



BEST'S COMPANY REPORT



OBSIDIAN INSURANCE GROUP

AMB #: 018956

NAIC #: N/A

FEIN #: N/A

Phone:

Fax:

Website: N/A

Obsidian Insurance Company	A-
Obsidian Pacific Insurance Co	A-
Obsidian Specialty Ins Co	A-



Best's Credit Rating Effective Date

December 07, 2023

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Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

Financial Data Presented

Financial data in this report: (i) includes data of affiliated entities that are not rating unit members where analytics benefit from inclusion; and/or (ii) excludes data of rating unit member entities if they operate in different segments or geographic areas than the Rating Unit generally. See [list of companies](#) for details of rating unit members and any such included and/or excluded entities.

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Obsidian Insurance Group

AMB #: 018956

Associated Ultimate Parent: AMB # 044571 - Obsidian Insurance Holdings, Inc.

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)

<p style="font-size: 2em; margin: 0;">A-</p> <p style="font-size: 1.5em; margin: 0;">Excellent</p>
<p>Outlook: Stable</p> <p>Action: Affirmed</p>

Issuer Credit Rating (ICR)

<p style="font-size: 2em; margin: 0;">a-</p> <p style="font-size: 1.5em; margin: 0;">Excellent</p>
<p>Outlook: Stable</p> <p>Action: Affirmed</p>

Assessment Descriptors

Balance Sheet Strength	Very Strong
Operating Performance	Adequate
Business Profile	Limited
Enterprise Risk Management	Appropriate

Rating Unit - Members

Rating Unit: Obsidian Insurance Group | AMB #: 018956

AMB # Rating Unit Members
 020624 Obsidian Insurance Company
 021080 Obsidian Pacific Insurance Co

AMB # Rating Unit Members
 020917 Obsidian Specialty Ins Co

Rating Rationale

Balance Sheet Strength: **Very Strong**

- Risk-adjusted capital as measured by Best's Capital Adequacy Ratio (BCAR) is at the strongest level.
- Risk-adjusted capitalization declined from the initial start-up period as growing premium and credit risks related to reinsurance recoverables outpaced capital accumulation.
- Credit risk is partially mitigated through a growing number of quality reinsurance partners, no more than 10% of recoverable exposure to any single reinsurer and use of collateral where appropriate.
- Financial leverage at the holding company is within AM Best's tolerance for the rating level.
- Conservative investment portfolio dominated by high-quality fixed-income instruments with no equity exposure.

Operating Performance: **Adequate**

- Performance to date has been in-line with the expectations of fronting services organizations having a diverse mix of managing general agents and reinsurance partners.
- Premium growth has exceeded projections; however, profitability has been somewhat below targets as the group builds scale.
- Income from service fees and investment returns is expected to offset underwriting-based metrics as the premium base develops.
- Advanced net income expectations as the organization matures.

Business Profile: **Limited**

- An active pipeline of business is supported by healthy working relationships with managing general agents and reinsurers.
- Operating as a fronting carrier in an increasingly competitive space with a number of incumbents and ensuing new entrants.
- Seasoned management team with extensive industry experience.
- Continued development of a diversified business profile may be hampered by concentration risk. This may include a geographic compression or product convergence.

Enterprise Risk Management: **Appropriate**

- Established responsibilities of the board and executive team with respect to risk management.
- Defined risk appetite and tolerance levels incorporated into underwriting capacity and credit risk management.
- A clear understanding exists of the potential risks and necessary contingency plans.
- Tailored reinsurance coverage is obtained on a per program basis including analysis of tail events.
- Established a process of independent letters of credit (LOC) verification in response to recent industry developments with LOC fraud.

Outlook

- The stable outlooks for the Obsidian companies reflect a very strong balance sheet strength assessment based on the strongest level of risk-adjusted capitalization as measured by BCAR, attainability of the five-year business plan, actual results being within range of the initial projections, and continued successful implementation of enterprise risk management policies and procedures.

Rating Drivers

- Negative rating actions could occur if risk-adjusted capital falls below required levels, actual operating results fall outside an acceptable range to the initial five-year business plan, the enterprise is unable to gain traction within the parameters of its business profile, or risk appetite and tolerance levels prove to be inadequate for the organization's profile and risk management practices.
- While unlikely, positive rating action can occur if there is consistent profitable growth while maintaining a very strong balance sheet strength assessment.

Key Financial Indicators

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	64.0	52.8	47.9	46.3

Source: Best's Capital Adequacy Ratio Model - P/C, US

Key Financial Indicators USD (000)	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Premiums Written:							
Direct	283,884	191,174	258,607	119,324	1,512	...	...
Assumed*	45,159	33,385	16,637	109	...	...	...
Ceded*	311,045	207,811	252,195	109,840	1,376	...	...
Net	17,998	16,748	23,048	9,593	135	...	...
Net Operating Income	1,529	-3,045	-4,198	1,807	-2,594	86	...
Net Income	1,529	-3,045	-4,199	4,959	-683	385	...
Total Admitted Assets	327,450	203,067	211,169	131,353	61,952	10,064	...
Policyholders' Surplus	79,799	76,924	76,292	79,745	55,861	9,511	...

Source: BestLink® - Best's Financial Suite

*Quarterly premiums include affiliated reinsurance premiums that are eliminated in annual assumed and ceded values.

Key Financial Ratios (%)	9-Months		Year End - December 31					Weighted Average
	2023	2022	2022	2021	2020	2019	2018	
Profitability:								
Combined Ratio	106.5	133.4	123.8	128.1	999.9	...	...
Reserve Development Combined Ratio Impact	1.4	0.9	-9.1	50.1	999.9	...	...
Net Investment Yield	3.0	1.2	1.6	2.7	2.6	...	...
Pre-Tax Operating Return on Net Earned Premiums	11.0	-33.0	-18.5	11.1	-99.9	...	...
Net Income Return on Policyholders' Surplus	2.6	-5.2	-5.4	7.3	-2.1	...	...
Total Return on Policyholders' Surplus	1.8	-4.0	-5.0	7.3	-2.1	...	...
Leverage:								
Net	3.4	2.0	2.0	0.8	0.1	0.1	...	
Gross	...	...	8.8	3.6	0.5	2.0	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Consolidated risk-adjusted capital for Obsidian Insurance Group (Obsidian), as measured by Best's Capital Adequacy Ratio (BCAR), is above the level of credit risks and retained exposure currently on the group's balance sheet. BCAR, while at the strongest level, declined substantially at year end 2022 and through six months of 2023. The decline was due to growth of premium, reserves and reinsurance recoverables, as the company executes on its business plan. BCAR is expected to remain at the strongest level at year end 2023 and 2024. The balance sheet strength is supported by a risk averse investment portfolio and solid liquidity metrics. The assessment is balanced against reliance on reinsurance partners and elevated premium leverage metrics.

Capitalization

The quality of capital is expected to remain favorable over the next five years. Initial capitalization of the enterprise was completed in the form of equity. Consolidated policyholder surplus is expected advance through moderate annual retained earnings. The organization is expected to remain highly liquid, with a moderate level of liabilities on their balance sheet. This is expected to dissipate as the organization continues to scale operations. Given the pooling agreement, surplus within each company is expected to align to assumed exposures.

Balance Sheet Strength (Continued...)

Underwriting leverage metrics on a gross and ceded basis, both current and planned, are in line with peers of similar business profiles, despite the difference to an industry wide composite result. This is acceptable given the company will rely heavily on ceding business to reinsurance partners and generating revenues from fronting fees.

Capital Generation Analysis USD (000)	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Beginning Policyholders' Surplus	76,292	79,745	79,745	97,994	9,511	...	...
Net Operating Income	1,529	-3,045	-4,198	1,807	-2,594	86	...
Net Realized Capital Gains (Losses)	...	-1	-1	3,152	1,911	299	...
Net Unrealized Capital Gains (Losses)	-447	679	263	...	...	...	...
Net Change in Paid-In Capital and Surplus	...	...	...	15,880	57,430	9,137	...
Stockholder Dividends	...	...	...	-37,453	...	...	...
Other Changes in Capital and Surplus	2,425	-455	482	-1,635	-10,397	-11	...
Net Change in Policyholders' Surplus	3,507	-2,821	-3,453	-18,249	46,349	9,511	...
Ending Policyholders' Surplus	79,799	76,924	76,292	79,745	55,861	9,511	...
Net Change in Policyholders' Surplus (%)	4.6	-3.5	-4.3	42.8	487.3	...	...

Source: BestLink® - Best's Financial Suite

Liquidity Analysis	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Net Operating Cash Flow USD (000)	36,514	6,738	30,622	-23,916	-2,439	725	...
Current Liquidity (%)	54.1	94.2	81.5	173.2	976.6	999.9	...

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

Investment management is overseen by the CFO & COO and implemented through external portfolio managers. The invested assets comprised of investment grade bonds with a relatively even split among government debt, NAIC class 1, and NAIC class 2 securities, including an objective for an average rating of "AA". Obsidian holds relatively high cash balances, although cash fluctuates depending on the timing of payments to reinsurers and premium receipts.

Composition of Cash and Invested Assets	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Total Cash and Invested Assets USD (000)	133,469	118,216	109,414	88,938	59,180	9,263	...
Composition Percentages (%)							
Unaffiliated:							
Cash and Short Term Investments	27.4	25.0	14.2	20.9	8.8	23.6	...
Bonds	72.6	75.0	85.8	79.1	91.0	76.4	...
Other Invested Assets	...	...	...	...	0.3	...	...
Total Unaffiliated	100.0	100.0	100.0	100.0	100.0	100.0	...
Total	100.0	100.0	100.0	100.0	100.0	100.0	...

Source: BestLink® - Best's Financial Suite

Bonds and Short Term Investments - Distribution by Maturity (%)	Years					Average (Years)
	0-1	1-5	5-10	10-20	20+	
Government Bonds	0.7	6.6	0.4	0.1	...	3.1
Government Agencies and Municipal Bonds	1.6	14.6	11.3	4.3	0.7	6.5
Industrial and Miscellaneous Bonds	5.0	43.4	10.9	0.4	0.1	3.7
Total Bonds	7.3	64.6	22.6	4.7	0.8	4.6

Source: BestLink® - Best's Financial Suite

Balance Sheet Strength (Continued...)
Reserve Adequacy

Reserves are established by the Chief Actuary/CRO and validated by an external actuarial firm. With the abbreviated experience and prescribed risk retention appetite of the organization, reserves levels have been moderate for the first two years of operations, but increased materially in 2022. The organization is using the expertise of independent actuaries to further support internal actuarial expertise.

Loss and Loss Adjustment Expense Reserves and Development - Calendar Year	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Loss and ALAE* Reserves USD (000)	24,828	10,146	12,226	2,414	2	1,446	3,328
Loss and ALAE* Reserves Development USD (000)	256	103	...	213	-651	-1,003	-595
Development to:							
Original Reserves (%)	...	...	...	9.7	-99.7	-41.0	-15.2
Prior Year End Reserves(%)	1.9	4.5	...	...	...	...	...
Prior Year End Surplus (%)	0.3	0.1	...	0.3	-1.2	-10.5	...

Source: BestLink® - Best's Financial Suite

* Interim LAE reserves balances displayed include Adjusting and Other Unpaid as well as Defense and Cost Containment Unpaid. Year End LAE balances include Defense and Cost Containment Unpaid only.

Loss and Loss Adjustment Expense Reserves and Development - Accident Year	Year End - December 31				
	2022	2021	2020	2019	2018
Original Loss and ALAE Reserves USD (000)	10,312	2,200	224	469	1,356
Loss and ALAE Reserves Developed thru Latest Year End USD (000)	10,312	2,414	-1	58	615
Development to Original Reserves (%)	...	9.7	-99.9	-87.6	-54.6
Accident Year Loss and LAE Ratio (%)	102.9	114.4	999.9	26.8	54.9
Accident Year Combined Ratio (%)	132.9	172.1	999.9	26.8	...

Source: BestLink® - Best's Financial Suite

Holding Company Assessment

The U.S. domiciled holding company was formed as a capital conduit and provides flexibility to the organizational structure. Capital raised via the holding company has been an efficient combination of equity and debt. Currently, the debt balance consists of \$23 million senior notes maturing in 2025. Financial leverage is within Am Best tolerance and the interest coverage has improved in 2022 as the organization posted a modest net gain. Management plans to refinance the debt upon maturity. AM Best will monitor the organization's capacity and ability to service debt at the holding company level while the operating entities scale operations and organically retain policyholder's surplus. An additional \$1 million was raised at the holding company in 2022 and retained for future interest expense and other corporate purposes.

Financial Leverage Summary - Holding Company

Financial Leverage Ratio (%)	25.90
Adjusted Financial Leverage Ratio (%)	25.90
Interest Coverage (x)	1.93

Operating Performance

As the group expands operations and develops its written premium base, operating performance reflects traditional metrics of companies that retain exposures. Results capture the level of ceded exposure under the fronting model. Net results fluctuated for the first three years of operation (2020-2022) driven by large startup and underwriting costs offsetting underwriting, fee, and investment income. For the six months of 2023, net income was positive and improved compared to the same period in 2022. Going forward, management expects gradual strengthening of underwriting results supported by on-going improvement of combined ratio.

Underwriting metrics on a net basis capture the established risk profile with the group retaining up to 10% of exposures on select programs.

Operating Performance (Continued...)

Premium growth has exceeded initial projections, with gross premium expected to reach almost \$400 million and net premium of \$33 million for the full year 2023, over 40% increase compared to 2022. The pace of written premium oscillates across quarters as programs are added. The amount of ceded premiums raises concerns related to reinsurance credit and dependency risks. These risks are reflected in the BCAR and the balance sheet assessment.

Investment income has been enhanced due to asset base growth and a more favorable interest rate environment. While investment income comprised the majority of earnings through 2023, management does not expect reliance on investment income to drive profitability in the long-term. Investment income to date has met expectations, with greater results expected in forthcoming years.

Operating and Financial Performance Ratios (%) - Company	9-Months		Year End - December 31					Weighted Average
	2023	2022	2022	2021	2020	2019	2018	
Calendar Year Loss and LAE Ratio	101.4	96.2	93.8	70.4	999.9	...	...	...
Expense and Policyholder Dividend Ratio	5.1	37.1	30.0	57.7	999.9	...	...	...
Combined Ratio	106.5	133.4	123.8	128.1	999.9	...	...	...
Reserve Development Ratio Impact	1.4	0.9	-9.1	50.1	999.9	...	...	...
Net Investment Yield	3.0	1.2	1.6	2.7	2.6	...	...	...
Pre-Tax Operating Return on Net Earned Premiums	11.0	-33.0	-18.5	11.1	-99.9	...	...	...
Net Income Return on Policyholders' Surplus	2.6	-5.2	-5.4	7.3	-2.1	...	...	...
Total Return on Policyholders' Surplus	1.8	-4.0	-5.0	7.3	-2.1	...	...	...

Source: BestLink® - Best's Financial Suite

Operating and Financial Performance Ratios (%) - Composite	9-Months		Year End - December 31					Weighted Average
	2023	2022	2022	2021	2020	2019	2018	
Calendar Year Loss and LAE Ratio	...	66.8	64.4	69.4	70.6	67.8	68.5	67.9
Expense and Policyholder Dividend Ratio	...	27.0	27.6	23.8	26.0	27.6	28.5	26.5
Combined Ratio	...	93.8	92.1	93.2	96.5	95.4	97.0	94.4
Reserve Development Ratio Impact	-1.9	1.1	-1.2	-1.0	-3.9	-1.2
Net Investment Yield	...	2.3	2.4	1.9	2.2	2.8	2.8	2.4
Pre-Tax Operating Return on Net Earned Premiums	...	13.9	16.6	11.6	11.5	15.0	14.6	13.9
Net Income Return on Policyholders' Surplus	...	10.5	9.0	5.2	4.2	6.6	5.3	6.2
Total Return on Policyholders' Surplus	...	-10.0	-4.0	15.8	7.4	17.2	-0.3	7.1

Source: BestLink® - Best's Financial Suite

Industry Composite: Surplus Lines Composite - BestLink® - Best's Financial Suite

Business Profile

Within the group, Obsidian Specialty Insurance Company functions as a surplus lines company, with Obsidian Insurance Company and Obsidian Pacific Insurance Company operating as admitted carriers. Beyond licensing and regulatory differences, the business profile is the same for all entities. The group writes multiple lines of business with risks distributed across the country. The profile continues to diversify as new programs are brought on board. The group works closely with reputable MGA's, many with whom management has lasting business relationships, to provide coverage for programs that meet select requirements. Obsidian is targeting risk retention of five to ten percent on each program, with reinsurance provided by a diverse portfolio of recognizable and financially strong reinsurance companies.

Business mix is evolving as the business grows, with General Liability and Auto comprising close to 60% of premium in 2023. Overall, diversification by line of business, geographic footprint, and program source has improved as operations matured.

The fronting carrier space continues to become more competitive with additional new entrants, along with a continued presence of well-capitalized incumbent carriers. The management team includes members with experience specific to the fronting / program manager space.

Business Profile (Continued...)

Premium Composition and Growth	9-Months		Year End - December 31					5 Year CAGR
	2023	2022	2022	2021	2020	2019	2018	
Direct Premiums Written USD (000)	283,884	191,174	258,607	119,324	1,512	...	...	...
% Change	48.5	170.0	116.7	999.9	...	...	...	...
Reinsurance Premiums Assumed USD (000)*	45,159	33,385	16,637	109	...	...	...	...
% Change	35.3	999.9	999.9	...	...	...	...	...
Reinsurance Premiums Ceded USD (000)*	311,045	207,811	252,195	109,840	1,376	...	...	...
% Change	49.7	193.5	129.6	999.9	...	...	...	...
Net Premiums Written USD (000)	17,998	16,748	23,048	9,593	135	...	...	...
% Change	7.5	999.9	140.3	999.9	...	...	...	...

Source: BestLink® - Best's Financial Suite

*Quarterly premiums include affiliated reinsurance premiums that are eliminated in annual assumed and ceded values.

2022 By Line Business	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written		Business Retention
	USD (000)	%	USD (000)	%	USD (000)	%	USD (000)	%	%
Other Liab Occurrence	109,681	42.4	...	...	98,639	39.1	11,042	47.9	10.1
Other Liab Claims made	63,711	24.6	...	...	58,619	23.2	5,093	22.1	8.0
Comm Auto Liab	54,586	21.1	...	...	49,315	19.6	5,270	22.9	9.7
Fire	13,441	5.2	...	...	13,062	5.2	379	1.6	2.8
Auto Phys Dmg	6,187	2.4	...	...	5,568	2.2	619	2.7	10.0
Top 5	247,606	95.7	...	...	225,204	89.3	22,402	97.2	9.0
All Other	11,001	4.3	16,637	100.0	26,991	10.7	646	2.8	2.3
Total	258,607	100.0	16,637	100.0	252,195	100.0	23,048	100.0	8.4

Source: BestLink® - Best's Financial Suite

Year End - December 31

Geographic Breakdown by Direct Premiums Written USD (000)	2022	2021	2020	2019	2018
California	49,285	31,228	346	...	...
Florida	39,968	15,341	...	...	...
Texas	32,772	12,953	...	...	...
New York	18,602	8,612	202	...	...
Illinois	12,571	2,388	...	...	...
Top 5 States	153,197	70,522	548	...	...
All Other	105,409	48,802	963	...	...
Total	258,607	119,324	1,512	...	...
Geographic Concentration Index	0.09	...	...	...	...

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

Obsidian designed and implemented enterprise risk management practices appropriate for an entity of its complexity and scale. Broad risk standards were established at the Board level and are executed by members of the executive team and management. During the start-up period many risks have been addressed by the program due diligence processes, while certain risks such as data security require elevated actions.

Monthly reviews of underwriting performance and ongoing audits of managing general agents help maintain a quality of risk deemed acceptable by Obsidian's management.

As the organization matures, additional risk identification and mitigation processes have been implemented. In response to industry issues around Letters of Credit fraud, Obsidian implemented a process of independent verification for letters of credit used as collateral by its reinsurers partners.

Enterprise Risk Management (Continued...)

Reinsurance Summary

Reinsurance through quota-share treaties is tailored for each program. The company expects to purchase coverage up to a 1-in-250 year event with no net after-tax loss accounting for more than 5% of surplus. The company has developed a portfolio of highly rated reinsurance entities complemented by companies that post high-quality collateral which is consistently monitored. To date the many reinsurance partners support a number of diverse programs within the portfolio. The use of non-rated counterparties increased in 2022 and 2023 primarily driven by relationship with Nelnet Captive Insurance Company utilized for obligatory quota share support. The treaty with Nelnet is fully collateralized. AM Best will continue to monitor the use of unrated reinsurers and any significant impact it has on the risk-adjusted capitalization.

Environmental, Social & Governance

As Obsidian navigates its development stages it is well positioned to incorporate environmental, social and governance goals and objectives into operations and metrics. The organization has implemented internal guidance within investments and underwriting to attain an optimal balance across serving insurance needs and functioning as a strong corporate citizen. The group has the ability to leverage stakeholders as a resource for meeting goals and objectives.

Financial Statements

	9-Months		Year End - December 31			
	2023		2022		2021	
Balance Sheet	USD (000)	%	USD (000)	%	USD (000)	%
Cash and Short Term Investments	36,526	11.2	15,565	7.4	18,609	14.2
Bonds	96,943	29.6	93,849	44.4	70,329	53.5
Total Cash and Invested Assets	133,469	40.8	109,414	51.8	88,938	67.7
Premium Balances	109,792	33.5	51,250	24.3	29,019	22.1
Net Deferred Tax Asset	1,872	0.6	2,189	1.0	...	...
Other Assets	82,317	25.1	48,316	22.9	13,396	10.2
Total Assets	327,450	100.0	211,169	100.0	131,353	100.0
Loss and Loss Adjustment Expense Reserves:						
Net Reported Loss Reserves*	3,958	1.2	2,053	1.0	326	0.2
Net IBNR Loss Reserves*	20,870	6.4	7,492	3.5	1,386	1.1
Net LAE Reserves	...	...	3,807	1.8	594	0.5
Total Net Loss and LAE Reserves	24,828	7.6	13,352	6.3	2,306	1.8
Net Unearned Premiums	11,188	3.4	11,676	5.5	6,134	4.7
Other Liabilities	211,635	64.6	109,850	52.0	43,168	32.9
Total Liabilities	247,650	75.6	134,877	63.9	51,608	39.3
Capital Stock	9,200	2.8	9,200	4.4	7,240	5.5
Paid-In and Contributed Surplus	72,018	22.0	72,018	34.1	73,978	56.3
Unassigned Surplus	-1,419	-0.4	-4,926	-2.3	-1,473	-1.1
Total Policyholders' Surplus	79,799	24.4	76,292	36.1	79,745	60.7
Total Liabilities and Surplus	327,450	100.0	211,169	100.0	131,353	100.0

Source: BestLink® - Best's Financial Suite

* Interim reserves balances include LAE.

Income Statement USD (000)	9-Months		Year End - December 31	
	2023	2022	2022	2021
Net Premiums Earned	18,486	11,673	17,506	19,141
Net Losses and LAE Incurred:				
Current Accident Year	18,486	11,132	18,023	3,891
Prior Accident Years	256	103	-1,595	9,582
Underwriting Expenses Incurred	921	6,220	6,914	5,539
Net Underwriting Income	-1,176	-5,782	-5,835	130
Net Investment Income	2,703	973	1,635	1,997
Other Income (Expense)	511	955	955	...
Pre-Tax Operating Income	2,037	-3,854	-3,245	2,127
Income Taxes Incurred	509	-809	954	320
Net Operating Income	1,529	-3,045	-4,198	1,807
Net Realized Capital Gains (Losses)	...	-1	-1	3,152
Net Income	1,529	-3,045	-4,199	4,959

Source: BestLink® - Best's Financial Suite

Statement of Operating Cash Flows USD (000)	9-Months		Year End - December 31	
	2023	2022	2022	2021
Net Premiums Collected	38,304	21,923	50,789	12,934
Net Losses Paid	7,341	3,394	9,152	29,671
Expenses Paid	-2,137	14,088	13,138	9,289
Net Underwriting Cash Flow	33,099	4,441	28,499	-26,027
Net Investment Income	2,967	1,323	2,116	3,282
Other Income (Expense)	511	955	955	...
Income Taxes Paid (Recovered)	63	-18	949	1,172
Net Operating Cash Flow	36,514	6,738	30,622	-23,916

Source: BestLink® - Best's Financial Suite

Obsidian Insurance Group

Operations

Domiciled: New York, United States

Business Type: Property/Casualty

Organization Type: Stock

Marketing Type: MGA

Last Update

December 07, 2023

Identifiers

AMB #: 018956

This company is a data record that AM Best utilizes to represent the AM Best Consolidated financials for the Property/Casualty business of AMB#: [044571 Obsidian Insurance Holdings, Inc.](#)

AMB#: [020917 Obsidian Specialty Insurance Company](#) has been assigned as the AMB Group Lead for this consolidation and should be used to access name, address, or other contact information for this AM Best Consolidated Group.

Financial Data Presented

See [LINK](#) for details of the entities represented by the data presented in this report.

Best's Credit Ratings

Rating Relationship

This group represents an AM Best Rating Unit. In our opinion, companies under this Rating Unit have an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

Best's Credit Rating Effective Date: December 07, 2023

Rating rationale and credit analysis can be found in the [Best's Credit Report for AMB# 018956 - Obsidian Insurance Group](#).

AMB#	Rating Unit Members	Best's Credit Ratings	
		Financial Strength Rating	Long-Term Issuer Credit Rating
020624	Obsidian Insurance Company	A-	a-
021080	Obsidian Pacific Insurance Co	A-	a-
020917	Obsidian Specialty Ins Co	A-	a-

Corporate Structure

Associated Ultimate Parent: AMB #044571 - Obsidian Insurance Holdings, Inc.

Based on AM Best's analysis, AMB# 044571 Obsidian Insurance Holdings, Inc. is the Associated Ultimate Parent to this group. Its current data structure is based on the corporate structure for the associated ultimate parent and the non-legal entities such as data records and AM Best Groups. Access current [Data Structure](#) in BestLink.

State Rate Filings

Summary of Approved Filings

The table below shows the number of approved filings in the last five years. For more information, please refer to [Best's State Rate Filings - 018956 - Obsidian Insurance Group](#)

Major Line

	2023	2022	2021	2020	2019
Aviation	43	...	...	...	...
Commercial Auto	204	109	94	...	...
Commercial General Liability	77	90	122	9	...
Commercial Inland Marine	50	1	21	...	...
Commercial Interline	39	2	1	...	...
Commercial Multi-Peril	...	2	...	...	...
Fire And Allied Lines (Personal Property)	29	34	16	...	...
Homeowners Multi-Peril	3	2	3	...	...
Personal Inland Marine	5	26	13	...	...
Personal Interline	5	1	...	...	...
Private Passenger Auto	...	1	3	...	...
Total	455	268	273	9	...

Source: Best's State Rate Filings

Financial Results

Financial exhibits presented in this report provide calculated ratios using the most recent AM Best consolidated statements available in BestLink - Best's Statement File – P/C, US. Access [Quantitative Analytical Report \(QAR\) Annual](#) and [Quarterly](#) for additional details.

Currency: US Dollars

Balance Sheet Highlights

	Year End - December 31				
Ceded Reinsurance Analysis	2022	2021	2020	2019	2018
Obsidian Insurance Group					
Ceded Reinsurance USD (000)	517,427	226,644	21,372	18,580	...
Business Retention (%)	8.4	8.0	9.0	...	...
Reinsurance Recoverables to PHS (%)	347.7	146.5	35.8	195.3	...
Ceded Reinsurance to PHS (%)	678.2	284.2	38.3	195.3	...
Surplus Lines Composite					
Business Retention (%)	27.7	31.2	30.0	33.0	33.4
Reinsurance Recoverables to PHS (%)	68.9	68.2	67.0	58.0	62.4
Ceded Reinsurance to PHS (%)	105.4	104.8	100.8	86.5	88.6

Source: BestLink® - Best's Financial Suite

	Paid & Unpaid Losses	Incurred but not reported (IBNR) losses	Unearned premiums	Other Recoverables	Total Reinsurance Recoverables
2022 Reinsurance Recoverables USD (000)					
US Affiliates	10,021	10,450	11,675	-2,288	29,858
US Insurers	15,419	59,197	61,870	-1,236	135,251
Other Non-US	16,848	48,417	63,792	-1,072	127,984
Total (excluding US Affiliates)	32,267	107,614	125,662	-2,308	263,235
Grand Total	42,367	118,639	138,679	-4,596	295,089

Source: BestLink® - Best's Financial Suite

Balance Sheet Highlights

Asset Liability Management | Investments

	9-Months		Year End - December 31				
	2023	2022	2022	2021	2020	2019	2018
Bond Portfolio							
Bonds & Short Term Investments USD(000)	96,943	88,603	93,849	70,835	57,326	7,073	...
By Issuer (%)							
Unaffiliated Bonds:							
US Government	...	...	7.8	11.1	6.4	43.9	...
Foreign - All other	...	...	3.8	4.0	4.3	...	...
State, Municipal & Special Revenue	...	...	32.4	40.6	40.7	54.7	...
Industrial and Misc, Hybrid and SVO Identified	...	...	56.1	44.3	48.6	1.3	...
Bonds and Short Term Investments By Private vs Public (%)							
Private issues	...	...	7.7	...	...	...	...
Public issues	...	...	92.3	100.0	100.0	100.0	...
Bonds and Short Term Investments By Quality (%)							
Class 1	95.4	95.8	96.0	93.6	92.5	99.2	...
Class 2	4.6	4.2	4.0	6.4	7.5	0.8	...

Source: BestLink® - Best's Financial Suite

Operating Performance Highlights

	9-Months		Year End - December 31					Weighted Average
	2023	2022	2022	2021	2020	2019	2018	
Operating and Financial Performance Ratios (%)								
Surplus Lines Composite								
Calendar Year Loss and LAE Ratio	...	66.8	64.4	69.4	70.6	67.8	68.5	67.9
Expense and Policyholder Dividend Ratio	...	27.0	27.6	23.8	26.0	27.6	28.5	26.5
Combined Ratio	...	93.8	92.1	93.2	96.5	95.4	97.0	94.4
Reserve Development Ratio Impact	-1.9	1.1	-1.2	-1.0	-3.9	-1.2
Net Investment Yield	...	2.3	2.4	1.9	2.2	2.8	2.8	2.4
Pre-Tax Operating Return on Net Earned Premiums	...	13.9	16.6	11.6	11.5	15.0	14.6	13.9
Net Income Return on Policyholders' Surplus	...	10.5	9.0	5.2	4.2	6.6	5.3	6.2
Total Return on Policyholders' Surplus	...	-10.0	-4.0	15.8	7.4	17.2	-0.3	7.1

Source: BestLink® - Best's Financial Suite

	Year End - December 31				
	2022	2021	2020	2019	2018
By Line - Net Loss Ratio (%)					
Other Liab	45.3	28.8	44.7	...	...
Comm Auto Liab	81.3	11.3	...	...	...
Auto Phys Dmg	50.3	1.0	...	...	...
Fire	17.1	6.8	...	...	...
Inland Marine	41.3	2.2	...	...	...
Product Liab	-13.9	6.0	...	...	...
PP Auto Liab	75.5	0.3	...	...	...
All Other	...	346.6	...	...	...
Total	52.3	54.1	44.7	...	...

Source: BestLink® - Best's Financial Suite

Operating Performance Highlights

Year End - December 31

Geographic - Direct Loss Ratio (%)

	2022	2021	2020	2019	2018
California	46.1	46.5	46.0	...	...
Florida	48.0	48.9	...	...	...
Texas	60.9	51.9	...	...	...
New York	51.4	45.5	44.8	...	...
Illinois	35.9	44.2	...	...	...
New Jersey	48.6	54.3	46.4	...	...
Washington	48.0	52.3	38.8	...	...
Colorado	48.7	49.1	46.0	...	...
Georgia	103.2	63.6	...	...	...
Arizona	57.3	48.4	37.0	...	...
All Other	35.2	52.4	45.1	...	...
Total	48.1	49.8	44.5	...	...

Source: BestLink® - Best's Financial Suite

Business Profile Highlights

Historical Market Presence

Year End - December 31

	2022	2021	2020	2019	2018
Other Liab	16,134	6,836	135	...	...
Comm Auto Liab	5,270	1,375	...	...	...
Auto Phys Dmg	619	686	...	...	...
Inland Marine	505	82	...	...	...
Fire	379	271	...	...	...
Product Liab	91	232	...	...	...
PP Auto Liab	51	3	...	...	...
All Other	...	109	...	...	...
Total	23,048	9,593	135	...	...

Source: BestLink® - Best's Financial Suite

Year End - December 31

	2022	2021	2020
Other Liab	9,140	1,694	2
Comm Auto Liab	3,536	413	...
Auto Phys Dmg	281	33	...
Fire	111	63	...
Rein-NPA Liab	79	...	...
Inland Marine	76	11	...
Rein-NPA Prop	48	...	...
Product Liab	43	86	...
PP Auto Liab	40	7	...
Total	13,352	2,306	2

Source: BestLink® - Best's Financial Suite

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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