REPORT ON EXAMINATION

OF

MUNICH REINSURANCE AMERICA, INC.

AS OF

DECEMBER 31, 2016

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, 2016 of

MUNICH REINSURANCE AMERICA, INC.

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

Attest By: ____________________

Date: May 31, 2018

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 6th day of June, 2018.

____
Trinidad Navarro
Insurance Commissioner

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Trinidad Navarro
Commissioner

Delaware Department of Insurance

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MUNICH REINSURANCE AMERICA, INC.

AS OF

DECEMBER 31, 2016

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.

Trinidad Navarro
Insurance Commissioner

Dated this 6th day of June, 2018

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SALUTATION

April 30, 2018

Honorable Trinidad Navarro
Delaware Insurance Commissioner
Delaware Department of Insurance
Rodney Building
841 Silver Lake Blvd.
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 17.013, dated April 5, 2017, an examination has been made of the affairs, financial condition and management of the

MUNICH REINSURANCE AMERICA, INC.

hereinafter referred to as the "Company" or "MRAm" and incorporated under the laws of the State of Delaware. The examination was conducted at the administrative offices of the Company, located at 555 College Road East, Princeton, New Jersey 08543. 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 Company's registered office is in the State of Delaware at 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808. The last examination covered the period of January 1, 2009 through December 31, 2012. This examination covers the period of January 1, 2013 through December 31, 2016 and encompassed 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, 2016. Transactions after the examination date were reviewed where deemed necessary.

The examination of the Company was performed as part of the examination of the Munich Re America Corporation (MRAC) insurance group of companies as of December 31, 2016. The examination was conducted concurrently with that of its Delaware domiciled affiliate companies, American Alternative Insurance Corporation (AAIC) and The Princeton Excess and Surplus Lines Insurance Company (PESLIC).

We conducted the 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 the Department 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 auditing firm, KPMG LLP (KPMG), New York, NY. Certain auditor work papers have been incorporated into the work papers of the examination.

SUMMARY OF SIGNIFICANT FINDINGS

This examination had no material adverse findings, significant non-compliance findings, material changes in financial statements, or updates on other significant regulatory information disclosed in the previous examination

COMPANY HISTORY

General

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

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

On August 13, 1996, MRAC, the Company's immediate parent, entered into an Agreement and Plan of Merger with Munchener Ruckversicherungs-Gesellschaft

Aktiengesellschaft (MRG) and Puma Acquisition Corporation (Puma), a Delaware corporation and wholly-owned subsidiary of MRG. Pursuant to the terms of the Agreement and Plan of Merger, on November 25, 1996, following the approval of the merger by MRAC's stockholders and applicable regulatory authorities, Puma was merged with MRAC with the latter being the surviving entity.

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

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

There have been no ownership changes since September 2000.

Capitalization

The Company is authorized to issue 6,000,000 shares of common capital stock with a par value of $1.50 per share. As of December 31, 2016, 5,490,514 common stock shares are issued, outstanding and owned by MRAC.

The following table reflects the Company's capitalization activity since the prior examination:

	Common Stock	Gross Paid-in & Contributed Surplus
December 31, 2012	$8,235,771	$4,446,998,348
Activity During the Exam Period	0	0
December 31, 2016	$8,235,771	$4,446,998,348

Dividends

According to Company records for the years indicated, as reflected in the Board of Directors (Board) meeting minutes, dividends were paid to the sole stockholder and approved by the Department as follows:

Declared Date	Paid Date	Paid Amount	Type	Form
July 26, 2013	July 30, 2013	$169,000,000	Ordinary	Cash
July 31, 2014	August 11, 2014	$619,600,000	Ordinary	Cash
February 26, 2015	April 16, 2015	$458,000,000	Extraordinary	Cash
November 17, 2015	December 14, 2015	$177,100,000	Ordinary	Cash
February 24, 2016	April 19, 2016	$315,500,000	Ordinary	Cash
November 17, 2016	December 14, 2016	$177,000,000	Ordinary	Cash

MANAGEMENT AND CONTROL

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction of, its Board. The Board shall consist of at least three members and subject to a maximum of fifteen members.

The Board as of December 31, 2016 was comprised of ten members, each elected or appointed in accordance with Company bylaws. Each Director shall hold office until his successor is elected and qualified, or until earlier resignation or removal.

Directors

The Board, duly elected in accordance with the Company’s bylaws and serving as of December 31, 2016, was as follows:

Director Name	Principal Business Affiliation
Dr. Peter J. Röder	Chair, Munich Re, Germany
Charles A. Bryan	Independent Director
James J. Butler	Independent Director
Anthony J. Kuczinski	Munich Reinsurance America, Inc.
M. Steven Levy	Munich Reinsurance America, Inc.
Stephen J. Morello	Munich Reinsurance America, Inc.
Richard A. Olsen	Munich Reinsurance America, Inc.

Herman Pohlchristoph	Munich Re, Germany
William A. Robbie	Independent Director
Robin H. Willcox	Munich Reinsurance America, Inc.

Committees

The standing Board committees as of December 31, 2016 were as follows:

Executive Committee
Anthony J. Kuczinski, Chair
Peter Röder

Investment Committee
Richard A. Olsen, Chair
Michael Bös
René Gobonya
Peter Richter
Paul Wolfe

Pension Committee
Richard A. Olsen, Chair
Anita Kuchma
Jennifer Ughetta
Robin H. Willcox
Paul Wolfe

Savings Committee
Richard A. Olsen, Chair
Theodore Kmiecik
Ken Kuhn
Jennifer Ughetta
Robin H. Willcox
Paul Wolfe

Risk Management Committee (Regional)
Anthony J. Kuczinski, Chair
Gregory M. Barats
Andreas Kleiner
M. Steven Levy
Steven Morello
Richard Olsen
Melissa Salton
Werner Simon
Robin H. Willcox

Audit Committee
Hermann Pohlchristoph, Chair
James J. Butler, CPA
Charles A. Bryan
William A. Robbie

Compensation Committee (Regional)
Jennifer Ughetta, Chair
Anthony J. Kuczinski
Gregory M. Barats
Andreas Kleiner

Officers

The bylaws of the Company state the principal officers shall be a President, a Chairman, and Vice Chairman, a President, and any other Vice-Presidents, a Secretary, one or more Assistant Vice Presidents, one or more Assistant Secretaries, and such other officers, assistant officers or agents as the Board from time to time may determine.

As of December 31, 2016 the Company's principal officers and their respective titles were as follows:

Officer Name	Title
Anthony J. Kuczinski	President & Chief Executive Officer
M. Steven Levy	Senior Vice President – Reinsurance Division
Richard A. Olsen	Senior Vice President & Chief Financial Officer
John Vasturia	Senior Vice President – Specialty Markets
Robin H. Willcox	Senior Vice President, General Counsel, Secretary
Jennifer Ughetta	Senior Vice President & Head of Human Resources
Stephen J. Morello	Senior Vice President & Chief Underwriting Officer
Philip Roeper	Senior Vice President & Chief Information Officer
Melissa A. Salton	Senior Vice President & Chief Risk Officer
Ross S. Sturm	Senior Vice President & Chief Claims Officer

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

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

During our review for compliance with 18 *Del. C.* § 4919 it was noted that the Company properly reported changes in directors and principal officers.

Corporate Records

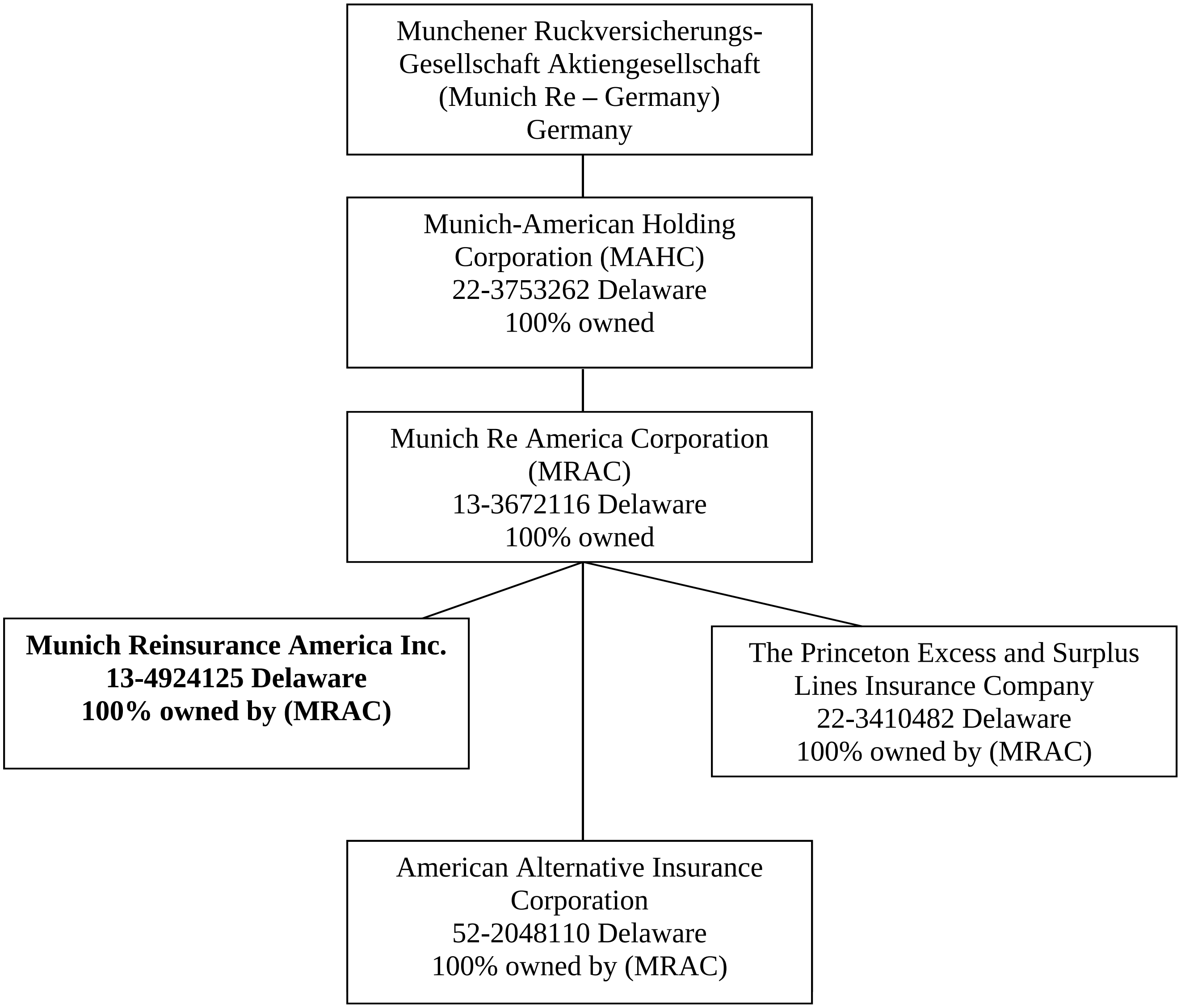
The recorded minutes of the Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including the approval of investment transactions in accordance with 18 *Del. C.* § 1304.

Insurance Holding Company System

The Company is a member of an Insurance Holding Company System as defined under Chapter 50 of the Delaware Insurance Code. As previously noted, the immediate parent of the Company as of December 31, 2016, was MRAC and the Ultimate Parent is MRG. The Munich Re Group, led by MRG, maintains liaison offices in over 60 locations serving clients worldwide. The 2016 amounts below were reported in the most recent MRG annual report based on International Financial Reporting Standards (IFRS), converted from Euros to U.S. dollars as of December 31, 2016 (conversion rate of 0.95034 Euro/$1.00 U.S.).

Assets	U.S. $	281.8 Billion
Equity	U.S. $	33.5 Billion
Gross Premium Written	U.S. $	51.5 Billion
Gain from Operations (pre-tax)	U.S. $	4.2 Billion

The following holding company system, as of December 31, 2016, reflects only identities and interrelationships between the Company and its direct parent, its intermediate parent, and its ultimate parent and affiliates concurrently examined.



A review of the Annual Form B and Form C filings made by MRAm for all years under examination revealed that the Company had complied with the requirements of 18 *Del. C.* §5004 and 18 *Del. Admin. C*. § 1801.

Affiliated Agreements

The Company was a party to the following significant agreements and arrangements in effect as of December 31, 2016:

Consolidated Income Tax Allocation Agreement

Effective March 2, 2012, the Company entered into an Amended and Restated Tax Allocation Agreement with MAHC and all of its subsidiaries including MRAm, AAIC and PESLIC, for tax years ending December 31, 2011 and later. Under this agreement, income tax expenses are computed on a separate company basis as if each affiliate filed a separate tax return. Intercompany balances are settled on a quarterly basis. The current tax allocation agreement was approved by the Department on January 30, 2012. The agreement was subsequently non-materially amended on August 9, 2012 and January 7, 2014 to add and remove certain affiliated companies. These amendments did not require prior approval but were filed with the Department on an informational basis.

General Service and Administrative Agreements

Effective September 1, 2009, the Company entered into a General Services and Cost Allocation Agreement with MAHC and numerous affiliates. Parties to the agreement may provide the following services to each other: accounting, tax, auditing, underwriting, claims, actuarial, information technology, legal, payroll, human resources, corporate finance, public relations, executive, engineering, loss mitigation and inspection, intellectual property and other services. The agreement requires that charges and expenses incurred be allocated according to Delaware Insurance Laws and Statement of Statutory Accounting Principles (SSAP) 70. Charges are settled within thirty days of the end of each calendar quarter. The terms of this agreement are considered fair and equitable. This agreement was approved by the Department on July 1, 2009. The agreement has been amended eight times subsequent to inception, the most recent amendment effective as of October 4, 2016. The amendments have been filed with and approved by the Department. The Company reported $(42 million) in incurred benefits ($34 million from AAIC and $8 million from PESLIC) and $49 million in incurred expenses to MRAC in 2016 under this agreement.

Investment Management Agreements

Effective March 1, 2006, the Company entered into a Second Amended and Restated Investment Management Agreement with affiliate MEAG New York Corporation (MEAG-NY). The agreement provides that MEAG-NY will manage the investment portfolio of invested assets held by State Street Bank, the Company's most significant custodian. MEAG-NY is required to adhere to strict Investment Guidelines attached to the agreement and amended periodically whenever the Company amends its investment policy. The Company retains the sole authority to modify Investment Guidelines and MEAG-NY is not permitted to trade assets that are designated by the Company as regulatory or trust deposits. MEAG-NY does not act as custodian and does not physically hold any of the Company's invested assets. Regular reviews of the performance and actions of MEAG-NY are performed and the terms of the agreement were considered fair and equitable. Charges are settled within thirty days of the end of each calendar quarter. This agreement was approved by the Department on April 6, 2006. This agreement was most recently amended effective March 20, 2012, and was approved by the Department on April 20, 2012. The Company reported $9 million in incurred expenses in 2016 under this agreement.

Effective July 1, 2016, the Company entered into an Amended Investment Management Agreement with affiliate MEAG Munich Ergo Asset Management GmbH (MEAG). The agreement provides that MEAG will manage the investment portfolio of invested assets held by State Street Bank and Trust of Munich, Germany, the Company's international custodian. MEAG is required to adhere to strict Investment Guidelines attached to the agreement and amended periodically whenever the Company amends its investment policy. The Company retains the sole authority to modify Investment Guidelines and MEAG is not permitted to trade assets that are designated by the Company as regulatory or trust deposits. MEAG does not act as custodian and does not physically hold any of the Company's invested assets. Regular reviews of the performance and actions of MEAG are performed and the terms of the agreement were considered fair and equitable. Charges are settled within thirty days of the end of each calendar quarter. This agreement, which replaced similar agreements from 2015 and 2016, was approved by the Department on August 16, 2016. The Company reported $2 million in incurred expenses in 2016 under this agreement.

Letter of Credit Facility

Effective October 13, 2009, the Company entered into an Amended and Restated Letter of Credit (LOC) Facility Fee Reimbursement Agreement with MRG, AAIC and PESLIC. MRG shall from time to time provide collateral for reinsurance in the form of letters of credit to MRAm, AAIC, and PESLIC from MRG's existing LOC facilities to support unaffiliated unauthorized liabilities. MRAm, AAIC, and PESLIC shall pay MRG a fee of fifty basis points for any issuances of LOCs made by the Company under any of MRG's LOC facilities. This agreement was approved by the Department on October 23, 2009. The Company reported $55,208 in incurred expenses in 2016 under this agreement.

Credit Agreements

Effective January 1, 2011, the Company entered into a ten-year, $225 million revolving Amended and Restated Credit Agreement as Lender with MRAC as Borrower, which allows MRAC to borrow up to $225 million at any time from MRAm. Outstanding amounts under this agreement bear interest annually at a rate equal to the corresponding-duration LIBOR plus 25 basis points. There has been no activity related to this agreement since its inception. This agreement was approved by the Department on October 15, 2010. There were no amounts outstanding under this agreement.

Unaffiliated Agreements

Custodial Agreements

Effective May 27, 1999, the Company entered into a custodial agreement with State Street Bank and Trust Company (State Street), which provides for the safekeeping of the majority of the Company's invested assets. The custodial agreement, which was most recently amended effective June 2, 2003, contains the required protective language specified by NAIC guidelines. The most recent SSAE16 Report for State Street was obtained and reviewed without exception.

The Company is also a party to other custodial agreements with JP Morgan Chase Bank N.A. (U.S.), State Street Bank GmbH (Germany) and RBC Dexia Investor Services Trust (Canada), which also provide for the safekeeping of the Company's invested assets.

TERRITORY AND PLAN OF OPERATION

Territory

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

The Company writes most of its treaty business through its home office in Princeton, NJ. The Company also maintains branch operations at three main hubs and one satellite office. The regional hubs are located in San Francisco, Chicago and Princeton. Columbus, Ohio serves as a satellite office for Chicago.

Plan of Operation

The Company is a leading property and casualty reinsurer providing coverage to insurance and reinsurance companies and is an integral member of the MRG plan of operation.

The Company writes property, casualty and combined lines on both a pro rata and excess of loss basis. The excess of loss business is written across all layers, with various retentions and limits.

The Company's business model consists of three business segments, Reinsurance Division, Specialty Markets and Munich Health North America (Munich Health).

The Reinsurance Division is comprised of (i) Client Management, responsible for managing client and broker relationships; (ii) National Clients Underwriting, which focuses on property and casualty underwriting for large national clients as well as specialty line business (credit, ocean marine and professional liability) written directly and through reinsurance intermediaries; and (iii) Regional Client Underwriting, which underwrites property and casualty business for regional clients, including facultative business, on a direct basis and through reinsurance intermediaries. The Reinsurance Division strategy is to execute a client centric approach by providing a single client manager to each U.S. property-casualty reinsurance client in order to ensure a consistent approach across business units and distribution channels. The client manager serves a client's needs throughout the reinsurance life cycle, including reinsurance placement structuring, underwriting, actuarial, claims, and other services for that client.

Specialty Markets focuses on 1) Alternative Market entities including large self-insurers, captives, risk retention groups, governmental entities, and pools and 2) Insurance Programs where licensed program administrators underwrite the individual policies within a program and Specialty Markets underwrites the programs on a portfolio basis. The insurance is provided usually through AAIC, PESLIC, or other affiliated insurers. A variety of reinsurance and insurance products and solutions are provided by Specialty Markets to these two client groups.

Specialty Markets also seeks to build a presence in niche primary insurance segments by partnering with affiliates such as American Modern Insurance Group, Inc. (AMIG), a provider of specialty insurance products and services and Hartford Steam Boiler Inspection and Insurance Company (HSB), a leading provider of specialty insurances and inspections for commercial and industrial companies and institutions. The Company also offers a full range of property and casualty insurance coverage, including workers' compensation, auto liability and physical damage, surety, marine, construction, errors and omissions, homeowners, and commercial multi-peril through its affiliates AAIC and PESLIC.

In addition, Munich Health, through the Company, provides risk management services and innovative health care solutions that use reinsurance and other risk related products and services in the health care marketplace. Munich Health has also established business relationships with a select group of health care management providers that offer catastrophic care and health care management services to their clients. This business is closely aligned with MRG.

MRAm has remained conservative in its approach during the examination period in terms of business being solicited and underwritten. The corporate philosophy is that risks underwritten should have adequate risk premium and MRAm appears to have applied this underwriting discipline over recent years.

MRAm has a Chief Risk Officer and heightened its awareness of risks assumed as a whole. With regard to Underwriting Risk Management, the Company has centralized the direction of underwriting guidelines. The Chief Risk Officer is closely aligned with the Integrated Risk Management Division of MRG in Germany. MRAC intends to continue to integrate itself into MRG's operations. MRAm underwriting goals and limitations are developed, reviewed, and approved subsequently by MRG. MRG has an international (or group-wide) Business Plan of which MRAC is a significant part.

A.M. Best Rating

Based on A.M. Best's current opinion of the consolidated financial condition and operating performance of the Company, MRAm was assigned an A.M. Best rating of A+ (Superior) for the year ended 2016. A.M. Best notes that the rating reflects the Company's solid returns and substantial improvement in risk adjusted capitalization.

REINSURANCE

MRAm reported the following distribution of written premiums in 2016:

Assumed from Affiliates	$	2,971,866,239
Assumed from Non-affiliates		1,983,085,955
Gross Premiums Written	$	4,954,952,194
Ceded to Affiliates	$	1,817,220,228
Ceded to Non-affiliates		20,015,117
Total Ceded	$	1,837,235,345
Net Premiums Written	$	3,117,716,849

Assumed from Affiliates

The $2,972 million assumed from affiliates in 2016 was from the following sources:

Affiliates			Premium	Percent
MRG - International Branches:		$	1,296,258,000	43.62%
China Branch	1,054,436,000			
Australia Branches	194,956,000			
All Other Branches	46,866,000			
Reinsurance Pooling Arrangement		$	682,125,000	22.95%
AAIC	515,260,000			
PESLIC	166,865,000			
American Modern Home Ins. Co. (AMIC)		$	520,998,000	17.53%
Hartford Steam Boiler Ins. Co. (HSB)		$	470,244,000	15.82%
All Others		$	2,241,000	0.08%
Total Assumed from Affiliates		$	2,971,866,000	100.00%

Assumed from MRG - International Branches

Written premiums assumed from the ten MRG international branches during 2016 along with the agreement effective dates and approval dates from the Department were as follows:

Branch		Premium	Effective	Approved
China branch (b)	$	1,054,436,000	May 7, 2012	May 22, 2012
Australia branch (a)		194,956,000	May 7, 2012	May 22, 2012
Spain branch (b)		16,804,000	December 1, 2011	April 16, 2012
Korea branch		9,979,000	January 1, 2012	April 16, 2012
Singapore branch (b)		6,543,000	December 1, 2012	Not Required
Italy branch (b)		6,028,000	December 1, 2011	April 16, 2012
Hong Kong branch (a)		3,247,000	November 15, 2012	Not Required
Great Britain branch		2,276,000	July 15, 2014	July 7, 2014
New Zealand branch (c)		1,393,000	January 1, 2012	April 27, 2012
Malaysia branch		596,000	October 1, 2013	October 17, 2013
Total	$	1,296,258,000		

(a) Combined Risk and Catastrophe Excess of Loss Cover Reinsurance Agreement, Retrocession Agreement
(b) Catastrophe Excess of Loss Cover Reinsurance Agreement, Loss Portfolio Transfer Agreement and Retrocession Agreement
(c) Property and Marine Risk and Catastrophe Retrocession Agreement, Retrocession Agreement

Assumed from AAIC and PESLIC

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

The Company is a participant in the above stated Pooling Agreement with AAIC and PESLIC. The Reinsurance Pooling Agreement, effective July 1, 2009, covers all direct and assumed current and prior policies and contracts issued by AAIC and PESLIC. Under the Pooling Agreement, each of the companies cedes 100% of its net liabilities to the pool, MRAm is the lead company for the pooling agreement and has a 100% participation in the pooled business and PESLIC and AAIC each have a 0% participation in the pooled business. A provisional ceding commission of 24.5%, adjusted quarterly for actual acquisition expenses allocable to the net business subject to the agreement, is paid to AAIC and PESLIC. In addition, an override commission of 5.5% is paid to AAIC and PESLIC under the agreement. The override commission is in excess of the acquisition costs, and therefore, in accordance with SSAP 62R – paragraph 54, a deferred ceding commission liability equal to the difference between the reinsurance commission received and the acquisition cost have been recorded by AAIC and PESLIC. The deferred ceding commission liability is amortized pro-rata over the effective period of the agreement in proportion to the amount of coverage provided. The Commutation and Release Agreement and Pooling Agreement were approved by the Department on September 29, 2009.

Assumed from American Modern Insurance Company

Effective July 1, 2009, the Company entered into a quota share agreement with affiliate American Modern Home Insurance Company (AMIC), a subsidiary of MAHC, whereby MRAm assumed 50% of the net loss on each risk / each occurrence on property and casualty business of manufactured homes written by AMIC. This agreement, which was approved by the Delaware Department of Insurance on September 8, 2009, was replaced with a similar quota share reinsurance agreement effective July 1, 2011, whereby the assuming percentage was increased to 90% on a portfolio basis, subject to a maximum aggregate liability of $54 million (90% of $60 million), maximum policy limits of $500 thousand and a 35% ceding commission. Effective January 1, 2015 the ceding commission was amended to 38.25%. The current agreement was approved by the Delaware Department of Insurance on December 5, 2014.

Assumed from Hartford Steam Boiler Inspection and Insurance Company

Effective January 1, 2015, the Company entered into an all lines 50% quota share agreement with affiliate HSB. Assumed premiums under this treaty in 2016 totaled $468 million (or 15.7% of total assumed premium from affiliates). Under Amendment No. 1, effective January 1, 2015, MRAm allowed an override to HSB of its proportionate share of 110% of the administrative expenses incurred during the agreement terms.

<u>Assumed from Non-affiliates</u>

The $1,983 million assumed from non-affiliates in 2016 was from the following segments:

Type	Premium	Percent
Faculatative Non-Proportional	201,510,000	10.16%
Faculatative Proportional	134,622,000	6.79%
Treaty Non-Proportional	584,386,000	29.47%
Treaty Proportional	1,062,569,000	53.58%
Total Assumed from Non Affiliates	1,983,087,000	100.00%

Ceded to Affiliates

Ceded to MRG

Of the $1,817 million retrocessional premiums ceded to affiliates, $1,349 million, or 74.2%, was ceded to MRG. The significant size and extent of the support that MRG provides MRAm in the form of retrocessional coverage is as follows:

- Effective January 1, 2002 through December 31, 2008, MRG provided almost all the ceded reinsurance covering the Company's business under various retrocessional agreements. Included in these agreements, which will be discussed more fully below, MRG provides property catastrophe protection, variable quota share coverage (January 1, 2002 through December 31, 2008), and accident-year stop-loss coverage (through December 31, 2008), and other reinsurance protection, some of which was also commuted during the examination period.

  The funds held balance under the Corporate Variable Quota Share (VQS) program as of December 31, 2016, was $2,295 million. In accordance with the loss sensitive features of the contract and as a result of decreases in ultimate ceded loss and loss adjustment expenses for prior contract years under this program, the Company has recognized an amount receivable under reinsurance contracts of $1,481 million at December 31, 2016. This receivable asset, along with all of the Company's balances recoverable from MRG, are fully collateralized by a combination of funds withheld and clean, irrevocable and unconditional letters of credit issued by a qualified United States financial institution in accordance with NAIC guidelines for credit for reinsurance.

- Effective July 1, 2005, with the approval of the Department, MRAm ceded to MRG via a Loss Portfolio Transfer (LPT) all carried loss and allocated loss adjustment expense reserves, net of the discount on workers' compensation related reserves, for accident years 2001 and prior. The reserves transferred to MRG for the LPT were $5,958 million. The premium for the LPT matched the reserves transferred and no initial surplus gain was recognized. In accordance with SSAP 62R, paragraph 31d, as there was no surplus gain as a result of this transaction with an affiliate, the contract has been accounted for as prospective reinsurance. MRG is responsible for the amount in excess of $5,958 million to an overall aggregate limit of $10,082 million, which was reached in 2012. Going forward, the LPT affords MRAm a significant advantage in that the Company is effectively insulated from the continuing negative effects of asbestos and environmental claims that plague the entire property and casualty industry.

- Effective July 1, 2010, with the approval of the Department, the Company entered into an Adverse Development Cover (2010 ADC) with MRG, which provides the Company with $500 million of protection for accident years 2001 and prior for losses in excess of the $10,100 million limit of the LPT. Written and earned premiums of $80 million were ceded for the 2010 ADC in the third quarter of 2010. The 2010 ADC attached immediately upon the LPT aggregate $10,100 million limit being reached, so that there was no gap in coverage. As of December 31, 2016 the reserves ceded to the 2010 ADC were $320 million. In accordance with SSAP 62R, paragraph 31d, as there was no surplus gain as a result of this transaction with an affiliate, the contract has been accounted for as prospective reinsurance.

- Effective July 1, 2013, with the approval of the Department, the Company entered into an additional Adverse Development Cover (2013 ADC) with MRG, which provides the Company with an additional $500 million of protection for accident years 2001 and prior for losses, in excess of the 2010 ADC. Written and earned premiums of $118 million were ceded for the 2013 ADC in the third quarter of 2013. As of December 31, 2016, the reserves ceded to the 2013 ADC were $147 million. In accordance with SSAP 62R, paragraph 31d, as there was no surplus gain as a result of this transaction with an affiliate, the contract has been accounted for as prospective reinsurance.

- Effective July 1, 2014, with the approval of the Department, the Company entered into a Commutation Agreement with MRG for the 2006 to 2008 contract years of the VQS. Reinsurance recoverables were reduced by $184 million, funds held balances reduced by $592 million, other receivables reduced by $234 million, and net cash of $174 million was transferred to MRG to affect this transaction. Loss recoveries in excess of carried reserves and contingent commission of $4 million was recognized in 2016 income as a result of the commutation transaction.

As of December 31, 2016, MRAm reported the following ceded loss and LAE reserves to MRG under the VQS:

Case Reserves	$482,918,000
Incurred But Not Reported Claims	655,380,000
Total Loss and LAE cessions to MRG	$1,138,298,00

- For the majority of the reinsurance coverages provided by MRG, MRAm retained or held the associated premiums. This provision allows MRAm immediate access to funds for reimbursement of claims. The Company's total reported Funds Held by Company under Reinsurance Treaties from MRG as of December 31, 2016 was $4,099 million.

Ceded to Munich Re of Malta

Of the $1,817 million retrocessional premiums ceded to affiliates, $468 million, or 25.7%, was ceded to Munich Re of Malta P.L.C. (Munich Re Malta) under a 100% quota share agreement effective January 1, 2015. This agreement is on a funds withheld basis and covers all original insurance and reinsurance assumed under an underlying all lines 50% quota share agreement effective January 1, 2015 between MRAm and HSB.

Retrocessional Reinsurance Program

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

Property Catastrophe Protection

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

For the program effective January 1, 2013, coverage was in three layers with a $1 billion limit in excess of $400 million retention per occurrence. MRG had 100% participation on the first layer of $300 million excess of $400 million (covering all perils), 90% participation on the second layer of $400 million excess of $700 million (covering all perils), and 80% participation on the third layer of $300 million excess of $1.1 billion (covering wind perils only). MRAm held the remaining participation on all layers not held by MRG.

For the program effective January 1, 2014, coverage was in three layers with an $800 million limit in excess of $400 million retention per occurrence. MRG had 100% participation on the first layer of $300 million excess of $400 million (covering all perils), 90% participation on the second layer of $300 million excess of $700 million (covering all perils), and 80% participation on the third layer of $200 million excess of $1 billion (covering wind perils only). MRAm held the remaining participation on all layers not held by MRG.

For the program effective January 1, 2015, coverage was in a single layer with a $700 million limit in excess of $400 million retention per occurrence. MRG had 100% participation.

For the program effective January 1, 2016, coverage was in a single layer with a $750 million limit in excess of $400 million retention per occurrence. MRG had 100% participation.

Ceded to Non-affiliates

As noted above, MRAm ceded $20 million in premiums to non-affiliated reinsurers in 2016, which represents only 1.1% of the $1,837, million total ceded premiums for 2016 and demonstrates the extent of the Company's reliance on its parent MRG for reinsurance support.

A review of premiums ceded to non-affiliated reinsurers in 2016 shows the majority of ceded premiums were under a multi-line excess program. Premiums ceded to two reinsurers constituted $19 million, or 93.8%, of the $20 million ceded to non-affiliates in 2016: $17 million was ceded to Tar Heel Re Ltd (domiciled in Bermuda) and $2 million was ceded to Nationsbuilders Insurance Company, domiciled in The District of Columbia.

The Company is a party to several contracts which do not meet the risk transfer requirements established in SSAP 62R and are accounted for as $43 million in deposit assets (for ceded business) and $81 million in deposit liabilities (for assumed business).

FINANCIAL STATEMENTS

The following pages contain the Company's Financial Statements for the year ended December 31, 2016, as determined by this examination, with supporting exhibits as detailed below:

Analysis of Assets,
Statement of Liabilities, Surplus and Other Funds
Underwriting and Investment Exhibit - Statement of Income
Reconciliation of Surplus since last Examination

Analysis of Assets
As of December 31, 2016

	Assets	Nonadmitted Assets	Net Admitted Assets	Notes
Bonds	$ 11,845,334,784	$ 2,700	$11,845,332,084	1
Preferred stocks (stocks)	2,500,000		2,500,000	2
Common stocks (stocks)	86,613,952		86,613,952	3
Properties occupied by the company	91,699,982		91,699,982	
Cash ($ 3,461,192); cash equivalents and short-term investments $353,777,797.	350,316,605		350,316,605	
Derivatives	2,794,905		2,794,905	
Other invested assets (Schedule BA)	566,658,432	11,168,186	555,490,246	
Receivables for securities	4,751,729		4,751,729	
Investment income due and accrued	74,121,820		74,121,820	
Uncollected premiums and agents' balances in the course of collection	61,227,832		61,227,832	4
Deferred premiums; agents' balances and installments booked but deferred and not yet due	770,637,080		770,637,080	4
Accrued retrospective premiums	21,491,935		21,491,935	4
Reinsurance:		-	-	
Amounts recoverable from reinsurers	67,703,426	-	67,703,426	
Funds held by or deposited with reinsured companies (reinsurance)	1,691,559,114	109,762	1,691,449,352	5
Other amounts receivable under reinsurance contracts (reinsurance)	1,480,558,390		1,480,558,390	6
Current federal and foreign income tax recoverable and interest thereon	22,722,673		22,722,673	
Net deferred tax asset	912,985,010	578,651,297	334,333,713	
Electronic data processing equipment and software	1,486,081	733,809	752,272	
Furniture and equipment; including health care delivery assets ($0)	5,340,468	5,340,468	-	
Receivables from parent; subsidiaries and affiliates	5,673,786		5,673,786	
Aggregate write-ins for other than invested assets	255,715,985	333,810	255,382,175	
Totals	$ 18,306,621,145	$ 596,340,032	$ 17,710,281,113	

Statement of Liabilities, Surplus and Other Funds
As of December 31, 2016

		Note
Losses	$ 5,570,403,338	7
Reinsurance payable on paid losses and loss adjustment expenses	303,210,943	
Loss adjustment expenses	601,710,068	7
Commissions payable, contingent commissions & other similar charges	110,824,079	
Other expenses	374,827,205	
Unearned premium reserve	1,182,630,978	
Ceded reinsurance premiums payable	29,033,345	
Funds held by company under reinsurance treaties	4,462,186,930	8
Amounts withheld or retained by Company for account of others	1,281,537	
Provision for reinsurance	931,698	
Payable to parent,subsidiaries and affiliates	5,750,027	
Aggregate write-ins for liabilities	247,956,978	
Total Liabilities	$ 12,890,747,126	
Aggregate write-ins for special surplus funds	$ 12,676,369	
Common capital stock	8,235,771	
Gross paid in and contributed surplus	4,446,998,348	
Unassigned funds (surplus)	351,623,499	
Surplus as regards policyholders	$ 4,819,533,987	
Total Liabilities, Capital and Surplus	$ 17,710,281,113	

Underwriting and Investment Exhibit - Statement of Income
For the Year Ended
December 31, 2016

UNDERWRITING INCOME		
Premiums earned	$	3,041,491,818
DEDUCTIONS		
Losses incurred	$	1,746,990,653
Loss adjustment expenses incurred		241,560,726
Other underwriting expenses incurred		1,070,004,702
Aggregate write-ins for underwritting deductions		1,600,000
Total underwriting deductions	$	3,060,156,081
Net underwriting gain or (loss)	$	(18,664,263)
INVESTMENT INCOME		
Net investment income earned	$	246,590,260
Net realized capital gains or (losses) less capital gains tax of $162,790		125,163,987
Net investment gain or (loss)	$	371,754,247
Other Income		
Net gain (loss) from agents' or premium balances charged off (amount recovered $5,926 amount charged off $5,905	$	21
Aggregate write-ins for miscellaneous income		(66,521,821)
Total other income	$	(66,521,800)
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$	286,568,184
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes		286,568,184
Federal and foreign income taxes incurred		(14,404,413)
Net Income	$	300,972,597

Reconciliation of Surplus Since last Exam
As of December 31, 2016

	Capital Stock	Gross Paid in and Contributed Capital	Unassigned Surplus	Total
Beginnng Balance (2012)	$ 8,235,771	$ 4,446,998,348	$ 169,597,097	$ 4,624,831,216
2013 1			771,314,007	771,314,007
2013 2			(169,000,000)	(169,000,000)
2013 3			60,898,308	60,898,308
2014 1			686,379,255	686,379,255
2014 2			(619,600,000)	(619,600,000)
2014 3			(100,016,704)	(100,016,704)
2015 1			326,822,235	326,822,235
2015 2			(635,100,000)	(635,100,000)
2015 3			10,863,709	10,863,709
2016 1			342,043,692	342,043,692
2016 2			(492,000,000)	(492,000,000)
2016 3			12,098,270	12,098,270
Ending Balance (2016)	$ 8,235,771	$ 4,446,998,348	$ 364,299,869	$ 4,819,533,988

(1) Represents net income, change in unrealized capital gains(losses), change in unrealized foreign exchange gain(losses), change in net deferred income tax, change in non-admitted assets, change in reinsurance for unauthorized reinsurers
(2) Dividends were approved by the Board.
(3) Represents Aggregate Write-ins for gains and losses in surplus.

ANALYSIS OF CHANGES IN THE FINANCIAL STETEMENTS RESULTING FROM EXAMINATION

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1 - Bonds **$11,845,332,084**

The above-captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report. With the exception of bonds held for statutory purposes, investments are held by State Street Bank, JP Morgan Chase, and

Royal Trust, under separate custodial agreements. A review of corporate records indicates that the Board of Directors has approved the Company's investment transactions made during the examination period in accordance with 18 *Del. C.* § 1304. Bonds rated by NAIC are as follows:

Designation	Percentage of Portfolio
NAIC 1	73.0%
NAIC 2	23.0 %

The Bond portfolio as of the December 31, 2016 examination date consisted of the following classes:

Description	Book/Adjusted Carrying Value	Percent of Total
US Government Bonds	$5,220,027,031	44.07
Canadian Government Bonds	210,610,385	1.78
Foreign Government Bonds	747,028,951	6.31
US States, Territories and Possessions,	16,660,784	.14
US Special Revenue	1,142,577,987	9.64
US Industrial and Miscellaneous	3,393,396,650	28.65
Canadian Industrial and Miscellaneous	77,512,787	.65
Foreign Industrial and Miscellaneous	1,037,520,209	8.76
Total	$11,845,334,784	100.00

Note 2 – Preferred Stocks **$2,500,000**

The Company owns one US Industrial and Miscellaneous Preferred Stock which has a book/adjusted carrying value of $2,500,000.

Note 3 – Common Stock **$86,613,952**

The common stocks owned amounted to $87 million and were all invested in mutual funds with the exception of two stocks classified as industrial and miscellaneous which had a total book or adjusted value of $30. $72 million, or 82.64%, of common stocks were US while the remaining common stocks which amount to $15 million, or 17.36%, of the total were other countries.

Note 4 –Premiums and Considerations

Uncollected Premiums and Agents balances in the course of collection	**$ 61,227,832**
Deferred premiums and agents balances booked and deferred not yet due	**$770,637,080**
Accrued retrospective premiums	**$ 21,491,935**
Total	**$853,356,847**

The above-captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report. Of the $853 million reported in 2016, $636 million, or 74.50%, primarily consisted of third party receivables. Breakdown of the assumed premium from reinsureds was as follows:

G/L		Receivable	Percent
Receivable affiliated pooled companies	$	232,289,354	27.22%
Receivable third party		635,714,956	74.50%
Allowance belated accounts		(15,004,768)	-1.76%
Other		357,304	0.04%
Total Premiums and Consideration	$	853,356,846	100.00%

Note 5 - Funds Held By or Deposited with Reinsured Companies **$1,691,449,352**

The above-captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report. Approximately $1,154 million, or 68.24%, of the total relates to the business assumed from Munich Re Germany – China branch. In addition, $37 million, or 2.18% of the total, and $4 million, or 0.23% of the total, relates to the Reinsurance Pooling Agreement with AAIC and PESLIC, respectively. The remaining $496 million, or 29.35%, of the total relates to business assumed from other insurers.

Note 6 - Other Amounts Receivable under Reinsurance Contracts **$1,480,558,390**

The above-captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report. The Company participated in a variable quota share retrocessional program with MRG covering the majority of business written, net of inuring reinsurance, in place from January 1, 2002 through December 31, 2008. In accordance with the loss sensitive features of the contract and as a result of decreases in ultimate ceded loss and loss adjustment expenses for prior contract years under this program, the Company has recognized an amount receivable under reinsurance contracts of $1,481 million as of December 31, 2016. This receivable asset, along with all of the Company's balances recoverable from MRG, are fully collateralized by a combination of funds withheld and clean, irrevocable trust and unconditional letters of credit issued by a qualified United States financial institution in accordance with NAIC guidelines for credit for reinsurance.

Note 7 -Losses **$5,570,403,338**
Loss Adjustment Expenses **$601,710,068**

The above-captioned amounts, which are the same as those reported by the Company in its Annual Statement, have been accepted for purposes of this report.

Losses

Reported Losses (Case)	
Direct	$ 117,562,021
Reinsurance Assumed	3,337,695,725
Reinsurance Ceded	(1,998,991,038)
Net Reported Losses	$1,456,266,708
Incurred but not reported (IBNR)	
Direct	$ 150,882,920
Reinsurance Assumed	6,635,537,737
Reinsurance Ceded	(2,672,284,027)
Net IBNR	$4,114,136,630
Net Losses Unpaid	$5,570,403,338
Loss Adjustment Expenses (LAE)	$601,710,068

The Delaware Insurance Department retained the firm of INS Consultants, Inc. (INS or Consulting Actuary) to review the Company's stated reserves. The Consulting Actuary was provided with the Company's statement of actuarial opinion and an actuarial report as supporting documentation of the actuarial opinion with loss and loss adjustment expense reserves evaluated as of December 31, 2016. In addition, INS was provided with other reports, schedules, exhibits and relevant information as requested.

The Consulting Actuary's review of loss and allocated loss adjustment expenses (ALAE) reserves consisted of separately analyzing the Company's property and casualty books of business on a gross and net basis. In addition, for unallocated loss adjustment expenses (ULAE), the consulting actuary reviewed the methodology employed by the Company's actuaries. INS accepted the methodology and factor selections utilized by the Company's actuaries and ultimately found the Company's reserves to be reasonable.

In conjunction with the actuarial review, the examination team validated loss data used by the Company without material exception.

Note 8 - Funds Held by Company under Reinsurance Treaties **$4,462,186,930**

The above-captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report. MRAm assumes from its international affiliates and cedes, on a funds held basis, to Munich Re Germany and Munich Re Malta, $1,527 million and $358 million, respectively. Additionally, Funds held by MRAm under the VQS retrocessional program is $2,295 million. These three amounts represent 93.66%, of the total of $4,462 million as of December 31, 2016.

SUBSEQUENT EVENTS

On March 1, 2017, the Company's Board approved an ordinary cash dividend payment of $177 million to the Company's shareholder, which was paid on April 19, 2017.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

CONCLUSION

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

Respectfully submitted,

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Delaware Department of Insurance

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Administrative Supervisor
Delaware Department of Insurance