

Report on Examination
of
PROVIDENCE WASHINGTON INSURANCE COMPANY
Providence, Rhode Island
as of
December 31, 2021



State of Rhode Island
Department of Business Regulation
Insurance Division



Insurance Division

**State of Rhode Island
DEPARTMENT OF BUSINESS REGULATION
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920**

ADOPTION ORDER

The attached Report of Examination as of December 31, 2021, of the condition and affairs of

PROVIDENCE WASHINGTON INSURANCE COMPANY

was recently completed by duly qualified examiners, pursuant to the provisions of the Rhode Island General Laws.

Due consideration has been given to the comments of the examiners regarding the operation of the Companies and their financial condition, as reflected in the report.

It is therefore ORDERED that said Report be, and it is hereby, adopted and filed and made an official record of this Department as of this date.

Department of Business Regulation

A handwritten signature in black ink that reads "Elizabeth Kelleher Dwyer".

Dated: May 31, 2023

Elizabeth Kelleher Dwyer
Superintendent of Insurance

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April 21, 2023

Ms. Elizabeth Kelleher Dwyer
Superintendent of Insurance
State of Rhode Island
Department of Business Regulation
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

Dear Superintendent Dwyer:

In accordance with your instructions and pursuant to Chapters 13.1 and 35 of Title 27 of the General Laws of the State of Rhode Island, an examination has been made as of December 31, 2021 of the financial condition and affairs of

PROVIDENCE WASHINGTON INSURANCE COMPANY

located at One Financial Plaza, Suite 2800, Westminster Street, Providence, Rhode Island. The report of such examination is herewith submitted.

Providence Washington Insurance Company (also referred to as “PWIC,” or “the Company”) was previously examined as of December 31, 2018, and both the current and prior examinations were conducted by the Insurance Division of the State of Rhode Island (“Insurance Division”).

SCOPE OF EXAMINATION

The last examination of the Company covered the five-year period from January 1, 2014 through December 31, 2018. The current examination covered the three-year period from January 1, 2019 through December 31, 2021 and was performed in compliance with the above-mentioned sections of the General Laws of the State of Rhode Island, as amended. The current examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”) risk-focused examination process, and was performed in conjunction with the full-scope coordinated multi-state risk-focused examination (“2021 Coordinated Exam”) of the Ambac Financial Group. The Lead State for the 2021 Coordinated Exam was Arizona. The states of New Jersey, Pennsylvania, Rhode Island, and Wisconsin participated in the 2021 Coordinated Exam, which included the following insurers:

Name of Insurer	State of Domicile
Everspan Insurance Company	AZ
Everspan Indemnity Insurance Company	AZ
21 st Century Indemnity Insurance Company*	PA
Providence Washington Insurance Company	RI
Ambac Assurance Corporation	WI

*Subsequent to December 31, 2021, the name was changed to Greenwood Insurance Company.

The 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 was identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse or significant non-compliance findings noted during the examination conducted as of December 31, 2021.

COMPANY HISTORY

The Company is the outgrowth of two companies; namely, Providence Insurance Company and Washington Insurance Company that were incorporated by Acts of the General Assembly of the State of Rhode Island on January 5, 1799 and January 10, 1800, respectively. The Act to incorporate the stockholders of Providence Insurance Company and Washington Insurance Company into one company was passed by the General Assembly of the State of Rhode Island at its February Session in 1820.

In 1982, through a series of transactions, PW Holdings, Inc. (“PWH”) was formed, and all issued and outstanding shares of capital stock of PWIC were contributed to PWH.

On October 23, 1998, control of PWIC was transferred in a transaction approved by the Insurance Division, dated October 19, 1998, pursuant to which all outstanding shares of the voting securities of Baloise U.S. Holdings, Inc. (parent of PWH, and sole shareholder of PWIC) were sold to PW Acquisition Company.

On July 20, 2010, a 100% interest in PW Acquisition Company was sold to PWAC Holdings, Inc., a holding company that was wholly owned by Enstar Group Limited (Bermuda) (“Enstar Group”). During 2015, there were several consolidations of insurance holding companies, such that PW Acquisition Co. was merged into PWAC Holdings, Inc., which in turn was merged into Enstar Holdings (US) Inc. Following these consolidations, all outstanding shares of the Company were immediately owned or controlled by Enstar Holdings (US) Inc., an insurance holding company domiciled in the State of Delaware. On December 28, 2017, Enstar Holdings (US) Inc. converted from a Delaware corporation into a Delaware limited liability company and changed its name to Enstar (US) Holdings LLC. The Company and the aforementioned entities were ultimately owned by Enstar Group.

During 2012, American Concept Insurance Company, a wholly-owned subsidiary of the Company, was merged with and into the Company, with PWIC being the surviving entity.

As of March 31, 2014, Capital Assurance Company, Inc. (“Capital”), an affiliated property & casualty insurer domiciled in Florida and a wholly-owned subsidiary of Sun Gulf Holdings, was merged into

the Company.

As of December 31, 2014, York Insurance Company, a wholly-owned subsidiary property & casualty insurer domiciled in Rhode Island, was merged into the Company.

As of March 31, 2015, Seaton Insurance Company (“Seaton”), an affiliated property & casualty insurer domiciled in Rhode Island and a wholly-owned subsidiary of Virginia Holdings Ltd, was merged into the Company. Prior to the merger, Seaton was a multi-line property and casualty insurance company. Subsequent to the merger, the Company continued to run off Seaton’s discontinued book of reinsurance assumed business and Seaton’s discontinued book of facultative and special risks business until October 15, 2020, when PWIC was approved to transfer its existing business to Yosemite Insurance Company (“YIC”) as an Insurance Business Transfer (“IBT Plan”) under Oklahoma's new statute. The Company had previously entered into a voluntary runoff on May 28, 2004 and undertook actions to cease writing new and renewal business at the earliest possible date.

On June 3, 2021, Enstar Holdings transferred 100% of PWIC’s outstanding common stock to Enstar Solutions LLC (“Enstar Solutions”), a Delaware limited liability company, which was a wholly-owned subsidiary of Enstar Holdings, which in turn was a wholly-owned subsidiary of Enstar Group, a publicly traded Bermuda corporation.

On June 14, 2021, Everspan Insurance Company (“EIC”), domiciled in the State of Arizona, filed a Form A with the Rhode Island Insurance Division for the proposed acquisition of Providence Washington Insurance Company. The Form A was approved on September 23, 2021, and the effective

date of the sale of PWIC's stock to EIC was October 1, 2021. EIC, incorporated on January 11, 1968 as a Wisconsin insurer, was redomiciled to Arizona in December 2020. EIC is a direct wholly-owned subsidiary of Everspan Indemnity Insurance Company ("EIIC"), an Arizona domiciled excess and surplus lines insurer, and collectively with the Company, the ("Everspan Group"). The Everspan Group is an indirect subsidiary of Ambac Financial Group, Inc. ("AFG"), a Delaware financial services holding company, the shares of which are publicly traded on the New York Stock Exchange.

MANAGEMENT AND CONTROL

Stockholders

The revised Bylaws of the Company, as of October 1, 2021, provide that the annual meeting shall be held on March 1st of each year or at such place, date, and time as shall be otherwise fixed by the Board and designated in the notice or waiver of notice of such annual meeting, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. Special meetings of the shareholders, for any purpose or purposes, may be called by the Chief Executive Officer, the President, the Secretary, or the Board, and shall be called by the President at the request of the holders of not less than a majority of all the outstanding shares of the Company entitled to vote at the meeting. At all meetings of the stockholders, each outstanding share of common stock shall be entitled to one (1) vote upon each matter submitted to a vote.

The Bylaws stipulate that two-thirds (2/3) of the shares of issued and outstanding capital stock, entitled by the Articles of Incorporation and by applicable Rhode Island statutes to vote on the business proposed to be transacted at such meeting of stockholders, and represented by the holders of record thereof in person or by proxy, shall constitute a quorum for the transaction of business.

Board of Directors

The Bylaws provide that the business and affairs of the Company shall be managed by the Board of Directors (“Board”). An Executive Committee consisting of three or more members of the Board may be created by the Board. The Board, by the affirmative vote of a majority of the numbers of directors then comprising the Board shall designate the members of the Executive Committee, one of whom shall be designated by the Board as Chairperson of the Executive Committee. The Executive Committee shall have and may exercise all powers of the Board in the management of the business and affairs of the Company when the Board is not in session; provided, however, that the Executive Committee shall have no power or authority in respect to amending the Articles of Incorporation, adopting an agreement of merger or consolidation, recommending to the shareholders the sale, lease or exchange of all or substantially all of the Company’s property and assets, recommending to the shareholders a dissolution of the Company or a revocation of a dissolution, amending the Bylaws of the Company, declaring a dividend, authorizing the issuance of stock or any matter requiring approval of the full Board under the Law. The Board shall have the power at any time to fill the vacancies in, to change the members of, or to dissolve the Executive Committee by the affirmative vote of a majority of the directors then in office, though less than a quorum of the Board, or by a sole remaining director.

The Bylaws stipulate that the number of directors of the Company shall be no less than five (5) nor more than fifteen (15), as determined from time to time by resolution of the Board. As provided in the Articles of Incorporation, the initial Board shall consist of five (5) directors. Each director shall hold office until their successor has been elected and qualified. Directors need not be residents of the State of Rhode Island or shareholders of the Company. Except as provided below, any vacancy occurring in

the Board, including a vacancy resulting from an increase in the number of directors, may be filled by any of the following:

(a) The shareholders;

(b) The Board; or

(c) If the directors remaining in office constitute fewer than a quorum of the Board, the directors, by the affirmative vote of a majority of all directors remaining in office. A vacancy that will occur at a specific later date, because of a resignation effective at a later date, may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

A regular meeting of the Board shall be held without other notice than the Bylaws immediately after, and at the same place as, the annual meeting of shareholders, and each adjourned session thereof. The Board may provide, by resolution, the time and place, for the holding of the additional regular meetings without other notice than such resolution. The Board shall meet at least two (2) times annually. Special meetings of the Board may be called by or at the request of the Chairperson, the Chief Executive Officer, the President, the Secretary, or any two directors. The person or persons authorized to call special meetings of the Board may fix the place for holding any special meetings of the Board called by them. Except as otherwise required by law, the Company's Articles of Incorporation, or Bylaws, a majority of the number of directors then comprising the Board shall constitute a quorum for the transaction of business at any meeting of the Board.

The members of the Board of Directors together with the principal business or professional affiliation of each director was as follows at December 31, 2021:

Name	Business Affiliation	Term Expires
Claude LeBlanc	Ambac Financial Group, Inc. Chief Executive Officer	n/a
Wyatt Blackburn	Everspan Group President	n/a
Stephen M. Ksenak	Ambac Financial Group, Inc. Sr. Managing Director and Chief of Staff	n/a
R. Sharon Smith	Ambac Financial Group, Inc. Sr. Managing Director and General Counsel	n/a
David Trick	Ambac Financial Group, Inc. Sr. Managing Director and Chief Financial Officer	n/a

Committees

The Bylaws provide that the Board may, by resolution adopted by a majority of the Board, designate an executive committee and such other standing and special committees as may be necessary or desirable to manage the business and affairs of the Company, fix the number of members thereof, and specify the duties thereof. As of December 31, 2021, the committees of the Board were composed of the following individuals:

Audit Committee

David L. Herzog, *Chair*
Ian D. Haft
Lisa G. Iglesias
C. James Prieur

Compensation Committee

C. James Prieur, *Chair*
Ian D. Haft
Joan Lamm-Tennant

Governance and Nominating Committee

Joan Lamm-Tennant, *Chair*
C. James Prieur
Jeffrey S. Stein

Strategy Committee

Ian D. Haft, *Chair*

David L. Herzog

Joan Lamm-Tennant

Officers

The Bylaws provide that the principal officers of the Company shall be a Chief Executive Officer, a President, a Secretary, and a Treasurer. The Company shall have such other officers and agents as the Board may from time to time determine necessary, each of whom shall be appointed by the Board. Any number of offices may be held by the same person except for the offices of President and Secretary, and the principal offices of the Company shall be held by at least three separate persons.

The officers of the Company shall be appointed annually at the first meeting of the Board held after each annual meeting of the shareholders. If the officers shall not be chosen at such meeting, they shall be chosen as soon thereafter as convenient. Each officer shall hold office until their successor is duly chosen or until their prior death, resignation, or removal.

The Officers serving, and their respective titles as of December 31, 2021, are as follows:

Name	Title
Claude Leblanc	Chief Executive Officer
Wyatt Blackburn	President
Steven Murray	Chief Financial Officer
Nicholas Scott	General Counsel, Secretary, and Chief Compliance Officer
Steven Dresner	Chief Underwriting Officer and Chief Reinsurance Officer
David Trick	Vice President and Treasurer
Michael Scholl	Senior Pricing Actuary

Organizational Structure

As of December 31, 2021, PWIC is wholly-owned by EIC. EIC was incorporated on January 11, 1968 as a Wisconsin insurer and was redomiciled to Arizona in December 2020. EIC is a direct wholly-owned subsidiary of EIIC, an Arizona domiciled excess and surplus lines insurer. EIIC is a direct wholly-owned subsidiary of Everspan Holdings, LLC. Everspan Holdings, LLC is ultimately owned by AFG, a Delaware financial services holding company, and the ultimate controlling entity in the holding company system.

The following represents an abbreviated organizational chart as of December 31, 2021, which illustrates the identities and interrelationships between the Company, its parent, affiliated insurers, and other members of the holding company system:

<u>Company</u>	<u>Domicile</u>	<u>% Owned</u>
Ambac Financial Group, Inc.	Delaware	100%
Everspan Holdings, LLC	Delaware	100%
Everspan Indemnity Insurance Company	Arizona	100%
Everspan Insurance Company	Arizona	100%
Providence Washington Insurance Company	Rhode Island	100%

Intercompany Agreements

Capital Maintenance Agreement

PWIC has a capital maintenance agreement with EIIC whereby EIIC agrees to maintain the Risk-Based Capital (“RBC”) of PWIC in an amount not less than 300% of the Authorized Control Level RBC. Should RBC fall below 300%, EIIC would need to provide PWIC with the necessary additional capital to increase RBC to at least 300% in order to ensure PWIC remains in good standing. The minimum

term of this agreement is for 5 years following the effective date. If PWIC achieves three consecutive years of positive net income for the 2025 calendar year or any subsequent year, PWIC may request approval of the Rhode Island Insurance Division to terminate the agreement.

Intercompany Cost Allocation Agreement

Following EIC's acquisition of PWIC, PWIC entered into the 1st Amendment to the Amended and Restated Expense Sharing Cost Allocation Agreement ("Amendment"), effective October 1, 2021, with affiliates Ambac Assurance Corporation, Ambac Financial Services, LLC, Aleutian Solutions, LLC, Everspan Indemnity Insurance Company, Everspan Insurance Company, and ultimate controlling parent, Ambac Financial Group, Inc. The purpose of the Amended and Restated Expense Sharing Cost Allocation Agreement is to achieve operating economies and to ensure that the charges for certain shared service departments and functions incurred reflect actual costs as determined in a fair and equitable manner.

Tax Sharing Agreement

Following EIC's acquisition of PWIC, PWIC entered into the First Amendment to the Tax Sharing Agreement ("Tax Amendment") with affiliates Everspan Insurance Company, Ambac Asset Management, Inc., and ultimate controlling parent, Ambac Financial Group, Inc. ("AFG"). This Tax Amendment adds PWIC as a party to the Tax Sharing Agreement, as a result of its acquisition on October 1, 2021.

TERRITORY AND PLAN OF OPERATION

On May 28, 2004, the Company announced to the public and its agents its intentions to enter into a self-administered runoff. A runoff plan was prepared by management and reviewed with

representatives of the Rhode Island Insurance Division. Withdrawal plans were approved by each state in which the Company was licensed to operate, and an orderly process of non-renewal commenced shortly thereafter. New business ceased immediately upon the announcement of the rating downgrade to B- by A.M. Best on May 30, 2004. The Company worked aggressively with agents, policyholders, and mortgagors to remarket virtually all the in-force business subsequent to the runoff announcement.

A new management team was identified to prepare for and manage the runoff. Runoff activities continued for many years, specifically in claims administration and financial reporting. On October 15, 2020, PWIC was approved to transfer its existing business to Yosemite Insurance Company as an Insurance Business Transfer (“IBT Plan”) under Oklahoma's new statute. The IBT Plan included non-proportional assumed liability reinsurance, other liability/occurrence insurance, commercial multi-peril insurance, and workers’ compensation insurance previously underwritten by PWIC.

On October 1, 2021, the Company was sold to EIC, domiciled in Arizona, whose ultimate controlling parent is the Ambac Financial Group, Inc. As part of the Form A filing for the sale of PWIC to EIC, the acquiring company submitted a three-year business plan, which anticipates PWIC entering into agreements with managing general agents to sell insurance. The Company is currently licensed to transact business in forty-eight (48) jurisdictions, but has not written any new business as of December 31, 2021

REINSURANCE

Effective July 1, 1993, Seaton Insurance Company (“Seaton”) entered into a Quota Share Reinsurance Agreement (“Quota Share Agreement”) with Unigard Insurance Company (“UIC”), a former affiliate. Under the Quota Share Agreement, UIC assumed 100% of Seaton’s continuing insurance operations business, net premiums written and related losses. The Quota Share Agreement also provided for UIC to convert all of Seaton’s continuing insurance operations business to UIC policies as soon as reasonably practicable. In connection with the foregoing, Seaton entered into a service agreement with UIC, whereby UIC will service continuing operations policies covered under the Quota Share Agreement. With the March 31, 2015 merger of Seaton into PWIC, the Company continued to run off Seaton’s discontinued book of reinsurance assumed business and Seaton’s discontinued book of facultative and special risks business until October 15, 2020, when PWIC was approved to transfer its existing business to YIC as an IBT Plan.

Effective December 31, 2018, the Company entered into a Net Retained Liability Agreement (“NRLA”) with its then-affiliate, YIC, whereby PWIC cedes 100% of its net liability arising from all business written by the Company prior to the date of the agreement. As stated above, on October 15, 2020, PWIC was approved to transfer its existing business to YIC as an IBT Plan under Oklahoma statute.

Effective November 1, 2020, the Company entered into a Novation and Assumption Agreement (“Novation”) with QBE Insurance Corporation (“QBEIC”) and Unigard Insurance Company (“Unigard”). Previously, PWIC and Unigard entered into a reinsurance agreement, dated December 10, 1993 and effective July 1, 1993, whereby certain insurance policies of PWIC were ceded to, and

assumed by Unigard (the “Quota Share Reinsurance Agreement”). The Novation transfers all rights, privileges, liabilities, and obligations in, to, and arising under the Quota Share Reinsurance Agreement to QBEIC. From the two aforementioned agreements, PWIC was the successor to Seaton, which was the successor to Unigard Security Insurance Company (“USIC”) through a series of transactions. USIC was reinsured by UIC through the Quota Share Reinsurance Agreement. As a result of the Novation, QBEIC stepped into UIC’s role as reinsurer and PWIC no longer has any underlying insurance liabilities.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Rhode Island Insurance Division and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements:

Comparative Statement of Assets
December 31, 2021 and December 31, 2018

Comparative Statement of Liabilities, Surplus and Other Funds
December 31, 2021 and December 31, 2018

Statement of Income
Year Ended December 31, 2021

Reconciliation of Capital and Surplus
December 31, 2018 to December 31, 2021

Analysis of Examination Adjustments
December 31, 2021

PROVIDENCE WASHINGTON INSURANCE COMPANY
Comparative Statement of Assets
December 31, 2021 and December 31, 2018

	December 31, 2021	December 31, 2018	Increase (Decrease)
Bonds	\$11,564,947	\$95,744,846	(\$84,179,899)
Cash, cash equivalents, and short-term investments	1,183,247	3,493,535	(2,310,288)
Other Invested Assets	-	11,164,249	(11,164,249)
Receivables for securities	277,683	-	277,683
Investment income due and accrued	52,567	747,865	(695,298)
Amounts recoverable from reinsurers	-	2,398,734	(2,398,734)
Funds held by or deposited with reinsured companies	-	186,792	(186,792)
Other amounts receivable under reinsurance contracts	-	2,604,313	(2,604,313)
Net deferred tax asset	-	1,505,332	(1,505,332)
Receivables from parent, subsidiaries, and affiliates	68,888	-	68,888
Total Assets	<u>\$13,147,332</u>	<u>\$117,845,666</u>	<u>(\$104,698,334)</u>

PROVIDENCE WASHINGTON INSURANCE COMPANY
Comparative Statement of Liabilities, Surplus and Other Funds
December 31, 2021 and December 31, 2018

	December 31, 2021	December 31, 2018	Increase (Decrease)
Reinsurance payable on paid losses and loss adjustment expenses	\$0	\$3,946,475	(\$3,946,475)
Commissions payable, contingent commissions, and other similar charges	-	(3,946,475)	3,946,475
Other expenses (excluding taxes, licenses, and fees)	115,000	9,546,453	(9,431,453)
Funds held by company under reinsurance treaties	-	70,114,971	(70,114,971)
Provision for reinsurance	-	1,340,045	(1,340,045)
Payable to parent, subsidiaries, and affiliates	3,289	18,174,789	(18,171,500)
Aggregate write-ins for other liabilities	-	(1,750,508)	1,750,508
Total Liabilities	\$118,289	\$97,425,750	(\$97,307,461)
Common capital stock	5,021,200	5,021,200	-
Gross paid in and contributed surplus	73,679,828	80,329,828	(6,650,000)
Unassigned funds (surplus)	(65,671,985)	(64,931,112)	(740,873)
Total Capital and Surplus	13,029,043	20,419,916	(7,390,873)
Total Liabilities, Surplus and Other Funds	\$13,147,332	\$117,845,666	(\$104,698,334)

PROVIDENCE WASHINGTON INSURANCE COMPANY
Statement of Income
Year Ended December 31, 2021

Underwriting Income:

Premiums earned \$0

Deductions:

Losses incurred -

Loss adjustment expenses incurred -

Other underwriting expenses incurred \$516,322

Total underwriting deductions 516,322

Net underwriting gain (loss) (516,322)

Investment Income:

Net investment income earned 356,784

Net realized capital gains (losses)
less capital gains tax 210,054

Net investment gain (loss) 566,838

Other Income:

Aggregate write-ins for miscellaneous income (1,903)

Total other income (1,903)

Net income, after dividends to policyholders, after
capital gains tax, and before all other federal
and foreign income taxes 48,613

Federal and foreign income taxes incurred (12,397)

Net income \$61,010

PROVIDENCE WASHINGTON INSURANCE COMPANY
Reconciliation of Capital and Surplus
December 31, 2018 to December 31, 2021

Capital/Surplus Change During Examination Period

Capital and Surplus, December 31, 2018: \$20,419,916

	<u>Gains</u>	<u>Losses</u>	
Net Income	\$4,074,618		
Change in net unrealized capital gains		\$4,248,570	
Change in net deferred income tax		7,397,449	
Change in nonadmitted assets	5,892,119		
Change in provision for reinsurance	1,340,045		
Surplus adjustments		6,650,000	
Aggregate write-in for surplus gains or (losses)	_____	_____	
Total Gains and Losses	11,306,782	18,697,655	
Net change in Capital and Surplus for the period			(7,390,873)
Capital and Surplus, December 31, 2021			\$13,029,043

PROVIDENCE WASHINGTON INSURANCE COMPANY
Analysis of Examination Adjustments
December 31, 2021

The examination of Providence Washington Insurance Company, performed as of December 31, 2021, did not disclose any material misstatements to the financial statements contained in its 2021 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.

COMMENTS ON FINANCIAL STATEMENTS

Bonds

\$ 11,564,947

The above amount is the net admitted value of bonds held by the Company at December 31, 2021 and is the same amount reported in its 2021 Annual Statement. All bonds are held in accordance with the terms of custodial agreements with third-party financial institutions.

The quality designations of all securities included in the Company's bond portfolio were reviewed based upon criteria established by the NAIC's Securities Valuation Office. It was noted that 88.2% of the bond portfolio were designated NAIC 1, which are bonds of the "highest" quality, according to the NAIC Designation system, and 11.8% were designated NAIC 2 ("high" quality).

The book value, fair value, actual cost, and par value of the bond portfolio at December 31, 2021, were as follows:

<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Actual Cost</u>	<u>Par Value</u>
\$11,564,947	\$11,704,008	\$11,553,016	\$11,568,000

Actuarially Determined Assets and Liabilities

<u>Losses</u>	<u>\$ 0</u>
<u>Loss Adjustment Expenses</u>	<u>0</u>

The Arizona Department of Insurance and Financial Institutions contracted with Risk & Regulatory Consulting, LLC to perform a review of the Everspan Group's Actuarial Pricing and Reserving Key Functional Activities. The actuarially determined amounts above are the same as those reported in the Company's 2021 Annual Statement. The direct and assumed reserve liabilities related to Providence Washington Insurance Company held prior to its acquisition by EIC on October 1, 2021 were not in scope, as all legacy liabilities are ceded to reinsurers and Enstar provides uncapped, unlimited indemnity to mitigate any residual risk to the reinsurers.

SUBSEQUENT EVENTS

A review of the minutes to the Board of Directors' meetings and its various committees for the period subsequent to the examination period was performed to ascertain whether any subsequent events have occurred which would have a material impact on the Company's operations or financial statements. In addition, an inquiry was made of the Company's management regarding subsequent events. Based upon our review, there were three (3) significant events and transactions which occurred subsequent to the period covered by this examination requiring disclosure:

- On April 27, 2022, the Insurance Division approved PWIC's request for a reclassification of gross paid-in and contributed surplus and unassigned funds (surplus) under a quasi-reorganization consistent with SSAP No.72, Surplus and Quasi-Reorganizations. The quasi-reorganization reclassification, effective January 1, 2022, was as follows:

	As of December 31, 2021	Quasi-Reorganization Reclassification	As of January 1, 2022
Common Stock	\$5,021,200	-	\$5,021,200
Paid-in Capital	73,679,828	(\$65,671,985)	8,007,843
Unassigned funds (surplus)	(65,671,985)	65,671,985	-
Total Capital and Surplus	\$13,029,043	-	\$13,029,043

- On April 1, 2022, EIC transferred 100% of its ownership of PWIC to PWIC Holdings, Inc., and sold 9.9% of its ownership of PWIC Holdings, Inc. to Embroker Carrier Holdings, Inc.
- Effective July 1, 2022, PWIC entered into a Quota Share Reinsurance Agreement with its affiliate, EIIC. Under this Agreement, PWIC cedes an 80% interest in its gross net liability, premiums, losses, and fees to EIIC.

CONCLUSION

We have applied verification procedures to the data and information contained in this report using sampling techniques and other examination procedures as deemed appropriate. While sampling and other examination procedures do not give complete assurance that all errors and irregularities will be detected, had any been detected during the course of this examination, such errors and/or irregularities would have been disclosed in this report. Other than what has been noted in the body of this report, we were not informed of, and did not become aware of, any errors or irregularities that could have a material effect on the financial condition of the Company as presented in this report.

Participating in the examination with the undersigned were various insurance examiners from the Rhode Island Insurance Division.

Respectfully submitted,



Nicholas Illuzzi, CFE
Principal Insurance Examiner
Rhode Island Insurance Division



John Tudino Jr., CFE, CIE, CFSA
Chief Insurance Examiner
Rhode Island Insurance Division