Report of the Examination of

Pacific Indemnity Company

Milwaukee, Wisconsin

As of December 31, 2019

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May 5, 2021

Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

PACIFIC INDEMNITY COMPANY
Milwaukee, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Pacific Indemnity Company (the company or PIC) was conducted in 2017 and 2018 as of December 31, 2016. The current examination covered the intervening period ending December 31, 2019, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of the Chubb Group's 29 property and casualty subgroup insurers that are domiciled in the United States covering the five-year period from January 1, 2015, through December 31, 2019. The Pennsylvania Department of Insurance acted in the capacity of the lead state for the coordinated examinations. Work performed by the Pennsylvania Department of Insurance was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

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, annual statement instructions, and Wisconsin laws and regulations. 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 at the end of the “Financial Data” section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Pennsylvania Department of Insurance. Pacific Indemnity Company is a part of a larger intercompany pooling arrangement. The actuary reviewed the adequacy of the company’s loss and loss adjustment expense reserves at the pool level. The actuary’s results were reported to the examiners-in-charge for all subsidiaries under examination. As deemed appropriate, reference is made in this report to the actuary’s conclusion.

II. HISTORY AND PLAN OF OPERATION

The company was organized and incorporated on January 16, 1926, under the laws of California, and commenced business on February 5, 1926. Effective December 31, 1997, the company redomesticated to the state of Wisconsin.

The Chubb Corporation, a New Jersey holding company, acquired financial control of the company and its respective subsidiaries effective November 15, 1967, through an exchange of shares. On December 5, 1969, The Chubb Corporation transferred ownership of Pacific Indemnity Company to its wholly owned subsidiary, Federal Insurance Company (Federal), domiciled in Indiana.

On July 1, 2015, it was announced that ACE Limited (ACE) had agreed to acquire The Chubb Corporation. Effective January 14, 2016, The Chubb Corporation merged with William Investment Holdings Corporation, a wholly owned indirect subsidiary of ACE created for the purpose of the transaction. The Chubb Corporation was the surviving corporation and became a wholly owned indirect subsidiary of ACE. The Chubb Corporation subsequently merged with and into ACE INA Holdings, Inc., a Delaware corporation and indirect subsidiary of ACE, with ACE INA Holdings, Inc., continuing as the surviving corporation. ACE INA Holdings, Inc., subsequently changed its name to Chubb INA Holdings, Inc. On January 15, 2016, ACE was renamed Chubb Limited. Chubb Limited is a Swiss-incorporated holding company of the Chubb Group of companies.

Northwestern Pacific Indemnity Company was a wholly owned subsidiary of the company until it was acquired by Cottage Insurance Holdings, Inc., effective February 12, 2014. The company's other wholly owned subsidiary, Texas Pacific Indemnity Company, was merged into the company, effective September 30, 2017. Currently, the company has no surviving downstream subsidiaries.

Effective October 1, 2017, PIC became a direct wholly owned subsidiary of Chubb INA Holdings Inc. Federal, which wholly owned Pacific Indemnity Company, distributed 100% of the stock of PIC to Chubb INA Holdings Inc. Chubb INA Holdings Inc. is owned 80% directly by Chubb Group Holdings Inc. and 20% directly by Chubb Limited, the company's ultimate parent.

The company writes a wide range of insurance products and services for businesses and individuals, on both direct and net basis, as the company participates 20% in the Chubb Pool (refer to the following "Affiliated Ceding Contracts" section for the detailed discussion on the pooling arrangement).

Chubb's North America property and casualty business operates through the following business segments rather than on a legal entity basis: North America Commercial Property and Casualty (P&C) Insurance, North America Personal P&C Insurance, and North America Agricultural Insurance.

1. The North America Commercial P&C Insurance segment comprises operations that provide P&C insurance and services to large, middle market, and small commercial businesses in the U.S., Canada, and Bermuda. This segment includes:

   - Major Accounts, the retail division focused on large institutional organizations and corporate companies. Products and services offered include property, professional liability, cyber risk, excess casualty, worker's compensation, general liability, automobile liability, commercial marine, surety, environmental, construction, medical risk, inland marine, A&H coverages, as well as claims and risk management products and services. Major Accounts distributes its insurance products primarily through a limited number of retail brokers.
   - Commercial Insurance including Small Commercial focused on middle market customers and small businesses. Products and services offered include Package, which combines property and general liability, worker's compensation, automobile, and umbrella; financial lines of business, including professional liability, management liability, and cyber risk coverage; and other lines including environmental, A&H, and international coverages. Commercial Insurance distributes its insurance products through a North American network of independent retail agents, and regional, multinational, and digital brokers. Small Commercial Insurance products and services offered include a business owner policy which contains property and general liability; financial lines, including professional liability, management liability, and cyber risk; and other lines including worker's compensation, automobile liability, and international coverages. Products are generally offered through a North American network of independent agents and brokers, as well as digital platforms where Chubb electronically quotes, binds, and issues for agents and brokers.
   - The wholesale and specialty division provides specialty products for property, casualty, environmental, professional liability, inland marine, product recall, small business, binding, and program coverages in the U.S., Canada, and Bermuda. Products are offered through the wholesale distribution channel.

2. The North America Personal P&C Insurance segment provides high net worth personal lines business such as homeowners, automobile and collector cars, valuable articles (including fine arts), personal and excess liability, travel insurance, and recreational marine in the U.S. and Canada. The coverages are offered solely through independent regional agents and brokers.

3. The North America Agricultural Insurance segment provides crop insurance, primarily Multiple Peril Crop Insurance (MPCI), and crop-hail insurance, as well as farm and ranch, and specialty property and casualty commercial insurance products and insurance. The company does not write agricultural insurance directly but assumes agricultural insurance via the Chubb Pool participation. Crop Insurance business is offered through a managing general agent.

In 2019, the company wrote direct premium in the following states:

New York	$187,474,811	29.1%
Massachusetts	66,599,403	10.3
Ohio	35,229,897	5.5
Arizona	34,536,092	5.4
California	31,110,083	4.8
Florida	28,230,959	4.4
All others	261,142,787	40.5
Total	$644,324,032	100.0%

The company is licensed in the District of Columbia and all 50 states.

The following table is a summary of the net insurance premiums written by the company in 2019. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Fire	$ 796,017	$ 34,267,872	$ 796,021	$ 34,267,868
Allied lines	412,118	371,668,776	412,118	371,668,776
Farmowners multiple peril		9,730,169		9,730,169
Homeowners multiple peril	302,369,715	515,488,807	302,369,715	515,488,807
Commercial multiple peril	30,962,871	340,368,465	30,962,871	340,368,465
Mortgage guaranty		6,448		6,448
Ocean marine		39,752,916		39,752,916
Inland marine	80,257,730	208,937,262	80,257,730	208,937,262
Financial guaranty		(82,953)		(82,953)
Medical professional liability - occurrence		1,671,716		1,671,716
Medical professional liability - claims made		15,477,458		15,477,458
Earthquake	6,467,464	27,670,069	6,467,464	27,670,069
Group accident and health	35,783	114,727,728	35,783	114,727,728
Credit accident and health (group and individual)		16,049		16,049
Other accident and health		7,734,041		7,734,041
Worker's compensation	135,527,899	431,768,384	135,527,899	431,768,384
Other liability – occurrence	17,826,632	572,168,764	17,826,632	572,168,764
Other liability – claims made	569,673	448,550,709	569,673	448,550,709
Excess worker's compensation		32,815,498		32,815,498
Products liability – occurrence	3,032,868	34,307,176	3,032,060	34,307,984
Products liability – claims made	523,489	29,818,024	523,489	29,818,024
Private passenger auto liability	22,543,135	94,385,498	22,543,135	94,385,498
Commercial auto liability	540,090	134,367,541	540,090	134,367,541
Auto physical damage	27,085,989	105,491,671	27,085,989	105,491,671
Aircraft (all perils)	0	7,390,575		7,390,575
Fidelity	295,920	46,482,450	295,920	46,482,450
Surety	10,830,433	84,022,287	10,830,433	84,022,287
Burglary and theft	655,866	9,106,330	655,866	9,106,330
Boiler and machinery	3,590,338	20,984,016	3,590,338	20,984,016
Credit		2,526,574		2,526,574
International		1,001,753	718	1,001,035
Warranty		1,498,636		1,498,636
Reinsurance – non-proportional assumed property		941,226		941,226
Reinsurance – non-proportional assumed liability		(121,188,849)		(121,188,849)

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Reinsurance – non-proportional assumed financial lines		(70,728)		(70,728)
Write-ins for other lines of business:		687,052		687,052
Total All Lines	$644,324,030	$3,624,489,410	$644,323,944	$3,624,489,496

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of 12 members. The number of directors constituting the board of directors shall be fixed from time to time by resolution passed by the board of directors. Each director is elected at the annual meeting of shareholders and holds office until the next annual shareholders meeting, or until their earlier resignation or removal. If the director's term expires, the director may continue to serve until a respective successor is elected and qualified, until their earlier resignation or removal, or until there is a decrease in the number of directors. A decrease in the number of directors does not shorten an incumbent director's term. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The directors receive no compensation specific to their service on the board because all are employees of the holding company system.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Neal K. Bhatnagar Elmhurst, Illinois	Director ACE American Insurance Company	2022
Caroline J. Clouser Newtown, Pennsylvania	Executive Vice President ACE American Insurance Company	2022
Scott E. Henck Lebanon, New Jersey	Executive Vice President ACE American Insurance Company	2022
Latrell Johnson Robbinsville, New Jersey	Director ACE American Insurance Company	2022
Paul J. Krump Mendham, New Jersey	Executive Vice President Chubb Limited	2022
John J. Lupica Newtown, Pennsylvania	Vice Chairman Chubb Limited	2022
Michelle M. McLaughlin Monroe Township, New Jersey	Director ACE American Insurance Company	2022
Frances D. O'Brien Basking Ridge, New Jersey	Executive Vice President ACE American Insurance Company	2022
J. Scott Sanpietro Wantagh, New York	Director ACE American Insurance Company	2022

Name and Residence	Principal Occupation	Term Expires
Michael W. Smith New York, New York	Global Claims Officer Chubb Limited	2022
Drew K. Spitzer Summit, New Jersey	Executive Vice President & Chief Financial Officer ACE American Insurance Company	2022
Edward D. Zaccaria New Hope, Pennsylvania	Chief Underwriting Officer & Executive Vice President ACE American Insurance Company	2022

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office
Paul J. Krump	President
John J. Lupica	Executive Vice President
Christopher A. Maleno	Executive Vice President
J. Scott Sanpietro	Executive Vice President
Paul G. O'Connell	Senior Vice President & Chief Actuary
Brandon M. Peene	Secretary
Michael W. Smith	Executive Vice President
Drew K. Spitzer	Treasurer
John P. Taylor	Senior Vice President

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors.

The committees at the time of the examination are listed below:

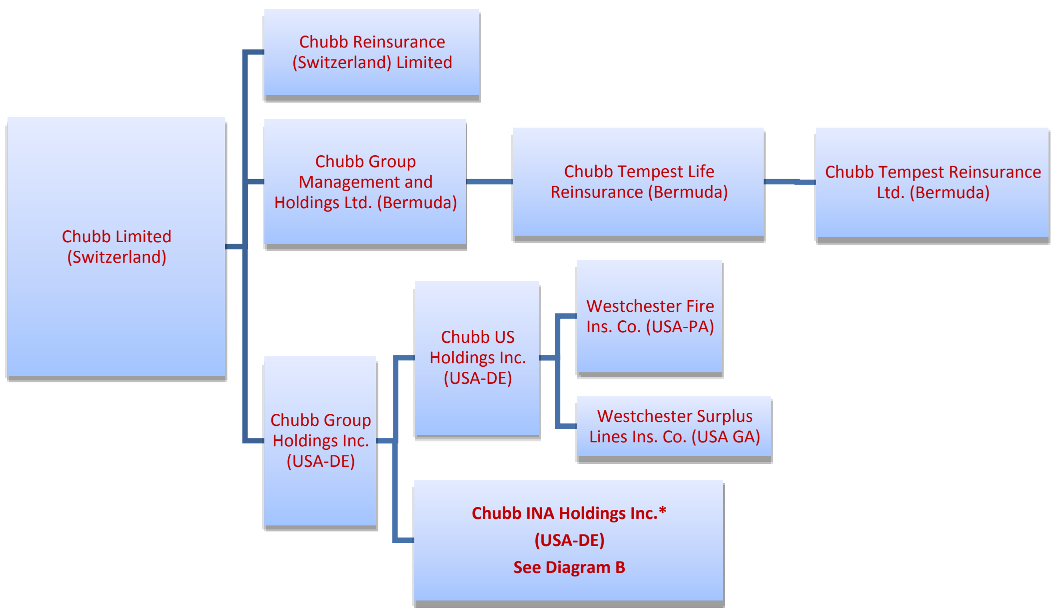
Executive Committee	Investment Committee
Paul J. Krump, Chair	John J. Lupica, Chair
John J. Lupica	Paul J. Krump
Drew K. Spitzer	Drew K. Spitzer

IV. AFFILIATED COMPANIES

Pacific Indemnity Company is a member of a holding company system. Chubb Limited is the ultimate parent of the holding company system. The organizational chart below depicts the relationships among certain affiliates in the group. A brief description of the significant affiliates follows the organizational chart. Significant affiliates were determined by two criteria: (1) affiliates that are in a direct line with Pacific Indemnity Company and, (2) the primary affiliates involved in the intercompany pooling arrangements.

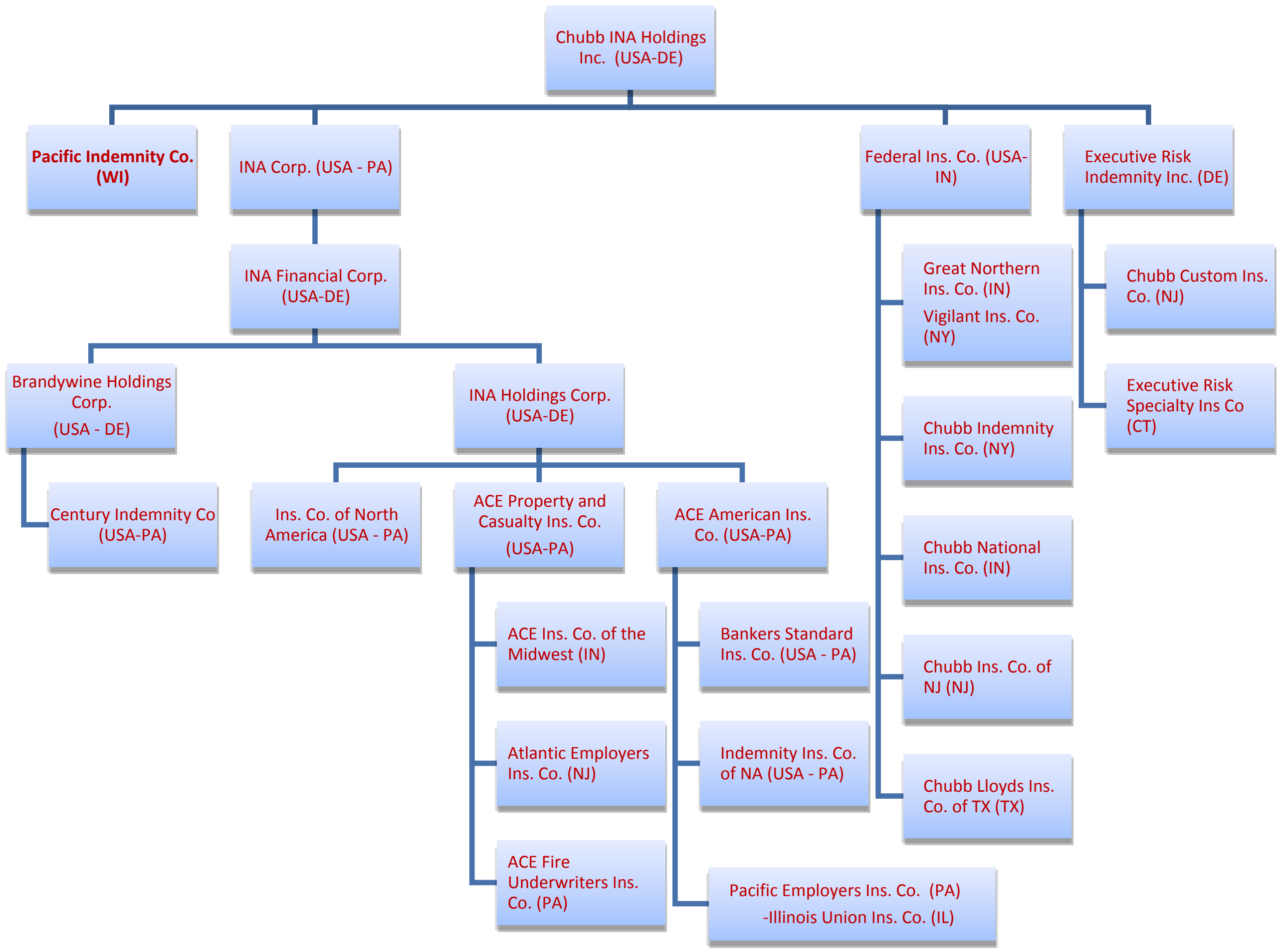
Organizational Chart
As of December 31, 2019

Diagram A – Significant downstream affiliates of Chubb Limited:



*Note: Chubb INA Holdings, Inc. is owned 80% directly by Chubb Group Holdings, Inc. and 20% directly by Chubb Limited.

Diagram B – Significant downstream affiliates of Chubb INA Holdings, Inc.:



Chubb Limited

Chubb Limited is a holding company and through its direct and indirect subsidiaries is a global provider of insurance products covering property and casualty, accident and health, reinsurance, and life insurance. As of December 31, 2019, the audited financial statements (US GAAP Basis) of Chubb Limited reported assets of $176.9 billion, liabilities of $121.6 billion, and shareholders' equity of $55.3 billion. Operations for 2019 produced net income of $4.5 billion.

Chubb Reinsurance Switzerland Limited

Chubb Reinsurance Switzerland Limited (CRSL), a wholly owned subsidiary of Chubb Limited, exclusively assumes business via four reinsurance treaties from affiliated U.S.-based Chubb group companies. CRSL does not retrocede any business to third party reinsurance. CRSL assumes business under the Chubb Pool, effective on January 1, 2018. As of December 31, 2019, the audited financial statements (Swiss STAT Basis) of CRSL reported assets of CHF 6.0 billion, liabilities of CHF 3.8 billion, and shareholders' equity of CHF 2.2 billion. Operations for 2019 produced net income of CHF 348 million.

Chubb Group Management and Holdings Limited

Chubb Group Management and Holdings Limited (CGM&H), a wholly owned subsidiary of Chubb Limited, holds interests in a variety of international subsidiaries. Most notably CGM&H has a 100% ownership interest in two Bermuda affiliates, Chubb Tempest Life Reinsurance Limited (Chubb Tempest Life), and its downstream subsidiary Chubb Tempest Reinsurance Limited (Chubb Tempest Re). As of December 31, 2019, the unaudited financial statements (US GAAP Basis) of CGM&H reported assets of $18.8 billion, liabilities of $52 million, and shareholders' equity of $18.8 billion. Operations for 2019 produced net income of $1.7 billion.

Chubb Tempest Reinsurance Limited

Chubb Tempest Reinsurance Limited (Chubb Tempest Re), a wholly owned subsidiary of Chubb Tempest Life, provides property catastrophe, property, casualty and accident and health reinsurance for a diverse group of customers worldwide. As of December 31, 2019, the audited financial statements (US GAAP Basis) of Chubb Tempest Re reported assets of $20.3 billion, liabilities of $9.3 billion, and shareholders' equity of $11.0 billion. Operations for 2019 produced net income of $1.7 billion.

Chubb Group Holdings Inc.

Chubb Group Holdings Inc. is a wholly owned subsidiary of Chubb Limited and holds interests in mainly North American subsidiaries, including Chubb US Holdings Inc. and its wholly owned subsidiaries, Westchester Fire Insurance Company (Westchester) and Westchester Surplus Lines Insurance Company, and Chubb INA Holdings Inc. and its wholly owned subsidiary, INA Corporation. As of December 31, 2019, the equity method unaudited financial statements (US GAAP Basis) of Chubb Group Holdings Inc. reported assets of $31.3 billion, liabilities of $4.4 billion, and shareholders' equity of $27.0 billion. Operations for 2019 produced net income of $1.9 billion.

Chubb INA Holdings Inc.

Chubb INA Holdings Inc. is owned 80% by Chubb Group Holdings Inc. and 20% by Chubb Limited. Chubb INA Holdings Inc. holds interests in North American subsidiaries, most notably PIC, INA Corporation, and Federal, as well as INA Financial Corporation and its downstream subsidiaries, which include ACE American Insurance Company (ACE American), and also holds interests in international business. As of December 31, 2019, the audited financial statements (US GAAP Basis) of Chubb INA

Holdings Inc. reported assets of $150.9 billion, liabilities of $118.2 billion, and shareholders' equity of $32.7 billion. Operations for 2019 produced net income of $2.4 billion.

INA Corporation

INA Corporation is a holding company in which a wholly owned subsidiary is INA Financial Corporation. As of December 31, 2019, the equity method unaudited financial statements (US GAAP Basis) of INA Corporation reported assets of $28.4 billion, liabilities of $75 million, and shareholders' equity of $28.4 billion. Operations for 2019 produced net income of $1.8 billion.

INA Financial Corporation

INA Financial Corporation (INA Financial) is a subsidiary of INA Corporation. INA Financial's direct subsidiaries include of Brandywine Holdings Corporation and INA Holdings Corporation. As of December 31, 2019, the equity method unaudited financial statements (US GAAP Basis) of INA Financial Corporation reported assets of $11.7 billion, liabilities of $30 million, and shareholders' equity of $11.7 billion. Operations for 2019 produced net income of $1.1 billion.

Brandywine Holdings Corporation

Brandywine Holdings Corporation (Brandywine) is a wholly owned subsidiary of INA Financial Corporation. Brandywine's direct subsidiaries include Century Indemnity Company. Century Indemnity Company has an Excess of Loss Agreement with ACE American. As of December 31, 2019, the equity method unaudited financial statements (US GAAP Basis) of Brandywine reported assets of $(626) million, liabilities of $351 million, and shareholders' equity of $(977) million. Operations for 2019 produced net loss of $95 million.

INA Holdings Corporation

INA Holdings Corporation is the holding company for its wholly owned subsidiaries ACE American, Insurance Company of North America, ACE Property and Casualty Insurance Company, Bankers Standard Insurance Company, and Indemnity Insurance Company of North America, all domiciled in Pennsylvania. The latter two subsidiaries have since been transferred to ACE American. As of December 31, 2019, the equity method unaudited financial statements (US GAAP Basis) of INA Holdings Corporation reported assets of $11.0 billion, liabilities of $2 million, and shareholders' equity of $11.0 billion. Operations for 2019 produced net income of $1.2 billion.

ACE American Insurance Company

ACE American is a wholly owned subsidiary of INA Holdings Corporation. ACE American is the lead company in an intercompany reinsurance pooling agreement, the Chubb Pool. It participates in the Chubb Pool as a risk bearing entity having a 25% retrocession, effective January 1, 2018. As of December 31, 2019, the audited financial statements (US STAT Basis) of ACE American reported assets of $24.0 billion, liabilities of $19.0 billion, and surplus as regards policyholders of $5.0 billion. Operations for 2019 produced net income of $588.8 million.

Insurance Company of North America

Insurance Company of North America (INA) is a wholly owned subsidiary of INA Holdings Corporation. As of December 31, 2019, the audited financial statements (US STAT Basis) of INA reported assets of $271.8 million, liabilities of $8.8 million, and surplus as regards policyholders of $263.0 million. Operations for 2019 produced a net loss of $1.0 million.

ACE Property and Casualty Insurance Company

ACE Property and Casualty Insurance Company (ACE P&C) is a wholly owned subsidiary of INA Holding Corporation. ACE P&C participates as a risk bearing entity having a 20% retrocession in the Chubb Pool, effective January 1, 2018. As of December 31, 2019, the audited financial statements (US STAT Basis) of ACE P&C reported assets of $12.0 billion, liabilities of $9.0 billion, and surplus as regards policyholders of $3.0 billion. Operations for 2019 produced net income of $519.9 million.

Federal Insurance Company

Federal is a wholly owned subsidiary of Chubb INA Holdings Inc. Federal assumes 100% of business from its wholly owned subsidiaries and retrocedes the business to ACE American. Federal participates as a risk bearing entity having a 25% retrocession in the Chubb Pool, effective January 1, 2018. As of December 31, 2019, the audited financial statements (US STAT Basis) of Federal reported assets of $15.5 billion, liabilities of $11.5 billion, and surplus as regards policyholders of $4.0 billion. Operations for 2019 produced net income of $674.6 million.

Executive Risk Indemnity Inc.

Executive Risk Indemnity Inc. (Executive Risk Indemnity) is a wholly owned subsidiary of Chubb INA Holdings Inc. Executive Risk Indemnity writes in all 50 states in which it is licensed or eligible as a surplus lines writer. Executive Risk Indemnity participates as a risk bearing entity having a 10% retrocession in the Chubb Pool, effective January 1, 2018. As of December 31, 2019, the audited financial statements (US STAT Basis) of Executive Risk Indemnity reported assets of $5.6 billion, liabilities of $4.0 billion, and surplus as regards policyholders of $1.6 billion. Operations for 2019 produced net income of $214.9 million.

Agreements with Affiliates

In addition to common staffing and management control, Pacific Indemnity Company's relationship to its affiliates is affected by various service agreements and pooling agreements. Intercompany reinsurance agreements are described in the "Reinsurance" Section of this report.

Amended and Restated Tax Allocation Agreement

Effective January 15, 2016, and as amended December 8, 2016, and January 10, 2017, Pacific Indemnity Company became a party to an intercompany tax allocation agreement with Chubb Group Holdings. Under the tax allocation agreement, each party contributes its equivalent share to the federal income taxes payable by the affiliated group, which pays federal income taxes on a consolidated basis.

Management Agreement

Effective January 1, 1998, and as amended September 1, 2003, and December 31, 2007, the Pacific Indemnity Company entered into a Management Agreement with Federal Insurance Company, whereby Federal acts as manager of the general insurance business and provides financial advisory services. Compensation is based on actual costs, and expenses are reconciled at the close of each calendar year.

Investment Advisory Services Agreement

Effective July 1, 2016, the Pacific Indemnity Company entered into an Investment Advisory Services Agreement with Chubb Asset Management Inc. (Chubb Asset), whereby Chubb Asset assists with the evaluation and selection of the company's investment advisors and monitors the performance, compliance, and risk profile of the company's portfolio.

SIU Service and Support Agreement

Effective August 12, 2010, and as amended on January 1, 2011; March 19, 2015; July 1, 2016; and January 1, 2018, an SIU Service and Support Agreement was entered into by and between certain Chubb Property and Casualty Insurance Companies identified in Exhibit A of the agreement and ESIS. ESIS is the third party claims administrator which provides special investigative unit services. In consideration for the provision of these services, ESIS is paid a services fee equal to the costs and expenses incurred by ESIS in providing those services. The costs shall be allocated to each insurer commensurate with the resources used to provide those services.

Service Agreement

Effective March 14, 2016, and as amended January 1, 2018, and December 1, 2018, ACE American and Federal entered a service agreement whereby either party to the service agreement may provide services to the other. Services include actuarial, administrative support, administrative, audit, claims, communications and marketing, compliance, financial, human resources, information technology, internal audit, investment, legal, loss control, operations support, reinsurance related, treasury, underwriting, and other. The service recipient shall pay the service provider no less than the full cost. The service agreement was amended on January 1, 2018, to include PIC and certain additional parties as the recipients of the services provided by ACE American.

V. REINSURANCE

The company's reinsurance portfolio and strategy at the time of the examination are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

Affiliated Ceding Contracts

Effective January 1, 2018, the company participates in an intercompany reinsurance pooling agreement (the "Chubb Pool") in which ACE American is the lead company. ACE American ultimately reinsures the gross business written by each of the companies listed in the chart below. All ceded reinsurance in force for the Chubb Pool and certain foreign branch business, inures to ACE American's benefit. After placing nonaffiliated ceded reinsurance, ACE American retrocedes the remaining net business to each of the other Chubb Pool members in proportion to their agreed upon pool share.

The names, NAIC company codes and pool participation percentages of the intercompany pool members as of the examination date are as follows:

Pool Participants	NAIC Company Code	Pool Participation %
ACE American (**A**)	22667	25%
Federal Insurance Company # **(B)**	20281	25%
ACE Property and Casualty Insurance Company #	20699	20%
Pacific Indemnity Company ##	20346	20%
Executive Risk Indemnity Company Inc. ##	35181	10%
ACE Fire Underwriters Insurance Company #	20702	0%
ACE Insurance Company of the Midwest #	26417	0%
Atlantic Employers Insurance Company #	38938	0%
Bankers Standard Insurance Company #	18279	0%
Chubb Insurance Company of New Jersey ##	41386	0%
Chubb National Insurance Company ##	10052	0%
Great Northern Insurance Company ##	20303	0%
Indemnity Insurance Company of North America #	43575	0%
Insurance Company of North America #	22713	0%
Pacific Employers Insurance Company #	22748	0%
Penn Millers Insurance Company #	14982	0%
Westchester Fire Insurance Company #	10030	0%

\# Company cedes 100% gross loss, LAE, and underwriting expenses to ACE American

\## Company cedes 100% gross loss, LAE, and underwriting expenses to Federal

(A) ACE American aggregates and cedes the Pool's Third Party reinsurance; as a result, it has recorded the Chubb Pool's Provision for Reinsurance.

(B) Federal assumes from other Pool/Quota Share Companies, then retrocedes 100% gross loss, LAE, and underwriting expenses to ACE American.

Effective:	January 1, 2018
Business covered:	Liabilities of the intercompany pool members under all policies for all lines of business from and after the effective date, except excluded business. Excluded business includes the excluded branch business (located in Philippines, Taiwan, Korea, and Puerto Rico), the excluded Brandywine business (Century Indemnity Company's direct business and the general liability policies written prior to 1987 by certain legacy ACE companies ceded directly to Century Indemnity Company), the excluded certain loss portfolio transfers, and the excluded non-insurance business.
Items included:	Gross written premium, ultimate net loss, and all related expenses
Termination:	12 month notice or pool participation is terminated as a result of merger, sale, or dissolution.

Nonaffiliated Ceding Contracts

As previously stated, the Chubb Pool determines the extent of gross written business it intends to cede to third parties and that portion of business is retroceded to ACE American for cession to external reinsurers, thus the External Reinsurance Program is common to all the companies in the Chubb Pool including the company. The External Reinsurance Program provides indemnification to the companies by unaffiliated reinsurers, excluding captive reinsurers, and voluntary and mandatory pools. The program consists of many treaties in force or in runoff, supplemented by facultative placements. Due to the size and complexity of the program, a large number of authorized and unauthorized reinsurers participate.

The following list summarizes the top 10 unaffiliated ceding reinsurers ranked by premiums ceded by the company in 2019.

LIST OF TOP REINSURERS

Reinsurer	Percentage of Total Written Premiums Ceded
Swiss Reinsurance America Corporation	2.73%
Federal Crop Insurance Corporation	2.62%
Hannover Rueckversicherung SE	1.74%
Munich Reinsurance Company Munchener Ruckversicherungs-Gesellschaft	1.64%
Swiss Reinsurance Company Ltd	0.95%
Starr Indemnity & Liability Company	0.93%
Transatlantic Reinsurance Company	0.88%
United States Aircraft Insurance Group Pool.	0.82%
Hire (Bermuda) Limited	0.67%
Partner Reinsurance Co. of U.S..	0.63%
Total Top 10 Unaffiliated Reinsurers (Ceded Premium Written)	13.61%

The following nonaffiliated ceding contracts describe the company's top 10 largest nonaffiliated ceding reinsurance contracts in 2019.

1. Type: Personal Risk Quota Share

   Scope: Policies classified as Personal Risk Liability, but only as covered under a Homeowners policy, and Personal Risk Property, including but not limited to Homeowners and Yacht Hull business when written in combination with Homeowners, Inland Marine, And Fine Arts business (Fine Arts limited to polices with Fine Art limits of $50 million or greater).

   Retention: 80%

   Coverage: For all business other than Inland Marine and Fine Arts business, 100% of reinsurers' shares of $200 million each loss, each policy;
   For Inland Marine and Fine Arts business, 100% of reinsurers' shares of $1 billion each loss, each policy;
   For all business subject to this contact, 100% of reinsurers' shares of $4.97 billion any one loss occurrence.

   Effective date: July 1, 2018

   Termination: July 1, 2020

2. Type: Chubb Major Accounts Quota Share and Surplus Share

   Scope: Section A:
   All Umbrella And Excess Liability business underwritten through the Excess Casualty and Medical Risk units of Chubb major accounts; Construction Practice Policies and Construction Project Policies.

   Section B:
   All Umbrella and Excess Liability business underwritten through the Excess Casualty unit of Chubb Major Accounts.

   Section A and B:
   Policy terms for business covered shall not exceed either of the following time limitations: for wrap-ups and specific project Policies, a combined total of 17 years; for all other policies, 18 months.

	Retention	**Coverage**
Section A – Quota Share	40% of liability for loss up to $25 million each loss, each policy, each insured	60% of liability for loss up to $25 million each loss, each policy, each insured
Section B – Surplus Share	$25 million each loss, each policy, each insured	$25 million each loss, each policy, each insured

   Effective date: August 1, 2019

   Termination: August 1, 2020

3. Type: Technical Risks Obligatory Quota Share

Scope:	Policies classified as property and/or inland marine risks, including construction and written by Starr Technical Risks Agency, Inc. as boiler and machinery, oil, petroleum, petrochemical, refineries, natural gas, chemical, pharmaceutical, utilities and power generation, electronic industries, the process industries (e.g., metal mills, pulp and paper, and mining) and the major users of their products (e.g., printing and publishing, corrugated and box manufacturing, foundries and sheet metal fabricators), similar related or affiliated properties, and other specialty classes.
Retention:	20% of each and every risk
Coverage:	80% - maximum $150 million each and every risk; For any one named windstorm, earthquake or act of terrorism, the maximum liability of the reinsurer is $400 million.
Effective date:	April 1, 2019
Termination:	April 1, 2020

4. Type: Global Property Catastrophe Excess of Loss

Scope:	All policies classified and underwritten as property and underwritten by the Chubb Group including all business comprising Chubb North America and Chubb's Overseas General Insurance Division.

	Retention	**Coverage**
Global Catastrophe and Per Risk Cover – Section A – Catastrophe – Coverage A – United States	$1.2 billion any one loss occurrence	$1 billion any one loss occurrence
Global Catastrophe and Per Risk Cover – Section A – Catastrophe – Coverage B – Rest of World	175 million any one loss occurrence	$1 billion any one loss occurrence
Global Catastrophe and Per Risk Cover – Section A – Catastrophe – Clash – Coverage A&B	$1.2 billion any one Natural Catastrophe	$1 billion any one Natural Catastrophe
Global Catastrophe and Per Risk Cover – Section A – Catastrophe – Coverage A, Coverage B, and Clash Combined	N/A	$2 billion during the term of the contract.
Global Catastrophe and Per Risk Cover – Section B – Per Risk	First sustained an ultimate net loss which is excess of the underlying Risk Excess of Loss program for the Chubb Group (being $350 million in excess of $300 million each and every risk, each and every loss).	$50 million each and every risk, each and every loss
North America Catastrophe Cover – Coverage A – United States	$2.2 billion any one loss occurrence	$1.3 billion any one loss occurrence

	Retention	Coverage
North America Catastrophe Cover – Coverage B – Non-contiguous U.S. and Canada	$1.175 billion any one loss occurrence	$1.3 billion any one loss occurrence
North America Catastrophe Cover – Clash – Coverage A, Coverage B and Rest of World	2.2 billion any one Natural Catastrophe	$1.3 billion any one Natural Catastrophe
North America Catastrophe Cover – Coverage A, Coverage B and Clash	N/A	$2.6 billion during the term of the contract.

Effective date: April 1, 2019

Termination: April 1, 2020

5. Type: Westchester Casualty

Scope: Exhibit A and B:

Polices underwritten by, or on behalf of the Casually, Inland Marine, and Property Departments of Westchester Specialty Group, and classified by the Company as Communications, Warehouse and Forest Products, Umbrella, Excess Liability, Primary General Liability, or Railroad Liability Insurance business (including, but not limited to Railroad Miscellaneous Contractors Liability, Railroad Liability, Track Owners Liability, Contingent Car and Locomotive Leasing Liability, Railroad Protective Liability, force Account Business, Employers Liability, FELA, Contingent FELA, and Commercial General Liability for railroad business).

Policies underwritten by, or on behalf of North America Commercial Insurance, Specialty Casualty and Construction and classified by the company as Primary General Liability, umbrella, Excess Liability and Public Entity.

Policies underwritten by the Chubb Construction Department and classified by the company as Primary General Liability and Auto Liability.

Policies underwritten by, or on behalf of, the Energy Resource Specialty and classified by the company as Primary General Liability (including the casualty portions of multi-line policies), Umbrella, Excess and Pollution Liability.

Exhibit B:

Business classified as umbrella, excess liability or railroad liability.

	Retention	Coverage
Exhibit A – Casualty Quota Share	70%	30% each policy, each occurrence but does not exceed 30% of $10 million with exceptions of $2 million for primary General Liability Policies, $5 million for Chubb Construction Department Policies, $10 million for Public Entity Policies, $6 million for Energy Resource Specialty Policies, and $10 million for Railroad Primary General Liability Policies
Exhibit B – Casualty Excess of Loss	10 million	13.5 million each policy, each occurrence

Effective date: June 1, 2019

Termination: June 1, 2020

6. Type: Network Risk Quota Share

Scope: Section A – First Party Coverages – Per Risk and Clash – Cyber coverages for business interruption, contingent business interruption, digital asset loss, network extortion, data breach fund, e-theft, and e-communication loss.
Section B – Third Party Coverages – Cyber liability and technology errors and omissions coverages: privacy liability, network security liability, technology and internet errors and omissions, miscellaneous professional services liability, and media liability.

	Retention	**Coverage**
Section A Part I (Per Risk) without systems failure coverage	25% of liability for loss up to $25 million per policy, each loss or claim made	75% of liability for loss up to $25 million per policy, each loss or claim made
Section A Part I (Per Risk) with systems failure coverage up to $6 million	25% of liability per policy, each loss or claim made	75% of liability per policy, each loss or claim made
Section A Part I (Per Risk) with systems failure coverage between $6,000,001 to $15 million	$1.5 million per policy, each loss or claim made	$4,500,001 to 13.5 million per policy, each loss or claim made
Section A Part I (Per Risk) with systems failure coverage between $15,000,001 to $25 million	$2.5 million per policy, each loss or claim made	$12,500,001 to 22.5 million per policy, each loss or claim made
Section A Part II (Clash)	$25 million per occurrence	$25 million per occurrence
Section B Part I – for policies with an aggregate policy limit between $10 million and $15 million	65% of liability per policy, each loss or claim made	35% of liability per policy, each loss or claim made
Section B Part II - for policies with an aggregate policy limit between $15 million and $25 million	50% of liability per policy, each loss or claim made	50% of liability per policy, each loss or claim made
Aggregate Section A – Part I (Per Risk) and Section B – Part I & II	N/A	$1.5 billion

Effective date: October 1, 2019

Termination: October 1, 2020

7. Type: Property Surplus

Scope: Business underwritten by NA Major Accounts, NA Commercial Insurance, including NA Major Accounts and NA Commercial Insurance

Global Property, and the NA E&S wholesale (Westchester), and classified as property and inland marine.

Retention: $2.5 million minimum retention.
$10 million aggregate for named storms and earthquake.

Coverage: Up to two times net line for covered business and restricted to policies with limits of $2.5 million or more.
$20 million each risk;
Any one occurrence for perils excluding earthquake, 225% of subject written premium ceded subject to a minimum of $240 million and a maximum of $294 million per occurrence.
Any one occurrence for earthquake, 300% of the subject written premium ceded subject to a minimum of $320 million and a maximum of $390 million.
All losses under the agreement for acts of terrorism shall not exceed $267 million.

Effective date: July 1, 2019

Termination: July 1, 2020

8. Type: Financial Lines Surplus Share

Scope: All business classified as Financial Lines Management and Professional Liability including but not limited to Directors' and Officers' Liability, Errors And Omissions Liability, Employment Practices Liability, Fiduciary, Fidelity, Crime, Kidnap, Ransom and Extortion Liability and Third Party Cyber Liability, with exceptions.

	Retention	**Limit**
Section A – Excess of Net Underwriting Guidelines	Varies by Underwriting guidelines	Varies by limit – maximum $25 million any one policy
Section B – Business Formerly Ceded Under the Legacy Chubb Professional Lines Proportional Reinsurance Contract and the Legacy ACE Facultative Facility	Varies	Varies by limit - maximum $15 million any one policy
Section C - Non-Obligatory Cessions	Varies	Varies by limit – maximum $10 million any one policy
Global Breach Excess of Loss Coverage	$50 million	$25 million in the aggregate for any one insured, and further, for all insureds, in respect of all claims made or losses occurring during the contract term

Effective date: June 1, 2019

Termination: June 1, 2020

9. Type: Medical Risk Quota Share

Scope:	All policies classified as Facilities/Hospitals, Miscellaneous Medical Professional Liability, Physicians & Allied Health, Long Term Care, and Managed Care Errors & Omissions.
Retention:	40% of up to $15 million policy limit and 25% of up to $25 million policy limit
Coverage:	For all policies other than Managed Care Errors and Omissions policies,100% of $25 million each claim or occurrence, each policy; For all Managed Care Errors and Omissions policies, 100% of $15 million each claim or occurrence, each policy.
Effective date:	January 1, 2020
Termination:	January 1, 2021

10. Type: (Westchester and Inland Property) Excess Per Risk

Scope: All policies classified as:
"Chubb Property business" (property business and underwritten by the Westchester Property Division, and Westchester Boiler and Machinery/Equipment Breakdown business);
"Chubb Inland Marine and Commercial Marine business" (Westchester Inland Marine or Commercial Marine business as respects only the first and third layers, and Major Accounts and Commercial Insurance (retail) Inland Marine or Commercial Marine business or Marinas business with limits of $10 million or greater as respects only the third layer);
"Westchester Premier, Non-Premier and US Risk business" (Westchester "Premier and Non-Premier" business designated by the following codes: 0032725 and 0027111 as respects only the third layer, and Westchester US Risk produced nursing home and nursing home-related business designated by the following producer code: 0032771, as respects only the third layer)

	Retention	**Coverage**
First Layer	$2.5 million each loss, each risk	$2.5 million each loss, each risk; $95 million aggregate in any one loss occurrence; for losses arising from act of terrorism, $95 million aggregate in any one loss occurrence and $95 million aggregate during the term of the contract
Second Layer	$5 million each loss, each risk and $8.75 million aggregate with respect to the Chubb Property business	$5 million each loss, each risk; $30 million aggregate in any one loss occurrence; for losses arising from act of terrorism, $30 million aggregate in any one loss occurrence and $30 million aggregate during the term of the contract; $100 million aggregate during the term of the contract
Third Layer	$10 million each loss, each risk	$15 million each loss risk; $35 million aggregate in any one loss occurrence; for losses arising from act of terrorism, $35

	Retention	Coverage
		million aggregate in any one loss occurrence and $35 million aggregate during the term of the contract; $100 million aggregate during the term of the contract

Effective date: January 1, 2020

Termination: January 1, 2021

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2019, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

Pacific Indemnity Company
Assets
As of December 31, 2019

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 8,978,967,075	$	$ 8,978,967,075
Stocks:			
Preferred stocks	7,624,000		7,624,000
Common stocks	7,678,938	148,938	7,530,000
Cash, cash equivalents, and short-term investments	275,733,479		275,733,479
Other invested assets	28,270,166		28,270,166
Receivables for securities	478,989		487,989
Investment income due and accrued	93,678,340		93,678,340
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	457,152,528		457,152,528
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	706,155,905	2,331,468	703,824,437
Accrued retrospective premiums and contracts subject to redetermination	35,250,846	3,568,008	31,682,838
Reinsurance:			
Amounts recoverable from reinsurers	72,710,213		72,710,213
Net deferred tax asset	138,052,042	36,121,052	101,930,990
Receivable from parent, subsidiaries, and affiliates	699,237,632		699,237,632
Write-ins for other than invested assets:			
Equities and deposits in pools and associations	15,739,192		15,739,192
Prepaid unallocated loss adjustment expenses	36,046,583	36,046,583	0
Other assets	2,077,369		2,077,369
Total Assets	$11,554,853,297	$78,216,049	$11,476,637,248

Pacific Indemnity Company
Liabilities, Surplus, and Other Funds
As of December 31, 2019

Losses		$ 4,210,452,127
Reinsurance payable on paid loss and loss adjustment expenses		604,331,998
Loss adjustment expenses		1,248,500,948
Commissions payable, contingent commissions, and other similar charges		37,391,063
Taxes, licenses, and fees (excluding federal and foreign income taxes)		24,639,758
Current federal and foreign income taxes		21,165,078
Unearned premiums		1,611,781,665
Dividends declared and unpaid:		
Policyholders		20,104,516
Ceded reinsurance premiums payable (net of ceding commissions)		266,275,434
Remittances and items not allocated		21,128
Payable to parent, subsidiaries, and affiliates		1,044,940
Payable for securities		24,167,582
Write-ins for liabilities:		
Commission payables		32,835,564
Other miscellaneous liabilities		2,918,039
Total Liabilities		8,105,629,840
Common capital stock	$ 5,535,000	
Gross paid in and contributed surplus	520,019,566	
Unassigned funds (surplus)	2,845,452,842	
Surplus as Regards Policyholders		3,371,007,408
Total Liabilities and Surplus		$11,476,637,248

Pacific Indemnity Company
Summary of Operations
For the Year 2019

Underwriting Income		
Premiums earned		$3,544,743,771
Deductions:		
Losses incurred	$2,004,803,170	
Loss adjustment expenses incurred	476,561,606	
Other underwriting expenses incurred	831,993,601	
Total underwriting deductions		3,313,358,377
Net underwriting gain (loss)		231,385,394
Investment Income		
Net investment income earned	353,687,165	
Net realized capital gains (losses)	6,629,421	
Net investment gain (loss)		360,316,586
Other Income		
Write-ins for miscellaneous income:		
Miscellaneous income (expense)	4,426	
Total other income		4,426
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		591,706,406
Dividends to policyholders		9,167,634
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		582,538,772
Federal and foreign income taxes incurred		109,677,619
Net Income (Loss)		$ 472,861,153

Pacific Indemnity Company
Cash Flow
For the Year 2019

Premiums collected net of reinsurance			$3,399,653,679
Net investment income			400,763,912
Miscellaneous income			4,426
Total			3,800,422,017
Benefit- and loss-related payments		$1,831,783,233	
Commissions, expenses paid, and aggregate write-ins for deductions		1,216,241,897	
Dividends paid to policyholders		9,996,280	
Federal and foreign income taxes paid (recovered)		110,557,201	
Total deductions			3,168,578,611
Net cash from operations			631,843,406
Proceeds from investments sold, matured, or repaid:			
Bonds	$2,097,518,321		
Stocks	60,861,741		
Other invested assets	1,883,391		
Net gains (losses) on cash, cash equivalents, and short-term investments	22,126		
Total investment proceeds		2,160,285,578	
Cost of investments acquired (long-term only):			
Bonds	2,346,607,774		
Stocks	1,489,356		
Other invested assets	28,721		
Miscellaneous applications	15,166,235		
Total investments acquired		2,363,292,086	
Net cash from investments			(203,006,508)
Cash from financing and miscellaneous sources:			
Dividends to stockholders		300,000,000	
Other cash provided (applied)		(48,325,453)	
Net cash from financing and miscellaneous sources			(348,325,453)
Reconciliation:			
Net Change in Cash, Cash Equivalents, and Short-Term Investments			80,511,446
Cash, cash equivalents, and short-term investments:			
Beginning of year			195,222,033
End of Year			$ 275,733,479

Pacific Indemnity Company
Compulsory and Security Surplus Calculation
December 31, 2019

Assets			$11,476,637,248
Less liabilities			8,105,629,840
Adjusted surplus			3,065,980,408*
Annual premium:			
Individual accident and health	$ 7,714,480		
Factor	15%		
Total		$ 1,157,172	
Group accident and health	114,453,549		
Factor	10%		
Total		11,445,354	
Lines other than accident and health	3,493,153,840		
Factor	20%		
Total		698,630,768	
Compulsory surplus (subject to a minimum of $2 million)			711,233,294
Compulsory Surplus Excess (Deficit)			$ 2,354,747,114
Adjusted surplus (from above)			$3,065,980,408
Security surplus (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)			782,356,623
Security Surplus Excess (Deficit)			$ 2,283,623,785

*Surplus is reduced by the amount of non-tabular discounting of workers compensation loss reserves of $305,027,000, pursuant to the Stipulation and Order Case No. 18-C42449 dated April 30, 2018.

Pacific Indemnity Company
Analysis of Surplus
For the Three-Year Period Ending December 31, 2019

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2019	2018	2017
Surplus, beginning of year	$3,178,023,665	$2,992,544,839	$2,926,618,506
Net income	472,861,153	482,851,104	342,342,035
Change in net unrealized capital gains/losses	30,725,452	(46,257,675)	8,350,566
Change in net unrealized foreign exchange capital gains/losses	(151,067)	(770,010)	2,475,474
Change in net deferred income tax	19,261,103	70,095,350	(95,388,760)
Change in nonadmitted assets	(29,609,090)	(32,400,500)	39,736,822
Change in provision for reinsurance		11,876,040	(5,961,670)
Dividends to stockholders	(300,000,000)	(300,000,000)	(225,000,000)
Write-ins for gains and (losses) in surplus: Prior Period Adjustment	(103,808)	84,517	(628,134)
Surplus, End of Year	$3,371,007,408	$3,178,023,665	$2,992,544,839

Pacific Indemnity Company
Insurance Regulatory Information System
For the Three-Year Period Ending December 31, 2019

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. (1) Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2019	2018	2017
#1	Gross Premium to Surplus	127%	150%	75%
#2	Net Premium to Surplus	108	138	29
#3	Change in Net Premiums Written	-17	408*	-20
#4	Surplus Aid to Surplus	0	0	1
#5	Two-Year Overall Operating Ratio	78	71	70
#6	Investment Yield	3.9	3.8	3.3

	Ratio	2019	2018	2017
#7	Gross Change in Surplus	6	6	2
#8	Change in Adjusted Surplus	6	6	2
#9	Liabilities to Liquid Assets	79	80	59
#10	Agents' Balances to Surplus	14	14	12
#11	One-Year Reserve Development to Surplus	-5	-5	-5
#12	Two-Year Reserve Development to Surplus	-12	-9	-9
#13	Estimated Current Reserve Deficiency to Surplus	29*	59*	-24

Ratio No. 3 measures the company's net premiums written compared to the prior year. The exceptional result in 2018 was primarily due to the company's participation in the Chubb Pool, effective January 1, 2018.

Ratio No. 13 provides an estimate on the adequacy of current reserves. This estimated deficiency is the difference between the estimated reserves required by the insurer and the actual reserves maintained. The exceptional results in 2018 and 2019 were also due to the company's participation in the Chubb Pool, effective January 1, 2018.

Growth of Pacific Indemnity Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2019	$11,476,637,248	$8,105,629,840	$3,371,007,408	$472,861,153
2018	11,006,896,748	7,828,873,083	3,178,023,665	482,851,104
2017	6,560,023,975	3,567,479,136	2,992,544,839	342,342,035
2016	6,555,131,608	3,628,513,102	2,926,618,506	417,824,473

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2019	$4,268,813,440	$3,624,489,496	$3,554,743,771	70.0%	23.0%	93.0%
2018	4,754,457,474	4,383,898,102	3,382,421,198	63.3	18.3	81.6
2017	2,251,630,965	863,196,222	998,901,904	59.0	25.3	84.3
2016	2,302,346,610	1,074,496,819	1,295,105,492	53.2	31.8	85.0

Pacific Indemnity Company's consistent focus on underwriting profitability through careful risk selection and pricing is evident in the above financial information. The 20% participation in the Chubb Pool, effective January 1, 2018, has affected the growth of net premium written and premium earned in

2018 and 2019. The company has a strong history of low combined ratios accounting for the company's profitability year after year. Consequently, the company has generated strong net income each of the past four years. The strength of the net income has afforded the company to pay dividends to upstream affiliates $225 million in 2017 and $300 million in 2018 and 2019, respectively. The policyholders' surplus grew 15%, increasing from $2.9 billion in 2016 to $3.4 billion in 2019.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2019, is accepted.

Examination Reclassifications

No reclassifications were made as a result of the examination.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were two specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Annual Conflict of Interest Statements—It is recommended that the company's officers, directors and key employees annually disclose all potential conflicts concerning their respective duties with the company in accordance with a directive from the Commissioner of Insurance.

   Action—Compliance.

2. Investments Custodial Agreement—It is recommended that the company amend their custodial agreement with The Northern Trust Company, Canada so it contains all of the necessary indemnification language in accordance with the Financial Condition Examiners Handbook.

   Action—Compliance.

Summary of Current Examination Results

There were no adverse or material examination findings as a result of the current examination of the company.

VIII. CONCLUSION

Pacific Indemnity Company's consistent focus on underwriting profitability through careful risk selection and pricing resulted in strong financial results in each year during the examination period. The 20% participation in the Chubb Pool, effective January 1, 2018, has affected the growth of net premium written and premium earned in 2018 and 2019. The company has a strong history of low combined ratios accounting for the company's profitability year after year. Consequently, the company has generated strong net income each of the past three years which has afforded the company to pay dividends to upstream affiliates of $225 million in 2017 and $300 million in 2018 and 2019. The policyholders' surplus grew 15%, increasing from $2.9 billion in 2016 to $3.4 billion in 2019.

The prior examination resulted in two examination recommendations, which the company has complied with. There were no recommendations made as a result of the current examination. No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2019, is accepted. No reclassifications were made as a result of the examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no recommendations made as a result of this examination.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	**Title**
Martha Goettelman	Insurance Financial Examiner
Mark McNabb	Insurance Financial Examiner
David Jensen, CFE	IT Specialist
Nicholas Hartwig	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

Xiaozhou Ye
Examiner-in-Charge

XI. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the coronavirus disease (COVID-19) a pandemic. As of the date of this report, there is still significant uncertainty on the effect that the pandemic will have on the insurance industry, economy, and society at large. The examination's review of the impact to the company through May 2021 noted that there has not been a significant impact to the company overall; however, due to various uncertainties with the pandemic, it is unclear whether this will continue to have a minimal impact to the company or if it will escalate. The Office of the Commissioner of Insurance will continue to monitor how the pandemic might impact the company.