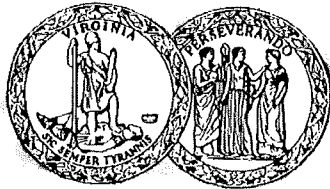


**ASSOCIATION EXAMINATION REPORT**  
**on**  
**PELEUS INSURANCE COMPANY**  
**Richmond, Virginia**  
**as of**  
**December 31, 2017**

**COMMONWEALTH OF VIRGINIA**  
**STATE CORPORATION COMMISSION**  
**BUREAU OF INSURANCE**

# COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE  
COMMISSIONER OF INSURANCE  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE

P.O. BOX 1157  
RICHMOND, VIRGINIA 23218  
1300 E. MAIN STREET  
RICHMOND, VIRGINIA 23219  
TELEPHONE: (804) 371-9741  
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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Peleus Insurance Company as of December 31, 2017, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand  
and affixed to the original the seal of the Bureau at the City  
of Richmond, Virginia this 19<sup>th</sup> day of June 2019

A handwritten signature in black ink, appearing to read 'Scott A. White', written over a horizontal line.

Scott A. White  
Commissioner of Insurance

(SEAL)

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Richmond, Virginia  
May 1, 2019

Honorable Scott A. White  
Commissioner of Insurance  
Commonwealth of Virginia  
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by the authority of § 38.2-1317 of the Code of Virginia, a financial condition examination of the records and affairs of the

**Peleus Insurance Company**

Richmond, Virginia

hereinafter referred to as the Company, has been completed. The report thereon is submitted for your consideration.

**SCOPE OF THE EXAMINATION**

The Company was last examined by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2014. This examination covers the period from January 1, 2015 through December 31, 2017.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

The examination was conducted by the Bureau on a coordinated basis with the following insurers:

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION  
BUREAU OF INSURANCE

<u>Insurer</u>	<u>Domiciliary State</u>
Colony Insurance Company	Virginia
Colony Specialty Insurance Company	Ohio

The services of Oliver Wyman Actuarial Consulting, Inc. were employed to provide an actuarial analysis as to the reasonableness of the Company's loss and loss adjustment expense reserves as of December 31, 2017.

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

### HISTORY

The Company is a stock property and casualty insurer licensed under and subject to the general insurance laws contained in Title 38.2 of the Code of Virginia. On September 29, 1988, the Company was incorporated under the laws of the State of Florida. The Company commenced business on March 10, 1989 as Preferred National Insurance Company. Until 1996, the Company principally underwrote fidelity bonds and surety bonds. Since 1996, the Company has underwritten fire and allied lines, special multi-peril, professional liability and other liability insurance.

The Company was acquired by PNIC Holdings, Inc. on July 31, 1998. At that time, PNIC Holdings, Inc. was owned by three wholly-owned subsidiaries of Front Royal, Inc (Front Royal). At December 31, 1998, the ownership percentages were Colony Holdings, Inc. with 12.65%, Rockwood Casualty Insurance Company (Rockwood) with 55.35%, and Colony Insurance Company (Colony) with 32%. Effective October 1, 1999, Colony Holdings, Inc., and PNIC Holdings, Inc., were dissolved, and direct ownership of the Company was held by Colony (32%), Rockwood (55.35%) and Front Royal (12.65%). On December 11, 2000, the Company redomiciled from Florida to Virginia.

On August 23, 2001, Front Royal was acquired by Argonaut Group, Inc. (Argonaut Group). Pursuant to the transaction, Front Royal became a wholly-owned subsidiary of Argonaut Insurance Company (Argonaut), a California domestic insurer wholly owned by the Argonaut Group. This transaction received the necessary regulatory approval.

Effective April 1, 2002, the name of the Company was changed to Colony National Insurance Company.

In 2003, Colony purchased Front Royal's 12.65% direct ownership in the Company. In March 2004, Rockwood paid a common stock dividend of 610,687 shares of the Company to Front Royal. As a result, direct ownership of the Company was held by Colony (44.65%), Front Royal (29.43%) and Rockwood (25.92%). In 2006, Front Royal was dissolved and its 29.43% interest in the Company was assigned to Argonaut Group. In 2007, Rockwood Holding Company was dissolved and Rockwood's 25.92% share of the Company was assigned to Argonaut.

In March 2007, PXRE Group Ltd. (PXRE) and Argonaut Group entered into a merger agreement pursuant to which Argonaut Group became a wholly-owned subsidiary of PXRE on August 7, 2007. PXRE changed its name to Argo Group International Holdings, Ltd., a Bermuda corporation, upon completion of the merger. In 2008, the organization was restructured and the U.S. holding company was renamed Argo Group US, Inc. (Argo Group US).

In December 2008, Argo Group US contributed its 29.43% interest in the Company to Colony. Also in December 2008, Colony purchased Argonaut's 25.92% interest in the Company. As a result of these transactions, the Company is now wholly-owned by Colony.

Effective March 4, 2015, the Bureau approved the Company's Articles of Incorporation Restatement, whereby the name of the Company was changed to Peleus Insurance Company.

In April 2015, the Company received a capital contribution of \$17,000,000 from Colony.

**MANAGEMENT AND CONTROL**

Management is vested in a board of directors, which shall consist of five members. Each director shall be elected to hold office until the next succeeding annual meeting of the shareholders or until his successor shall have been elected and qualified. The bylaws provide for a president, a secretary and a treasurer. The board of directors or the president may appoint one or more vice presidents or other officers and assistant officers as deemed necessary. The president shall be the chief executive officer of the Company. Directors and officers at December 31, 2017 were as follows:

Director:

Principal Business Affiliation:

Craig S. Comeaux

Vice President, Secretary and  
Deputy General Counsel  
Argo Group US, Inc.  
San Antonio, Texas

Ronald M. Vindivich

President and Chief Executive Officer  
Peleus Insurance Company  
Richmond, Virginia

Barbara L. Sutherland

Senior Vice President, General Counsel  
and Chief Claim Officer  
Argo Group US, Inc.  
San Antonio, Texas

Officers:

Ronald M. Vindivich

President and Chief Executive Officer

Marlo M. Edwards

Senior Vice President

Oscar Guerrero

Senior Vice President and Chief Financial Officer

Michael B. Mandziara

Senior Vice President

Phillip I Vedell

Senior Vice President

Mark G. Wade

Senior Vice President

Barbara L. Sutherland

Vice President and General Counsel

Craig S. Comeaux

Vice President and Secretary

Crag E. Landi

Vice President

Leandra R. Ryan

Vice President - Claims

Mary M. Stulting

Vice President

Dale L. Scholl, II

Vice President - Tax

Julian C. Westbrook, III

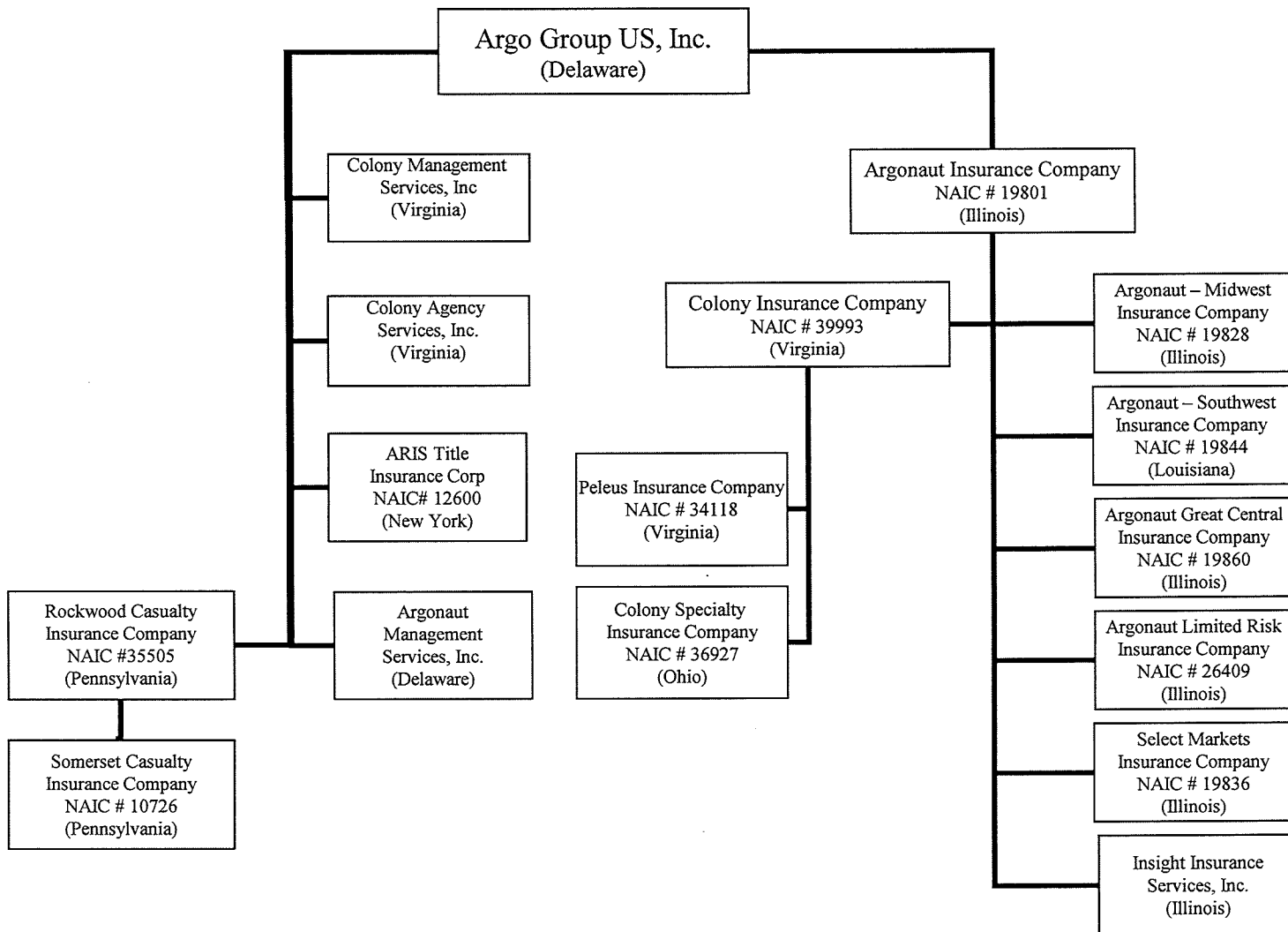
Vice President

Lauren T. Welch

Assistant Vice President, Head of U.S. Segment  
Accounting

The Company is wholly owned by Colony, which is a wholly owned subsidiary of Argonaut. The following chart illustrates this insurance holding company system at December 31, 2017:





## **RELATED PARTY TRANSACTIONS**

### **Service Agreements**

Effective January 1, 2017, the Company entered into an agreement with Argonaut Management Services, Inc. (AMS), an affiliate. The agreement states that AMS shall provide various services to the Company, including but not limited to management, administration, claims, operations, accounting and personnel. In consideration of its services pursuant to this agreement, AMS shall receive a monthly reimbursement for said services at an amount which approximates their cost.

The fees paid by the Company for these services are included in loss adjustment expenses incurred and other underwriting expenses and investment expenses which are ceded to Colony as part of the quota share reinsurance agreement.

On August 1, 1998, the Company entered into an agreement with Colony. The purpose of this agreement was to have Colony act as the disbursing agent for the Company. This agreement is a matter of convenience to both parties and Colony shall receive no cash compensation from the Company. The Company will reimburse Colony in full within 30 days following the end of the month in which Colony disbursed funds on the Company's behalf. The term of this agreement is continuous, subject to termination by either party, without cause, upon 30 days written notice.

### **Premium Allocation Agreement**

Effective December 31, 2007, the Company entered into an agreement with Colony and CSIC, collectively the Colony Companies, Argonaut-Midwest Insurance Company (Argonaut-Midwest) and Argonaut. Argonaut-Midwest and Argonaut each appoint the Colony Companies to provide services with respect to the management of the collection and transfer of premiums for designated policies of Argonaut and Argonaut-Midwest. In connection with the servicing of these designated Argonaut/Argonaut-Midwest policies, the Colony Companies shall collect premiums on behalf of Argonaut and Argonaut-Midwest from time to time. Such premiums are to be collected by the Colony Companies and deposited into the Colony Companies' bank accounts. Any such premiums collected by the Colony Companies shall be held in a fiduciary capacity. This agreement is a matter of convenience to the interested parties and the Colony Companies shall receive no cash compensation for these services from Argonaut or Argonaut-Midwest; provided, however, that with respect to CSIC, Argonaut and Argonaut-Midwest shall reimburse CSIC pursuant to this agreement in conformity with statutory accounting principles consistently applied. Such reimbursements, if any, shall be made within 45 days of the end of each calendar quarter.

### **Tax Allocation Agreement**

On January 30, 2002, the Company entered into a tax allocation agreement with Argonaut Group (now Argo Group US). Under this agreement, Argo Group US files a consolidated federal income tax return. This agreement covers the 2001 tax year and for each year thereafter for which a consolidated return is filed. Only the results for transactions occurring on or after December 31, 2001 are to be included on the consolidated federal income tax return. All settlements for income tax payments to Argo Group US, or refunds to the Company, shall be made within 30 days after the date of filing the consolidated income tax return for each respective tax year.

### **Dividends**

The Company paid no dividends for the period under review.

### **TERRITORY AND PLAN OF OPERATION**

The Company is domiciled and licensed in the Commonwealth of Virginia. As of December 31, 2017, the Company is licensed to write the following lines of business in Virginia:

Fire	Glass
Miscellaneous Property and Casualty	Burglary and Theft
Commercial Multiple Peril	Automobile Liability
Inland Marine	Automobile Physical Damage
Liability Other Than Auto	

In addition, the Company is approved for surplus lines in the District of Columbia and every other state in the United States.

The Company underwrites small to medium commercial lines accounts as both an admitted carrier and as an approved non-admitted surplus lines carrier. Insurance products are written through licensed surplus lines brokers, with underwriting authority maintained by the Company. Commissions vary between 15% and 20% and are based on the lines of business. Those brokers who have authority to bind policies on behalf of the Company also participate in a contingent commission plan provided they meet certain production volume and loss ratio requirements and have made timely settlement of their accounts. The commissions range between ¾% and 11% percent, and are based on gross written premiums on contract property and casualty lines of business.

### GROWTH OF THE COMPANY

The following data, obtained from Annual Statements filed with the Bureau, and from examination reports, indicates the growth of the Company for the ten-year period ending December 31, 2017:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Common Capital Stock</u>	<u>Gross Paid In and Contributed Surplus</u>	<u>Unassigned Funds</u>
2008	\$411,602,350	\$303,107,691	\$3,500,000	\$23,041,334	\$81,953,325
2009	130,459,839	42,026,297	3,500,000	23,041,334	61,892,208
2010	138,983,311	47,926,518	3,500,000	23,041,334	64,515,459
2011	90,389,883	48,612,062	3,500,000	23,041,334	15,236,487
2012	86,211,778	43,742,835	3,500,000	23,041,334	15,927,609
2013	86,196,371	40,678,355	3,500,000	23,041,334	18,976,682
2014	65,393,519	34,084,948	3,500,000	23,041,334	4,767,237
2015	106,669,622	57,868,887	3,500,000	40,041,334	5,259,401
2016	102,008,701	51,513,593	3,500,000	40,041,334	6,953,774
2017	92,110,446	38,522,063	3,500,000	40,041,334	10,047,049

<u>Year</u>	<u>Premiums Earned</u>	<u>Loss and Loss Adjustment Expenses Incurred</u>	<u>Other Underwriting Expenses</u>	<u>Net Underwriting Gain or (Loss)</u>
2008	\$77,301,542	\$42,434,787	\$26,886,436	\$7,980,319
2009	0	0	0	0
2010	0	0	0	0
2011	0	0	0	0
2012	0	0	0	0
2013	0	0	0	0
2014	0	0	0	0
2015	0	0	0	0
2016	0	0	0	0
2017	0	0	0	0

**REINSURANCE**

The Company had the following reinsurance coverage in force at December 31, 2017:

**Ceded to Non-Affiliated Reinsurers:**

<u>Type of Agreement</u>	<u>Class of Business</u>	<u>Company Retention</u>	<u>Reinsurer's Limits</u>
Property Per Risk Excess of Loss	Property	<u>First Layer</u> \$2,500,000 each loss, each risk	\$2,500,000 each loss, each risk, \$5,000,000 each loss occurrence; \$12,500,00 all loss occurrences
		<u>Second Layer</u> \$5,000,000 each loss	\$5,000,000 each loss, each risk, \$5,000,000 each loss occurrence; \$10,000,00 all loss occurrences
Quota Share	Liability	40% up to \$1,000,000	60% up to \$1,000,000; subject to a maximum annual aggregate limit of liability of \$10,000,000
Quota Share	Property	25% up to \$5m	75% up to \$5,000,000 each loss occurrence, CAT Losses subject to a deductible of \$10,000,000
Excess of Loss	Property	\$48,350,098 SFAD (Self-Funded Aggregate Deductible)	\$97,000,000 aggregate in excess of SFAD

<u>Type of Agreement</u>	<u>Class of Business</u>	<u>Company Retention</u>	<u>Reinsurer's Limits</u>
Excess of Loss	Property	\$13,500,000	\$14,000,000 all loss occurrences
Excess of Loss	Property	\$5,000,000 each loss occurrence	\$20,000,000 each loss occurrence, up to \$60,000,000 all loss occurrences
Excess of Loss	Liability	<u>First Layer</u> \$2,000,000 each occurrence	\$3,000,000 excess of \$2,000,000 each liability, subject to limit of liability of \$12,000,000 all loss occurrences
		<u>Second Layer</u> \$5,000,000 each occurrence	\$5,000,000 excess of \$5,000,000 each liability, subject to limit of liability of \$15,000,000 all loss occurrences
Excess of Loss	Liability	\$10,000,000	\$10,000,000 excess of 10,000,000 each liability, subject to limit of liability of \$20,000,000 all loss occurrences
Excess of Loss	Combined Casualty	<u>Layer 1</u> \$2,000,000	\$8,000,000 excess of \$2,000,000 per occurrence; annual aggregate limit of \$56,000,000

<u>Type of Agreement</u>	<u>Class of Business</u>	<u>Company Retention</u>	<u>Reinsurer's Limits</u>
		<u>Layer 2</u> \$10,000,000	\$5,000,000 excess of \$10,000,000 per occurrence; annual aggregate limit of \$15,000,000
Excess of Loss	Environmental Liability on Washington State UST (underground storage tank) coverage	\$75,000 each claim	\$925,000 each claim in excess of company retention
Excess of Loss	Property Catastrophe	<u>Layer 1</u> \$25,000,000	\$50,000,000 excess of \$25,000,000 each and every loss occurrence
		<u>Layer 2</u> \$75,000,000	20% of \$50,000,000 excess of \$75,000,000, each and every loss
		<u>Layer 3</u> \$125,000,000	45% of \$50,000,000 excess of \$125,000,000, each and every loss
		<u>Layer 4</u> \$175,000,000	75% of \$65,000,000 excess of \$175,000,000, each and every loss

<u>Type of Agreement</u>	<u>Class of Business</u>	<u>Company Retention</u>	<u>Reinsurer's Limits</u>
		<u>Layer 5</u> \$240,000,000	85% of \$100,000,000 excess of \$240,000,000, each and every loss
		<u>Layer 6</u> \$340,000,000	85% of \$100,000,000 excess of \$340,000,000, each and every loss
		<u>Layer 7</u> \$440,000,000	100% of \$32,000,000 excess of \$440,000,000, each and every loss
		<u>Layer 8</u> \$472,000,000	100% of \$57,000,000 excess of \$472,000,000, each and every loss
		<u>Layer 9</u> \$529,000,000	100% of \$50,000,000 excess of \$529,000,000, each and every loss
		<u>Layer 10</u> \$579,000,000	100% of \$30,000,000 excess of \$579,000,000, each and every loss
Excess of Loss	Aggregate Sweeper Cover	\$25,000,000 each and every loss	\$50,000,000



**Reinsurance-Related Parties**

Effective October 1, 2007, the Company and certain affiliates entered into a quota share reinsurance agreement with Peleus Reinsurance, Ltd. (Peleus), a Bermuda based affiliated reinsurer. This agreement shall apply to business underwritten by the Company. Under the original terms of this agreement, the Company ceded 30% of premiums and losses (net of inuring unaffiliated reinsurance) to Peleus. The percentage was increased to 50% effective April 1, 2008. Peleus was subsequently renamed Argo Re, Ltd. As Argo Re, Ltd. is not authorized in Virginia, the Company holds funds on deposit in order to secure reinsurance recoverables from this entity. Effective January 1, 2018, the reinsurance agreement was amended to reduce the percentage of ceded premiums to 20%. Effective December 31, 2018, this reinsurance agreement was terminated.

Effective January 1, 2009, the Company entered into a quota share reinsurance agreement with Colony and CSIC. Under the terms of this agreement, the Company and CSIC will each cede to Colony 100% of their respective net premiums written, loss and loss adjustment expenses, and other underwriting expenses, after all other reinsurance, with respect to all in force policies and business entered into after the effective date.

The Company entered into a facultative reinsurance agreement with Syndicate 1200 at Lloyd's, which is managed by Argo Group International Holdings, Ltd. Under this quota share agreement, the Company cedes up to a maximum of 50% of all risks of direct physical loss or damage, including flood and earthquake, written through the Colony Special Risks Department.

**FINANCIAL STATEMENTS**

The following statutory financial statements present the financial condition of the Company for the period ending December 31, 2017. No examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending December 31, 2017.

**ASSETS**

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$35,796,652		\$35,796,652
Preferred stocks			
Common stocks	9,534,404		9,534,404
Cash and short-term investments	3,035,485		3,035,485
Receivables for securities	252,591		252,591
Investment income due and accrued	358,790		358,790
Uncollected premiums and agents' balances in course of collection	15,264,290	63,534	15,200,756
Amounts recoverable from reinsurers	24,346,827		24,346,827
Receivables from parent, subsidiaries, and affiliates	3,519,720		3,519,720
Aggregate write-ins for other than invested assets	65,221		65,221
Totals	<u>\$92,173,980</u>	<u>\$63,534</u>	<u>\$92,110,446</u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

Commissions payable, contingent commissions and other similar charges		\$104
Other expenses		197,058
Current federal income taxes		2,540,000
Net deferred tax liability		1,308,281
Ceded reinsurance premiums payable		17,270,710
Funds held by company under reinsurance treaties		16,454,761
Amounts withheld or retained by company for account of others		5,000
Remittances and items not allocated		(1,979,503)
Provision for reinsurance		418,049
Payable to parent, subsidiaries, and affiliates		<u>2,307,603</u>
 Total liabilities		 \$38,522,063
 Common capital stock	 \$3,500,000	
Gross paid in and contributed surplus	40,041,334	
Unassigned funds (surplus)	<u>10,047,049</u>	
 Surplus as regards policyholders		 <u>53,588,383</u>
 Totals		 <u><u>\$92,110,446</u></u>

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**STATEMENT OF INCOME**

UNDERWRITING INCOME

Premiums earned	\$0
Deductions:	
Losses incurred	\$0
Loss adjustment expenses incurred	0
Other underwriting expenses incurred	0
Total underwriting deductions	\$0
Net underwriting gain	\$0

INVESTMENT INCOME

Net investment income earned	\$1,363,791
Net realized capital gains	198,516
Net investment gain	\$1,562,307

OTHER INCOME

Net gain (loss) from agents' or premium balances charged off	\$72
Aggregate write-ins for miscellaneous income	(424,199)
Total other income	(\$424,127)
Net income before federal income taxes	\$1,138,180
Federal income taxes incurred	819,190
Net income	\$318,990

**RECONCILIATION OF CAPITAL AND SURPLUS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Surplus as regards policyholders, December 31, previous year	<u>\$31,308,571</u>	<u>\$48,800,735</u>	<u>\$50,495,108</u>
Net income	\$1,162,253	\$1,417,091	\$318,990
Change in net unrealized capital gains or (losses)	(824,445)	501,394	1,635,299
Change in net deferred income tax	210,709	(4,647)	842,767
Change in nonadmitted assets	120,341	7,718	(62,170)
Change in provision for reinsurance	(176,694)	(227,183)	358,389
Surplus adjustments: paid in	<u>17,000,000</u>		
Change in surplus as regards policyholders for the year	<u>\$17,492,164</u>	<u>\$1,694,373</u>	<u>\$3,093,275</u>
Surplus as regards policyholders, December 31, current year	<u><u>\$48,800,735</u></u>	<u><u>\$50,495,108</u></u>	<u><u>\$53,588,383</u></u>

**CASH FLOW****Cash From Operations**

Premiums collected net of reinsurance	\$1,759,782
Net investment income	1,909,646
Miscellaneous income	(424,127)
Total	<u>\$3,245,301</u>
Benefits and loss related payments	\$17,520,129
Commissions, expenses paid and aggregate write-ins	(190,418)
Federal income taxes paid	(71,646)
Total	<u>\$17,258,065</u>
Net cash from operations	<u>(\$14,012,764)</u>

**Cash From Investments**

Proceeds from investments sold, matured or repaid:	
Bonds	\$25,328,123
Stocks	730,024
Net gains on cash and short-term investments	300
Total investment proceeds	<u>\$26,058,447</u>
Cost of investments acquired (long-term only):	
Bonds	\$14,027,101
Stocks	289,971
Miscellaneous applications	251,341
Total investments acquired	<u>\$14,568,413</u>
Net cash from investments	<u>\$11,490,034</u>

**Cash From Financing and Miscellaneous Sources**

Cash provided (applied):	
Other cash provided	(5,373,835)
Net change from financing and miscellaneous sources	<u>(\$5,373,835)</u>
Net change in cash and short-term investments	<u>(\$7,896,565)</u>

**RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS**

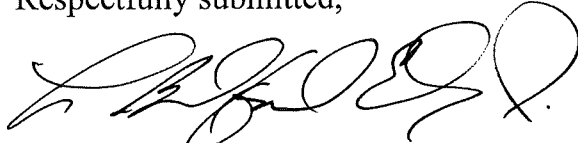
Cash and short-term investments:	
Beginning of year	\$10,932,050
End of year	3,035,485
Net change in cash and short-term investments	<u>(\$7,896,565)</u>

**ACKNOWLEDGMENT**

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

In addition to the undersigned, Jennifer K. Blizzard, CFE, and Mario A. Cuellar, CFE, of the Bureau participated in the work of the examination.

Respectfully submitted,



T. Bradford Earley, Jr., AIAF, CFE, CPCU  
BOI Manager  
Commonwealth of Virginia  
Representing the Southeastern Zone, NAIC





David Smith, CFE, CPA, CPCU  
Chief Examiner  
Bureau of Insurance  
Commonwealth of Virginia  
P.O. Box 1157  
Richmond, Virginia 23218

**RE: Peleus Insurance Company  
Examination Report as of December 31, 2017**

Dear Mr. Smith,

Management of Peleus Insurance Company has received and reviewed the above referenced Report of Examination ("Report"). Please accept this communication as management's acceptance of the Report without exception. Thank you to you and your team for the professional manner in which the examination was conducted.

Should you have any additional questions or comments, please contact me directly at [aking@argogroupus.com](mailto:aking@argogroupus.com) or (210) 321-6704.

Sincerely,

A handwritten signature in black ink, appearing to read "Austin King".

Austin King  
Sr. Regulatory Counsel

Cc: Gary Grose - President, Peleus Insurance Company  
Lauren Welch - Head of US Segment Accounting, Peleus Insurance Company  
Brad Earley - Insurance Principal Financial Analyst, Virginia Bureau of Insurance