

EXAMINATION REPORT
OF
ADMIRAL INDEMNITY COMPANY
AS OF
DECEMBER 31, 2018

Office of the
Commissioner



Delaware
Department of Insurance

REPORT ON EXAMINATION
OF
ADMIRAL INDEMNITY COMPANY
AS OF
DECEMBER 31, 2018

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 5 day of June, 2020

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April 6, 2020

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 Exam Authority No. 19.005, dated May 9, 2019, an examination has been made of the affairs, financial condition and management of

Admiral Indemnity Company

hereinafter referred to as the Company and incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware. The examination was conducted at the administrative office of the Company located at 475 Steamboat Road, Greenwich, Connecticut. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The previous regulatory examination of the Company covered the four-year period from January 1, 2010 through December 31, 2013. This examination covered the five-year period from January 1, 2014 through December 31, 2018, and encompasses a general review of transactions during the period, the Company's business policies and practices,

Admiral Indemnity Company

as well as management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2018. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination of the Company was performed as part of the multi-state coordinated examination of the W. R. Berkley Corporation Group (Group) of regulated United States property and casualty insurance companies as of December 31, 2018. Delaware is the lead state for the Group. The Company is an indirect subsidiary of the W. R. Berkley Corporation (WRBC). The examination was conducted concurrently with that of the Company's affiliates. The Companies in the Group and their state of domicile are summarized as follows:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
Acadia Insurance Company	31325	IA
Admiral Indemnity Company	44318	DE
Admiral Insurance Company	24856	DE
American Mining Insurance Company	15911	IA
Berkley Assurance Company	39462	IA
Berkley Insurance Company	32603	DE
Berkley National Insurance Company	38911	IA
Berkley Regional Insurance Company	29580	IA
Berkley Specialty Insurance Company	31295	DE
Carolina Casualty Insurance Company	10510	IA
Clermont Insurance Company	33480	IA
Continental Western Insurance Company	10804	IA
Firemen's Insurance Company of Washington D.C.	21784	DE
Gemini Insurance Company	10833	DE
Great Divide Insurance Company	25224	ND
Intrepid Insurance Company	10749	IA
Key Risk Insurance Company	10885	IA
Midwest Employers Casualty Company	23612	DE
Nautilus Insurance Company	17370	AZ
Preferred Employers Insurance Company	10900	CA
Riverport Insurance Company	36684	IA
Starnet Insurance Company	40045	IA
Tri-State Insurance Company of Minnesota	31003	IA
Union Insurance Company	25844	IA
Union Standard Lloyds	43435	TX

Admiral Indemnity Company

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 KPMG, LLP (KPMG). Certain auditor work papers of the 2018 KPMG audit of the Company have been incorporated into the work papers of the

Admiral Indemnity Company

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 as FICO Insurance Company on April 6, 1992, under the laws of the District of Columbia, and commenced business on October 10, 1993, as a subsidiary of Firemen's Insurance Company of Washington, D.C, a wholly owned subsidiary of WRBC. On March 23, 1995, the Company re-domiciled to the State of Maryland. On December 31, 1999, ownership of the Company was transferred to Admiral Insurance Company (AIC), another wholly owned subsidiary of WRBC. The Company's name was changed to Admiral Indemnity Company and it re-domiciled to the State of Delaware.

Capitalization

The Company's Certificate of Incorporation authorizes the issuance of 250,000 shares of common stock with a \$16.50 par value and the issuance of 150,000 shares of preferred stock with a \$10 par value. As of December 31, 2018, the Company had 212,500 common shares issued and outstanding totaling \$3,506,250 and no preferred shares issued and outstanding. All outstanding common shares of the Company are owned by AIC.

As of December 31, 2018, the Company reported gross paid in and contributed surplus of \$17,600,000.

Dividends

The Company did not pay any dividends during the period covered by this exam.

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, all corporate powers and its business property and affairs are managed by, or under the direction, of its Board of Directors (Board).

In accordance with the Company's bylaws, the number of Directors shall consist of nine members, and may consist of any number of Directors as may later be determined by resolution of the Board. 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, 2018, each elected or appointed in accordance with the Company bylaws were as follows:

<u>Name</u>	<u>Title</u>
Amy Adler Gobetz	Director
William James Johnston	President
Belinda Mychajliw	Senior Vice President
Stephanie Anne Miller	Director
Keith Michael O'Loughlin	Director
Richard Henry Starkie	Senior Vice President
David Donald Wessel	Treasurer

Officers

In accordance with its bylaws, officers serving the Company shall be a President and a Secretary. The Board may also elect other such officers as considered necessary for the proper conduct of the business of the Company. The senior officers, duly appointed in accordance with the bylaws and serving at December 31, 2018, are as follows:

Admiral Indemnity Company

<u>Name</u>	<u>Title</u>
William James Johnston	President
Howard Lincoln Ryerson	Secretary
David Donald Wessel	Treasurer
Belinda Mychajliw	Senior Vice President
Richard Henry Starkie	Senior 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 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 of the Delaware Insurance Code. The Company is a wholly-owned subsidiary of AIC.

An abbreviated organizational chart of the Group holding company system as of December 31, 2018, is as follows (with the percentage control of the downstream subsidiary by the upstream direct parent shown):

Admiral Indemnity Company

<u>Entity [domicile]</u>	<u>Economic Control</u>	<u>Voting Control</u>
William R. Berkley {1}		
W. R. Berkley Corporation [DE] {2}	20.52%	20.52%
Berkley Dean & Company, Inc. [NJ]	100%	100%
Berkley Insurance Services, LLC [DE]	100%	100%
Signet Star Holdings, Inc. [DE]	100%	100%
Berkley Insurance Company [DE]	100%	100%
Admiral Insurance Company [DE]	100%	100%
Admiral Indemnity Company [DE]	100%	100%
Carolina Casualty Insurance Company [IA]	100%	100%
Clermont Insurance Company [IA]	100%	100%
Nautilus Insurance Company [AZ]	100%	100%
Berkley Assurance Company [IA]	100%	100%
Berkley Life and Health Insurance Company [IA]	100%	100%
Berkley National Insurance Company [IA]	100%	100%
Berkley Regional Insurance Company [IA]	100%	100%
Acadia Insurance Company [IA]	100%	100%
American Mining Insurance Company [IA]	100%	100%
Berkley Specialty Insurance Company [DE]	100%	100%
Continental Western Insurance Company [IA]	100%	100%
Firemen’s Insurance Company of Washington D.C. [DE]	100%	100%
Tri-State Insurance Company of Minnesota [IA]	100%	100%
Union Insurance Company [IA]	100%	100%
Gemini Insurance Company [DE]	100%	100%
Great Divide Insurance Company [ND]	100%	100%
Intrepid Insurance Company [IA]	100%	100%
Key Risk Insurance Company [IA]	100%	100%
Midwest Employers Casualty Company [DE]	100%	100%
Preferred Employers Insurance Company [CA]	100%	100%
Riverport Insurance Company [IA]	100%	100%
StarNet Insurance Company [IA]	100%	100%

{1} It was noted in a Securities and Exchange Commission filing that as of December 31, 2018, William R. Berkley beneficially owned or controlled 25,034,263 common shares of WRBC, which is publicly-traded on the New York Stock Exchange under the symbol “WRB”. According to the 2018 WRBC Annual Report, there were 121,995,760 outstanding common shares on December 31, 2018. This results in a 20.52% economic interest and 20.52% voting control that William R. Berkley has of WRBC. Consequently, William R. Berkley is considered an ultimate controlling entity of the Company.

{2} Other than {1} noted above, no other individual or entity owns or controls greater than 10% of WRBC as of December 31, 2018.

Admiral Indemnity Company

Agreements with Affiliates

Tax Allocation Agreement

Effective April 6, 1992, the Company and WRBC entered into an affiliated Tax Allocation Agreement. In accordance with the agreement, the Company will participate in WRBC's election to file a consolidated federal income tax return as long as the Company is a member of WRBC. For years where a consolidated federal tax return is filed, WRBC will pay or discharge, or cause to be paid or discharged, the consolidated federal tax liability of WRBC. Taxes are calculated on a separate return basis, and the Company will pay WRBC an amount equal to the federal income tax liability it would have incurred if it had filed on a separate return. Conversely, if the Company's separate return calculation results in a net operating loss, capital losses, deductions, tax credits or similar items, WRBC shall compensate the Company an amount equal to its federal income tax liability calculated on a separate return basis. In accordance with the contract, WRBC and the Company shall each pay its own state and local taxes.

Investment Advisory Agreement

Effective February 3, 2006, the Company entered into an affiliated Investment Advisory Agreement with Berkley Dean and Company, Inc. (Berkley Dean). In accordance with the agreement, Berkley Dean provides certain investment advisory and management services based upon criteria, standards and guidelines established by the Company. The Company has ultimate and final authority over decisions and policies on purchases and sales of securities.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2018, the Company is licensed and authorized on an admitted basis to write insurance in all fifty U.S. States and the District of Columbia.

Admiral Indemnity Company

Plan of Operations

For the year ended December, 31, 2018, the Company's direct written premiums were produced by the following Profit Centers described below: Berkley Luxury Group and Acadia Insurance Group.

Berkley Luxury Group provides commercial package insurance programs for high-end co-operative, condominium and quality rental apartment buildings and upscale restaurants in the New York, New Jersey, Chicago and Washington, D.C. metropolitan markets, as well as other select markets.

Acadia Insurance Group is a northeast regional property and casualty underwriter offering a broad portfolio of products exclusively through local independent agents in Connecticut, Maine, Massachusetts, New Hampshire, New York and Vermont. In addition to its general offerings, Acadia Insurance Group has specialized expertise in insuring regional industries such as construction, lumber, fishing and transportation.

The Company's direct written premiums by source are as follows:

<u>Source</u>	<u>2018</u>	<u>Percent</u>
Berkley Luxury Group	\$78,835,402	99.60%
Acadia Insurance Group	318,432	0.40%
All Other Sources Combined	<u>0</u>	<u>0.00%</u>
Total	<u>\$79,153,834</u>	<u>100.00%</u>

The Company's direct written premiums by line of business are as follows:

<u>Line of Business</u>	<u>2017</u>	<u>2018</u>	<u>Percent</u>
Commercial Multiple Peril	\$69,201,249	\$73,158,238	92.42%
Other Liability – Occurrence	2,670,648	3,158,936	3.99%
Boiler and Machinery	1,485,554	1,572,555	1.99%
All Other Lines of Business Combined	<u>2,303,020</u>	<u>1,264,105</u>	<u>1.60%</u>
Total	<u>\$75,660,471</u>	<u>\$79,153,834</u>	<u>100.00%</u>

Admiral Indemnity Company

The Company's direct written premiums by jurisdiction are as follows:

<u>Jurisdiction</u>	<u>2017</u>	<u>2018</u>	<u>Percent</u>
New York	\$57,268,780	\$58,046,727	73.33%
Illinois	8,380,805	8,997,102	11.37%
Pennsylvania	2,668,235	3,849,932	4.86%
New Jersey	3,100,806	2,910,951	3.68%
District of Columbia	1,382,691	1,974,912	2.50%
All Other Jurisdictions Combined	<u>2,859,154</u>	<u>3,374,210</u>	<u>4.26%</u>
Total	<u>\$75,660,471</u>	<u>\$79,153,834</u>	<u>100.00%</u>

REINSURANCE

The Company reported the following distribution of premiums written for the year ended December 31, 2018:

	<u>2018</u>	<u>% GPW</u>	<u>2013</u>	<u>% GPW</u>
Direct business	\$ 79,153,834	99.9%	\$ 65,810,379	100.0%
Reinsurance assumed from affiliates	-	0.0%	-	0.0%
Reinsurance assumed from non-affiliates	59,048	0.1%	-	0.0%
Gross premiums written ("GPW")	<u>\$ 79,212,882</u>	<u>100%</u>	<u>\$ 65,810,379</u>	<u>100%</u>
Reinsurance ceded to affiliates	<u>\$ 79,212,882</u>	<u>100.0%</u>	<u>\$ 71,903,033</u>	<u>109.3%</u>
Reinsurance ceded to non-affiliates	-	0.0%	(6,092,654)	-9.3%
Total ceded	<u>\$ 79,212,882</u>	<u>100.0%</u>	<u>\$ 65,810,379</u>	<u>100.0%</u>
Net premiums written	<u>\$ -</u>	<u>0.0%</u>	<u>\$ -</u>	<u>0.0%</u>

Ceded Reinsurance Affiliates

Effective January 1, 2013, the Company entered into a 100% quota share agreement with Berkley Insurance Company (BIC). The Company ceded premiums to BIC in the amount of \$79,212,882 during 2018.

FINANCIAL STATEMENTS

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

- Statement of Assets and Liabilities as of December 31, 2018
- Statement of Income for the year ended December 31, 2018
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2013 to December 31, 2018

**ADMIRAL INDEMNITY COMPANY
STATEMENT OF ASSETS
AS OF DECEMBER 31, 2018**

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 40,194,749	\$ -	\$ 40,194,749
Cash	-	-	-
Cash equivalents	2,699,644	-	2,699,644
Receivables for securities	30,000	-	30,000
Subtotals, cash and invested assets	<u>\$ 42,924,393</u>	<u>\$ -</u>	<u>\$ 42,924,393</u>
Investment income due and accrued	480,292	-	480,292
Uncollected premiums and agents' balances	8,609,849	180,374	8,429,475
Deferred premiums	11,318,928	-	11,318,928
Current federal and foreign income tax recoverable	224,666	-	224,666
Net deferred tax asset	38,743	-	38,743
Guaranty funds receivable or on deposit	8,554	-	8,554
Aggregate write-ins for other than invested assets	289,151	-	289,151
Total Assets	<u><u>\$ 63,894,576</u></u>	<u><u>\$ 180,374</u></u>	<u><u>\$ 63,714,202</u></u>

**ADMIRAL INDEMNITY COMPANY
STATEMENT OF LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2018**

	<u>2018</u>	<u>Note</u>
Losses	\$ -	1
Reinsurance payable on paid losses and loss adjustment expenses	-	
Loss adjustment expenses	-	1
Commissions payable; contingent commissions and other similar charges	499,732	
Taxes, licenses, and fees (excluding federal and foreign income tax)	339,489	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$40,145,510 and including warranty reserves of \$0)	-	
Advance Premium	589	
Ceded reinsurance premiums payable (net of ceding commissions)	18,867,647	
Payable to parent; subsidiaries and affiliates	22,933	
Aggregate write-ins for liabilities	360,798	
Total liabilities excluding protected cell liabilities	<u>\$ 20,091,188</u>	
Total liabilities	<u>\$ 20,091,188</u>	
Common capital stock	\$ 3,506,250	
Gross paid in and contributed surplus	17,600,000	
Unassigned funds (surplus)	<u>22,516,766</u>	
Surplus as regards policyholders	<u>\$ 43,623,016</u>	
Totals of liabilities & surplus	<u><u>\$ 63,714,204</u></u>	

ADMIRAL INDEMNITY COMPANY
STATEMENT OF OPERATIONS
AS OF DECEMBER 31, 2018

	<u>2018</u>
Underwriting Income	
Premiums earned	\$ -
Deductions	
Losses incurred	\$ -
Loss adjustment expenses incurred	-
Other underwriting expenses incurred	-
Total underwriting deductions	<u>\$ -</u>
Net underwriting gain (loss)	<u>\$ -</u>
 Investment Income	
Net investment income earned	\$ 1,303,721
Net realized capital gains (losses) less capital gains tax of \$0	<u>69,527</u>
Net investment gain (loss)	<u>\$ 1,373,248</u>
 Other Income	
Net gain (loss) from agents' or premium balances charged off (amount recovered \$0 amount charged off (\$131)	\$ 131
Finance and service charges not included in premium	-
Aggregate write-ins for miscellaneous income	<u>(131)</u>
Total other income	<u>\$ -</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 1,373,248
Dividends to policyholders	<u>-</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 1,373,248
Federal and foreign income taxes incurred	<u>(9,666)</u>
Net Income	<u><u>\$ 1,382,914</u></u>

RECONCILIATION OF CAPITAL AND SURPLUS
For the Period from the Prior Examination
As of December 31, 2013 to December 31, 2018

	Common Capital Stock	Surplus Notes	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/2013	\$ 3,506,250	\$ -	\$ 17,600,000	\$ 17,489,922	\$ 38,596,172
12/31/2014	-	-	-	1,217,452 (1)	1,217,452
12/31/2015	-	-	-	949,286 (1)	949,286
12/31/2016	-	-	-	910,081 (1)	910,081
12/31/2017	-	-	-	1,086,386 (1)	1,086,386
12/31/2018	-	-	-	863,639 (1)	863,639
	<u>\$ 3,506,250</u>	<u>\$ -</u>	<u>\$ 17,600,000</u>	<u>\$ 22,516,766</u>	<u>\$ 43,623,016</u>

(1) Represents net income, change in net deferred income tax, change in non-admitted assets, aggregate write-ins for gains and losses in surplus.

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	\$ -0-
Loss Adjustment Expenses	\$ -0-

The examination liability for the aforementioned captioned items of \$0 and \$0 are the same as reported by the Company as of December 31, 2018. The Company cedes 100% of its losses and loss adjustment expenses to its affiliate, BIC. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Generally Accepted Actuarial Principles and Statutory Accounting Principles, including *NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principle No. 55* (SSAP # 55).

SUBSEQUENT EVENTS

During March of 2020, the World experienced a pandemic related to the COVID-19 virus. At the date of this report, the Company has not been able to quantify the effects of this

Admiral Indemnity Company

pandemic on its current or future financial statements. Also, as of the date of this report, the Company was fully operational and was providing services to its policyholder.

There were no other material subsequent events noted.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no recommendations contained in the prior examination report issued by the Department as of December 31, 2013.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

Admiral Indemnity Company

The assistance and cooperation of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, KPMG, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

A handwritten signature in cursive script that reads "Greg Taylor". The signature is written in black ink on a white background.


Greg Taylor, CFE
Co-Examiner In-Charge
State of Delaware

A handwritten signature in cursive script that reads "Anthony C. Cardone". The signature is written in black ink on a white background.

Anthony Cardone, CFE, CPA
Supervising Examiner
State of Delaware

Admiral Indemnity Company

I, Greg 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 authority 19.005.



Greg Taylor, CFE