

JUN 12 2020

FILED

CERTIFICATION

June 12, 2020

I, Bruce R. Ramage, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

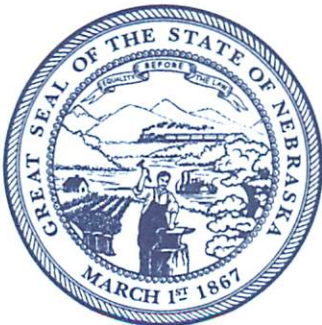
RADNOR SPECIALTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2018

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



Bruce R. Ramage

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

RADNOR SPECIALTY INSURANCE COMPANY

10330 REGENCY PARKWAY DRIVE, STE. 100

OMAHA, NEBRASKA 68114

dated as of December 31, 2018 verified under oath by the examiner-in-charge on
June 1, 2020 and received by the company on June 9, 2020, has been adopted
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 12th day of June 2020.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "Justin C. Schrader", written in a cursive style.

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

RADNOR SPECIALTY INSURANCE COMPANY

as of

December 31, 2018



TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
Salutation	1
Introduction.....	1
Scope of Examination	2
Description of Company:	
History	4
Management and Control:	
Holding Company	5
Shareholder	5
Board of Directors.....	6
Officers	7
Transactions with Affiliates:	
Capital and Surplus Maintenance Agreement (PA)	7
Capital and Surplus Maintenance Agreement (NE).....	8
Unconditional Financial Guaranty	8
Expense Sharing Agreement (Devon Park)	9
Joint Tax Return Agreement.....	10
Investment Services Agreement	10
Intercompany Affiliate Service Agreement	10
Memorandum of Agreement.....	11
Territory and Plan of Operation	11
Reinsurance:	
Ceded	12
Property Per Occurrence Excess of Loss Contract	12
Multiple Line Quota Share Reinsurance Contract	13
General.....	14
Body of Report:	
Growth.....	14
Financial Statements.....	15
Examination Changes in Financial Statements	18
Compliance with Previous Recommendations.....	18
Commentary on Current Examination Findings:	
Custodial Agreements.....	18
Conflict of Interest.....	18
Summary of Comments and Recommendations	18
Acknowledgment	19
Addendum.....	20

Wayne, Pennsylvania
May 8, 2020

Honorable Bruce R. Range
Director of Insurance
Nebraska Department of Insurance
1135 M Street, Suite 300
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

RADNOR SPECIALTY INSURANCE COMPANY

which has its Statutory Home Office located at

**10330 Regency Parkway Drive, Ste. 100
Omaha, Nebraska 68114**

with its Principal Executive Office located at

**1170 Devon Park Drive
Wayne, Pennsylvania, 19087**

(hereinafter also referred to as the “Company”) and the report of such examination is respectfully presented herein.

INTRODUCTION

The Company was last examined as of April 30, 2015 by the State of Nebraska. The current financial condition examination covers the intervening period to, and including, the close of business on December 31, 2018, and includes such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska, Pennsylvania, and North Dakota participated in this examination and assisted in the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company's affiliates, Mount Vernon Specialty Insurance Company (MVS), United States Liability Insurance Company (USLI), Mount Vernon Fire Insurance Company (MVF), and U.S. Underwriters Insurance Company (USU).

SCOPE OF EXAMINATION

This examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including, but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions, when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Pennsylvania Insurance Department as the coordinating state and the Nebraska Department of Insurance and North Dakota Insurance Department. The companies examined under this approach benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures

and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

A general review was made of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company". All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholder, Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, and approval of investment transactions were also noted.

The fidelity bond protecting the Company's property and interests was reviewed. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report".

The Company's reinsurance facilities were ascertained and noted, and have been commented upon in this report under the caption "Reinsurance". Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination

process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Mazars USA LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2018. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company is a stock property and casualty insurance company that was organized on November 19, 2014, and commenced business on January 1, 2015, and domiciled in the State of Nebraska. The Articles of Incorporation and By-Laws were approved by the Nebraska Department of Insurance on November 26, 2014. On January 15, 2015, MVS purchased all outstanding stock of the Company. On November 26, 2016, U.S. Investment Corporation contributed all stock of MVS to USLI, making the Company's ultimate parent USLI. As of December 31, 2018, the Company was authorized to write in excess & surplus (non-admitted) in four (4) states, and was licensed to write (admitted) business in 42 states.

The USLI Group, made up of the Company, MVS, USU, MVF, and USLI, has created two (2) distinct brands. "Devon Park Specialty" serves as the brand for the Company and MVS, and the "USLI" brand which serves as the brand for USLI, MVF, and USU.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the ‘Ultimate Controlling Person’, as reported in the 2018 Annual Statement is attached as an addendum to this report. A summary of the organizational chart is included below, (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned). The listing includes only direct and indirect parents, subsidiaries, and affiliates of the Company.

Berkshire Hathaway Inc.
 U.S. Investment Corporation
 United States Liability Insurance Company
 Mount Vernon Fire Insurance Company
 U.S. Underwriters Insurance Company
 Mount Vernon Specialty Insurance Company
 Radnor Specialty Insurance Company

Shareholder

Article V of the Articles of Incorporation provides that, “the aggregate number of shares the Company shall have authority to issue is 840,000 shares of common stock with a par value of \$5.00 per share”

As of December 31, 2018, Company records indicated that all 840,000 shares of common stock were issued and outstanding and owned by MVS. There were no changes made to common capital stock during the years under review.

Gross paid-in and contributed surplus in 2015 was \$22,000,000, and increased to \$47,000,000 in 2016. No contributions were made in 2017 and 2018. The total change in Gross paid-in and contributed surplus during the years under review was \$25,000,000. The Company did not pay any cash dividends during the examination period.

Per the By-Laws, “the annual meeting of the Shareholders for the election of Directors, and for the transaction of such other business as may properly come before the meeting, shall be held at such place, date, and hour as shall be fixed by the Board of Directors and designated in the notice or waiver of notice thereof.”

Board of Directors

The Company’s By-Laws, Article II, Section 2.02 provides that, “...the number of Directors which shall constitute the Whole Board shall initially be six (6), but may be changed from time to time by a vote of a majority of the Whole Board... Each Director shall hold office until his or her successor is elected and qualified, or until his or her earlier death or resignation or removal... Each Director shall qualify as a Director of the Corporation under the applicable insurance laws of the State of Nebraska and at least one Director shall be resident of the State of Nebraska.”

The following persons were serving as Directors at December 31, 2018:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Dorinda Kauffman Culp Wayne, Pennsylvania	President of the Company
Marc David Hamburg Omaha, Nebraska	Senior Vice President and Chief Financial Officer of Berkshire Hathaway Inc.
Robert Man Cheung Ling Wayne, Pennsylvania	Executive Vice President of the Company
Thomas Patrick Nerney Wayne, Pennsylvania	Chief Executive Officer of the Company
Lauren Anne Reiley Wayne, Pennsylvania	Second Vice President, Secretary of the Company
Steven John Rivituso Wayne, Pennsylvania	Executive Vice President, Treasurer of the Company

Name and Residence

Principal Occupation

Lisa Kathleen Kuesel Traynor
Wayne, Pennsylvania

Chief Operating Officer, Executive Vice President
of the Company

Officers

The Company’s By-Laws, Article IV, Section 4.01 provides that, “the Executive Officers of the Corporation may include a President, a Secretary, a Treasurer, one or more Vice Presidents, one or more Assistant Secretaries or Assistant Treasurers and any other offices the Board deems advisable.”

The following is a partial listing of Senior Officers elected and serving the Company at December 31, 2018:

Name

Office

Dorinda Kauffman Culp
Thomas Patrick Nerney
Lauren Anne Reiley
Steven John Rivistuso

President
Chief Executive Officer
Second Vice President, Secretary
Executive Vice President, Treasurer

During the review of the Board of Director meeting minutes, it was noted that the Board of Directors only review the investment transactions formally on an annual basis and was not in compliance with Nebraska Revised Statute 44-5105(3) – Quarterly Approval of Investment Transactions. It is recommended that the Company provide the Board of Directors with a listing of all quarterly transactions for review and approval. Approval by the Board of Directors should be maintained via the Board of Director meeting minutes.

TRANSACTIONS WITH AFFILIATES

Capital and Surplus Maintenance Agreement (PA)

The Company entered into a Capital and Surplus Maintenance Agreement (PA) as of September 17th, 2015, and is effective until terminated by either party. The agreement is between U.S. Investment Corporation, referred to as the "Parent", and the Company and MVS,

referred to as the "Beneficiaries". This agreement states that the Parent directly and indirectly owns 100% of the issued and outstanding common stock of the Beneficiaries. The Parent also recognizes the importance of obtaining the highest possible ratings for financial strength for the Beneficiaries. During the agreement, the Beneficiaries will have capital and surplus of \$16M in MVS and \$6M in the Company at all times. Also, during the term of the agreement, the Parent shall cause the Beneficiaries to have the liquidity necessary to enable it to meet its current obligations on a timely basis. The Parent will maintain oversight of, and monitor, the Beneficiaries for the purpose of capital, surplus, and liquidity.

Capital and Surplus Maintenance Agreement (NE)

The Company entered into a Capital and Surplus Maintenance Agreement (NE) as of September 14th, 2015, and is effective until terminated by either party. The agreement is between U.S. Investment Corporation, referred to as the "Parent", and the Company and MVS, referred to as the "Beneficiaries". This agreement states that the Parent directly and indirectly owns 100% of the issued and outstanding common stock of the Beneficiaries. The Parent also recognizes the importance of obtaining the highest possible ratings for financial strength for the Beneficiaries. During the agreement, the Beneficiaries will have capital and surplus of \$16M in MVS and \$6M in the Company at all times. Also, during the term of the agreement, the Parent shall cause the Beneficiaries to have the liquidity necessary to enable it to meet its current obligations on a timely basis. The Parent will maintain oversight of, and monitor, the Beneficiaries for the purpose of capital, surplus, and liquidity.

Unconditional Financial Guaranty

The Company entered into an Unconditional Financial Guaranty as of September 28th, 2016, and is effective until terminated by the Superintendent based upon submission of

satisfactory evidence that policy obligations of the Primary Obligor respective of Maine resident risks underwritten are satisfied. The guarantor in this agreement is MVF, the primary obligor is the Company, and the Superintendent is Maine Insurance Superintendent. This agreement states that the primary obligor has not met the requirements to do business in the state of Maine or established certain standards and criteria but that the guarantor desires to provide financial guaranty. Upon granted approval, the primary obligor and guarantor conditioned upon the submission of satisfactory evidentiary filings sufficient to demonstrate the continuing financial ability of the primary obligor and guarantor to perform on obligations on risks incurred in the state of Maine. To secure the Superintendent's conditional approval and licensing of the primary obligor to enter into the insurance business in the state of Maine, the Guarantor absolutely and unconditionally guarantees to the Superintendent and the Superintendent's successors and assigns, that if the primary obligor at any time fails to maintain capital surplus at a level no less than the greater of regulatory action level risk-based capital or the minimum requirements for capital and surplus each in the amount of \$2.5M the guarantor shall automatically pay such sums.

Expense Sharing Agreement (Devon Park)

MVS entered into an Expense Sharing Agreement with the Company on September 1, 2015. The agreement states that the Companies are affiliated and share the same offices, facilities, equipment, and staff. Under the terms of agreement, all parties agree to allocate the general expenses incurred by the companies on a pro-rated basis based on the net premiums written for each company with the balances under the agreement being settled quarterly.

Joint Tax Return Agreement

On November 17th, 2003, USLI entered into a Joint Tax Return Agreement with U.S. Investment Corporation, MVF, USU, and Berkshire Hathaway, Inc. The agreement states that the Treasurer of Berkshire Hathaway, Inc. is authorized to file a joint tax return on behalf of the Companies based upon the taxable profit and loss of each Company. The amendment on November 9th, 2012, added MVS to the agreement. The amendment on January 31st, 2015 added the Company to the agreement.

Investment Services Agreement

On December 4th, 2006, USLI entered into an Investment Service Agreement with National Indemnity Company (NICO), USU, and MVF, and is effective until terminated. The agreement appoints NICO to be the investment manager for the Companies, and has full authority to buy, sell and effect investment transaction on behalf of the Companies. The Investment Services Agreement was amended on November 9th, 2012 to add MVS to the agreement. The Investment Services Agreement was amended again on October 14th, 2015 to add the Company to the agreement.

Intercompany Affiliate Service Agreement

On September 1st, 2015, USLI entered into an Intercompany Affiliate Service Agreement with, and to provide services for, Devon Park Specialty, including the Company and MVS. The agreement states that USLI is to perform certain administrative and special services, and to share day-to-day operations of certain property, equipment, and facilities of the Companies locations. The services of this agreement are to provide accounting, tax and auditing services including, but not limited to: managements of accounts receivable and premiums; underwriting services including monitoring and auditing business and underwriting on behalf of the Companies;

advising management as needed on reinsurance assumed and retroceded, claims services including review of claims; functional support services including actuarial services, telecommunications, IT, legal and compliance, payroll and purchasing, policy issuance, and sales and marketing; executive services including input, guidance and strategic direction for the Companies business plan; and personal development services including certain HR services for employee relations, trainings, benefit plans administration and related services.

Memorandum of Agreement

On January 1st, 2015 USLI entered into a Memorandum of Agreement with the Company and MVS, and is effective until terminated. The agreement states that the Companies entered into an Intercompany Affiliate Service Agreement (discussed above) where USLI has agreed to provide certain functional, operational, and administrative services in support of Devon Park's business, which includes the Company and MVS.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact admitted business in all states, with the exception of Alabama, California, Delaware, Hawaii, Louisiana, Minnesota, New York, Pennsylvania, and West Virginia. The Company is also authorized to write surplus lines (non-admitted) insurance in Pennsylvania, New York, Delaware, and California.

The Company primarily writes property and casualty insurance, mostly within the surplus lines market, even though the Company mainly holds licenses to write admitted business. As of December 31, 2018, about 77% (\$3.108 million) of the Company's \$4.025 million Direct Written Premium underwritten was written as surplus lines insurance. The Company distributes 100% of the business through their agents/producers, of which all are also agents/producers for

the Company's ultimate parent company, USLI. The business underwritten mimics the products sold by USLI, with the exception that the Company has the ability to write larger risks. As of December 31, 2018, the Company's three (3) major products included Executive Viewpoint, Vacant Building and Land, and Lessors Risk Only.

REINSURANCE

Ceded

Property Per Occurrence Excess of Loss Contract

Effective January 1, 2018, USLI, MVF, USU, MVS, and the Company entered into a one-year Property per occurrence excess of loss Reinsurance Contract with a termination date of January 1, 2019. The Company's reinsurance limits and retention are:

- 1st Layer - \$6 million excess of \$4 Million [Company retention of \$4M]
- 2nd Layer - \$10 million excess of \$10 million [Company retention of \$10M]
- 3rd Layer - \$20 Million excess of \$20 Million [Company retention of \$20M]

This treaty is underwritten by multiple reinsurers through JLT Re. A brief synopsis of this treaty is shown below:

<u>Reinsurers</u>	<u>Share percentage</u>	<u>Business Covered</u>
Axis Specialty Limited	First layer = 16%	Policies becoming effective on or after 1/1/18 and classified by the Company as Property
	Second layer = 17%	
	Third layer = 17%	
Davinci Reinsurance LTD	First layer = 1.2%	
	Second layer = 1.2%	
	Third layer = 1.2%	
Hannover Rueck SE	First layer = 20%	
	Second layer = 20%	
	Third layer = 20%	
MAPFRE RE, Compania de Reaseguros, S.A.	First layer = 5%	
	Second layer = 5%	
	Third layer = 5%	
Markel Bermuda Limited	First layer = 10%	
	Second layer = 10%	
	Third layer = 10%	
Partner Re LTD	First layer = 7%	
	Second layer = 7%	
	Third layer = 7%	
Renaissance Reinsurance LTD	First layer = 1.8%	
	Second layer = 1.8%	
	Third layer = 1.8%	
The Underwriters at Lloyd's	First layer = 39%	
	Second layer = 38%	
	Third layer = 38%	

Multiple Line Quota Share Reinsurance Contract

Effective April 1, 2018, the Company and MVS entered into a multiple line quota share reinsurance contract with Hannover Ruck SE, Partner Reinsurance Company of the U.S., the TOA Reinsurance Company of America, and NICO. The contract applies to all property and casualty business underwritten by the companies whether written on an occurrence basis or claims made basis during the term of the contract. The contract is effective April 1, 2018 until March 31, 2019. A brief synopsis of this treaty is shown below:

<u>Reinsurance Coverage</u>	<u>Property Business</u>	<u>Casualty Business</u>
Section A – losses up to \$1 Million	Cedes 80% of \$1 Million and retains 20% of the Net Liability for each and every risk.	Cedes 80% of \$1 Million and retains 20% of the Net Liability for each and every policy.
Section B – losses in excess of \$1 Million	Cedes 100% of the Net Liability for each and every risk. Up to \$9 Million	Cedes 100% of the Net Liability for each and every risk. Up to \$5 Million
Section A & B business Section C – Terrorism	Per occurrence limit of \$15 Million Same basis as Section A and B but limited to \$10 Million of Net Liability in the aggregate.	
Section D – Extra Contractual Obligations and Loss Excess of Policy Limits	The reinsurers shall be liable to, indemnify and reinsure the Company for 90% of any extra-contractual obligations and loss excess of policy limits up to \$10 Million.	

The contract was endorsed, effective October 1, 2018, to add Cyber Liability to the insurance covered for Section A, which ceded the reinsurers 90% of the Company’s net liability, up and including \$1 million. Section B, which included losses in Excess of \$1 million, up to and including, \$5 million shall cede 100% of the liability for each risk. With both reinsurance coverages, the examination team notes the company’s net liability is \$100,000 or 10%.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bonds	\$10,021,922	39,954,355	11,020,556	10,942,999
Admitted assets	26,362,930	51,742,740	53,958,263	49,176,713
Loss reserves	0	2,708	82,200	226,529
Total liabilities	44,917	187,190	1,127,870	1,891,031
Capital and surplus	26,318,013	51,555,550	52,830,392	47,285,682
Premiums earned	0	8,433	94,946	351,402
Other underwriting expenses incurred	6,915	220,707	907,826	2,398,492
Net investment income	87,152	314,252	630,339	845,391
Losses incurred	0	2,708	79,492	242,923
Net income	55,903	72,621	(189,515)	(1,294,136)

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2018. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2018

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$10,942,999		\$10,942,999
Common stocks	31,375,290		31,375,290
Cash, cash equivalents, and short term investments	<u>5,643,933</u>		<u>5,643,933</u>
Subtotal, cash and invested assets	\$47,962,222		\$47,962,222
Investment income due and accrued	60,398		60,398
Uncollected premiums and agents' balances in the course of collection	780,219	\$ 24,098	756,121
Amounts recoverable from reinsurers	185,936		185,936
Current federal income tax	212,036		212,036
Net deferred tax asset	<u>571,287</u>	<u>571,287</u>	<u> </u>
Totals	<u>\$49,772,098</u>	<u>\$595,385</u>	<u>\$49,176,713</u>
 <u>Liabilities, Surplus, and Other Funds</u>			
Losses			\$ 226,529
Loss adjustment expenses			121,493
Commissions payable, contingent commissions, and other similar charges			120
Taxes, licenses, and fees			61,579
Unearned premiums			304,992
Ceded reinsurance premiums payables (net of ceding commissions)			710,978
Payable to parent, subsidiaries and affiliates			<u>465,340</u>
Total liabilities			<u>\$ 1,891,031</u>
Common capital stock			\$ 4,200,000
Gross paid in and contributed surplus			\$47,000,000
Unassigned funds (surplus)			<u>(3,914,318)</u>
Total capital and surplus			<u>\$47,285,682</u>
Totals			<u>\$49,176,713</u>

STATEMENT OF INCOME – 2018

Underwriting Income

Premiums earned	\$ 351,402
Losses incurred	242,923
Loss adjustment expenses incurred	198,665
Other underwriting expenses incurred	<u>2,398,492</u>
Total underwriting deductions	<u>\$ 2,840,080</u>

Net underwriting gain \$(2,488,678)

Investment Income

Net investment income earned	\$ 844,540
Net realized capital gains	<u>851</u>

Net investment gain \$ 845,391

Net income before federal income taxes \$(1,643,287)

Federal income taxes incurred (349,151)

Net income \$(1,294,136)

CAPITAL AND SURPLUS ACCOUNT

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital and surplus, beginning	\$ <u>0</u>	\$ <u>26,318,013</u>	\$ <u>51,555,550</u>	\$ <u>52,830,392</u>
Net income	\$ 55,903	\$ 72,621	\$ (189,515)	\$ (1,294,136)
Change in net unrealized capital gains	62,110	159,138	1,462,707	(3,686,667)
Change in net deferred income tax		5,858	7,508	25,552
Change in nonadmitted assets		(80)	(5,858)	(589,447)
Capital adjustment – Paid-In	4,200,000			
Surplus adjustment – Paid-In	<u>22,000,000</u>	<u>25,000,000</u>	<u> </u>	<u> </u>
Net change for the year	<u>\$26,318,013</u>	<u>\$25,237,537</u>	<u>\$ 1,274,842</u>	<u>\$ (5,544,708)</u>
Capital and surplus, ending	<u>\$26,318,013</u>	<u>\$51,555,550</u>	<u>\$52,830,392</u>	<u>\$47,285,684</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$(3,914,318), as reported in the Company's 2018 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

No recommendations were made as a result of the previous examination.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Custodial Agreements

During the review of the custodial agreements, it was noted that the custodial agreement with U.S. Bank was not in compliance with provisions of Title 210, Chapter 81 of the Nebraska Department of Insurance Rules and Regulations. The Company remediated the non-compliance prior to the end of the exam, and is now in compliance with Title 210, Chapter 81.

Conflict of Interest

During the review of the 2018 conflict of interest statements that are required to be completed by all Officers of the Company, it was noted that one (1) Officer did not complete a conflict of interest in 2018. The Company remediated the non-compliance prior to the end of the exam.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been made as a result of this examination:

Board of Directors – Quarterly Approval of Investment Transactions – It is recommended that the Company provide the Board of Directors with a listing of all quarterly transactions for review and approval. Approval by the Board of Directors should be maintained via the Board of Director meeting minutes.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Financial Examiners, Information Systems Specialists, and Actuarial Specialists with or contracted by the Pennsylvania Insurance Department and the North Dakota Insurance Department; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,

Rachel Schmoyer

Rachel Schmoyer, CISA, CPA
Examiner-In-Charge
Baker Tilly Virchow Krause, LLP
Representing the Department of Insurance
State of Nebraska

Andrea Johnson

Andrea Johnson, CFE
Assistant Chief Examiner - Field
Department of Insurance
State of Nebraska

ADDENDUM

ORGANIZATIONAL CHART

Note: The following chart includes all affiliates related to insurance operations. Affiliates of selected non-insurance operations have been omitted. The omissions are replaced with the phrase “and owned affiliate(s).”

Berkshire Hathaway Inc. (31.17559% owned by Warren E. Buffett)

Acme Building Brands, Inc. and owned affiliates

Affordable Housing Partners, Inc. and owned affiliates

Albecca Inc. and owned affiliates

AU Holding Company, Inc.

Applied Group Insurance Holdings, Inc.

Commercial General Indemnity, Inc.

Applied Underwriters, Inc.

AEG Processing Center No. 35, Inc.

AEG Processing Center No. 58, Inc.

American Employers Group., Inc.

Applied Investigations, Inc.

Applied Logistics, Inc.

Applied Premium Finance, Inc.

Applied Processing Center No. 60, Inc.

Applied Risk Services of New York, Inc.

Applied Risk Services, Inc.

Applied Underwriters Captive Risk Assurance Company

AUI Employer Group No. 42, Inc.

BH, LLC.

Berkshire Indemnity Group, Inc.

Combined Claim Services, Inc.

Coverage Dynamics, Inc.

Employers Insurance Services, Inc.

Maximum Subrogation and Recovery Services, L.L.C.

New West Farm Holding, LLC

North American Casualty Co.

Applied Underwriters Captive Risk Assurance Company, Inc.

California Insurance Company

Continental Indemnity Company

Illinois Insurance Company

Pennsylvania Insurance Company

Texas Insurance Company

Promesa Health Inc.

South Farm, LLC

Strategic Staff Management, Inc.

Ben Bridge Corporation and owned affiliate

Benjamin Moore & Co. and owned affiliates

Berkshire Hathaway Automotive Inc. and owned affiliates

Berkshire Hathaway Credit Corporation and owned affiliates
Berkshire Hathaway Energy Company and owned affiliates
Berkshire Hathaway Finance Corporation
BH Columbia Inc.

Columbia Insurance Company

American All Risk Insurance Services, Inc.
American Commercial Claims Administrators Inc.
Berkadia Commercial Mortgage Holding LLC
 Berkadia Commercial Mortgage LLC
Berkadia Commercial Mortgage Partners LLC
Berkshire Hathaway Assurance Corporation
Berkshire Hathaway Direct Insurance Company
BH Finance LLC
BHG Structured Settlements, Inc.
 Berkshire Hathaway Services India Private Limited
 Berkshire India Limited
 Resolute Management Inc.
 Resolute Management Limited
 Resolute Management Services Limited
 Tonicstar Limited

BIFCO, LLC

British Insurance Company of Cayman

Farnam Management Services, LLC

Hawthorn Life International, Ltd.

 Hawthorn Life Designated Activity Company

MedPro Group Inc

 Atlanta International Insurance Company
 AttPro RRG Reciprocal Risk Retention Group
 Commercial Casualty Insurance Company
 Medical Protective Finance Corporation
 MedPro Risk Retention Services, Inc.
 MedPro RRG Risk Retention Group
 PLICO, Inc.

 PLICO Financial, Inc

Princeton Insurance Company

 Princeton Risk Protection, Inc

The Medical Protective Company

 C&R Insurance Services, Inc.

 C&R Legal Insurance Agency, LLC

 CHP Insurance Agency, LLC

 MedPro Insurance Service, LLC

 Somerset Services, Inc.

 Wellfleet Group, LLC

Nederlandse Reassurantie Groep N.V.

 NRG America Holding Company

 NRG Victory Holdings Limited

Duracell Spain S.L.
 Duracell UK Limited
 Taiwan Duracell Enterprised Limited
 Duracell U.S. Operations, Inc.
 Duracell Distributing, Inc.
 Duracell Manufacturing, Inc.

BH Housing LLC
 BH Shoe Holdings, Inc. and owned affiliates
 BHSF, Inc. and owned affiliates
 Blue Chip Stamps, Inc.
 Borsheim Jewelry Company, Inc.
 Brooks Sports, Inc. and owned affiliates
 Business Wire, Inc. and owned affiliates
 Central States of Omaha Companies, Inc.
 Central States Indemnity Co. of Omaha
 CSI Life Insurance Company
 CSI Processing, LLC
 Charter Brokerage Holdings Corp. and owned affiliates
 Clayton Homes, Inc. and owned affiliates
 CORT Business Services Corporation and owned affiliates
 CTB International Corp. ("CTBI") and owned affiliates
 Detlev Louis Motorrad-Vertriebsgesellschaft GmbH and owned affiliates
 Forest River, Inc. and owned affiliates
 Fruit of the Loom, Inc. and owned affiliates
 Gateway Underwriters Agency, Inc.
 General Re Corporation
 Faraday Holdings Limited
 Faraday Capital Limited
 Faraday MGA Limited
 Faraday Underwriting Limited
 GRF Services Limited
 Gen Re Intermediaries Corporation
 Gen Re Long Ridge, LLC
 General Reinsurance Corporation
 Elm Street Corporation
 General Re Japan Service Company Limited
 General Re Compania de Reaseguros, S.A.
 General Re Life Corporation
 Idealife Insurance Company
 General Reinsurance AG
 Gen Re Beirut s.a.l. offshore
 Gen Re Support Services Mumbai Private Limited
 General Reinsurance Africa Ltd.
 General Reinsurance AG Escritório de Representação no Brasil Ltda.
 General Reinsurance Life Australia Ltd.
 General Reinsurance México, S.A.

General Reinsurance Australia Ltd
General Star Indemnity Company
General Star Management Company
General Star National Insurance Company
Genesis Insurance Company
Genesis Management and Insurance Services Corporation
GRC Realty Corporation
Railsplitter Holdings Corporation
New England Asset Management, Inc.
 New England Asset Management Limited
GRD Holdings Corporation
 General Re Financial Products Corporation
United States Aviation Underwriters, Inc.
 Canadian Aviation Insurance Managers Ltd.
Helzberg's Diamond Shops, Inc.
International Dairy Queen, Inc. and owned affiliates
Johns Manville Corporation and owned affiliates
Jordan's Furniture, Inc.
LiquidPower Specialty Products Inc. and owned affiliates
Marmon Holdings, Inc. and owned affiliates
McLane Company, Inc. and owned affiliates
MiTek Industries, Inc. and owned affiliates
MS Property Company and owned affiliate
National Fire & Marine Insurance Company
National Indemnity Company
 Affiliated Agency Operations Company
 biBerk Insurance Services, Inc.
BDTI-A Plum Corp.
Berkshire Hathaway Homestate Insurance Company
Berkshire Hathaway International Insurance Limited
 Berkshire Hathaway European Insurance Designated Activity Company
Berkshire Hathaway Life Insurance Company of Nebraska
 BHA Real Estate Holdings, LLC
 BHG Life Insurance Company
 Financial Credit Investment III (Cayman), L.P.
 Financial Credit Investment III SPV-B (Cayman). L.P.
 First Berkshire Hathaway Life Insurance Company
 Flight Safety International Inc. and owned affiliates
 Garan, Incorporated and owned affiliates
Berkshire Hathaway Specialty Insurance Company and owned affiliates
Brookwood Insurance Company
Burlington Northern Santa Fe, LLC and owned affiliates
 Santa Fe Pacific Insurance Company
Continental Divide Insurance Company
Cypress Insurance Company
Douglas Building, LLC

Finial Holdings, Inc.
 Finial Reinsurance Company
GEICO Corporation
 Boat America Corporation and owned affiliates
 GEICO Marine Insurance Company
 GEICO Advantage Insurance Company
 GEICO Choice Insurance Company
 GEICO County Mutual Insurance Company
 GEICO Financial Services, Gmbh
 GEICO Indemnity Company
 Criterion Insurance Agency
 GEICO Casualty Company
 GEICO Products, Inc.
 GEICO Secure Insurance Company
 Government Employees Insurance Company and owned affiliates
 GEICO General Insurance Company
 GEICO Insurance Agency, Inc.
 Government Employees Financial Corporation
 PIS QOZ Fund 2018-A, LP
 Plaza Financial Services Company
 International Insurance Underwriters, Inc.
 Maryland Ventures, Inc.
 Plaza Resources Company
 Top Five Club, Inc.
MLMIC Insurance Company
 HUM Marketing Group, Inc.
 MLMIC Services, Inc.
National Indemnity Company of Mid-America
National Indemnity Company of the South
Oak River Insurance Company
Redwood Fire and Casualty Insurance Company
SLI Holding Limited and owned affiliates
Tenecom Limited and owned affiliate
 Kyoei Fire & Marine Insurance Co. Limited
The British Aviation Insurance Company Limited
Transfercom Limited
USG Corp
VT Insurance Acquisition Sub Inc.
 Van Enterprises, Inc.
 MPP Co., Inc.
 Old United Casualty Company
 Old United Life Insurance Company
 Vantage Reinsurance, LLC
WestGUARD Insurance Company
 AmGUARD Insurance Company
 AZGUARD Insurance Company

EastGUARD Insurance Company
GUARDco, Inc.
NorGUARD Insurance Company
National Liability & Fire Insurance Company
Nebraska Furniture Mart, Inc. and owned affiliates
NetJets Inc. and owned affiliates
Northern States Agency, Inc.
 Global Aerospace Underwriting Managers Limited
 Associated Aviation Underwriters Limited
 BAIG Limited
 British Aviation Insurance Group (Technical Services) Limited
 British Aviation Insurance Group (Underwriting Services) Limited
 GAUM Holdings Inc.
 Fireside Partners, Inc.
 Global Aerospace, Inc.
 Global Aerospace Underwriters Limited
 Global Aerospace Underwriting Managers (Canada) Limited
 Global Limited
OTC Worldwide Holdings, Inc. and owned affiliates
Precision Castparts Corp. and owned affiliates
Precision Steel Warehouse, Inc. and owned affiliates
R. C. Willey Home Furnishings
Richline Group, Inc. and owned affiliates
See's Candy Shops, Inc. and owned affiliate
Shaw Industries Group, Inc. and owned affiliates
Star Furniture Company
The Buffalo News, Inc.
The Fechheimer Brothers Company and owned affiliate
The Lubrizol Corporation and owned affiliates
The Pampered Chef, Ltd. and owned affiliates
TTI, Inc. and owned affiliates
U.S. Investment Corporation
 United States Liability Insurance Company
 Mount Vernon Fire Insurance Company
 U.S. Underwriters Insurance Company
 Mount Vernon Specialty Insurance Company
 Radnor Specialty Insurance Company
XTRA Corporation and owned affiliates

State of Pennsylvania

County of Philadelphia,

Rachel Schmoyer, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Radnor Specialty Insurance Company and Mount Vernon Specialty Insurance Company.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Radnor Specialty Insurance Company and Mount Vernon Specialty Insurance Company was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

Rachel E Schmoyer *Rachel Schmoyer*
Examiner-in-Charge's Signature

Subscribed and sworn before me by Rachel Schmoyer on this 1st day of June, 2020

(SEAL)

Karen Ann Kirby

Commonwealth of Virginia
Notary Public



My commission expires 01/31/2023 [date].

Notarized online using audio-video communication