

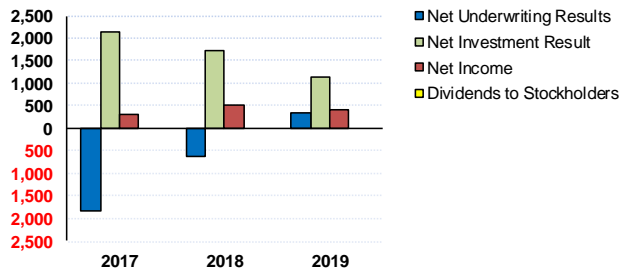


**WATFORD SPECIALTY INSURANCE COMPANY, NAIC #15824
WATFORD HOLDINGS, LTD**

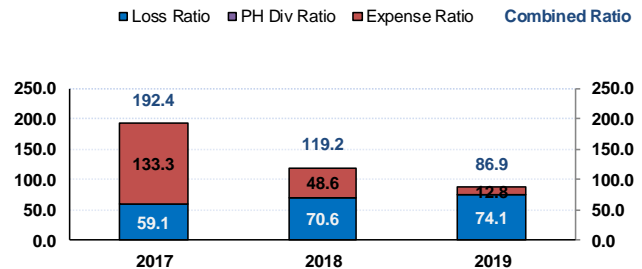
Dollars in 000

	2017	2018	2019		2017	2018	2019
Total Assets	73,202	74,447	91,146	RBC Ratio (%)	2,125.3	1,760.2	1,233.8
Total Liabilities	8,681	13,482	31,383	2yr Res Development	0	95	123
Policyholder Surplus	64,520	60,964	59,763	2yr Dev / Surplus	0.0%	0.1%	0.2%
Cash & Invested Assets	67,837	69,281	79,269	Affiliated Common Stck	26,915	23,067	34,940
Cash & Invested Assets/ Total Asse	92.7%	93.1%	87.0%	Affiliated CS / Surplus	41.7%	37.8%	58.5%
Net Cash from Operations	858	5,122	13,423	Net Reins Recoverable	13,279	30,211	65,280
Loss & LAE Reserves	750	2,541	5,565	Net Reins Rec / Surplus	20.6%	49.6%	109.2%
Loss & LAE Reserves/Surplus	1.2%	4.2%	9.3%	AMB / S&P Ratings	A- / NR	A- / NR	A- / NR

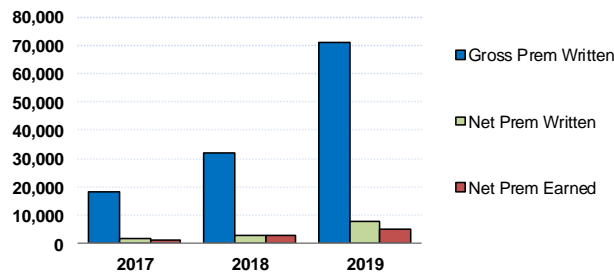
Income/Loss Trends (\$000)



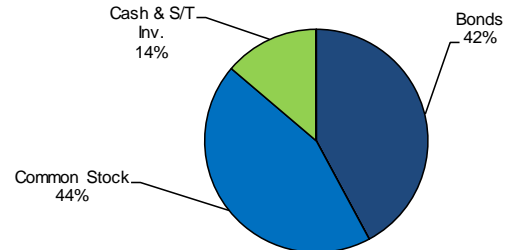
Combined Ratio (%) Trends



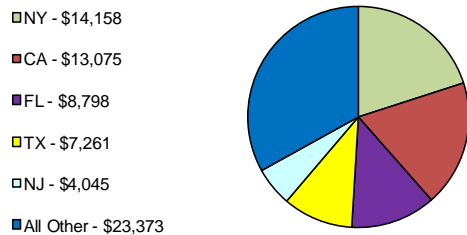
Premium Trends (\$000)



2019 Investment Portfolio

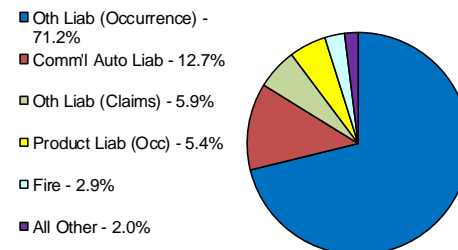


2019 Top 5 Geographies (DPW - \$000)



Total NY State DPW \$14,158
Total US ex Terr DPW \$70,710

2019 Top 5 Lines of Business (DPW/Total DPW)



Total All Lines \$70,710

Top 5 Reinsurers for Watford Specialty Insurance Co by Gross Recoverables

Period: 2019Y

Dollars in 000

Reinsurer	Reinsurance Class	Reins Authorized Status	Gross Recov	Over 120 Days Overdue
1 - Arch Reinsurance Company	US Unaffiliated	Authorized	24,350	0
2 - Everest Reinsurance Company	US Unaffiliated	Authorized	1,308	0
3 - Lloyd's Syndicate - 1880 (Tokio Marine Kiln Syndicates Limited)	Non-US Unaffiliated	Authorized	163	0
4 - Lloyd's Syndicate - 510 (Tokio Marine Kiln Syndicates Limited)	Non-US Unaffiliated	Authorized	134	0
5 - Lloyd's Syndicate - 4141 (HCC Underwriting Agency Ltd)	Non-US Unaffiliated	Authorized	75	0

HISTORY

Watford Specialty Insurance Company (Waterford Specialty) was licensed on September 29, 2015, in New Jersey, as a subsidiary of Watford Holdings US, itself owned by Watford Re, Ltd (Watford Re) (Bermuda). Watford Re is owned by Watford Holding, Ltd (Watford Holdings) (Bermuda). ARCH Capital Group holds an 11% investment interest in Watford Holdings. Financial and operations control of the company remains with Watford Holdings and ARCH Capital Group through various management, investment, employee services and underwriting agreements. The company has been eligible to write business in New York since May 18, 2016. As of December 31, 2019, Watford Specialty is a New Jersey domestic surplus lines insurer and operated on a non-admitted basis in forty-nine (49) states and the District of Columbia.

REINSURANCE

Watford Specialty cedes business under an 85% quota share agreement with its upstream parent, Watford Re. As such, the financial strength of the company is heavily dependent on the credit risk of Waterford, as well as investment risk of its own investment portfolio, managed in common through an investment management agreement with HPS Investment Partners, LLC, a subsidiary of ARCH Capital Group. For the years 2017 through 2019, respectively, Watford Specialty net reinsurance recoverable was shown as \$13m, \$30m and \$65m, representing 21%, 50% and 109% of company surplus.

HOLDING COMPANY

Established in 2014 with headquarters in Bermuda, Watford Holdings, Ltd. is a global property and casualty insurance and reinsurance company. The Watford companies write admitted lines commercial, and specialty property and casualty insurance and program business through Managing General Agents (MGA's), Program Managers and Brokers in the United States and Europe. Watford also writes global reinsurance through its affiliate Watford Re, Ltd. and partners with owned reinsurers of its parent, Arch, Ltd. (Bermuda). AM Best collectively rates five (5) insurance subsidiaries of the Waterford Holdings, Ltd Group, including Watford Specialty Insurance Company. For the years 2017 through 2019 the group was rated 'A-'.

SUBSEQUENT EVENTS

In March 2020, the Covid-19 influenza was recognized as a global pandemic, severely disrupting economic activity. As of April, 2020, the results of this event upon year-ending 2020 insurance operations and those of its parent group are not known. For those companies exposed, however, the potential for reduced premiums, return of premiums, and an increase in collections and operation expense may reduce cash flows. Losses and loss adjustment expenses may increase when losses become known and investments in affiliates and equity investments may suffer a decline in values. Also, the effect of future legislation, regulation and litigation could cause an adverse financial impact on those companies exposed.

In May, 2020, AM Best put the rating of the group 'Under Review with Negative Implications' due to the groups April announcement of 1st qt. unrealized mark-to-market investment losses of approximately \$300m in its non-investment grade fixed income portfolio.

Important Information Regarding Financial Summaries

This financial summary contains information helpful to New York excess lines brokers in meeting their non-delegable duty to use "due care" in the selection of a financially secure excess line insurer. Definitions of the financial terms used in the summaries appear as pop-up boxes when hovering your mouse over the corresponding text. For additional guidance on assessing insurance company financial statements, please reference "ELANY COMPLIANCE ADVISOR: FUNDAMENTALS OF INSURANCE COMPANY FINANCIAL ANALYSIS".

The Excess Line Association of New York has compiled the insurance company financial information from the Annual Statutory Financial Statements. All ratios, charts, and graphs are based on the compiled information. We have made every effort to ensure all information transcribed for these pages is correct. However, the Excess Line Association of New York cannot attest to the accuracy of data provided by its sources, nor do we make any warranties, either expressed or implied, regarding the accuracy or completeness of information presented in this document. We assume no responsibility for loss or damage resulting from the use of this information.

ULTIMATE PARENT – Watford Holdings Ltd.

Corporate Profile		Financial Strength Ratings	
Address:	Watford Holdings Ltd. Waterloo House, First Floor Pembroke, -, -	S&P Global:	-
Website:	https://www.watfordre.com/	Moody's:	-
President :	Jonathan D. Levy	Fitch:	-
Ticker Symbol:	NASDAQ: WTRE	AM Best - P&C:	-
2019 Form 10-K:	https://www.sec.gov/Archives/edgar/data/1601669/000160166920000018/a10-kwatforddecember312019.htm		

Highlights (\$000)	2016	2017	2018	2019
Total Assets	2,382,750	3,014,583	3,372,856	3,550,856
Total Policy Reserves	804,289	1,128,906	1,422,874	1,702,535
Total Debt	258,861	549,165	693,917	657,675
Total Other Liabilities	129,687	149,584	124,431	188,922
Sep Account Liabilities	0	0	0	0
Total Liabilities	1,205,126	1,846,079	2,262,256	2,626,198
Total Equity	957,371	947,882	889,608	872,353
Total Liab & Equity	2,162,497	2,793,961	3,151,864	3,498,551
Book Value / Share (\$)	42.21	41.79	39.22	43.83
Reserves / Investments & Cash (x)	0.40	0.44	0.51	0.61
Reserves / Liabilities (x)	0.67	0.61	0.63	0.65
Reserves / Equity (x)	0.84	1.19	1.60	1.95
Debt / Equity (x)	0.27	0.58	0.78	0.75
Dec. 31 Closing Price (\$)	0.00	0.00	0.00	25.16
Net Income (\$)	146,734	10,741	-34,883	62,541
Basic EPS (\$)	5.60	-0.39	-2.40	2.00
Investment Yield (%)	9.00	3.85	-0.24	4.94
Ratios (%)				
Loss Ratio	68.70	82.10	76.20	81.40
Expense Ratio	33.00	30.50	28.30	28.30
PH Dividend Ratio	0.00	0.00	0.00	0.00
Combined Ratio	101.70	112.60	104.50	109.70

Company Description and Notes

Industries: Commercial Admitted and Specialty Lines Property and Casualty Insurance, Global Reinsurance, Program business through MGA's, Program Managers and Brokers in the U.S. and Europe.

Geography: United States, Caribbean, United Kingdom and European Union

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