EXAMINATION REPORT

OF

STARSTONE SPECIALTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2018

Office of the
Commissioner

Delaware
Department of Insurance

REPORT ON EXAMINATION

OF

STARSTONE SPECIALTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2018

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Trinidad Navarro
Insurance Commissioner

Dated this 11 day of June, 2020

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May 29, 2020

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street
Suite 101 Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 19.020, dated June 5, 2019, an examination has been made of the affairs, financial condition and management of

STARSTONE SPECIALTY INSURANCE COMPANY

hereinafter referred to as the Company or SSIC. SSIC was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware. The examination was conducted at the administrative office of the Company located at Harborside 5, 185 Hudson Street, Suite 2600, Jersey City, New Jersey 07311 and 221 Dawson Road, 2nd Floor, Columbia, South Carolina. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The last examination was conducted as of December 31, 2013, by the Department as part of a multi-state coordinated examination. This examination covered the period of January 1, 2014 through December 31, 2018 and was performed as part of a multi-state coordinated examination of the Enstar Group Limited (Enstar) U.S. regulated insurance entities (US Group), wherein Delaware is the lead state. The companies in the US Group and included in the examination are as follows:

Company Name	**NAIC Number**	**State of Domicile**
Clarendon National Insurance Company (CNIC)	20532	TX
Pavonia Life Insurance Company of New York (PLIC)	79340	NY
Providence Washington Insurance Company (PWIC)	24295	RI
StarStone National Insurance Company (SNIC)	25496	DE
StarStone Specialty Insurance Company (Company)	44776	DE
Yosemite Insurance Company (YIC)	26220	OK

Also included in this examination is StarStone Insurance Bermuda Limited (U.S. Reinsurance Trust) (SIBL). The examination was conducted concurrently with that of the Company's Delaware domiciled affiliates and to the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners* (NAIC) *Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Laws of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, KPMG, LLP (KPMG). Certain auditor work papers of the 2018 KPMG audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

The Company was incorporated as DT Insurance Corporation on August 16, 1991, under the laws of the State of Delaware, and commenced business on November 19, 1991.

On December 22, 1998, Alea Holding US Company acquired the Company and the Company's name was changed to Rhine Re Insurance Ltd. On August 31, 2000, the Company's name was changed to Alea North America Reinsurance Company. On December 20, 2001, the Company's common stock was contributed to Alea North America Insurance Company. On

November 15, 2002, the Company's name was changed to Alea North America Specialty Insurance Company.

On September 29, 2006, Praetorian Insurance Company acquired the Company and the Company's name was changed to Praetorian Specialty Insurance Company. Effective May 31, 2007, Praetorian Financial Group and its subsidiaries were sold to QBE Holdings, Inc.

On February 17, 2009, Torus US Holdings Inc. acquired the Company as a clean shell for $61.48 million, with all prior obligations remaining the responsibility of the sellers through a series of agreements. On March 2, 2009, the Company's name was changed to Torus Specialty Insurance Company.

On April 1, 2014, Kenmare Holdings Ltd., a wholly-owned subsidiary of Enstar, through its subsidiary North Bay Holdings Limited (North Bay), and together with Trident V, L.P., Trident V Parallel Fund, L.P. and Trident V Professionals Fund, L.P., which are managed by Stone Point Capital LLC (Stone Point) (collectively Trident) purchased StarStone Insurance Holdings Limited (SIHL) for $646 million, with the approval of the Department. SIHL became StarStone Specialty Holdings Limited (SSHL).

After the consummation of the purchase, the ownership interests of SSHL are now Enstar (58.98%), Trident (39.32%), and Dowling Capital Partners (1.70%). On September 21, 2015, the Company's name was changed to SSIC.

Capitalization

The Company's Certificate of Incorporation authorizes the issuance of 500 shares of common stock with a $7,000 par value. As of December 31, 2018, the Company had 500 common shares issued and outstanding totaling $3,500,000. All outstanding common shares of the Company are owned by StarStone US Holdings, Inc. (SUHI).

As of December 31, 2018, the Company reported gross paid in and contributed surplus of $270,329,491. The Company received the following capital contributions from SUHI during the examination period:

Year	Contributions Received
2017	$12,500,000
2018	51,000,000
Total	$63,500,000

Dividends

The Company's Board of Directors (Board) did not approve, authorize, or pay any stockholder dividends to SUHI during the examination period.

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction of, its Board.

In accordance with the Company's bylaws, the number of Directors shall be fixed from time to time by a resolution of the Board or stockholders, but in event be less than two. Directors shall be elected at the annual meeting of the stockholders and shall hold office for one year until successors are elected and qualified. The members of the Board, serving as of December 31, 2018, each elected or appointed in accordance with the Company bylaws were as follows:

Name	Title
Paul Brockman	Chairman and SVP
Robert Lincoln Trimble, Jr.	President
Nancy Hammer	Treasurer and CFO
Jennifer Miu	Senior Vice President
Robert Redpath	Senior Vice President

Richard Seelinger	Senior Vice President
Mark Sioma	Executive Vice President

Officers

In accordance with its bylaws, officers serving the Company shall be a President, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers. The senior officers, duly appointed in accordance with the bylaws and serving at December 31, 2018, are as follows:

Name	Title
Paul Brockman	Chairman and SVP
Robert Lincoln Trimble, Jr.	President
Nancy Hammer	Treasurer and CFO
Thomas Balkan	Secretary
Rona Platt	Assistant Secretary

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, the review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

The Company is a member of an Insurance Holding Company System known as Enstar as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. The Company is a wholly owned subsidiary of SUHI.

An abbreviated organizational chart of the Enstar holding company system as of December 31, 2018, is as follows (with the percentage control of the subsidiary by the direct parent shown):

Entity [domicile]	Economic Control	Voting Control
Stone Point Capital LLC managed by Trident V funds	18.20%	18.20%
Enstar Group Limited [Bermuda] {1}	100.00%	100.00%
Kenmare Holdings Ltd [Bermuda]	58.98%	58.98%
Stone Point Capital LLC managed by Trident V funds {2}	39.32%	39.32%
Dowling Capital Partners	1.70%	1.70%
North Bay Holdings Limited [Bermuda]	100.00%	100.00%
StarStone Specialty Holdings Limited [Bermuda]	100.00%	100.00%
StarStone Insurance Bermuda Limited [Bermuda]	100.00%	100.00%
StarStone Finance Limited [United Kingdom]	100.00%	100.00%
StarStone US Holdings, Inc. [DE]	100.00%	100.00%
StarStone Specialty Insurance Company [DE]	**100.00%**	**100.00%**
StarStone National Insurance Company [DE]	100.00%	100.00%

{1} Other than Stone Point, no other individual or entity owns or controls greater than 17.0% of Enstar publicly traded common stock as of December 31, 2018. [17.0% calculation = 10.0% Ultimate Controlling Entity's Control Threshold divided by North Bay's 58.98% ownership percentage of subsidiary SSHL] Consequently, Enstar is considered an ultimate controlling entity of the Company.

{2} No other individual or entity owns or controls greater than 25.4% of Stone Point as of December 31, 2018. [25.4% calculation = 10.0% Ultimate Controlling Entity's Control Threshold divided by Stone Point's 39.32% ownership percentage of subsidiary SSHL]. Consequently, Stone Point is considered an ultimate controlling entity of the Company.

Agreements with Affiliates

Cost Sharing Agreement

The Company, through an addendum, entered into an existing service agreement dated January 1, 2009, among SSIC, SNIC and StarStone US Services, Inc. (SSUS) effective July 1, 2010. The Company receives services from SSUS including: information technology; human resources and payroll services; underwriting; claims; actuarial; finance; regulatory and compliance; budget and forecasting; tax related services; management oversight; and other services. The costs of such services are charged to the Company and other members of the holding company group based on an allocation of the actual cost incurred by the provider of the services. The allocation is calculated as agreed by the parties in good faith and in accordance with NAIC *Accounting Practices and Procedures Manual, SSAP No 70, Allocation of Expenses*. The agreement states that within 15 days of receipt of the report, the party or parties shall remit payment in full. The original agreement and the amendment were approved by the Department.

Tax Allocation Agreement and Amendment:

The Tax Allocation agreement was amended and restated as of October 19, 2016 between SUHI, SSUS, SSIC, SNIC, and StarStone US Intermediaries. As part of the amendment, the consolidated federal income tax liability of the Affiliated group, as determined under Section 1.1502 of the Treasury Regulations, shall be allocated to the members in accordance with Section 1.1552 (1)(a)(2) of the Treasury Regulations. For each taxable period, a member shall compute its allocable portion of the tax liability of the Affiliated Group and shall pay such amount to SUHI. A Member's portion of the tax liability of the group shall be the tax liability of the Affiliated Group, multiplied by a fraction, the numerator is the separate return liability of such Members and the denominator is the sum of the separate return liabilities of all members. For this purpose, a separate return is defined as a return completed by a member as if it were and had been filing as a separate taxpayer. A member shall be paid for any foreign tax credits, investments credits, losses or any loss carryover generated by it, to the extent actually used in the consolidated return. Payment shall be equal to the reduction in tax generated by its Credits.

Intercompany Services Agreement

The Company and Enstar USA, Inc. (Enstar US), entered into an intercompany services agreement effective as of January 1, 2016. Under the terms of this agreement, Enstar US shall provide the following services for the company: Executive and administrative services; legal services; data processing; treasury; corporate secretarial; premium collection and refunds; claims services; investment management; record-keeping and reporting; and other services.

Torus Brazil Representation Services Agreement

The Company entered into a representation services agreement with subsidiary Torus Specialty Insurance Company Escritório No Brazil Ltd. which is now StarStone Specialty Insurance Company Escritorio No Brazil Ltd. (SSICB) effective October 11, 2010, which authorized SSICB to represent the Company in Brazil according to Brazilian legislation by means of its registration with the Secretary of Private Insurance. Services rendered by SSICB include assisting in analyzing and evaluating reinsurance programs and covers to be underwritten or renewed and assisting in revising and monitoring claims and other services as needed. The original agreement was approved by the Department.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2018, the Company was licensed as a domestic surplus lines insurer in Delaware and on an exempt surplus lines basis in all fifty U.S. States, the District of Columbia, Puerto Rico, and Guam.

Plan of Operation

SSIC writes a range of casualty and specialty insurance, as well as reinsurance products, to a large client base.

The Company's 2018 direct written premiums by line of business were as follows:

Line of Business	Premium	Percent
Other Liability – Claims Made	$43,738,985	31.54%
Other Liability – Occurrence	29,950,312	21.60%
Allied Lines	20,893,490	15.07%
Earthquake	13,001,070	9.38%
Home Owner's Multiple Peril	11,557,227	8.33%
All Other Lines of Business Combined	19,523,333	14.08%
Total	$138,664,417	100.00%

The Company's 2018 direct written premiums by jurisdiction were as follows:

Jurisdiction	2018	Percent
Florida	$30,471,601	21.98%
California	30,086,815	21.70%
Texas	13,957,590	10.07%
New York	7,577,935	5.46%
Washington	5,062,658	3.65%
All Other Jurisdictions Combined	51,501,109	37.14%
Aggregate – Other Alien	6,709	0%
Total	$138,664,417	100.00%

REINSURANCE

For 2018, the Company reported the following distribution of net premiums written:

Direct business	$	138,664,417
Reinsurance assumed (from affiliates)		32,409,191
Reinsurance assumed (from non-affiliates)		176,945
Total direct and assumed	$	171,250,553
Reinsurance ceded (to affiliates)		4,875,618
Reinsurance ceded to (non-affiliates)		71,467,904
Net premiums written	$	94,907,031

The Company had the following reinsurance program and agreements in effect as of December 31, 2018:

Unaffiliated Reinsurance

The Company cedes business on both a pro rata and on an excess of loss basis internally and to third-party reinsurers. Ceded reinsurance provides capacity to the Company while limiting its maximum loss exposure and other concentrations of risk. The Company remains obligated for amounts ceded in the event that the reinsurers do not meet their obligations. Collateral is generally required for ceded unearned premiums, and for amounts recoverable from reinsurers not authorized by the applicable state regulatory authorities. Management reviews the creditworthiness of each reinsurer on an ongoing basis. The Company requires its unauthorized reinsurers to enter into Letters of Credit agreements and/or funds held agreements to collateralize their reinsurance recoverable.

Affiliated Assumed Reinsurance

Effective January 1, 2018, the Company entered into a continuous quota share with SNIC. The Company assumes 100% of SNIC’s net retained premium and commission on the Wellington homeowners business under this agreement. The Department approved this quota share agreement. During 2018, the Company assumed written premiums of $26,870,000 and incurred losses and loss adjustment expenses (LAE) of $5,212,000 under the quota share agreement.

Effective January 1, 2018, the company entered into a continuous quota share reinsurance agreement with StarStone Syndicate #1301. Under the contract SSIC accepts an 80% share of the syndicate's net liabilities stemming from the ICAT commercial property business. During 2018 SSIC assumed written premiums of $5,539,000 and incurred losses and loss adjustment expenses of $3,648,000 under the quota share agreement.

Affiliate Ceded Reinsurance

Effective January 1, 2013, the Company entered into a continuous quota share reinsurance agreement with SIBL, a member of its holding company group and an alien reinsurer which has been established as an accredited Delaware reinsurer under the provisions of 18 *Del. C.* § 911 Credit allowed a domestic ceding insurer and 18 *Del. Admin. Code* § 1003 Credit for Reinsurance. Under the quota share agreement, the Company cedes 65% of its net retained premium and commission plus a 20% reimbursement of the Company's underwriting expense. Effective January 1, 2014, the quota share agreement was amended to increase the ceding percentage from 65% to 100% on discontinued business. Effective December 31, 2017, the Company terminated the quota share agreement on a run-off basis. The agreement and the amendment were approved by the Department. The Company ceded $1,582,000 in written premiums and $30,386,000 in incurred losses and LAE in 2018 and $31,429,000 in written premiums and $23,687,000 in incurred losses and LAE in 2017 to SIBL under the quota share agreement.

Effective January 1, 2013, the Company entered into a continuous aggregate excess of loss reinsurance agreement (Stop Loss) with SIBL. The Stop Loss provides protection against significant cumulative losses of the Company between an 80% calendar year net incurred loss ratio and a 160% calendar year net incurred loss ratio. Effective January 1, 2018, this agreement was amended to decrease the attachment point ratio to 75%. This agreement was approved by the Department. The Company ceded $1,983,000 in written premiums and $4,310,000 in incurred losses and LAE in 2018 and $905,000 in written premiums and $(1,560,000) in incurred losses and LAE in 2017 to SIBL under this Stop Loss agreement.

On December 15, 2016, the Company executed a quota share agreement with KaylaRe, Ltd (KaylaRe), a Bermuda-based Class 4 reinsurer primarily owned by Cavello Bay Reinsurance Limited (Cavello), a subsidiary of Enstar. During the first quarter of 2018, Enstar entered into an agreement to purchase the remaining shares of KaylaRe. The quota share agreement was effective January 1, 2016. Since the execution of the agreement surpassed nine months, the agreement had both retroactive and prospective provisions. Under the agreement, the Company cedes 35% of its net premium and acquisition costs after deduction of third-party reinsurance plus 35% of overhead expenses. Effective December 31, 2017, the Company terminated the quota share agreement on a run-off basis. Under the prospective portion of this agreement, the Company ceded written premiums of $1,293,000 and $25,872,000 during 2018 and 2017, respectively. The Company ceded incurred losses and LAE of $17,462,000 and $17,571,000 under the quota share agreement in 2018 and 2017, respectively.

Retroactive Reinsurance

The Quota Share endorsement effective January 1, 2014 with SIBL was bifurcated between prospective and retroactive. The retroactive portion of the Quota Share [the KaylaRe 35% quota share] endorsement included reserves commuted with StarStone Insurance (UK) Limited in 2014. The Company ceded initial reserves of $31,552,000, paid $28,989,000 in consideration, and recognized $2,563,000 of initial retroactive reinsurance gains which is classified as Special Surplus Funds. The Company recognized retroactive losses of $3,384,000 and $964,000 in 2018 and 2017, respectively.

Under the retroactive provision of the KaylaRe 35% quota share agreement, the Company ceded initial reserves of $10,138,000, paid $6,889,000 in consideration, and recognized $3,249,000 of initial retroactive reinsurance gains which is classified as Special

Surplus Funds. The Company recognized retroactive gains of $2,004,000 and $817,000 in 2018 and 2017, respectively.

Effective July 1, 2016, the Company entered into a facultative reinsurance agreement with Faith-Affiliated, Ltd. where it ceded 100% of the business assumed by SSIC from Faith Affiliated Risk Retention Group in a Loss Portfolio Transfer and Novation. The Company ceded initial reserves of $3,292,000, paid $3,292,000 in consideration, and recognized no retroactive reinsurance gain. The Company recognized no retroactive gains in 2018 or 2017.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets and Liabilities as of December 31, 2018
- Statement of Income for the year ended December 31, 2018
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2013 to December 31, 2018

Statement of Assets and Liabilities
As of December 31, 2018

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 133,241,832	$ -	$ 133,241,832
Common Stock	113,468,801	-	113,468,801
Cash	17,980,531	-	17,980,531
Cash equivalents	48,092,764	-	48,092,764
Receivables for securities	864	-	864
Subtotals, cash and invested assets	$ 312,784,792	$ -	$ 312,784,792
Investment income due and accrued	609,166	-	609,166
Uncollected premiums and agents' balances in the course of collection	16,665,531	370,462	16,295,069
Amounts recoverable from reinsurers	12,644,502	-	12,644,502
Current federal and foreign income tax recoverable	1,029,888	-	1,029,888
Net deferred tax asset	3,255,420	1,349,671	1,905,749
Receivables from parent; subsidiaries and affiliates	1,060,091	-	1,060,091
Aggregate write-ins for other than invested assets	2,017,306	12,104	2,005,202
Total Assets	$ 350,066,696	$ 1,732,237	$ 348,334,459

		2018	Notes
Losses	$	67,513,519	(1)
Reinsurance payable on paid losses and loss adjustment expenses		374,251	
Loss adjustment expenses		11,285,041	(1)
Commissions payable; contingent commissions and other similar		(396,870)	
Other expenses (excluding taxes, licenses and fees)		359,894	
Taxes, licenses, and fees		22,016	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of $30,909,567)		48,350,004	
Ceded reinsurance premiums payable		22,409,055	
Funds held by company under reinsurance treaties		23,330,787	
Amounts withheld or retained by company for account of others		1,828,894	
Provision for reinsurance		6,685,569	
Payable to parent; subsidiaries and affiliates		761,247	
Payable for securities		27,692,789	
Aggregate write-ins for liabilities		(18,845,111)	
Total liabilities excluding protected cell liabilities	$	191,371,085	
Total liabilities	$	191,371,085	
Aggregate write-ins for special surplus funds	$	10,245,249	
Common capital stock		3,500,000	
Preferred capital stock		-	
Gross paid in and contributed surplus		270,329,491	
Unassigned funds (surplus)		(127,111,366)	
Surplus as regards policyholders	$	156,963,374	
Totals of liabilities & surplus	$	348,334,459	

Statement of Income
For the Year Ended December 31, 2018

Underwriting Income	2018
Premiums earned	$ 54,339,457
Deductions	
Losses incurred	$ 36,649,270
Loss adjustment expenses incurred	9,978,635
Other underwriting expenses incurred	26,527,509
Total underwriting deductions	$ 73,155,414
Net underwriting gain (loss)	$ (18,815,957)
Investment Income	
Net investment income earned	$ 2,438,333
Net realized capital gains (losses) less capital gains tax of $135,786	(86,686)
Net investment gain (loss)	$ 2,351,647
Other Income	
Net gain (loss) from agents' or premium balances charged off (amount recovered $0 amount charged off $180,452)	$ (180,452)
Finance and service charges not included in premium	-
Aggregate write-ins for miscellaneous income	(1,301,637)
Total other income	$ (1,482,089)
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$ (17,946,399)
Dividends to policyholders	-
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$ (17,946,399)
Federal and foreign income taxes incurred	(1,072,378)
Net Income	$ (16,874,021)

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2013 to December 31, 2018

	Common Capital Stock	Aggregate write-ins for special surplus funds		Gross Paid-in and Contributed Surplus		Unassigned Surplus		Total
12/31/2014	$3,500,000	$15,372,222		$ 206,829,491		$ (136,229,501)	(1)	$ 89,472,212
12/31/2015	-	11,899,344	(3)	-		11,916,487	(1)	$ 23,815,831
12/31/2016	-	1,071,728	(3)	-		(4,940,274)	(1)	$ (3,868,546)
12/31/2017	-	(146,300)	(3)	12,500,000	(2)	24,949,602	(1)	$ 37,303,302
12/31/2018		(17,951,745)	(3)	51,000,000	(2)	(22,807,680)	(1)	$ 10,240,575
	$ 3,500,000	$ 10,245,249		$ 270,329,491		$ (127,111,366)		$ 156,963,374

(1) Represents net income, Change in unrealized capital gains(losses), Change in net deferred income tax, Change in non-admitted assets, Change in provision for reinsurance
(2) Surplus adjustment – Paid In
(3) Retroactive Reinsurance Loss/(Gain)

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	$67,513,519
Loss Adjustment Expenses	$11,285,041

The examination liability for the aforementioned captioned items are the same, subject to comments below, as those balances reported by the Company as of December 31, 2018. The examination analysis of LAE reserves was conducted in accordance with Generally Accepted Actuarial Principles and Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual,* SSAP No. 55.

The examination actuaries' estimation of the net loss and LAE reserve of $86.658 million for SSIC is higher than the SSIC carried amount of $78.799 million by $7.859 million, or 10.0% of December 31, 2018 net Annual Statement reserves. The difference of $7.859 million represents 5.0% of the SSIC Policyholder Surplus as of December 31, 2018.

The examination actuaries noted that, as of December 31, 2019, SSIC strengthened its net loss and LAE reserves for accident years 2018 and prior by $11.289 million, which was 14.3% of December 31, 2018 net Annual Statement reserves. This strengthening was based on additional data through December 31, 2019 that is not part of the actuaries' examination review but considering the strengthening of loss and loss adjustment expense reserves, no adjustments were made to the financial statements in this report.

SUBSEQUENT EVENTS

The following were the significant subsequent events noted since the period from the date of examination and the date of this report:

Directors and Officers

As a result of an operational reorganization within the holding company, the following Directors and/or Officers resigned effective October 16, 2019 from their position of authority in the Company:

Paul Brockman	Chairman and Director, Chairman
Jennifer Miu	Director; SVP
Robert Repath	Director; SVP
Nancy Hammer	Director; Treasurer and CFO
Richard Seelinger	Director; SVP
Mark Sioma	Director; EVP

Effective October 17, 2019, the following Directors were appointed to the Board:

Robert Livingston	Chairman; SUHI
Dick Sanford	President, StarStone Group
John Hendrickson	CEO, StarStone Group
Robert Lincoln Trimble, Jr.	President; SSIC and SNIC
Karin Hirtler-Garvey	Independent, CPA

Officers:

Russell Sinco	CFO; SSIC and SNIC (Replaced Nancy Hammer)

Dividends/Capital Contribution

Effective December31, 2019, based on a Type 1 accounting treatment, the Department approved a contribution from SSIC to SNIC up to $30 million on February 24, 2020. SSIC's 2019 Annual Statement reflected a contribution of $27 million to SNIC of which $25 million was approved and contributed in 2019 and $2 million was made in 2020.

Pandemic

During the first quarter of 2020, the world experienced a pandemic related to the COVID-19 illnesses and the pandemic continued through the completion of this examination. As of the date of this report, the Company has not been able to quantify the effects of this pandemic on its current or future financial statements. Also, as of the date of this report, the Company was functioning under its various continuation of operation plans and was providing services to its policyholder.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, KPMG, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

Hails Taylor, CFE
Examiner In-Charge
State of Delaware

James Call, CFE
Supervising Examiner
State of Delaware

I, Hails Taylor, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 19.020.

Hails Taylor, CFE