

EXAMINATION REPORT
OF
HOMELAND INSURANCE COMPANY OF DELAWARE
AS OF
DECEMBER 31, 2021

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
HOMELAND INSURANCE COMPANY OF DELAWARE
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.

A handwritten signature in blue ink, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 24th day of February, 2023

TABLE OF CONTENTS

SCOPE OF EXAMINATION..... 1

SUMMARY OF SIGNIFICANT FINDINGS 3

COMPANY HISTORY 3

 Capitalization 3

 Dividends 4

MANAGEMENT AND CONTROL 4

 Directors 4

 Officers..... 5

 Corporate Records..... 5

 Insurance Holding Company System 6

 Agreements with Affiliates 7

TERRITORY AND PLAN OF OPERATION 8

REINSURANCE..... 8

FINANCIAL STATEMENTS 9

 Statement of Assets 10

 Statement of Liabilities, Capital and Surplus 11

 Statement of Income 12

 Reconciliation of Capital and Surplus 13

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE
EXAMINATION 14

COMMENTS ON FINANCIAL STATEMENT ITEMS..... 14

SUBSEQUENT EVENTS 14

SUMMARY OF RECOMMENDATIONS 14

CONCLUSION..... 15

November 30, 2022

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. 22.010, dated November 2, 2021, an examination has been made of the affairs, financial condition and management of

HOMELAND INSURANCE COMPANY OF DELAWARE

hereinafter referred to as the Company or HODE. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware 19801. The administrative office of the Company is located at 605 Highway 169 North, Suite 800, Plymouth, Minnesota 55441. The examination was conducted remotely given travel restrictions in connection with the COVID-19 pandemic. The report of examination is respectfully submitted.

SCOPE OF EXAMINATION

We have performed a multi-state examination of the Company. The last examination was conducted as of December 31, 2016 by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2017 through December 31, 2021. Our examination

was performed as part of the multi-state coordinated examination. The examination was conducted concurrently with that of the Company's New York domiciled affiliates: Atlantic Specialty Insurance Company (ASIC) and Homeland Insurance Company of New York, Pennsylvania domiciled affiliates: OBI America Insurance Company and OBI National Insurance Company, and Michigan affiliate: The Guarantee Company of North America USA. 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 Laws* 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 and Young LLP (EY). Certain work papers from EY's 2021 audit of the Company and certain of its affiliates have been incorporated into the work papers of the examiners. The work papers were utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

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

COMPANY HISTORY

The Company was incorporated on July 27, 2011, under the laws of the State of Delaware. At the time of incorporation, the Company was a direct wholly owned subsidiary of One Beacon Insurance Corporation (OBIC) and indirect subsidiary of OneBeacon Insurance Group LLC (OneBeacon). On November 1, 2012, OBIC contributed the common stock of the Company to ASIC, which was a direct subsidiary of OneBeacon. On September 28, 2017, OneBeacon was acquired through the indirect acquisition of 100% of its equity capital by Intact Financial Corporation (IFC). On February 18, 2020, OneBeacon was renamed Intact Insurance Group USA LLC (IIGUSA LLC).

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 60,000 shares of common with a \$100 par value per share. As of December 31, 2021, the Company had 45,000 shares of common stock issued and outstanding totaling \$4.5 million. All outstanding shares of

the Company's common stock are owned by ASIC. During the period under examination, there was no change to the gross paid-in and contributed surplus of \$45.5 million.

Dividends

The Board of Directors (Board) approved, and the Company paid, dividends during 2019 totaling \$3,413,313. No additional dividends were authorized or paid during the examination period.

MANAGEMENT AND CONTROL

Directors

Pursuant to the *General Corporation Laws* of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be exercised by or under the authority of its Board. The bylaws provide that the number of directors that constitute the whole Board should not be less than seven members or more than fifteen members. Each director is elected until the next annual meeting of the stockholders and until such director's successor is elected and qualified. The Board may designate an Executive Committee and one or more other committees. Each committee must consist of two or more directors. Directors duly elected and serving as of December 31, 2021, are as follows:

<u>Name</u>	<u>Title</u>
Mark A. Tullis	Vice-Chairman IFC
Paul J. Brehm	Senior Vice President and Chief Underwriting Officer Intact Insurance Specialty Solutions
Louis Marcotte	Executive Vice President and Chief Financial Officer IFC
John C. Treacy	Senior Vice President, Chief Financial Officer and Treasurer Intact Insurance Specialty Solutions

Lynn A. O’Leary	Senior Vice President and Chief Operations Officer Intact Insurance Specialty Solutions
Robert C. Gallagher	Executive of Global Marine Strategy IFC
T. Michael Miller	President Intact Insurance Specialty Solutions

Officers

Officers were elected in accordance with the Company’s bylaws during the period under examination. The bylaws require election of a President, Secretary and one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers. The primary officers serving as of December 31, 2021, were as follows:

<u>Name</u>	<u>Title</u>
T. Michael Miller	President
John C. Treacy	Senior Vice President, Treasurer and Chief Financial Officer
David G. Clancy	Assistant Treasurer
Kara L. B. Barrow	Secretary
Richardo Baez	Assistant Secretary
Lisa M. Vumbach	Assistant Secretary
Joshua A. Ruff	Assistant Secretary
Adam D. Brady	Assistant Secretary

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, 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. IFC is a financial services holding company domiciled in Canada. IFC's shares are publicly traded on the Toronto Stock Exchange. IFC's principal businesses are conducted through its directly and indirectly held insurance, reinsurance and insurance services subsidiaries and affiliates in Canada, the United States, the United Kingdom, Ireland and throughout Europe.

As of December 31, 2021, the United States based operations consisted of the six insurance subsidiaries of IIGUSA LLC, an insurance holding company domiciled in the State of Delaware. The following is an abbreviated organizational chart of the insurance holding company system as of December 31, 2021:

<u>Company</u>	<u>Domicile</u>
Intact Financial Corporation	Canada
Intact Investment Management, Inc.	Canada
Intact Ventures Inc.	Canada
Intact International Ventures SARL	Luxembourg
Intact Insurance Group USA Holdings Inc.	Delaware
Mill Shares Holdings U.S. Ltd.	Delaware
Intact U.S. Financial Services Inc.	Delaware
Intact U.S. Enterprises Holdings Inc.	Delaware
Intact U.S. Holdings Inc.	Delaware
Intact Insurance Group USA LLC	Delaware
Atlantic Specialty Insurance Company	New York
Homeland Insurance Company of New York	New York
Homeland Insurance Company of Delaware	Delaware
OBI America Insurance Company	Pennsylvania
OBI National Insurance Company	Pennsylvania
The Guarantee Company of North America USA	Michigan

Agreements with Affiliates

The Company was a party to the following service arrangements with affiliates during the examination period:

Effective January 1, 2018, the Company became party to an Investment Management Agreement among the entity now known as Intact Insurance Group USA Holdings, Inc. (IIG USA Holdings), Intact Investment Management Inc. (IIM Inc.) and certain insurance company and non-insurance company subsidiaries of IIG USA Holdings. In accordance with the agreement, IIM Inc. provides investment research and advice as well as the execution of orders for the purchase and sale of securities. The fee for these services is paid quarterly and is calculated as a percentage of the value of the investment portfolio on the last day of the preceding calendar quarter.

Effective December 31, 2017, the Company entered into an Administrative Services Agreement with the entity now known as Intact Services USA LLC (ISUS) pursuant to which ISUS provides administrative and management support services to HODE. In accordance with the agreement, ISUS may provide services including purchasing, accounting, human resources, data processing, facilities management, marketing services, legal services, third-party payments, investment and tax services and use of assets. In return, the Company pays a fee as determined by a cost allocation/reimbursement basis consistent with applicable regulatory guidance.

Effective October 16, 2017, the Company became party to a Tax Allocation Agreement between the entity now known as IIG USA Holdings and certain of its insurance company and non-insurance company subsidiaries. The agreement provides the terms by which the parties may file a consolidated federal income tax return. The federal income tax provision is computed on a separate return basis and provides that the members of the consolidated group receive reimbursement for any foreign tax credits, investment credits, losses of any loss carry over

generated by it, to the extent actually used in the consolidated return and not used by the group in computing its separate return liability.

TERRITORY AND PLAN OF OPERATION

Effective April 5, 2012, HODE was licensed in the State of Delaware as a domiciled surplus lines writer. The Company also obtained eligibility status in the States of New York, Pennsylvania, Rhode Island, Washington and the US Virgin Islands on a surplus lines basis.

For the year-ended December 31, 2021, the Company wrote specialty non-admitted insurance coverage for the following lines of business: fire and allied; inland marine; earthquake; other liability; products liability; commercial automobile; burglary and theft. The Company's business written is produced through independent agents, brokers and program administrators.

REINSURANCE

Originally effective October 1, 2012, and last amended August 1, 2015, HODE entered into a 100% Quota Share Reinsurance Agreement with ASIC. Under the terms of the agreement, HODE's liabilities incurred under or in connection with all contracts and policies of insurance issued, are ceded to and assumed by ASIC. As a result of this agreement, the Company retains no underwriting risk.

The Company does not assume any business, nor does it cede business to any non-affiliated companies. The following table provides a summary of the Company's direct and net written premium as of December 31, 2021, and the prior examination as of December 31, 2016:

<u>Direct Business</u>	<u>2021</u>	<u>% of Total</u>	<u>2016</u>	<u>% of Total</u>
Direct Written Premium	\$ 26,157,438	100%	\$ 25,672,545	100%
Total Direct	\$ 26,157,438	100%	\$ 25,672,545	100%
<u>Ceded Premium</u>				
Affiliates	\$ 26,157,438	100%	\$ 25,672,545	100%
Non-Affiliates	-	-	-	-
Total Ceded	\$ 26,157,438	100%	\$ 25,672,545	100%
Total Net Written Premium	\$ -	-	\$ -	-

FINANCIAL STATEMENTS

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

Statement of Assets
As of December 31, 2021

	Assets	Non admitted Assets	Net Admitted Assets
Bonds	\$ 52,269,049	\$ -	\$ 52,269,049
Cash	1,342,516	-	1,342,516
Subtotals, cash and invested assets	\$ 53,611,565	\$ -	\$ 53,611,565
Investment income due and accrued	\$ 162,138	\$ -	\$ 162,138
Net deferred tax asset	27,789	-	27,789
Totals	\$ 53,801,492	\$ -	\$ 53,801,492

Statement of Liabilities, Capital and Surplus
As of December 31, 2021

		<u>Notes</u>
Losses	\$ -	1
Loss adjustment expenses	-	1
Other expenses	18,560	
Taxes, licenses and fees	(725)	
Current federal and foreign income taxes	78,063	
Payable to parent, subsidiaries and affiliates	<u>18,166</u>	
 Total liabilities	 <u>\$ 114,064</u>	
 Common capital stock	 \$ 4,500,000	
Gross paid in and contributed surplus	45,500,000	
Unassigned funds (surplus)	<u>3,687,428</u>	
 Total capital and surplus	 <u>\$ 53,687,428</u>	
 Total liabilities, capital and surplus	 <u><u>\$ 53,801,492</u></u>	

Statement of Income
For the Year Ended December 31, 2021

UNDERWRITING INCOME

Premiums earned	\$	-
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	\$	940,933
Net realized capital gains (losses)		<u>67,950</u>
Total net investment gain (loss)	\$	<u>1,008,883</u>
Net gain from operations before federal income tax	\$	<u>1,008,883</u>
(benefit)		<u>265,362</u>
Net income (loss)	\$	<u><u>743,521</u></u>

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

	Common Capital Stock	Gross Paid in and Contributed Surplus	Unassigned Funds (Surplus)	Total
Balance as of December 31, 2016	\$4,500,000	\$ 45,500,000	\$ 1,979,628	\$ 51,979,628
2017 Net Income (Losses)			700,046	700,046
2017 Other Changes ¹	-	-	(1,822)	(1,822)
2018 Net Income (Losses)	-	-	742,910	742,910
2018 Other Changes ¹	-	-	(7,449)	(7,449)
2019 Net Income (Losses)	-	-	1,510,660	1,510,660
2019 Other Changes ¹	-	-	(4,352)	(4,352)
2019 Dividend Distributions	-	-	(3,413,313)	(3,413,313)
2020 Net Income (Losses)	-	-	1,407,617	1,407,617
2020 Other Changes ¹	-	-	20,935	20,935
2021 Net Income (Losses)	-	-	743,521	743,521
2021 Other Changes ¹	-	-	9,047	9,047
Balance as of December 31, 2021	<u>\$4,500,000</u>	<u>\$ 45,500,000</u>	<u>\$ 3,687,428</u>	<u>\$ 53,687,428</u>

Change in net deferred income taxes, Change in non-admitted assets.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$	-
Loss Adjustment Expenses		-

The New York Department of Financial Services (NYDFS) performed an actuarial review of the loss and loss adjustment expense reserves of the companies under examination on behalf of this coordinated examination. ASIC is the only entity in the Group with a net reserve balance given all the other entities under examination cede 100% of policyholder liabilities to ASIC.

Additionally, the Department retained the actuarial services of INS Consultants, Inc. (INS) to perform a limited scope review of the Company's reported gross and net loss and loss adjustment expense reserve balances as of December 31, 2021. INS performed an independent reserve analysis including an assessment of the Company's reserves for compliance with applicable *Actuarial Standards of Practice* and the *NAIC Accounting Practices and Procedures Manual*.

SUBSEQUENT EVENTS

Subsequent events were evaluated through the date that this examination report was available to be issued. No items were noted for disclosure.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

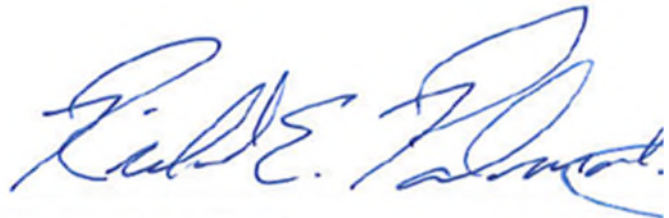
CONCLUSION

The assistance of the NYDFS examination staff and the Department's consulting actuarial firm, INS, is acknowledged. In addition, the assistance and cooperation of the Company's external audit firm, EY, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Patrick White, CFE
Examiner In-Charge
State of Delaware



Richard Palmatary, CFE
Supervising Examiner
State of Delaware

Homeland Insurance Company of Delaware

I, Patrick White, 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 Department pursuant to Examination Certification No. 22.010.

A handwritten signature in black ink that reads "Patrick White". The signature is written in a cursive style with a horizontal line underneath it.

Patrick White, CFE