

EXAMINATION REPORT

OF

MTAW INSURANCE COMPANY

AS OF

DECEMBER 31, 2018

Trinidad Navarro
Commissioner



Delaware Department of Insurance

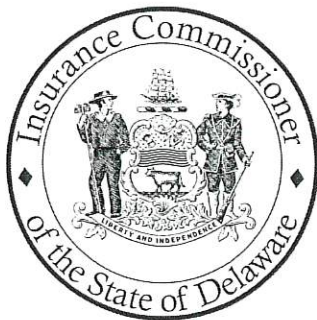
I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2018 of

MTAW INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

Attest By: Raylyn Brown

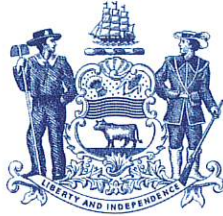
Date: 1st day of July, 2019



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 2nd day of July, 2019.

Trinidad Navarro
Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF
MTAW 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.

A handwritten signature in blue ink that reads "Trinidad Navarro".

Trinidad Navarro
Insurance Commissioner

Dated this 2nd day of July, 2019

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SALUTATION

June 26, 2019

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 19.024, dated August 27, 2018, an examination has been made of the affairs, financial condition and management of

MTAW INSURANCE COMPANY

hereinafter referred to as the Company or MTAW and incorporated under the laws of the State of Delaware as a stock property and casualty insurance company with its registered office located at 1209 Orange Street, Wilmington, Delaware. The examination was conducted at the administrative office of Crum & Forster Holdings Corp., located at 305 Madison Avenue, Morristown, New Jersey. 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 Company was organized on January 31, 2014. This examination will cover the period from September 25, 2014 through December 31, 2018, and

encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2018. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination of the Company was performed as a single-state examination.

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 Law 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.

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 on January 31, 2014. The Company was formed to facilitate the re-domestication of Seneca Insurance Company, Inc. (Seneca) from New York to Delaware by means of a statutory merger of the companies, with MTAW being the surviving entity. Subsequent to the merger, MTAW would change its name to Seneca Insurance Company, Inc. and would succeed to all assets, liabilities and obligations of the non-surviving New York company and would carry on the business of Seneca as it is currently conducted. The Company has decided not to pursue this course of action. The Company has remained dormant during the examination period.

Capitalization

The Company's Certificate of Incorporation authorizes the Company to issue 24,000 shares of \$200 par value common stock. As of December 31, 2018, the Company had 2,500 shares authorized, issued and outstanding for a common capital stock value totaling \$500,000. All shares of the Company are owned by Seneca.

As of December 31, 2018, the Company reported gross paid in and contributed surplus of \$250,000.

Dividends

The Company did not pay any dividends during the exam period.

MANAGEMENT AND CONTROL

Directors

In accordance with its Bylaws, adopted February 19, 2014, the business and affairs of the Company shall be managed by a Board of Directors (Board), which shall consist of no less than three (3) nor more than fourteen (14) members. Directors do not need to be residents of the State of Delaware or shareholders of the Company. The Directors are to be elected at the annual meeting of the Company's stockholder and shall hold office until his successor shall be elected and qualified. The members of the Company's Board, serving as of December 31, 2018, each elected or appointed in accordance with its Bylaws were as follows:

<u>Name</u>	<u>Title</u>
Marc T. A. Wolin	President & CEO, Seneca
Arleen A. Paladino	Chief Financial Officer & Treasurer Crum & Forster Holdings Corp.
James V. Kraus	Secretary, Crum & Forster Holdings Corp.

Officers

Officers were elected in accordance with the Bylaws during the period under examination. The Bylaws require election of a President, one or more Vice Presidents, a Secretary, and a Treasurer. The senior officers, duly appointed in accordance with the Bylaws and serving as of December 31, 2018, are as follows:

<u>Name</u>	<u>Title</u>
Marc T. A. Wolin	President
James V. Kraus	Secretary

Arleen A. Paladino

Treasurer

Corporate Records

The minutes of the Board and Stockholder meetings were reviewed for the period under examination. The recorded minutes documented activities and transactions of the Company.

The Bylaws require the Board to meet annually after the annual Stockholder's meeting and provide for written consent in lieu of formal meetings. The minutes of the meetings verified annual meetings took place in each year of the examination period.

Copies of the Form B and C Holding Company Registration Statements filed with the Department during the period under examination were reviewed. Per the review, the Company has complied with the provisions of 18 *Del. C.* § 1801.

Insurance Holding Company System

The Company is a member of an Insurance Holding Company System pursuant to 18 *Del. C.* § 50. The Company is a wholly owned subsidiary of Fairfax Financial Holdings Limited (Fairfax), an insurance holding company domiciled in Canada. The Company and its direct parent are ultimately controlled by Fairfax through its United States insurance holding company, Fairfax (US) Inc. (Fairfax US). Fairfax is a financial service company domiciled in Canada and trades on the Toronto stock exchange (TSE).

The following is an abbreviated organizational chart that reflects the identities and interrelationships between the Company, its parents and affiliates with direct business relationships with the Company as of December 31, 2018:

		Economic Ownership Control Percent	Voting Control Percent	
V. Prem Watsa and the Watsa Family Trust {1}	{2}	1.05%	42.48%	{3}
All Other Publicly Traded Shares Held {4}	{5}	98.95%	57.52%	{6}
Fairfax Financial Holdings Limited [Canada] (FFH) {7}		100.0%	100.0%	
FFHL Group Ltd. [Canada]		100.0%	100.0%	
Fairfax (US) Inc. [DE]*		93.41%	93.41%	
Crum & Forster Holdings Corp. [DE] (Crum & Forster)		100.0%	100.0%	
The North River Insurance Company [NJ] (North River)		100.0%	100.0%	
Seneca Insurance Company, Inc. [NY] (Seneca)		100.0%	100.0%	
MTAW Insurance Company [DE]		100.0%	100.0%	

* Fairfax Financial Holdings Limited directly owns 6.59% of Fairfax (US) Inc.

Notes 1 through 7 more fully describe the ownership and voting percentages throughout the holding company.

- {1} Through voting and economic ownership control, both directly and indirectly, of the following individual and entities: Mr. V. Prem Watsa, 2771489 Canada Limited, 1109519 Ontario Limited and The Sixty Two Investment Company Limited.
- {2} Calculated as 309,306 subordinate voting common shares held (258,686 plus 50,620 (see {7})) / 26,489,177 total subordinate voting common shares X \$11,779,300,000 [FFH common stock equity] / \$13,114,800,000 [FFH common stock and preferred stock equity] (see {7}).
- {3} Calculated as 0.57% through V. Prem Watsa and 41.91% through The Watsa Family Trust and the four entities described in {4}. The 0.57% is calculated as 258,686 subordinate voting common shares (139,835 votes) through 810679 Ontario Limited+33,500 shares (33,500 votes) through Prenstin + 84,586 subordinate voting common shares (85,351 votes) held personally by Mr. V. Prem Watsa 258,686 votes / 26,489,177 total votes. The 41.91% is made up of two components. 41.8% is amount of voting control of the 1,548,000 multiple voting shares. The second component is the 50,620 subordinate voting common shares (50,620 votes)/26,489,177 or .11%. The Watsa Family Trust, controls 1109519 Ontario Limited, and The Sixty Two Investment Company (see {7}).
- {4} No individual or entity owns or controls greater than 10% of FFH as of December 31, 2018.
- {5} Calculated as 100.00% - 1.05% {5}.
- {6} Calculated as 100.00% - 42.48% {3}.
- {7} FFH common shares are publicly-traded on the TSE in Canada under the symbol "FFH". As of December 31, 2018, FFH has issued 1,548,000 multiple voting common shares, 26,489,177 subordinate voting common shares, 58,239,178 non-voting preferred Series C thru M. FFH's non-minority capital account as of December 31, 2018, totals \$13,114,800,000 (\$ U.S.) which consists of \$11,779,300,000 related to voting common shares (89.82% of the total) and \$1,335,500,000 related to non-voting preferred shares (1.02% of the total).

Agreements with Affiliates

Consolidated Federal Income Tax Agreement

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

TERRITORY AND PLAN OF OPERATION

Territory

The Company is a Delaware domiciled insurance company and is licensed and authorized to transact insurance and/or reinsurance.

Plan of Operation

The Company is dormant and has no plans to start writing business.

FINANCIAL STATEMENTS

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

- Statement of Assets, Liabilities and Surplus 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 September 25, 2014 to December 31, 2018

**Statement of Assets
As of December 31, 2018**

	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets 2018</u>	<u>Note</u>
Cash, Cash Equivalents	\$ 750,000	\$ -	\$ 750,000	1
Subtotals, cash and invested assets	<u>750,000</u>	<u>-</u>	<u>750,000</u>	
Total Assets	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>	

**Statement of Liabilities, Surplus and Other Funds
As of December 31, 2018**

		<u>Note</u>
Total liabilities	\$ -	
Common capital stock	\$ 500,000	
Gross paid in and contributed surplus	250,000	
Unassigned funds (surplus)	<u>-</u>	
Surplus as regards policyholders	<u>\$ 750,000</u>	
Totals of liabilities & surplus	<u>\$ 750,000</u>	

**Statement of Income
For the Year Ended December 31, 2018**

Notes

Underwriting Income

Premiums earned	\$	-
Deductions		
Losses incurred	\$	-
Loss adjustment expenses incurred		-
Other underwriting expenses incurred		-
Total underwriting deductions	\$	-
Net underwriting gain (loss)	\$	-

Investment Income

Net investment income earned	\$	-
Net realized capital gains (losses) less capital gains tax of \$(0)		-
Net investment gain (loss)	\$	-

Other Income

Net gain (loss) from agents' or premium balances charged off (amount recovered \$-0- amount charged off \$0)	\$	-
Aggregate write-ins for miscellaneous income		-
Total other income	\$	-
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$	-
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes		-
Federal and foreign income taxes incurred		-
Net Income	\$	-

**Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of September 25, 2014 to December 31, 2018**

	<u>Common Capital Stock</u>	<u>Gross Paid-in and Contributed Surplus</u>	<u>Unassigned Surplus</u>	<u>Total</u>
9/25/2014	\$ 500,000	\$ 250,000	\$ -	\$ 750,000
12/31/2014				(1) -
12/31/2015				(1) -
12/31/2016				(1) -
12/31/2017				(1) -
12/31/2018				(1) -
	<u>\$ 500,000</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>

(1) Represents net income, change in unrealized capital gains/(losses), change in net deferred income tax, change in non-admitted assets and change in provision for reinsurance.

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:

Cash, Cash Equivalents	\$ 750,000
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The reported balance of \$750,000 consists of cash equivalents held with custodians. The balances were confirmed directly with the financial institution.

SUBSEQUENT EVENTS

No significant current events were noted during this exam.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

CONCLUSION

The assistance and cooperation of the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Anthony C. Cardone", written over a horizontal line.

Anthony Cardone, CFE
Examiner In Charge
State of Delaware

A handwritten signature in cursive script, appearing to read "Ann M. Pruett", written over a horizontal line.

Ann M. Pruett, CFE
Supervising Examiner
State of Delaware