STATE OF NORTH DAKOTA

BISMARCK, NORTH DAKOTA

REPORT OF EXAMINATION

OF

ASPEN SPECIALTY INSURANCE COMPANY
BISMARCK, NORTH DAKOTA

AS OF
DECEMBER 31, 2022

STATE OF NORTH DAKOTA

INSURANCE DEPARTMENT

I, the undersigned, Commissioner of Insurance of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Examination of the:

Aspen Specialty Insurance Company

Statutory Home Office
314 East Thayer Avenue
Bismarck, ND 58501

Administrative Offices
400 Capital Boulevard, Suite 200
Rocky Hill, CT 06067

as of December 31, 2022, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the City of Bismarck, this __25th__ day of ______June__________, 2024.

COMMISSIONER OF INSURANCE
SEAL
STATE OF
NORTH DAKOTA

Jon Godfread
Insurance Commissioner

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Bismarck, North Dakota
May 06, 2024

Honorable Jon Godfread
Commissioner of Insurance
State of North Dakota
600 East Boulevard Avenue
Bismarck, ND 58505-0320

Dear Commissioner:

Pursuant to your instructions and statutory requirements, a financial examination has been made of the books, records and financial condition of:

Aspen Specialty Insurance Company

Rocky Hill, Connecticut

hereinafter referred to as the "Company" or “ASIC”, was last examined as of December 31, 2017, by the North Dakota Insurance Department, hereinafter referred to as the “Department”.

SCOPE OF EXAMINATION

This examination was a multi-state, risk focused financial condition examination conducted in accordance with North Dakota Century Code (“N.D.C.C.”) § 26.1-03-19.3 and observed guidelines and procedures contained in the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook*. The examination was conducted to determine the Company’s financial condition, its compliance with statutes, and to review its corporate affairs and insurance operations. The last examination covered the period of January 1, 2013 through December 31, 2017. This examination covers the period of January 1, 2018 through December 31, 2022, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this statutory examination.

The examination was conducted in accordance with examination policies and standards established by the Department and procedures recommended by the NAIC. In accordance with the NAIC *Financial Condition Examiners Handbook*, the examination was planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. The examination also included identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles.

The examination does not attest to the fair presentation of the financial statements included herein. Statements were prepared by management and are therefore the responsibility of management. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This exam was conducted concurrently with the Texas Department of Insurance with Texas serving as the lead state in the coordinated examination of the insurance companies that are part of Aspen U.S. Holdings, Inc. ("Aspen Group") as shown below:

Aspen American Insurance Company (Texas)
Aspen Specialty Insurance Company (North Dakota)

STATUS OF PRIOR EXAMINATION FINDINGS

There were no examination findings in the preceding Report on Examination which covered the period from January 1, 2013 to December 31, 2017.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings or material changes in the financial statements.

SUBSEQUENT EVENTS

No significant subsequent events were noted during the examination.

HISTORY

General

The Company was originally incorporated on September 24, 1996, by The Insurance Corporation of New York under the name Dakota Specialty Insurance Company ("Dakota Specialty"). Dakota Specialty's ultimate parent holding company was acquired by Trenwick Group, Inc. on October 27, 1999. On September 5, 2003, the Company was acquired by Aspen U.S. Holdings, Inc. ("AUSH") and renamed Aspen Specialty Insurance Company.

The Articles of Incorporation state that the Company was organized for the purpose of transacting the following lines of insurance: fire, miscellaneous property, water damage, collision, motor vehicle and aircraft, marine, marine protection and indemnity and such insurance as a domestic stock fire or marine insurance company is now permitted to transact or may hereafter be permitted to transact under the insurance laws of the State of North Dakota. Effective August 1, 2013, N.D.C.C. § 26.1-44-03.2 was enacted to allow domestic insurers to become domestic surplus lines insurers. The Company requested approval to become a licensed domestic surplus lines insurer on July 31, 2013 and the North Dakota Insurance Department granted approval on August 2, 2013.

Effective October 1, 2016, AUSH contributed all 10,000 shares of the Company to Aspen American Insurance Company ("AAIC"). AAIC is now the sole shareholder of the Company.

Effective February 15, 2019, the Company's ultimate parent, Aspen Insurance Holdings, Ltd. ("AIHL") was acquired by certain investment funds managed by affiliates of Apollo Global

Management, LLC. ("Apollo"). Operationally, the investment management function was moved to the Apollo level but, other operations such as reinsurance procurement, underwriting, and claims handling remained under the direct control of AIHL.

Capital Stock

The Articles of Incorporation provide that the authorized capital of the Company is $1,000,000 consisting of 10,000 shares of common stock with a par value of $100 per share.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws provide that there be at least one director. A regular meeting of the Board of Directors shall be held immediately after and at the same place as the regular meeting of the shareholders, without any notice. Special meetings require at least ten days written notice.

Directors serving at December 31, 2022, were as follows:

Name	Business Affiliations
Bruce M. Eisler	President & Chief Underwriting Officer
Timothy P. Kenefick	Chief Financial Officer
Flavia J. Doyle	SVP, Capital Management
Jenny A. Kane	Group Chief Risk Officer
Andrew T. Rippert	EVP, Mortgage Reinsurance
David A. Amaro	Group General Counsel
William J. Miller	Group Chief Actuary

Officers

The Bylaws provide that the elected officers of the Company shall be a Chief Executive Officer, President, Vice President, Secretary and Treasurer, each of whom shall hold their office for one year. Any two or more offices may be held by the same person.

The officers duly elected by the Board of Directors and holding office at December 31, 2022, were as follows:

Officer	Title
Bruce M. Eisler	President & Chief Underwriting Officer
Timothy P. Lynch	Secretary
Laurie E. Correll	Treasurer

CORPORATE RECORDS

Articles of Incorporation and Bylaws

The Company's Articles of Incorporation and Bylaws were both amended in 2018 to update the registered agent and its address.

Board of Directors, Shareholder, and Committee Minutes

The minutes of the Board of Directors, shareholder, and Audit Committee meetings for the period under examination were read and found to be in compliance with the Bylaws, Articles of Incorporation and statutory requirements.

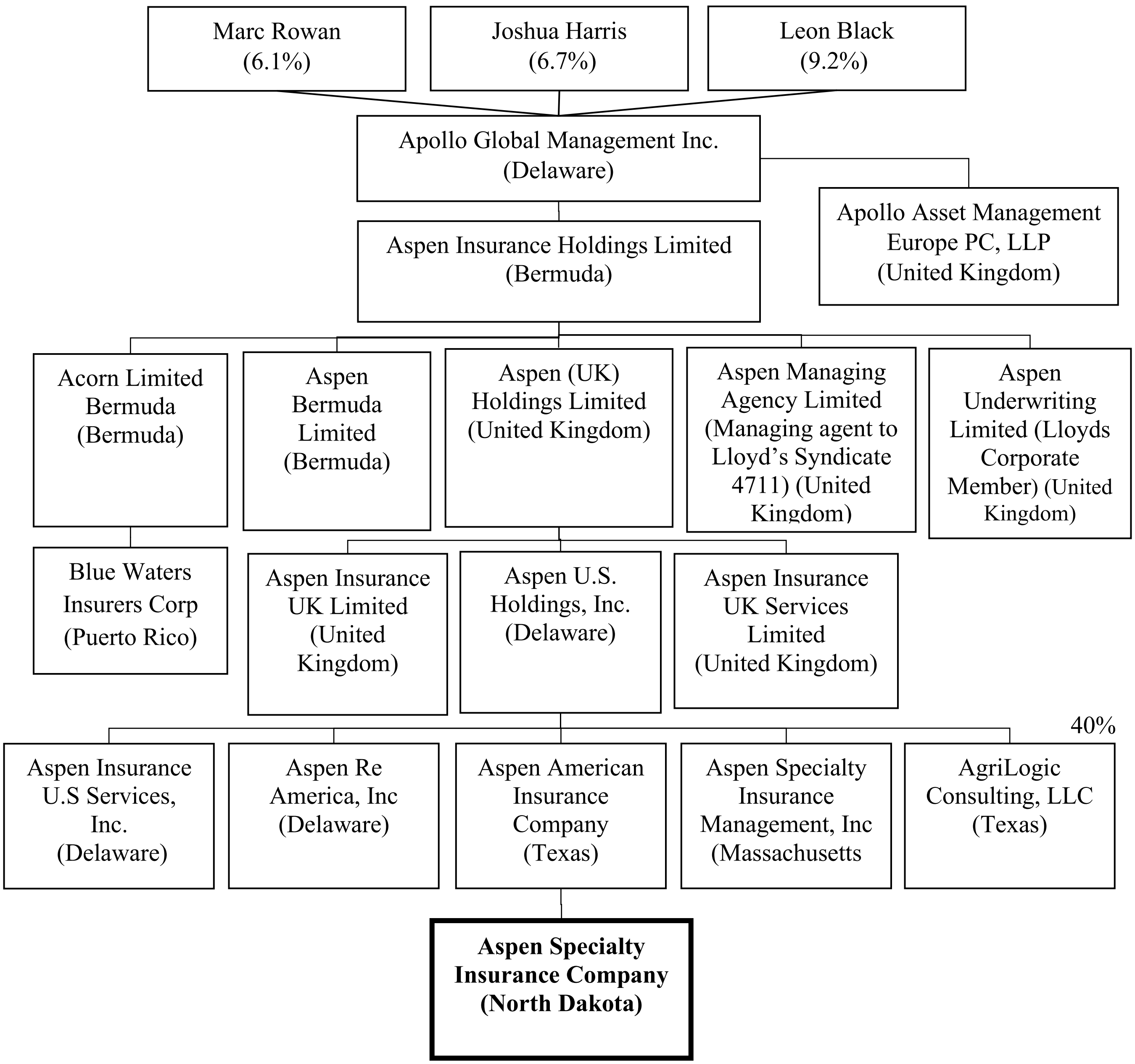
Investment transactions were ratified by the full board during its quarterly meetings in compliance with North Dakota Administrative Code § 45-03-12-05(4)(a).

Conflict of Interest

The Company has an established procedure for the disclosure of potential conflicts of interest or any material interest or affiliation on the part of its officers, directors or key employees to its Board of Directors.

AFFILIATED COMPANIES

The ultimate controlling persons of the Company were Marc Rowan, Joshua Harris, and Leon Black through their ownership of 6.1 percent, 6.7 percent, and 9.2 percent, respectively, of Apollo Global. Apollo Global indirectly, wholly-owned AUSH, the Company's direct parent. The following abbreviated organizational chart identified certain members of the holding company system as of December 31, 2022:



All ownership was 100 percent unless otherwise stated.

INTERCOMPANY AGREEMENTS

Effective January 1, 2010, the Company entered into an existing consolidated tax agreement with Aspen US Holdings and its affiliates. Under the terms of the agreement, the federal income tax liability was apportioned as if the participants filed separate returns. Settlements of the individual entity tax balances were to occur within 30 days after the combined filing.

Effective January 1, 2012, the Company, Aspen American Insurance Company ("AAIC"), Aspen Insurance UK Limited ("AIUK"), Aspen Bermuda Limited ("ABL"), and the Underwriting Members of Lloyds Syndicate 4711 ("Lloyds 4711") entered into an outward reinsurance sharing agreement.

Effective January 28, 2016, the Company and members of the holding group entered into an intra group services agreement to provide various services to each other. Under the terms of the agreement, ABL, AIUK, Aspen Insurance U.S. Services Inc. ("AIUS"), and Aspen Insurance UK Services Limited ("AIUKS"), were the parties which provided services and all other entities, including AAIC and the Company, were the companies receiving the services. The service providers and their employees provided treasury and investment services, marketing, communications and website services, legal and wordings services, risk management services, outwards reinsurance services, internal audit services, underwriting quality review services, finance services, human resources services, actuarial services, IT services, catastrophe modeling services, compliance services, facilities services and underwriting, operations, and claims services necessary for the operation of Company and other entities. The fees payable by the Company and Aspen American were equal the lesser of 15 percent of net earned premium or the actual cost incurred by the party providing the services. Effective January 1, 2019, the agreement was amended to change the fees payable for the year 2019 to the lesser of 23 percent of net earned premiums or the actual cost incurred by the party providing the services. Effective January 1, 2020, the agreement was amended to change the fees payable for the year 2020 to the lesser of 28 percent of net earned premiums or actual cost incurred by the party providing the services and for the year 2021 onward, to charge the actual cost incurred by the party providing the services.

Effective February 15, 2019, the Company entered into an investment management agreement with Apollo Asset Management Europe PC LLP ("AAME"), a limited liability partnership organized under the laws of United Kingdom. Under the terms of the agreement, AAME provided investment expertise and management or advisory services which includes portfolio management, risk management, investment accountant or custodian, reporting and selection of sub-advisors to the Company. AAME prepared and sent investment reports (including holding and transaction data) monthly and prepared and sent investment reports including a summary of investment performance of the assets as well as commentary regarding how assets were managed and have performed against the Investment Guidelines quarterly. AAME also reported any breaches of the Investment Guidelines monthly. The management fee was based on a "cost-plus" structure. The cost component included direct and indirect fees, costs and expenses incurred from dedicated resources and allocated based on the Company's utilization of the service. The "plus" was an add-on or mark-up of up to 25 percent.

Effective June 1, 2020, the Company and certain subsidiaries of AIHL, including AAIC, entered into an administrative services agreement with Enstar (EU) Limited and Enstar (US), Inc. (collectively, "Enstar"), New York , New York. Under the terms of the agreement, Enstar was authorized to administer claim handling services under each reinsured policy that included receiving, reviewing, recording, and examining all notices or reports of claims. The Company paid

Enstar reasonable costs and expenses of the performance of the shared service provided. The shared services were related to administration of reinsured policies includes administration of cyber, Zurich CBPR and non-English Casualty, Singapore property, Canadian, and Bermuda-written reinsurance contracts. Effective June 30, 2022, the agreement was amended and restated as relates to an amended and restated reinsurance agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company's affiliate, Aspen Insurance U.S. Services, Inc., carries a fidelity bond with coverage that provides $5,000,000 of coverage for employee dishonesty. The amount of coverage meets the minimum amount recommended in the NAIC *Examiners Handbook.*

The Company has other types of insurance coverage including Professional Liability, Directors and Officers Liability, Automobile, Employment Practices Liability, Workers' Compensation, and Commercial Excess & Umbrella Liability which were considered adequate.

STATUTORY DEPOSITS

The Company maintained the following deposits at December 31, 2022:

Location	Purpose	Statement Value	Fair Value
Massachusetts	Bond	$ 689,732	$ 647,664
New Mexico	Bond	103,460	97,150
New York	Bond	2,650,331	2,650,331
North Dakota*	Bond	2,414,655	2,281,055
South Carolina	Bond	236,479	222,056
		$6,094,657	$5,898,256

* Held for the benefit of all policyholders.

TERRITORY AND PLAN OF OPERATION

At December 31, 2022, the Company was authorized as a domestic surplus lines insurer in the State of North Dakota pursuant to N.D.C.C. § 26.1-44-03.2. The Company was also eligible to operate on a surplus lines or non-admitted basis in 49 states and in the District of Columbia.

Other occurrence liability and allied lines business make up over two-thirds of the Company's net written premiums.

REINSURANCE

Assumed

The majority of the Company's assumed reinsurance was with its affiliate, AIUK. At December 31, 2022, the Company assumed just over $59 million of premiums from AIUK.

The Company also assumed $18 million in premiums from Zurich Insurance. All other unaffiliated assumptions were immaterial.

Ceded

The Company has an extensive and complex ceded reinsurance scheme, both among its affiliates and with external reinsurers. Focus herein was on the Company's longer-term and more significant ceding contracts from a regulatory and financial solvency prospective.

Effective January 1, 2012, the Company, AAIC, AIUK, ABL, and Lloyds 4711 entered into an outward reinsurance sharing agreement. Under the terms of the agreement, each party was responsible to pay its percentage share of the reinsurance premium due under the respective reinsurance agreements. If any one party paid any share for the other party, the other party was to reimburse the paying party within 90 days following the end of quarter.

Effective December 31, 2019, the Company, Aspen American, AIUK, ABL and Lloyds 4711 entered into a quota share reinsurance agreement with Longtail Re, SPC LTD ("Longtail Re"), a Cayman Island Company. Under the terms of the agreement, the Company ceded 15 percent of its casualty insurance and 25 percent casualty reinsurance to the first underwriting year; 15 percent of its casualty insurance, 15 percent global professional, and 25 percent casualty reinsurance to the second underwriting year; 25 percent casualty insurance, 25 percent global professional, and 25 percent casualty reinsurance to the third underwriting year. The Company paid the reinsurer 6.5 percent, 6.7 percent, and 9.5 percent of the annual underwriting or aggregate fee for casualty reinsurance, casualty insurance, global professional lines, respectively, and 3.0 percent of the annual underwriting fee for Ryan Specialty Group MGAs, payable in quarterly installments. Longtail Re provided the Company with a trust account for its obligations. Settlements were made within 45 days after the end of each quarter.

Effective January 1, 2020, Company, AIUK, Aspen Managing Agency Limited ("AMAL"), ABL, AAIC and AIHL entered into an adverse development cover reinsurance agreement with, Cavello Bay Reinsurance LTD ("Cavello"), Bermuda. Under the terms of the agreement, the Company ceded losses incurred before January 1, 2020. Effective January 10, 2022, the agreement was amended and restated to cede 100 percent of the liability of the Company for the ultimate net loss on claims for losses occurring before January 1, 2020, on any insurance policies issued by the Company on or prior to December 31, 2019, in excess of the retention of $3,805,000,000 and up to the aggregate limit of $5,065,000,000.

Effective January 1, 2022, the Company, AAIC, AIUK, ABL, and Lloyds 4711 entered into a consolidated casualty reinsurance contract with various authorized and unauthorized reinsurers. Under the terms of the agreement, business classified as casualty or professional liability was ceded on a quota share percentage. The reinsurers' limit of liability for its share of losses was $25,000,000 each occurrence; however, the liability was capped at 300 percent of the net written premium prior to the ceding commission proportionate to the quota share percentage.

Effective January 1, 2022, the Company, AAIC, AIUK, ABL, and Lloyds 4711 entered into a US property quota share reinsurance with various unauthorized reinsurers. Under the terms of the agreements, the Company ceded its exact proportion of the gross net written premium income to the reinsurers. The reinsurers' limit of liability for its share of losses was $10,000,000 for each occurrence; however, the liability was capped at $150,000,000 or 135 percent of the net written premium. The Company received a 31 percent commission on all premiums ceded.

Effective August 1, 2022, the Company, AAIC, AIUK, ABL and Lloyds 4711 entered into a collateral protection quota share reinsurance agreement with MS Amlin AG Bermuda Branch ("Amlin") and Renaissance Reinsurance Ltd. ("Renaissance Re"). Under the terms of the agreement, the Company ceded 30 percent to Amlin and 15 percent to Renaissance Re. The reinsurer's limit of liability for its share of losses was $25,000,000 for each occurrence. The Company retained 40 percent of its Amlin business and the liability of Renaissance Re was capped at 300 percent of the net written premium prior to the ceding commission proportionate to the quota share percentage.

The Company utilized AON Benfield, Inc., Indiana; Willis TowersWatson, Pennsylvania; and Guy Carpenter & Company, New Jersey; to negotiate its external reinsurance agreements, which were reviewed, and all contained the insolvency clause required by N.D.C.C. § 26.1-02-21 and all of the required clauses set forth in the NAIC's *Accounting Practices and Procedures Manual*.

ACCOUNTS AND RECORDS

The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the course of the examination. The independent auditor's work papers were reviewed as of December 31, 2022, and balances, revenues and expenses were test checked to the extent deemed necessary.

Claim Complaints

N.D.C.C. § 26.1-04-03(10) requires that the Company adopt and implement reasonable standards for the prompt handling of written communications, primarily expressing grievances, received by the Company from insureds or claimants. The Company's complaints logs were reviewed and deemed compliant.

FINANCIAL STATEMENTS

The following pages present a Statement of Assets, Liabilities, Surplus, and Other Funds as of December 31, 2022. This statement is followed by supporting statements and reconciliations presented in the following order:

Statement of Assets, December 31, 2022
Statement of Liabilities, Surplus, and Other Funds, December 31, 2022
Statement of Income, Year 2022
Reconciliation of Capital and Surplus, January 1, 2018 through December 31, 2022

These financial statements are based on the statutory statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2022. The accompanying comments on the financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Aspen Specialty Insurance Company
Statement of Assets
December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$907,708,014		$907,708,014
Common Stocks	606,300		606,300
Mortgage Loans on Real Estate Other than first liens	105,273,839		105,273,839
Cash	7,144,738		7,144,738
Cash Equivalents & Short Term	121,159,467		121,159,467
Other Invested Assets (Sch. BA)	54,432,312		54,432,312
Receivable for Securities	2,514,280		2,514,280
Investment Income Due and Accrued	8,519,522		8,519,522
Premiums and Considerations: Uncollected Premiums and Agents' Balances in Course of Collection	97,043,965	2,060,828	94,983,137
Deferred Premiums & Agents' Balances	11,350,294		11,350,294
Amounts Recoverable from Reinsurers	114,719,454		114,719,454
Receivables from parent, subsidiaries and affiliates	29,161,303		29,161,303
Aggregate write-ins for other than invested assets:			
TPA Loss Funding	13,512,765	13,512,765	0
Miscellaneous Assets	5,248,453	0	5,248,453
TPA Claims Payable	23,422,825	0	23,422,825
Totals	$1,501,817,531	$15,573,593	$1,486,243,938

Aspen Specialty Insurance Company
Statement of Liabilities, Surplus, and Other Funds
December 31, 2022

Losses		$464,667,703
Loss Adjustment Expenses		134,549,281
Commissions Payable, Contingent Commissions and Other Similar Charges		5,301,470
Other Expenses		357,709
Taxes, Licenses and Fees		145,461
Current Federal and Foreign Income Taxes		7,356,486
Unearned Premiums		338,426,141
Advance Premium		965,546
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)		177,135,684
Funds Held by Company under reinsurance treaties		1,796,420
Amounts withheld or retained by company for account of others		933,185
Remittances and Items not Allocated		9,873,784
Provision for Reinsurance		10,381,200
Payable to Parent, Subsidiaries and Affiliates		28,227,550
Payable for Securities		2,753,929
Aggregate Write-Ins: Retroactive Reinsurance Ceded Payable		19,608,817
Aggregate Write-Ins: Retroactive Reinsurance Reserve Ceded		(42,899,393)
Total Liabilities		$1,159,580,973
Aggregate Write-Ins for Special Surplus Funds	846,482	
Common Capital Stock	$ 1,000,000	
Gross Paid In and Contributed Surplus	525,559,605	
Unassigned Funds (Surplus)	(200,743,122)	
Surplus as Regards Policyholders		326,662,965
Total		$1,486,243,938

Aspen Specialty Insurance Company
Statement of Income
December 31, 2022

Underwriting Income

Premiums Earned		$468,402,068
Deductions:		
Losses Incurred	$294,466,101	
Loss Expenses Incurred	2,743,771	
Other Underwriting Expenses Incurred	165,712,805	
Total Underwriting Deductions		462,922,677
Net Underwriting Gain or (Loss)		$5,479,391

Investment Income

Net Investment Income Earned	$ 30,325,963	
Net Realized Capital Gains or Losses	(6,301,066)	
Net Investment Gain or (Loss)		24,024,897

Other Income

Net Loss from Agents' or Premium Balances Charged Off		(234,303)
Aggregate Write Ins:		
Retroactive Reinsurance Gain (Loss)	(857,169)	
Other Income	287,847	
Total Aggregate Write-Ins		(569,322)
Total Other Income		(803,625)
Net Income Before Federal Income Taxes		$28,700,663
Federal Income Taxes Incurred		8,211,265
Net Income		$ 20,489,398

Aspen Specialty Insurance Company
Reconciliation of Capital and Surplus Accounts
January 1, 2018, Through December 31, 2022

	2022	2021	2020	2019	2018
Capital and Surplus, December 31, Previous Year	$274,606,929	$270,456,602	$183,092,685	$196,742,247	$139,206,986
Net Income	20,489,398	2,389,231	(15,950,497)	(53,762,009)	(26,153,977)
Change in Net Unrealized Capital Gains	3,387,334	(109,956)	0	0	0
Change in Nonadmitted Assets	(2,198,296)	1,754,252	(2,442,986)	(5,081,553)	(609,504)
Change in Provision for Reinsurance	(9,622,400)	116,800	757,400	194,000	20,133,547
Change in Surplus Notes	0	0	0	(30,000,000)	0
Paid In Surplus	40,000,000	0	105,000,000	75,000,000	52,527,793
Aggregate Write-Ins: Retroactive Reinsurance Gain	(857,169)	6,456,886	2,379,790	356,315	11,637,403
Other Income	287,847	133,524	0	0	0
Net Change in Capital and Surplus for the Year	$52,056,036	$4,150,327	$87,363,790	$(13,649,562)	$57,535,262
Capital and Surplus, December 31, Current Year	$326,662,965	$274,606,929	$270,456,602	$183,092,685	$196,742,247

CONCLUSION

The financial condition of the Company, as of December 31, 2022, as determined by this examination is summarized as follows:

Admitted Assets		$1,486,243,938
Total Liabilities	$1,159,580,973	
Surplus as Regards Policyholders	326,662,965	
Liabilities, Surplus, and Other Funds		$1,486,243,938

Since the last examination conducted as of December 31, 2017, the Company's admitted assets have increased $1,084,576,457 its total liabilities have increased $897,120,478, and its surplus as regards policyholders has increased $187,455,979.

The courteous cooperation extended by the officers and employees of the Company during the course of the examination is gratefully acknowledged.

Respectfully submitted,

Colton Schulz, CFE, CISA, CRISC, CFE (Fraud)
Supervising Examiner
North Dakota Insurance Department