hilltop Specialty Insurance Company
Rory Alexander Rose East Hampton, New York	Senior Vice President and Chief Financial Officer, Hilltop Specialty Insurance Company
Elizabeth Ann Sander Bedford, New York	Executive Vice President and Chief Actuary, Hilltop Specialty Insurance Company
Leslie Weihrich Shore Princeton, New Jersey	Senior Vice President, Hilltop Specialty Insurance Company

A review of the 2023 conflict-of-interest responses indicated that two directors did not electronically acknowledge having reviewed the conflict-of-interest policy. Upon request for signed conflict-of-interest statements for these directors, it was noted that one of the signed statements was not dated. The Company responded that it was unable to locate the signed conflict-of-interest statement and had the director sign the statement during the current examination period on August 21, 2024.

It is recommended that the Company implement procedures to ensure officers and directors complete the conflict-of-interest forms on a timely basis and that the Company maintains proper records of such.

As of December 31, 2023, the principal officers of the Company were as follows:

Name	Title
Christopher Liam Gallagher	President and Chief Executive Officer
Dina Georgia Daskalakis	Executive Vice President, General Counsel and Secretary
Paola Andrea Corcoran	Controller
Rory Alexander Rose	Senior Vice President, and Chief Financial Officer

B. Territory and Plan of Operation

As of December 31, 2023, the Company was licensed to write business solely in New York. It operates primarily as an excess and surplus lines carrier on a non-admitted basis in the remaining 49 states, the District of Columbia, Puerto Rico and the U.S. Virgin 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

The Company is also empowered to transact such workers' compensation insurance as may be incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York

Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et. seq. as amended). In addition, the Company is licensed to write special risk insurance pursuant to Article 63 of the New York Insurance Law.

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 $4,400,000. However, pursuant to Section 6302(c)(1) of the New York Insurance Law, in order to be licensed to write special risks, the Company is required to maintain 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 $25,697,408.

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
2020	$225,359,811	$297,728	$225,657,539
2021	$ 96,633,698	$ 91,052	$ 96,724,750
2022	$ 23,127,230	$ 0	$ 23,127,230
2023	$ 17,409,049	$ 0	$ 17,409,049

The Company writes property and casualty insurance business on an excess and surplus lines basis in states other than New York. In 2023, direct written premiums mainly derived from the states of California (22.4%), Florida (19.7%), and Minnesota (16.0%). The Company's primary line of business is commercial multiple peril (non-liability portion), which, in 2023, represented approximately 58.1% of direct written premiums. During the examination period, the Company's affiliate, Hudson Excess Insurance Company ("Hudson Excess"), became the flagship non-admitted carrier for the Hudson Insurance subgroup due to its 50 state non-admitted capability. Accordingly, much of the Company's business has been transitioned to Hudson Excess. The Hudson Insurance subgroup still utilizes the Company when there are distribution conflicts or other reasons to utilize a non-Hudson branded company in the marketplace.

C. Reinsurance Ceded

Effective January 1, 2008, and subsequently amended effective January 1, 2009, August 1, 2011, and January 1, 2018, the Company entered into a Net Line Quota Share Reinsurance Agreement with its affiliate, Odyssey. Under the terms of the agreement the Company agreed to cede to Odyssey 70% of net retained liability under all programs subject to the agreement. The agreement and amendments were filed and were non-disapproved by the Department pursuant to Section 1505(d)(2) of the New York Insurance Law.

The Company reported approximately $100,956,020 in net reinsurance recoverable from Odyssey as of the examination date. The net recoverable amount from Odyssey is not collateralized due to its authorized insurer status. These net reinsurance recoverables are the Company's most significant financial item and ultimately, the Company's most significant financial risk is its ultimate ability to collect on the reinsurance recoverables. Odyssey was examined concurrently with this Company, and there were no financial adjustments made to Odyssey's balance sheet or income statement.

Effective September 1, 2017, the Company entered into a quota share reinsurance agreement with Newline Insurance Company, Ltd., an unauthorized affiliate organized under the laws of England and Wales, under which it cedes 100% of the policies classified by the Company as Contractual Liability Reimbursement Policy. The agreement was filed and was non-disapproved by the Department pursuant to Section 1505(d)(2) of the New York Insurance Law.

External Ceded Reinsurance Program

The Company is a participant in the ceded reinsurance program of the Fairfax Financial Group. In addition, the Company, together with Hudson and Hudson Excess are parties to the following reinsurance treaties:

Type of Coverage	Cession
Contingency Excess of Loss (two layers)	Provides liability coverage for policies classified as business underwritten and insured by the Company. Section I: $5,000,000 excess of $5,000,000 each loss occurrence. Section II: $10,000,000 excess of $10,000,000 each loss occurrence.

The reinsurer's liability in respect of all loss occurrences commencing during the term of the contract, including the runoff period, if any, shall not exceed $10,000,000 under section I or $20,000,000 under section II.

With regard to Sovereign Nation Workers' Compensation Policies, whether written subject to Tribal law or State or Federal Act Workers Compensation Law, the maximum loss per person, per occurrence shall be $10,000,000. For Tribal business, the limit is $20,000,000 per occurrence.

Executive Liability Quota Share

Covers business classified as primary and excess directors and officer's liability insurance and related coverages, including but not limited to employment practices liability, fiduciary liability and crime/fidelity.

A) Section A – Company retains 60% and reinsurer accepts 40% of net liability for private, not-for-profit, and any other stand-alone coverage policies Such as errors and omissions, fiduciary, employment practices liability and crime.

Section B – Company retains 75% and reinsurer accepts 25% of net liability as respects directors and officers liability coverage on policies written for publicly traded companies on ABC and/or Side A basis.
Side A: covers directors and officers from personal liability and provides cover for claims made against directors and officers in circumstances where no indemnity is provided by the Company.
Side B: reimburses the Company for costs it pays on behalf of a director or officer (legal, defense costs, settlements, judgement).
Side C: covers expenses incurred by the Company in defense of the lawsuit.

B) The net liability ceded shall be limited to the quota share percentage of $10,000,000 any one coverage, any one insured, any one claim (or $15,000,000 as respects to directors' and officers' insureds with at least $5,000,000 of Side A directors and officers' liability). The maximum combined limit for directors and officers liability including Side A and AB and ABC policies issued to the same insured shall not exceed $15,000,000.

C) The reinsurer's liability for loss in excess of policy limits, extra contractual obligations and declaratory judgment expense, combined, shall not exceed the quota

	share percentage of $15,000,000 any one coverage, any one insured, any one claim or occurrence.
Healthcare Professional Liability Excess of Loss	Covers business classified by the Company as casualty business underwritten by the Hudson Healthcare Division on behalf of the Company. Reinsurer shall be liable for the ultimate net loss over and above an initial ultimate net loss of $2,000,000 each event, subject to a limit of $10,000,000 each event.
Non-Medical Professional Liability Excess of Loss (two layers each section)	Covers non-medical professional liability for multiple segments. A) Section A covers policies with limits greater than $2,000,000 for Hudson Professional Liability, Euclid Fiduciary, Euclid Legal Pro, Riverton Architects & Engineers, and C&R Lawyers. Layer 1: $2,500,000 excess of $2,500,000 ultimate net loss, in aggregate, each policy Layer 2: $10,000,000 excess of $5,000,000 ultimate net loss, in aggregate, each policy. B) Section B covers policies with limits $2,000,000 or less for Hudson Professional Liability, Euclid Fiduciary, Euclid Legal Pro, Riverton Architects & Engineers, and C&R Lawyers. Layer 1: $2,500,000 excess of $2,500,000 ultimate net loss, in aggregate, each policy Layer 2: $10,000,000 excess of $5,000,000. ultimate net loss, in aggregate, each policy C) Section C covers policies applying only to “Sunrise” coverage for Environmental Liability Policies written through Freberg Environmental Insurance. Layer 1: $2,500,000 excess of $2,500,000 ultimate net loss, in aggregate, each policy Layer 2: $5,000,000 excess of $5,000,000. ultimate net loss, in aggregate, each policy
Offshore Marine Obligatory Quota Share	Covers business classified as offshore marine, including onshore property, under the code of Hudson Marine as determined by the Company.

	The maximum Gulf of Mexico named windstorm policy limits that may be ceded shall be $200,000,000 in the aggregate for 100%. The limit of liability of the reinsurer for any one loss occurrence shall not exceed 45% of $140,000,000. The contract is 45% placed.
Marine Energy Excess of Loss (two layers)	Provides coverage for policies classified as offshore marine business (including onshore property) under the code of Hudson Marine as determined by the Company, excluding Gulf of Mexico Windstorm Only Policies. Layer 1: $5,500,000 excess of $2,750,000 net loss, each and every loss and/or occurrence and/or series of losses and/or occurrences arising out of one event. Layer 2: $8,250,000 excess of $8,250,000 net loss, each and every loss and/or occurrence and/or series of losses and/or occurrences arising out of one event
Property Excess of Loss (two layers)	Covers commercial property policies, classified by the Company as the Hudson Specialty Property. Layer 1: $8,000,000 excess of $2,000,000 ultimate net loss, each loss, each risk. Reinsurer is further subject to a limit of liability of $24,000,000 each loss occurrence and $24,000,000 as respects to all losses occurring during the 12-month term of the contract. Layer 2: $10,000,000 excess of $10,000,000 ultimate net loss, each loss, each risk. Reinsurer is further subject to limit of liability of $20,000,000 each loss occurrence and $30,000,000 as respects to all losses occurring during the 12-month term of the contract.
Property Catastrophe Excess of Loss	Covers losses under property policies in force at the inception of contract or written or renewed during the term of the contract. $15,000,000 excess of $2,500,000 ultimate net loss, each loss occurrence. Additionally, the Company is to retain $2,500,000 of aggregate excess loss for losses occurring during the term of the contract. This layer was 42.5% placed.
Sovereign Nation Workers Compensation and Commercial Liability Excess of Loss	Covers business classified as Section I Business: sovereign nation workers' compensation and employers'

(three layers plus excess cession)	liability policies, Section II Business: sovereign nation liability policies, and Section III Business: sovereign nation non-occupational benefits written for Native American tribes and/or Alaska Native Corporations recognized by the United States of America federal government with sovereign nation status. Layer 1: $3,000,000 excess of $2,000,000 ultimate net loss, each loss occurrence. $2,000,000 annual aggregate deductible. Layer 2: $5,000,000 excess of $5,000,000 ultimate net loss, each loss occurrence. Layer 3: $10,000,000 excess of $10,000,000 ultimate net loss, each loss occurrence. Regarding excess policies with an attachment point over $10,000,000, issued over Section II Business and Employers' Liability coverages under Section I Business: $15,000,000 excess of $10,000,000 each policy, each claim or occurrence. This layer was placed 85%.
Sovereign Nation Workers Compensation and Commercial Liability Quota Share	Covers policies written or renewed during the term of this contract as part of the Sovereign Nation Liability First Dollar Program (which refers to Core Casualty and General Liability Product), Tribal First Workers' Compensation First Dollar Program, All Lines Aggregate Program and the Excess Liability Product (policies with limits up to $15,000,000) written by Alliant Insurance Services, Inc. and Alliant Specialty Insurance Services, Inc. The Company cedes 35% of its Gross Liabilities - 10% ceded to Berkshire Hathaway Specialty Insurance Company and 25% ceded to Munich Reinsurance America, Inc. The Company cedes 5% of its gross liabilities of its Excess Liability Product to Munich Reinsurance America, Inc
Subcontractor Default Quota Share	Covers policies classified by the Company as Subcontractors Default Policies written or renewed during the term of this contract. Section A: 100% quota share participation in respect of the Company's net liability on policies with limits of less

	than $30,000,000 per covered default of performance and $60,000,000 per policy in the aggregate. The contract is 75% placed. Section B: 100% quota share participation in respect of the Company's net liability on policies with limits greater than $30,000,000 subject to a maximum policy limit of $50,000,000 per default of performance and $100,000,000 per policy in the aggregate. The contract is 85% placed.
Surety Principal Excess of Loss (three Layers)	Contract will indemnify the Company in respect of the liability that may accrue as a result of losses discovered under bonds written by the Company under the direction and control of its Surety Bond Division and classified as surety business. Layer 1: $5,000,000 excess of $5,000,000 ultimate net loss each principal, subject to an aggregate limit of liability of $10,000,000 ultimate net loss. Layer 2: $5,000,000 excess of $10,000,000 ultimate net loss each principal, subject to an aggregate limit of liability of $10,000,000 ultimate net loss. Layer 3: $5,000,000 excess of $15,000,000 ultimate net loss each principal, subject to an aggregate limit of liability of $10,000,000 ultimate net loss.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It is noted that not all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law. The prior report on examination notes that the Company's affiliate, Odyssey, is a subscribing reinsurer in many of the Hudson Group treaties and none of the treaties were filed with the Department. Similarly, during this examination period, Odyssey entered into agreements as a subscribing reinsurer, wherein Hudson and its subsidiaries are party. The Department does not have record that that Company submitted these reinsurance agreements, and the Company was unable to locate the non-disapproval letters.

Section 1505(d)(2) of the New York Insurance Law states, in part:

> "The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or with regard to

> reinsurance treaties or agreements at least forty-five days prior thereto, or such shorter period as the superintendent may permit, and the superintendent has not disapproved it within such period:. . . (2) reinsurance treaties or agreements…"

It is recommended that the Company implement procedures to ensure that all affiliated reinsurance agreements are filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

A majority of the Company's ceded business was to authorized reinsurers. It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. No exceptions were noted.

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.

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 the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles ("SSAP") No. 62R. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC annual statement instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

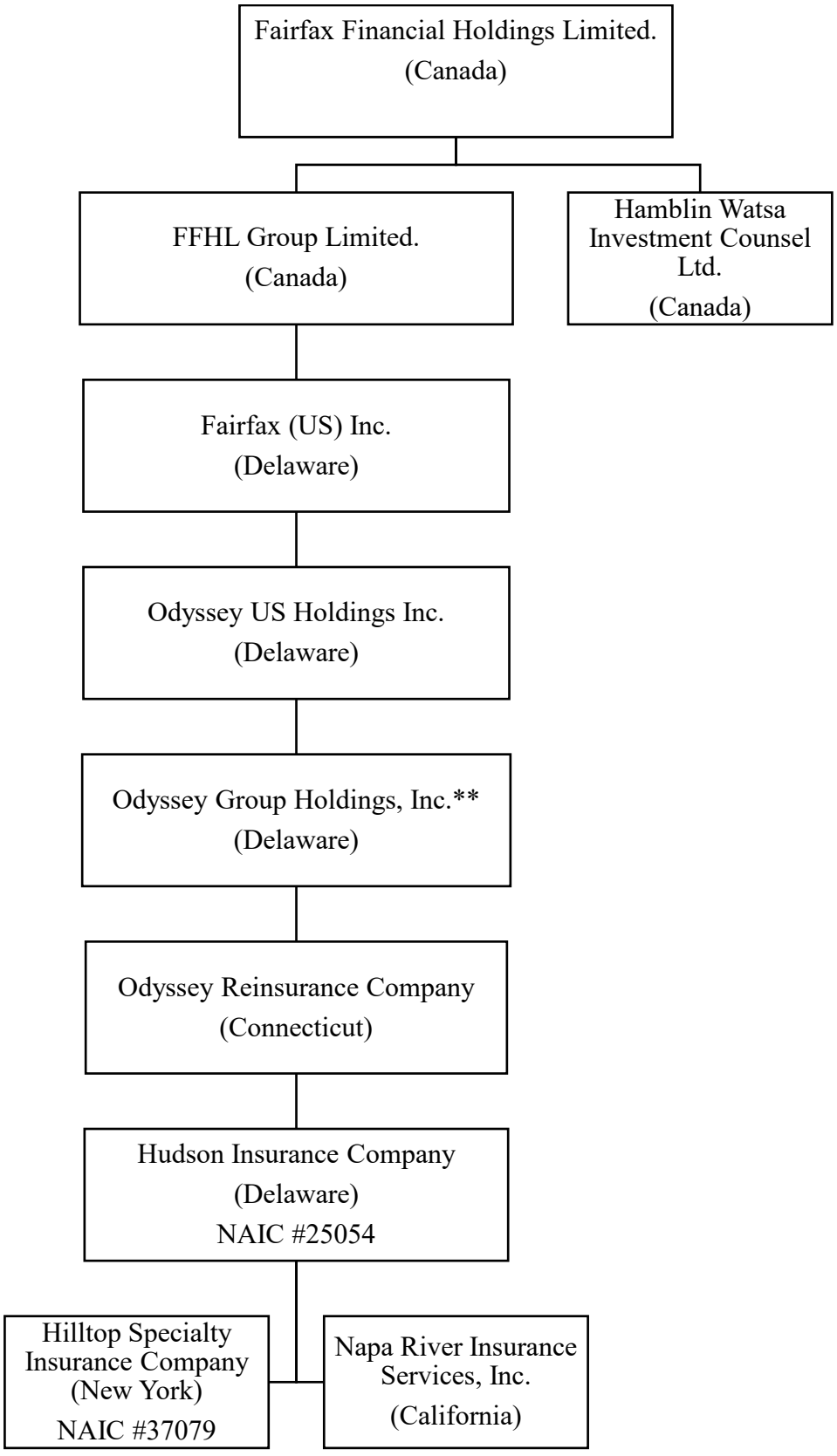
D. Holding Company System

The Company is a member of the Hudson subgroup (which is wholly owned by the Odyssey Re subgroup) of the Fairfax Financial Group. The Company is an indirect subsidiary of Fairfax Financial Holdings Limited, a publicly traded Canadian financial services holding company based in Toronto, Ontario. The Company is wholly owned by Hudson, which is wholly owned by Odyssey.

The Company is no longer the direct parent of Hudson Excess, a Delaware domiciled insurance company. On November 9, 2021, the Company requested the Department's approval, pursuant to Section 4105(a) of the New York Insurance Law, to transfer the shares of its 100% owned subsidiary, Hudson Excess, to the Company's direct parent Hudson, as an extraordinary dividend (including cash and securities) with the extraordinary dividend having a total statutory value of approximately $107 million, on or after December 9, 2021. On June 17, 2022, the Department granted approval for the extraordinary dividend, pursuant to Section 4105(a) of the New York Insurance Law.

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, 2023:


Fairfax Financial Holdings Limited.
(Canada)
FFHL Group Limited.
(Canada)
Hamblin Watsa Investment Counsel Ltd.
(Canada)
Fairfax (US) Inc.
(Delaware)
Odyssey US Holdings Inc.
(Delaware)
Odyssey Group Holdings, Inc.**
(Delaware)
Odyssey Reinsurance Company
(Connecticut)
Hudson Insurance Company
(Delaware)
NAIC #25054
Hilltop Specialty Insurance Company
(New York)
NAIC #37079
Napa River Insurance Services, Inc.
(California)

** Odyssey Group Holdings, Inc.("OGHI") is owned 90.01% by Odyssey US Holdings Inc. The remaining 9.99% of OGHI is owned by two Canadian pension funds not affiliated with Fairfax, Odyssey Group or the Company. All other ownership percentages on the chart are 100%.

Holding Company Agreements

As of December 31, 2023, the Company was party to the following agreements with other members of its holding company system:

Inter-company Tax Allocation Agreement

Effective October 28, 2003, the Company entered into a tax allocation agreement with its indirect parent, Odyssey Re Holdings Corp. In 2018, Odyssey Re Holdings Corp. was renamed Odyssey Group Holdings, Inc. The agreement was filed with the Department in accordance with Department Circular Letter No. 33 (1979) and was non-disapproved.

Tax Services Agreement

Effective October 28, 2003, the Company entered into a tax services agreement with Fairfax (US) Inc. ("FFUS"). Pursuant to the agreement, FFUS is authorized to provide tax consulting and tax return preparation services including but not limited to, federal and state tax return preparation, tax planning and research and compliance related to tax reporting in the Company's financial statements. Per the terms of the agreement, FFUS shall send the Company an invoice on a quarterly basis and the Company will reimburse FFUS on a cost basis; allocated expenses shall be on a fair and equitable basis in accordance with Department Regulation 30. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved.

Investment Agreement

Effective October 28, 2003, the Company entered into an investment agreement with Hamblin Watsa Investment Counsel Ltd. ("HWIC") and Fairfax Financial. The agreement authorizes HWIC and Fairfax Financial to jointly manage and administer the Company's investment accounts for a variable fee. Under the terms of the agreement, HWIC is authorized to manage the investment account on a continuous basis in accordance with the investment objectives and provide the Company with monthly statements and quarterly reports regarding the securities held in the account.

Additionally, under the terms of the agreement, Fairfax Financial is authorized to provide investment administration services including but not limited to (a) portfolio accounting functions including posting of all trades, and monitoring investment income, (b) computation of all regulatory figures, (c) computation of liquidity analysis, (d) analysis of book values e.g. bond amortizations and investment provisions, (e) daily processing of securities among others. All fees and disbursements are to be paid no later than 20 days after the receipt of the quarterly report. Additionally, all fees will be paid to Fairfax Financial and Fairfax Financial shall reimburse HWIC for its investment management services. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved.

Expense Sharing Agreement

Effective November 1, 2008, the Company entered into an expense sharing agreement with Odyssey on February 18, 2011. Pursuant to the agreement, Odyssey provides the Company office space and management services including, but not limited to, underwriting, actuarial, claims, accounting, financial, legal, personnel data processing services and treasury on a cost basis. Under the terms of the agreement, 30 days after the end of each quarter, Odyssey shall provide a statement to the Company which sets forth the services provided during the preceding quarter, and the Company shall pay Odyssey within 15 days of receipt of the statement. The agreement requires that expenses be allocated in a fair, reasonable, and consistent manner in accordance with Department Regulation 30. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved.

Master Administrative Services Agreement

Effective November 1, 2014, and subsequently amended on August 1, 2018, the Company entered into a master administrative services agreement (the "MASA") with certain of its U.S. affiliates, all of which are part of the Fairfax U.S. Group. Pursuant to the agreement, the Company has agreed to provide and to accept, from other parties, certain administrative and general services and facilities subject to such guidelines, procedures and limitations as may be duly established and approved by the board of directors of the receiving party. The services include, but are not limited to, accounting, underwriting, claims, reinsurance, actuarial, legal and human resources. The parties agree that compensation for providing the services shall be based on actual cost without a profit factor being built into that cost.

Pursuant to the agreement, all payments to be made on behalf of the parties shall be settled quarterly on a net basis and shall be due and owing 30 days after the settlement date. This agreement and the

amendment were filed with the Department pursuant to Section 1505 of the New York Insurance Law and were non-disapproved.

Program Administrator Agreement

Effective January 1, 2007, and subsequently amended on November 29, 2021, the Company entered into a Program Administrator Agreement with Napa River Insurance Services, Inc. ("NRIS" or "PA"). This agreement supersedes and replaces the Program Administrator Agreement between the Company and NRIS entered into on January 1, 2006. Pursuant to the agreement, the Company appoints NRIS as its general agent, in the state of California, to underwrite, issue and deliver insurance policies or contracts of business known by both parties as the California Healthcare Liability program. Exhibit 2 of the NRIS agreement was amended and states, in part:

> "Hilltop and Hudson Excess shall each pay a fee to the PA, payable in quarterly installments ("Quarterly Fee"), for all services rendered under this Agreement. Hilltop shall pay a Quarterly Fee equal to one-quarter percent (¼%) of Hilltop's quarterly California premium."

For the year 2020, the Company paid $10,214 in the first quarter of 2021. In 2021, NRIS began placing business with Hudson Excess. This agreement and the amendment were filed with the Department pursuant to Section 1505 of the New York Insurance Law and were non-disapproved.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2023, 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	4%
Adjusted liabilities to liquid assets	91%
Two-year overall operating	0%

Underwriting Ratios

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

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$ 64,898,783	63.76%
Other underwriting expenses incurred	38,216,530	37.54
Net underwriting gain (loss)	(1,324,291)	(1.30)
Premiums earned	$101,791,022	100.00%

The Company's reported risk-based capital ("RBC") score was 1,469% at December 31, 2023. 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, 2023, as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$43,619,976	$ 0	$43,619,976
Common stocks	1,597,565	0	1,597,565
Cash, cash equivalents and short-term investments	18,095,076	0	18,095,076
Investment income due and accrued	434,607	0	434,607
Uncollected premiums and agents' balances in the course of collection	1,067,404	87,314	980,090
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,088,400	0	1,088,400
Amounts recoverable from reinsurers	30,548,859	0	30,548,859
Electronic data processing equipment and software	128,325	119,193	9,132
Furniture and equipment, including health care delivery assets	7,548	7,548	0
Receivables from parent, subsidiaries and affiliates	26,511,050	0	26,511,050
Loss clearing	11,633,977	0	11,633,977
Leasehold improvement	4,723	4,723	0
Miscellaneous receivable	1,209	1,209	0
Total assets	$134,738,719	$ 219,987	$134,518,732

Liabilities, Surplus and Other Funds

Liabilities

Losses and loss adjustment expenses		$ 32,743,070
Commissions payable, contingent commissions and other similar charges		1,230,924
Other expenses (excluding taxes, licenses and fees)		402,358
Taxes, licenses and fees (excluding federal and foreign income taxes)		118,193
Current federal and foreign income taxes		546,430
Net deferred tax liability		1,333,337
Unearned premiums		2,412,066
Advance premium		271,652
Ceded reinsurance premiums payable (net of ceding commissions)		4,659,875
Funds held by company under reinsurance treaties		8,877,371
Amounts withheld or retained by company for account of others		311,590
Provision for reinsurance		2,479,000
Payable to parent, subsidiaries and affiliates		2,256,867
Payable for securities		1,371,637
Total liabilities		$ 59,014,370
Surplus and Other Funds		
Common capital stock	$ 7,500,000	
Gross paid in and contributed surplus	33,500,000	
Unassigned funds (surplus)	34,504,362	
Surplus as regards policyholders		$ 75,504,362
Total liabilities, surplus and other funds		$ 134,518,732

Note: The Internal Revenue Service has not audited tax returns covering tax years 2020 through 2023. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net income for the examination period as reported by the Company was $79,025,678, as detailed below:

Underwriting Income		
Premiums earned		$101,791,022
Deductions:		
Losses and loss adjustment expenses incurred	$64,898,783	
Other underwriting expenses incurred	38,216,530	
Total underwriting deductions		103,115,313
Net underwriting gain or (loss)		$ (1,324,291)
Investment Income		
Net investment income earned	$20,445,977	
Net realized capital gain	61,639,552	
Net investment gain or (loss)		82,085,529
Other Income		
Interest Expense	$ (21,978)	
Total other income		(21,978)
Net income before federal and foreign income taxes		$ 80,739,260
Federal and foreign income taxes incurred		1,713,582
Net income		$ 79,025,678

C. Capital and Surplus

Capital paid in is $7,500,000 consisting of 25,000 shares of $300 par value per share common stock. Gross paid in and contributed surplus is $33,500,000.

Surplus as regards policyholders decreased $131,346,412 during the four-year examination period January 1, 2020 through December 31, 2023, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2019			$ 206,850,774
	Gains in Surplus	Losses in Surplus	
Net income	$79,025,678		
Net unrealized capital gains or (losses)		$ 24,591,508	
Change in net unrealized foreign exchange capital gain (loss)	173,673		
Change in net deferred income tax		5,613,706	
Change in nonadmitted assets	11,683,989		
Change in provision for reinsurance	435,000		
Dividends to stockholders	0	192,459,538	
Total gains and losses	$91,318,340	$222,664,752	
Net increase (decrease) in surplus			(131,346,412)
Surplus as regards policyholders as reported by the Company as of December 31, 2023			$ 75,504,362

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

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The Department performed a review of the Company's loss and loss adjustment expense ("L&LAE") reserves as of December 31, 2023. The Department finds the carried reserve liability of $34,402,070 for accident years 2023 and prior as of December 31, 2024. This reflects a deficiency of $1,659,000 in comparison to the Company's carried L&LAE reserves of $32,743,070 at year-end 2023. This deficiency represents 2.2% of the Company's surplus at December 31, 2023, and has already been recognized by the Company in its annual statement as of December 31, 2024 (12-month L&LAE runoff).

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. SUBSEQUENT EVENTS

Pursuant to Section 1506(f) of the New York Insurance Law, the Department was notified that, effective December 1, 2024, Odyssey US Holdings Inc. ("OUSHI") ceased to be an indirect controller of the Company. This was resultant of OUSHI and its immediate parent, Fairfax (US) Inc., merging OUSHI with and into Fairfax (US) Inc., with Fairfax (US) Inc. as the surviving entity. All other controlling persons and relationships remained the same.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained 8 recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Accounts and Records	
i.	It was recommended that the Company comply with its by-laws by having an annual meeting of the board of directors. The Company has complied with this recommendation.	5
ii.	It was recommended that the Company comply with the NAIC Annual Statement Instructions by ensuring that the actuarial report is presented to the board of directors on an annual basis and by ensuring that such information is documented in minutes of the board of directors. The Company has complied with this recommendation.	5
iii.	It was recommended that shareholder meetings and consents be held as required by the Company's by-laws The Company has complied with this recommendation.	6
iv.	It was recommended that the Company comply with Section 312(b) of the New York Insurance Law by having all board members sign a statement indicating that he/she has received and read the prior report on examination, and by retaining such statements in its files. The Company has complied with this recommendation.	6
B.	Reinsurance Ceded	
i.	It was recommended that the Company implement procedures to ensure that all affiliated reinsurance agreements are filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law. The Company has not complied with this recommendation.	13
ii.	It was recommended that the Company amend the trust agreement to include the provision required by Department Regulation No. 114 The Company has complied with this recommendation.	13

C. Holding Company System

i. It was recommended that the Company make payments in accordance with the NRIS agreement. 17

The Company has complied with this recommendation.

ii. It was recommended that the Company establish procedures to ensure that settlements are made in accordance with contract provisions 17

The Company has complied with this recommendation.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Corporate Governance	
	It is recommended that the Company implement procedures to ensure officers and directors complete the conflict-of-interest forms on a timely basis and that the Company maintains proper records of such.	5
B.	Reinsurance	
	It is recommended that the Company implement procedures to ensure that all affiliated reinsurance agreements are filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.	14

Respectfully submitted,

_____/S/_____
Kionna Prescott-Licorish
Senior Insurance Examiner

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

Kionna Prescott-Licorish, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

_____/S/_____
Kionna Prescott-Licorish

Subscribed and sworn to before me

this_____ day of _____, 2025.

APPOINTMENT NO. 32585

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***Adrienne A. Harris****, 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:*

Kionna Prescott-Licorish

as a proper person to examine the affairs of the

Hilltop Specialty Insurance Company

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

COMPANY

with such other information as she 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 11th day of December, 2023

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Joan Riddell

Joan Riddell
Deputy Bureau Chief