

ORGANIZATIONAL EXAMINATION
OF
HAMILTON SELECT INSURANCE INC.
AS OF
NOVEMBER 22, 2021

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON ORGANIZATIONAL EXAMINATION

OF

HAMILTON SELECT INSURANCE INC.

AS OF

NOVEMBER 22, 2021

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

Dated this 27 day of December, 2021

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December 6, 2021

Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street, Suite 101
Dover, DE 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 21.918, dated November 2, 2021, an Organizational Examination has been conducted of the

Hamilton Select Insurance Inc.

hereinafter referred to as HSII or the Company. HSII was incorporated under the laws of the State of Delaware as a stock, property and casualty, surplus lines insurance company.

The Company's registered agent is Corporation Service Company with its registered office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The Company's administrative office address is located at 400 Madison Avenue, Suite 16C, New York, New York 10017.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with the Company's application for a surplus line Certificate of Authority in the State of Delaware. The Company's corporate records, records applicable to and attendant with its application, as well as financial data as of November 22, 2021, have been reviewed.

HISTORY

The Company was incorporated on September 2, 2021, under the laws of the State of Delaware and is authorized to issue five hundred thousand (500,000) common shares with \$1 par value per share. No capital stock certificate was issued, however, the Company's stock ledger shows that all 500,000 common shares are owned by Hamilton Select Holdings Inc. for a capital account of \$500,000.

MANAGEMENT AND CONTROL

Board of Directors

In accordance with its bylaws, adopted September 10, 2021, the business and affairs of the Company shall be managed by a Board of Directors (Board). The number of directors shall be no less than three nor more than seven natural persons and may be fixed from time to time by the stockholder or Board. The directors are to be elected at the annual meeting of the Company's stockholder and shall hold office until his successor shall be elected and qualified.

The directors serving as of the examination date were as follows:

Clayton W. Rhoades
Craig W. Howie
Peter F. Skerlj
Gemma E. Carreiro
Christi A. Garber

Committees of the Board of Directors

No committees of the Board have been constituted as of the examination date.

Officers

In accordance with its bylaws, the officers of the Company shall be a President, a Secretary, a Treasurer, and other officers as deemed necessary, who shall be elected by the Board and who shall hold office until their successors are elected and qualified. Any two offices may be held by the same person. The officers serving as of the examination date were as follows:

<u>Officer</u>	<u>Office</u>
Clayton W. Rhoades	President and Chief Executive Officer
Gemma E. Carreiro	Secretary
Craig W. Howie	Treasurer & Chief Financial Officer
Matthew P. Madeiros	Assistant Secretary
Jennifer B. Goodman	Head of US Compliance

The Company completed the National Association of Insurance Commissioners (NAIC) Form 11 - Biographical Affidavit for each of the directors and officers noted above.

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective September 2, 2021.

Conflict of interest statements were completed by the directors and officers listed above. There were no disclosed conflicts of interest at the present time.

HOLDING COMPANY SYSTEM

At formation, the Company became a member of an Insurance Holding Company System. 18 *Del. C.* §5001(3) states that “control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person.”

The organizational structure as of the examination date with control percentages of the upstream entities’ control of the downstream entity [and domicile in brackets] is presented below:

	Ownership Control <u>Percent</u>	Voting Control <u>Percent</u>
Citco Bank of Canada ref BSOF Master Fund L.P. [Canada] {1}	18.1%	9.5%
Hamilton Insurance Group, Ltd. [Bermuda] {2}	100%	100%
Hamilton UK Holdings II, Limited [UK]	100%	100%
Hamilton US Holdings II, Inc. [DE]	100%	100%
Hamilton Select Holdings Inc. [DE]	100%	100%
Hamilton Select Insurance Inc. [DE]		

- {1} Considered an ultimate controlling entity of the Company. This entity has not filed a disclaimer of affiliation with the Department.
- {2} As of May 31, 2021, financial statements show consolidated assets of \$5,129,676,000, liabilities of \$3,571,806,000 and shareholder equity of \$1,557,750,000. Other than {1}, no other person or entity owns or controls greater than 10% of Hamilton Insurance Group, Inc.

FIDELITY BOND AND OTHER INSURANCE COVERAGE

The Company is covered by a financial institution bond effective December 2, 2021, with a single loss limit of \$300,000 and an aggregate loss limit of \$600,000 and a deductible of \$25,000. Based on the pro forma information submitted by management, the minimum suggested coverage per the NAIC *Financial Condition Examiners Handbook – Exhibit R* is \$450,000 at year-end 2022, \$700,000 at year-end 2023, and \$800,000 at year-end 2024.

AGREEMENTS

As of the examination date, the Company is not a party to any administrative services agreement, cost allocation agreement, intercompany tax allocation agreement, claim services agreement or investment management agreement.

The Company anticipates entering into a Services Agreement with affiliate Hamilton US Services, LLC. Upon licensure, the Company intends to file and obtain approval of this affiliated agreement through a Form D filing with the Department.

The Company anticipates entering into a Tax Allocation Agreement among affiliates Hamilton US Holdings II, Inc. and Hamilton Select Holdings Inc. Upon licensure, the Company

intends to file and obtain approval of this affiliated agreement through a Form D filing with the Department.

Upon licensure, the Company plans to enter into an Investment Management Agreement with non-affiliate DWS Investment Management Americas, Inc. and a custodial agreement with a non-affiliated financial institution.

PLAN OF OPERATION

The Company will be a Delaware domestic surplus lines insurer and plans to transact surplus lines business in all 50 U.S. states and the District of Columbia. Given population centers and the nature of the targeted business, the Company expects most of its insurance policies will be on risks in California, Florida, Texas, Illinois and New York. The Company's staff will eventually be primarily located in the group's Richmond, Virginia office.

The Company is being created to specifically focus on a particular segment of the excess and surplus lines market, specifically small and middle market accounts that are considered hard-to-place or distressed. By creating a dedicated insurance company to focus on this niche, the Company hopes to market its products to clients through focused branding efforts.

The Company plans to write a broad number of commercial insurance products for risks that are hard-to-place that generally do not fit in the standard insurance market, including those types of risks that appear on state export lists or for which the requisite number of declinations were issued by admitted insurers. Typical risks may include companies that are newly established, industries that are new or evolving, operations considered high-risk, applicants in venues considered to be overly litigious, or companies with adverse loss histories. The Company will target those classes of business where its underwriters bring experience and expertise, allowing the Company to compete knowledgeably and effectively. Underwriters specialize in niche lines

of business which will allow them to exercise and further develop deep experience and expertise of the risks they underwrite. Typical target account will be small to medium-sized accounts.

The Company plans to write credit health, health, property, surety, casualty (including vehicle, liability, workers' compensation & employers' liability, burglary and theft, glass, boiler and machinery, leakage and fire extinguisher equipment, credit, malpractice, elevator, congenital defects, livestock, entertainments, miscellaneous), marine and transportation. The focus will be on casualty and property lines of business with limits up to a \$5 million maximum.

The Company plans to market its products to insurance agents and brokers through e-mail campaigns, telephone contact, webinars, personal visits and trade show attendance. The Company will generally not use advertisements, commercials or other such methods, and has no plan to advertise directly to consumers.

REINSURANCE

Upon licensure, the Company intends to obtain 50% casualty quota share reinsurance coverage with participation from four reinsurers (3 domestic, 1 foreign) rated "A-" or higher by A.M. Best with 10% to 15% participation per reinsurer. The Company intends to utilize reinsurers who either carry an A.M. Best financial strength rating of "A-" or higher, or have fully collateralized their maximum potential obligations in dedicated trusts for the benefit of the Company.

CAPITAL AND SURPLUS REQUIREMENTS

18 *Del. C.* §511(a) requires \$500,000 as the minimum common capital stock for a stock insurance company authorized to write multiple lines property and casualty insurance. 18 *Del. C.* §1932(a) requires \$15,000,000 as the minimum policyholder surplus for a domestic surplus lines insurer. The Delaware Domestic/Foreign Insurers Bulletin No. 45 effective October 14, 2011, requires that newly-formed Delaware domestic surplus lines insurers have \$15,000,000 as the

CONCLUSION

Based on the organizational examination conducted as of November 22, 2021, the financial condition of the Company is as follows:

Assets	\$60,000,000
Liabilities	<u>0</u>
Capital and Surplus as Regards Policyholders	<u>\$60,000,000</u>

Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully submitted,



Andrew E. Chiodini, CFE
Examiner In-Charge
Delaware Department of Insurance



Anthony Cardone, CFE, CPA
Supervising Examiner
Delaware Department of Insurance

Hamilton Select Insurance Inc.

I, Andrew E. Chiodini, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 21.918.



Andrew E. Chiodini, CFE