

**EXAMINATION REPORT**  
**OF THE**  
**MARKEL GLOBAL REINSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2015**

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

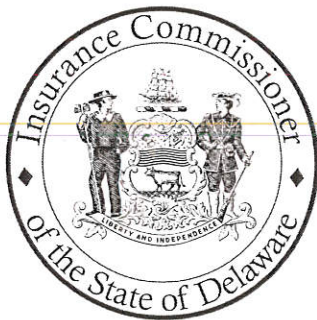
I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2015 of the

**MARKEL GLOBAL REINSURANCE COMPANY**

is a true and correct copy of the document filed with this Department.

Attest By: *Rufus Brown*

Date: June 5, 2017



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 5<sup>th</sup> day of June, 2017.

*Trinidad Navarro*  
Trinidad Navarro  
Insurance Commissioner

Trinidad Navarro  
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION  
OF THE  
MARKEL GLOBAL REINSURANCE COMPANY  
AS OF  
DECEMBER 31, 2015

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", written over a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 5<sup>th</sup> day of June, 2017

## TABLE OF CONTENTS

<u>SALUTATION</u> .....	1
<u>SCOPE OF EXAMINATION</u> .....	1
<u>SUMMARY OF SIGNIFICANT FINDINGS</u> .....	3
<u>COMPANY HISTORY</u> .....	3
COMMON CAPITAL STOCK .....	4
GROSS PAID IN AND CONTRIBUTED SURPLUS .....	4
DIVIDENDS TO STOCKHOLDERS .....	5
<u>MANAGEMENT AND CONTROL</u> .....	5
SHAREHOLDER .....	5
BOARD OF DIRECTORS .....	5
COMMITTEES .....	6
OFFICERS .....	6
CORPORATE RECORDS .....	7
ARTICLES OF INCORPORATION AND BYLAWS .....	7
HOLDING COMPANY SYSTEM .....	7
AFFILIATED AGREEMENTS .....	9
<u>TERRITORY AND PLAN OF OPERATION</u> .....	10
<u>REINSURANCE</u> .....	10
<u>FINANCIAL STATEMENTS</u> .....	12
STATEMENT OF ASSETS AND LIABILITIES .....	13
STATEMENT OF INCOME .....	15
RECONCILIATION OF CAPITAL AND SURPLUS .....	16
<u>SUBSEQUENT EVENTS</u> .....	17
<u>SUMMARY OF RECOMMENDATIONS</u> .....	17
<u>CONCLUSION</u> .....	17

## **SALUTATION**

March 3, 2017

Honorable Trinidad Navarro  
Insurance Commissioner  
Delaware Department of Insurance  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 16-009, dated March 30, 2016, an examination has been made of the affairs, financial condition and management of the

### **MARKEL GLOBAL REINSURANCE COMPANY**

hereinafter referred to as “Company” or “MGRC”, incorporated under the laws of the State of Delaware as a stock company with its home office located at 1209 Orange Street, Wilmington, Delaware. The examination was conducted at the offices of the Company located at Ten Parkway North, Deerfield, Illinois.

The examination report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

In coordination with the Illinois Insurance Department, we have performed our examination of Markel Global Reinsurance Company. The last examination covered the period from January 1, 2007 through December 31, 2011, and was performed by the Connecticut

Insurance Department. The Company redomesticated to Delaware on December 31, 2014. This examination covers the period of January 1, 2012 through December 31, 2015.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (NAIC Handbook). 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 (e.g., subjective conclusions, proprietary information, etc.), 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 auditing firm, KPMG LLP. Certain auditor work papers have been incorporated into the work papers of the examination.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material adjustments to the Company's financial statements that warranted disclosure in this examination report.

### **COMPANY HISTORY**

The Company was incorporated in Connecticut on April 21, 1997, as Quadrant Indemnity Company (Quadrant) and commenced business on September 17, 1997, under the laws of the State of Connecticut. The Company was a wholly owned subsidiary of Executive Risk Indemnity, Inc. which was wholly owned by Federal Insurance Company (Federal). Federal was wholly owned by The Chubb Corporation (Chubb).

Harbor Point Limited (Harbor Point), a holding company organized under the laws of Bermuda on October 24, 2005, acquired the continuing operations and certain assets of Chubb Re, Inc. (Chubb Re), the reinsurance assumed business unit of Chubb, effective December 15, 2005. These assets included the renewal rights to the in-force assumed reinsurance business underwritten, placed, and serviced by Chubb Re on behalf of Federal, the principal operating subsidiary of Chubb.

On January 2, 2007, Alterra USA Holdings Limited (Alterra USA) completed the acquisition of all of the issued and outstanding capital stock of the Company from Chubb.

Effective April 17, 2007, the name of the Company was changed to Harbor Point Reinsurance U.S., Inc. until it was renamed Alterra Reinsurance USA Inc. on August 11, 2010.

On May 1, 2013, Markel Corporation (Markel), a Virginia domiciled holding Company, became the ultimate controlling parent and sole shareholder of Alterra Capital Holdings Limited (Alterra Capital), a Bermuda exempt limited liability company and all of its subsidiaries including Alterra Excess and Surplus Insurance company (AESIC), Alterra America Insurance Company (AAIC) and Alterra Reinsurance USA Inc. (subsequently renamed Markel Global Reinsurance Company).

#### Common Capital Stock

The Articles of Incorporation provide for authorized capital in the amount of \$5,000,000, consisting of 50,000 shares of common stock with a par value of \$100. As of December 31, 2015 there were 50,000 common shares issued and outstanding representing \$5,000,000 in common capital stock. There were no changes made to the common capital stock during the examination period.

All shares outstanding as of December 31, 2015 were owned by the Company's parent, Alterra USA Holdings Limited, which is ultimately wholly owned by Markel Corporation.

#### Gross Paid In and Contributed Surplus

At December 31, 2015, the Company reported a balance of gross paid in and contributed surplus in the amount of \$672,769,365. The following changes were made to this account during the examination period:

Balance, December 31, 2011	\$ 645,219,871
December 31, 2012	1,275,150
December 31, 2013	21,274,344
December 31, 2014	<u>5,000,000</u>
Balance, December 31, 2015	<u>\$ 672,769,365</u>



Dividends to Stockholders

During the period under examination, the Company paid no stockholder dividends.

**MANAGEMENT AND CONTROL**

Shareholder

At December 31, 2015, the sole shareholder of the Company was Alterra USA Holdings Limited, which is ultimately wholly owned by Markel Corporation.

Board of Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Articles of Incorporation and bylaws, all corporate powers are exercised by or under the direction of the Board of Directors. The bylaws provide that the Company's business shall be managed by or under the direction of its Board of Directors.

At December 31, 2015, the members of the Board of Directors were as follows:

<u>Director and Residence</u>	<u>Principal Occupation</u>
Gerard Albanese, Jr. Richmond, Virginia	Executive Vice President and Chief Underwriting Officer Markel Corporation
Francis Michael Crowley Richmond, Virginia	President/Co-Chief Operating Officer Markel Corporation
Britton Lee Glisson Doswell, Virginia	Chief Administration Officer Markel Corporation
Bradley James Kiscaden Glen Allen, Virginia	Executive Vice President and Chief Actuarial Officer Markel Corporation
Richard Reeves Whitt, III Glen Allen, Virginia	President/Co-Chief Operating Officer Markel Corporation

## Committees

The Company's bylaws provide for the Board of Directors, by resolution, to designate one or more committees as deemed appropriate. As of December 31, 2015, the Company was represented in the following committees with the Markel Group of insurance companies:

Audit Committee  
Risk Management Committee  
Compensation Committee  
Nominating Committee  
Reinsurance Committee

It was noted the all members of the audit committee are independent and five of the members qualify as financial experts.

## Officers

In accordance with the bylaws, the principal Officers of the Company shall consist of a President, a Treasurer, a Secretary and such Vice Presidents, Assistant Treasurers, Assistant Secretaries or other officers as may be elected by the Board of Directors or appointed by the President. Key officers elected and serving at December 31, 2015 were:

<u>Officer</u>	<u>Position</u>
Gerard Albanese, Jr.	Chairman of the Board
Jed Eliot Rhoads	President and Chief Underwriting Officer
Richard Reeves Whitt, III	Senior Vice President
April Lynn Duff	Treasurer
Anne Galbraith Waleski	Vice President
Nora Newton Crouch	Vice President
Richard Randolph Grinnan	Vice President and Secretary
Stephen Edward Leitz	Vice President
Robert Glen Whitt, III	Chief Accounting Officer and Controller

### Corporate Records

The recorded minutes of the sole shareholder and Board of Directors 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 the authorization of investments as required by 18 Del. C. §1304 “Authorization; record of investments”.

### Articles of Incorporation and Bylaws

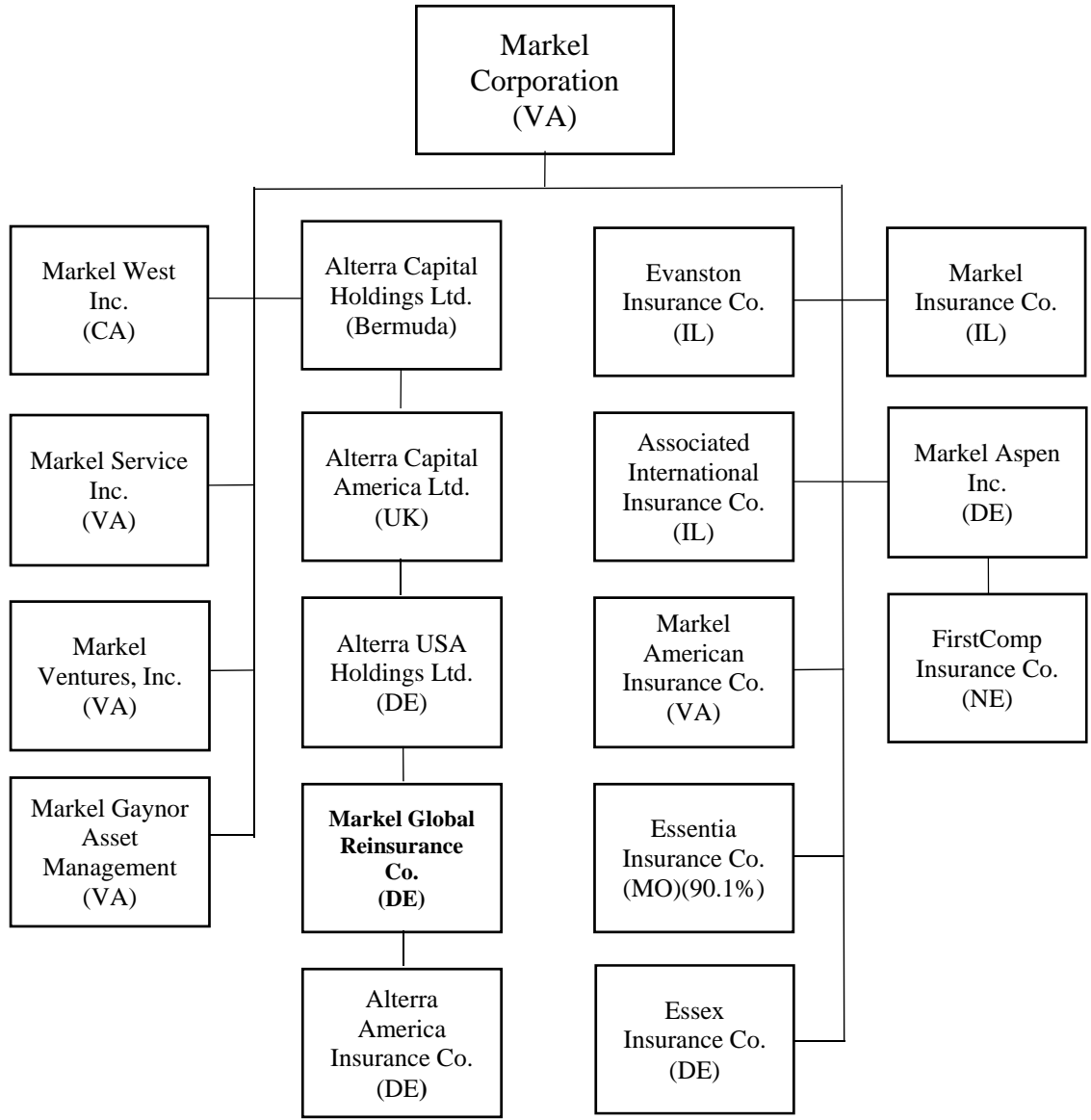
The Company did not amend its Articles of Incorporation or bylaws during the period under examination.

### Holding Company System

The Company is a member of an insurance holding company system as defined under 18 Del. C. §5001(5) “Insurance holding company system”. The Company’s Holding Company Registration Statements were filed timely with the Delaware Insurance Department for the years under examination.

Effective May 1, 2013, Markel Corporation, an insurance holding company domiciled in the Commonwealth of Virginia, became the ultimate controlling parent and sole shareholder of Alterra Capital Holdings Limited, a Bermuda exempted Limited Liability Company and all of its subsidiaries including Markel Global Reinsurance Company (formerly Alterra Reinsurance USA Inc.).

The following is an abbreviated organizational chart that reflects the identities and interrelationships between the Company and other members of the holding company system as of December 31, 2015:



### Affiliated Agreements

The Company is party to agreements with its parents and affiliates as follows:

#### *Intercompany Services Agreement*

Effective January 1, 2015, MGRC entered into a Management Agreement with Markel Service, Incorporated (MSI), whereby MSI acts as the exclusive business and underwriting manager for MGRC. This Agreement replaces and terminates the two prior agreements with Alterra Specialty Services and Alterra Insurance USA Inc.

#### *Investment Management Services Agreement*

Effective June 3, 2013, MGRC entered into an Investment Advisory Agreement with Markel-Gayner Asset Management Corporation (Markel-Gayner). Markel-Gayner provides investment advisory services to the Company with respect to its debt and equity investment portfolio. As compensation for its services, Markel-Gayner receives an annual fee equal to one percent of the equity portfolio's market value, payable in quarterly installments. Effective January 1, 2015, the Company and Markel-Gayner entered into an Amendment to the Investment Advisory Agreement to allow a 20 basis point annual fee on the non-equity portfolio.

#### *Tax Allocation Agreement*

Effective June 3, 2013, MGRC became a party to the Tax Allocation Agreement (the Agreement) among Markel and its affiliates which is a standard form tax allocation agreement that sets forth the basis on which those Markel entities joining in Markel's annual consolidated federal income tax returns are to share in the tax liabilities, losses, deductions, tax credits and other tax attributes associated with Markel's consolidated tax returns. The general rule applicable under the agreement is that each entity's share of the consolidated federal income tax liability of the affiliated

group is to be equal to the federal income tax liability it would incur had it filed a separate tax return.

### **TERRITORY AND PLAN OF OPERATION**

Markel Global Reinsurance operates in three segments, Casualty, Specialty, and Property. Each segment provides treaty reinsurance to ceding companies on a worldwide basis. Contracts are written on a quota share basis or an excess of loss basis. Within the casualty segment, the Company underwrites contracts where the principal exposures are to general casualty, medical malpractice, non-standard auto, workers' compensation and professional liability, which mainly includes directors' and officers' liability and errors and omissions risks. The product lines the Company underwrites within the specialty segment include primarily aviation and credit, which includes political risk, trade credit, surety and mortgage. The product lines that the Company writes in the property segment are property per risk and property quota share.

The Company assumes and cedes business as follows:

Direct business	\$0
Reinsurance assumed from affiliates	(81,837)
Reinsurance assumed from non affiliates	446,665,190
Ceded to affiliates	(231,400,423)
Ceded to non affiliates	<u>(3,471,115)</u>
Net	<u>\$ 211,711,815</u>

### **REINSURANCE**

The largest net aggregate amount insured in any one risk excluding Worker's Compensation at December 31, 2015 was \$15,600,000 under an assumed reinsurance agreement

with Genworth Mortgage Insurance Corporation. The following reinsurance agreements were in-force at December 31, 2015.

Assumed Reinsurance – Affiliated Companies

The Company reported no assumed premiums from affiliates at year end December 31, 2015 on any active reinsurance agreements.

Assumed Reinsurance – Nonaffiliated Companies

The Company operates as a reinsurance company and primarily assumes specialty and casualty business on an excess of loss and quota share basis through reinsurance brokers. In 2015, the Company reported assumed premiums written in the amount of \$446,583,353.

Ceded Reinsurance – Affiliated Companies

Type of Agreement	Business Covered	Assuming Company	Liability Ceded
52% Quota Share	All business reinsured by the Company	Markel Bermuda, Ltd.	52% of all business

Ceded Reinsurance – Unaffiliated Companies

Type of Agreement	Business Covered	Company Retention	Reinsurers' Limits
Aviation 2015 Global Common Account Excess of Loss	Business classified by the reinsured as Aviation and ceded to the Aviation Quota Share Treaty	10% of \$29.95M or \$2,995,000 on all business assumed under the Treaty	10% of \$233M excess \$29.95M on business assumed under the Treaty
Aviation Excess of Loss	Covers all losses arising in respect of all business underwritten and classified as Aviation	\$2M each	\$10M excess \$2M each and every loss.
Aviation 2015 Common Account Excess of Loss	Aviation business assumed from Lloyds Syndicate 1883 under a Quota Share Treaty in which MGRC has a 3.5% participation	3.5% of \$4M or \$140,000 for all risks assumed	3.5% of \$178.5M excess \$4M for all risks assumed under the Agreement

General Aviation Hull Excess of Loss	General Aviation Hull business ceded to the General Aviation Quota Share Agreement underwritten by either the U.S. Branch of Starr Aviation, Lloyds Syndicate 1919, or Starr Insurance & Reinsurance, Ltd.	.84% of \$10M or \$84,000 each aircraft	.84% of \$65M excess \$10M each aircraft hull
General Aviation Liability Excess of Loss	General Aviation Liability Business ceded to the General Aviation Quota Share Agreement underwritten by either the U.S. branch of Starr Aviation, Lloyds Syndicate 1919, or Starr Insurance & Reinsurance, Ltd.	.84% of \$50M or \$420,000 each loss occurrence	.84% of \$450M excess \$50M each loss occurrence

**FINANCIAL STATEMENTS**

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2015:

- Statement of Assets and Liabilities
- Statement of Income
- Reconciliation of Capital and Surplus



Statement of Assets and Liabilities  
December 31, 2015

	Ledger	Assets Not	Net Admitted
	<u>Assets</u>	<u>Admitted</u>	<u>Assets</u>
Bonds	\$568,952,672	\$ 0	\$568,952,672
Common Stock	529,200,523	0	529,200,523
Cash and Short-Term Investments	90,220,076	0	90,220,076
Investment Income Due and Accrued	5,733,876	0	5,733,876
Uncollected Premiums and Agents' Balances in Course of Collection	32,527,837	0	32,527,837
Deferred Premiums	260,468,264	0	260,468,264
Reinsurance Recoverables from Reinsurers	29,634,238	0	29,634,238
Funds held by or Deposited with Reinsured Companies	3,693,416	0	3,693,416
Current Federal and Foreign Income Tax	6,749,906	0	6,749,906
Net deferred asset	<u>25,630,922</u>	<u>6,397,360</u>	<u>19,233,562</u>
Total Assets	<u>\$1,552,811,730</u>	<u>\$ 6,397,360</u>	<u>\$1,546,414,370</u>

Markel Global Reinsurance Company

Losses	\$416,960,593
Reinsurance payable on paid losses and loss adjustment expenses	15,333,393
Loss adjustment expenses	8,166,524
Other expenses	2,375,818
Taxes, licenses and fees	32,552
Unearned premiums	181,561,689
Ceded reinsurance premiums payable	179,940,276
Remittance and items not allocated	6,102,253
Provision for reinsurance	109,222
Payable to parent, subsidiaries and affiliates	5,707,965
Retroactive reinsurance assumed	2,992,772
Miscellaneous	<u>1,396</u>
 Total liabilities	 \$819,284,454
 Common capital stock	 5,000,000
Gross paid in and contributed surplus	672,769,365
Unassigned funds	<u>49,360,551</u>
 Surplus as regards policyholders	 \$727,129,916
 Total liabilities, surplus and other funds	 <u><u>\$1,546,414,370</u></u>

Statement of Income  
December 31, 2015

UNDERWRITING INCOME

Premiums earned	\$	206,756,918
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DEDUCTIONS

Losses incurred	\$	135,342,640
Loss adjustment expenses incurred		12,965,659
Other underwriting expenses incurred		73,100,538
Total Underwriting Deductions	\$	<u>221,408,837</u>
Net Underwriting Gain or (Loss)	\$	<u>(14,651,919)</u>

INVESTMENT INCOME

Net investment income earned	\$	24,635,815
Net realized capital gains (losses) less capital gains tax		<u>(10,994,611)</u>
Net Investment Gain or (Loss)	\$	<u>13,641,204</u>

OTHER INCOME

Aggregate write-ins for miscellaneous income		(\$113)
Net income before dividends to policyholders and before federal income taxes		(1,010,828)
Federal and foreign income taxes incurred		<u>(2,739,605)</u>
Net Income (Loss)	\$	<u><u>1,728,777</u></u>

Reconciliation of Capital and Surplus  
December 31, 2011 to December 31, 2015

Capital and Surplus, December 31, 2011	\$ <u>676,476,932</u>
Net Income	\$ 42,651,570
Change in net unrealized capital gains (losses)	\$ (26,838,430)
Change in net unrealized foreign exchange capital	(686,207)
Change in non-admitted assets and related items	(95,362)
Change in net deferred income tax	4,201,836
Change in provision for reinsurance	(109,222)
Change in accounting principals	3,979,305
Surplus paid in	<u>27,549,494</u>
Capital and Surplus, December 31, 2015	<u>\$ 727,129,916</u>

**SUBSEQUENT EVENTS**

There were no significant subsequent events that warranted disclosure in this examination report.

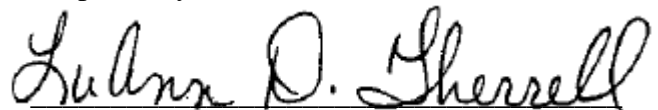
**SUMMARY OF RECOMMENDATIONS**

There are no recommendations that warrant disclosure in the report.

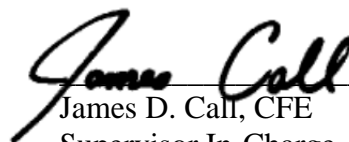
**CONCLUSION**

The assistance of Delaware Insurance Department's consulting actuarial firm, INS Consultants, Inc. is acknowledged. In addition, the assistance and cooperation of the Company's outside audit firm, KPMG LLP, and the Company's management and staff were appreciated and are acknowledged.

Respectfully submitted,



Lu Ann D. Therrell, CFE  
Examiner In-Charge  
Delaware Department of Insurance



James D. Call, CFE  
Supervisor In-Charge  
Delaware Department of Insurance