

EXAMINATION REPORT OF
TRANSAMERICA CASUALTY INSURANCE COMPANY
CEDAR RAPIDS, IOWA
AS OF DECEMBER 31, 2019

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

TRANSAMERICA CASUALTY INSURANCE COMPANY

CEDAR RAPIDS, IOWA

AS OF DECEMBER 31, 2019

at its Home Office, 6400 C Street SW, Cedar Rapids, Iowa.

INTRODUCTION

Transamerica Casualty Insurance Company, hereinafter referred to as the “Company”, was last examined as of December 31, 2014. The examination reported herein was conducted by the Iowa Insurance Division (the Division).

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2015 to the close of business on December 31, 2019, 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.

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

HISTORY

The Company was originally incorporated as a property and casualty insurance company under the laws of the state of Ohio effective November 15, 1957 and began business on April 15, 1958. The Company was originally entitled Educator & Executive Insurers, Inc., then changed its name in 1976 to J.C Penney Casualty Insurance Company.

Effective January 1, 1978, Great American of Dallas Fire & Casualty Company and Great American of Dallas Insurance Company were merged into the Company.

In 2002, the Company changed its name to Stonebridge Casualty Insurance Company and in 2014 changed its name, to its current name, Transamerica Casualty Insurance Company.

The Company is currently owned by Transamerica Corporation, an indirect, wholly-owned subsidiary of Aegon N.V., a holding company organized under the laws of The Netherlands. Prior to December 31, 2015, the Company was owned by AEGON USA, LLC. Effective December 31, 2015, AEGON USA, LLC merged into Transamerica Corporation, a Delaware-domiciled non-insurance affiliate.

Effective September 30, 2018, the Company re-domesticated from the State of Ohio to the State of Iowa.

CAPITAL STOCK AND DIVIDENDS THEREON

The Company is authorized to issue \$11,014,190 in common stock, comprised of 500,645 shares with a par value of twenty-two dollars per share. Issued and outstanding capital, as of December 31, 2019, consists of 396,563 shares of common stock, all of which is held by Transamerica Corporation. Common capital stock and gross paid in and contributed surplus as of December 31, 2019, totaled \$8,724,386 and \$22,217,106, respectively. There were no changes to the amount of common stock issued during the period. Contributed surplus decreased a total of \$45 million from 2014, as described below:

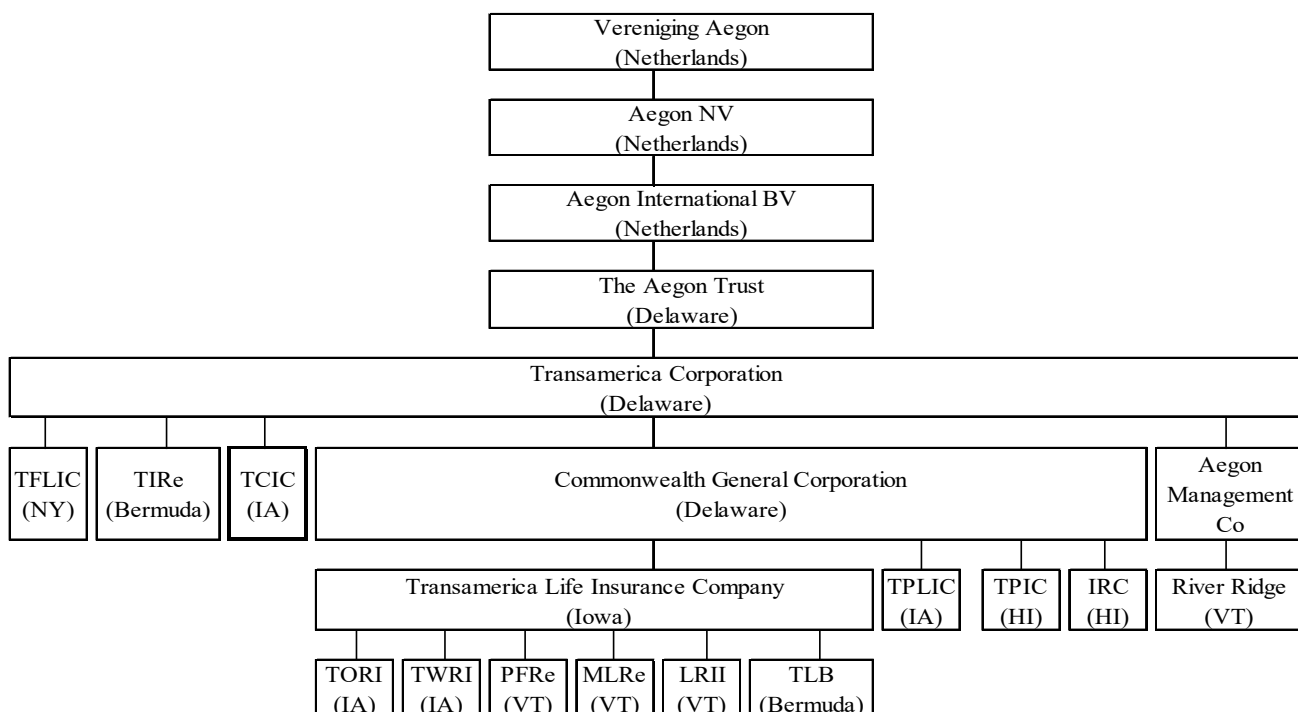
Beginning Balance, 1/1/2015	\$ 67,217,106
Capital contribution from parent, 3/31/2015	25,000,000
Capital contribution from parent, 12/20/2017	80,000,000
Return of capital to parent, 12/13/2018	<u>(150,000,000)</u>
Ending Balance, 12/31/2019	<u>\$ 22,217,106</u>

The return of capital corresponded with the current status of the run-off of the travel and all other lines of business.

The Company paid a \$90 million cash dividend to its parent in 2019. The dividend was considered extraordinary, and approval was received by the Division on November 27, 2019 in compliance with Chapter 521A.5 (3), Code of Iowa.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. The identity of holding company members is shown as of December 31, 2019 in the following partial organizational chart:



Primary Regulated Entities (Abbreviated above)

TFLIC – Transamerica Financial Life Insurance Company

TIRe – Transamerica International Re (Bermuda) Ltd.

TCIC - Transamerica Casualty Insurance Company

TPLIC – Transamerica Premier Life Insurance Company

TPIC – Transamerica Pacific Insurance Company, Ltd.

IRC – Ironwood Re Corp.

River Ridge – River Ridge Insurance Company

TORI – TLIC Oakbrook Reinsurance Inc.

TWRI – TLIC Watertree Reinsurance Inc.

PFRRe – Pine Falls Re, Inc.

MLRe – MLIC Re I, Inc.

LRRII – LIICA Re II, Inc.

TLB – Transamerica Life (Bermuda) Ltd.

Other significant affiliated organizations with whom the companies transact business include the following:

- AEGON USA Investment Management, LLC (Investment Management)
- Transamerica Capital, Inc. (Wholesaling Distribution)
- AEGON USA Realty Advisors, LLC (Mortgage Loan Operations)
- Transamerica Asset Management, Inc. (Administrative Services)

All ownership is 100% with the exception of Vereniging Aegon, which owns 31.5 percent of Aegon N.V., and Transamerica Financial Life Insurance Company, which is owned 92.3 percent by Transamerica Corporation and 7.7 percent by Transamerica Life Insurance Company.

TPIC, IRC, TORI, TWRI, PFRé, MLRe and LRII are all reinsurers under Transamerica's captive financing program, with each representing a specific business and/or solution type.

Prior to December 31, 2015, the Company was owned by AEGON USA, LLC. Effective December 31, 2015, AEGON USA, LLC merged into Transamerica Corporation. Other changes made to the holding company structure during the examination period, primarily to aid in simplifying the structure, included merging Stonebridge Reinsurance Company into LRII, merging TLIC Riverwood Reinsurance, Inc. into TORI, merging Firebird Re Corp. into TLIC, merging Harbor View Re Corp. into IRC, and dissolving LIICA Re I, Inc. (all captives related to the reinsurance operations) during 2017-2019, and merging Transamerica Advisors Life Insurance Company into TLIC in 2019.

MANAGEMENT AND CONTROL

Shareholders

The Articles and Bylaws provide that the annual meeting of the shareholders shall be held on the fourth Monday in April, and special meetings of the shareholders may be called by the President upon written notice. Meetings by written consent are allowable.

A majority of the outstanding shares of the capital stock issued and outstanding and entitled to vote, either in person or by proxy, shall constitute a quorum.

Board of Directors

The Board of Directors shall be elected annually and shall consist of not fewer than five nor more than twelve Directors. Each director shall hold office until the next annual meeting of shareholders and until the Director's successor shall have been elected and qualified.

A regular meeting of the Board of Directors shall be held at such times and locations as the Board of Directors may designate upon written notice five days prior, with such meetings to be held at the principal office of the Company or at such other places as they may designate. Special meetings may be called by the Chairman of the Board, the President, or by a minimum of three directors and require two days prior written notice. Meetings by written consent are also allowed.

A majority of the Board of Directors constitutes a quorum, with a quorum being necessary to transact business.

The directors serving as of December 31, 2019 were as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Mark Mullin Baltimore, Maryland	Chairman of the Board Transamerica Corporation	2020
Blake Bostwick Denver, Colorado	Chief Executive Officer-Individual Solutions Transamerica Corporation	2020
Michiel van Katwijk Baltimore, Maryland	Executive Vice President and Chief Financial Officer Transamerica Corporation	2020
Jay Orlandi Baltimore, Maryland	Chief Operating Officer Transamerica Corporation	2020

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
David Schulz Cedar Rapids, Iowa	Senior Vice President and Chief Tax Officer Transamerica Corporation	2020

There were no committees of the Board in place as of December 31, 2019; however, the Board did elect an operational investment committee, comprised of the following members:

Joel L. Coleman - Chief Investment Officer
Gregory E. Miller-Breetz - Deputy Secretary
David Schulz – Senior Vice President, Chief Tax Officer

Effective September 14, 2020, Jay Orlandi resigned as a Director and Karen Polak was appointed as a Director. Effective March 31, 2021, Mark Mullin resigned as a Director and Fredrick J. Gingerich was appointed as a Director.

Officers

The executive officers of the corporation shall be a Chairman of the Board, a President, a Vice President, a Treasurer and a Secretary, each of whom shall be elected by the Board of Directors annually. The Chairman of the Board and the President are to be members of the Board of Directors.

The Company’s principal officers at December 31, 2019 were as follows:

<u>Name</u>	<u>Title</u>
Mark Mullin	Chairman of the Board
C. Michiel van Katwijk	Executive Vice President, Chief Financial Officer and Treasurer
Blake S. Bostwick	President and Chief Operating Officer
Jay Orlandi	Executive Vice President and Secretary
Fredrick J. Gingerich	Vice President and Controller

Effective September 14, 2020, Jay Orlandi resigned as Executive Vice President and Secretary and Karyn S. W. Polak was appointed as Secretary. Effective March 31, 2021, Mark Mullin resigned as Chairman of the Board and Fredrick J. Gingerich was named Chairman of the Board.

The salaries of the officers shown on the jurat page of the annual statement are contained in Exhibit A which will be found immediately following the signature page of this report.

CONFLICT OF INTEREST

Transamerica Corporation has a Code of Conduct policy which addresses conflicts of interest and is acknowledged by key employees on an annual basis. Our review of the responses disclosed that there were no significant conflicts of interest reported.

CORPORATE RECORDS

The minutes of the Shareholders and Board of Directors meetings were read and noted. The Company reviewed the findings of the Ohio Department of Insurance Examination Report as of December 31, 2014 at the Board of Directors’ meeting held on August 9, 2016. The Articles of Incorporation and the Bylaws of the Company were both restated effective September 30, 2018 in conjunction with the Company’s re-domestication from the

State of Ohio to the State of Iowa. Both the Restated Articles and Bylaws were filed for review/approval with the Division in compliance with Chapter 490.902, Code of Iowa.

INTERCOMPANY AGREEMENTS

Administration Agreement

Effective January 1, 2017, the Company along with a number of affiliates (designated Receiving Companies) entered into a “Shared Services and Cost Sharing Agreement” with AEGON Global Services, LLC, AEGON USA Realty Advisors, LLC, TLIC, TPLIC and World Financial Group, Inc. (designated as Providing Companies). Pursuant to the terms of this agreement, the Providing Companies will provide administrative services including accounting, actuarial, billing/premium adjustment, claims adjustment, financial and regulatory reporting, information technology, employee services, reinsurance, risk management, internal audit, legal/compliance, tax, treasury, and underwriting and certain other services for the Company.

Federal Tax Allocation Agreement

The Company, along with various other subsidiaries of the Transamerica Corporation holding company system, is a party to a Federal Income Tax Allocation Agreement with its parent, Transamerica Corporation. An agreement was originally entered into effective for tax years commencing 2005 and after, and the agreement was amended/restated effective for tax years commencing 2013 and after.

Transamerica Corporation agrees to file a consolidated federal income tax return and make payment on behalf of this affiliated group. Amounts payable by the Company will be equal to that which would be payable had the Company filed a separate income tax return. The Company will pay interim payments due within 15 days following the due date for estimated payment filings and within 30 days of the final federal income tax filing.

Investment Management Agreement

Effective April 1, 2007 (and amended and restated February 1, 2020), the Company and Aegon USA Investment Management LLC (AUIM) entered into an investment management agreement under which AUIM provides advice and services necessary for the sound management of the designated assets, including supplying investment research portfolio management in accordance with Investment Guidelines attached to the agreement (including, the selection of securities to purchase, hold, sell or otherwise effect transactions, as well as the selection of brokers to execute portfolio transactions), directing the investment and reinvestment of the assets in securities, cash or cash equivalents, and periodic reporting to the Board of Directors.

FIDELITY BONDS AND OTHER INSURANCE

The Company’s parent, Transamerica Corporation, maintains fidelity bond coverage up to \$5,000,000, which adequately covers the suggested minimum amount of coverage for the Company as recommended by the NAIC. The Company is identified as a named insured in the fidelity bond policy.

Other insurance maintained covering the Company includes Errors and Omissions Liability, Professional Liability, Commercial General Liability, along with an overall Umbrella Limit of Liability in the amount of \$25,000,000.

EMPLOYEES' WELFARE

The Company has no employees. Services are provided by employees of affiliated companies as part of a Cost Sharing Agreement with applicable costs allocated to the Company.

REINSURANCE

Assumed

All of the Company's previously assumed business is now in run-off, including commercial multiple peril and general liability, and the Company reported no assumed premiums in years 2018 or 2019. As of December 31, 2019, the Company reported a total of \$45 thousand of assumed paid losses and LAE and \$4.3 million of assumed known case loss and LAE reserves.

Ceded

Primary ceded reinsurance included the following:

Effective October 31, 2014, the Company entered into a retroactive reinsurance agreement with a non-affiliated third-party, to cede its remaining risk related to a runoff block of general liability and commercial multi-peril lines of business. Effective October 1, 2018, the Company also entered into a reinsurance agreement with the same third-party to cede 100% of its workers compensation business (in run-off).

As of December 31, 2019, the Company reported a net amount recoverable from reinsurers totaling \$13.4 million.

STATUTORY DEPOSIT

As of December 31, 2019, the book/adjusted carrying value of state deposits held in trust by the Insurance Commissioners of Arkansas, Georgia, Massachusetts, New Mexico, Nevada, North Carolina, Oregon and Guam totaled \$1,634,656. The State of Iowa does not have a statutory deposit requirement.

TERRITORY AND PLAN OF OPERATION

The Company holds certificates of authority to transact business in all fifty states, the District of Columbia and the territory of Guam.

Currently all of the Company's business is in run-off. During the examination period the Company primarily wrote travel insurance (inland marine). Travel insurance provides coverage for trip interruption, cancellation, delay, baggage damage and medical assistance in excess of the insured's primary insurance. The majority of the travel premium was produced by managing general agents. In December 2017, the Company announced that it was ceasing all travel insurance sales effective December 31, 2017.

The Company also wrote Guaranteed Auto Protection (GAP) coverage and credit unemployment and credit disability during the examination period. The credit unemployment and credit disability coverages were marketed through credit card issuers and issued as additional products to life insurance issued by an affiliate, TLIC. GAP provided reimbursement to an individual insured in the event that the remaining amount of an outstanding auto loan exceeds the funds paid by the auto insurance in the event of totaled loss. New sales of credit insurance ceased in 2016 with the last sale of GAP coverage occurring in 2017. The Company also maintains a discontinued

block of Workers Compensation as well as assumed general liability and commercial multi-peril lines of business which were reinsured in 2014.

The Company continued to report some premium from existing policies, including a financial guaranty contract for catastrophic asset loss with its affiliate TPLIC, where the Company covers realized losses in excess of defined limits on a portfolio of investment securities matched to reserve levels of a closed inforce block of business. The catastrophic asset contract was issued to TPLIC in 2009 and had an annual premium of \$3,000,000. The contract was deemed cancelled during the fourth quarter of 2020 as a result of TPLIC and MLRe merging into TLIC effective October 1, 2020.

GROWTH OF COMPANY

The following data, as taken from the electronic office copies of the Company's filed annual statements for the years indicated, reflects the growth of the Company (in dollars):

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus to Policyholders</u>	<u>Net Premiums Written</u>	<u>Net Losses Paid</u>	<u>Net Income</u>
2015	\$ 355,566,946	\$ 166,528,516	\$ 317,959,567	\$ 188,156,055	\$ 12,883,119
2016	395,516,234	179,508,691	358,479,570	208,750,862	11,212,441
2017	455,532,160	274,282,083	370,836,930	213,011,843	16,061,177
2018	158,418,276	121,832,274	27,402,746	83,296,550	(5,335,011)
2019	52,945,018	40,982,900	4,686,953	11,578,772	8,774,504

The balances reflected in 2018 and 2019 reflect the Company's exit from the travel business.

ACCOUNTS AND RECORDS

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Division of Insurance.

During the course of the examination, no statutory compliance issues were noted nor were any material aggregate surplus differences identified from the amount reflected in the financial statements, as presented in the annual statement as of December 31, 2019.

SUBSEQUENT EVENTS

COVID-19 Pandemic

In March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there remains significant uncertainty as to the ultimate impact the pandemic will have on the economy, insurance industry and the Company. In addition, this uncertainty has contributed to extreme volatility in the financial markets. As such, the Iowa Insurance Division will continue to monitor COVID-19 developments.

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, 2019.

BALANCE SHEET
As of December 31, 2019
ASSETS

	<u>Assets</u>	<u>Non-admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 49,771,957	\$ 1,147,629	\$ 48,624,328
Cash \$(350,699); cash equivalents \$731,511 and short-term investments \$0	380,812		380,812
Other invested assets	540,179		540,179
Securities lending reinvested collateral assets	243,897		243,897
Subtotals, cash and invested assets	<u>\$ 50,936,845</u>	<u>\$ 1,147,629</u>	<u>\$ 49,789,216</u>
Investment income due and accrued	\$ 594,169	\$ 14,775	\$ 579,394
Premiums and considerations			
Uncollected premiums and agents' balances in the course of collection	24,579		24,579
Amounts recoverable from reinsurers	1,645,482		1,645,482
Net deferred tax asset	235,365		235,365
Guaranty funds receivable or on deposit	89,644		89,644
Accounts receivable	581,338		581,338
Investment receivables	73,043	73,043	0
Total Assets	<u>\$ 54,180,465</u>	<u>\$ 1,235,447</u>	<u>\$ 52,945,018</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$	15,599,905
Reinsurance payable on paid losses and loss adjustment expenses		45,262
Loss adjustment expenses		250,590
Commissions payable, contingent commissions and other similar charges		185,107
Other expenses (excluding taxes, licenses and fees)		24,741
Taxes, licenses and fees (excluding federal and foreign income taxes)		(2,034,053)
Current federal and foreign income taxes		48,820
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$1,384,267)		3,301,136
Advance premium		195
Funds held by company under reinsurance treaties		5,601,998
Remittances and items not allocated		88,087
Provision for reinsurance		267,066
Payable to parent, subsidiaries and affiliates		1,395,746
Payable for securities lending		243,897
Contingency reserves		1,500,000
Accident and sickness active life reserves		175,127
Retroactive reinsurance reserve ceded		(14,731,506)
Total Liabilities	\$	<u>11,962,118</u>
Common capital stock	\$	8,724,386
Gross paid-in and contributed surplus		22,217,106
Unassigned funds (surplus)		10,041,408
Surplus as regards policyholders	\$	<u>40,982,900</u>
Total liabilities and surplus	\$	<u><u>52,945,018</u></u>

STATEMENT OF INCOME

Year ended December 31, 2019

Underwriting Income

Premiums earned		\$ 10,129,054
Underwriting deductions:		
Losses incurred	\$ 402,738	
Loss adjustment expenses incurred	955,214	
Other underwriting expenses incurred	5,899,648	
Total underwriting deductions		<u>7,257,600</u>
Net underwriting gain		\$ 2,871,454

Investment Income

Net investment income earned	\$ 5,508,613	
Net realized capital gains less capital gains tax of \$296,349	4,607,179	<u>10,115,792</u>
Net investment gain		\$ 10,115,792

Other Income

Miscellaneous income	\$ 2,156	
Accident and sickness active life reserve	(3,613)	
Funds withheld ceded investment income	(183,981)	
Change in retroactive reinsurance ceded	(3,316,295)	<u>(3,501,733)</u>
Total other income		\$ (3,501,733)

Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		\$ 9,485,513
Dividend to policyholders		<u>0</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		\$ 9,485,513
Federal and foreign income taxes incurred		711,009
Net income		<u><u>\$ 8,774,504</u></u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2018		\$ 121,832,274
Net income, 2019	\$ 8,774,504	
Change in net unrealized foreign exchange capital gain	702,544	
Change in net deferred income tax	(770,462)	
Change in non-admitted assets	(792,894)	
Change in provision for reinsurance	1,236,934	
Dividends to stockholders	<u>(90,000,000)</u>	
Change in surplus as regards policyholders for the year		<u>(80,849,374)</u>
Surplus as regards policyholders, December 31, 2019		<u><u>\$ 40,982,900</u></u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$	6,486,332	
Net investment income		6,262,347	
Miscellaneous income		(3,495,555)	
Total		<u> </u>	\$ 9,253,124
Benefit and loss related payments	\$	8,651,449	
Commissions, expenses paid and aggregate write-ins for deductions		3,813,258	
Federal and foreign income taxes paid		(821,528)	
Total		<u> </u>	\$ 11,643,179
Net cash from operations			<u> </u> \$ (2,390,055)

Cash from Investments

Proceeds from investments sold, matured, or repaid:			
Bonds	\$	101,498,704	
Other invested assets		661,715	
Net gains or (losses) on cash, cash equivalents and short-term investments		224	
Miscellaneous proceeds		8,841,636	
Total investment proceeds		<u> </u>	\$ 111,002,279
Cost of investments acquired (long-term only):			
Bonds	\$	12,261,349	
Total investments acquired			<u> </u> 12,261,349
Net cash from investments			<u> </u> \$ 98,740,930

Cash from Financing and Miscellaneous Sources

Cash provided (applied):			
Dividends to stockholders	\$	90,000,000	
Other cash applied		(9,811,628)	
Net Cash from Financing and Miscellaneous sources			<u> </u> (99,811,628)

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$	(3,460,753)	
Cash, cash equivalents and short-term investments:			
Beginning of year		<u> </u>	3,841,565
End of year	\$	<u> </u>	<u> </u> 380,812

CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Company during this examination.

In addition to the undersigned, the following examiners participated in the examination and preparation of this report: Mary Rodack, CFE of the INS Companies.

A review of the information technology system was performed under the direction of John Albertini of The INS Companies.

A review of loss and loss adjusting expense reserves was performed under the direction of David Macesic, ACAS, MAAA and James McCreesh, FCAS, MAAA of INS Consultants, Inc.

Respectfully submitted,

/s/ Robert Rodack
Robert Rodack, CFE
Examiner-in-Charge
Representing the Iowa Insurance Division

/s/ Daniel Mathis
Daniel Mathis, CFE
Assistant Chief Examiner
Iowa Insurance Division