

Public Records Package

3rd party reports
filed
10/29/2014

ITEM 12

Public Records Package:

a. Articles of Incorporation certified by domiciliary state

The most recent Articles filed with Washington are enclosed herein.

b. Bylaws certified by Commonwealth Insurance Company of America's corporate secretary

The most recent Bylaws filed with Washington are enclosed herein.

c. Statement with Attachments, including

Current Year Annual Statement, including actuarial opinion

Current Year Quarterly Statements

d. Independent CPA-Audit Report

e. Financial Examination Report

The most recent Report of Financial Examination from the Washington State Office of the Insurance Commissioner is enclosed herein.

f. Appointment for Service of Process

Articles of Incorporation

COMMONWEALTH INSURANCE COMPANY OF AMERICA

ITEM 12

PUBLIC RECORDS PACKAGE

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Financial Examination ReportG

Please note that the Annual Statements and the Quarterly Statements for Commonwealth Insurance Company of America are provided at Item 15 and Item 16, respectively.

601 585 185

ARTICLES OF INCORPORATION
OF
COMMONWEALTH INSURANCE COMPANY OF AMERICA

FILED

OCT 21 1994

The undersigned, for the purpose of forming a corporation under the Washington Business Corporation Act, hereby adopts the following Articles of Incorporation.

IN THE OFFICE OF THE
INSURANCE COMMISSIONER
STATE OF WASHINGTON

ARTICLE I

The names and addresses of the incorporators are:

FILED
STATE OF WASHINGTON
OCT 26 1994
RALPH MUNRO
SECRETARY OF STAT

<u>Name</u>	<u>Address</u>
1. John L. Ingersoll	601 South Figueroa St., #2300 Los Angeles, CA 90017
2. R. Jack Stephenson	1191 Second Avenue, 18th Floor Seattle, Washington 98101
3. Donald L. Logerwell	1191 Second Avenue, 18th Floor Seattle, Washington 98101
4. Gary J. Strauss	1191 Second Avenue, 18th Floor Seattle, Washington 98101
5. Jan L. Essenberg	1191 Second Avenue, 18th Floor Seattle, Washington 98101

ARTICLE II

The name of the corporation shall be: Commonwealth Insurance Company of America.

ARTICLE III

The purpose for which the corporation is organized is to engage in any lawful act or activity for which a corporation may be organized in this state. The primary purpose of the corporation is to engage in the business of an insurance company and to write any and all classes of insurance which may now or hereinafter be permissible to be written, reinsured, co-insured or assumed by any insurance corporation, including property, casualty, marine and transportation insurance. The corporation shall be a stock insurer.

ARTICLE IV

The aggregate number of shares which the corporation shall have authority to issue is one million shares of \$10.00 par value common stock.

ARTICLE V

The term of existence shall be perpetual.

ARTICLE VI

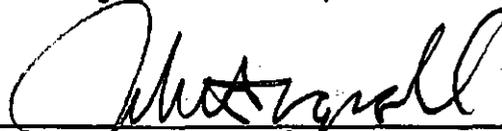
The number of directors constituting the initial board of directors of the corporation is five, and the names and addresses of the persons who are to serve as directors for an initial term of six months are:

<u>Name</u>	<u>Address</u>
Jonathan B. Watson	595 Burrard Street, Suite 1500 Vancouver, British Columbia
Craig A. Hurford	595 Burrard Street, Suite 1500 Vancouver, British Columbia
Ronald G. Schwab	595 Burrard Street, Suite 1500 Vancouver, British Columbia
Noel E. Phillips	595 Burrard Street, Suite 1500 Vancouver, British Columbia
Elizabeth J. Murphy	595 Burrard Street, Suite 1500 Vancouver, British Columbia

ARTICLE VII

The corporation's principal place of business in the State of Washington shall be located in Seattle.

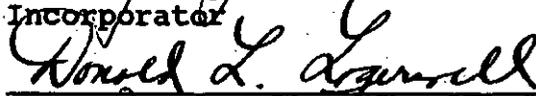
IN WITNESS WHEREOF, the incorporators have affixed their signature below on this 14th day of October, 1994.



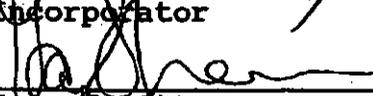
John L. Ingersoll
Incorporator



R. Jack Stephenson
Incorporator



Donald L. Logerwell
Incorporator



Gary A. Strauss
Incorporator



Jan L. Essenberg
Incorporator

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

No. 451

I, MIKE KREIDLER, State Insurance Commissioner, do hereby certify that I am the state official charged with the general control and supervision of all insurance business (except State Workers' Compensation) transacted in the State of Washington and charged with the administration of the laws relating to insurance in said jurisdiction, and that this office is a department of record; having custody of original documents.

*I FURTHER CERTIFY That the attached is a full, true, and accurate copy of the Amended and Restated Articles of Incorporation for **COMMONWEALTH INSURANCE COMPANY OF AMERICA**, LaConnor, Washington, as filed December 11, 2013 in the Office of the Insurance Commissioner for the State of Washington.*

IN WITNESS WHEREOF, *I have hereunto set my hand and affixed the official seal of the Insurance Commissioner of the State of Washington, this 18th day of December, 2013*

MIKE KREIDLER
Insurance Commissioner

By: *Ronell J. Pastuch*
Acting Deputy Insurance Commissioner



FILED

DEC 11 2013

ARTICLES OF AMENDMENT
OF
COMMONWEALTH INSURANCE COMPANY OF AMERICA

IN THE OFFICE OF THE
INSURANCE COMMISSIONER
STATE OF WASHINGTON

Pursuant to the provisions of Chapter 23B.10 of the Washington Business Corporation Act, the corporation herein named submits the following articles of amendment:

FIRST: The name of the corporation (the "Corporation") is COMMONWEALTH INSURANCE COMPANY OF AMERICA.

SECOND: The amendment adopted amends Article VII of the Articles of Incorporation of the Corporation so that said Article shall henceforth read as follows:

"Article VII

The corporation's principal place of business in the State of Washington shall be located in LaConner."

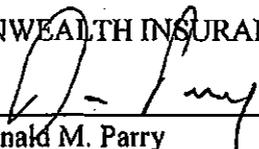
THIRD: The amendment does not provide for an exchange, reclassification, or cancellation of issued shares of the Corporation.

FOURTH: The amendment was adopted on November 19, 2013.

FIFTH: The amendment was duly approved by the shareholders of the Corporation in accordance with the provisions of Sections 23B.10.030 and 23B.10.040 of the Washington Business Corporation Act.

IN WITNESS WHEREOF, these Articles of Amendment are executed in the name of the Corporation by the undersigned officer of the Corporation, to be effective as of the date of filing with the Washington State Office of the Insurance Commissioner.

COMMONWEALTH INSURANCE COMPANY OF AMERICA

By:  _____

Name: Donald M. Parry

Title: Secretary

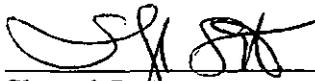
Bylaws

OFFICER'S CERTIFICATE

I, the undersigned, **DO HEREBY CERTIFY** that I am Assistant Secretary of Commonwealth Insurance Company of America, a corporation duly organized and validly existing under the laws of the State of Washington (the "Company").

I **DO HEREBY FURTHER CERTIFY** on behalf of the Company that attached hereto is a true and correct copy of the Bylaws of the Company as in effect on the date hereof.

IN TESTIMONY WHEREOF, witness my hand and the official seal of the Company this June 7th, 2014.



Sherryl Scott
Assistant Secretary

AMENDED AND RESTATED BYLAWS
OF
COMMONWEALTH INSURANCE COMPANY OF AMERICA
(the "Corporation")

ARTICLE I – OFFICES

The office of the Corporation shall be located in the City and State designated in the Articles of Incorporation. The Corporation may also maintain offices at such other places with or without the United States as the Board of Directors may, from time to time, determine.

ARTICLE II – MEETING OF SHAREHOLDERS

Section 1 – Annual Meetings:

The annual meeting of the shareholders of the Corporation shall be held within four months after the close of each calendar year for the purpose of electing directors and transacting such other business as may properly come before the meeting.

Section 2 – Special Meetings:

Special meetings of the shareholders may be called at any time by the Board of Directors or by the President, and shall be called by the President or the Secretary at the written request of the holders of ten percent (10%) of the shares then outstanding and entitled to vote thereat, or as otherwise required under the provisions of the Washington Business Corporation Act (the "Corporation Law").

Section 3 – Place of Meetings:

All meetings of shareholders shall be held at the principal office of the Corporation, or at such other places as shall be designated in the notices or waivers of notice of such meetings.

Section 4 – Notice of Meetings:

- (a) Written notice of each meeting of shareholders, whether annual or special, stating the time when and place where it is to be held, shall be served either personally or by mail, not less than ten or more than five days before the meeting, upon each shareholder of record entitled to vote at such meeting, and to any other shareholder to whom the giving of notice may be required by law. Notice of a special meeting

shall also state the purpose or purposes for which the meeting is called, and shall indicate that it is being issued by, or at the direction of, the person or persons calling the meeting. If, at any meeting, action is proposed to be taken that would, if taken, entitle shareholders to receive payment for their shares pursuant to the Corporation Law, the notice of such meeting shall include a statement of that purpose and to that effect. If mailed, such notice shall be directed to each such shareholder at his address, as it appears on the records of the shareholders of the Corporation, unless he shall have previously filed with the Secretary of the Corporation a written request that notices intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request.

- (b) Notice of any meeting need not be given to any person who may become a shareholder of record after the mailing of such notice and prior to the meeting, or to any shareholder who attends such meeting, in person or by proxy, or to any shareholder who, in person or by proxy, submits a signed waiver of notice either before or after such meeting. Notice of any adjourned meeting of shareholders need not be given unless otherwise required by statute.

Section 5 – Quorum:

- (a) Except as otherwise provided herein, or by statute, or in the Articles of Incorporation (such Articles and any amendments thereof being hereinafter collectively referred to as the “Articles of Incorporation”), at all meetings of shareholders of the Corporation the presence at the commencement of such meetings in person or by proxy of shareholders of records holding a majority of the total number of shares of the Corporation then issued and outstanding and entitled to vote shall be necessary and sufficient to constitute a quorum for the transaction of any business. The withdrawal of any shareholder after the commencement of a meeting shall have no effect on the existence of a quorum after a quorum has been established at such meeting.
- (b) Despite the absence of a quorum at any annual or special meeting of shareholders, the shareholders, by a majority of the votes cast by the holders of shares entitled to vote thereon, may adjourn the meeting. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called if a quorum had been present.

Section 6 – Voting:

- (a) Except as otherwise provided by statute or by the Articles of Incorporation, any corporate action, other than the election of directors to be taken by vote of the shareholders, shall be authorized by a majority of votes cast at a meeting of shareholders by the holders of shares entitled to vote thereon.
- (b) Except as otherwise provided by statute or by the Articles of Incorporation, at each meeting of shareholders each holder of record of shares of the Corporation entitled

to vote thereat shall be entitled to one vote for each share registered in his name on the books of the Corporation.

- (c) Each shareholder entitled to vote or to express consent or dissent without a meeting may do so by proxy; provided, however, that the instrument authorizing such proxy to act shall have been executed in writing by the shareholder himself, or by his attorney-in-fact thereunto duly authorized in writing. No proxy shall be valid after the expiration of eleven months from the date of its execution unless the persons executing it shall have specified therein the length of time it is to continue in force. Such instrument shall be exhibited to the Secretary at the meeting and shall be filed with the records of the Corporation.
- (d) Any resolution in writing, signed by all of the shareholders entitled to vote thereon, shall be and constitute action by such shareholders to the effect therein expressed, with the same force and effect as if the same had been duly passed by unanimous vote at a duly called meeting of shareholders and such resolution so signed shall be inserted in the Minute Book of the Corporation under its proper date.

ARTICLE III – BOARD OF DIRECTORS

Section 1 – Number, Election and Term of Office:

- (a) The number of the directors of the Corporation shall be five (5), unless and until otherwise determined by vote of a majority of the entire Board of Directors. The number of Directors shall not be less than three, unless all of the outstanding shares are owned beneficially and of record by less than three shareholders, in which event the number of directors shall not be less than the number of shareholders.
- (b) Except as may otherwise be provided herein or in the Articles of Incorporation, the members of the Board of Directors of the Corporation, who need not be shareholders, shall be elected by a majority of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in the election.
- (c) Each director shall hold office until the annual meeting of the shareholders next succeeding his election and until his successor is elected and qualified or until his prior death, resignation or removal.
- (d) No fewer than three-fourths of the directors of the Corporation shall be citizens of the United States or Canada, as required by RCW § 48.12.050.

Section 2 – Duties and Powers:

The Board of Directors shall be responsible for the control and management of the affairs, property and interests of the Corporation, and may exercise all powers of the Corporation except as are expressly conferred upon or reserved to the shareholders in the Articles of Incorporation or by statute.

Section 3 – Annual and Regular Meetings; Notice:

- (a) A regular annual meeting of the Board of Directors shall held immediately following the annual meeting of the shareholders at the place of such annual meeting of shareholders.
- (b) The Board of Directors, from time to time, may provide by resolution for the holding of other regular meetings of the Board of Directors and may fix the time and place thereof.
- (c) Notice of any regular meeting of the Board of Directors shall not be required to be given and, if given, need not specify the purpose of the meeting; provided, however, that in case the Board of Directors shall fix or change the time or place of any regular meeting, notice of such action shall be given to each director who shall not have been present at the meeting at which such action was taken within the time limit and in the manner set forth in paragraph (b) of Section 4 of this Article III, with respect to meetings, unless such notice shall be waived in the manner set forth in paragraph (c) of such Section 4.

Section 4 – Special Meetings; Notice:

- (a) Special meetings of the Board of Directors shall be held whenever called by the President or by one of the directors at such time and place as may be specified in the respective notices or waivers of notice thereof.
- (b) Notice of special meetings shall be mailed directly to each director, addressed to him at his residence or usual place of business at least two (2) days before the day on which the meeting is to be held, or shall be sent to him at such place by telegram, radio or cable, or shall be delivered to him personally or given to him orally, not later than the day before the day on which the meeting is to be held. A notice, or waiver of notice, except as required by Section 8 of this Article III, need not specify the purpose of the meeting.
- (c) Notice of any special meeting shall not be required to be given to any director who shall attend such meeting without protesting such lack of notice, either prior thereto or at its commencement, or who submits a signed waiver of notice either before or after the meeting. Notice of any adjourned meeting shall not be required to be given.

Section 5 – Chairman:

At all meetings of the Board of Directors, the Chairman of the Board, if any and if present, shall preside. If there shall be no Chairman, or he shall be absent, then the President shall preside, and in his absence, a Chairman chosen by the Directors shall president.

Section 6 – Quorum and Adjournments:

- (a) At all meetings of the Board of Directors, the presence of a majority of the entire Board shall be sufficient to constitute a quorum for the transaction of business, except as otherwise provided by law, by the Articles of Incorporation, or by these Bylaws.
- (b) A majority of the directors present at the time and place of any regular or special meeting, although less than a quorum, may adjourn the same from time to time without notice until a quorum shall be present.

Section 7 – Manner of Acting:

- (a) At all meetings of the Board of Directors, each director present shall have one vote, irrespective of the number of shares of stock, if any, which he may hold.
- (b) Except as otherwise provided by statute, by the Articles of Incorporation, or by these Bylaws, the action of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. Any action authorized in writing by all of the directors entitled to vote thereon and filed with the minutes of the Corporation shall be the act of the Board of Directors with the same force and effect as if the same had been passed by unanimous vote at a duly called meeting of the Board.

Section 8 – Vacancies:

Any vacancy in the Board of Directors occurring by reason of an increase in the number of directors, or by reason of the death, resignation, disqualification, removal or inability to act of any director, or otherwise, shall be filled for the unexpired portion of the term by a majority vote of the remaining directors, though less than a quorum, at any regular meeting or special meeting of the Board of Directors called for that purpose.

Section 9 – Resignation:

Any director may resign at any time by giving written notice to the Board of Directors, the President or the Secretary of the Corporation. Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by the Board of Directors or such officer, and the acceptance of such resignation shall not be necessary to make it effective.

Section 10 – Removal:

Any director may be removed with cause by a majority of votes cast by the holders of shares entitled to vote, at a special meeting of the shareholders called for that purpose. Any director may be removed without cause by sixty-seven percent (67%) of the votes cast by the holders of shares entitled to vote, at a special meeting of the shareholders called for that purpose.

Section 11 – Salary:

No stated salary shall be paid to directors, as such, for their services, but by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board; provided, however, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 12 – Contracts:

- (a) No contract or other transaction between this Corporation and any other Corporation shall be impaired, affected or invalidated, nor shall any director be liable in any way by reason of the fact that any one or more of the directors of this Corporation is or are interested in, or is a director or officer, or are directors or officers of such other Corporation, provided that such facts are disclosed or made known to the Board of Directors.
- (b) Any director, personally and individually, may be a party to or may be interested in any contract or transaction of this Corporation, and no director shall be liable in any way by reason of such interest, provided that the fact of such interest be disclosed or made known to the Board of Directors, and provided that the Board of Directors shall authorize, approve or ratify such contract or transaction by the vote (not counting the vote of any such director) of a majority of a quorum, notwithstanding the presence of any such director at the meeting at which such action is taken. Such director or directors may be counted in determining the presence of a quorum at such meeting. This Section shall not be construed to impair or invalidate or in any way affect any contract or other transaction which would otherwise be valid under the law (common, statutory or otherwise) applicable thereto.

Section 13 – Committees:

The Board of Directors, by resolution adopted by a majority of the entire Board, may from time to time designate from among its members an executive committee and such other committees, and alternate members thereof, as they deem desirable, each consisting of three or more members, with such powers and authority (to the extent permitted by law) as may be provided in such resolution. Each such committee shall serve at the pleasure of the Board.

ARTICLE IV – OFFICERS

Section 1 – Number, Qualifications, Election and Term of Office:

- (a) The officers of the Corporation shall consist of a President, a Secretary, a Treasurer, and such other officers, including a Chairman of the Board of Directors, and one or more Vice Presidents, as the Board of Directors may from time to time deem advisable. Any officer other than the Chairman of the Board of Directors may be,

but is not required to be, a director of the Corporation. Any two or more offices may be held by the same person, except the offices of President and Secretary.

- (b) The officers of the Corporation shall be elected by the Board of Directors at the regular annual meeting of the Board following the annual meeting of shareholders.
- (c) Each officer shall hold office until the annual meeting of the Board of Directors next succeeding his election, and until his successor shall have been elected and qualified, or until his death, resignation or removal.

Section 2 – Resignation:

Any officer may resign at any time by giving written notice of such resignation to the Board of Directors or to the President or the Secretary of the Corporation. Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by the Board of Directors or by such officer, and the acceptance of such resignation shall not be necessary to make it effective.

Section 3 – Removal:

Any officer may be removed, either with or without cause, and a successor elected by the Board at any time.

Section 4 – Vacancies:

A vacancy in any office by reason of death, resignation, inability to act, disqualification, or any other cause, may at any time be filled for the unexpired portion of the term by the Board of Directors.

Section 5 – Duties of Officers:

Officers of the Corporation shall, unless otherwise provided by the Board of Directors, each have such powers and duties as generally pertain to their respective offices as well as such powers and duties as may be set forth in these Bylaws, or may from time to time be specifically conferred or imposed by the Board of Directors. The President shall be the Chief Executive Officer of the Corporation.

Section 6 – Sureties and Bonds:

In case the Board of Directors shall so require, any officer, employee or agent of the Corporation shall execute to the Corporation a bond in such sum, and with such surety or sureties as the Board of Directors may direct, conditioned upon the faithful performance of his duties to the Corporation, including responsibility for negligence and for the accounting for all property, funds or securities of the Corporation which may come into his hands.

Section 7 – Shares of Other Corporations:

Whenever the Corporation is the holder of shares of any other corporation, any right or power of the Corporation as such shareholder (including the attendance, acting and voting at shareholders' meetings and execution of waivers, consents, proxies or other instruments) may be exercised on behalf of the Corporation by the President, any Vice President, or such other person as the Board of Directors may authorize.

ARTICLE V – SHARES OF STOCK

Section 1 – Certificate of Stock:

- (a) The certificates representing shares of the Corporation shall be in such form as shall be adopted by the Board of Directors, and shall be numbered and registered in the order issued. They shall bear the holder's name and the number of shares, and shall be signed by (i) the Chairman of the Board or the President or a Vice President and (ii) the Secretary or any Assistant Secretary, and may bear the corporate seal.
- (b) No certificates representing shares shall be issued until the full amount of consideration therefor has been paid, except as otherwise permitted by law.
- (c) The Board of Directors may authorize the issuance of certificates for fractions of a share which shall entitle the holder to exercise voting rights, receive dividends and participate in liquidating distributions, in proportion to the fractional holdings; or it may authorize the payment in cash of the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined; or it may authorized the issuance, subject to such conditions as may be permitted by law, of scrip in registered or bearer form over the signature of an officer or agent of the Corporation, exchangeable as therein provided for full shares, but such scrip shall not entitle the holder to any rights of a shareholder, except as therein provided.

Section 2 – Lost or Destroyed Certificates:

The holder of any certificate representing shares of the Corporation shall immediately notify the Corporation of any loss or destruction of the certificate representing the same. The Corporation may issue a new certificate in the place of any certificate theretofore issued by it alleged to have been lost or destroyed. On production of such evidence of loss or destruction as the Board of Directors in its discretion may require, the Board of Directors may, in its discretion, require the owner of the lost or destroyed certificate or his legal representatives to give the Corporation a bond in such sum as the Board may direct, and with such surety or sureties as may be satisfactory to the Board, to indemnify the Corporation against any claims, loss, liability or damage it may suffer on account of the issuance of the new certificate. A new certificate may be issued without requiring any such evidence or bond when, in the judgment of the Board of Directors, it is proper so to do.

Section 3 – Transfers and Shares:

- (a) Transfers of shares of the Corporation shall be made on the share records of the Corporation only by the holder of record thereof, in person or by his duly authorized attorney, upon surrender for cancellation of the certificate or certificates representing such shares, with an assignment or power of transfer endorsed thereon or delivered therewith, duly executed, with such proof of the authenticity of the signature and of authority to transfer and of payment of transfer taxes as the Corporation or its agents may require.
- (b) The Corporation shall be entitled to treat the holder of record of any share or shares as the absolute owner thereof for all purposes and, accordingly, shall not be bound to recognize any legal, equitable or other claim to, or interest in, such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by law.

Section 4 – Record Date:

In lieu of closing the share records of the Corporation, the Board of Directors may fix, in advance, a date not exceeding fifty days, nor less than ten days, as the record date for the determination of shareholders entitled to receive notice of, or to vote at, any meeting of shareholders, or to consent to any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividends, or allotment of any rights, or for the purpose of any other action. If no record date is fixed, the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given, or, if no notice is given, the day on which the meeting is held; the record date for determining shareholders for any other purpose shall be at the close of business on the day on which the resolution of the directors relating thereto is adopted. When a determination of shareholders of record entitled to notice of or to vote at any meeting of shareholders has been made as provided for herein, such determination shall apply to any adjournment thereof, unless the directors fix a new record date for the adjourned meeting.

ARTICLE VI – DIVIDENDS

Subject to applicable law, dividends may be declared and paid out of any funds available therefor, as often, in such amounts, and at such time or times as the Board of Directors may determine.

ARTICLE VII – FISCAL YEAR

The fiscal year of the Corporation shall be fixed by the Board of Directors from time to time, subject to applicable law.

ARTICLE VIII – CORPORATE SEAL

The corporate seal, if any, shall be in such form as shall be approved from time to time by the Board of Directors.

ARTICLE IX – AMENDMENTS

Section 1 – Shareholders:

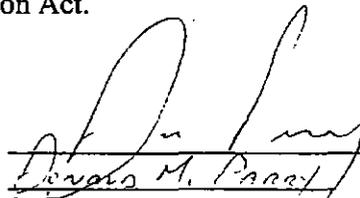
All bylaws of the Corporation shall subject to alteration or repeal, and new bylaws may be made, by a majority vote of the shareholders at the time entitled to vote in the election of directors.

Section 2 – By Directors:

The Board of Directors shall have the power to make, adopt, alter, amend and repeal, from time to time, bylaws of the Corporation; provided, however, that the shareholders entitled to vote with respect thereto as in this Article IX above-provided may alter, amend or repeal bylaws made by the Board of Directors, except that the Board of Directors shall have no power to change the quorum for meetings of shareholders or of the Board of Directors, or to change any provisions of the bylaws with respect to removal of directors or the filling of vacancies in the Board resulting from the removal by the shareholders. If any bylaw regulating an impending election of directors is adopted, amended or repealed by the Board of Directors, there shall be set forth in the notice of the next meeting of shareholders for the election of directors, the bylaw so adopted, amended or repealed, together with a concise statement of the changes made.

The undersigned Secretary certifies that the foregoing bylaws have been adopted as the AMENDED AND RESTATED BYLAWS of the Corporation, in accordance with the requirements of the Washington Business Corporation Act.

DATE: DECEMBER 1, 2000



Donald M. Parry
Secretary

Management's Discussion and Analysis

Commonwealth Insurance Company of America
Management's Discussion and Analysis – 2013
NAIC Group Code 0158 NAIC Company Code 10220

Company Background

Commonwealth Insurance Company of America (the "Company"), a property and casualty insurance company domiciled in the state of Washington, is a wholly-owned subsidiary of TIG Insurance Company.

On January 1, 2013, Northridge Indemnity Insurance Corporation sold 100% of the Company's outstanding shares of common stock to TIG Insurance Company, a property and casualty insurer domiciled in the state of California. The ultimate parent company is Fairfax Financial Holdings Limited, a Canadian financial services holding company that, through its subsidiaries, is engaged in property, casualty and life insurance, investment management and insurance claims management.

The Company's primary on-going focus is the orderly resolution of claims, settlement of Company obligations and collections of reinsurance and other recoverable balances.

Commonwealth Insurance Company of America
Management's Discussion and Analysis – 2013
NAIC Group Code 0158 NAIC Company Code 10220

Financial Position

The Company's financial position at December 31, 2013 and 2012 were as follows (in thousands):

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Assets			
Bonds	\$ 1,379	\$ 1,398	\$ (19)
Cash, cash equivalents and short-term investments	27,306	20,969	6,337
Total cash and invested assets	<u>28,685</u>	<u>22,367</u>	6,318
Funds held by reinsured companies	-	522	(522)
Net deferred income tax asset	-	132	(132)
Other assets and accounts receivable	196	854	(658)
Total assets	<u>\$ 28,881</u>	<u>\$ 23,875</u>	<u>\$ 5,006</u>
Liabilities and Capital and Surplus			
Unpaid losses and loss adjustment expenses	\$ 675	\$ 3,648	\$ (2,973)
Unearned premiums	-	(86)	86
Provision for reinsurance	1,225	3,715	(2,490)
Federal income tax	398	-	398
Other liabilities	7,191	448	6,743
Total liabilities	<u>9,489</u>	<u>7,725</u>	1,764
Capital and Surplus			
Common stock	3,000	3,000	-
Additional paid-in and contributed surplus	16,929	16,929	-
Unassigned surplus	(537)	(3,779)	3,242
Total capital and surplus	<u>19,392</u>	<u>16,150</u>	3,242
Total liabilities and capital and surplus	<u>\$ 28,881</u>	<u>\$ 23,875</u>	<u>\$ 5,006</u>

Assets

Total admitted assets increased by \$5 million or 21%, primarily due to the following:

- Cash, cash equivalents and short-term investments increased by \$6.3 million during the current year primarily due to the acquisition of short-term investment bonds.

Liabilities

Total liabilities increased \$1.8 million or 23% during the current year. This increase is primarily due to the increase in securities payable of \$7 million from the prior year offset by the decrease in net loss reserves of \$3 million and the decrease in the provision for reinsurance of \$2.5 million. The decrease in net loss reserves is the result of favorable development in addition to paid claims activity of \$1 million. The decrease in the provision for reinsurance was primarily

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due to the decrease of \$1.2 million of reinsurance recoverables from unauthorized non-US affiliated reinsurers.

Loss and loss adjustment expense reserves represent the estimated ultimate net cost of reported and unreported losses incurred through December 31st. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuations as well as aggregate estimation techniques for claims incurred but not reported using historical data. These estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the reserves for loss and loss adjustment expenses are adequate to cover payments that will ultimately be made in settling the claims. However, final claim payments may differ from these reserves. Adjustments to the reserves resulting from subsequent developments or revisions to the estimates are reflected in the results of operations in the period in which such adjustments become known.

Policyholders' Surplus

The capital and surplus balance of the Company has increased during the current year. Policyholders' surplus increased by \$3.2 million primarily due to the change in the provision for reinsurance of \$2.5 million in addition to current year net income of \$1.2 million.

In conformity with NAIC regulations, the Company calculated its Risk-Based Capital requirement as of the end of the year. The results are as follows (in thousands):

<u>Risk-Based Capital</u>	<u>2013</u>	<u>2012</u>
Total adjusted capital	\$ 19,392	\$ 16,151
Authorized control level RBC (ACL)	\$ 161	\$ 635

At December 31, 2013, the Company's ratio of total adjusted capital to authorized control level risk-based capital is 12,035% which is greater than prior year's ratio of 2,544%. The decrease in the Company's authorized control level risk-based capital during the current year is primarily due to the decrease in reinsurance recoverables of \$4.7 million and the decrease in net loss reserves of \$3 million.

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Results of Operations

The following is the Company's statements of income for the years ended December 31, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
Premiums earned	\$ (114)	\$ 4,237
Loss and loss adjustment expenses incurred	1,931	(3,817)
Other underwriting expenses incurred	<u>(327)</u>	<u>(227)</u>
Underwriting gain	1,490	193
Net investment income	31	(5)
Net realized capital gain (loss)	-	(123)
Other income	<u>67</u>	<u>1,300</u>
Net income before federal income tax	1,588	1,365
Federal income tax expense	<u>(431)</u>	<u>(187)</u>
Net income	<u>\$ 1,157</u>	<u>\$ 1,178</u>

Results of operations reflect a net gain of \$1.2 million which primarily represents the gain on underwriting results during the current year. The current year underwriting gain is primarily due to favorable development. The company had minimal prior year net underwriting results. Prior year's net gain was primarily due to \$1.3 million earned from the sale of the Company's renewal rights to its US property business to a related party, Hudson Insurance Company.

Net investment income increased during the current year primarily due to decreased investment management expenses of \$41,000 from the prior year. In addition, no realized capital gains or losses were recognized during the current year.

Loss Ratios

As the Company is in runoff with only incidental premium activity, the loss, expense and combined ratios are no longer meaningful values.

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Cash Flow and Liquidity

Cash Flow

The Company requires cash primarily to pay policyholders' claims and operating expenses. The Company obtains cash from reinsurance recoveries on paid claims and investment income. These funds are first used to pay current claims and expenses. The balance remaining balance is invested in high quality securities to supplement, if necessary, the cash flow generated by the existing investment portfolio.

	2013	2012
Operations		
Premiums collected, net of reinsurance	\$ 136	\$ (978)
Benefit and loss related payments, net of reinsurance and commutation proceeds	(416)	(3,446)
Commissions, expenses paid and aggregate write-ins for deductions	(912)	(674)
Net investment income received	22	109
Other income received	67	1,300
Federal income taxes recovered	99	695
	<u>(1,004)</u>	<u>(2,994)</u>
Investment Activities		
Proceeds from investments sold, or repaid	6,993	8,318
Cost of investments acquired	-	(8,217)
	<u>6,993</u>	<u>101</u>
Financing Activities		
Dividends paid to shareholders	-	(8,000)
Other cash provided (applied)	349	(4,015)
	<u>349</u>	<u>(12,015)</u>
Net change in cash, cash equivalents and short-term investments	<u>\$ 6,338</u>	<u>\$ (14,908)</u>

The net change in cash, cash equivalents and short-term investments during the current year was primarily due to \$7 million of proceeds received from the sale of investments. The net change in the prior year was primarily due to dividends paid to shareholders of \$8 million in addition to \$4 million of cash used in financing activities which were proceeds primarily paid to Northbridge Indemnity Insurance Corporation.

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Liquidity

The Company maintains sufficient cash, cash equivalents and short-term investments to meet the needs of current claims and operating expense payments. At December 31, 2013, \$27.3 million or 95% of total cash and invested assets were held in cash, cash equivalents and short-term investments. The Company believes that this level of liquidity is sufficient in order to meet the needs of net claim payments and operating expenses for the next twelve months.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and other relationships with entities or other persons that are reasonably likely to materially affect liquidity or the availability of requirements for capital resources.

Changes in Accounting Principles

On November 6, 2011, the NAIC adopted SSAP No. 101, Income Taxes, a replacement of SSAP No. 10R and SSAP No. 10. SSAP No. 101 contains changes to accounting for current and deferred federal and foreign income taxes and is effective January 1, 2012. This statement provides that the deferred tax asset admissibility guidance is no longer elective and the reversal and surplus limitation parameters in the admissibility tests are determined based on risk-based capital levels. SSAP No. 101 also requires gross deferred tax assets to be reduced by a statutory valuation allowance if it is more likely than not that some or all of the gross deferred tax assets will not be realized. Further, the guidance sets a more likely than not threshold for recording contingent tax liabilities. There was no cumulative effect of adopting this pronouncement for the current or prior year.

Conclusion

Due to the Company's runoff status, the Company will continue to focus on the orderly resolution of claims, settlement of other obligations and maximize investment income.

Subsequent Events

There are no subsequent events to report.

Actuarial Opinion

Commonwealth Insurance Company of America
Statement of Actuarial Opinion
As of December 31, 2013
Page 1 of 4

IDENTIFICATION

I, Michael Shane, am Chief Actuary of Commonwealth Insurance Company of America. I am a Fellow of the Casualty Actuarial Society and a Member in good standing of the American Academy of Actuaries, meeting its qualification standards for signing statements of Actuarial Opinion regarding property and casualty insurance company statutory Annual Statements. I was appointed by the Board of Directors of the Commonwealth Insurance Company of America (the Company) on December 11, 2013 to render this Opinion. The loss and loss adjustment expense reserves (unpaid claim liabilities) are the responsibility of the Company's management; my responsibility is to express an opinion on loss and loss adjustment expense reserves based on my review.

SCOPE

I have examined the undiscounted reserves listed in Exhibit A, as shown in the U.S. Statutory Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2013. The amounts listed in Exhibit A reflect the Loss Reserve Disclosure items (8) through (13) in Exhibit B. These reserves do not include an explicit risk margin.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data provided by Sophie Duh, Senior Accountant for Northbridge Indemnity Insurance Corporation, the previous owners of the Company. I evaluated the data used directly in my analysis for reasonableness and consistency. The loss expense reserves include provisions for defense and cost containment expense as well as other adjusting expense. I have also reviewed the reconciliation of the data to Schedule P - Part 1 as of December 31, 2013.

The data used in my analysis is evaluated as of December 31, 2013. I continued to receive information from the Company through February 21, 2014; some of this additional information reflects activity between the valuation date of the data and the date it was provided to me.

In other respects, my examination included the use of such actuarial assumptions and methods and such tests of calculations as I considered necessary consistent with actuarial standards of practice for preparing an analysis of unpaid claim estimates.

OPINION

In my opinion, the amounts shown in Exhibit A for the sum of items (1) and (2) (net loss and loss adjustment expense reserves), the sum of items (3) and (4) (gross loss and loss adjustment expense reserves):

- (a) Meet the requirements of the insurance laws of Washington.

Commonwealth Insurance Company of America
Statement of Actuarial Opinion
As of December 31, 2013
Page 2 of 4

- (b) Are computed in accordance with generally accepted actuarial standards and principles.
- (c) Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

RELEVANT COMMENT

Effective May 1, 2012, the Company was placed into runoff.

The Company primarily wrote Commercial Property and Marine exposures for which Incurred But Not Reported (IBNR) reserves are generally small. The major risks facing the company are the potential for continued claim reporting from Hurricane Sandy, which occurred in late 2012. The absence of other risk factors from this listing does not imply that additional factors will not be identified in the future as having been a significant influence on the Company's reserves.

Based on my understanding of the use of this Opinion, I evaluated materiality as the minimum of (1) 25% of statutory surplus and (2) the difference between the total adjusted capital and the Company Action Level from the Risk-Based Capital position, all as of December 31, 2013. I did not evaluate materiality in any other context. In this Opinion, I considered the potential for adverse deviation of \$4.8 million to be material. At this time, and for the reasons explained above, my assessment is that there are risks and uncertainties associated with the Company's net loss and loss adjustment expense reserves and these risks and uncertainties do not result in a significant potential for material adverse deviation.

The Company has not made material changes in the actuarial assumptions or methods used to establish the recorded reserves from those used in the previous period.

In evaluating whether the reserves make a reasonable provision for unpaid losses and loss adjustment expenses, it was necessary to project the Company's future loss and loss adjustment expense payments. My Actuarial Report provides support and details related to these projections. Actual future losses and loss adjustment expenses may vary significantly from these projections. My estimates make no provision for the future emergence of new classes of losses or types of loss not sufficiently represented in the Company's historical database or which are not yet quantifiable, nor do they make provision for the impact of possible changes in legal interpretation or statutory rules applied on a retroactive basis.

TOPICS AFFECTING LOSS & LOSS ADJUSTMENT EXPENSE RESERVES

RETROACTIVE REINSURANCE AND FINANCIAL REINSURANCE

Management has represented to me that the Company does not currently participate in financial reinsurance or retroactive reinsurance.

Commonwealth Insurance Company of America
Statement of Actuarial Opinion
As of December 31, 2013
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REINSURANCE COLLECTIBILITY

I have relied upon Ann Weikers, Vice President of Reinsurance for the Company, and John Bator, Chief Financial Officer for the Company, to evaluate the collectability of the reinsurance recoverable. Based upon their review, I find the provision for uncollectible reinsurance to be adequate.

ASBESTOS AND ENVIRONMENTAL

Management has represented to me that the Company does not have exposure to asbestos and/or environmental impairment liability.

DISCOUNTING

The Company does not discount its loss and loss adjustment expense reserves.

SALVAGE AND SUBROGATION

The Company does not anticipate expected future salvage and subrogation recoveries in establishing its reserves.

POOLS AND ASSOCIATIONS

The Company does not participate in voluntary or involuntary pools.

EXTENDED LOSS AND EXPENSE RESERVES

Management has represented to me that the Company has not provided extended loss coverage through December 31, 2013.

NAIC IRIS TESTS

The loss and loss adjustment expense reserves shown in Exhibit A did not create any exceptional values for NAIC IRIS Tests #11 (One Year Reserve Development to Policyholders' Surplus), #12 (Two Year Reserve Development to Policyholders' Surplus) or #13 (Estimated Current Reserve Deficiency to Policyholders' Surplus).

DISCLOSURES OF ITEMS FOR
UNEARNED PREMIUM RESERVES FOR LONG DURATION CONTRACTS

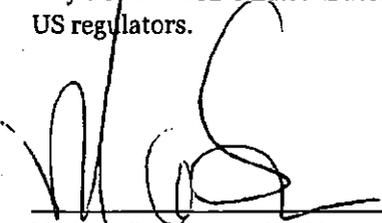
Company management represented to me that it does not have exposure to long duration contracts, defined as being single or fixed premium policies with coverage periods of thirteen months or greater, which are non-cancelable and not subject to premium adjustment (excluding financial guaranty contracts, mortgage guaranty policies, and surety contracts).

**Commonwealth Insurance Company of America
Statement of Actuarial Opinion
As of December 31, 2013
Page 4 of 4**

DISTRIBUTION AND USE

I will provide to the Company an Actuarial Report supporting the findings expressed in this Statement of Actuarial Opinion, including my underlying workpapers and documentation of the Schedule P reconciliation. This Report should be retained by the Company at its administrative offices for a period of seven years and should be made available for regulatory examination.

This Statement of Actuarial Opinion is provided for use in regulatory filings with state authorities and may not be used or distributed for any other purpose. The intended primary users of this document are US regulators.



Michael Shane, FCAS, MAAA
Vice President and Chief Actuary
RiverStone Resources, LLC
Commonwealth Insurance Company of America
250 Commercial Street, Suite 5000
Manchester, NH 03101
(603) 656-2313
michael_shane@trg.com

February 25, 2014

Exhibit B: DISCLOSURES

1
Amount

1. Name of the Appointed Actuary Michael Shane
2. The Appointed Actuary's Relationship to the Company. Enter E or C based upon the following: E
 E If an Employee of the Company or Group
 C If a Consultant
3. The Appointed Actuary has the following designation (indicated by the letter code): F
 F If a Fellow of the Casualty Actuarial Society (FCAS)
 A If an Associate of the Casualty Actuarial Society (ACAS)
 M If not a member of the Casualty Actuarial Society, but a Member of the American Academy of Actuaries (MAAA) approved by the Casualty Practices Council, as documented with the attached approval letter.
 O for Other
4. Type of Opinion, as Identified in the OPINION paragraph. Enter R, I, E, Q, or N based upon the following: R
 R If Reasonable
 I If Inadequate or Deficient Provision
 E If Excessive or Redundant Provision
 Q If Qualified. Use Q when part of the OPINION is Qualified.
 N If No Opinion
5. Materiality Standard expressed in US dollars (Used to Answer Question #6) 4,850,000
6. Are there Significant Risks that could result in Material Adverse Deviation? Yes No N/A
7. Statutory Surplus (Liabilities, Col 1, Line 37) 19,392,312
8. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P (should equal Part 1 Summary, Col 23, Line 12 * 1000)
9. Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P
 9.1 Nontabular Discount (Notes, Line 32B23, (Amounts 1, 2, 3 & 4)), Electronic Filing Cols 1, 2, 3, & 4
- 9.2 Tabular Discount (Notes, Line 32A23, (Amounts 1 & 2)), Electronic Filing Col 1 & 2
10. The net reserves for losses and expenses for the company's share of voluntary and involuntary underwriting pools* and associations' unpaid losses and expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines
11. The net reserves for losses and loss adjustment expenses that the company carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.
 11.1 Asbestos, as disclosed in the Notes to Financial Statements (Notes, Line 33A03D, ending net asbestos reserves for current year) Electronic Filing Col 5
- 11.2 Environmental, as disclosed in the Notes to Financial Statements (Notes, Line 33D03D, ending net environmental reserves for current year), Electronic Filing Col 5
12. The total claims made extended loss and expense reserve (Greater than or equal to Schedule P Interrogatories).
 12.1 Amount reported as loss reserves
- 12.2 Amount reported as unearned premium reserves
13. Other items on which the Appointed Actuary is providing Relevant Comment (list separately)

* The reserves disclosed in item 11 above, should exclude amounts relating to contracts specifically written to cover asbestos and environmental exposures. Contracts specifically written to cover these exposures include Environmental Impairment Liability (post 1986), Asbestos Abatement, Pollution Legal Liability, Contractor's Pollution Liability, Consultant's Environmental Liability, and Pollution and Remediation Legal Liability.

Current year annual statement

**Commonwealth Insurance Company of
America**

**Statutory Financial Statements for the
Years Ended December 31, 2013 and 2012**

COMMONWEALTH INSURANCE COMPANY OF AMERICA
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December 31, 2013 and 2012

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8. Supplemental Schedule of Reinsurance Disclosures	Appendix B



Independent Auditor's Report

To the Board of Directors of
Commonwealth Insurance Company of America:

We have audited the accompanying statutory financial statements of Commonwealth Insurance Company of America, which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2013 and 2012 and the related statutory statements of income and changes in capital and surplus, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Washington State Office of the Insurance Commissioner. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the Washington State Office of the Insurance Commissioner, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America are material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2013 and 2012 or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Washington State Office of the Insurance Commissioner described in Note 2.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic statutory basis financial statements taken as a whole. The supplemental schedules listed in the attached index of the Company as of December 31, 2013 and for the year then ended are presented for purposes of additional analysis and are not a required part of the basic statutory basis financial statements. The effects on the supplemental schedules listed in the attached index of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America are material. As a consequence, the supplemental schedules listed in the attached index do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2013 and for the year then ended. The supplemental schedules listed in the attached index have been subjected to the auditing procedures applied in the audit of the basic statutory basis financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic statutory basis financial statements taken as a whole.

PricewaterhouseCoopers LLP

May 28, 2014

COMMONWEALTH INSURANCE COMPANY OF AMERICA
Statutory Statements of Admitted Assets,
Liabilities and Capital and Surplus
As of December 31, 2013 and 2012

<i>(in thousands)</i>	<u>2013</u>	<u>2012</u>
Admitted Assets		
Cash and invested assets:		
Short-term investments, at cost	\$ 12,989	\$ 19,450
Bonds, at amortized cost (fair value of \$1,583 in 2013 and \$1,715 in 2012)	1,379	1,399
Cash and cash equivalents	<u>14,317</u>	<u>1,518</u>
Total cash and invested assets	<u>28,685</u>	<u>22,367</u>
Accrued investment income	46	17
Premium receivable and agents' balances (net of allowance of \$nil in 2013 and \$42 in 2012)	(10)	10
Reinsurance recoverable on paid losses (net of allowance of \$70 in 2013 and 2012)	158	521
Federal and foreign income tax recoverable	9	132
Ceded reinsurance premiums receivable	-	455
Receivables from affiliates	-	815
Other assets	2	101
Total admitted assets	<u>\$ 28,890</u>	<u>\$ 24,418</u>
Liabilities		
Losses and loss adjustment expenses	\$ 675	\$ 3,648
Unearned premiums	-	369
Payable for securities	6,992	-
Provision for reinsurance	1,225	3,715
Ceded reinsurance premiums payable	103	-
Premium deficiency reserve	-	57
Accrued expenses and other liabilities	47	458
Reinsurance credit	24	20
Payables to affiliates	25	-
Total liabilities	<u>9,091</u>	<u>8,267</u>
Capital and Surplus		
Common stock (\$10 par value, 1,000,000 authorized and 300,000 shares issued and outstanding)	3,000	3,000
Additional paid-in and contributed surplus	16,930	16,930
Unassigned deficit	(131)	(3,779)
Total capital and surplus	<u>19,799</u>	<u>16,151</u>
Total liabilities and capital and surplus	<u>\$ 28,890</u>	<u>\$ 24,418</u>

The accompanying notes are an integral part of the statutory financial statements.

COMMONWEALTH INSURANCE COMPANY OF AMERICA
Statutory Statements of Income
For the Years Ended December 31, 2013 and 2012

<i>(in thousands)</i>	<u>2013</u>	<u>2012</u>
Premiums (returned) earned, net	\$ (115)	\$ 4,238
Losses and loss adjustment expenses (recovered) incurred, net	(1,931)	3,817
Premium deficiency reserve	(57)	(1,014)
General and administrative expenses	383	1,242
Underwriting gain	<u>1,490</u>	<u>193</u>
Net investment income (loss)	31	(5)
Net realized capital losses, (net of tax benefit of \$nil in 2013 and \$66 in 2012)	-	(123)
Net investment gain (loss)	<u>31</u>	<u>(128)</u>
Other income	67	1,300
Net income before income tax	<u>1,588</u>	<u>1,365</u>
Federal and foreign income tax expense	(24)	(187)
Net income	<u>\$ 1,564</u>	<u>\$ 1,178</u>

The accompanying notes are an integral part of the statutory financial statements.

COMMONWEALTH INSURANCE COMPANY OF AMERICA
Statutory Statements of Changes in Capital and Surplus
For the Years Ended December 31, 2013 and 2012

<i>(in thousands)</i>	<u>Common Stock</u>	<u>Additional Paid-in and Contributed Surplus</u>	<u>Unassigned Surplus</u>	<u>Total Capital and Surplus</u>
Balance at December 31, 2011	\$ 3,000	\$ 16,930	\$ (12,010)	\$ 7,920
Net income	-	-	1,178	1,178
Change in net deferred income taxes	-	-	(984)	(984)
Change in non-admitted assets	-	-	17,287	17,287
Change in provision for reinsurance	-	-	(1,307)	(1,307)
Cumulative effect of changes in accounting principles	-	-	46	46
Change in reinsurance credit	-	-	11	11
Dividends to stockholders	-	-	(8,000)	(8,000)
Balance at December 31, 2012	<u>\$ 3,000</u>	<u>\$ 16,930</u>	<u>\$ (3,779)</u>	<u>\$ 16,151</u>
Net income	-	-	1,564	1,564
Change in non-admitted assets	-	-	(402)	(402)
Change in provision for reinsurance	-	-	2,490	2,490
Change in reinsurance credit	-	-	(4)	(4)
Balance at December 31, 2013	<u>\$ 3,000</u>	<u>\$ 16,930</u>	<u>\$ (131)</u>	<u>\$ 19,799</u>

The accompanying notes are an integral part of the statutory financial statements.

COMMONWEALTH INSURANCE COMPANY OF AMERICA
Statutory Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

<i>(in thousands)</i>	<u>2013</u>	<u>2012</u>
Cash from operations:		
Premiums collected (returned), net of reinsurance	\$ 136	\$ (978)
Benefit and loss related payments, net of reinsurance	(416)	(3,446)
Operating expenses paid	(855)	(986)
Net investment income received	22	109
Other income (expense)	68	(2,458)
Decrease in premium deficiency reserve	(57)	(1,014)
Federal and foreign income taxes recovered	99	695
Net cash used in operations	<u>(1,003)</u>	<u>(8,078)</u>
Cash from investment activities:		
Proceeds from investments sold, matured, or repaid	6,992	8,318
Cost of investments acquired	-	(8,217)
Net cash provided by investment activities	<u>6,992</u>	<u>101</u>
Cash from financing activities and other:		
Dividends to stockholders	-	(6,931)
Other cash provided	349	-
Net cash provided by (used in) financing activities and other	<u>349</u>	<u>(6,931)</u>
Net change in cash and short-term investments	6,338	(14,908)
Cash and short-term investments:		
Beginning of year	20,968	35,876
End of year	<u>\$ 27,306</u>	<u>\$ 20,968</u>

The accompanying notes are an integral part of the statutory financial statements.

COMMONWEALTH INSURANCE COMPANY OF AMERICA

Notes to Statutory Financial Statements

1. Nature of Business

Commonwealth Insurance Company of America ("Commonwealth" or "the Company") was incorporated on October 26, 1994 and was granted a certificate of authority to transact insurance on January 17, 1995. Commonwealth is a wholly owned subsidiary of TIG Insurance Company ("TIG Insurance"), a property and casualty insurer domiciled in the State of California that has been in run off since 2002. The ultimate parent company is Fairfax Financial Holdings Limited ("Fairfax"), a Canadian financial services holding company that, through its subsidiaries, is engaged in property, casualty and life insurance, investment management and insurance claims management.

On January 1, 2013, Northbridge Indemnity sold 100% of the outstanding stock of the Company to TIG Insurance. Northbridge Indemnity will provide the Company with ongoing claim handling, reinsurance recovery, financial, actuarial and other management services.

In connection with the change in control, Commonwealth entered into a service agreement with RiverStone Resources, LLC ("RiverStone") to provide the necessary management, administrative and technical services for the Company. RiverStone Claims Management, LLC provides claim handling services and reinsurance collection services for the Company's operations.

In 2012, the Company sold a significant portion of the renewal rights to its US property business ("US portfolio") to a related company, Hudson Insurance Company ("Hudson"). The transaction was effective May 1, 2012, for a fixed and a contingent consideration of \$600,000 and \$669,000, respectively which was recognized in the statement of operations. The contingent consideration was determined based on projected underwriting results from the US portfolio over a five year period beginning May 1, 2012 and is subject to a maximum of \$5 million.

In 2012, the Company also sold a portion of the renewal rights of its US portfolio to Northbridge Indemnity. The consideration received was \$15,000. The remaining business not associated with the sold renewal rights to either Hudson or Northbridge Indemnity is now in runoff and will expire in due course.

The Company's primary, on-going focus is the orderly resolution of claims, settlement of Company obligations and collections of reinsurance and other recoverable balances. Any remaining written premium activity primarily represents the impact of final premium adjustments and cancellations.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of Commonwealth have been prepared in conformity with accounting principles prescribed or permitted by the Insurance Department of the State of Washington (the "Department") for determining and reporting the financial condition and results of operations of an insurance company and for determining solvency under the Washington Insurance Law.

The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the Department.

Permitted Practices

Prior to July 1, 2012, under prescribed statutory accounting practices, the Company could hold an investment in an individual mutual fund up to 1% of the Company's assets. The aggregate amount of all investments in mutual funds the Company could own was limited to 10% of the company's admitted assets as imposed by the Revised Code of Washington ("RWC") 48.13.240 (1).

A permitted practice was approved by State of Washington Office of Insurance Commissioner, which permitted the Company to invest an unlimited amount of funds into the mutual funds listed on the NAIC

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SVO's US Direct Obligations/Full Faith and Credit Exempt List or Bond Fund List. The permitted practice expired on December 31, 2011.

Effective July 1, 2012, RWC 48.13.070 and 48.13.080 were amended to exclude individual limitation on securities listed in NAIC SVO's US Direct Obligations/Full Faith and Credit Exempt List or Bond Fund List.

Estimates

The preparation of financial statements of insurance companies in conformity with accounting principles prescribed or permitted by the Department requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future, as more information becomes known that could impact the amounts reported and disclosed herein.

Differences between GAAP and SAP

The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("SAP") has been adopted as a component of prescribed or permitted practices by the Department. SAP is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). The more significant variances from GAAP to SAP are as follows:

Investments: Investments in bonds are reported at amortized cost or market value, based upon the rating received by the NAIC. For GAAP, fixed maturity investments are designated at purchase as 1) held-to-maturity, 2) trading or 3) available-for-sale. Investments classified as held-to-maturity are reported at amortized cost; all other fixed maturity investments are reported at fair value, with unrealized gains and losses reported in operations for those designated as trading and as a separate component of shareholder's equity for those designated as available-for-sale.

Policy acquisition costs:

The costs of acquiring and renewing business are expensed as incurred. Under GAAP, such costs, to the extent recoverable, would be deferred and amortized over the effective period of the related insurance policies.

Non-admitted Assets: Certain assets designated as "non-admitted", principally deferred income taxes in excess of certain limitations, past-due agents' balances, prepaid expenses, and reinsurance receivables, are excluded from the balance sheets and are charged directly to surplus for statutory purposes.

Reinsurance: A liability for reinsurance balances ("Schedule F Penalty") has been established for unpaid losses, loss adjustment expenses, premiums written, and unearned premiums ceded to reinsurers unauthorized by license to assume such business and for certain overdue reinsurance balances on authorized reinsurers. Changes to those amounts are credited or charged directly to unassigned surplus. Under GAAP, an allowance for amounts deemed uncollectible is established through a charge to earnings. A similar allowance is required under NAIC SAP to the extent the Company's Schedule F Penalty is not sufficient to provide for uncollectible balances.

Reserves for losses and loss adjustment expenses and unearned premiums ceded to reinsurers have been reported as reductions of the related gross reserves rather than as assets as required under GAAP. No provision for anticipated salvage and subrogation recoveries is made in the determination of the claims reserves. Under GAAP, a recoverable for such recoveries would be reflected in the claims reserves.

Commissions allowed by reinsurers on business ceded are reported as income when received (to the extent such allowances do not exceed actual direct acquisition costs for the related business) rather than being deferred and amortized with deferred policy acquisition costs, as required under GAAP.

Federal Income Taxes: Deferred federal income taxes are provided for temporary differences between financial statement and tax basis of assets and liabilities. Deferred tax assets are recognized only to the extent

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they are more likely than not to be realized and are admitted to the extent they meet specific criteria which include the amount of gross deferred tax assets expected to reverse within a limited time period and a percentage of adjusted surplus. Amounts not recognized and in excess of these criteria are recorded as non-admitted assets. Changes in deferred income tax assets and liabilities are recorded directly to unassigned surplus. The Company periodically assesses the need for contingent tax liabilities. When appropriate, interest and/or penalties related to contingent tax liabilities are included as part of the income tax provision.

For GAAP purposes, deferred tax assets are reduced by a valuation allowance when the Company believes it is more likely than not that all or a portion of its deferred tax assets will not be realized. Under statutory accounting principles, deferred tax assets are recognized only to the extent they are more likely than not to be realized and are admitted to the extent they meet specific criteria which include the amount of gross deferred tax assets expected to reverse within a limited time period and a percentage of adjusted surplus. Generally, changes in deferred taxes are recorded to net income or other comprehensive income for GAAP purposes and are recorded in surplus under statutory accounting principles.

Cash Flow: The statutory statements of cash flow follow a prescribed method included in the NAIC instructions to present changes in amounts in balance sheet accounts, which may not reflect actual cash flows from transactions or operations. For cash flow purposes, included as cash and cash equivalents under statutory accounting are short-term investments which mature within one year as opposed to three months.

Risk-based Capital

The NAIC developed a formula to calculate risk-based capital ("RBC") for property and casualty insurance companies and to compare such to minimum required levels. The primary objective of the RBC requirements is to provide a means for measuring the quality of a company's statutory surplus available to meet policyholder obligations. At December 31, 2013 and 2012, the Company's ratio of statutory surplus to the authorized control level of RBC exceeded the minimum requirement.

Investments

Investments are recorded in accordance with valuation procedures promulgated by the NAIC. Bonds are stated at amortized cost using the effective interest method. Non-investment grade bonds are stated at the lower of amortized cost or fair value.

Short-term investments are stated at cost, which approximates market value. Short-term investments include investments with original maturities of less than 12 months but longer than three months at the date of acquisition.

Investment income is recognized on an accrual basis. Dividends are recorded as income on the date of record. Gains and losses on sales of investments are generally determined on an average cost basis and are included in net income or loss. Changes in the statutory market values of stocks are reflected as unrealized gains or losses, net of tax, directly in surplus and, accordingly, have no effect on net income. Market values of certain investments in bonds and stocks are values specified by the NAIC rather than on actual or estimated market values. Realized losses on bonds due to "other than temporary" impairments, if any, are included in the accompanying statutory Statements of Income.

Investments the company currently owns could be subject to default by the issuer or declines in fair value that become other-than-temporary. The company continually assesses the prospects for individual securities as part of its ongoing portfolio management, including the identification of other-than-temporary declines in fair values. The Company's other-than-temporary assessment includes reviewing the extent and duration of declines in fair values of investments below the amortized cost basis, the seniority and duration of the securities, historical and projected company financial performance, company-specific news and other developments, the outlook for industry sectors, credit ratings and macro-economic changes, including government policy initiatives. The company currently holds no investments with unrealized loss.

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Premiums

Premiums written, net of reinsurance, are taken into income evenly throughout the terms of the related policies. Because premium deposits secure the payment of premiums that are refundable, they are not taken into income unless default in payment of premiums occurs. Unearned premiums comprise the portion of premiums written that is applicable to the unexpired terms of the policies in force.

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expense reserves represent the estimated ultimate net cost of reported and unreported losses incurred through December 31. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuations as well as aggregate estimation techniques for claims incurred but not reported using historical data. These estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the reserves for loss and loss adjustment expenses are adequate to cover payments that will ultimately be made in settling the claims. However, final claim payments may differ from these reserves. Adjustments to the reserves resulting from subsequent developments or revisions to the estimates are reflected in the results of operations in the period in which such adjustments become known. While there can be no assurance that the reserves at any given time are adequate to meet the Company's obligations, the amounts reported in the balance sheets are management's best estimates of those amounts. The Company does not discount the reserve for loss and loss adjustment expenses.

Reinsurance

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Prospective reinsurance premiums, losses, and loss adjustment expenses are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

From time to time the Company settles through commutation all or a portion of balances due from individual reinsurers. The Company defers estimated gains on commutation settlements until such time as all or a significant portion of the reassumed claim liabilities are settled. Known losses on commutation settlements are recognized immediately to the extent that amounts were not previously provided for through the reserve for uncollectible reinsurance.

Reinsurance credit

Revised Code of Washington (RCW) 48.12.160 requires cash collateral or a clean, irrevocable letter of credit in order to admit reinsurance recoverable from unauthorized reinsurers. A provision is made for balances held with unauthorized reinsurers without cash collateral or a clean, irrevocable letter. The change in this provision is directly charged or credited to unassigned surplus or deficit.

Premium deficiency reserve

When the anticipated losses, loss adjustment expenses and maintenance costs exceed the recorded unearned premium reserve, and any future instalment premiums on existing policies, a premium deficiency reserve shall be recognized by recording an additional liability for the deficiency, with a corresponding charge to operations. Premium deficiency reserve of \$nil and \$57,000 was provided for as at December 31, 2013 and 2012, respectively. The Company does not utilize anticipate investment income as a factor in premium deficiency calculations.

Recently adopted accounting pronouncements

On November 6, 2011, the NAIC adopted SSAP No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10*. This statement contains changes to accounting for current and deferred federal and foreign income taxes and is effective January 1, 2012. This statement provides that the deferred tax asset admissibility guidance is no longer elective and the reversal and surplus limitation parameters in the admissibility tests are determined based on risk-based capital levels. SSAP No. 101 also requires gross deferred tax assets to be reduced by a statutory valuation allowance if it is more likely than not that some or all of the gross deferred tax assets will not be realized. Further, the guidance sets a more likely than not threshold for recording contingent

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tax liabilities. The cumulative effect of adopting this principle resulted in a \$46,000 increase to unassigned funds as of January 1, 2012.

In March 2011, the NAIC issued revisions to SSAP No. 100, *Fair Value Measurements*, which requires additional fair value disclosures. These additional disclosures include a disclosure of the fair value hierarchy of items that are disclosed with a fair value measurement but are not valued at fair value in the balance sheet. Also, for financial instruments carried at fair value, companies are required to disclose purchases, sales, issuances, and settlements on a gross basis for fair value measurements categorized in Level 3 of the fair value hierarchy. These new requirements were effective January 1, 2012.

Reclassification

Certain prior year balances have been reclassified to conform to the current year presentation.

3. Investments

Net investment income by major category of investments is summarized as follows:

<i>(in thousands)</i>	Years Ended December 31,	
	2013	2012
Bonds	\$ 94	\$ 87
Cash and short-term investments	4	15
Total investment income	98	102
Investment expenses	(67)	(107)
Net investment income (loss)	\$ 31	\$ (5)

Net realized gains and losses on investments, before income taxes, are summarized below:

<i>(in thousands)</i>	Years Ended December 31,	
	2013	2012
Net realized gains (losses):		
Bonds	\$ -	\$ (189)
Capital gains tax benefit	-	66
Net realized loss	\$ -	\$ (123)

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The cost or amortized cost, gross unrealized gains, gross unrealized loss and fair value of debt securities are as follows at December 31, 2013 and 2012:

(in thousands)

	Statement Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2013				
Bonds:				
United States government obligations	\$ 855	\$ 81	\$ -	\$ 936
States, territories and possessions	524	123	-	647
	<u>\$ 1,379</u>	<u>\$ 204</u>	<u>\$ -</u>	<u>\$ 1,583</u>

(in thousands)

	Statement Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2012				
Bonds:				
United States government obligations	\$ 875	\$ 119	\$ -	\$ 994
States, territories and possessions	524	197	-	721
	<u>\$ 1,399</u>	<u>\$ 316</u>	<u>\$ -</u>	<u>\$ 1,715</u>

Temporarily impaired securities at December 31, 2013 and 2012 are summarized below.

December 31, 2013:
(in thousands)

Description	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Treasury obligations and direct obligations of US government agencies	\$ 936	\$ -	\$ -	\$ -	\$ 936	\$ -
Securities issued by states, territories, and possessions and political subdivisions in the U.S.	647	-	-	-	647	-
Total temporarily impaired securities	<u>\$ 1,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,583</u>	<u>\$ -</u>

December 31, 2012:
(in thousands)

Description	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
US Treasury obligations and direct obligations of US government agencies	\$ 994	\$ -	\$ -	\$ -	\$ 994	\$ -
Securities issued by states, territories, and possessions and political subdivisions in the U.S.	721	-	-	-	721	-
Total temporarily impaired securities	<u>\$ 1,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,715</u>	<u>\$ -</u>

None of the Company's invested assets were in an unrealized loss position as of December 31, 2013 and 2012.

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The statement value and fair values of bonds at December 31, 2013 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<i>(in thousands)</i>	<u>Statement Value</u>	<u>Fair Value</u>
Due in one year or less	\$ -	\$ -
Due after one year through five years	855	936
Due after five years through ten years	-	-
Due after ten years	<u>524</u>	<u>647</u>
Total bonds	<u>\$ 1,379</u>	<u>\$ 1,583</u>

Proceeds from investments sold and gross realized gains and losses on those disposals during 2013 and 2012 are as follows:

		<u>2013</u>			
<i>(in thousands)</i>	<u>Proceeds</u>	<u>Gross Realized Gains</u>	<u>Gross Realized Losses</u>	<u>Total Gain/(Loss)</u>	
Bonds	\$ -	\$ -	\$ -	\$ -	-
Cash equivalents and short-term investments	17,369	-	-	-	-
Total	<u>\$ 17,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
		<u>2012</u>			
<i>(in thousands)</i>	<u>Proceeds</u>	<u>Gross Realized Gains</u>	<u>Gross Realized Losses</u>	<u>Total Gain/(Loss)</u>	
Bonds	\$ 8,318	\$ -	\$ (189)	\$ (189)	-
Cash equivalents and short-term investments	440	-	-	-	-
Total	<u>\$ 8,758</u>	<u>\$ -</u>	<u>\$ (189)</u>	<u>\$ (189)</u>	<u>-</u>

At December 31, 2013, the Company had no significant concentration of credit risk.

As required by various state insurance departments or by contract, the Company has pledged certain investment securities in support of business operations. Statement value and fair value of the investment securities were \$7.6 million and \$7.8 million respectively, at December 31, 2013.

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Restricted assets at December 31, 2013 are as follows:

(in thousands)	Gross Restricted							Percentage		
	Current Year					6	7	8	9	10
	1	2	3	4	5					
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Restricted Assets (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligations for which liability is shown	-	-	-	-	-	-	-	-	0.00%	0.00%
b. Collateral held under security lending agreements	-	-	-	-	-	-	-	-	0.00%	0.00%
c. Subject to repurchase agreements	-	-	-	-	-	-	-	-	0.00%	0.00%
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-	-	0.00%	0.00%
e. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-	-	-	0.00%	0.00%
f. Placed under option contracts	-	-	-	-	-	-	-	-	0.00%	0.00%
g. Letter stock or securities restricted as to sale	-	-	-	-	-	-	-	-	0.00%	0.00%
h. On deposit with states	7,591	-	-	-	7,591	7,566	25	7,591	25.88%	26.27%
i. On deposit with other regulatory bodies	-	-	-	-	-	-	-	-	0.00%	0.00%
j. Pledged as collateral not captured in other categories	-	-	-	-	-	-	-	-	0.00%	0.00%
k. Other restricted assets	-	-	-	-	-	-	-	-	0.00%	0.00%
Total Restricted Assets	\$ 7,591	\$ -	\$ -	\$ -	\$ 7,591	\$ 7,566	\$ 25	\$ 7,591	25.88%	26.27%

Fair Value of Financial Instruments

Financial assets and liabilities have been categorized into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are as follows:

Level 1 — Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 — Fair value is based on significant inputs that are observable for the asset or liability, either directly or indirectly, through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities and other market observable inputs. Valuations are generally obtained from third party pricing services for identical or comparable assets or liabilities and validated or determined through use of valuation methodologies using observable market inputs.

Level 3 — Fair value is based on significant unobservable inputs for the asset or liability. These inputs reflect assumptions about what market participants would use in pricing the asset or liability. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models and other similar techniques.

The following valuation techniques are applied by the Company:

Bonds - Bonds that are rated an NAIC 3 through 6 or that have been impaired are carried at the lower of amortized cost or fair value.

Cash equivalents and short-term investments – Cash equivalents and short-term investments are carried at cost which approximates observable market pricing.

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(in thousands)

December 31, 2013	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable
Bonds	\$ 1,583	\$ 1,379	\$ -	\$ 1,583	\$ -	\$ -
Cash equivalents and short-term investments	26,328	26,328	26,328	-	-	-
	<u>\$ 27,911</u>	<u>\$ 27,707</u>	<u>\$ 26,328</u>	<u>\$ 1,583</u>	<u>\$ -</u>	<u>\$ -</u>

(in thousands)

December 31, 2012	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable
Bonds	\$ 1,715	\$ 1,399	\$ -	\$ 1,715	\$ -	\$ -
Cash equivalents and short-term investments	19,450	19,450	19,450	-	-	-
	<u>\$ 21,165</u>	<u>\$ 20,849</u>	<u>\$ 19,450</u>	<u>\$ 1,715</u>	<u>\$ -</u>	<u>\$ -</u>

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of any level of the fair value hierarchy. The Company has adopted a policy of recording transfers between fair value hierarchy categories effective from the beginning of the reporting period in which the transfer is identified. During the statement period, the Company had no transfers to or from assets or liabilities measured at fair value in any level of the hierarchy.

4. Reinsurance

In the normal course, the Company seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure from reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. The Company currently limits its liability to a maximum amount on any one loss of \$500,000 and on any one event of \$25 million. In addition, the Company has obtained reinsurance to limit its liability in the event of a series of claims arising out of a single occurrence.

The Company ceded 30% of all business incurred to a quota share contract which is subject to a cap of \$140 million for each and every loss occurrence. Through the quota share contract, the Company ceded premiums earned of \$111,000 and \$3.3 million at December 31, 2013 and 2012, respectively and recovered claims of \$1.2 million and \$2.5 million at December 31, 2013 and 2012, respectively.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; accordingly, allowances are established for amounts estimated to be ultimately uncollectible. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

In 2013 and 2012, the Company entered into excess of loss agreements with Northbridge Indemnity. The premium ceded related to these agreements was \$175,000 in 2013 and \$1.5 million in 2012. The loss recovery related to these agreements was \$908,000 in 2013 and \$663,000 in 2012.

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The following table shows the effects of all reinsurance transactions on premiums written and earned and ceded incurred losses and loss adjustment expenses ("LAE"), including those described in the above paragraphs:

<i>(in thousands)</i>	Years Ended December 31,	
	2013	2012
Written premium:		
Direct	\$ (91)	\$ 4,570
Assumed	-	-
Ceded	(393)	(6,291)
Net	<u>\$ (484)</u>	<u>\$ (1,721)</u>
Earned premium:		
Direct	\$ 443	\$ 13,105
Assumed	-	-
Ceded	(558)	(8,867)
Net	<u>\$ (115)</u>	<u>\$ 4,238</u>
Incurred losses and loss adjustment expenses:		
Direct	\$ (3,389)	\$ 10,690
Assumed	(138)	5
Ceded	1,596	(6,878)
Net	<u>\$ (1,931)</u>	<u>\$ 3,817</u>

Amounts deducted from liability, income and expense accounts for the years ended December 31, 2013 and 2012, in connection with reinsurance ceded were as follows:

<i>(in thousands)</i>	2013		2012	
	Affiliates	Others	Affiliates	Others
Liabilities				
Unpaid losses and LAE reserves	\$ 1,033	\$ 998	\$ 2,584	\$ 4,177
Unearned premiums	-	-	23	142
Income and expenses				
Premiums written	(197)	(196)	(2,208)	(4,083)
Premiums earned	(220)	(338)	(2,587)	(6,280)
Loss and LAE incurred	(552)	2,148	(1,360)	(5,518)

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Amounts included in liability, income and expense accounts for the years ended December 31, 2013 and 2012, in connection with reinsurance assumed were as follows:

<i>(in thousands)</i>	2013		2012	
	Affiliates	Others	Affiliates	Others
Liabilities				
Losses and loss adjustment	\$ -	\$ -	\$ 138	\$ -
Income and expenses				
Loss and LAE Incurred	(138)	-	5	-

At December 31, 2013, the Company had unsecured aggregate recoverables for losses, paid and unpaid including incurred but not reported ("IBNR"), loss adjustment expenses and unearned premium that exceed 3% of policyholder surplus with the following reinsurers:

<i>(in thousands)</i>	Amount
Northbridge Indemnity Insurance Corporation	\$ 854
Odyssey America Reinsurance Corporation	132
CRC (Bermuda) Reinsurance Company	52
Total Fairfax Financial Group	\$ 1,038

The Company has no reinsurance recoverables on paid and unpaid (including IBNR) losses in dispute as of December 31, 2013 and 2012.

If all reinsurance contracts were cancelled with the return of the associated unearned premium, the maximum amount of return commission would be \$nil and \$47,000 at December 31, 2013 and 2012, respectively. There is no additional or return commission predicated on loss experience as a result of existing contractual arrangements in 2013 and 2012.

During 2013, the Company reported \$337,000 through losses incurred as a result of the commutation of reinsurance.

The Company executed commutations with the following reinsurers during 2013:

<i>(in thousands)</i>	Total Incurred
Reinsurer	
Finial Reinsurance Company	\$ 313
Munich Reinsurance America Inc.	24
	\$ 337

The Company actively monitors and evaluates the financial condition of its reinsurers and prepares estimates of the uncollectible amounts due from troubled reinsurers. The evaluation focuses on financial and other available data, such as whether or not the reinsurer is in rehabilitation or in liquidation proceedings, and produces an estimate of the amount that may be ultimately collected from these troubled reinsurers. In addition to the reinsurers' ability to pay claims, from time to time disputes arise over claim amounts and reinsurance coverage. The Company pursues its remedies in these cases and generally recognizes the impact of developments in these situations as the disputes are resolved. Management believes the reinsurance recoverable amount to be valid and collectible.

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5. Losses and Loss Adjustment Expenses

The following table provides a reconciliation of the beginning and ending reserve balances at December 31, 2013 and 2012:

<i>(in thousands)</i>	<u>2013</u>	<u>2012</u>
Reserve for losses and LAE, net of reinsurance, at beginning of year	\$ 3,648	\$ 4,625
Add incurred losses and LAE, net of reinsurance, related to		
Current year	28	2,968
Prior years	<u>(1,959)</u>	<u>849</u>
Total incurred losses and LAE, net of reinsurance	<u>\$ (1,931)</u>	<u>\$ 3,817</u>
Deduct losses and LAE payments, net of reinsurance, related to		
Current year	28	1,948
Prior years	<u>1,014</u>	<u>2,846</u>
Total paid losses and LAE, net of reinsurance	<u>1,042</u>	<u>4,794</u>
Reserve for losses and LAE, net of reinsurance, at end of year	<u>\$ 675</u>	<u>\$ 3,648</u>

Net reserves as of December 31, 2012 were \$3.6 million. During 2013, \$1 million was paid for claims and claim adjustment expenses attributable to insured events of prior years. Net reserves remaining for prior years as of December 31, 2013 were \$675,000, resulting in a \$2 million favorable prior year development, primarily in commercial multiple peril lines of business. In 2012, the Company had an unfavorable prior year loss development of \$849,000 resulting from under-provisions on certain claims, and the increase of IBNR reserves. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

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6. Federal Income Taxes

The Company's federal income tax returns are consolidated with its ultimate U.S. parent, Fairfax (US), Inc. The method of tax allocation among the companies included in the consolidated Fairfax, Inc. return is subject to a written agreement. Amounts paid/refunded are consistent with amounts that would result from filing separate tax returns with federal taxing authorities. Current tax payments are made to and current refunds are received from Fairfax, Inc. and/or other upstream parents of the Company.

The following entities are included in the consolidated federal income tax return for December 31, 2013:

1390 Main Street LLC	Hudson Specialty Insurance Company
AMC Re, Inc.	Investment and Administrative Services Company
American Management Corporation	Napa River Insurance Services, Inc.
American Safety Administrative Services, Inc.	NORO (US) Inc.
American Safety Casualty Insurance Company	Odyssey Reinsurance Company
American Safety Claims Services, Inc.	Odyssey Holdings Latin America, Inc.
American Safety Holdings Corporation	Odyssey Latin America Inc.
American Safety Holdings II Corporation	Odyssey Re Holdings Corp.
American Safety Indemnity Company	ORH Holdings, Inc.
American Safety Insurance Services, Inc.	Petsmarketing Insurance.Com Agency, Inc.
American Safety Purchasing Group, Inc.	Rainbow Florida GP, Inc.
American Underwriters Insurance Company	Resolution Reinsurance Services Corporation
Bluestone Agency, Inc.	RiverStone Claims Management LLC
Bluestone Surety, Ltd	RiverStone Group LLC
Clearwater Insurance Company	RiverStone Resources LLC
Clearwater Select Insurance Company	RSKCO Services Inc.
Commonwealth Insurance Company of America	Seneca Insurance Company, Inc.
CoverX Corporation	Seneca Risk Services, Inc.
Crum & Forster Holdings Corp.	Seneca Specialty Insurance Company
Crum & Forster Indemnity Company	The North River Insurance Company
Crum & Forster Specialty Insurance Company	The Resolution Group, Inc.
Crum and Forster Insurance Company	TIG Bermuda Ltd.
Cunningham Lindsey Claims Management, Inc.	TIG Holdings 1, Inc.
Excelsior Claims Administrators, Inc.	TIG Holdings 2, Inc.
Fairfax (US) Inc.	TIG Holdings 4, Inc.
Fairmont Insurance Company	TIG Holdings, Inc.
Fairmont Premier Insurance Company	TIG Insurance Company
Fairmont Specialty Group, Inc.	TIG Insurance Group, Inc.
Fairmont Specialty Insurance Company	TRG Holding Corporation
Fairmont Specialty Insurance Managers, Inc.	United States Fire Insurance Company
First Mercury Emerald Insurance Services, Inc.	Valiant Insurance Company
First Mercury Financial Corporation	Valiant Specialty Insurance Company
First Mercury Insurance Company	Wagn Pet Club, Inc.
General Fidelity Insurance Company	Zenith Development Corp.
Guild Underwriters Napa, Inc.	Zenith Insurance Company
Hartville Group, Inc.	Zenith Insurance Management Services, Inc.
Hartville Re	Zenith National Insurance Corp.
Hudson Crop Insurance Services, Inc.	Zenith of Nevada, Inc.
Hudson Excess Insurance Company	ZNAT Insurance Company
Hudson Insurance Company	

The written agreement approved by the Company's Board of Directors states that the total consolidated federal income tax for all entities is allocated to each entity in the following manner: tax payments are made to, or refunds received from, Fairfax (US), Inc. in amounts which would result from filing separate returns with federal taxing authorities.

COMMONWEALTH INSURANCE COMPANY OF AMERICA

Notes to Statutory Financial Statements

1 The components of the net deferred tax assets/(liability) at December 31 are as follows:

(in thousands)

	12/31/2013			12/31/2012			Change		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Gross Deferred Tax Assets	237	66	303	584	66	650	(347)	-	(347)
(b) Statutory Valuation Allowance Adjustment	227	66	293	584	66	650	(357)	-	(357)
(c) Adjusted Gross Deferred Tax Assets (1a-1b)	10	-	10	-	-	-	10	-	10
(d) Deferred Tax Assets Nonadmitted	-	-	-	-	-	-	-	-	-
(e) Subtotal Net Admitted Deferred Tax Asset (1c-1d)	10	-	10	-	-	-	10	-	10
(f) Deferred Tax Liabilities	10	-	10	-	-	-	10	-	10
(g) Net Admitted Deferred Tax Assets (1e-1f)	-	-	-	-	-	-	-	-	-

2 Admission Calculation Components SSAP No. 101:

(in thousands)

	12/31/2013			12/31/2012			Change		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	-	-	-	-	-	-	-	-	-
(b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amount of Deferred Tax Assets from 2(a) above) after application of the Threshold Limitation (The Lesser of 2(b)1 and 2(b)2 Below)	-	-	-	-	-	-	-	-	-
1. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date.	-	-	-	-	-	-	-	-	-
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	xxx	xxx	2,909	xxx	xxx	3,850	xxx	xxx	(941)
(c) Adjusted Gross Deferred Tax Assets (Excluding the Amount of Deferred Tax Assets from 2(a) and 2(b) Above) Offset by Gross Deferred Tax Liabilities	10	-	10	-	-	-	10	-	10
(d) Deferred Tax Assets Admitted as the Result of Application of SSAP No. 101: (Total 2(a) + 2(b) + 2(c))	10	-	10	-	-	-	10	-	10

3 Admission Thresholds:

(in thousands)

	12/31/2013	12/31/2012
(a) Ratio Percentage Used to Determine Recovery Period and Threshold Limitation Amount	12035%	2542%
(b) Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation in 2(b)2 Above	19,392	16,151

4 Impact of Tax Planning Strategies:

(in thousands)

	12/31/2013			12/31/2012			Change		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Determination of adjusted gross deferred tax assets and net admitted tax assets, by tax character as a percentage:									
1. Adjusted Gross DTAs amounts from Note 9A1(c)	10	-	10	-	-	-	10	-	10
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3. Net Admitted Gross DTAs amounts from Note 9A1(c)	10	-	10	-	-	-	10	-	10
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(b) Do the Company's tax planning strategies include the use of reinsurance?				Yes	No	X			

COMMONWEALTH INSURANCE COMPANY OF AMERICA
Notes to Statutory Financial Statements

Current income taxes incurred and net deferred tax assets and liabilities consist of the following major components (*in thousands*):

	(1) 12/31/2013	(2) 12/31/2012	(3) (Col 1-2) Change
1. Current income tax			
(a) Federal	24	-	24
(b) Foreign	-	187	(187)
(c) Subtotal	24	187	(163)
(d) Federal income tax on net capital gains	-	(66)	66
(e) Utilization of capital loss carryforwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income taxes incurred	24	121	(97)

	(1) 12/31/2013	(2) 12/31/2012	(3) (Col 1-2) Change
2. Deferred Tax Assets:			
(a) Ordinary:			
Discounting of unpaid losses	-	131	(131)
Unearned premium reserve	-	26	(26)
Investments	-	-	-
Non-admitted assets	155	-	155
Net operating loss carryforward	38	407	(369)
Tax credit carryforward	24	-	24
Other	20	20	-
Subtotal	237	584	(347)
(b) Statutory valuation allowance adjustment	227	584	(357)
(c) Nonadmitted deferred tax assets	-	-	-
(d) Admitted ordinary deferred tax assets (2a - 2b - 2c)	10	-	10
(e) Capital:			
Investments	66	66	-
Subtotal	66	66	-
(f) Statutory valuation allowance adjustment	66	66	-
(g) Nonadmitted deferred tax assets	-	-	-
(h) Admitted capital deferred tax assets (2e - 2f - 2g)	-	-	-
(i) Admitted deferred tax assets (2d + 2h)	10	-	10

3. Deferred tax liabilities:			
(a) Ordinary:			
Other	10	-	10
Subtotal	10	-	10
(b) Capital:			
Subtotal	-	-	-
(c) Deferred tax liabilities (3a + 3b)	10	-	10
4. Net deferred tax assets/liabilities (2i - 3c)	-	-	-

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement) (*in thousands*):

	(1) 12/31/2013	(2) 12/31/2012	(3) Change
Adjusted gross deferred tax asset	10	-	10
Total deferred tax liabilities	(10)	-	(10)
Net deferred tax asset	-	-	-
Tax effect of unrealized (gains)/losses	-	-	-
Change in net deferred income tax	-	-	-

COMMONWEALTH INSURANCE COMPANY OF AMERICA
Notes to Statutory Financial Statements

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before income taxes. The significant items causing this difference are as follows (*in thousands*):

	12/31/2013	Tax Effect (35%)	Rate
Income before taxes	1,588	556	35.00%
Increase (decrease) in actual tax reported resulting from:			
a. Tax exempt income deduction	(24)	(8)	-0.53%
b. Dividends received deduction	-	-	0.00%
d. Change in deferred taxes on nonadmitted assets	(444)	(155)	-9.78%
e. Nondeductible expenses	-	-	0.00%
f. Prior Year Adjustments	(33)	(12)	-0.72%
g. Change in Statutory Valuation Allowance	(1,019)	(357)	-22.46%
h. Other	-	-	0.00%
Taxable Income/Tax	<u>68</u>	<u>24</u>	<u>1.51%</u>
Federal and foreign income taxes incurred excluding capital gains tax		24	1.51%
Realized capital gains tax		-	0.00%
Federal and foreign income taxes incurred		<u>24</u>	<u>1.51%</u>
Change in net deferred income tax (without tax on unrealized gains and losses)		-	0.00%
Total statutory income taxes		<u>24</u>	<u>1.51%</u>

As of December 31, 2013, the operating loss carryforward or tax credit carryforward available for tax purposes are as follows (*in thousands*):

	<u>Year generated</u>	<u>Amount</u>	<u>Expiration date</u>
Operating Loss	12/31/12	\$ 109	12/31/32
Alternative Minimum Tax Credit		\$ 24	
Foreign Tax Credit		\$ -	

COMMONWEALTH INSURANCE COMPANY OF AMERICA
Notes to Statutory Financial Statements

7. Surplus, Dividends and Dividend Restrictions

The maximum amount of shareholder dividends that can be paid in any one year by State of Washington Insurance Companies without prior regulatory approval is generally limited to the greater of 10% of the prior year's unassigned surplus or the prior year's net earnings. There were no dividend payments made during 2013.

On December 28, 2012, the Company received approval from the Washington Office of the Insurance Commissioner to pay an \$8 million dividend, consisting of \$6.9 million in cash, the transfer of the contingent consideration valued at \$669,000 and a liability set up for the remittance of withholding taxes in favor of Northbridge Indemnity in the amount of \$400,000. All amounts were charged to assigned surplus.

The portion of unassigned surplus (including unrealized appreciation of securities) represented or reduced by each item below is as follows at December 31, 2013:

<i>(in thousands)</i>	<u>Increase/(Decrease)</u>
Non-admitted asset value	\$ (444)
Provision for reinsurance	<u>(1,225)</u>
Total	<u>\$ (1,669)</u>

Non-admitted Assets

Non-admitted assets at December 31, 2013 and 2012 consist of the following:

<i>(in thousands)</i>	<u>2013</u>	<u>2012</u>
Uncollected premiums and agents' balances in the course of collection	\$ -	\$ 42
Receivables from parent, subsidiaries and affiliates	444	-
Total nonadmitted asset value	<u>\$ 444</u>	<u>\$ 42</u>

8. Related Party Transactions

The Company has various transactions with certain subsidiaries and affiliates in the normal course of operations. These transactions include charges for operations management, investment management and administration, computer services, income taxes, and investment purchases and sales.

The Company has a service and cost agreement under which Northbridge Indemnity is responsible for selling insurance policies and collecting premiums on behalf of the Company. The Company uses Northbridge Indemnity's resources for its day-to-day operations and is covered under Northbridge Indemnity's reinsurance arrangements, in return for which the Company pays a fee to Northbridge Indemnity based on actual cost. During the year ended December 31, 2013, the Company incurred fees of \$195,000 to Northbridge Indemnity. Balances are settled in the normal course of business.

RiverStone provides services to the Company as discussed in Note 1 above. For 2013, there were no fees paid for this service. Hamblin Watsa Investment Counsel Ltd, a wholly owned subsidiary of Fairfax, provides investment management and administrative services to the Company. Fees paid to Hamblin Watsa Investment Council Ltd. totaled \$52,000 for 2013. Fairfax (US) Inc., a wholly owned subsidiary of Fairfax, provides tax services to the Company; fees paid to Fairfax (US) Inc., totaled \$30,000 for 2013.

COMMONWEALTH INSURANCE COMPANY OF AMERICA
Notes to Statutory Financial Statements

Significant balances (excluding reinsurance balances) due to or from related parties as of December 31, 2013 and 2012 include the following (amounts are presented net for each related party):

<i>(in thousands)</i>	Due from/(Due to)	
	2013	2012
<u>Name of related party</u>		
Northbridge Indemnity	\$ -	\$ 815
Fairfax Financial Holdings, Ltd.	(17)	-
RiverStone Resources, LLC	(8)	-
Total	<u>\$ (25)</u>	<u>\$ 815</u>

No significant transactions (defined as transactions for more than ½ of 1% of the Company's total assets, with affiliated companies, excluding reinsurance transactions) occurred during 2013 except as otherwise disclosed in these Notes.

9. Events Subsequent

The Company has evaluated events subsequent to December 31, 2013 and through the statutory-basis financial statements issuance date of May 28, 2014.

Commonwealth Insurance Company of America

**SUPPLEMENTAL INVESTMENT DISCLOSURE
SSAP No. 1 – APPENDIX A**

FOR THE YEAR ENDED DECEMBER 31, 2013

COMMONWEALTH INSURANCE COMPANY OF AMERICA
INVESTMENT RISK INTERROGATORIES
DECEMBER 31, 2013

Answer the following interrogatories by stating the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments as shown on the Summary Investment Schedule. All reporting entities must answer interrogatories 1, 2, and, if applicable 11 through 15. Answer each of interrogatories 3 through 10 only if the reporting entity's aggregate holding in the gross investment category addressed in that interrogatory equals or exceeds 2.5% of the reporting entity's total admitted assets.

1. The reporting entity's total admitted assets are \$28,890,286
2. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding (i) U.S. government, U.S. government agency securities and those US Government money market funds listed in the Appendix to the *SVO Purposes and Procedures Manual* as exempt, (ii) property occupied by the company and (iii) policy loans (in thousands):

Issuer	Amount	Percentage of Total Admitted Assets
a. US Bank	\$ 9,227	31.94%
b. California State	524	1.81%
c. Wells Fargo	25	0.09%
	<u>\$ 9,776</u>	<u>33.84%</u>

3. State the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating (in thousands):

Bonds			Preferred Stocks		
NAIC-1	\$ 14,368	49.73%	P/PSF-1	\$ -	0.00%
NAIC-2	-	0.00%	P/PSF-2	-	0.00%
NAIC-3	-	0.00%	P/PSF-3	-	0.00%
NAIC-4	-	0.00%	P/PSF-4	-	0.00%
NAIC-5	-	0.00%	P/PSF-5	-	0.00%
NAIC-6	-	0.00%	P/PSF-6	-	0.00%
	<u>14,368</u>	<u>49.73%</u>		<u>-</u>	<u>0.00%</u>

COMMONWEALTH INSURANCE COMPANY OF AMERICA
INVESTMENT RISK INTERROGATORIES
DECEMBER 31, 2013

4. State the amounts and percentages of the reporting entity's total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure (defined as the statement value of investments denominated in foreign currencies which are not hedged by financial instruments qualifying for hedge accounting as specified in SSAP No. 31 – Derivative Instruments), including (i) foreign-currency-denominated investments of \$nil supporting insurance liabilities denominated in that same foreign currency of \$nil and excluding (ii) Canadian investments and currency exposure of \$nil.

Assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets, detail not required Yes _____ No _____ N/A X

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

Countries rated NAIC-1	\$	-	0.0%
Countries rated NAIC-2	\$	-	0.0%
Countries rates NAIC-3 or below	\$	-	0.0%

6. Two largest foreign investment exposures to a single country, categorized by the Country's NAIC sovereign rating:

Countries rated NAIC-1			
Country 1:	\$	-	0.0%
Country 2:	\$	-	0.0%
Countries rated NAIC-2			
Country 1:	\$	-	0.0%
Country 2:	\$	-	0.0%
Countries rates NAIC-3 or below			
Country 1:	\$	-	0.0%
Country 2:	\$	-	0.0%

7. Aggregate unhedged foreign currency exposure

\$ - 0.0%

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:

Countries rated NAIC-1	\$	-	0.0%
Countries rated NAIC-2	\$	-	0.0%
Countries rates NAIC-3 or below	\$	-	0.0%

COMMONWEALTH INSURANCE COMPANY OF AMERICA
INVESTMENT RISK INTERROGATORIES
DECEMBER 31, 2013

9. Two largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

Countries rated NAIC-1

Country 1:	\$ -	0.0%
Country 2:	\$ -	0.0%

Countries rated NAIC-2

Country 1:	\$ -	0.0%
Country 2:	\$ -	0.0%

Countries rated NAIC-3 or below

Country 1:	\$ -	0.0%
Country 2:	\$ -	0.0%

10. List the 10 largest non-sovereign (i.e. non-governmental) foreign issues:

Issuer	NAIC Rating	
		\$ - 0.00%
		\$ - 0.00%
		\$ - 0.00%

11. State the amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure, including Canadian-currency-denominated investments of \$nil supporting Canadian-denominated insurance liabilities of \$nil.

Assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets, detail not required: Yes _____ No _____ N/A X _____

Aggregate Canadian investment exposure:

a. Canadian investments	\$ -	0.0%
b. Canadian-currency-denominated investments	\$ -	0.0%
c. Canadian-denominated insurance liabilities	\$ -	0.0%
d. Unhedged Canadian currency exposure	\$ -	0.0%

12. State the aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days).

Assets held in investments with contractual sales restrictions less than 2.5% of the reporting entities total admitted assets, detail not required: Yes _____ No _____ N/A X _____

13. State the amounts and percentages of admitted assets held in the largest 10 equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities, and excluding money market and bond mutual funds listed in the Appendix to the SVO Practices and Procedures Manual as exempt or Class 1) (in thousands): \$nil

Assets held in equity interests less than 2.5% of the reporting entity's total admitted assets, detail not required: Yes _____ No _____ N/A X _____

COMMONWEALTH INSURANCE COMPANY OF AMERICA
INVESTMENT RISK INTERROGATORIES
DECEMBER 31, 2013

14. State the amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities (included in other equity securities) and excluding securities eligible for sale under (i) Securities Exchange Commission (SEC) Rule 144a or (ii) SEC Rule 144 without volume restrictions.

Assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entities total admitted assets, detail not required: Yes _____ No _____ N/A X

Aggregate statement value of investments held in non-affiliated, privately placed equities:

Amount	Percentage of Total Admitted Assets
\$ _____ -	_____ 0.0%

Largest 3 investments held in non-affiliated, privately placed equities:

Amount	Percentage of Total Admitted Assets
\$ _____ -	_____ 0.0%
\$ _____ -	_____ 0.0%
\$ _____ -	_____ 0.0%

15. State the amounts and percentages of the reporting entity's total admitted assets held in general partnership interests (included in other equity securities).

Assets held in general partnership interests less than 2.5 % of the reporting entity's total admitted assets, detail not required: Yes _____ No _____ N/A X

16. With respect to mortgage loans reported in Schedule B, state the amounts and percentages of the reporting entity's total admitted assets held:

Mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets, detail not required: Yes _____ No _____ N/A X

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value	Residential		Commercial		Agricultural	
i. Above 95%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
ii. 91% to 95%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
iii. 81% to 90%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
iv. 71% to 80%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
v. Below 70%	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%

COMMONWEALTH INSURANCE COMPANY OF AMERICA
INVESTMENT RISK INTERROGATORIES
DECEMBER 31, 2013

18. State the amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A, excluding property occupied by the Company.

Assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A less than 2.5% of the reporting entity's total admitted assets, detail not required:

Yes _____ No _____ N/A X

19. State the amounts and percentages of the reporting entity's total admitted assets held in mezzanine real estate loans:

Assets held in mezzanine real estate loans are less than 2.5% of the reporting entity's total admitted assets, detail not required: Yes _____ No _____ N/A X

20. State the amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

(in thousands)

	At Year End	At End of Each Quarter		
		1st Qtr.	2nd Qtr.	3rd Qtr.
a. Securities lending (do not include assets held as collateral for such transactions)	\$ - 0.0 %	\$ -	\$ -	\$ -
b. Repurchase agreements	- 0.0 %	-	-	-
c. Reverse repurchase agreements	- 0.0 %	-	-	-
d. Dollar repurchase agreements	- 0.0 %	-	-	-
e. Dollar reverse repurchase agreements	- 0.0 %	-	-	-

21. State the amounts and percentages indicated below for warrants not attached to other financial instruments, options, caps, and floors:

(in thousands)

	Written		Owned	
a. Hedging	\$ -	0.00	\$ -	0.00
b. Income generation	\$ -	0.00	\$ -	0.00
c. Other	\$ -	0.00	\$ -	0.00

22. State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for collars, swaps, and forwards:

(in thousands)

	At Year End	At End of Each Quarter		
		1st Qtr.	2nd Qtr.	3rd Qtr.
a. Hedging	\$ - 0.0%	\$ -	\$ -	\$ -
b. Income generation	\$ - 0.0%	\$ -	\$ -	\$ -
c. Replications	\$ - 0.0%	\$ -	\$ -	\$ -
d. Other	\$ - 0.0%	\$ -	\$ -	\$ -

COMMONWEALTH INSURANCE COMPANY OF AMERICA
INVESTMENT RISK INTERROGATORIES
DECEMBER 31, 2013

23. State the amounts and percentages indicated below of potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for futures contracts:

(in thousands)

	At Year End		At End of Each Quarter		
			1st Qtr.	2nd Qtr.	3rd Qtr.
a. Hedging	\$ -	0.0%	\$ -	\$ -	\$ -
b. Income generation	\$ -	0.0%	\$ -	\$ -	\$ -
c. Replications	\$ -	0.0%	\$ -	\$ -	\$ -
d. Other	\$ -	0.0%	\$ -	\$ -	\$ -

**COMMONWEALTH INSURANCE COMPANY OF AMERICA
SUPPLEMENTAL SUMMARY INVESTMENT SCHEDULE
DECEMBER 31, 2013**

Section 3. Summary Investment Schedule

(in thousands):

Investment Categories	Gross Investment Holdings *		Admitted Assets as Reported in the Annual Statement	
	\$		\$	
Bonds				
US Treasury securities	855	3.0%	855	3.0%
US Government agency and corporate obligations (excluding mortgage-backed securities)				
Issued by US government agencies	-	0.0%	-	0.0%
Issued by US government-sponsored agencies	-	0.0%	-	0.0%
Foreign government (including Canada, excluding mortgage-backed securities)	-	0.0%	-	0.0%
Securities issued by states, territories and possessions and political subdivisions in the US				
State, territory and possession general obligations	524	1.8%	524	1.8%
Political subdivisions of states, territories and possessions political subdivisions general obligations	-	0.0%	-	0.0%
Revenue and assessment obligations	-	0.0%	-	0.0%
Industrial development and similar obligations	-	0.0%	-	0.0%
Mortgage-backed securities (includes residential and commercial MBS)				
Pass-through securities				
Guaranteed by GNMA	-	0.0%	-	0.0%
Issued by FNMA and FHLMC	-	0.0%	-	0.0%
Privately issued	-	0.0%	-	0.0%
CMOs and REMICs				
Issued by FNMA and FHLMC	-	0.0%	-	0.0%
Privately issued and collateralized by MBS issued or guaranteed by GNMA, FMNA, FHLMC	-	0.0%	-	0.0%
All other privately issued	-	0.0%	-	0.0%

**COMMONWEALTH INSURANCE COMPANY OF AMERICA
SUPPLEMENTAL SUMMARY INVESTMENT SCHEDULE
DECEMBER 31, 2013**

(in thousands):

Investment Categories	Gross Investment Holdings*		Reported in the Annual Statement	
Other debt and other fixed income securities (excluding short-term)				
Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	-	0.0%	-	0.0%
Unaffiliated foreign securities	-	0.0%	-	0.0%
Affiliated securities	-	0.0%	-	0.0%
Equity interests				
Investments in mutual funds	-	0.0%	-	0.0%
Preferred stocks				
Affiliated	-	0.0%	-	0.0%
Unaffiliated	-	0.0%	-	0.0%
Publicly traded equity securities (excluding preferred stocks)				
Affiliated	-	0.0%	-	0.0%
Unaffiliated	-	0.0%	-	0.0%
Other equity securities				
Affiliated	-	0.0%	-	0.0%
Unaffiliated	-	0.0%	-	0.0%
Other equity interests including tangible personal property under lease				
Affiliated	-	0.0%	-	0.0%
Unaffiliated	-	0.0%	-	0.0%
Mortgage loans				
Construction and land development	-	0.0%	-	0.0%
Agricultural	-	0.0%	-	0.0%
Single family residential properties	-	0.0%	-	0.0%
Multi-family residential properties	-	0.0%	-	0.0%
Commercial loans	-	0.0%	-	0.0%
Real estate investments				
Property occupied by company	-	0.0%	-	0.0%
Property held for production of income	-	0.0%	-	0.0%
Property held for sale	-	0.0%	-	0.0%
Collateral loans	-	0.0%	-	0.0%
Policy loans	-	0.0%	-	0.0%
Receivables for securities	-	0.0%	-	0.0%
Cash and short-term investments	27,306	95.2%	27,306	95.2%
Other invested assets	-	0.0%	-	0.0%
Total invested assets	\$ 28,685	100.0%	\$ 28,685	100.0%

* Gross Investment Holdings as valued in compliance with NAIC Accounting Practices & Procedures (Codification)

Commonwealth Insurance Company of America

**SUPPLEMENTAL SCHEDULE OF REINSURANCE DISCLOSURES
APPENDIX B**

FOR THE YEAR ENDED DECEMBER 31, 2013

**COMMONWEALTH INSURANCE COMPANY OF AMERICA
SUPPLEMENTAL SCHEDULE OF REINSURANCE DISCLOSURES
DECEMBER 31, 2013**

- 1.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quote share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provisions)?

Yes (X) No ()
- 1.2 If yes, indicate the number of reinsurance contracts containing such provisions.

1
- 1.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?

Yes (X) No ()
- 2.1 Has the reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?

Yes () No (X)
- 3.1 Has the reporting entity ceded risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results.
- (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
 - (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
 - (c) Aggregate stop loss reinsurance coverage;

**COMMONWEALTH INSURANCE COMPANY OF AMERICA
SUPPLEMENTAL SCHEDULE OF REINSURANCE DISCLOSURES
DECEMBER 31, 2013**

- (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
- (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
- (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

Yes () No (X)

- 3.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member, where:

- (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or
- (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract.

Yes () No (X)

4. Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R, *Property and Casualty Reinsurance*, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:

- (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or
- (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

Yes () No (X)

Uniform Consent to Service of Process

Applicant Name: Commonwealth Insurance Company of America NAIC No. 10220
FEIN: 91-1673817

Uniform Consent to Service of Process

Original Designation Amended Designation
(must be submitted directly to states)

Insurer Name: Commonwealth Insurance Company of America

Previous Name (if applicable): _____

Home Office Address: c/o Larry Kibbee, 468 Nez Perce Place

City, State, Zip: LaConner, WA 98257 NAIC CoCode: 0158

The entity named above, organized under the laws of Washington, for purposes of complying with the laws of the State(s) designate hereunder relating to the holding of a certificate of authority or the conduct of an insurance business within said State(s), pursuant to a resolution adopted by its board of directors or other governing body, hereby irrevocably appoints the officers of the State(s) and their successors identified in Exhibit A, or, where applicable appoints the required agent so designated in Exhibit A hereunder as its attorney in such State(s) upon whom may be served any notice, process or pleading as required by law as reflected on Exhibit A in any action or proceeding against it in the State(s) so designated; and does hereby consent that any lawful action or proceeding against it may be commenced in any court of competent jurisdiction and proper venue within the State(s) so designated; and agrees that any lawful process against it which is served under this appointment shall be of the same legal force and validity as if served on the entity directly. This appointment shall be binding upon any successor to the above named entity that acquires the entity's assets or assumes its liabilities by merger, consolidation or otherwise; and shall be binding as long as there is a contract in force or liability of the entity outstanding in the State. The entity hereby waives all claims of error by reason of such service. The entity named above agrees to submit an amended designation form upon a change in any of the information provided on this power of attorney.

Applicant Officers' Certification and Attestation

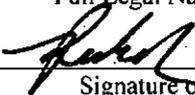
One of the two Officers (listed below) of the Applicant must read the following very carefully and sign:

1. I acknowledge that I am authorized to execute and am executing this document on behalf of the Applicant.
2. I hereby certify under penalty of perjury under the laws of the applicable jurisdictions that all of the forgoing is true and correct, executed at Manchester, NH.

Date
7/22/14
Date

Signature of President

Full Legal Name of President


Signature of Secretary

Richard J. Fabian
Full Legal Name of Secretary

Uniform Consent to Service of Process

Exhibit A

Place an "X" before the names of all the States for which the person executing this form is appointing the designated agent in that State for receipt of service of process:

<input type="checkbox"/>	AL	Commissioner of Insurance # and Resident Agent*	<input type="checkbox"/>	MT	Commissioner of Insurance #
<input type="checkbox"/>	AK	Director of Insurance #	<input type="checkbox"/>	NE	Officer of Company* or Resident Agent* (circle one)
<input type="checkbox"/>	AZ	Director of Insurance # ^	<input type="checkbox"/>	NH	Commissioner of Insurance #
<input type="checkbox"/>	AR	Resident Agent *	<input type="checkbox"/>	NV	Commissioner of Insurance of Insurance Commission # ^
<input type="checkbox"/>	AS	Commissioner of Insurance #	<input type="checkbox"/>	NJ	Commissioner of Banking and Insurance #^
<input type="checkbox"/>	CO	Commissioner of Insurance # and Resident Agent*	<input type="checkbox"/>	NM	Superintendent of Insurance #
<input type="checkbox"/>	CT	Commissioner of Insurance #	<input type="checkbox"/>	NY	Superintendent of Financial Services #
<input checked="" type="checkbox"/>	DE	Commissioner of Insurance #	<input type="checkbox"/>	NC	Commissioner of Insurance
<input type="checkbox"/>	DC	Local Agent*	<input type="checkbox"/>	ND	Commissioner of Insurance # ^
<input type="checkbox"/>	FL	Chief Financial Officer # ^	<input type="checkbox"/>	OH	Resident Agent*
<input type="checkbox"/>	GA	Commissioner of Insurance and Safety Fire # and Resident Agent*	<input type="checkbox"/>	OR	Resident Agent*
<input type="checkbox"/>	GU	Commissioner of Insurance #	<input type="checkbox"/>	OK	Commissioner of Insurance #
<input type="checkbox"/>	HI	Insurance Commissioner # and Resident Agent*	<input type="checkbox"/>	PR	Commissioner of Insurance #
<input type="checkbox"/>	ID	Director of Insurance # ^	<input type="checkbox"/>	RI	Commissioner of Insurance ^
<input type="checkbox"/>	IL	Director of Insurance #	<input type="checkbox"/>	SC	Director of Insurance #
<input type="checkbox"/>	IN	Resident Agent* ^	<input type="checkbox"/>	SD	Director of Insurance # ^
<input type="checkbox"/>	IA	Commissioner of Insurance #	<input type="checkbox"/>	TN	Commissioner of Insurance #
<input type="checkbox"/>	KS	Commissioner of Insurance ^	<input type="checkbox"/>	TX	Resident Agent*
<input type="checkbox"/>	KY	Secretary of State #	<input type="checkbox"/>	UT	Resident Agent* ^
<input type="checkbox"/>	LA	Secretary of State #	<input type="checkbox"/>	VT	Secretary of State #
<input type="checkbox"/>	MD	Insurance Commissioner #	<input type="checkbox"/>	VI	Lieutenant Governor/Commissioner#
<input type="checkbox"/>	ME	Resident Agent* ^	<input type="checkbox"/>	WA	Insurance Commissioner #
<input type="checkbox"/>	MI	Resident Agent *	<input type="checkbox"/>	WV	Secretary of State # @
<input type="checkbox"/>	MN	Commissioner of Commerce #	<input type="checkbox"/>	WY	Commissioner of Insurance #
<input type="checkbox"/>	MS	Commissioner of Insurance and Resident Agent* BOTH are required.			

For the forwarding of Service of Process received by a State Officer complete Exhibit B listing by state the entities (one per state) with **full name and address where service of process is to be forwarded**. Use additional pages as necessary. Colorado will forward Service of Process to the Secretary of the company and requires a resident agent for foreign entities. Exhibit not required for New Jersey, and North Carolina. Florida accepts only an individual as the entity and requires an email address. New Jersey allows but does not require a foreign insurer to designate a specific forwarding address on Exhibit B. SC will not forward to an individual by name; however, it will forward to a position, e.g., Attention: President (or Compliance Officer, etc.). Washington requires an email address on Exhibit B.

* Attach a completed Exhibit B listing the Resident Agent for the insurer (one per state). Include state name, Resident Agent's **full name and street address**. Use additional pages as necessary. (DC* requires an agent within a ten mile radius of the District).

^ Initial pleadings only.

@ Form accepted only as part of a Uniform Certificate of Authority application.

MA will send the required form to the applicant when the approval process reaches that point.

Exhibit A

Exhibit B

Complete for each state indicated in Exhibit A:

State: Delaware Name of Entity: The Corporation Trust Company

Phone Number: _____ Fax Number: _____

Email Address: _____

Mailing Address: 1209 Orange Street, Wilmington, DE, 19801

Street Address: 1209 Orange Street, Wilmington, DE, 19801

State: _____ Name of Entity: _____

Phone Number: _____ Fax Number: _____

Email Address: _____

Mailing Address: _____

Street Address: _____

State: _____ Name of Entity: _____

Phone Number: _____ Fax Number: _____

Email Address: _____

Mailing Address: _____

Street Address: _____

State: _____ Name of Entity: _____

Phone Number: _____ Fax Number: _____

Email Address: _____

Mailing Address: _____

Street Address: _____

State: _____ Name of Entity: _____

Phone Number: _____ Fax Number: _____

Email Address: _____

Mailing Address: _____

Street Address: _____

Exhibit B

Resolution Authorizing Appointment of Attorney

BE IT RESOLVED by the Board of Directors or other governing body of

(Company Name)

this _____ day of _____, 20____, that the President or Secretary of said entity be and are hereby authorized by the Board of Directors and directed to sign and execute the Uniform Consent to Service of Process to give irrevocable consent that actions may be commenced against said entity in the proper court of any jurisdiction in the state(s) of

in which the action shall arise, or in which plaintiff may reside, by service of process in the state(s) indicated above and irrevocably appoints the officer(s) of the state(s) and their successors in such offices or appoints the agent(s) so designated in the Uniform Consent to Service of Process and stipulate and agree that such service of process shall be taken and held in all courts to be as valid and binding as if due service had been made upon said entity according to the laws of said state.

CERTIFICATION:

I, _____, Secretary of

(Company Name)

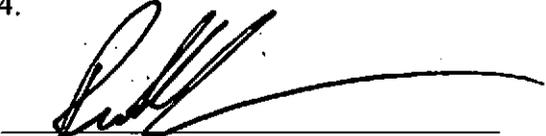
state that this is a true and accurate copy of the resolution adopted effective the ____ day of _____, 20____ by the Board of Directors or governing board at a meeting held on the _____ day of _____, 20____ or by written consent dated ____ day of _____, 20____.

Secretary

CERTIFICATE OF SECRETARY

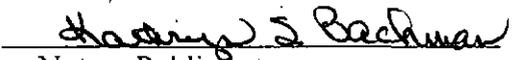
I, Richard J. Fabian, Secretary of Commonwealth Insurance Company of America, a Washington corporation, hereby certify that the attached is a true and exact copy of the Written Consent dated February 4, 2014 which appoints CT Corporation System to serve as the Agent for Service of Process.

Dated the 22ND day of JULY, 2014.


Richard J. Fabian
Secretary

State of New Hampshire
Hillsborough County

Subscribed and sworn to (or affirmed) before me on this 22ND day of JULY, 2014 by Richard J. Fabian, proved to me on the basis of satisfactory evidence to be the person who appeared before me.


Notary Public
Commission Expires 01/13/2015

KATHRYN S BACHMAN
NOTARY PUBLIC
STATE OF NEW HAMPSHIRE
My Commission Expires Jan '13, 2015

**UNANIMOUS WRITTEN CONSENT OF
THE BOARD OF DIRECTORS OF
COMMONWEALTH INSURANCE CORPORATION OF AMERICA**

The undersigned, being all of the members of the Board of Directors (the "Board") of Commonwealth Insurance Corporation of America, a Washington corporation (the "Corporation"), do hereby waive all notice of the time, place and purpose of meeting and do hereby consent in writing pursuant acting pursuant to the authority conferred in Section 23B.08.210 of the Washington Business Corporation Act, and the By-Laws of the Corporation, without the formality of convening a meeting, and approve in all respects the adoption of the following resolutions of the Board and each and every action to be effected thereby effective February 4, 2014:

Appointment of CT Corporation

WHEREAS, the Board deems it advisable and in the best interest of the Corporation to continue to authorize CT Corporation to serve as the Agent for Service of Process in all states in which the Corporation is licensed with the Department of Insurance.

RESOLVED, that CT Corporation is authorized to serve as the Agent for Service of Process in all states in which the Corporation is licensed with the Department of Insurance; and it is further

Service of Process

RESOLVED, that the appropriate officers of the Corporation be, and they hereby are, authorized to appoint by power of attorney or otherwise, the superintendent, commissioner, or director of insurance, or to appoint any other person authorized by law or regulation thereto, as the true and lawful attorney of the Corporation, upon whom all lawful process in any action or proceeding against the Corporation may be served, in any jurisdiction where such action in the opinion of counsel of the Corporation is necessary or advisable; and it is further

RESOLVED, that the Resolution Authorizing Appointment of Attorney on the Uniform Consent to Service of Process Form 12, attached hereto as "Exhibit A" is hereby approved; and it is further

RESOLVED, that whenever any other state insurance department or other regulatory office requires the adoption of a specific form of resolution by the Board of Directors of the Corporation, which in the opinion of counsel to the Corporation conforms with the intent of the foregoing resolutions, the Corporation secretary or any assistant secretary be, and they each hereby are, authorized to certify the adoption of such resolution as a resolution by the Board of Directors; and it is further

Additional Resolutions

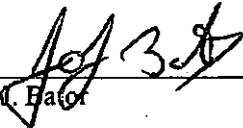
RESOLVED, that the proper officers or employees of the Corporation be, and hereby are, authorized for and on behalf of the Corporation to do or cause to be done any and all things, or execute and deliver any and all such instruments, certificates, documents and papers which they may deem necessary or advisable to effect the purposes and intent of the foregoing resolutions; and it is further

RESOLVED, that any and all actions performed by the officers of the Corporation in connection with the foregoing resolutions which acts would have been authorized by the foregoing

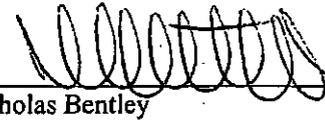
resolutions except that such acts were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved and adopted as acts in the name and on behalf of the Corporation; and it is further

RESOLVED, that this Unanimous Written Consent may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which together shall constitute but one document.

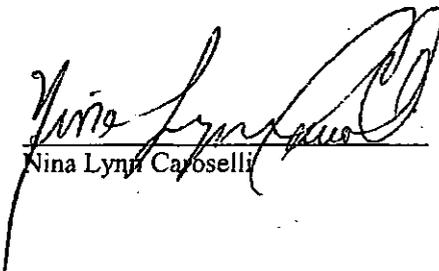
IN WITNESS WHEREOF, the undersigned directors have caused this consent to be executed as of the date first written above.



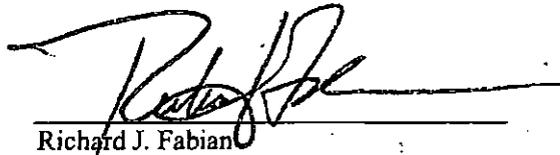
John C. Fator



Nicholas Bentley



Nina Lynn Caposelli



Richard J. Fabian

Report of Examination

**STATE OF WASHINGTON
OFFICE OF THE INSURANCE
COMMISSIONER**



FINANCIAL EXAMINATION

of

**Commonwealth Insurance Company of America
Seattle, Washington**

**NAIC CODE 10220
DECEMBER 31, 2008**

**Participating States:
Washington**

Order No. 10-12
Commonwealth Insurance Company
of America
Exhibit A

SALUTATION

Seattle, Washington
January 21, 2010

The Honorable Mike Kreidler, Commissioner
Washington State Office of the Insurance Commissioner (OIC)
Insurance Building-Capitol Campus
302 Sid Snyder Avenue SW, Suite 200
Olympia, WA 98504

The Honorable Alfred W. Gross, Commissioner
Chair, NAIC Financial Condition (E) Committee
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
PO Box 1157
Richmond, VA 23218

The Honorable Christina Urias, Director
Secretary, NAIC Western Zone
Arizona Department of Insurance
2910 North 44th Street, Suite 210
Phoenix, AZ 85018-7256

Dear Commissioners and Director:

In accordance with your instructions, and in compliance with the statutory requirements of RCW 48.03.010, an examination was made of the corporate affairs and financial records of

Commonwealth Insurance Company of America

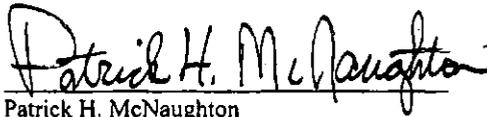
of

Seattle, Washington

hereinafter referred to as "CICA," or the "Company" at the location of its parent company's home office, 595 Burrard Street, Suite 1500, Vancouver, BC, Canada V7X1G4. This report is respectfully submitted showing the condition of CICA as of December 31, 2008.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of Commonwealth Insurance Company of America of Seattle, Washington. This report shows the financial condition and related corporate matters as of December 31, 2008.



Patrick H. McNaughton
Chief Examiner

1/21/2010

Date

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SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2004 through December 31, 2008 and comprises a risk focused review of the books and records of the Company. The examination followed the statutory requirements contained in the Washington Administrative Code (WAC), the Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The examination included identification and disposition of material transactions and events occurring subsequent to the date of examination through the end of field work, December 2, 2009.

Corporate records, external reference materials, and various aspects of the Company's operating procedures and financial records were reviewed and tested during the course of this examination and are commented upon in the following sections of this report. In addition, the Company's certified public accountant's (CPA's) work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

This examination was performed in compliance with the 2008 NAIC Financial Condition Examiners Handbook which requires the examiner to consider the Company's risk management process, corporate governance structure, and control environment. The examiners utilized the information obtained during the examination to assess CICA's overall potential risks both currently and on an on-going basis, allowing the examiners to focus on the Company's greatest areas of risk, and providing assurance on the Company's financial statements as of the examination date.

INSTRUCTIONS

The examiners reviewed the Company's filed 2008 NAIC Annual Statement as part of the statutory examination. This review was performed to determine if the Company completed the NAIC Annual Statement in accordance with the NAIC Annual Statement Instructions and to determine if the Company's accounts and records were prepared and maintained in accordance with Title 48 RCW, Title 284 WAC, and the NAIC Statements of Statutory Accounting Principles (SSAP) as contained in the NAIC Accounting Practices and Procedures Manual (AP&P).

The following summarizes the exceptions noted while performing this review:

1. Investment Agreement

The investment agreement between the Company and its affiliate investment advisor, Hamblin Watsa Investment Counsel, Ltd. (HW), contains a non-compliance issue related to the fee structure. The fee is not based on actual cost as required by RCW 48.31B.030(1)(a) and SSAP No. 70, paragraph 8.

The Company is instructed to comply with WAC 284-07-050(2) which requires adherence to the NAIC Accounting Practices and Procedures Manual, specifically SSAP No. 70,

paragraph 8. Also, the Company is instructed to comply with RCW 48.31B.030(1)(a), which requires the terms of the agreement to be fair and reasonable. Expenses under the terms of an investment agreement must be apportioned to the entities incurring the expense as if the expense had been paid solely by the incurring entity. Fees must be allocated to the affiliated companies in conformity with customary insurance accounting practices consistently applied. The books, accounts, and records of each party to all such transactions must be so maintained as to clearly and accurately disclose the nature and details of the transactions.

2. Board of Directors (BOD) and Annual Shareholders' Meetings

CICA's BOD and shareholders do not meet to document and approve corporate business such as BOD authorization of investment transactions under RCW 48.13.340, and the shareholder election of BOD members as required by RCW 48.07.040. The Company relies on its parent's, Commonwealth Insurance Company (CIC), Board of Directors to meet and authorize CICA's corporate transactions and affairs.

The Company is instructed to comply with RCW 48.07.040 which requires the Company to hold annual shareholder meetings according to its bylaws, to elect BOD members and to hold BOD meetings in compliance with its bylaws and to document approval of all Company investments and corporate affairs as required by RCW 48.13.340.

3. Service and Cost-Allocation Agreement

The Service and Cost-Allocation Agreement between the Company and its parent, CIC, was not in compliance with RCW 48.31B.030(1)(a) or with SSAP No. 70, paragraph 8.

The agreement contained a clause related to charged fees that was not based on actual cost or a cost study as required by RCW 48.31B.030(1)(a) and SSAP No. 70, paragraph 8. It did not comply with RCW 48.31B.030(1)(a)(iii) which requires expenses incurred and payment received to be allocated to the insurer in conformity with customary insurance accounting practices consistently applied. The agreement did not comply with RCW 48.31B.030(1)(a)(iv) which requires the Company to maintain adequate records to support and disclose the nature and details of the charges. The documentation for such intercompany charges did not support that the charges were computed on a purely cost basis.

In addition, this agreement expired on June 30, 2007, and must be re-filed in accordance with RCW 48.31B.025(2)(c)(v) and RCW 48.31B.030(1)(b) and contain the appropriate terms as indicated above.

The Company is instructed to comply with WAC 284-07-050(2) which requires adherence to the NAIC Accounting Practices and Procedures Manual, specifically SSAP No. 70, paragraph 8. Also, the Company is instructed to comply with RCW 48.31B.030(1)(a) which requires the terms of the agreement to be fair and reasonable; expenses under the terms of a service and cost-allocation agreement must be apportioned to the entities incurring the expense as if the expense had been paid solely by the incurring entity; and, fees must be

allocated to the affiliated companies in conformity with customary insurance accounting practices consistently applied.

Also, the Company is instructed to comply with RCW 48.31B.025(2)(c)(v) and RCW 48.31B.030(1)(b) which require the Company to file all agreements with the commissioner.

4. Reinsurance Agreement

A review of the Excess of Loss Reinsurance Agreement between the Company and CIC did not include all required terms as outlined in SSAP No. 62, paragraph 8. The agreement did not include the following required terms:

- Recoveries due the ceding entity must be available without delay
- The agreement shall constitute the entire contract between the parties

The Company is instructed to comply with WAC 284-07-050(2) which requires adherence to the NAIC Accounting Practices and Procedures Manual, SSAP No. 62, paragraph 8(b) and (c), by including all the required terms.

5. Custodial Agreement

The Company responded in its 2008 NAIC Annual Statement General Interrogatories 26.01 that its custodial agreement with US Bank complied with the FCEH. However, it did not contain several provisions as required by the FCEH. RCW 48.05.250 requires a company to file a true statement of its financial condition, transactions, and affairs.

The Company is instructed to comply with RCW 48.05.250 by filing its financial statements in the form and context approved by the NAIC and WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions and the AP&P. The Company is also instructed to execute a revised or amended custodial agreement that complies with the FCEH.

6. Premium Deficiency Reserves

CICA reported a zero balance for premium deficiency reserves for each year under examination. Zero balances for premium deficiency reserves were incorrectly calculated at the Company level rather than grouping policies in a manner consistent with how policies are marketed, serviced and measured as outlined in SSAP No. 53, paragraph 15. The incorrect calculation resulted in the Company offsetting premium deficiency reserves for certain lines of business such as ocean marine against other lines. An examination adjustment was made to increase premium deficiency reserves by \$1,650,124 for year ended December 31, 2008. (See Note No. 2 to the Financial Statements.)

The Company is instructed to comply with RCW 48.05.073, RCW 48.05.250, and WAC 284-07-050(2) in filing its NAIC 2008 Annual Statement in accordance with the AP&P and

the NAIC 2008 Annual Statement Instructions by properly calculating and reporting premium deficiency reserves in accordance with SSAP No. 53, paragraph 15.

7. Reinsurance Credit

CICA, a Washington domiciled insurer, admitted \$1,224,000 (\$1,622,000 less \$398,000 for provision for reinsurance) of reinsurance recoverables on unpaid case loss reserves from CIC, a Canadian insurer and the parent of CICA. CIC is not licensed to write insurance in Washington, and is therefore an unauthorized reinsurer. CICA admitted 100% of the reinsurance recoverable from CIC without obtaining cash collateral or a clean, irrevocable and unconditional letter of credit issued by a United States bank as security. RCW 48.12.160 requires cash collateral or a letter of credit in order to admit reinsurance recoverables from unauthorized reinsurers. (See Note No. 1 to the Financial Statements.)

The Company is instructed to comply with RCW 48.12.160 by collateralizing the unauthorized reinsurance recoverable or non-admitting any un-collateralized reinsurance recoverable from CIC and RCW 48.05.250 by filing a true statement of its financial condition, transactions, and affairs. An examination adjustment was made to recognize the penalty for this unauthorized reinsurance recoverable for \$1,224,000. This amount represents the reinsurance recoverable that CICA reported on unpaid loss reserves as of December 31, 2008 of \$1,622,000 less the provision balance of \$398,000 that pertains to CIC's recoverable.

COMMENTS AND RECOMMENDATIONS

None

COMPANY PROFILE

Company History

CICA was created by its parent CIC, a Canadian property and casualty insurance company, with the purpose of entering the United States (U.S.) property and casualty market. CICA specializes in underwriting medium to large commercial and industrial property risks; inland and ocean marine for all areas of the oil and gas industry, including petrochemicals, corporate and residential real estate as additional coverage for U.S. operations of CICA's Canadian policyholders.

Capitalization

The Company has 10 million shares of common stocks authorized at a \$10 par value, with 300,000 shares outstanding for a common capital stock balance of \$3 million. No dividends have been declared by CICA nor have any surplus contributions been made in the last five years.

Territory and Plan of Operation

CICA is currently authorized to transact business in forty five (45) states and in the District of Columbia. Over 57% of the Company's direct premium volume is written in the states of Washington (16.9%), Texas (12.2%), Illinois (6.0%), Michigan (4.9%), Alaska (4.7%), New Jersey (4.6%), Colorado (4.3%), and Georgia (4.0%). CICA's authorized lines of business are property, ocean marine, and inland marine. More than 64% of the 2008 premiums were written under the commercial multiple peril coverage lines.

Growth of Company

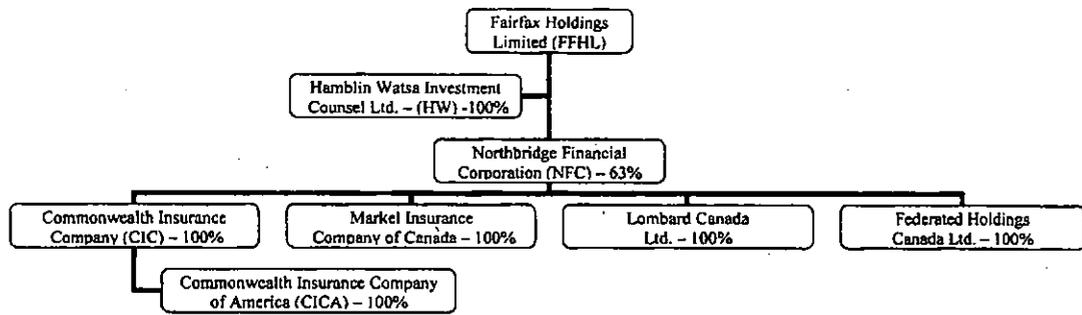
<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>
2008	\$54,001,588	\$30,317,654	\$23,683,934
2007	50,063,406	28,459,739	21,603,667
2006	51,506,904	29,288,614	22,218,290
2005	53,861,439	34,412,345	19,449,094
2004	44,270,813	23,439,191	20,831,622

<u>Year</u>	<u>Premiums Earned</u>	<u>Net Underwriting Gain (Loss)</u>	<u>Net Investment Gain (Loss)</u>	<u>Net Income</u>
2008	\$11,601,056	(\$2,400,275)	\$2,299,133	\$138,913
2007	8,886,116	(1,250,417)	1,767,167	429,429
2006	11,694,600	(56,440)	1,823,993	1,210,717
2005	11,185,192	(3,085,270)	1,750,061	(774,861)
2004	12,244,741	(1,318,834)	1,263,802	(333,476)

Affiliated Companies

CICA is a wholly-owned subsidiary of CIC. CIC is 100% owned by Northbridge Financial Corporation (NFC), a publicly traded company on the Toronto Stock Exchange. Fairfax Holdings Limited (FFHL), a publicly traded company on the Toronto Stock Exchange and the New York Stock Exchange, owned 63% of NFC, with the remaining percentage of NFC owned by investors.

On December 9, 2008, FFHL made a formal offer to purchase the remaining outstanding shares of NFC in order to take NFC private. The transaction was completed in February 2009 and NFC became a wholly owned subsidiary of FFHL.



Intercompany Agreements

The following intercompany agreements were in-force as of December 31, 2008:

Intercompany Reinsurance Agreement

The Company entered into an excess of loss reinsurance agreement with its parent on January 1, 2008. The agreement provided excess of loss reinsurance coverage by CIC to CICA for 100% percent of the amount by which CICA's ultimate net loss, as defined by the agreement, exceeded \$500,000 on each and every risk.

Management Services Agreement

CIC provided operating and management services to CICA in accordance with the intercompany management agreement among the two companies.

Investment Services Agreement

The Company entered into an investment agreement with Hamblin Watsa Investment Counsel Ltd., (HW) on January 1, 2003. HW agreed to manage an investment account on behalf of CICA within the investment guidelines.

MANAGEMENT AND CONTROL

Management of the Company is vested in a Board of Directors as provided for by the Company's Bylaws. (See Instruction No. 2.)

Board of Directors (BOD)

The following directors were serving the Company as of December 31, 2008:

Timothy Ius	Chairman of the Board
Craig Hurford	Vice Chairman
Bryan Davies	Director
Edward Hunter	Director
Dennis Shave	Director

Officers

Officers as of December 31, 2008:

Timothy Ius	President
Noel Phillips	Chief Financial Officer
Donald Parry	Secretary
Edward Hunter	Chief Operating Officer
Thomas Wilson	Vice President

Conflict of Interest

The Company does not have any employees, as it operates with the use of CIC's employees. CIC has a Corporate Code of Conduct Policy, which requires conflict of interest questionnaires to be completed and signed by the directors, officers, and employees for disclosure of any potential conflicts. The Company reviews the signed statements annually and takes appropriate actions.

Fidelity Bond and Other Insurance

CICA and other affiliates are named insureds on an extensive portfolio of insurance which covers catastrophic losses and other types of losses including, but not limited to, fidelity, directors and officers' (D&O) liability coverage, fire, building, building personal property, business income for Company properties owned or leased, automobile, stop-gap employers liability, fiduciary liability, errors and omissions, commercial general liability, computer property, earthquake and flood insurance coverage, workers' compensation, and employers' liability. The Company's fidelity coverage meets the NAIC's minimum recommended amount.

CORPORATE RECORDS

Officers of the Company and its parent's BOD managed the property and business of CICA and were actively involved in the Company's affairs. Corporate records were reviewed for the period under examination. However, CICA's BOD does not meet. (See Instruction No. 2.)

UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

<u>Year</u>	<u>Loss Reserves</u>	<u>LAE Reserves</u>
2008	\$12,410,113	\$1,257,619
2007	10,569,266	871,205
2006	11,290,709	1,183,769
2005	12,611,717	1,244,223
2004	7,944,182	837,370

As shown above, the reserves carried by the Company for these liabilities were \$12,410,113 and \$1,257,619 respectively, as of December 31, 2008. These reserves were reviewed by the property and casualty actuarial staff employed by the OIC. CICA provided loss and loss adjustment expense development data by accident year and line of business, as of December 31, 2008. The OIC actuarial staff obtained additional information through interviews with Company employees. They also reviewed an actuarial report prepared by the Company's appointed actuary with J.S. Cheng & Partners, Inc., in connection with the appointed actuary's Statement of Actuarial Opinion as of December 31, 2008.

The OIC actuarial staff's estimates indicated that the Company's reserves for losses and loss adjustment expenses, on a net basis, were within a range of reasonable estimates. Therefore, CICA's loss and loss adjustment expense reserves were accepted as reported in the Company's NAIC 2008 Annual Statement.

REINSURANCE

CICA participates in quota share and excess loss treaties. The Company does not assume any business.

Reinsurance agreements were found to be in compliance with Washington State reinsurance statutes except for an excess of loss reinsurance agreement that did not contain all requirements as outlined by SSAP No. 62, paragraph 8 (b) and (c). (See Instruction No. 4.) In addition, the Company incorrectly admitted, on its 2008 NAIC Annual Statement, \$1,244,000 of reinsurance recoverables from an unauthorized reinsurer. (See Instruction No. 7.)

The agreements are all properly classified in Schedule F of the Company's 2008 NAIC Annual Statement. The Company has controls in place to monitor its reinsurance program including the financial condition of the reinsurers.

CICA utilizes the services of a reinsurance intermediary, Guy Carpenter & Company, Inc., to solicit, negotiate, and place reinsurance cessions on its behalf. Guy Carpenter & Company, Inc., is an international reinsurance intermediary owned by Marsh & McLennan and is licensed in Washington State.

STATUTORY DEPOSITS

CICA maintained the following statutory deposits as of December 31, 2008:

<u>State</u>	<u>Type</u>	<u>Book Value</u>	<u>Fair Value</u>
Georgia	Bond	\$ 25,000	\$ 25,000
New Hampshire	Bond	677,507	759,655
New Mexico	Bond	358,660	409,594
Oklahoma	Certificate of Deposit	600,000	600,000
Virginia	Bond	250,000	250,000
Washington	Bond	5,388,952	5,388,991
Total		<u>\$ 7,300,119</u>	<u>\$ 7,433,240</u>

ACCOUNTING RECORDS AND INFORMATION SYSTEMS

The Company maintains its accounting records on a Generally Accepted Accounting Principles (GAAP) modified accrual basis of accounting and adjusts to Statutory Accounting Principles (SAP) basis for NAIC Annual Statement reporting. The Company was audited annually by the certified public accounting firm, PricewaterhouseCoopers (PwC). The Company received an unqualified opinion for all years under review. The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the planning and testing phase of the examination and no exceptions were noted.

Management of the Company has sufficient knowledge of information systems (IS) issues and provides direction and oversight through its IS Steering Committee. Systems development, acquisition and maintenance controls were evaluated to gain assurance that appropriate internal controls are in place. The IS Department maintains written policies and procedures for the system development life cycle, systems design standards, programming standards and the document standards. Operations and application controls were reviewed to determine the type of hardware installed; operating systems and proprietary software in use; back up and recovery facilities employed and the internal controls exercised to maintain data security. The Company has sufficient internal controls in place to monitor system activity and processes.

The Company has a formal, written disaster recovery plan for the restoration of the information system and a formal, written business continuity plan that addresses the continuation of all significant business activities, including financial functions, telecommunication services and data processing services, in the event of a disruption of normal business activities, as recommended by NAIC guidelines.

SUBSEQUENT EVENTS

There were no material events impacting the Company between the examination date and the last day of our field work.

FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS

All previous report instructions and recommendations were corrected and satisfactorily addressed.

FINANCIAL STATEMENTS

The following financial statements show the financial condition of the Commonwealth Insurance Company of America as of December 31, 2008:

- Assets, Liabilities, Surplus and Other Funds
- Statement of Income and Capital and Surplus Account
- Reconciliation of Surplus for the Period Since the Last Examination
- Analysis of Changes in Financial Statements Resulting from the Examination

Commonwealth Insurance Company of America
Assets, Liabilities, Surplus and Other Funds
December 31, 2008

Assets	Balance Per Company	Examination Adjustments	Balance Per Examination	Notes
Bonds	\$1,246,004	\$0	\$1,246,004	
Cash and short-term investments	47,280,646		47,280,646	
Subtotal, cash and invested assets	48,526,650	0	48,526,650	
Investment income due and accrued	13,270		13,270	
Uncollected premiums and agents' balances in course of collection	2,799,049		2,799,049	
Reinsurance:				
Amount recoverable from reinsurers	1,760,817		1,760,817	
Net deferred tax asset	769,948		769,948	
Guaranty funds receivable or on deposit	131,854		131,854	
Total Assets	\$54,001,588	\$0	\$54,001,588	
Liabilities, Surplus and other Funds				
Losses	\$12,410,113	\$0	\$12,410,113	
Loss adjustment expenses	1,257,619		1,257,619	
Other expenses	32,988		32,988	
Taxes, licenses and fees (excluding federal and foreign income taxes)	(12,487)		(12,487)	
Current federal and foreign income taxes	395,107		395,107	
Unearned premiums	7,683,878		7,683,878	
Ceded reinsurance premiums payable	3,395,842		3,395,842	
Provision for reinsurance	3,654,985	1,224,000	4,878,985	1
Payable to parent, subsidiaries and affiliates	1,499,609		1,499,609	
Aggregate write-ins for liabilities	0	1,650,124	1,650,124	2
Total Liabilities	30,317,654	2,874,124	33,191,778	
Common capital stock	3,000,000		3,000,000	
Gross paid in and contributed surplus	16,929,710		16,929,710	
Unassigned funds (surplus)	3,754,224	(2,874,124)	880,100	1, 2
Surplus as regards policyholders	23,683,934	(2,874,124)	20,809,810	
Total Liabilities, Surplus and other Funds	\$54,001,588	\$0	\$54,001,588	

Commonwealth Insurance Company of America
Statement of Income and Capital and Surplus Account
December 31, 2008

	Balance Per Company	Examination Adjustments	Balance Per Examination	Notes
Underwriting Income				
Premiums earned	\$11,601,056	\$0	\$11,601,056	
Deductions				
Losses incurred	8,242,126		8,242,126	
Loss expenses incurred	1,567,731		1,567,731	
Other underwriting expenses incurred	4,191,474		4,191,474	
Total underwriting deductions	<u>14,001,331</u>		<u>14,001,331</u>	
Net underwriting gain or (loss)	<u>(2,400,275)</u>	<u>0</u>	<u>(2,400,275)</u>	
Investment Income				
Net investment income earned	1,050,289		1,050,289	
Net realized capital gains or (losses)	1,248,844		1,248,844	
Net investment gain or (loss)	<u>2,299,133</u>	<u>0</u>	<u>2,299,133</u>	
Other Income				
Net gain or (loss) from agents' or premium balances charged off	4,227		4,227	
Total other income	<u>4,227</u>	<u>0</u>	<u>4,227</u>	
Net income, after dividends to policyholders but before federal and foreign income taxes	(96,915)		(96,915)	
Federal and foreign income taxes incurred	<u>(235,828)</u>		<u>(235,828)</u>	
Net income	<u>\$138,913</u>	<u>\$0</u>	<u>\$138,913</u>	
Capital and Surplus Account				
Surplus as regards policyholders, December 31 prior year	\$21,603,667	\$0	\$21,603,667	
Gains and (Losses) in Surplus				
Net income	138,913		138,913	
Net unrealized capital gains or (losses)	15,287		15,287	
Change in net deferred income tax	221,731		221,731	
Change in nonadmitted assets	(18,834)		(18,834)	
Change in provision for reinsurance	1,723,170	(1,224,000)	499,170	1
Aggregate write-ins for gains and losses in surplus	0	(1,650,124)	(1,650,124)	2
Change in surplus as regards policyholders for the year	<u>2,080,267</u>	<u>(2,874,124)</u>	<u>(793,857)</u>	
Surplus as regards policyholders, December 31 current year	<u>\$23,683,934</u>	<u>(\$2,874,124)</u>	<u>\$20,809,810</u>	

Commonwealth Insurance Company of America
 Reconciliation of Surplus
 For the Period Since the Last Examination

	2008	2007	2006	2005	2004
Surplus as regards policyholders, December 31, previous year	<u>\$ 21,603,667</u>	<u>\$ 22,218,290</u>	<u>\$ 19,449,094</u>	<u>\$ 20,831,622</u>	<u>\$ 19,364,056</u>
Net income	138,913	429,429	1,210,717	(774,861)	(333,476)
Net unrealized capital gains or (losses)	15,287	(15,287)	16,951	(2,947)	354,494
Change in net deferred income tax	221,731	(100,961)	(36,047)	191,157	297,155
Change in nonadmitted assets	(18,834)	(131,649)	14,535	91,646	92,096
Change in provision for reinsurance	1,723,170	(796,155)	1,563,040	(887,523)	1,057,297
Change in surplus as regards policyholders for the year	<u>2,080,267</u>	<u>(614,623)</u>	<u>2,769,196</u>	<u>(1,382,528)</u>	<u>1,467,566</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 23,683,934</u>	<u>\$ 21,603,667</u>	<u>\$ 22,218,290</u>	<u>\$ 19,449,094</u>	<u>\$ 20,831,622</u>

Commonwealth Insurance Company of America
 Analysis of Changes in Financial Statements
 Resulting from the Examination
 As of December 31, 2008

	Per Company	Per Examination	Examination Adjustment Reference	Increase (Decrease) in Surplus	Total
Capital and Surplus, December 31, 2008 - Per Annual Statement					\$23,683,934
Provision for reinsurance	3,654,985	4,878,985	1	(1,224,000)	
Premium deficiency reserves	0	1,650,124	2	(1,650,124)	
Change in surplus					<u>(2,874,124)</u>
Capital and Surplus, December 31, 2008 - Per Examination					<u>\$20,809,810</u>

NOTES TO THE FINANCIAL STATEMENTS

The Company obtained a special consent order issued by the state of Washington with an effective date January 1, 2008 to allow the Company to own and purchase mutual funds if certain requirements have been met.

1. Provision for Reinsurance

CICA admitted \$1,224,000 of reinsurance recoverables on unpaid case loss reserves from an unauthorized affiliated reinsurer without obtaining cash collateral or a clean irrevocable letter of credit as required by RCW 48.12.160.

This adjustment was posted as an increase to the Provision for Reinsurance. (See Instruction No. 7.)

2. Premium Deficiency Reserves

CICA reported a zero balance for premium deficiency reserves that was incorrectly calculated by the Company. CICA calculated premium deficiency reserves by using unsustainable investment yields as well as calculating the reserves at the Company level rather than grouping policies in a manner consistent with how policies are marketed, serviced and measured as outlined in SSAP No. 53, paragraph 15. The incorrect calculation resulted in the Company offsetting the need for premium deficiency reserves for certain lines of business such as ocean marine against other lines. (See Instruction No. 6.)

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of Commonwealth Insurance Company of America and its affiliates during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; Timoteo L. Navaja, CFE, CIE, Property and Casualty Field Supervisor; John Jacobson, AFE, CISA, AES, Automated Examination Specialist; Susan Campbell, CPA, FLMI, CFE, Reinsurance Specialist; D. Lee Barclay, FCAS, MAAA, Senior Actuary; Timothy F. Hays, CPA, JD, Investment Specialist; James Antush, Actuarial Analyst; and Edsel R. Dino, Financial Examiner; all from the Washington State Office of the Insurance Commissioner, participated in the examination and in the preparation of this report.

Respectfully submitted,



Tarik Subbagh, CPA, CFE
Examiner in Charge
State of Washington

State Specific Information

COMMONWEALTH INSURANCE COMPANY OF AMERICA

ITEM 14

STATE SPECIFIC INFORMATION

Delaware does not require any state specific information.

Independent CPA Audit

COMMONWEALTH INSURANCE COMPANY OF AMERICA

ITEM 18

INDEPENDENT CPA AUDIT REPORT

The Independent CPA Audit Report is included at Tab E in Item 12.

Report of Examination

COMMONWEALTH INSURANCE COMPANY OF AMERICA

ITEM 19

REPORTS OF EXAMINATION

The most recent Report of Examination is included at Tab G in Item 12.

Certificate of Compliance

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

No. 1798

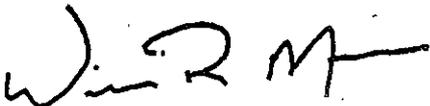
I, MIKE KREIDLER, State Insurance Commissioner, do hereby certify that I am the state official charged with the general control and supervision of all insurance business (except State Workers' Compensation) transacted in the State of Washington and charged with the administration of the laws relating to insurance in said jurisdiction, and that this office is a department of record, having custody of original documents.

*I FURTHER CERTIFY That **COMMONWEALTH INSURANCE COMPANY OF AMERICA**; LaConnor, Washington, was duly organized and incorporated under the laws of the State of Washington, and, having complied with the requirements of said laws, has been authorized since January 17, 1995 to issue policies and transact the business of Disability, Property, Marine and Transportation, Vehicle, General Casualty, Surety, and Ocean Marine and Foreign Trade Insurance as defined in RCW 48.11.030, 48.11.040, 48.11.050, 48.11.060, 48.11.070, 48.11.080, and 48.11.105.*

IN WITNESS WHEREOF, I have hereunto set my
hand and affixed the official seal of the
Insurance Commissioner of the State of
Washington, this 11th day of July 2014.



MIKE KREIDLER
Insurance Commissioner

By: 
Deputy Insurance Commissioner