

**EXAMINATION REPORT**  
**OF**  
**GENERAL REINSURANCE CORPORATION**  
**AS OF**  
**DECEMBER 31, 2021**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
GENERAL REINSURANCE CORPORATION  
AS OF  
DECEMBER 31, 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.

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Trinidad Navarro  
Insurance Commissioner

Dated this 24th day of February, 2023

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December 19, 2022

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

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 22.001, dated November 2, 2021, an examination has been made of the affairs, financial condition, and management of

**GENERAL REINSURANCE CORPORATION**

hereinafter referred to as the Company. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware 19801. The administrative office of the Company is located at 120 Long Ridge Road, Stamford, Connecticut 06902-1843. The report of examination thereon is respectfully submitted.

**SCOPE OF EXAMINATION**

We have performed our multi-state examination of the Company. The last examination was conducted as of December 31, 2016 by the Delaware Department of Insurance (Department). This examination covers the period of January 1, 2016 through December 31, 2021. Our examination was conducted concurrently with our examination of the following subsidiaries of the

Company: General Star National Insurance Company (GSN), General Star Indemnity Company (GSI) and Genesis Insurance Company (GIC).

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination 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. 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. 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 examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but are separately communicated to other regulators and/or the Company.

During the course of the examination, consideration was given to work performed by the Company's external accounting firm, Deloitte & Touche LLP (Deloitte & Touche). Certain

auditor work papers have been incorporated into the examination work papers. The work papers were utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or changes to the Company's financial statements as a result of the examination.

### **COMPANY HISTORY**

#### **General**

The Company was originally founded as General Casualty and Surety Reinsurance Corporation on March 21, 1921, under the laws of the State of New York. The Company's name was changed to General Reinsurance Corporation in 1923. A new legal entity was incorporated in the State of Delaware effective October 8, 1970, to facilitate the Company's change in domestication from New York to Delaware. The Delaware entity received its Certificate of Authority to commence business effective January 1, 1973. On October 31, 1980, the Company, by merger and reorganization, became a wholly owned subsidiary of General Re Corporation (Gen Re), which at that time was a publicly traded holding company domiciled in the State of Delaware. Effective December 21, 1998, Gen Re, including all of its subsidiaries was acquired by Berkshire Hathaway Inc. (BHI).

#### **Capitalization**

The Company's Certificate of Incorporation authorizes the issue of 11,000 shares of common stock with a par value of \$1,000 per share. As of December 31, 2021, the Company had 11,000 shares of common stock issued and outstanding totaling \$11 million. All outstanding common stock shares of the Company are owned by Gen Re.

As of December 31, 2021, the Company reported gross paid in and contributed surplus of \$2.8 billion.

### Dividends

The Company paid ordinary dividends to Gen Re in the amounts of \$500 million and \$750 million during 2019 and 2020, respectively. The dividends were approved by the Company's Board of Directors (Board) and notification was provided to the Delaware Department of Insurance (Department). Payment was approved by the Department.

## **MANAGEMENT AND CONTROL**

### Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the business and affairs of the corporation shall be managed by its Board, which may exercise all such powers of the corporation. The Company's bylaws state that the number of Directors constituting the Board shall not be less than three.

Further, the Directors shall be elected at the annual meeting of the stockholder and each Director elected shall serve until his/her successor is elected and qualified, or until his/her resignation, removal or ineligibility. The Board must elect a Chairman of the Board and may elect a Vice Chairman at its discretion. Directors duly elected and serving as of December 31, 2021, are as follows:

<u>Name</u>	<u>Principal Occupation</u>
Kara Lee Raiguel	Chief Executive Officer and President GRC
Andrew Randall Gifford	General Counsel and Secretary GRC
Michael Patrick O'Dea	Chief Financial Officer GRC

### Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require that the Board, at its next regular meeting after the annual meeting of stockholders, shall choose a Chairman of the Board, President, Treasurer, and Secretary. The Chairman of the Board and any Vice Chairman shall be directors, but the other officers need not be directors. Either the Chairman of the Board, any Vice Chairman or the President shall be designated Chief Executive Officer. All elected officers, except the Chairman of the Board, shall hold office for one year, and until their successors shall be elected and qualified or until their death, resignation or removal. The Chief Executive Officer may appoint and terminate other officers at his/her discretion. One person may hold more than one office, except that the offices of Chairman of the Board and Secretary or Vice Chairman and Secretary or President and Secretary may not be held by the same person. The primary officers serving as of December 31, 2021 were as follows:

<u>Name</u>	<u>Title</u>
Kara Lee Raiguel	Chairman, Chief Executive Officer and President
Michael Patrick O'Dea	Chief Financial Officer, Treasurer and Senior Vice President
Andrew Randall Gifford	General Counsel, Secretary and Senior Vice President
Robert Maffett Jones	Executive Vice President



### Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented the meetings, the election of directors and officers as well as the approval of Company transactions and events, including the authorization of investments as required by 18 *Del. C.* § 1304. In addition, review of the Company's files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* § 4919.

### Insurance Holding Company System

The Company is a member of an insurance holding company system known as BHI as defined in 18 *Del. C.* § 5001(7) of the Delaware Insurance Code. Gen Re owns 100% of the Company and Gen Re is a wholly owned subsidiary of BHI. BHI is a publicly traded holding company controlled by Warren E. Buffett. In addition to Gen Re, BHI owns numerous other domestic and foreign-based (re)insurance entities. BHI's insurance businesses provide insurance and reinsurance of property and casualty risks worldwide and also reinsure life, accident and health risks worldwide.

A presentation of the portion of the BHI holding company system that contains Gen Re is as follows:

## General Reinsurance Corporation

<u>Name of Corporation</u>	<u>Domicile</u>	<u>Principal Activity</u>	<u>% Ownership</u>	<u>Incorporated/ Acquired by Group</u>
Berkshire Hathaway Inc. <sup>(1)</sup>	Delaware	Holding Company	None	
General Re Corporation	Delaware	Holding Company	100	1980/1998
<b>General Reinsurance Corporation</b>	<b>Delaware</b>	<b>Reinsurer</b>	<b>100</b>	<b>1970</b>
Elm Street Corporation	Delaware	Real Estate	100	1981
General Star Indemnity Company	Delaware	Insurer	100	1967
General Star National Insurance Company	Delaware	Insurer	100	1864/1985
General Star Management, LLC	Delaware	Management	100	1979
Genesis Management and Insurance Services, LLC	Delaware	Management	100	1988
Genesis Insurance Company	Delaware	Insurer	100	1976/1989
GRC Realty Corporation	Connecticut	Real Estate	100	1972
General Reinsurance Australia Ltd	Australia	Reinsurer	100	1961
General Re Compania de Reaseguros, S.A.	Uruguay	Reinsurer	100	1990
General Reinsurance AG	Germany	Reinsurer	100	1846/1994
General Re Servicios México S.A.	Mexico	Service Company	100	1976/1994
Gen Re Support Services Mumbai Private Limited	India	Service Company	99.99 <sup>(4)</sup>	2014
General Reinsurance Africa Ltd.	South Africa	Reinsurer	100 <sup>(2)</sup>	1966/1994
General Reinsurance AG Escritório de Representação no Brasil Ltda.	Brazil	Management	99.99 <sup>(3)</sup>	1997
General Reinsurance Life Australia Ltd.	Australia	Reinsurer	100	1981/1994
Gen Re Beirut s.a.l. offshore	Lebanon	General Business Corp.	100 <sup>(2)</sup>	1996
General Re Life Corporation	Connecticut	Reinsurer	100	1967/1994
Idealife Insurance Company	Connecticut	Insurer	100	1981/1994
Railsplitter Holdings Corporation	Delaware	Holding Company	100	2008/2008
Gen Re Japan Service Company Limited	Japan	Service Company	100	2017
New England Asset Management, Inc.	Delaware	Investment Adviser	100	1984/1995
New England Asset Management Limited	Ireland	Investment Adviser	100	2008
United States Aviation Underwriters, Incorporated	New York	Manager	100	1928/1982
Canadian Aviation Insurance Managers Ltd.	Canada	Manager	100	1937
Gen Re Intermediaries Corporation	New York	Intermediary	100	1926/1928
Faraday Holdings Limited	UK	Holding Company	100	1991/1998
GRF Services Limited	UK	General Business Corp.	100	1993/1998
Faraday Underwriting Limited	UK	Manager	100	1982/1998
Faraday Capital Limited	UK	Lloyd's Corporate Vehicle	100	1994/1998
Faraday MGA Limited	UK	Managing General Agent	100	2017
GRD Holdings Corporation	Delaware	Holding Company	100	2001
General Re Financial Products Corporation	Delaware	Former Swap Dealer	100	1990
Gen Re Long Ridge, LLC	Connecticut	Real Estate	100	2008
GRSA Services (Proprietary) Limited	South Africa	Service Company	100	2021

<sup>(1)</sup> As of March 2, 2022, Warren E. Buffett owned 238,624 shares of Class A common stock and 2,412 shares of Class B common stock, which is approximately 32.1% of the voting interest and 16.2% of the economic interest of BHI.

<sup>(2)</sup> Percentages include any qualifying shares.

<sup>(3)</sup> General Reinsurance AG owns 3,574,417 shares of General Reinsurance AG Escritório de Representação no Brasil Ltda. One share is owned by Luis E.C. Rayes, a Brazilian citizen.

<sup>(4)</sup> General Reinsurance AG owns 99.99% of Gen Re Support Services Mumbai Private Limited. One share is owned by Suzie Foo (on behalf of General Reinsurance AG).

Through its directly and indirectly owned subsidiaries, Gen Re has global insurance, reinsurance and financial service operations with business activities in over forty-four cities throughout the world and provides property/casualty and life/health (re)insurance coverage worldwide. Gen Re's principal reinsurance operations are based in North America and Germany, with other major operations in Asia, Australia, Europe (primarily London), South Africa and South America. Gen Re's principal financial service operations are the New England Asset Management, Inc. (NEAM) with operations located in the United States (Farmington, Connecticut) and Dublin, Ireland.

### Affiliated Agreements

#### *Technical Services Agreement*

Effective January 1, 2009, as Amended October 2014 and July 2019, the Company entered into a Technical Services Agreement with General Reinsurance AG (GRAG). In accordance with the terms of the agreement, the Company performs certain information technology services in return for payment by GRAG for all costs and expenses incurred by the Company.

#### *Master Services Agreement*

Effective August 1, 2014, as Amended September 1, 2017, December 31, 2017 and September 30, 2021, Gen Re and its subsidiaries, including the Company, entered into a Master Services Agreement, whereby the entities provide various services and reporting to each other. The Master Services Agreement superseded various individual service agreements that existed between and among the entities.

#### *Service Agreement*

Effective February 6, 2017, as Amended June 1, 2019, the Company entered into a Services Agreement with its affiliates, National Indemnity Company (NICO), National Liability & Fire

Insurance Company (NLF), and National Fire & Marine Insurance Company. In accordance with the terms of the agreement, the Company may, upon request, perform underwriting and claims advisory services in return for payment by the affiliates.

*Loan Agreement*

Effective April 16, 2017, the Company entered into a Loan Agreement with Union Underwear Company, Inc., evidenced by a ten-year promissory note issued to the Company in the amount of \$350 million with interest payable in semiannual installments and a final payment of principal and interest on the ten-year anniversary. The payment of principal and interest is unconditionally guaranteed by BHI. Furthermore, pursuant to a Purchase Agreement, dated September 8, 2020, the Company assigned a portion of this loan to its affiliate, General Re Life Corporation, as a part of the consideration for said Purchase Agreement.

*Services Agreement*

Effective October 10, 2017, as Amended July 5, 2018, the Company entered into a Services Agreement, whereby the Company may perform internal audit and related services in return for payment.

*Services Agreement*

Effective October 27, 2017, the Company entered into a Services Agreement with NLF, whereby the Company will act as NLF's Chief Agent in Canada relative to NLF's Canadian branch.

*Services Agreement*

Effective March 27, 2018, the Company entered into a Services Agreement with Brookwood Insurance Company, National Indemnity Company of Mid-America and National

Indemnity Company of the South, whereby the parties may perform internal audit and other requested services in return for payment.

*Services Agreement*

Effective July 19, 2018, the Company entered into a Services Agreement with Finial Reinsurance Company and NLF, whereby the parties may perform internal audit and other requested services in return for payment.

*Services Agreement*

Effective October 16, 2018, the Company entered into a Services Agreement with Continental Divide Insurance Company, whereby the parties may perform internal audit and other requested services in return for payment.

*Services Agreement*

Effective October 16, 2018, the Company entered into a Services Agreement with Cypress Insurance Company, whereby the parties may perform internal audit and other requested services in return for payment.

*Chief Agency Agreement*

Effective March 15, 2020, the Company entered into a Chief Agency Agreement with United States Liability Insurance Company, whereby the Company will permit one of its employees in its Canadian branch to perform Chief Agent services in return for payment.

*Inter-Affiliate Services Agreement*

Effective January 11, 2021, the Company entered into an Inter-Affiliate Services Agreement with Resolute Management, Inc. (RMI), whereby both the Company and RMI will perform certain claims coverage litigation services. Furthermore, the Company will provide, to RMI, various human resources and employment benefit services.

*Loan Agreement*

Effective September 19, 2021, the Company entered into a Loan Agreement with BHI, evidenced by a ten-year promissory note issued to the Company in the amount of \$100 million with interest payable in semiannual installments.

*Purchase Agreement*

Effective December 27, 2021, the Company entered into a Purchase Agreement with GRAG, wherein the Company agreed to purchase from GRAG, their Nestle SA common stock portfolio, which constituted all 2,481,382 shares held by GRAG.

*Other Agreements*

Other agreements with affiliates were entered into prior to the period covered by this examination and were reviewed in connection with earlier examinations. They remained in effect as of December 31, 2021.

**TERRITORY AND PLAN OF OPERATION**

As the principal subsidiary of Gen Re, the Company directly or indirectly owns the majority of Gen Re's domestic and international insurance operating entities. Gen Re operates in four principal business segments: North American property/casualty insurance and reinsurance, international property/casualty reinsurance, global life/health reinsurance and financial services. GRC's standalone operations constitute the North American property/casualty reinsurance segment of Gen Re.

The Company is licensed to transact business in forty-nine states, the District of Columbia, Guam, Puerto Rico and Canada. The Company is an accredited reinsurer in Hawaii. The principal business of the Company is property/casualty treaty and facultative reinsurance underwritten on a direct basis. The business consists of excess of loss and pro-rata reinsurance written through three

divisions: treaty, property facultative and casualty facultative.

### **REINSURANCE**

The Company utilizes retrocessional agreements to reduce its exposure to large losses. The Company's retrocession program is primarily concentrated with two BHI affiliates as further described as follows. Effective January 1, 2005, the Company and its subsidiaries, GSN, GSI and GIC entered into a loss portfolio transfer reinsurance contract and a quota share reinsurance contract with two other BHI affiliates, NICO and Columbia Insurance Company. Both agreements cover the majority of the North American property/casualty business, notably excluding Canadian business. The loss portfolio provides for a 50% reinsurance cover on existing net losses as of December 31, 2004, subject to an overall aggregate limit of \$11.15 billion. The quota share provides 50% reinsurance cover on net losses occurring after January 1, 2005.

Effective July 1, 2021, the Company, along with GSN, GSI and GIC, entered into a loss portfolio agreement with NICO that transfers their aggregate ultimate net loss to NICO related to their obligations under their asbestos and environmental loss liabilities.

The following is a summary of the Company's gross written and assumed premium, ceded premium and net written and assumed premium for the years ended December 31, 2016 (previous examination) and 2021.

	2021 Premium Written, Assumed and Ceded	% of 2021 Written and Assumed Premium	2016 Premium Written, Assumed and Ceded	% of 2016 Written and Assumed Premium
Direct premium written	\$ (800,430)	-0.01%	\$ 26,329,066	2.45%
Reinsurance assumed from affiliates	6,404,992,325	65.38%	22,979,521	2.13%
Reinsurance assumed from non-affiliates	3,391,831,684	34.62%	1,027,105,302	95.42%
Total direct written and assumed premium	<u>\$ 9,796,023,579</u>	<u>100.00%</u>	<u>\$ 1,076,413,889</u>	<u>100.00%</u>
Ceded to affiliates	4,820,635,512	49.21%	499,882,618	46.44%
Ceded to non-affiliates	1,881,603	0.019%	26,337,688	2.45%
Total ceded	<u>\$ 4,822,517,115</u>	<u>49.23%</u>	<u>\$ 526,220,306</u>	<u>48.89%</u>
Net written and assumed premium	<u>\$ 4,973,506,464</u>	<u>50.77%</u>	<u>\$ 550,193,583</u>	<u>51.11%</u>

Effective July 1, 2021, the Company entered into a retroactive reinsurance agreement with an affiliate, GRAG which resulted in GRAG ceding 90% of aggregate ultimate net losses as of June 30, 2021 (GRAG LPT), net of existing reinsurance, inclusive of all loss and loss adjustment expenses for underwriting years 2020 and prior totaling over \$5.69 billion. Additionally, the Company assumed 90% of GRAG's net unearned premium reserves related to the 2020 and prior underwriting years (\$164 million) as of June 30, 2021. Concurrently, the reserves assumed under the GRAG LPT were ceded to the existing 50% quota share agreement with affiliates, NICO and Columbia Insurance Company.

Effective July 1, 2021, the Company, along with GSN, GSI and GIC, entered into a loss portfolio agreement with NICO that transfers their aggregate ultimate net loss to NICO related to their obligations under their asbestos and environmental loss liabilities



As of December 31, 2021, the Company's ceded reinsurance in-force consists primarily of affiliated reinsurance as demonstrated by the following summary of reported credits for reinsurance:

	Affiliated Reinsurers*	Unaffiliated Reinsurers*	Total as of Year- end 2021*
Paid losses and loss adjustment expenses	\$ 315,161	\$ 25,778	\$ 340,939
Known case loss and loss adjustment expenses	3,416,209	142,428	3,558,637
Incurred but not reported	5,284,671	199,567	5,484,238
Unearned premiums	814,793		814,793
Total Reinsurance Recoverables	<u>\$ 9,830,834</u>	<u>\$ 367,773</u>	<u>\$ 10,198,607</u>

(\* In Thousands)

### **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2021
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2021
- Statement of Income for the Year Ended December 31, 2021
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2016 to December 31, 2021

Statement of Assets  
As of December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 2,008,223,981	\$	\$2,008,223,981
Stocks:			
Preferred stocks	610,283,439		610,283,439
Common stocks	14,823,258,442	75,588,670	14,747,669,772
Cash and cash equivalents	2,129,240,406		2,129,240,406
Short-term investments	1,350,631,708		1,350,631,708
Other invested assets	1,581,772,544		1,581,772,544
Receivables for securities	1,125,000		1,125,000
Subtotals, Cash and Invested Assets	<u>\$ 22,504,535,520</u>	<u>\$ 75,588,670</u>	<u>\$22,428,946,850</u>
Investment income due and accrued	53,162,525		53,162,525
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	671,664,274	2,520,460	669,143,814
Deferred premiums, agents' balances and installments booked but deferred	176,640,379		176,640,379
Accrued retrospective premiums	11,161,809	3,086,873	8,074,936
Reinsurance:			
Amounts recoverable from reinsurers	340,939,281		340,939,281
Funds held by or deposited with reinsured companies	133,673,418	387,446	133,285,972
Current federal and foreign income tax recoverable and interest thereon	8,241,733		8,241,733
Electronic data processing equipment and software	31,415,562	31,415,562	
Furniture and equipment, including health care delivery assets	162,784	162,784	
Net adjustment in assets and liabilities due to foreign exchange rates	247,337,130		247,337,130
Receivable from parent, subsidiaries and affiliates	11,575,852		11,575,852
Aggregate write-ins for other than invested assets	2,924,972	2,899,708	25,264
Total Assets	<u><u>\$ 24,193,435,239</u></u>	<u><u>\$ 116,061,503</u></u>	<u><u>\$24,077,373,736</u></u>

Statement of Liabilities, Surplus and Other Funds  
As of December 31, 2021

		<u>Notes</u>
Losses	\$ 7,109,734,387	1
Reinsurance payable on paid losses and loss adjustment expenses	303,994,543	
Loss adjustment expenses	472,265,457	1
Commissions payable, contingent commissions and other similar charges	(50,807,476)	
Other expenses	211,209,354	
Taxes, licenses and fees	251,361	
Net deferred tax liability	701,760,921	
Unearned premiums	873,450,826	
Ceded reinsurance premiums payable	268,594,348	
Funds held by company under reinsurance treaties	3,210,284	
Amounts withheld or retained by company for account of others	2,458,532	
Remittances and items not allocated	210,932	
Provision for reinsurance	118,441,400	
Payable to parent, subsidiaries, and affiliates	2,437,972	
Aggregate write ins for liabilities:		
Loss portfolio transfers	85,489,453	
Direct losses in the course of payment	(29,375)	
Accounts payable	592,850	
Summary of remaining write-ins	46,939,917	
Total Liabilities	<u>\$ 10,150,205,686</u>	
Aggregate write ins for special surplus funds	13,016,474	
Common capital stock	11,000,000	
Gross paid in and contributed surplus	2,797,435,590	
Unassigned funds (surplus)	11,105,715,986	
Surplus as regards policholders	<u>\$ 13,927,168,050</u>	
Total Liabilities, Capital and Surplus	<u>\$ 24,077,373,736</u>	

Statement of Income  
For the Year Ended December 31, 2021

Premiums earned	\$	<u>4,827,498,668</u>
Deductions:		
Losses incurred	\$	3,958,084,070
Loss adjustment expenses incurred		209,303,044
Other underwriting expenses incurred		540,411,062
Aggregate write ins for underwriting deductions		<u>27,163,921</u>
Total underwriting deductions	\$	<u>4,734,962,097</u>
Net underwriting gain (loss)	\$	<u>92,536,571</u>
Net investment income earned		300,068,052
Net realized capital gains (losses)		<u>176,774</u>
Net investment gain (loss)	\$	<u>300,244,826</u>
Aggregate write ins for miscellaneous income		11,776,847
Net income before dividends to policyholders	\$	<u>404,558,244</u>
Dividends to policyholders		
Net income after dividends to policyholders	\$	<u>404,558,244</u>
Federal and foreign income taxes incurred		<u>146,912,441</u>
Net Income	\$	<u><u>257,645,803</u></u>

Reconciliation of Capital and Surplus  
for the Period from the Prior Examination  
as of December 31, 2016 to December 31, 2021

	Common Capital Stock	Gross Paid-in & Contributed Surplus	Unassigned Funds Surplus	Special Surplus for Retroactive Reinsurance	Total
Balance at December 31, 2016	\$ 11,000,000	\$ 2,797,435,590	\$ 7,838,780,752	\$ 13,301,787	\$ 10,660,518,129
2017 Net income (loss)			300,539,786		300,539,786
2017 Change in Acc. Principle (2)			(465,661,300)		(465,661,300)
2017 Other Changes (1)			897,120,442	30,941	897,151,383
Balance at December 31, 2017	\$ 11,000,000	\$ 2,797,435,590	\$ 8,570,779,680	\$ 13,332,728	\$ 11,392,547,998
2018 Net income (loss)			507,856,800		507,856,800
2018 Other Changes (1)			(1,350,009,365)	(251,055)	(1,350,260,420)
Balance at December 31, 2018	\$ 11,000,000	\$ 2,797,435,590	\$ 7,728,627,115	\$ 13,081,673	\$ 10,550,144,378
2019 Net income (loss)			439,528,629		439,528,629
2019 Other Changes (1)			1,614,274,898	(17,002)	1,614,257,896
2019 Dividends (3)			(500,000,000)		(500,000,000)
Balance at December 31, 2019	\$ 11,000,000	\$ 2,797,435,590	\$ 9,282,430,642	\$ 13,064,671	\$ 12,103,930,903
2020 Net income (loss)			398,811,655		398,811,655
2020 Other Changes (1)			427,924,113	(34,087)	427,890,026
2020 Dividends (4)			(750,000,000)		(750,000,000)
Balance at December 31, 2020	\$ 11,000,000	\$ 2,797,435,590	\$ 9,359,166,410	\$ 13,030,584	\$ 12,180,632,584
2021 Net income (loss)			257,645,803		257,645,803
2021 Other Changes (1)			1,488,903,773	(14,110)	1,488,889,663
Balance at December 31, 2021	\$ 11,000,000	\$ 2,797,435,590	\$ 11,105,715,986	\$ 13,016,474	\$ 13,927,168,050

(1) Changes in unassigned funds - other for each year include: change in net unrealized capital gains/(losses); change in net unrealized foreign exchange capital gains/(losses); change in net deferred income tax; change in nonadmitted assets; change in provision for reinsurance; and minimum pension liability gain/(loss).

(2) In an effort to align itself with other BHI affiliate accounting policies, the Company discontinued discounting its unpaid losses with respect to certain excess workers' compensation liabilities. In accordance with Statutory Statement of Accounting Principles No. 3, the net effect of this change resulted in an opening balance surplus adjustment of \$(466) million. The \$466 million reduction is comprised of a tabular and non-tabular discount of \$716 million, which was included in the prior year end losses offset by applicable taxes (current and deferred) of \$250 million.

(3) On June 26, 2019, the Company notified the Department of their intent to pay a \$500 million ordinary dividend. The dividend was paid out of earned surplus to the Company's sole shareholder, Gen Re on July 12, 2019.

(4) On December 2, 2020, the Company notified the Department of their intent to pay a \$750 million ordinary dividend. The dividend was paid out of earned surplus to the Company's sole shareholder, Gen Re on December 11, 2020.

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no adjustments to the Company's financial statements as a result of this examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Note 1

Losses	\$ 7,109,734,387
Loss Adjustment Expense	472,265,457

INS Consultants, Inc. (Consulting Actuary) assisted in review of the inherent risks, management oversight and other mitigating controls over the Company’s actuarial processes and procedures. The Consulting Actuary’s review included detail testing and an independent calculation of selected segments of the Company's gross and net loss and loss adjustment expense reserves as of December 31, 2021. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with applicable guidance in the *Actuarial Standards of Practice* and the *NAIC Accounting Practices and Procedures Manual*.

**SUBSEQUENT EVENTS**

*Hurricane Ian*

Hurricane Ian was a large and destructive Category 4 Atlantic hurricane that made landfall and moved through Florida in late September 2022. The damage caused by the hurricane in Florida is expected to be a significant loss to the Company and its property insurance subsidiaries. GRC stated that it does not expect losses to have a material impact on its capital position and while it is very early in the evaluation process, GRC’s modeling indicates a gross loss on the order of magnitude of \$450 million to \$550 million to GRC (net of reinstatement premiums). GRC further stated that for its subsidiary group companies the estimate is currently in the range of \$30 million to \$45 million. This estimate was preliminary, based on information currently available and subject to change, as well as further analysis. GRC asserts it is monitoring industry loss estimates and reaching out to clients and will refine the estimates as more information becomes available.

*Stop Loss Agreement*

The Stop Loss Retrocession Agreement between the Company and GRAG was amended to exclude from the definition of “Underlying Property and Casualty Reinsurance Business,” as such term is defined in the underlying Stop Loss Retrocession Agreement, all business originating from GRAG’s branches in Mumbai, India and Shanghai, China, as well as the retrocessional agreements with respect to coverage of Azul Linhas Aéreas Brasileiras S/A related to hull, spares and liability aviation risks, retroactive to January 1, 2022.

*Master Facultative Reinsurance Agreement*

On September 21, 2022, GSI and the Company, filed a Form D request for approval with the Department for a proposed Master Reinsurance Agreement (MRA). The proposed MRA will hold all of the facultative agreements entered into between GSI (as the cedent) and the Company (as the reinsurer). The Company and GSI are parties to multiple facultative reinsurance arrangement, retroactive to January 1, 2021 and are seeking, both on a retroactive and prospective basis, to make all of these arrangements subject to the proposed MRA. The proposed effective date of the MRA is January 1, 2021. Prior to the completion of this examination, the proposed MRA was approved by the Department.

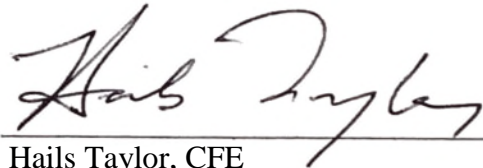
**SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

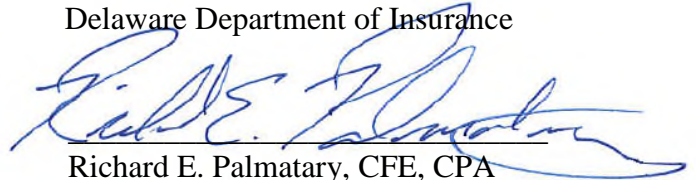
**CONCLUSION**

The assistance of the Department's Consulting Actuary and consulting information technology firm, INS Services, Inc. is acknowledged. In addition, the assistance and cooperation of the Company's external audit firm, Deloitte & Touche, and the Company's management and staff is appreciated and acknowledged.

Respectfully submitted,




Hails Taylor, CFE  
Examiner In-Charge  
Delaware Department of Insurance



Richard E. Palmatary, CFE, CPA  
Supervising Examiner  
Delaware Department of Insurance



I, Hails Taylor, 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 Certification No. 22.001.

A handwritten signature in cursive script, appearing to read "Hails Taylor", written over a horizontal line.

Hails Taylor, CFE