

Report of Examination of

Fireman's Fund Insurance Company of Ohio
Columbus, Ohio

As of December 31, 2013

Table of Contents

Subject	Page
Salutation.....	1
Description of Company.....	1
Scope of Examination.....	1
Management and Control:	
Board of Directors	2
Officers	2
Insurance Holding Company System	3
Territory and Plan of Operations.....	3
Financial Statements:	
Statement of Assets, Liabilities, Capital and Surplus.....	5
Statement of Income.....	6
Statement of Changes in the Capital and Surplus Account.....	6
Notes to Financial Statements:	
Investments.....	7
Loss and Loss Adjustment Expense Reserves.....	7
Conclusion.....	7
Subsequent Events.....	8
Acknowledgement.....	8

Columbus, Ohio
March 26, 2015

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lt. Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Fireman’s Fund Insurance Company of Ohio

an Ohio domiciled, stock, property and casualty insurance company, hereinafter referred to as the “Company.”

Scope of Examination

The Department last examined the Company as of December 31, 2010. The Department’s current examination covers the period of January 1, 2011 through December 31, 2013.

Representatives of the California Department of Insurance, as the Coordinating State regulator of Sub-Group A of Allianz SE, namely, Fireman’s Fund Insurance Company (“Fireman’s Fund”) and its subsidiaries, led the multi-state coordinated examination. The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and corporate governance, identify and assess current and prospective risks, and evaluate the Company’s system of controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management as well as evaluating the overall financial statement presentation, management’s compliance with Statements of Statutory Accounting Principles (“SSAPs”) and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

For each year under examination, the Certified Public Accounting firm of KPMG LLP provided an unqualified opinion on the consolidated financial statements of Fireman’s Fund and its subsidiaries based on Statutory Accounting Principles. The independent auditors’ reports and supporting work papers were reviewed during the examination.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
Jeffery F. Johnson	Vice President and Controller, Fireman's Fund Insurance Company
Sally B. Narey	Senior Vice President, General Counsel and Secretary, Fireman's Fund Insurance Company
Stanton L. Olson	Field Vice President and Regional Underwriting Executive, Fireman's Fund Insurance Company
D. Andrew Torrance	President and Chief Executive Officer, Fireman's Fund Insurance Company
Kevin E. Walker	Senior Vice President, Chief Financial Officer and Treasurer, Fireman's Fund Insurance Company
David M. Zona	Senior Vice President and Chief Underwriting Officer, Fireman's Fund Insurance Company

Officers

As of the examination date, the following officers were serving in the designated position:

Name	Title
Stanton L. Olson	Chairman, President and Chief Executive Officer
Kevin E. Walker	Senior Vice President, Chief Financial Officer and Treasurer
Sally B. Narey	Senior Vice President, General Counsel and Secretary
Jeffery F. Johnson	Vice President and Controller

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in ORC Section 3901.32. The Company is a wholly owned subsidiary of Fireman's Fund, domiciled in California and wholly owned by Allianz of American, Inc. ("AZOA"), a Delaware corporation. AZOA is a wholly owned subsidiary of Allianz Europe B.V. ("AZ Europe"), a private limited liability company registered in the Netherlands, which is a wholly owned subsidiary of Allianz SE, a European Company incorporated in the Federal Republic of Germany and the European Union. Allianz SE, headquartered in Munich, Germany, is the ultimate controlling person in the holding company system and its shares are traded on all German stock exchanges.

Territory and Plan of Operations

Fireman's Fund and its subsidiaries conduct underwriting operations with three core business units, Commercial, Personal and Crop Reinsurance, throughout the United States and Puerto Rico utilizing approximately 2,379 agent and broker locations. The Commercial business represents nearly 50% of the total gross premium while Personal and Crop Reinsurance contribute 35%, and 15%, respectively.

The Company is licensed only in Ohio and is approved to write surplus lines on a non-admitted basis in the District of Columbia and all other states except Maine, New Hampshire and Vermont. However, the Company is no longer writing new business and is currently in run-off.

Fireman's Fund and certain affiliates, including the Company, participate in the Second Amended and Restated Intercompany Reinsurance Agreement effective January 1, 2012 ("Pooling Agreement"). Under the terms of the Pooling Agreement, each of the participating affiliates cedes, and Fireman's Fund assumes, the liabilities of the participating affiliates for all policies and contracts of insurance issued. Fireman's Fund retains 100% of the pool liabilities and the other participating insurers do not assume any portion of the pool results. The Department approved the Pooling Agreement in January 2012.

The following schedule identifies the affiliates participating in the Pooling Agreement as of the examination date:

Company	Domicile	Percentage
Fireman's Fund Insurance Company	CA	100%
Associated Indemnity Corporation	CA	0%
Chicago Insurance Company	IL	0%
Interstate Fire & Casualty Company	IL	0%
National Surety Corporation	IL	0%
American Automobile Insurance Company	MO	0%
The American Insurance Company	OH	0%
Fireman's Fund Insurance Company of Ohio	OH	0%

Fireman’s Fund reported the following underwriting results during the examination period:

	2013	2012	2011
Loss and LAE ratio	68.6	103.2	88.2
Expense ratio	36.0	26.0	29.2
Policyholder dividend ratio	<u>0.1</u>	<u>(0.1)</u>	<u>0.0</u>
Combined ratio	<u>104.7</u>	<u>129.1</u>	<u>117.4</u>

The Company and certain affiliates entered into an Intercompany Service Agreement (“Service Agreement”) effective January 1, 2012 with Fireman’s Fund as Service Provider and the affiliates as Service Recipients. Under the terms, Fireman’s Fund agrees to provide services necessary in the conduct of its operations and the administration of the Pooling Agreement. In return, the each of the Service Recipients agrees to reimburse Fireman’s Fund for the actual cost of services provided under the Service Agreement. The Department approved the Service Agreement in January 2012.

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department and audited by the Company’s external auditors, are reflected in the following:

Statement of Assets, Liabilities, Capital and Surplus

Statement of Income

Statement of Changes in the Capital and Surplus Account

Statement of Assets, Liabilities, Capital and Surplus
December 31, 2013

Bonds	\$ 48,165,659
Cash, cash equivalents, and short term investments	400,058
Other invested assets	<u>3,812</u>
Subtotal, cash and invested assets	48,569,529
Investment income due and accrued	270,745
Amounts recoverable from reinsurers	<u>1,805,575</u>
Total admitted assets	<u>\$ 50,645,849</u>
Losses	\$ 0
Loss adjustment expenses	0
Current federal income taxes	830,962
Net deferred tax liability	2,337
Unearned premiums	0
Ceded reinsurance premiums payable (net of ceding commissions)	373
Payable to parent, subsidiaries and affiliates	1,806,941
Payable for securities	<u>87</u>
Total liabilities	<u>2,640,700</u>
Common capital stock	4,500,000
Gross paid in and contributed surplus	21,000,310
Unassigned funds	<u>22,504,839</u>
Total capital and surplus	<u>48,005,149</u>
Total liabilities, capital and surplus	<u>\$ 50,645,849</u>

Statement of Income
As of December 31, 2013

Premiums earned	<u>\$ 0</u>
Losses incurred	0
Loss adjustment expenses incurred	0
Other underwriting expenses incurred	<u>0</u>
Total underwriting deductions	<u>0</u>
Net underwriting gain	<u>0</u>
Net investment income earned	1,358,892
Net realized capital gains (losses)	<u>(138,637)</u>
Net investment gain	<u>1,220,255</u>
Net income before federal income taxes	1,220,255
Federal income taxes incurred	<u>410,189</u>
Net income	<u>\$ 810,066</u>

Statement of Changes in the Capital and Surplus Account
(in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital and surplus, beginning of the year	<u>\$ 47,119</u>	<u>\$ 37,737</u>	<u>\$ 36,442</u>
Net income	810	1,728	1,314
Change in net unrealized capital. gains	16	0	0
Change in non-admitted assets	0	185	103
Surplus paid in	0	8,000	0
Cumulative effect of chg in acct. principle	0	113	0
Change in net deferred income tax	<u>60</u>	<u>(645)</u>	<u>(121)</u>
Change in surplus during the year	<u>886</u>	<u>9,381</u>	<u>1,296</u>
Capital and surplus, end of the year	<u>\$ 48,005</u>	<u>\$ 47,119</u>	<u>\$ 37,737</u>

Failure of the columns to properly foot is due to rounding.

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3925.08 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Loss and Loss Adjustment Expense Reserves

The Company's Board of Directors appointed Christian Kortebein, Senior Vice President and Chief Actuary to render the Fireman's Fund Statement of Actuarial Opinion ("Opinion"). Mr. Kortebein prepared an Actuarial Report supporting the Opinion in connection with the preparation of the Fireman's Fund December 31, 2013 Annual Statement.

The California Department of Insurance retained Charles Petit, FCAS, MAAA, of Petit Actuarial Group LLC, to conduct an actuarial review of the loss and loss adjustment expense reserves of Fireman's Fund as of December 31, 2013. Mr. Petit concluded that the carried reserves are based on appropriate actuarial methodologies and on reasonable and consistently applied assumptions. Furthermore, the unpaid loss and loss adjustment expenses of Fireman's Fund are reasonable estimates of the total reserves.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2013, and is summarized as follows:

Total Assets	<u>\$ 50,645,849</u>
Liabilities	2,640,700
Capital and Surplus	<u>48,005,149</u>
Total Liabilities, Capital and Surplus	<u>\$ 50,645,849</u>

Subsequent Events

On September 17, 2014, Allianz SE announced plans for an internal reorganization that would integrate the commercial insurance business of Fireman’s Fund with Allianz Global Risk US Insurance Company (“AGR US”), an Illinois domiciled insurer, doing business as Allianz Global Corporate and Specialty North America (“AGCS NA”). Effective January 1, 2015, AZOA contributed the stock of Fireman’s Fund to AGR US, an AZOA wholly owned subsidiary. Art Moossmann will take on dual responsibility for both Fireman’s Fund and AGCS NA, as President and Chief Executive Officer. The integration of the commercial property and casualty businesses will be marketed under the Allianz brand.

On April 1, 2015, AGCS NA announced the close of the sale of the Fireman’s Fund personal lines business in the United States, focused on high net worth customers, to ACE, Ltd. The sale, announced in December 2014 and valued at \$365 million, includes renewal rights and reinsurance of existing liabilities.

Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the Company and its affiliates during the course of this examination.

In addition to the undersigned, Thomas Botsko, ACAS, MAAA; Metty Nyangoro, AES, CFE, CISA, CPA; and Bryan Radecky, CFE, CPA; of the Department, participated in this examination.

Respectfully,



Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2013.

Jeffrey K. Ebert 5/20/15
Assistant Chief Examiner Date

State of Ohio
County of Franklin

Personally appeared before me the above named Jeffrey K. Ebert personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 20 day of May, 2015.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires