

EXAMINATION REPORT OF
CLERMONT INSURANCE COMPANY
URBANDALE, IOWA
AS OF DECEMBER 31, 2022

Urbandale, Iowa
May 13, 2024

HONORABLE DOUG OMMEN
Commissioner of Insurance
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an examination has been made of the records, business affairs and financial condition of

CLERMONT INSURANCE COMPANY

URBANDALE, IOWA

AS OF DECEMBER 31, 2022

at its home office located at 11201 Douglas Avenue, Urbandale, Iowa.

INTRODUCTION

Clermont Insurance Company, hereinafter referred to as the “Company”, was last examined as of December 31, 2018. The examination reported herein was conducted as a coordinated examination of the W. R. Berkley Corporation (“WRBC”) with the Delaware Insurance Department serving as the lead state. Representatives from the states of Arizona, California, North Dakota, and Texas also participated.

The following Iowa insurance entities were examined as part of the coordinated examination, with separate examination reports prepared for each entity.

Acadia Insurance Company
Berkley Assurance Company
Berkley Casualty Company/Formerly known as American Mining Insurance Company
Berkley Life and Health Insurance Company
Berkley National Insurance Company
Berkley Prestige Insurance Company
Berkley Regional Insurance Company
Carolina Casualty Insurance Company
Clermont Insurance Company
Continental Western Insurance Company
Intrepid Casualty Company
Intrepid Insurance Company
Intrepid Specialty Insurance Company
Key Risk Insurance Company
Riverport Insurance Company
StarNet Insurance Company
Tri-State Insurance Company of Minnesota
Union Insurance Company

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2019, to the close of business on December 31, 2022, including any material transactions and events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Division plan and perform the examination to evaluate the financial condition, 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.

The examination report includes significant findings of fact and general information about the insurer and its financial condition.

HISTORY

The Company was originally incorporated in the State of Texas on January 1, 1977, under the name Fidelity American Insurance Company. On December 14, 1982, the Company re-domesticated to the State of Iowa. The Company became incorporated in Iowa as a stock insurance company and changed the corporate name to Continental Western Casualty Company. The Company was 100 percent owned by Continental Western Insurance Company, an Iowa domestic insurance company. On April 4, 1986, the Company became a member of WRBC.

On October 1, 2003, all of the outstanding stock of the Company was purchased from Continental Western Insurance Company by an affiliated company, Admiral Insurance Company (“Admiral”).

Effective November 5, 2003, the name of the Company was changed to Clermont Insurance Company.

CAPITAL STOCK AND DIVIDENDS

Total authorized capital was \$12,000,000 consisting of 300,000 shares of \$20 par value common stock and 300,000 shares of \$20 par value preferred stock. Issued and outstanding capital was 210,000 shares of common stock totaling \$4,200,000. As of December 31, 2022, the gross paid in and contributed surplus was \$13,500,000. No dividends were issued to stockholders during the examination period.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a holding company system as defined by Chapter 521A, Code of Iowa. The ultimate controlling entity is WRBC, a Delaware corporation based in Greenwich, Connecticut and traded on the New York Stock Exchange under the symbol WRB.

An abbreviated organizational chart identifying the location of the Iowa insurance company within the holding company system, as of December 31, 2022, is as follows:

W. R. Berkley Corporation
 Signet Star Holdings, Inc.
 Berkley Insurance Company (DE)
 Admiral Insurance Company (DE)
 Clermont Insurance Company (IA)

MANAGEMENT AND CONTROL

SHAREHOLDERS

The corporate bylaws provide that the annual meeting of the shareholders shall be held not sooner than the 15th day of March nor later than the 30th day of June in each year, the date of the meeting within such period is to be determined by the board of directors of the corporation and with proper notice to be provided to shareholders and directors. At each annual meeting, the election of the directors shall occur. If the election of the directors is not held on the designated day, the board of directors shall cause the election to be held during a special meeting of the shareholders.

BOARD OF DIRECTORS

Pursuant to the Company's bylaws, management of the Company is vested in an annually elected board of directors consisting of not fewer than five members as fixed by the bylaws.

The directors duly elected and serving as of December 31, 2022, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Matthew A. Cliszis Rockville Centre, NY	Senior Vice President & Chief Underwriting Officer Clermont Specialty Managers	2023
Amy A. Gobetz Suffern, NY	Vice President, Human Resources Clermont Specialty Managers	2023
Maureen E. Hackett Rumson, NJ	President Clermont Specialty Managers	2023
Stephanie A. Miller West Orange, NJ	Vice President & Chief Actuary Clermont Specialty Managers	2023
Keith M. O'Loughlin Wayne, NJ	Vice President –Information Technology Clermont Specialty Managers	2023
David D. Wessel Lodi, NJ	Vice President – Chief Financial Officer & Treasurer Clermont Specialty Managers	2023

OFFICERS

The bylaws provide that the officers of the Company shall be a President, a Treasurer, and Secretary, and may be a Chairman of the Board, one or more executive vice presidents, one or more senior vice presidents, one or more vice presidents, assistant secretaries or assistant treasurers, or other such officers determined by the Board of Directors. Any

two or more offices may be held by the same person, except for the offices of President and Secretary. No officer need be a Director or shareholder.

The principal officers elected and serving as of December 31, 2022, were as follows:

<u>Officers</u>	<u>Title</u>
Maureen E. Hackett	President
David D. Wessel	Treasurer
Howard L. Ryerson	Secretary
Matthew A. Cliszis	Senior Vice President
Bertman A. Braud, Jr.	Assistant Treasurer
Ted W. Rogers	Assistant Treasurer

CONFLICT OF INTEREST

The Company has an established procedure for annual disclosure to its Board of Directors of any material interest or affiliation on the part of its officers, directors, or key employees that is in, or likely to, conflict with the official duties of such person. The Company requires its officers and directors to sign conflict-of-interest statements and disclose any known or potential conflict of interest as part of the annual disclosure process. An examination review of these statements indicated there were no conflicts of interest reported during the period covered by this examination.

CORPORATE RECORDS

The Articles of Incorporation and the Bylaws were not amended during the period under review. The minutes of the meetings of the stockholders, the Board of Directors and the committees of the Board were reviewed for the examination period. All minutes provided were signed and properly attested.

The minutes of the Board meetings showed that the Report of Examination as of December 31, 2018, by the Iowa Insurance Division was received by the Board.

FIDELITY BONDS AND OTHER INSURANCE

Under a financial institution bond, the Company is protected against loss from any fraudulent or dishonest act of any employee up to \$15,000,000 each loss occurrence and \$30,000,000 aggregate limit of liability which meets the NAIC recommended minimum amount.

The other interests of the Company appear to be adequately protected through coverages afforded by policies in force with admitted insurers.

INTERCOMPANY AGREEMENTS

Assignment, Novation & Amendment of Reinsurance Contract

Effective January 1, 2013, the Company and affiliates Berkley Insurance Company (“BIC”) and Admiral Insurance Company (“Admiral”), entered into an Assignment, Novation and Amendment of Reinsurance Contract. Under the terms of the amended agreement, BIC will perform all management duties concerning the business of the Company. The Company simultaneously entered into a 100% Quota Share Agreement with BIC. As a result, BIC accepted and assumed 100% of all reinsurance contracts in force and business written by the Company subsequent to January 1, 2013.

Investment Advisory Agreement

The Company is party to an investment management agreement with its affiliate, Berkley Dean & Company (“Berkley Dean”). Under the terms of the agreement, Berkley Dean shall provide investment advisory and management services to the Company and have the authority to supervise and direct the investment and reinvestment of all Company securities, subject to investment limitations established pursuant to the terms of the agreement. The Company has ultimate and final authority over decisions and policies on purchases and sales of securities.

Berkley Technology Services Agreement

The Company is party to a computer services agreement with an affiliate, Berkley Technology Services, LLC (“BTS”). Under the terms of the contract, BTS is responsible for providing computer and data processing services including programming, network management, operations, and consulting services to the Company.

Intercompany Management and Service Agreement

The Company is party to a Management Agreement with BIC and several affiliated limited liability companies (Profit Centers) that perform or contract to perform certain services including underwriting, claims, and other management services to BIC and its insurance subsidiaries.

Tax Allocation Agreement

The Company and WRBC are party to a Tax Allocation Agreement. The tax allocation is based upon separate return calculations with the current credit for losses subject to the availability of the previous taxable income. WRBC is authorized to file a consolidated federal income tax return on behalf of the Company and its affiliates for the current and future taxable years.

Claims Administration Agreement

BIC entered into a Claims Management Services Agreement on behalf of affiliate Berkley subsidiaries, including the Company, with Berkley Claims Solutions LLC (“BCS”). BCS is to perform certain claims handling, management, adjustment, and related services on behalf of BIC and its insurance affiliates concerning certain insurance policies issued.

Berkley Connect Broker-Agent Agreement

BIC entered into a Broker-Agent Agreement on behalf of affiliate Berkley subsidiaries, including the Company, with Berkley Connect Insurance Solutions, LLC (“Berkley Connect”). Berkley Connect is licensed as an insurance broker-agent and surplus lines broker and will perform insurance marketing, brokerage, and related services.

EMPLOYEES' WELFARE

The Company does not have any direct employees. All personnel services and associated cost allocations are managed through the Reinsurance Pooling Agreement with Berkley Insurance Company and in some instances may be charged to the Company via the various underwriting and management agreements with the WRBC limited liability companies.

REINSURANCE

The reinsurance contracts of the Company were reviewed and no contract provisions were found to be outside the custom of the industry. All contracts had acceptable insolvency clauses and transfer of risk.

ASSUMED

Non-Affiliated Assumed Reinsurance

The Company assumes an immaterial amount of workers' compensation business equaling less than 1% of premiums from a small number of non-affiliated insurers.

CEDED

The Company is party to an intercompany reinsurance pooling agreement and Quota Share Agreement. See the affiliated intercompany pooling and quota share agreements noted under 'Intercompany Agreements'.

STATUTORY DEPOSIT

As of December 31, 2022, the book/adjusted carrying value of special deposits held in trust for the benefit of all policyholders totaled \$2,499,968. The book/adjusted carrying value of special deposits held in trust not for the protection of all policyholders of the Company totaled \$2,862,960 and was distributed as follows:

Arkansas	\$ 152,226
Delaware	104,327
Georgia	60,780
Iowa	434,881
Massachusetts	181,151
Nevada	303,898
North Carolina	348,822
Oregon	412,135
Virginia	235,799
US Department of Labor	628,941

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, the Company was authorized to transact business in forty-nine states and the District of Columbia, but was writing business in only Connecticut and New York, with 97% of premium written in New York. During 2022, the Company wrote direct premiums with the majority of coverage in commercial multiple peril policies for luxury condominium, cooperative and rental apartments. The Company writes business in niche opportunities within its existing territory, where it has determined there to be limited competitor capacity and solid growth potential.

Policies for the Company were marketed to licensed brokers through the management agreement with Clermont Specialty Managers, which underwrites package insurance programs for luxury condominiums, cooperative and rental apartment buildings, and restaurants in the New York City and Chicago metropolitan areas, and writes this business on the paper of the Company and Admiral Indemnity Company.

GROWTH OF COMPANY

The growth of the Company is reflected by the following data obtained from the Company's filed annual statements and covers the examination period:

(000's Omitted)

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus As Regards Policyholders</u>	<u>Gross Premiums Written</u>	<u>Net Investment Income Gain</u>	<u>Net Income</u>
2019	\$ 28,987	\$ 24,559	\$ 20,651	\$ 686	\$ 642
2020	28,913	24,856	17,767	484	407
2021	29,323	24,856	18,137	384	315
2022	29,227	25,640	16,175	(211)	(235)

ACCOUNTS AND RECORDS

Trial balances of the Company's general ledgers were taken for each year under examination and were found to be in agreement with the office copies of the filed annual statements for those years. Cash receipts and disbursements were tested to the extent deemed necessary.

During the course of the examination, no material aggregate surplus difference was identified from the amount reflected in the financial statements, as presented in the annual statement at December 31, 2022.

SUBSEQUENT EVENTS

The Inflation Reduction Act (Act) was enacted on August 16, 2022, and included a new corporate alternative minimum tax (CAMT). The Act and the CAMT go into effect for tax years beginning after 2022. The Company has determined that it does not expect to be liable for CAMT in 2023 however, it is awaiting further clarification from the United States Treasury with regard to application of the rules which were outlined in the Act.

FINANCIAL STATEMENTS
AND COMMENTS THEREON

NOTE: The following financial statements are based on the statutory financial statements filed by the Company with the Iowa Insurance Division and present the financial condition of the Company for the period ending December 31, 2022.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Assets</u>	<u>Non-Admitted</u>	<u>Admitted</u>
Bonds	\$ 24,853,393	\$	\$ 24,853,393
Cash, cash equivalents and short-term investments	756,777		756,777
Receivable for securities	3,750		3,750
Investment income due and accrued	129,365		129,365
Uncollected premiums and agents' balances in the course of collection	1,259,994	5,044	1,254,950
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,631,899		1,631,899
Current federal and foreign income tax recoverable	98,932		98,932
Guaranty funds receivable or on deposit	13,263		13,263
Miscellaneous receivables	484,408		484,408
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 29,231,781	\$ 5,044	\$ 29,226,737

LIABILITIES, SURPLUS AND OTHER FUNDS

Commissions payable	\$ 35,665
Net deferred tax liability	161,642
Advance premium	429
Ceded reinsurance premiums payable, net of ceding commissions	3,373,661
Deferred revenue on investments	15,344
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Total Liabilities	\$ 3,586,742
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Common capital stock	4,200,00
Gross paid in and contributed surplus	13,500,000
Unassigned funds (surplus)	7,939,994
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Surplus as regards policyholders	\$ 25,639,994
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Total Liabilities and Surplus	\$ 29,226,736

STATEMENT OF INCOME

Investment Income

Net investment income earned	\$ 158,486
Net realized capital gains (losses)	(369,202)
Net investment gain (loss)	<u>\$ (210,716)</u>

Other Income

Net gain (loss) from agents' or premium balances charged off	(4,200)
Other income	4,200
Total other income	<u>\$ 0</u>

Net income before dividends to policyholders, after capital gains tax and before all other federal income taxes	(210,716)
Federal and foreign income taxes incurred	23,864
Net income	<u>\$ (234,580)</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus prior reporting year	<u>\$ 24,855,961</u>
Net income	(234,580)
Change in net unrealized capital gains	610,963
Change in net deferred income tax	(187)
Change in non-admitted assets	3,195
Deferred revenue on investments	404,642
Net change in capital and surplus for the year	<u>\$ 784,033</u>
Capital and surplus end of reporting period	<u>\$ 25,639,994</u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$ 275,740	
Net investment income	544,830	
Total		<u>\$ 820,570</u>
Commissions, expenses paid and aggregate write-ins for deductions	79,586	
Federal and foreign income taxes paid (recovered)	29,000	
Total		<u>108,586</u>
Net cash from operations		<u>\$ 711,984</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 15,191,176	
Net gains or (losses) on cash, cash equivalents and short- term investments	69	
Total investment proceeds		<u>\$ 15,191,245</u>
Cost of investments acquired:		
Bonds	\$ 15,257,999	
Miscellaneous applications	3,750	
Total investments acquired		<u>15,261,749</u>
Net cash from investments		<u>\$ (70,505)</u>

Cash from Financing and Miscellaneous Sources

Other cash provided (applied)	\$ (203,638)	
Net cash from financing and miscellaneous sources		<u>\$ (203,638)</u>

Reconciliation of Cash, Cash Equivalents, and Short-Term Investments

Net change in cash, cash equivalents and short-term investments		\$ 437,841
Cash, cash equivalents and short-term investments:		
Beginning of year		318,934
End of year		<u>\$ 756,775</u>

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, examiners, information systems specialists, and actuarial specialists The INS Companies (INS Regulatory Insurance Services, Inc., INS Services, Inc., and INS Consultants, Inc.), participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Cecilee Diamond-Houdek _____
Cecilee Diamond-Houdek, CFE, CPA, MCM
Examiner-in-Charge
INS Regulatory Insurance Services, Inc.
on behalf of the Insurance Division
State of Iowa

/s/ Amanda Theisen _____
Amanda Theisen, CFE, PIR, MCM
Supervisor and Assistant Chief – Examinations
Insurance Division
State of Iowa