

EXAMINATION REPORT
OF
BERKLEY INSURANCE COMPANY
AS OF
DECEMBER 31, 2018

Office of the
Commissioner



Delaware
Department of Insurance

REPORT ON EXAMINATION
OF
BERKLEY INSURANCE 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.

A handwritten signature in blue ink, appearing to read "Trinidad Navarro".

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. 19.001, dated May 9, 2019, an examination has been made of the affairs, financial condition and management of

BERKLEY INSURANCE COMPANY

hereinafter referred to as the Company or BIC 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,

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

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 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

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 Signet Reinsurance Company (Signet Re) on December 18, 1975, under the laws of the State of Nebraska, and commenced business on December 31, 1975. On March 31, 1995, the Company re-domiciled to the State of Delaware and on December 31, 2000, the Company changed its name to Berkley Insurance Company.

Capitalization

The Company's Certificate of Incorporation authorizes the issuance of 500,000 shares of common stock with a \$100 par value and the issuance of 100,000 shares of preferred stock with a \$10 par value. As of December 31, 2018, the Company had 430,000 common shares issued and outstanding totaling \$43,000,000 and 1,000 preferred shares issued and outstanding totaling \$10,000. All outstanding common and preferred shares of the Company are owned by Signet Star Holdings, Inc. (Signet Star).

As of December 31, 2018, the Company reported gross paid in and contributed surplus of \$2,887,639,560. The Company received the following capital contributions from Signet Star during the examination period:

<u>Year</u>	<u>Contributions</u>
2014	\$ 49,969,056
2015	20,043,747
2016	21,462,799
2017	23,212,626
2018	<u>24,922,920</u>
Total	<u>\$139,611,148</u>

Dividends

The Company's Board of Directors (Board) approved, authorized, and paid the following stockholder dividends to Signet Star during the examination period:

<u>Date Paid</u>	<u>Dividend Paid</u>
February 5, 2014	\$200,000,000
March 20, 2014	<u>287,149,984</u>
2014 Total Paid	\$487,149,984
January 27, 2015	** \$225,212,470
March 31, 2015	300,000,000
October 28, 2015	<u>100,000,000</u>
2015 Total Paid	\$625,212,470
March 16, 2016	\$284,125,254
April 1, 2016	300,000,000
November 1, 2016	<u>100,000,000</u>
2016 Total Paid	\$684,125,254
March 20, 2017	\$302,830,015
April 3, 2017	300,000,000
November 3, 2017	<u>75,000,000</u>
2017 Total Paid	\$677,830,015
March 21, 2018	\$323,750,000
April 4, 2018	<u>300,000,000</u>
2018 Total Paid	\$623,750,000
Total Paid During the Examination Period	<u>\$3,098,067,723</u>

** Only \$225,000,000 was approved and authorized by the Board. The remaining \$212,470 paid related to the following transaction: Regional Excess Underwriters, LLC (REU) became an asset of the Company on January 26, 2015. As a result of successive dividends in the amount of \$212,470, all of the Company's membership interests in REU were transferred by the Company to its immediate parent, Signet Star. This dividend amount was inadvertently omitted from the Board resolution and the notification to the Department. The \$212,470 error was noted by the examiners and brought to the attention of the Company.

Dividend payments for all years noted above are in compliance with 18 *Del. C.* §5005 (e) with the exception of the aforementioned note.

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.

In accordance with the Company's bylaws, the number of Directors shall consist of seven 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>
William Robert Berkley	Executive Chairman
William Robert Berkley, Jr.	President
Richard Mark Baio	Treasurer
Paul James Hancock	Senior Vice President and Chief Actuary
Carol Josephine LaPunzina	Senior Vice President
Ira Seth Lederman	Secretary
James Gerald Shiel	Executive Vice President – Investments

Officers

In accordance with its bylaws, officers serving the Company shall be a President, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer, and one or more Assistant Treasurers. The Board may also elect a Chairman of the Board and 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:

<u>Name</u>	<u>Title</u>
William Robert Berkley, Jr.	President
Ira Seth Lederman	Secretary
Richard Mark Baio	Senior Vice President and Treasurer
James Gerald Shiel	Executive Vice President - Investments
Paul James Hancock	Senior Vice President and Chief Actuary
Carol Josephine LaPunzina	Senior Vice President
Bertman Adam Braud, Jr.	Assistant Treasurer
Ann Marie Collins	Assistant Treasurer
Susan Paula Tingleff	Assistant Treasurer

Corporate Records

The recorded minutes of the Shareholders 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, 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 Signet Star.

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 is shown):

Berkley Insurance 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 the 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.

Agreement with Affiliates

Tax Allocation Agreement

Effective January 1, 1996, and amended on December 31, 2000, the Company and WRBC entered into an affiliated Tax Allocation Agreement (TAA). In accordance with the TAA, 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 April 1, 1996, and amended December 31, 2000 and December 5, 2008, the Company entered an affiliated Investment Advisory Agreement (Investment Agreement) with Berkley Dean and Company, Inc. (Berkley Dean). In accordance with the Investment Agreement, Berkley Dean will provide 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.

Standby Letter of Credit Agreement

Effective September 6, 2002, the Company entered into an affiliated Standby Letter of Credit Agreement (LOC Agreement) with WRBC. In accordance with the LOC Agreement, the Company is allowed to borrow cash on an unsecured basis from WRBC to enhance its cash management capabilities by making short-term funds available to it so that it does not have to liquidate investments prematurely.

Investment Management Agreement

Effective January 1, 2005, the Company entered into an affiliated Investment Management Agreement with Steamboat Asset Management, LLC (SAM). In accordance with this agreement, SAM acts as manager for a specified portion of the Company's investment portfolio subject to the direction, control and supervision of the Company.

Computer Services Agreement

Effective July 9, 2010, the Company entered into an affiliated Computer Services Agreement (Computer Agreement) with Berkley Technology Services, LLC (BTS). In accordance with the Computer Agreement, BTS provides computer and data processing services to the Company which includes programming, network management, operations and consulting services. The Computer Agreement authorizes BTS to contract with other service providers to satisfy the needs of the Company at its discretion. Per this agreement, BTS agrees all information disclosed by the Company shall be confidential and shall not be disclosed to any individual, corporation, other business organization or governmental agency unless required by law in conformity with the Company's privacy policy. In addition, BTS agrees to use information only for the purpose for which the Company provided it.

Guarantee Agreement

Effective September 13, 2012, the Company entered into an affiliated Guarantee Agreement with W.R. Berkley Insurance (Europe), Limited (WRBIEL). In accordance with the guarantee, the Company agrees to pay, or cause to be paid, any policyholder obligation that becomes due because WRBIEL does not have sufficient funds for the payment. Payment will occur subject to the terms and conditions of the applicable policy issued by WRBIEL. In the event the agreement is terminated based on the required notice of either party, the Company shall remain liable for policyholder obligations assumed from WRBIEL on or prior to the termination date unless WRBIEL attains a financial strength rating from Standard & Poor's of "A+" or better without giving weight to the support of the guarantee.

Effective May, 29, 2019, this agreement was terminated.

Management Agreements

Effective January 1, 2013, the Company entered into an affiliated Management Agreement with forty-eight (48) affiliated entities referred to as "Managers". The Managers are also referred to as "Profit Centers" by the Group's management, and specialize in property and casualty insurance underwriting, claims adjustment and payment and other management services. Effective April 1, 2009, and amended January 15, 2011, the Company had a similar agreement with Berkley Canada and effective April 29, 2013, the Company added another similar agreement with Berkley International Puerto Rico. In accordance with these agreements, the Company appoints the Managers to act on its behalf and do all things necessary and incidental to conduct the business of the Company and its insurance subsidiaries. The agreements authorize the Managers to subcontract any of the services furnished under the agreements to any subsidiary, affiliate or unrelated third party subject to the Company's approval.

Simultaneous to the January 1, 2013 agreement, the property and casualty companies in the Group, with the exception of Preferred Employers Insurance Company (PEIC), appointed the Company to act as their manager under either the Reinsurance Pooling Agreement or a 100% Quota Share Agreement. These reinsurance agreements authorized the Company to subcontract any of the duties and obligations to affiliates or unrelated third parties.

Effective January 1, 2013, the Company entered into an affiliated Management Agreement with PEIC. In accordance with the agreement, PEIC appoints the Company to act as a manager on its behalf and do all things necessary and incidental to conduct the business of PEIC. The agreement authorizes the Company to sub-contract any of the services furnished under the agreement to any subsidiary, affiliate, or unrelated third party subject to PEIC's approval.

Parental Guarantee Agreement

Effective October 9, 2015, the Company entered an affiliated Parental Guarantee Agreement with Berkley Risk Administrators Company, LLC (BRAC). In accordance with the guarantee, the Company provides BRAC with a guarantee of performance for BRAC to comply with the financial requirements for its third-party administration registration in the State of Nevada.

Unlimited and Unconditional Guarantee Agreement

Effective November 1, 2015, the Company entered an affiliated Unlimited and Unconditional Guarantee Agreement with W.R. Berkley Europe AG (WRBE). In accordance with the guarantee, the Company ensures that WRBE will fulfill its policyholder obligations. The Company shall remain liable for policyholder obligations assumed pursuant to the terms of the WRBE guarantee under policies issued by WRBE on or prior to such termination date.

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, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. In addition, the Company is also authorized to write insurance and/or reinsurance in the following foreign jurisdictions: Australia, Canada, China, Ecuador, Singapore and fourteen other miscellaneous jurisdictions.

Plan of Operations

For the year ended December, 31, 2018, the Company's direct written premiums were produced by its affiliates, Berkley Surety, Berkley Professional Liability, Berkley Insurance Australia, Berkley Select, Berkley Canada, and Berkley Alliance Managers profit centers, which are described further below.

Berkley Surety provides a broad array of surety products for contract and commercial surety risks in the United States and Canada, including specialty niches such as environmental and secured credit for small contractors, through an independent agency and broker platform across a network of twenty-one (21) field offices.

Berkley Professional Liability specializes in professional liability insurance for publicly-traded and private entities on a worldwide basis. Its liability coverages include directors and officers, errors and omissions, fiduciary, employment practices, and sponsored insurance agents' errors and omissions. Berkley Transactional, a division of Berkley Professional Liability, underwrites a full suite of transactional insurance products, including representations and warranties insurance, tax opinion insurance and contingency liability insurance.

Berkley Insurance Australia underwrites general insurance business in Australia, including professional indemnity insurance for companies of all sizes.

Berkley Select specializes in underwriting professional liability insurance on a surplus lines basis for law firms and accounting firms through a limited number of brokers. It also offers executive and professional liability products, including directors and officers liability, errors and omissions, and employment practices liability, to small and middle market privately-held and not-for-profit customers on both an admitted and surplus lines basis.

Berkley Canada underwrites specialty, casualty and surety lines of business on behalf of the Canadian branch of the Company. It specializes in commercial casualty and professional liability, and offers a broad portfolio of risk products that includes commercial general liability, umbrella, professional liability, directors and officers, commercial property and surety, in addition to niche products for specific industries such as technology, life science and travel.

Berkley Alliance Managers specializes in professional liability for the design professional, construction professional and certified public accounting industries. The Berkley Design Professional division specializes in architects, engineers and consultants. The Berkley Construction Professional division provides both project-specific and annual policies for owners and contractors. The Accountants division insures mainly mid-sized CPA firms.

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

<u>Source</u>	<u>2018</u>	<u>Percent</u>
Berkley Surety	\$94,663,832	17.05%
Berkley Professional Liability	86,731,703	15.62%
Berkley Insurance Australia	82,265,244	14.81%
Berkley Select	73,261,809	13.19%
Berkley Canada	69,874,420	12.58%
Berkley Alliance Managers	48,576,712	8.75%
All Other Sources Combined	<u>99,931,966</u>	<u>18.00%</u>
Total	<u>\$555,305,686</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>
Other Liability – Claims Made (line 17.2)	\$282,554,215	\$319,025,504	57.45%
Surety (line 24)	79,753,749	94,665,382	17.05%
Other Liability – Occurrence (line 17.1)	70,063,939	69,814,392	12.57%
All Other Lines of Business Combined	<u>45,462,652</u>	<u>71,800,408</u>	<u>12.93%</u>
Total	<u>\$477,834,555</u>	<u>\$555,305,686</u>	<u>100.00%</u>

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

<u>Jurisdiction</u>	<u>2017</u>	<u>2018</u>	<u>Percent</u>
Australia	\$85,098,044	\$89,774,151	16.17%
Canada	70,661,222	83,615,975	15.06%
New York	52,764,865	63,939,920	11.51%
California	44,390,012	49,875,468	8.98%
Texas	25,582,905	29,957,656	5.40%
All Other Jurisdictions Combined	<u>199,337,507</u>	<u>238,142,516</u>	<u>42.88%</u>
Total	<u>\$477,834,555</u>	<u>\$555,305,686</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	\$ 555,305,686	8.3%	\$ 193,212,196	2.9%
Reinsurance assumed from affiliates	5,714,976,742	85.1%	5,838,292,932	86.9%
Reinsurance assumed from non-affiliates	448,774,457	6.7%	683,125,131	10.2%
Gross premiums written (GPW)	<u>\$ 6,719,056,885</u>	<u>100%</u>	<u>\$ 6,714,630,259</u>	<u>100%</u>
Reinsurance ceded to affiliates	\$ 41,351,196	0.6%	\$ 3,978,255	0.1%
Reinsurance ceded to non-affiliates	955,167,328	14.2%	966,506,437	14.4%
Total ceded	<u>\$ 996,518,524</u>	<u>14.8%</u>	<u>\$ 970,484,692</u>	<u>14.5%</u>
Net premiums written	<u>\$ 5,722,538,361</u>	<u>85.2%</u>	<u>\$ 5,744,145,567</u>	<u>85.5%</u>

Assumed Reinsurance – Affiliates

Total reinsurance premiums assumed from affiliated Companies in 2018 was \$5,714,977,000.

Effective January 1, 2013, the Company entered into an intercompany pooling agreement with its affiliated insurance Companies. The Company assumed \$5,178,584,000 from affiliated companies through the intercompany pooling agreement during 2018. Under the terms of the agreement, the Company, as the lead in the pool, assumes 100% of the direct and assumed business written by the pool members. A listing of the Companies who participate in the pool with premiums ceded to the pool in 2018 is shown below:

<u>Pool Affiliate</u>	<u>Premium Ceded</u>
Acadia Insurance Company	\$ 381,279,000
Admiral Insurance Company	586,622,000
American Mining Insurance Company	57,569,000
Berkley Assurance Company	186,846,000
Berkley National Insurance Company	403,443,000
Berkley Regional Insurance Company	107,036,000
Berkley Regional Specialty Insurance Company	39,337,000
Carolina Casualty Insurance Company	197,941,000
Continental Western Insurance	313,435,000
Firemen's Insurance Company of Washington D.C.	184,504,000
Gemini Insurance Company	438,953,000
Great Divide Insurance Company	437,172,000
Key Risk Insurance Company	45,445,000
Midwest Employers Casualty Company	240,675,000
Nautilus Insurance Company	589,632,000
Riverport Insurance Company	110,364,000
StarNet Insurance Company	421,769,000
Tri-State Insurance Company of Minnesota	118,709,000
Union Insurance Company	305,799,000
Intrepid Insurance Company	<u>12,054,000</u>
 Total Assumed Intercompany Pool	 <u>\$5,178,584,000</u>

In addition to the intercompany pooling agreement, the Company has a 100% quota share reinsurance agreements with four of its U.S. affiliated insurance companies. Under the terms of

these agreements the Company assumes 100% of the direct and assumed business written by the companies which are party to these agreements. The Company assumed premiums amounting to \$283,098,000 from these companies during 2018. A listing of the companies who have 100% quota share agreement with the Company and the amount of premiums ceded in 2018 is shown below:

<u>Company</u>	<u>Premium Ceded</u>
Admiral Indemnity Insurance Company	\$ 79,213,000
Clermont Insurance Company	21,905,000
Preferred Employers Insurance Company	174,651,000
Union Standard Lloyds	<u>7,329,000</u>
Total	<u>\$283,098,000</u>

The Company in 2018 also assumed business from various foreign affiliates. The premiums assumed from its foreign affiliates in 2018 amounted to \$253,295,000.

Assumed Reinsurance – Non-Affiliated

The Company wrote approximately \$449,000,000 in unaffiliated gross assumed premium during 2018. The unaffiliated assumed reinsurance was primarily produced by the following Profit Centers:

Berkley Re America provides treaty and facultative reinsurance solutions on a variety of product lines through reinsurance brokers to companies whose primary operations are within the United States and Canada.

Berkley Re Asia Pacific provides property and casualty reinsurance to the Asia Pacific marketplace. With offices in Brisbane, Melbourne, Sydney, Beijing, Hong Kong and Singapore, each branch focuses on excess of loss reinsurance, targeting both property and casualty treaty and facultative contracts, through multiple distribution channels.

Berkley Re Solutions is a direct casualty facultative reinsurance underwriter serving clients

through a nationwide network of regional offices. Its facultative reinsurance products include automatic, semi-automatic and individual risk assumed reinsurance. It also provides its customers with turnkey products such as cyber, employment practices liability insurance, and liquor liability insurance to help enhance their clients' product offerings, along with underwriting, claims and actuarial consultation.

Berkley Re UK writes international property casualty treaty accounts. Its territorial scope includes reinsured clients domiciled in the United Kingdom, Europe, Africa, the Middle East and the Caribbean.

Lloyd's Syndicate 2791 *Participation* represents the Company's minority participation in a Lloyd's syndicate that writes a broad range of mainly short-tail classes of business.

Ceded Reinsurance – Non-Affiliate

The primary purpose for the Company's purchase of external reinsurance is to reduce its net liability on individual risks and to protect surplus from catastrophe losses. The significant corporate reinsurance programs in effect at December 31, 2018 are summarized below:

Property Catastrophe

The property catastrophe program consists of three layers. All three layers cover terrorism with an exclusion for nuclear, biological, chemical or radioactive material are 100% placed and provide for one reinstatement at 100%. The property business for WRB Berkley 1967 Syndicate (1967 Syndicate) commercial property business is excluded from the first layer but is covered by the second and third layers. A summary of the program by layer is described below:

- 1st Layer \$30M excess of \$30M per occurrence (excluding 1967 Syndicate commercial property exposures)

- 2nd Layer \$100M excess of \$60M per occurrence (excluding 1967 Syndicate commercial property exposures) or excess of \$52.5M (for 1967 Syndicate commercial property exposures)
- 3rd Layer \$195M excess of \$100M excess of underlying per occurrence

Multi-Pillared Reinsurance Agreement

The Multi Pillared Reinsurance Agreement provides protection from various perils on a per event basis as described below:

- Section A - \$20M excess of \$10M each occurrence for named hurricanes and tropical storms in the Northeastern United States and Northeastern Named Canadian Provinces and Territories.
- Section B - \$20M excess of \$10M each occurrence for named gulf hurricanes and tropical storms. The section covers various US Gulf States as well as Puerto Rico and US Territories and Possessions. It excludes Florida, Georgia, South Carolina and North Carolina.
- Section C - \$20M excess of \$10M each occurrence for named hurricanes and tropical storms in Florida.
- Section D - \$20M excess of \$10M each occurrence for named hurricanes and tropical storms in US States and Canadian Provinces not listed in sections A, B and C.
- Section E - \$20M excess of \$10M for North American Earthquake.
- Section F - \$20M excess of \$15M covering severe convective storms.
- Section G - \$20M excess of \$7.5M covering European windstorm and flood.
- Section H - \$5M excess \$5M covering South African earthquake.
- Section I - \$20M excess \$10K for worldwide terrorism with an Industry Loss Warranty (ILW) target of \$1B, this section is not subject to the back up provisions of Section J.
- Section J provides back up protection of up to \$20M for sections A, B, C, D, E, F, G and H. The maximum recovery under section J is \$20M.

The treaty is subject to an aggregate limit of \$80M and is placed 100% with Everest Re.

Retrocessional Catastrophe Program

The retrocessional catastrophe program provides coverage for all reinsurance units within the Group.

The Group Retro Property Catastrophe Treaty is 80% placed and provides coverage as described below:

- Section 1 - \$15M excess of \$10 for all US States, Canada and The Caribbean.
- Section 2 - \$15M excess of \$15M providing coverage for Australia, New Zealand, Japan and various Asian Countries.
- Section 3 - \$15M excess of \$7.5M covering all losses wherever they arise excluding territories defined in Section 1 and Section 2 and covers loss arising from windstorm and flood within Europe.

The maximum recoverable across all losses shall be \$15M. The contract provides for one reinstatement at 100% pro rata as to the amount reinstated only.

In addition, coverage is provided for all reinsurance units under a Group Retro Property Catastrophe Aggregate Contract which is 100% placed with Aeolus Re. Ltd.

This contract provides coverage for \$20M excess of \$15M subject to a \$2M deductible each and every event and is applied to aggregate losses net of the recoveries within the Group Retro Property Occurrence coverage outlined above. No loss shall attach to the contract unless the Company sustains a loss from two or more risks involved in the same loss occurrence.

Property Per Risk

The Company has in place a property per risk reinsurance program which was effective April 1, 2018. The program is divided into three layers which provide protection as described below:

- 1st Layer \$6M excess of \$2.5M with 100% placement and, unlimited reinstatements. It has an occurrence limit of \$18M.

- 2nd Layer \$11.5M excess of \$8.5M with 100% placement, one free reinstatement and a second reinstatement at 50%. It has an occurrence limit of \$23M.
- 3rd Layer \$40M excess \$20M 100% placement, with one reinstatement at 100%. It has an occurrence limit of \$60M.

Workers Compensation Catastrophe XOL

This program was effective May 1, 2018 and is divided into three layers of coverage, as described below:

- 1st Layer \$10M excess of \$5M with 100% placement and one reinstatement at 100%.
- 2nd Layer \$15M excess of \$15M with 100% placement and one reinstatement at 100%.
- 3rd Layer \$60M excess of \$30M with 100% placement and one reinstatement at 100%.

Workers Compensation Per Person Coverage

The Workers Compensation Per Person Coverage applies to all business written with the exception of the business written by Midwest Employers Casualty Company (MECC). There are two layers within this cover which are described below:

- 1st Layer \$4M excess of \$3M per person which is 87.5% placed with one reinstatement at 100% and three free reinstatements. In addition, there is coverage in the amount of \$4M excess of \$3M which is 12.5% placed with five free reinstatements. Total placement is 100%.
- 2nd Layer \$8M excess of \$7M per person which is 40% placed with one reinstatement at 100%. In addition, there is coverage in amount of \$8M excess of \$7M per person which is 44% placed with two free reinstatements. Total placement is 84%.

MECC Workers Compensation Reinsurance Program

The program is divided into four layers of coverage. The first three layers are effective August 1, 2018 with the 4th layer effective October 15, 2018. All layers are placed 100%. A summary of the program by layers as described below:

- 1st Layer \$25M excess of \$25M with a \$12.5 maximum any one life with one reinstatement at 100%.

- 2nd Layer \$50M excess of \$50M with a \$12.5M maximum any one life with one reinstatement at 100%.
- 3rd Layer \$100M excess of \$100M with a \$12.5M maximum any one life. This layer excludes California Earthquake with one reinstatement at 100%.
- 4th Layer \$165M excess of \$200M with a \$12.5M maximum any one life. This layer excludes California Earthquake with one reinstatement at 100%.

Casualty Catastrophe Program

Global Underlying Contingency

The contract is a claims made contract which covers losses discovered during the twelve month period effective January 1, 2018. Coverage is provided in three layers with each layer having two sections. Section one covers losses occurring on or after January 1, 2018 while section two covers losses occurring prior to January 1, 2018 (but on or after January 1, 2003). All layers are placed 100%. A description of the coverage by section and layer as described below.

- Layer 1 Section 1 provides coverage of \$10M excess of \$1M with two free reinstatements and one reinstatement at 100%.
- Layer 1 Section 2 provides coverage for \$10M excess of \$5M, sharing the one reinstatement at 100% with Section 1.
- Layers 2 Section 1 provides coverage of \$10M excess of \$11M with one reinstatement at 100%.
- Layer 2 Section 2 provides coverage of \$10M excess of \$15M, sharing the one reinstatement at 100% with Section 1.
- Layer 3 Section 1 provides coverage of \$30M excess \$21M with one reinstatement at 100%.
- Layer 3 Section 2 provides coverage of \$30M excess of \$25M, sharing the one reinstatement at 100% with Section 1.

Global Underlying Clash

The contract is a claims made contract which covers losses occurring during the twelve month period effective January 1, 2018. The contract provides for coverage in two layers (all layers are placed 100%) which are described below:

- Layer 1 covers losses involving one operating unit for \$2.5M excess \$5M.
- Layer 2 covers losses involving one or more operating units for \$7.5M excess of \$7.5M.

Reinstatements are paid at 100% and the total liability of the reinsurer shall not exceed \$30M in the aggregate.

Global Primo Excess of Loss

The contract is a claims made contract which covers casualty catastrophes discovered during the twelve month period effective January 1, 2018. This contract provides coverage in excess of the Company's Global Underlying Contingency and Global Underlying Clash Contracts. In addition, it provides coverage for the Company's assumed reinsurance business with a \$10M retention. Coverage is provided in two layers (all layers are placed 100%) as described below:

- Layer 1 provides coverage for \$20M excess of the underlying layers (clash or contingency) or excess of \$10M for reinsurance-only events with one reinstatement at 100%.
- Layer 2 provides coverage for \$40M excess of \$30M excess of the underlying layers (clash or contingency) or excess of \$10M for reinsurance-only events with one reinstatement at 100%.

Other Reinsurance Programs

The Company also purchases treaties that specifically protect individual profit centers with the objective of reducing volatility and in some cases providing greater capacity to assist the profit center when competing in their respective market place.

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

BERKLEY INSURANCE COMPANY
STATEMENT OF ASSETS
AS OF DECEMBER 31, 2018

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets 2018	Note
Bonds	\$ 8,936,472,945	\$ -	\$ 8,936,472,945	
Preferred stocks	104,566,899	-	104,566,899	
Common stocks	3,796,752,049	-	3,796,752,049	
Mortgage Loans - Other than first liens	55,489,010	-	55,489,010	
Properties occupied by company	61,479,788	-	61,479,788	
Properties held for the production of income	372,135,694	20,553,237	351,582,457	
Properties held for sale	77,160,564	-	77,160,564	
Cash	227,689,639	-	227,689,639	
Cash equivalents	439,876,241	-	439,876,241	
Short-term investments	38,727,024	-	38,727,024	
Derivatives	37,393	-	37,393	
Other invested assets	2,485,268,247	-	2,485,268,247	
Receivables for securities	4,398,904	-	4,398,904	
Subtotals, cash and invested assets	<u>\$ 16,600,054,397</u>	<u>\$ 20,553,237</u>	<u>\$ 16,579,501,160</u>	
Investment income due and accrued	78,680,899	-	78,680,899	
Uncollected premiums and agents' balances	1,633,422,863	6,660,990	1,626,761,873	
Deferred premiums; agents' balances and installments booked but deferred and not yet due	4,145,856	258,340	3,887,516	
Accrued retrospective premiums	2,787,479	-	2,787,479	
Amounts recoverable from reinsurers	126,941,191	-	126,941,191	
Funds held by or deposited with reinsured companies	23,972,802	-	23,972,802	
Current federal and foreign income tax recoverable and interest thereon	16,123,520	-	16,123,520	
Net deferred tax asset	194,248,360	-	194,248,360	
Guaranty funds receivable or on deposit	13,508	-	13,508	
Electronic data processing equipment software	35,457,600	31,665,336	3,792,264	
Furniture and equipment, including healthcare delivery assets	29,727,914	29,727,914	-	
Receivable from parent, subsidiaries and affiliates	41,822,318	5,077,496	36,744,822	
Aggregate write-ins for other than invested assets	25,695,109	18,884,570	6,810,539	
Total Assets	<u>\$ 18,813,093,816</u>	<u>\$ 112,827,883</u>	<u>\$ 18,700,265,933</u>	

**BERKLEY INSURANCE COMPANY
STATEMENT OF LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2018**

	<u>2018</u>	<u>Note</u>
Losses	\$ 7,949,902,013	1
Reinsurance payable on paid losses and loss adjustment expenses	112,894,771	
Loss adjustment expenses	1,768,717,920	1
Commissions payable, contingent commissions and other similar charges	87,750,863	
Other expenses (excluding taxes, licenses and fees)	178,953,584	
Taxes, licenses and fees (excluding federal and foreign income taxes)	18,838,264	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$442,862,985 and including warranty reserves of \$0)	2,632,789,713	
Advance premium	19,924	
Dividends declared and unpaid: Policyholders	1,068,115	
Ceded reinsurance premiums payable (net of ceding commissions)	143,339,659	
Funds held by company under reinsurance treaties	28,116,478	
Amounts withheld or retained by company	11,958,355	
Remittances and items not allocated	9,399,794	
Provision for reinsurance (including \$171,910 certified)	11,330,886	
Drafts outstanding	187,282	
Payable to parent, subsidiaries and affiliates	29,315,066	
Derivatives	57,875	
Payable for securities	23,927,053	
Aggregate write-ins for liabilities	103,768,386	
Total liabilities excluding protected cell liabilities	<u>\$13,112,336,001</u>	
Total liabilities	<u>\$13,112,336,001</u>	
Common capital stock	\$ 43,000,000	
Preferred capital stock	10,000	
Gross paid in and contributed surplus	2,887,639,560	
Unassigned funds (surplus)	<u>2,657,280,371</u>	
Surplus as regards policyholders	<u>\$ 5,587,929,931</u>	
Totals of liabilities & surplus	<u><u>\$18,700,265,932</u></u>	

**BERKLEY INSURANCE COMPANY
STATEMENT OF OPERATIONS
AS OF DECEMBER 31, 2018**

	<u>2018</u>	<u>Note</u>
Underwriting Income		
Premiums earned	\$ 5,698,250,578	
Deductions		
Losses incurred	\$ 2,720,210,711	
Loss adjustment expenses incurred	700,221,046	
Other underwriting expenses incurred	1,910,011,271	
Total underwriting deductions	<u>\$ 5,330,443,028</u>	
Net underwriting gain (loss)	<u>\$ 367,807,550</u>	
Investment Income		
Net investment income earned	\$ 948,809,247	
Net realized capital gains (losses) less capital gains tax of \$(135,786)	<u>(1,309,931)</u>	
Net investment gain (loss)	<u>\$ 947,499,316</u>	
Other Income		
Net gain (loss) from agents' or premium balances charged off (amount recovered \$1,856,127; amount charged off \$2,811,305)	\$ (955,178)	
Finance and service charges not included in premium	4,564,020	
Aggregate write-ins for miscellaneous income	44,724,815	
Total other income	<u>\$ 48,333,657</u>	
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 1,363,640,523</u>	
Dividends to policyholders	<u>10,790,631</u>	
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 1,352,849,892	
Federal and foreign income taxes incurred	<u>252,896,618</u>	
Net Income	<u><u>\$ 1,099,953,274</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	Preferred Stock	Gross Paid-in and Contributed Surplus	Aggregate write-ins for other than special surplus funds	Unassigned Surplus	Total
12/31/2013	\$ 43,000,000	\$ 10,000	\$ 2,751,028,412	\$ (12,031)	\$ 2,113,145,908	\$ 4,907,172,289
12/31/2014	-	-	46,969,056	(4) 12,031	(3) 970,199,016	(1) 1,017,180,103
12/31/2014	-	-	-	-	(487,149,984)	(2) (487,149,984)
12/31/2014	-	-	-	-	(12,031)	(3) (12,031)
12/31/2015	-	-	20,043,747	(4) -	463,537,727	(1) 483,581,474
12/31/2015	-	-	-	-	(625,212,470)	(2) (625,212,470)
12/31/2016	-	-	21,462,799	(4) -	860,146,807	(1) 881,609,606
12/31/2016	-	-	-	-	(684,125,254)	(2) (684,125,254)
12/31/2017	-	-	23,212,626	(4) -	641,176,539	(1) 664,389,165
12/31/2017	-	-	-	-	(677,830,015)	(2) (677,830,015)
12/31/2018	-	-	24,922,920	(4) -	707,154,129	(1) 732,077,049
12/31/2018	-	-	-	-	(623,750,000)	(2) (623,750,000)
	<u>\$ 43,000,000</u>	<u>\$ 10,000</u>	<u>\$ 2,887,639,560</u>	<u>\$ -</u>	<u>\$ 2,657,280,372</u>	<u>\$ 5,587,929,932</u>

(1) Represents net income, 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, aggregate write-ins for gains and losses in surplus.

(2) Dividends paid to stockholders.

(3) Included in unassigned surplus funds.

(4) Capital contributions.

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

\$7,949,902,013

Loss Adjustment Expenses

\$1,768,717,920

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2018. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with General Accepted

Actuarial Principles and Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual*, SSAP No. 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 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.

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,



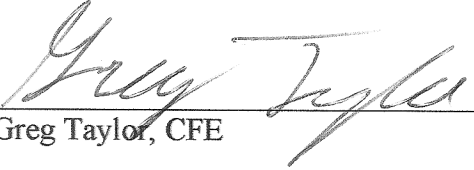
Greg Taylor, CFE
Co-Examiner In-Charge
Delaware Department of Insurance



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

Berkley Insurance 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 19.001.



Greg Taylor, CFE