

**REPORT ON EXAMINATION**  
**OF**  
**MUNICH REINSURANCE AMERICA, INC.**  
**AS OF**  
**DECEMBER 31, 2021**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
MUNICH REINSURANCE AMERICA, INC.  
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 19th day of April, 2023

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February 9, 2023

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

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 22.005, dated November 2, 2021, an examination has been made of the affairs, financial condition and management of

**Munich Reinsurance America, Inc.**

hereinafter referred to as Company or MRAm. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 251 Little Falls Drive, Wilmington, Delaware. The administrative office of the Company is located at 555 College Road East, Princeton, New Jersey. The report of examination thereon is respectfully submitted.

**SCOPE OF EXAMINATION**

The Delaware Department of Insurance (Department) performed a multi-state financial examination of the Company. The previous examination of the Company covered the period from January 1, 2013 through December 31, 2016. This examination covered the period of January 1, 2017 through December 31, 2021. Our examination of the Company was performed as part of the examination of the Munich Re America Corporation (MRAC)

affiliated sub-group of insurance companies as of December 31, 2021. The examination was conducted concurrently with that of its Delaware domiciled affiliate companies, The Princeton Excess and Surplus Lines Insurance Company (PESLIC), American Alternative Insurance Corporation (AAIC), Bridgeway Insurance Company (BIC), Digital Edge Insurance Company and the Company's Rhode Island affiliate Digital Advantage Insurance Company (DAIC). To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

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 separately communicated to other regulators and/or the Company.

During the course of this examination consideration was given to work performed by the Company's external accounting firm Ernst & Young, LLP (E&Y). Certain auditor work papers of the 2021 E&Y audit of the Company have been incorporated into the work papers of the examiners and have been 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 material changes in financial statements as a result of this examination.

### **COMPANY HISTORY**

The Company was incorporated in Pennsylvania on March 15, 1917 and began business as a casualty insurer on April 2, 1917. The Company subsequently changed its state of domicile twice: to New York on July 25, 1933 and then to Delaware on January 1, 1978.

Aetna Life and Casualty Company (Aetna) acquired the Company in May 1979 pursuant to a cash tender offer for all of the Company's shares and continued as the Company's ultimate controlling parent until 1992. At the direction of Kohlberg Kravis Roberts & Co., LLP, an investment firm, and certain members of MRAM management, American Re Corporation (name changed to Munich Re America Corporation (MRAC) on September 5, 2006) was organized to acquire MRAM from Aetna pursuant to a stock purchase agreement dated June 8, 1992. The acquisition was completed on September 30, 1992.

Munich Reinsurance America, Inc.

On August 13, 1996, MRAC, the Company's immediate parent, entered into an Agreement and Plan of Merger with Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft (MRG) and Puma Acquisition Corporation (Puma), a Delaware corporation and wholly owned subsidiary of MRG. Pursuant to the terms of the Agreement and Plan of Merger, on November 25, 1996, following the approval of the merger by MRAC's stockholders and applicable regulatory authorities, Puma was merged with MRAC with the latter being the surviving entity.

During July 1997, MRAC and MRG completed the merger of Munich American Reinsurance Company. At that time, the insurance assets and liabilities of the U.S. branch of MRG was merged into MRAm. After the merger, MRG's ownership of MRAC stood at 91%. The remaining outstanding shares of MRAC were acquired from Victoria Versicherung AG in 1998 and from Allianz Aktiengesellschaft in 1999, bringing MRG's ownership interest in MRAC to 100%.

Munich-American Holding Corporation (MAHC), a Delaware holding company, was organized in September 2000. After regulatory approval, MRG contributed all the issued and outstanding stock of MRAC (and therefore its subsidiaries) to MAHC.

There have been no ownership changes since September 2000.

### Capitalization

The Company's Certificate of Incorporation authorizes the issuance of 6,000,000 shares of common stock with a \$1.50 par value. As of December 31, 2021, 5,490,514 common stock shares are issued, outstanding and owned by MRAC totaling \$8,235,771. As of December 31, 2021, the Company reported gross paid-in and contributed surplus of \$6,026,998,348.

## Dividends

The Company paid an ordinary cash dividend to its sole shareholder during the examination period as reflected in the Board of Directors (Board) meeting minutes and approved by the Department as follows:

<u>Type</u>	<u>Ordinary / extraordinary</u>	<u>Date Declared</u>	<u>Notification Date</u>	<u>Date Paid</u>	<u>Dividend Paid</u>
Cash	Ordinary	3/10/2017	3/10/2017	3/10/2017	\$174,623,499

The Dividend payment noted above is in compliance with 18 *Del. C.* §5005 (e).

## **MANAGEMENT AND CONTROL**

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction, of its Board. In accordance with the Company's bylaws, the number of Directors shall consist of not less than three members or more than eleven members. Directors shall be elected annually by the sole stockholder and shall hold office for one year until successors are elected and qualified, or until earlier resignation or removal.

The members of the Board, serving as of December 31, 2021, each elected or appointed in accordance with the Company bylaws were as follows:

<u>Name</u>	<u>Affiliation</u>
Richard Leonard Alleyne	MRAm
Andrew James Buchanan	MRG
Alice Chamberlayne Hill	Independent
Stefan Heinrich Golling	MRG
Oliver Juergen Horbelt	MRAm
Anthony Joseph Kuczinski (Chairman)	MRAm
Elizabeth Ann Levy-Navarro	Independent
Adrienne Wallis Mageras	MRAm
Lisa Ann Pollina	Independent
Cathy Bostick Smith	MRAm
Dr. Marcus Stefan Winter	MRAm



Committees of the Board

The standing Board Committees as of December 31, 2021, were constituted as follows:

Audit Committee

Andrew James Buchanan, Chair  
Alice C. Hill, Independent  
Lisa A. Polina, Independent  
Elizabeth Ann Levy-Navarro, Independent

Regional Investment Committee

Oliver Juergen Horbelt, Chair  
René Gobonya  
Peter Richter  
Björn Reichwald  
Ganesh Narayan

Regional Risk Management Committee

Anthony Joseph Kuczinski – Chair  
Richard Leonard Alleyne  
Gregory M. Barats  
Angela Homm  
Oliver Juergen Horbelt  
Dr. Markus Hummel  
Michael Kerner  
Andreas Kliener  
Adrienne Wallis Mageras  
Cathy Bostick Smith  
Dr. Marcus Stefan Winter

Pension Committee (MRAM)

Oliver Juergen Horbelt, Chair  
Ganesh Narayan  
Sun Sun  
Richard Leonard Alleyne  
Brian Viscusi

Savings Committee (MRAM)

Oliver Juergen Horbelt – Chair  
Sandra Anglin-Caldwell  
Amy Brodeur  
Ganesh Narayan  
Sun Sun  
Brain Viscusi

Regional Compensation Committee (MRAM)

Brian Viscusi - Chair

Gregory M. Barats  
Michael Kerner  
Andreas Kliener  
Anthony Joseph Kuczinski  
Dr. Marcus Stefan Winter

Officers

In accordance with its bylaws, officers serving the Company shall be a President and Chief Executive Officer, Vice Presidents and a Secretary. The Board may also elect one or more Vice Presidents, as they may deem proper. The senior officers, duly appointed in accordance with the bylaws and serving as of December 31, 2021, are as follows:

<u>Name</u>	<u>Title</u>
Anthony Joseph Kuczinski	President and Chief Executive Officer
Oliver Juergen Horbelt	SVP, Chief Financial Officer
Ignacio Rivera	Deputy General Counsel & Secretary

The minutes of the meetings of the Stockholder and Board, which were held during the period of examination, were read and noted. Attendance at meetings, election of directors and officers and approval of investment transactions were also noted.

Inspection of Company files indicated that an ethics statement/conflict of interest statement was completed by all employees for the examination period. A review of the Company's bylaws revealed that no changes were made during the examination period.

A review was performed for compliance with 18 *Del. C.* § 4919 "any change of directors, officers"; notice, "Every domestic stock or mutual insurer shall promptly notify the Commissioner in writing of any change of personnel among its directors or principal officers". Based on our review, the Company is in compliance.

### Corporate Records

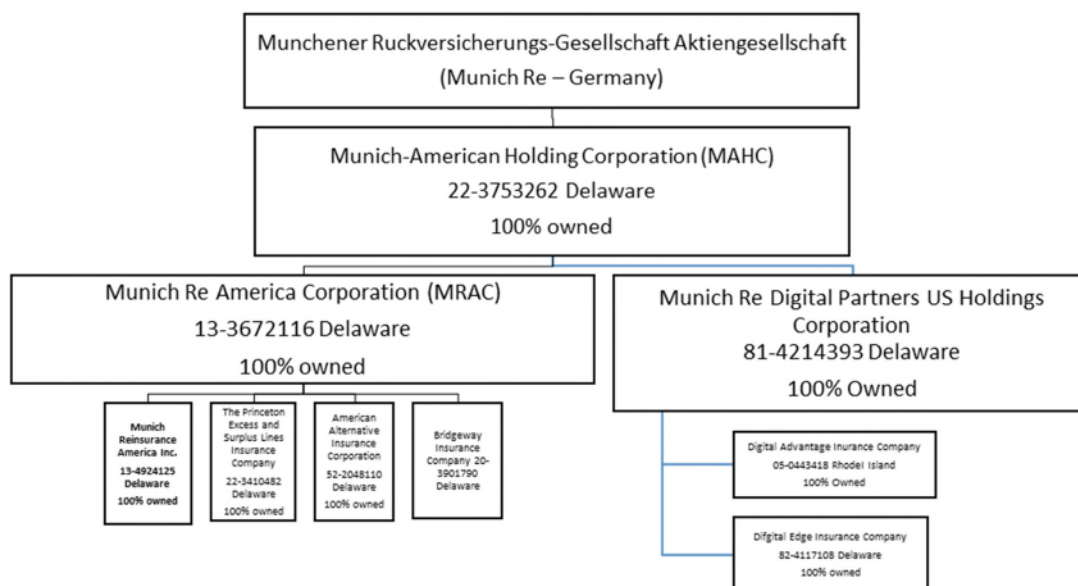
The recorded minutes of the Stockholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, the review of Company 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 as defined under 18 *Del. C.* §5001 (7) of the Delaware Insurance Code. The Company maintains that as of December 31, 2021, MRG is the ultimate controlling entity of the Company. The 2021 amounts below were reported in the most recent MRG annual report based on International Financial Reporting Standards (IFRS), converted from Euros to U.S. dollars as of December 31, 2021, (conversion rate of 1 Euro = \$1.137651 U.S.).

Assets	\$355.4 Billion
Liabilities	\$320.2 Billion
Equity	\$35.2 Billion

The following is an abbreviated organizational chart of the insurance holding company system as of December 31, 2021:



A review of the Annual Form B and Form C filings made by MRAM for all years under examination revealed that the Company has complied with the requirements of 18 *Del. Admin Code* §1801.

#### Agreements with Affiliates

The Company was a party to the following significant intercompany agreements and arrangements in effect as of December 31, 2021:

##### *Consolidated Income Tax Allocation Agreements*

Effective March 2, 2012, the Company entered into an Amended and Restated Tax Allocation Agreement with MAHC and all its subsidiaries, for tax years ending December 31, 2011 and later. Under this agreement, income tax expenses are computed on a separate company basis as if each affiliate filed a separate tax return. Intercompany balances shall be settled on a quarterly basis. This agreement was filed with the Department on January 20, 2012, and approved by the Department on January 30, 2012. The agreement was

subsequently non-materially amended on August 9, 2012 and January 7, 2014, to add and remove certain affiliated companies. These amendments did not require prior approval but were filed with the Department on an informational basis.

Effective September 27, 2017, the 2012 Amended and Restated Tax Allocation Agreement was replaced with the Second Amended and Restated Tax Allocation Agreement with MAHC and all its subsidiaries for tax years ending December 31, 2017 and later. Under this agreement, income tax expenses are computed on a separate company basis as if each affiliate filed a separate tax return. Intercompany balances shall be settled on a quarterly basis. This agreement was filed with the Department on February 3, 2017, and approved by the Department on February 7, 2017. This agreement was amended on July 31, 2018 and August 1, 2019. These amendments were filed with and approved by the Department.

Effective January 15, 2020, the 2017 Second Amended and Restated Tax Allocation Agreement was replaced with the Third Amended and Restated Tax Allocation Agreement with MAHC and all its subsidiaries for tax years ending December 31, 2020 and later. Under this agreement, income tax expenses are computed on a separate company basis as if each affiliate filed a separate tax return. Intercompany balances shall be settled on a quarterly basis. This agreement was filed with the Department on January 30, 2020, and approved by the Department on February 18, 2020. This agreement was amended on August 31, 2020. This amendment was filed with and approved by the Department.

#### *General Service and Administrative Agreements*

Effective September 1, 2009, the Company entered into a General Services and Cost Allocation Agreement with MAHC and numerous affiliates. Parties to the agreement may provide the following services to each other: accounting, tax, auditing, underwriting, claims, actuarial, information technology, legal, payroll, human resources, corporate finance, public

relations, executive, engineering, loss mitigation and inspection, intellectual property and other services. The agreement requires that charges and expenses incurred be allocated according to Delaware Insurance Laws and Statement of Statutory Accounting Principles (SSAP) 70. Charges shall be settled within thirty days of the end of each calendar quarter. The terms of this agreement are considered fair and equitable. This agreement was filed with the Department on June 6, 2009, and approved by the Department on July 1, 2009. The agreement has been amended nine times subsequent to inception, the most recent amendment effective as of August 18, 2017. The amendments have been filed with and approved by the Department.

Effective September 27, 2017, the 2009 General Services and Cost Allocation Agreement was replaced with the Amended and Restated General Services and Cost Allocation Agreement with MAHC and affiliates. Parties to the agreement may provide the following services to each other: accounting, tax, auditing, underwriting, claims, actuarial, information technology, legal, payroll, human resources, corporate finance, public relations, executive, engineering, loss mitigation and inspection, intellectual property and other services. The agreement requires that charges and expenses incurred be allocated according to Delaware Insurance Laws and SSAP 70. Charges shall be settled within thirty days of the end of each calendar quarter. The terms of this agreement are considered fair and equitable. This agreement was filed with the Department on February 3, 2017, and approved by the Department on February 8, 2017. This agreement was amended on July 31, 2018 and August 1, 2019. These amendments were filed with and approved by the Department.

Effective October 7, 2019, the 2017 Amended and Restated General Services and Cost Allocation Agreement was replaced with the Amended and Restated General Services and Cost Allocation Agreement with MAHC and affiliates. Parties to the agreement may

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provide the following services to each other: accounting, tax, auditing, underwriting, claims, actuarial, information technology, legal, payroll, human resources, corporate finance, public relations, executive, engineering, loss mitigation and inspection, intellectual property and other services. The agreement requires that charges and expenses incurred be allocated according to Delaware Insurance Laws and SSAP 70. Charges shall be settled within thirty days of the end of each calendar quarter. The terms of this agreement are considered fair and equitable. This agreement was filed with the Department on September 24, 2019, and approved by the Department on October 7, 2019. This agreement was amended on March 3, 2021. This amendment was filed with and approved by the Department.

#### *Investment Management Agreements*

Effective March 1, 2006, the Company entered into a Second Amended and Restated Investment Management Agreement with MEAG New York Corporation (MEAG-NY). The agreement provides that MEAG-NY will manage the investment portfolio of invested assets held by State Street Bank, the Company's custodian. MEAG-NY is required to adhere to strict Investment Guidelines attached to the agreement and amended periodically whenever the Company amends its investment policy. The Company retains the sole authority to modify Investment Guidelines and MEAG-NY is not permitted to trade assets that are designated by the Company as regulatory or trust deposits. MEAG-NY does not act as custodian and does not physically hold any of the Company's invested assets. Regular reviews of the performance and actions of MEAG-NY are performed, and the terms of the agreement were considered fair and equitable. Charges shall be settled within thirty days of the end of each calendar quarter. This agreement was filed with the Department on March 6, 2006, and approved by the Department on April 6, 2006. This agreement was most recently amended effective March 20, 2012, and was approved by the Department on April 20, 2012.

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Effective October 1, 2020, the 2006 Second Amended and Restated Investment Management Agreement was replaced with an Investment Management Agreement with affiliate MR Group Investment US, Inc. with similar terms. This 2020 Investment Management Agreement was filed with the Department on August 24, 2020, and approved by the Department on September 14, 2020.

*Letter of Credit Facility*

Effective October 2, 2009, the Company entered into an Amended and Restated Letter of Credit (LOC) Facility Fee Reimbursement Agreement with MRG, AAIC and PESLIC. MRG shall from time to time provide collateral for reinsurance in the form of letters of credit to MRAm, AAIC and PESLIC from MRG's existing LOC facilities to support unaffiliated unauthorized liabilities. MRAm, AAIC and PESLIC shall pay MRG a fee of fifty basis points for any issuances of LOCs made by the Company under any of MRG's LOC facilities. This agreement was filed with the Department on September 30, 2009, and approved by the Department on October 23, 2009.

*Credit Agreements*

The Company has a revolving credit agreement with its affiliate, MAHC, whereby MAHC can borrow up to \$225 million from the Company. The termination date of this agreement is December 28, 2031. The Company also has a ten year revolving credit agreement with MRAC, whereby MRAC can borrow up to \$225 million from the Company. The termination date for this agreement is January 1, 2032. As of the examination date, there were no drawdowns on either of these agreements.



## **TERRITORY AND PLAN OF OPERATION**

### **Territory**

The Company is currently licensed to write insurance and reinsurance business in all fifty U.S. states, the District of Columbia, Guam, Puerto Rico and Canada. In addition, the Company is authorized as an acceptable surety and/or reinsurer on Federal bonds by the U.S. Treasury.

The Company writes most of its treaty business through its home office in Princeton, New Jersey.

### **Plan of Operation**

The Company is a leading property and casualty reinsurer providing coverage to insurance and reinsurance companies and is an integral member of the MRG plan of operation. The Company writes property, casualty and combined lines on both a pro rata and excess of loss basis. The excess of loss business is written across all layers, with various retentions and limits.

The Company's business model consists of two business segments, the Reinsurance segment and Specialty Insurance.

The Reinsurance segment is comprised of (i) Client Management, responsible for managing client and broker relationships and (ii) Underwriting, which focuses on property and casualty underwriting for large national and regional clients, including facultative business and Specialty Lines business (credit, ocean marine, cyber and professional liability), written on a direct basis and through reinsurance intermediaries. The Reinsurance segment strategy is to employ a client centric approach to develop reinsurance solutions that leverage Munich Re's expertise and risk appetite and developing closer broker relationships to support client's needs.

Specialty Insurance focuses on municipal, educational and religious entities including large self-insurers, captives, risk retention groups, governmental entities and pools. A variety of reinsurance and insurance products and solutions are provided by Specialty Insurance.

### REINSURANCE

The Company reported the following distribution of premiums written for the years ended December 31, 2021, and the prior examination date of December 31, 2016:

	<u>2021</u>	<u>% GPW</u>	<u>2016</u>	<u>% GPW</u>
Direct Business	\$ -	0%	\$ -	0%
Reinsurance assumed from affiliates	2,183,972,663	28%	2,971,866,239	60%
Reinsurance assumed from non-affiliates	5,608,027,285	72%	1,983,085,955	40%
Gross Premiums written	<u>7,791,999,948</u>	<u>100%</u>	<u>4,954,952,194</u>	<u>100%</u>
Reinsurance ceded to affiliates	273,833,581	88%	1,817,220,228	99%
Reinsurance ceded to non-affiliates	36,845,039	12%	20,015,117	1%
Total ceded	<u>310,678,620</u>	<u>100%</u>	<u>1,837,235,345</u>	<u>100%</u>
Net premium written	<u>\$ 7,481,321,328</u>	<u>96%</u>	<u>\$ 3,117,716,849</u>	<u>63%</u>

#### Assumed from Affiliates

The \$2.184 billion assumed from affiliates in 2021 was from the following sources:

<u>Affiliates</u>	<u>Premium</u>	<u>Percent</u>
Reinsurance Pooling Arrangement	\$ 1,204,476,000	55.15%
PESLIC	\$ 623,495,000	
AAIC	470,045,000	
BIC	110,936,000	
American Modern Home Insurance Company (AMHIC) [OH]	702,484,000	32.17%
Digital Advantage Insurance Company (DAIC) [RI]	262,767,000	12.03%
Hartford Steam Boiler Inspection and Insurance Company (HSB) [CT]	7,852,000	0.36%
Munich Re Germany (MRG) [Germany]	5,666,000	0.26%
All Others Combined	<u>728,000</u>	<u>0.03%</u>
Total Assumed from Affiliates	<u>\$ 2,183,973,000</u>	<u>100.00%</u>

*Assumed from AAIC, PESLIC, BIC – Reinsurance Pooling Agreement*

Effective July 1, 2009, AAIC and PESLIC commuted all their prior reinsurance contracts with the Company under a Commutation and Release Agreement as a first step in the establishment of a Reinsurance Pooling Agreement (Pooling Agreement) which covers 100% of AAIC's and PESLIC's net liabilities (defined as gross liability net of specific cessions to other reinsurers). The previously assumed business on June 30, 2009 is subject to the Pooling Agreement.

The Company is a participant in the Pooling Agreement with AAIC and PESLIC, originally effective July 1, 2009. BIC was added to the Pooling Agreement by Amendment #1 effective July 1, 2019. The Pooling Agreement covers all direct and assumed current and prior policies and contracts issued by AAIC, PESLIC and BIC. Under the Pooling Agreement, each of the companies cedes 100% of its net liabilities to the Pool. The Company is the lead company for the Pooling Agreement and has a 100% participation in the pooled business and AAIC, PESLIC and BIC each have a 0% participation in the pooled business. A provisional ceding commission of 24.5%, adjusted quarterly for actual acquisition expenses allocable to the net business subject to the agreement, is paid to AAIC, PESLIC and BIC. In addition, an override commission of 5.5% is paid to AAIC, PESLIC and BIC. The Commutation and Release Agreement and the Pooling Agreement were approved by the Department on September 29, 2009. Amendment #1 to the Pooling Agreement was approved by the Department on September 16, 2019.

*Assumed from AMHIC*

Effective July 1, 2009, the Company entered into a quota share reinsurance agreement with affiliate American Modern Home Insurance Company (AMHIC), a subsidiary of MAHC, whereby the Company assumes 50% of the net loss on each risk / each occurrence

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on property and casualty personal lines business on site-built and manufactured homes written by AMHIC, net of inuring reinsurance. This reinsurance agreement, which was approved by the Department on September 8, 2009, was replaced with a similar quota share reinsurance agreement effective July 1, 2011, whereby the assuming percentage was increased to 90% on a portfolio basis, subject to a maximum aggregate liability of \$54 million (90% of \$60 million), maximum policy limits of \$500 thousand and a 35% ceding commission. The current agreement was approved by the Department on September 26, 2011. Effective January 1, 2015, the ceding commission was increased by amendment to 38.25%. Premiums written of \$538.870 million were assumed by the Company from AMHIC on this program in 2021. The current agreement was approved by the Department on December 5, 2014.

In 2010, the Company entered into a quota share reinsurance agreement with AMHIC, whereby the Company assumes 100% of property and casualty business underwritten by the Specialty Insurance segment, net of inuring reinsurance. Premiums written of \$163.614 million were assumed by the Company from AMHIC on this program in 2021.

*Assumed from DAIC*

Effective July 1, 2019, the Company is a party to a 100% quota share reinsurance agreement with DAIC whereby DAIC will cede, and the Company will assume 100% of DAIC's written business. This reinsurance agreement was approved by the Rhode Island Insurance Department on April 9, 2019. Premiums written of \$262.767 million were assumed by the Company from DAIC on this program in 2021.

*Assumed from HSB*

Effective January 1, 2015, the Company entered into an all lines 50% quota share agreement with affiliate Hartford Steam Boiler Inspection and Insurance Company (HSB). Under Amendment No. 1, effective January 1, 2015, the Company allows an override ceding commission to HSB of its proportionate share of 110% of the administrative expenses incurred during the agreement terms. Premiums written of \$7.852 billion were assumed by the Company from HSB on this program in 2021.

Assumed from Non-Affiliates

The \$5.608 billion assumed from non-affiliates in 2021 was from the following segments:

Type	Premium	Percent
Treaty Proportional	\$ 4,393,324,353	78.34%
Treaty Non-Proportional	660,936,709	11.79%
Facultative Proportional	296,789,724	5.29%
Facultative Non-Proportional	256,976,499	4.58%
Total Assumed from Non Affiliates	\$ 5,608,027,285	100.00%

Effective December 31, 2017, the Company entered into a Quota Share Reinsurance Agreement (2017 Farmers QS) with Farmers Insurance Exchange (Farmers), which is domiciled in California. The 2017 Farmers QS agreement applied to all in-force, new and renewal business written directly by Farmers, assumed from affiliates as reinsurance by Farmers, or assumed from pools, associations and syndicates (subject to limitations) as reinsurance by Farmers during the term of the 2017 Farmers QS agreement, subject to exclusions, warranties, limitations and other terms and conditions of the 2017 Farmers QS agreement. There is no “per occurrence” article in the 2017 Farmers QS agreement. However, the Company’s obligation is for a 5% participation in all of the interests and liabilities incurred by Farmers in regard to this treaty. The 2017 Farmers QS agreement

terminated on December 31, 2018, and was replaced by a similar Quota Share Reinsurance Agreement (2018 Farmers QS) effective the same day for a 5% participation. The 2018 Farmers QS agreement was terminated effective December 31, 2019, and was replaced by a similar Quota Share Reinsurance Agreement (2019 Farmers QS) effective the same day for a 3.75% participation. The 2019 Farmers QS agreement was originally set to expire on December 31, 2020, however, by amendment #1, this agreement termination date was moved to December 31, 2021. The 2019 Farmers QS agreement was amended effective April 1, 2021, to increase the 3.75% participation to 8.0% for the MetLife business and to 3.75% for all of the other business, for the remainder of the term. The 2019 Farmers QS agreement was terminated effective December 31, 2021, and was replaced by a similar Quota Share Reinsurance Agreement (2021 Farmers QS) effective the same day for a 9.0% participation. In 2021, premiums assumed from Farmers under these reinsurance agreements were \$2.164 billion which represents 38.6% of the \$5.608 billion total 2021 assumed premiums from non-affiliates.

Premiums assumed from companies (excluding Farmers) over \$125 million were:

<u>Company</u>	<u>Domicile</u>	<u>Premium Written (000's omitted)</u>
United Property and Casuaty Ins. Co.	FL	299.5
Everest National Insurance Company	DE	143.4
Privilege Underwriting Recp. Exch.	FL	127.75

## Ceded to Affiliates

### *Ceded to MRG*

Of the \$273,833,581 retrocessional premiums ceded to affiliates, \$271,101,000, or 99.0%, was ceded to MRG. The significant size and extent of the support that MRG provides the Company in the form of retrocessional coverage is as follows:

- MRG provides ceded reinsurance covering the Company's business under various retrocessional agreements. Included in these agreements, which will be discussed more fully below, MRG provides property catastrophe protection, variable quota share coverage (VQS), effective January 1, 2002, through December 31, 2008, and accident-year stop-loss coverage (through December 31, 2008) and other reinsurance protections, some of which were also commuted during the examination period.
- Effective July 1, 2014, with the approval of the Department, the Company entered into a Commutation Agreement with MRG for the 2006, 2007 and 2008 contract years of the VQS reinsurance agreement. The Company's balances recoverable was reduced by \$183.8 million, funds held balances reduced by \$591.9 million, other receivables reduced by \$233.9 million and net cash of \$174.1 million was transferred to MRG to effect this transactions.
- Effective July 1, 2005, with the approval of the Department, the Company ceded to MRG via a Loss Portfolio Transfer (LPT) all carried loss and allocated loss adjustment expense reserves, net of the discount on workers' compensation related reserves, for accident years 2001 and prior. The reserves transferred to MRG for the LPT were \$5.958 billion. The premium for the LPT matched the reserves transferred and no initial surplus gain was recognized. In accordance with SSAP 62R, paragraph 31d, as there was no surplus gain as a result of this transaction with an affiliate, the contract has been accounted for as prospective reinsurance. MRG is responsible for the amount in excess of \$5.958 billion to an overall aggregate limit of \$10.082 billion which was reached, on an undiscounted basis, in 2012. Going forward, the LPT affords MRAM a significant advantage in that the Company is effectively insulated from the negative effects of asbestos and environmental claims that continue to plague the entire property and casualty industry.
- Effective July 1, 2010, with the approval of the Department, the Company entered into an Adverse Development Cover (2010 ADC) with MRG, which provides the Company with \$500 million of protection for accident years 2001 and prior for losses in excess of the \$10.082 billion limit of the LPT. Written and earned premiums of \$80 million were ceded for the 2010 ADC in the third quarter of 2010. The 2010 ADC attached immediately upon the LPT aggregate limit of \$10.082 billion being reached, so that there was no gap in coverage. The aggregate limit of \$500 million on the 2010 ADC was reached, on an undiscounted basis, in 2013. In accordance with SSAP 62R, paragraph

31d, as there was no surplus gain as a result of this transaction with an affiliate, the contract has been accounted for as prospective reinsurance.

- Effective July 1, 2013, with the approval of the Department, the Company entered into an additional Adverse Development Cover (2013 ADC) with MRG, which provides the Company with an additional \$500 million of protection for accident years 2001 and prior for losses, in excess of the 2010 ADC. Written and earned premiums of \$118 million were ceded for the 2013 ADC in the third quarter of 2013. As of December 31, 2021, the reserves ceded to the 2013 ADC were \$157.651 million and there is \$342.349 million of limit remaining, on an undiscounted basis. In accordance with SSAP 62R, paragraph 31d, as there was no surplus gain as a result of this transaction with an affiliate, the contract has been accounted for as prospective reinsurance.
- Effective September 30, 2020, with the approval of the Department on November 12, 2020, the Company entered into a Commutation Agreement with MRG for the 2002, 2003, 2004 and 2005 contract years of the VQS. Reinsurance recoverables were reduced by \$239.8 million, funds held balances were reduced by \$2.662 billion, other receivables were reduced by \$1.812 billion and net cash of \$375.1 million was transferred to MRG to affect this transaction. Loss recoveries in excess of carried reserves of \$235.3 million were recognized in income as a result of the commutation transaction, partially offset by commission and interest expenses of \$127.3 million.

#### *Retrocessional Reinsurance Program*

MRAm uses a layering system for its retrocessional reinsurance program: Property Catastrophe Protection, Excess of Loss Protection (non-Munich) and Other Reinsurance Protection. These layers are listed in the order in which they inure, meaning the Other Reinsurance Protection is deducted before the Excess of Loss Protection (non-Munich) is calculated, and all other reinsurance is deducted before the Property Catastrophe Protection is calculated.

#### *Property Catastrophe Protection*

MRG has provided MRAm with property catastrophe coverage for the years under examination as follows:

For the program effective January 1, 2017 through March 31, 2018, the property catastrophe excess of loss cover was a single layer of \$750 million in excess of \$400 million retention per occurrence. MRG had 100% participation on this layer. Premiums of \$66.474



million were ceded in 2017 to MRG for this cover. The Company also purchased two additional layers of property catastrophe coverage for the 2017 accident year. The first is an aggregate excess of loss contract providing indemnification of the \$400 million retention level subject to a deductible of \$100 million per occurrence. The second provides \$500 million of coverage in excess of \$1.15 billion. MRG had 100% participation on these two additional covers. Aggregate premiums of \$50.408 million were ceded in 2017 to MRG for these two additional covers.

For the program effective April 1, 2018 through March 31, 2019, property catastrophe excess of loss cover was a single layer of \$2.9 billion in excess of \$300 million retention per occurrence. MRG had 100% participation. The Company also purchased an aggregate excess of loss cover. The aggregate excess of loss cover effective April 1, 2018, through December 31, 2018, was \$200 million in excess of \$100 million retention per occurrence, once an annual aggregate deductible of \$200 million is met. This cover has an overall aggregate limit of \$1.0 billion for all loss occurrences during the covered period. MRG had 100% participation. Aggregate premiums of \$134.591 million were ceded in 2018 to MRG 2018 for all of these covers.

For the program effective April 1, 2019, through March 31, 2020, the property catastrophe excess of loss cover was a single layer of \$2.2 billion in excess of \$300 million retention per occurrence. MRG had 100% participation. The Company also purchased an aggregate excess of loss cover. The aggregate excess of loss cover effective April 1, 2019 through March 31, 2020, was \$250 million in excess \$50 million retention per occurrence, once an annual aggregate deductible of \$250 million is met. This cover has an overall aggregate limit of \$1.0 billion for all loss occurrences during the covered period. MRG had

100% participation. Aggregate premiums of \$229.328 million were ceded in 2019 to MRG for all of these covers.

For the program effective April 1, 2020 through May 31, 2021, the property catastrophe excess of loss cover was a single layer of \$3.5 billion in excess of \$300 million retention per occurrence. MRG had 100% participation. The Company also purchased an aggregate excess of loss cover. The aggregate excess of loss cover effective April 1, 2020 through March 31, 2021, was \$250 million in excess \$50 million per occurrence, once an annual aggregate deductible of \$250 million is met. This cover has an overall aggregate limit of \$1.0 billion for all loss occurrences during the covered period. MRG had 100% participation. Aggregate premiums of \$244.979 million were ceded in 2020 to MRG for all of these covers.

For the program effective June 1, 2021 through May 31, 2022, the property catastrophe aggregate excess of loss cover was a single layer of \$4.0 billion in excess of \$25 million retention per occurrence, and an aggregate annual deductible of \$350 million per occurrence. MRG had 100% participation. Premiums of \$267.336 million were ceded in 2021 to MRG for this cover.

#### Ceded to Non-affiliates

MRAm ceded \$36.845 million in premiums to non-affiliated reinsurers in 2021, which represents 12% of the \$310 million total ceded premiums for 2021 and demonstrates the extent of the Company's reliance on its parent MRG for reinsurance support.

A review of premiums ceded to non-affiliated reinsurers in 2021 shows the majority of ceded premiums were under multi-line excess programs. Premiums ceded to two reinsurers constituted \$36.601 million, or 99.3%, of the \$36.845 million ceded to non-

Munich Reinsurance America, Inc.

affiliates in 2021: \$25.332 million ceded to Leo Re Ltd (domiciled in Bermuda) and \$11.269 million ceded to Eden Re II Ltd (domiciled in Bermuda).

### **FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2021
- Statement of Liabilities and Surplus as of December 31, 2021
- Statement of Income for the year ended December 31, 2021
- Statement of Capital and Surplus Account for the year ended December 31, 2021
- Reconciliation of Capital and Surplus for the Period December 31, 2016 to December 31, 2021

**STATEMENT OF ASSETS**  
As of December 31, 2021

	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets 2021</u>
Bonds	\$ 14,909,031,445	\$ 2,079,959	\$ 14,906,951,486
Common stocks	98,207,666	-	98,207,666
Properties occupied by the Company	59,907,901	-	59,907,901
Cash (\$21,578,058, Cash equivalents, \$279,563,269, short-term investments \$171,080,188)	472,221,515	-	472,221,515
Other invested Assets	987,490,901	1,141,836	986,349,065
Receivable for securities	<u>31,755,290</u>	<u>7,368</u>	<u>31,747,922</u>
Subtotals, cash and invested assets	\$ 16,558,614,718	\$ 3,229,163	\$ 16,555,385,555
Investment income due and accrued	59,093,409		59,093,409
Uncollected premiums and agents' balances in the course of collection	1,331,297,480	-	1,331,297,480
Deferred premiums and agents balances and installments booked but deferred and not yet due	476,650,783	-	476,650,783
Accrued retrospective premiums	10,420,226	-	10,420,226
Amounts recoverable from reinsurers	71,005,433	-	71,005,433
Funds Held by or deposited with reinsured companies	1,764,527,501		1,764,527,501
Current federal and foreign income tax recoverable and interest thereon	15,026,138	-	15,026,138
Net deferred tax asset	927,049,457	649,608,254	277,441,203
Electronic data processing equipment and software	338,825	25,764	313,061
Furniture and equipment	3,564,292	3,564,292	-
Receivable from parent, subsidiary and affiliates	39,777,846		39,777,846
Aggregate write-ins for other than invested assets:			-
Contingent commission receivable	47,487,228	-	47,487,228
Funds retained on assumed deposits	43,376,045	-	43,376,045
Deposit Asset	38,948,467		38,948,467
Other Assets	<u>9,538,510</u>	<u>334,091</u>	<u>9,204,419</u>
Total Assets	<u>\$ 21,396,716,358</u>	<u>\$ 656,427,473</u>	<u>\$ 20,739,954,794</u>

STATEMENT OF LIABILITIES AND SURPLUS  
As of December 31, 2021

	<u>2021</u>	<u>Note</u>
Losses	\$ 10,498,619,051	1
Reinsurance payable on paid losses and loss adjustment expenses	374,062,735	
Loss adjustment expenses	1,401,735,137	1
Commissions payable; contingent commissions and other similar charges	23,886,612	
Other expenses (excluding taxes, licenses and fees)	278,490,536	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$14,189,287)	3,131,038,340	
Ceded reinsurance premiums payable (net of commission)	164,687,728	
Funds held by company under reinsurance treaties	482,269,916	
Amounts withheld or retained by company for account of others	2,179,466	
Payable to parent; subsidiaries and affiliates	10,321,033	
Derivatives	1,881,653	
Payable for securities	31,520,128	
Aggregate write-ins for liabilities		
Retroactive reinsurance assumed	101,044,171	
Deposit liability	82,963,227	
Additional provision for reinsurance	19,377,559	
Other liabilities	643,079	
Total liabilities	<u>\$ 16,604,720,371</u>	
Aggregate write-ins for special surplus funds	9,381,530	
Common capital stock	8,235,771	
Gross paid in and contributed surplus	6,026,998,348	
Unassigned funds (surplus)	<u>(1,909,381,226)</u>	
Surplus as regards policyholders	<u>\$ 4,135,234,423</u>	
Totals of liabilities & surplus	<u>\$ 20,739,954,794</u>	

**STATEMENT OF INCOME**  
For the Year Ended December 31, 2021

	<u>2021</u>
<b>Underwriting Income</b>	
Premiums earned	\$ <u>6,488,622,259</u>
<b>Deductions</b>	
Losses incurred	\$ 4,516,205,954
Loss adjustment expenses incurred	553,785,328
Other underwriting expenses incurred	<u>2,658,248,303</u>
<b>Total underwriting deductions</b>	<u>\$ 7,728,239,585</u>
Net underwriting gain (loss)	<u>\$ (1,239,617,326)</u>
<b>Investment Income</b>	
Net investment income earned	259,543,523
Net realized capital gains (losses) less capital gains tax of \$ 0	<u>203,503,436</u>
Net investment gain (loss)	<u>\$ 463,046,959</u>
<b>Other Income</b>	
Net gain (loss) from agents' or premium balances charged off (amount recovered \$3,799 amount charged off \$3,288,117)	(3,284,318)
Aggregate write-ins for miscellaneous income	<u>(28,652,251)</u>
Total other income	<u>\$ (31,936,569)</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ (808,506,936)</u>
Dividends to policyholders	<u>-</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ (808,506,936)
Federal and foreign income taxes incurred	<u>(16,060,803)</u>
Net Income	<u><u>\$ (792,446,133)</u></u>

CAPITAL & SURPLUS ACCOUNT  
For the Year Ended December 31, 2021

	<u>2021</u>
Surplus as regards policyholders, December 31, 2020	\$ 4,192,597,067
Net income	(792,446,133)
Change in unrealized capital gains or (losses) less capital gains tax of \$ 55,138	207,424
Change in unrealized foreign exchange capital gain (loss)	(4,607,285)
Change in deferred income tax	125,330,215
Change in nonadmitted assets	(42,428,935)
Surplus paid in	625,000,000
Change in unrecognized defined benefit plan obligation (net of tax)	<u>31,582,071</u>
Change in Surplus as regards policyholders for the year ended	<u>\$ (57,362,643)</u>
Surplus as regards policyholders, December 31, 2021	<u><u>\$ 4,135,234,424</u></u>

**RECONCILIATION OF CAPITAL AND SURPLUS**  
As of December 31, 2016 to December 31, 2021

	Common Capital Stock	Aggregate write in for other than Special surplus	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/2016	\$8,235,771	\$ 12,676,369.00	\$ 4,446,998,348	\$351,623,499	\$ 4,819,533,987
12/31/2017 1				(617,247,225)	(617,247,225)
12/31/2017 2				6,581,837	6,581,837
12/31/2017 3				(174,623,499)	(174,623,499)
12/31/2017 4				(15,076,756)	(15,076,756)
12/31/2017 6		(314,480)		314,480	-
12/31/2018 1				(451,164,800)	(451,164,800)
12/31/2018 2				(145,267,578)	(145,267,578)
12/31/2018 4				20,998,823	20,998,823
12/31/2018 6			275,000,000		275,000,000
12/31/2018 6		(2,257,812)		2,257,812	-
12/31/2019 1				(81,921,309)	(81,921,309)
12/31/2019 2				98,381,027	98,381,027
12/31/2019 4				(5,125,889)	(5,125,889)
12/31/2019 6		(4,825,419)		4,825,419	-
12/31/2020 1				(236,871,299)	(236,871,299)
12/31/2020 2				14,990,759	14,990,759
12/31/2020 4				4,408,989	4,408,989
12/31/2020 5			680,000,000	-	680,000,000
12/31/2020 6		1,026,041		(1,026,041)	-
12/31/2021 1				(792,446,133)	(792,446,133)
12/31/2021 2				78,501,419	78,501,419
12/31/2021 4				31,582,071	31,582,071
12/31/2021 5			625,000,000	-	625,000,000
12/31/2021 6		3,076,831		(3,076,831)	-
<b>Total</b>	<b>\$8,235,771</b>	<b>\$9,381,530</b>	<b>\$6,026,998,348</b>	<b>(\$1,909,381,225)</b>	<b>\$ 4,135,234,424</b>

- (1) Represents Net income.
- (2) Change in unrealized capital gains (losses), Change in net unrealized foreign exchange capital gain, Change in net deferred income tax, Change in non-admitted assets, Change in provision for reinsurance.
- (3) Dividends to stockholder.
- (4) Change in unrecognized benefit plan obligation.
- (5) Contributed capital.
- (6) Change in retroactive reinsurance.



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

There were no changes made to the Financial Statements as a result of this Examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Note 1:

Losses	\$10,498,619,051
Loss Adjustment Expenses	\$1,401,735,137

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2021. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual*, SSAP No. 55.

**SUBSEQUENT EVENTS**

Reinsurance pooling

Effective January 1, 2022, the Pooling Agreement was amended. DAIC was added to the Pooling Agreement, covering all direct and assumed current and prior policies and contracts issued by DAIC. As such, MRAm has assumed 100% of the net liabilities (defined as gross liability net of specific cessions to other reinsurers) under policies, contracts and binders of insurance and reinsurance of DAIC.

Intercompany tax sharing

Effective September 30, 2022, and approved by the Department on August 30th, 2022, MAHC has amended the tax sharing agreement with its affiliates. The agreement has been modified to address if a subsidiary company generates a tax loss which is subsequently

used by the consolidated group on its return, the subsidiary in question will then be repaid for its losses during the same period of tax return that the loss was used.

### Farmers

A novation of all in-force Farmers QS contracts effective December 31, 2022 will release \$1.2 billion of reserves along with the corresponding funds held balance. The Company has decided to use another affiliated entity to assume the novated business and renew the Farmers assumed contract.

### Significant losses – Hurricane Ida

The Company estimates, through September 30, 2022, gross and net losses from Hurricane Ida (a 2021 event) to be \$875 million and 375 million, gross and net, respectively.

### Surplus Note

The Company submitted a request for approval of a Type I Subsequent Event to be disclosed in the Company's 2022 Annual Statement. The Subsequent Event to be disclosed will be the receipt of proceeds of "up to" \$1.1 billion in fulfillment of a surplus note issued to MAHC. The Subsequent Event transaction will be reflected in MRAm's 2022 Annual Statement as a component of Receivables from parent, subsidiaries and affiliates on Page 2 – Assets, with a corresponding increase to Surplus notes on Page 3 – Liabilities, Surplus and Other Funds. The surplus note is being issued by MRAm to MAHC as part of a recapitalization plan to support its capital position as of December 31, 2022. The amount of the surplus note that will be recorded is dependent on the amount required to maintain MRAm's Risk Based Capital position. The annual statement presentation is being made in accordance with the NAIC Accounting Practice and Procedures Manual Statement of Statutory Accounting Principle No. 72 – Surplus and Quasi-Reorganizations (NAIC SSAP 72), paragraph 8, which states that "notes or other receivables received as additional capital

contributions satisfied by receipt of cash or readily marketable securities prior to the filing of the statutory financial statements shall be treated as a Type I subsequent event in accordance with NAIC SSAP No. 9 – Subsequent Events and as such shall be considered an admitted asset based on evidence of collection and approval of the domiciliary commissioner.” The Department approved the surplus note on December 16, 2022.

**SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

The assistance and cooperation of the Company’s outside audit firm, E&Y, and the Company’s management and staff was appreciated and is acknowledged.

Respectfully submitted,

Albert Piccoli

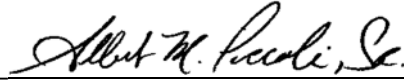
Albert Piccoli, CFE  
Examiner In-Charge  
State of Delaware

Anthony C. Cardone

Anthony Cardone, CPA, CFE  
Supervising Examiner  
State of Delaware

Munich Reinsurance America, Inc.

I, Albert Piccoli, 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. 22.005.

A handwritten signature in cursive script that reads "Albert M. Piccoli, Sr." is written above a solid horizontal line.

Albert Piccoli, CFE