

EXAMINATION REPORT OF
BITCO GENERAL INSURANCE CORPORATION
DAVENPORT, IOWA
AS OF DECEMBER 31, 2021

Davenport, Iowa
May 17, 2023

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

BITCO GENERAL INSURANCE CORPORATION

DAVENPORT, IOWA

AS OF DECEMBER 31, 2021

at its Home Office, 3700 Market Square Circle, Davenport, Iowa.

INTRODUCTION

BITCO General Insurance Corporation, hereinafter referred to as the “BGI” or the “Company”, was last examined as of December 31, 2016 by the Illinois Department of Insurance. The examination reported herein was conducted as part of a coordinated examination of the Old Republic International Corporation. The state insurance departments of California, Delaware, Florida, Illinois, Iowa, Mississippi, Nebraska, North Carolina, Oklahoma, Wisconsin, and Vermont participated in this coordinated examination, with Pennsylvania as the lead state.

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

<u>Company</u>	<u>State</u>
Old Republic Insurance Company	PA
Manufacturers Alliance Insurance Company	PA
Pennsylvania Manufacturers Association Insurance Company	PA
Pennsylvania Manufacturers Indemnity Company	PA
American Business & Mercantile Insurance Mutual, Inc.	DE
Republic Credit Indemnity Company	IL
Old Republic Union Insurance Company	IL
Old Republic Security Assurance Company	IL
Old Republic General Insurance Corporation	IL
Old Republic Life Insurance Company	IL
BITCO General Insurance Company	IA
BITCO National Insurance Company	IA
Great West Casualty Company	NE
Old Republic Surety Company	WI
Republic Mortgage Insurance Company	NC
Republic Mortgage Guaranty Insurance Corporation	NC
Republic Mortgage Assurance Company	FL
Old Republic National Title Insurance Company	FL
Mississippi Valley Title Insurance Company	MS

<u>Company</u>	<u>State</u>
American Guaranty Title Insurance Company	OK
Old Republic Home Protection Company	CA
Old Republic Specialty Insurance Company	VT

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2017, to close of business on December 31, 2021, including any material transactions and/or 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. The Handbook requires that we 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 incorporated on July 23, 1928, pursuant to the laws of the State of Illinois, and commenced business on August 1, 1928.

1973 – BITCO Corporation (“BITCO”) was organized as a Delaware holding company. Subsequently, the Company and BNI became wholly owned subsidiaries of BITCO.

1981 – BITCO acquired Great West Casualty Company (“GWC”) and its related agencies.

1985 - BITCO and all its subsidiaries merged with Old Republic International Corporation.

2014 – The Company amended its Articles of Incorporation and changed its name from Bituminous Casualty Corporation to its current name.

2021 - The Company filed its Amended and Restated Articles of Incorporation with the Iowa Secretary of State to effectuate its redomestication from the State of Illinois to the State Iowa, in accordance with the provisions of Sections 490.902 and 508.12, of the Code of Iowa.

CAPITAL STOCK AND DIVIDENDS THEREON

The Amended and Restated Articles of Incorporation provide for authorized capital in the amount of \$13,000,000 consisting of 1,920,000 shares of Class A common stock with a par value of \$4.1667 per share and 15,000 shares of preferred stock with a par value of \$100 per share. As of December 31, 2021, there were 1,920,000 common shares issued and outstanding representing \$8,000,000 in common capital stock. There were no changes made to the common capital stock

during the examination period.

All shares outstanding as of December 31, 2021, were owned by BITCO. BITCO is wholly owned by Old Republic General Insurance Group, which in turn is wholly owned by Old Republic International Corporation, the Company's ultimate parent.

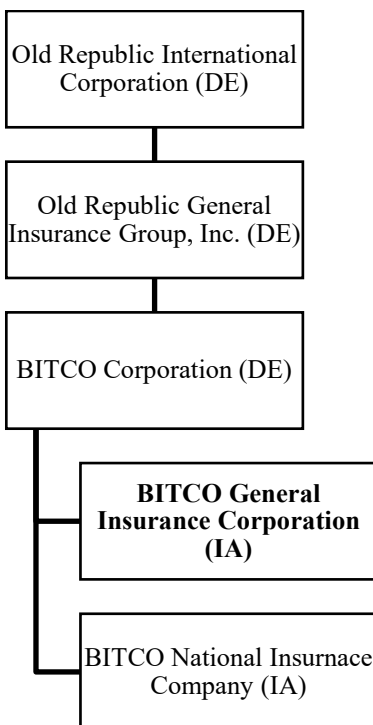
The Company paid stockholder dividends during the examination period as follows:

2017 - \$25,000,000
2018 - \$25,700,000
2019 - \$25,000,000
2020 - \$25,000,000
2021 - \$20,000,000

HOLDING COMPANY ACT

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. The Company is wholly owned by BITCO. BITCO is wholly owned by Old Republic General Insurance Group, Inc., which in turn is wholly owned by Old Republic International Corporation, the Company's ultimate parent. The appropriate forms, as mandated under the Iowa Code regarding insurance company holding systems, were filed in 2021.

A simplified organizational chart identifying BITCO and its insurance company subsidiaries within the Holding Company System is as follows:



MANAGEMENT AND CONTROL

STOCKHOLDER

All meetings of the stockholders for the election of directors shall be held at the principal offices of the corporation or at such other place either within or without the State of Iowa as shall be designated from time to time by the board of directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Iowa, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Annual meetings of stockholders shall be held on the 2nd Tuesday of June if not a legal holiday, and if a legal holiday, then on the next secular day following, at 10:00 A.M., or at such other date and time as shall be designated from time to time by the board of directors and stated in the notice of the meeting, at which they shall elect by a plurality vote a board of directors, and transact such other business as may properly be brought before the meeting.

Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the chief executive officer or president and shall be called by the secretary at the request in writing of a majority of the board of directors, or at the request in writing of stockholders owning 20% in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

BOARD OF DIRECTORS

The Bylaws provide that all corporate powers shall be exercised by or under authority of, and the business and affairs of the corporation shall be managed by or under, the direction of the board of directors and shall consist of not less than five (5) nor more than twenty-one (21), with the exact number of members to be set by action of the Board.

The directors shall be classified with respect to the time for which they shall severally hold office by dividing them as equally as the total number of directors will permit into three classes. All directors shall hold office until their successors are elected and qualified. At each annual meeting the successors to the class of directors whose term then expire shall be elected to hold office for a term of three years, so that the term of office of only one class of directors shall expire in each year. Each director shall hold office until dismissed for cause by the remaining directors, or until his successor shall have been elected and qualified. A person convicted of a felony may not be a director, and all directors shall be of good character and known professional, administrative, or business ability, such business ability to include a practical knowledge of insurance, finance, or investment. Directors shall be shareholders of the corporation unless the corporation is a wholly owned subsidiary. The number of directors may be increased or decreased from time to time by amendment of this section; but no decrease shall have the effect of shortening the term of any incumbent director. Directors shall be natural persons at least 18 years of age.

The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Iowa.

The first meeting of each newly elected board of directors shall be held immediately following the adjournment of the annual meeting of the stockholders at the same place as such annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event such meeting is not held at such time and place, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

The directors serving as of December 31, 2021, were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term</u>
Steven J. Bateman Maple Plain, MN	Partner (Retired) PricewaterhouseCoopers, LLP	2022
Jimmy A. Dew Bermuda Run, NC	Vice Chairman (Retired) Republic Mortgage Insurance Corporation	2022
John M. Dixon Winnetka, IL	Chief Executive Partner (Retired) Chapman and Cutler Attorneys	2022
Glenn W. Reed Barrington, IL	Managing Director – Strategy Division (Retired) The Vanguard Group, Inc.	2022
Steven R. Walker Layfayette, CA	Partner (Retired) Leland, Parachini, Steinberg, Matzger & Meinick, LLP, Attorneys	2022
Barbara A. Adachi San Mateo, CA	Chief Executive and National Managing Partner (Retired) Deloitte Consulting - Human Capital Consulting Practice	2023
Lisa J. Caldwell Kernersville, NC	Executive Vice President and Chief Human Resources Officer (Retired) Reynolds American, Inc.	2023
Charles J. Kovalski Oviedo, FL	President (Retired) Attorney’s Title Division	2023
Peter B. McNitt Winnetka, IL	Vice Chairman (Retired) BMO Harris Bank	2023
Craig R. Smiddy Chicago, IL	President and Chief Executive Officer Old Republic International Corporation	2023
Arnold L. Steiner Birmingham, AL	President (Retired) Steiner Bank	2023
Fredricka Taubitz La Jolla, CA	Executive Vice President & Chief Financial Officer (Retired) Zenith National Insurance Corporation	2023
Michael D. Kennedy Atlanta, GA	Senior Client Partner (Retired) Korn Ferry	2024
Spencer LeRoy III Sun Lakes, AZ	Senior Vice President, Secretary and General Counsel (Retired) Old Republic International Corporation	2024

COMMITTEES

The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of three or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the Bylaws of the corporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.

The committees and their membership as of December 31, 2021, are as follows:

Audit Committee

Fredricka Taubitz, Chairperson
Steven J. Bateman
Steven R. Walker
Glenn W. Reed
Barbara A. Adachi
Michael D. Kennedy
Charles J. Kovaleski
Peter B. McNitt

Compensation Committee

John M. Dixon, Chairperson
Steven J. Bateman
Jimmy A. Dew
Glenn W. Reed
Arnold L. Steiner
Fredricka Taubitz
Lisa J. Caldwell
Peter B. McNitt

Executive Committee

Craig R. Smiddy, Chairperson
John M. Dixon
Arnold L. Steiner
Steven R. Walker
Fredricka Taubitz
Spencer LeRoy III

Governance & Nominating Committee

Steven R. Walker, Chairperson
Barbara A. Adachi
Lisa J. Caldwell
John M. Dixon
Michael D. Kennedy
Charles J. Kovaleski
Arnold L. Steiner
Jimmy A. Dew

OFFICERS

The officers of the corporation shall be chosen by the board of directors and shall be a chief executive officer, a president, a secretary and a treasurer. The board of directors may also choose one or more vice-presidents, assistant vice-presidents, assistant secretaries and assistant treasurers. Any number of offices may be held by the same person, unless the certificate of incorporation or these Bylaws otherwise provide. The chairman shall be elected at each meeting from the members of the board of directors to conduct the meeting.

The officers appointed and serving as of December 31, 2021, were as follows:

<u>Name</u>	<u>Title</u>
Vincent C. Lamb	President & Chief Executive Officer
Lori S. Paulus	Executive Vice President Claims & Secretary

<u>Name</u>	<u>Title</u>
Dennis A. VanderVinne	Senior Vice President Accounting & Treasurer
David J. Dupont	Executive Vice President Underwriting
Stephen J. Agey	Vice President Marketing and Field Operations
Michael J. Vance	Senior Vice President Information Technology

The compensation of the officers is shown in Exhibit A to be found immediately following the signature page of this report.

CONFLICT OF INTEREST STATEMENTS

The Company has an established procedure for annual disclosure to its board of directors of any material interest or affiliation on the part of any of its officers, directors, or responsible employees, which is or is likely to conflict with the official duties of such person. Completed questionnaires filed for the period under examination were reviewed and the information contained therein disclosed no material conflicting interests.

CORPORATE RECORDS

The Articles of Incorporation were amended and restated that effective September 1, 2017, as follows:

ARTICLE II was amended and restated to read: The registered office of the Corporation shall be located in the City of Davenport, State of Iowa.

The Bylaws were amended and restated effective September 1, 2017, as follows:

ARTICLE I, Section 1 was amended and restated to read: The registered office of said Corporation shall be located in the City of Chicago, State of Illinois. The principal offices of the corporation shall be located in the City of Davenport, State of Iowa.

The Bylaws were amended and restated that effective October 1, 2021, as follows:

ARTICLE I, Section 1 was amended and restated to read: The home office shall be located in the City of Davenport, State of Iowa.

ARTICLE II, Section 1 was amended and restated to read: All meetings of the stockholders for the election of directors shall be held at the principal offices of the corporation or at such other place either within or without the State of Iowa as shall be designated from time to time by the board of directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Iowa, as shall be stated in the notice of the meeting or in a duly executed waive or notice thereof.

ARTICLE III, Section 4 was amended and restated to read: The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Iowa.

ARTICLE VI, Section 7 was amended and restated to read: The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Iowa.

The recorded minutes of the meetings of the shareholders, directors, and committees of the board of directors were read and noted. The minutes appeared to be complete and were found to be properly attested.

RELATED PARTY AGREEMENTS

Services Agreement with BITCO Corporation

The Company entered into a Services Agreement with BITCO. The agreement provides that BITCO provide facilities, office space, accounting services, claims services, actuarial support for pricing and reserving and computer services to the Company. The Company agrees to reimburse BITCO Corporation on a reasonable and equitable basis.

Investment Counsel Services Agreement with Old Republic Asset Management Corporation

The Company entered into an Investment Counsel Services Agreement with Old Republic Asset Management Corporation (“ORAM”). The agreement provides that ORAM provide investment management and accounting services to the Company. ORAM shall full discretionary authority to manage, purchase or sell any or all securities provide that all assets and transactions comply with Old Republic International Corporation and the Company’s investment policy. The compensation for services rendered is determined in accordance with a fee schedule based upon the assets held in the Company’s portfolio.

Intra-System Liquidity Facility Agreement

The Company entered into an Intra-System Liquidity Facility Agreement with Old Republic International Corporation, Old Republic Capital Corporation, and participating affiliates. The agreement provides that each party to the agreement can lend to each other sums agreed to by both parties within stated thresholds at the interest rate of Old Republic Capital Corporation's open market commercial paper. All advances made by a lending party to a borrowing party shall mature and shall be repaid in full to such lending party on demand.

Tax Sharing Agreement

The Company entered into a Tax Sharing Agreement with Old Republic International Corporation and participating affiliates. The agreement provides that federal income taxes shall be allocated to members of the consolidated tax group based upon a separate return calculation with current credit for net losses to the extent cash recoveries are available through group income offsets.

Employees Savings and Stock Ownership Plan Loan Agreement

The Company has entered into an Employees Savings and Stock Ownership Plan (“ESSOP”) Loan Agreement with American First Title & Trust of the Old Republic International Corporation Employees Savings and Stock Ownership Trust which was created by Old Republic International Corporation, pursuant to the Old Republic International Corporation ESSOP. The agreement provides that the Company agrees to make advances or loans to the ESSOP in exchange for promissory notes. The Company made advances in the amount of \$2,201,000 and \$2,039,000 during 2018 and 2020, respectively.

Reinsurance Management Services Agreement with Brummel Bothers, Inc.

The Company has entered into a Reinsurance Management Services Agreement with Brummel Brothers, Inc. (“Brummel”) and participating affiliates. The agreement provides that the Company appoints and authorizes Brummel to act as the principal representative of the Company in the review, execution, and enforcement of reinsurance agreements entered into. The services may include: assist the Company in its placement of reinsurance, maintain and service reinsurance contracts, assist the Company in its collection and receipting for premiums due and the payment of claims pursuant to reinsurance placed by Brummel, assist in the preparation and maintenance of reinsurance statements and reports and processing of the related financial records and transactions, provide financial, underwriting, and actuarial analysis of any reinsurance contract, and investigate, adjust, and settle claims under reinsurance entered into by the Company. In connection with assumption of reinsurance, the Company agrees to pay a fee in an amount equal to a percentage of reinsurance premium assumed as agreed to on a contract-by-contract basis. In connection with the cession of reinsurance, the Company agrees to

pay a fee in amount equal to Brummel's cost and expenses associated with the services provided.

FIDELITY BONDS AND OTHER INSURANCE

The Company and its affiliates were protected by a financial institution bond that covers all employees. The coverage limits for a single loss of liability for insuring clauses were \$20,000,000 per loss with a \$500,000 deductible and a shared aggregate loss limit of \$40,000,000. The coverage met the NAIC's stated suggested minimum amount of coverage.

EMPLOYEES' WELFARE

Old Republic International Corporation and its subsidiaries offer a variety of benefit plans available for their employees when determined to be benefit-eligible, including employee group term life, a short-term disability and business travel accident insurance on a non-contributory basis. A group medical health program, group dental, prescription drug and vision are in place with employee contributions required on a pre-tax basis. Group term life insurance is provided to all benefit-eligible employees. Employee supplemental life insurance, spouse and dependent child life insurance plans are available on a voluntary basis on an after-tax basis. Through the life insurance carrier, the employees have access to an employee assistance program, will preparation and travel assistance. A 401K safe-harbor plan is in place whereby the employee is always 100% vested in their own contributions with a vesting schedule for company contributions. Additionally, flexible spending accounts and a health savings account, according to IRS regulations are offered to all employees. Lastly, employees have access to paid long-term disability insurance, critical illness, accident insurance and pet insurance on a post-tax basis.

Old Republic International Corporation also offers and administers an Employee Savings and Stock Ownership Plan where substantially all employees are eligible to participate in this plan.

REINSURANCE

ASSUMED

The Company assumed \$43,230,000 in premium from BNI during 2021.

The Company also participates in various mandatory/voluntary pools and associations. Assumed premium from pools and associations reported for 2021 totaled \$3,249,000.

CEDED

Intercompany Quota Share - BNI

The Company entered into a 100% quota share reinsurance agreement with BNI. The agreement provides that the Company assumes 100% the direct business and liabilities of BNI subject to the same risks, perils, terms, conditions, premiums, effective dates, stipulations, and endorsements as those provided in the original policies written by BNI. The Company also assumes the responsibility for the collection of premiums/agent's balances and the liability for dividends to policyholders of BNI. The agreement went into effect in 1944 and was last amended on January 1, 2010.

The Company entered into a quota share reinsurance agreement with BNI. The agreement provides that the Company cedes 15% quota share for years 1987 and prior, a 20% quota share for the year 1988, a 35% quota share for 1989 and a 40% quota share for the years 1990 and subsequent up to the Company's net retained liability on certain casualty lines of business. The agreement was terminated effective December 31, 2016, and the reinsured business is in run-off.

The Company entered into a quota share reinsurance agreement with BNI. The agreement provides that the Company cedes 100% of its liability for all property insurance including, but not limited to: fire, allied lines, ocean marine, inland marine, earthquake, burglary and theft, and boiler and machinery, but excluded commercial multi-peril property insurance policies, certificates and other evidence of insurance issued or assumed by the Company. The liabilities assumed

by BNI hereunder shall be subject in all respects to the same terms and conditions and the liabilities of the Company under said insurances, the terms and conditions. This agreement in effect allows the Company to retain all liability insurance risk and BNI to assume all property insurance risk. The agreement went into effect January 1, 2017.

Intercompany Quota Share – Old Republic Surety Assurance Company

The Company entered into a 100% quota share reinsurance agreement with Old Republic Surety Assurance Company (“ORSAC”). The agreement provides that the Company cedes 100% of the business written by Old Republic Contractors Insurance Group, Inc., Old Republic Contractors Insurance Agency, Inc. and Old Republic Contractors Insurance Agency of New York, Inc. The agreement went into effect May 1, 2018.

Intercompany Quota Share – Old Republic General Insurance Corporation

The Company entered into a quota share reinsurance agreement with Old Republic General Insurance Corporation (“ORGENCO”). The agreement provides that the Company cedes 1% quota share the Company’s net retained liability on workers’ compensation, general liability, auto liability, auto physical damage, and special multi-peril – third party liability lines of business. The agreement went into effect January 1, 2002.

The Company and BNI participated in Old Republic International Corporation group reinsurance program with ORGENCO, an affiliated reinsurer, and external reinsurers during 2021.

Casualty Excess of Loss

The Company entered into a casualty excess of loss reinsurance agreement with ORGENCO. The agreement provides that the reinsurer agrees to indemnify the Company on an excess of loss basis, for amounts of ultimate net loss paid by the Company as result of losses occurring under the Company’s policies for the following classes of insurance: automobile liability, liability other than automobile, and workers’ compensation, employers’ liability, and employers’ accident policies. The reinsurer shall not be liable for any loss until the Company’s ultimate net loss in each occurrence or each claim made exceeds \$500,000 and then the reinsurer shall be liable for the amount of the Company’s ultimate net loss in excess of \$500,000, but the reinsurer’s liability shall not exceed \$500,000 ultimate net loss in each occurrence, or each claim made.

Casualty Excess of Loss First Layer

The Company entered into a casualty excess of loss reinsurance agreement with ORGENCO. The agreement provides that the reinsurer agrees to indemnify the Company on an excess of loss basis, for amounts of ultimate net loss paid by the Company as result of losses occurring under the Company’s policies for the following classes of insurance: automobile liability, liability other than automobile, and workers’ compensation, employers’ liability, and employers’ accident policies. The reinsurer shall not be liable for any loss until the Company’s ultimate net loss in each occurrence or each claim made exceeds \$1,000,000 and then the reinsurer shall be liable for the amount of the Company’s ultimate net loss in excess of \$1,000,000, but the reinsurer’s liability shall not exceed \$1,000,000 ultimate net loss in each occurrence, or each claim made.

Casualty Excess of Loss Second-Fifth Layers

The Company entered into a casualty excess of loss reinsurance agreement with ORGENCO and external reinsurers. The agreement provides that the reinsurer agrees to indemnify the Company on an excess of loss basis, for amounts of ultimate net loss paid by the Company as result of losses occurring under the Company’s policies for the following classes of insurance: automobile liability, liability other than automobile, and workers’ compensation, employers’ liability, and employers’ accident policies.

For each excess layer of reinsurance, the reinsurer shall be liable in respect of each loss occurrence for the ultimate net loss over and above the initial ultimate net loss retention(s) as set forth in the schedule below for the loss occurrence,

subject to a limit of liability to the reinsurer for each such loss occurrence, and subject to a further to a limit of liability for all loss occurrences commencing during the term of this contract, as set forth below:

Retention and Limit Schedule			
Excess Layer	Company's Retention	Reinsurer's Limit of Liability	
	Ultimate net loss in respect of each loss occurrence	Ultimate net loss in respect of each loss occurrence	Ultimate net loss in respect of all loss occurrences during the term of this contract
Second Layer	\$2,000,000	\$3,000,000	\$24,000,000
Third Layer	\$5,000,000	\$5,000,000	\$25,000,000
Fourth Layer	\$10,000,000	\$10,000,000	\$40,000,000
Fifth Layer	\$20,000,000	\$20,000,000	\$60,000,000

Workers' Compensation Excess of Loss Sixth-Eighth Layers

The Company entered in workers' compensation excess of reinsurance agreement with external reinsurers. The agreement provides that the reinsurer agrees to indemnify the Company on an excess of loss basis, for amounts of ultimate net loss paid by the Company as result of losses occurring under the Company's policies for the following classes of insurance: workers' compensation, employers' liability, and employers' accident policies.

For each excess layer of reinsurance, the reinsurer shall be liable in respect of each loss occurrence for the ultimate net loss over and above the initial ultimate net loss retention(s) as set forth in the schedule below for the loss occurrence, subject to a limit of liability to the reinsurer for each such loss occurrence, and subject to a further to a limit of liability for all loss occurrences commencing during the term of this contract, as set forth below; however, the maximum amount applicable any person/claimant to the ultimate net loss shall not exceed \$10,000,000 on an agreed value basis for the sixth layer and \$12,500,000 on an agreed value basis for the seventh and eighth layers.

Retention and Limit Schedule			
Excess Layer	Company's Retention	Reinsurer's Limit of Liability	
	Ultimate net loss in respect of each loss occurrence	Ultimate net loss in respect of each loss occurrence	Ultimate net loss in respect of all loss occurrences during the term of this contract
Sixth Layer	\$40,000,000	\$20,000,000	\$40,000,000
Seventh Layer	\$60,000,000	\$40,000,000	\$80,000,000
Eighth Layer	\$100,000,000	\$100,000,000	\$200,000,000

Workers' Compensation Terrorism – Facultative

The Company will also utilize facultative reinsurance placements for workers' compensation terrorism as an accommodation to insureds whose risk exceeds the Company's tolerance for a particular line of business or coverage. This coverage is placed with several different unaffiliated reinsurers.

Casualty Quota Share Excess Cessions

The Company entered in casualty quota share excess cession reinsurance agreement with ORGENCO and external reinsurers. The agreement provides that the reinsurer agrees to accept, a proportionate participation in respect to all policies produced and/or underwritten and classified by the Company as automobile liability, general liability, excess liability,

employers liability, and umbrella liability.

For excess liability and umbrella liability business, the Company will cede and the reinsurer agree to accept 100% of the Company's excess liability for losses on all policies described in the coverage article as excess liability and umbrella liability. However, the limit of liability on each cession made hereunder will not exceed \$10,000,000, any one occurrence, any one policy.

For automobile liability and general liability business, no claim will be made hereunder unless the Company has first sustained a loss of \$1,000,000, any one occurrence, any one policy. The Company will then cede and the reinsurers agree to accept 100% of the Company's liability for losses on all policies described in the coverage article as automobile liability and general liability. However, the limit of liability on each cession made hereunder will not exceed \$10,000,000, any one occurrence, any one policy.

Workers' Compensation Per Person Excess of Loss First Layer

The Company entered in workers' compensation per person excess of loss reinsurance agreement with ORGENCO. The agreement provides that the reinsurer agrees to indemnify the Company in respect of the liability imposed by workers' compensation acts and payable under the original policies as specified under statutory guidelines, which are a result of accidental death, dismemberment, disability and other bodily injury, including medical expense benefits and exposure or disappearance, and/or by accident benefits coverage required by the various legislated automobile policy forms in Canadian jurisdictions.

The reinsurer shall not be liable for any loss under this agreement until the Company's ultimate net loss per person any one accident or occurrence exceeds \$2,000,000, and then the reinsurer shall be liable for the amount of the Company's ultimate net loss per person any one accident or occurrence excess of \$2,000,000, but the reinsurers' liability shall in no event exceed \$3,000,000 per person any one accident or occurrence.

Workers' Compensation Per Person Excess of Loss Second-Third Layers

The Company entered in workers' compensation per person excess of loss reinsurance agreement with ORGENCO and external reinsurers. The agreement provides that the reinsurer agrees to indemnify the Company in respect of the liability that may accrue to the Company as a result of loss or losses under policies for the following classes of insurance: workers' compensation, employers' liability, and employers' accident policies.

For each excess layer of reinsurance, the reinsurer shall be liable in respect of any one person, any one accident or occurrence for the ultimate net loss over and above the initial ultimate net loss retention(s) as set forth in the schedule any one person, any one accident or occurrence, subject to a limit of liability to the reinsurer for any one person, any one accident or occurrence as set forth in the schedule below. The maximum amount recoverable hereunder of ultimate net loss for each excess layer for the term of this contract shall be as set forth in the schedule below:

Retention and Limit Schedule			
Excess Layer	Company's Retention	Reinsurer's Limit of Liability	
	Ultimate net loss in respect of any one person, any one accident or occurrence	Ultimate net loss in respect of any one person, any one accident or occurrence	Maximum amount recoverable of ultimate net loss for the term of this contract
Second Layer	\$5,000,000	\$5,000,000	\$45,000,000
Third Layer	\$100,000,000	\$100,000,000	\$40,000,000

Property Per Risk Excess of Loss

The Company entered in property per risk excess of loss reinsurance agreement with ORGENCO and external reinsurers. The agreement provides that the reinsurer agrees to reimburse the Company, on an excess of loss basis, for the amounts of ultimate net loss which the company may pay as of losses occurring or losses discovered for the following classes of insurance:

Class Group A: fire and allied lines, extended coverage and additional extended coverage, earthquake, inland marine, the property perils insured under section I of multiple peril package policies, plate glass, innkeepers liability, automobile physical damage, and garagekeepers legal liability.

Class Group B: fidelity, forgery, burglary and theft when written by the Company under 1) individual or blanket policies, 2) comprehensive dishonesty, disappearance and destruction policies or blanket crime policies, and 3) multiple peril policies

The reinsurer will pay to the Company, with respect to each risk, each loss occurrence, the amount of ultimate net loss in excess of \$500,000, but not exceeding \$2,500,000, and further subject to \$7,500,000 ultimate net loss for all risks as a result of any one loss occurrence.

Property Per Risk Excess of Loss First-Fourth Layers

The Company entered in property per risk excess of loss reinsurance agreement with external reinsurers. The agreement provides that the reinsurer agrees to indemnify the Company in respect of the liability that may accrue to the Company as a result of loss or losses under policies classified by the Company as commercial property business, including but not limited to fire, allied lines, inland marine, commercial multi-peril, automobile physical damage, burglary and theft and glass business.

For each excess layer of reinsurance, the reinsurer shall be liable in respect of each loss, each risk for the ultimate net loss over and above the initial ultimate net loss retention(s) set forth in the schedule below for each loss, each risk subject to a limit of liability to the reinsurer, as set forth in the schedule below for each loss, each risk, and further subject to a limit of liability to the reinsurer as set forth in the schedule below as respects all risks involved in any one loss occurrence, and furthermore subject to a limit of liability to the reinsurer as set forth in the schedule below as respects all losses subject to this contract:

Retention and Limit Schedule				
Excess Layer	Company's Retention	Reinsurer's Limit of Liability		
	Ultimate net loss in respect of each loss, each risk	Ultimate net loss in respect of each loss, each risk	Ultimate net loss in respect of any one loss occurrence	Ultimate net loss in respect of all losses subject to this contract
First Layer	\$1,000,000	\$2,000,000	\$2,000,000	\$14,000,000
Second Layer	\$3,000,000	\$7,000,000	\$7,000,000	\$28,000,000
Third Layer	\$10,000,000	\$10,000,000	\$10,000,000	\$30,000,000
Fourth Layer	\$20,000,000	\$10,000,000	\$10,000,000	\$20,000,000

Property Per Risk – Facultative

The Company will also utilize facultative reinsurance placements for property per risk as an accommodation to insureds whose risk exceeds the Company's tolerance for a particular line of business or coverage. This coverage is placed with several different unaffiliated reinsurers.

Property Catastrophe Excess of Loss First-Seventh Layers

The Company entered in property catastrophe excess of loss reinsurance agreement with ORGENCO and external reinsurers. The agreement provides that the reinsurer agrees to indemnify the Company in respect of the liability that may accrue to the Company as a result of loss or losses under policies classified by the Company as commercial property business, including but not limited to fire, allied lines, inland marine, commercial multi-peril, automobile physical damage, burglary and theft, and glass business.

For each excess layer of reinsurance, the reinsurer shall be liable in respect of each loss occurrence for the ultimate net loss over and above the initial ultimate net loss retention(s) as set forth in the schedule below for the loss occurrence, subject to a limit liability to the reinsurer for each such loss occurrence, and subject further to a limit of liability for all loss occurrences commencing during the term of this contract, as set forth below:

Retention and Limit Schedule			
Excess Layer	Company's Retention	Reinsurer's Limit of Liability	
	Ultimate net loss in respect of each loss occurrence	Ultimate net loss in respect of each loss occurrence	Ultimate net loss in respect of all loss occurrences during the term of this contract
First	\$1,000,000	\$2,000,000	Unlimited
Second	\$3,000,000	\$7,000,000	\$21,000,000
Third	\$10,000,000	\$20,000,000	\$60,000,000
Fourth	\$30,000,000	\$40,000,000	\$120,000,000
Fifth	\$70,000,000	\$60,000,000	\$120,000,000
Sixth	\$130,000,000	\$70,000,000	\$140,000,000
Seventh	\$200,000,000	\$80,000,000	\$250,000,000

Equipment Breakdown

The Company entered in equipment breakdown reinsurance agreement with The Hartford Steam Boiler Inspection and Insurance Company. The agreement provides that the reinsurer agrees to accept, 100% of the Equipment Breakdown liability of the Company as respects accidents occurring under new and renewal policies. The reinsurer's liability shall not exceed \$25,000,000 for any one accident, any one policy

STATUTORY DEPOSIT

Following the Company's redomestication to the State of Iowa, but subsequent to examination period, the Company deposited securities held in a custodial account and vested in the Iowa Commissioner of Insurance. As of December 31, 2022, the book/adjusted carrying value of securities held in a custodial account and vested in the Iowa Commissioner of Insurance for the benefit of all policyholders, totaled \$4,463,507.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write business in 48 states and the District of Columbia. The Company is not licensed in Hawaii and New Hampshire.

The Company writes middle market workers' compensation and commercial lines of business. Direct premium writings consist of workers' compensation, commercial multiple perils, general liability, commercial auto and inland marine lines of business for special industries including construction, oil & gas and forest products. Both participating and non-participating policies are issued to the Company's insureds. Participating policies are issued to customers with favorable loss ratios.

GROWTH OF COMPANY

The following information was obtained from the office copies of the annual statements.

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus to Policyholders</u>	<u>Net Premiums Earned</u>	<u>Net Losses Incurred</u>	<u>Investment Income Earned</u>
2017	\$ 943,622,699	\$293,636,023	\$328,154,277	\$196,792,324	\$27,122,255
2018	974,286,039	266,686,079	325,010,409	192,289,861	29,871,009
2019	1,009,494,904	279,728,035	309,228,470	186,063,617	30,390,773
2020	1,078,387,213	328,346,066	269,674,543	157,943,082	29,883,172
2021	1,125,819,425	342,162,479	285,500,199	168,311,017	29,629,104

ACCOUNTS AND RECORDS

Trial balances were prepared for all years of the examination period. Amounts from the general ledger accounts were reconciled and found to be in agreement with balances reported on the filed annual statements for assets, liabilities, income or disbursements.

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 on December 31, 2021.

SUBSEQUENT EVENTS

No subsequent events were noted during the examination.

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, 2021.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Ledger</u>	Not <u>Admitted</u>	<u>Admitted</u>
Bonds	\$ 742,196,863	\$ -	\$742,196,863
Stocks:			
Common stocks	250,413,921	-	250,413,921
Cash and short-term investments	(941,862)	-	(941,862)
Investment income due and accrued	5,909,205	-	5,909,205
Premiums and considerations:			
Uncollected premiums in course of collection	30,791,658	4,855,331	25,936,327
Deferred premiums booked and not yet due	70,763,410	83,063	70,680,347
Reinsurance:			
Amounts recoverable from reinsurers	18,611,429	-	18,611,429
Current federal and foreign income tax recoverable	1,230,588	-	1,230,588
Net deferred tax asset	685,326	-	685,326
Guaranty funds receivable	371,456	-	371,456
Receivables from parent, subsidiaries, and affiliates	10,050,000	-	10,050,000
Aggregate write-ins for other-than invested assets	<u>1,003,016</u>	<u>327,192</u>	<u>675,824</u>
Total assets	<u>\$1,131,085,011</u>	<u>\$5,265,586</u>	<u>\$1,125,819,425</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ 527,789,621
Reinsurance payable on paid losses and loss adjustment expenses	135,309
Loss adjustment expenses	122,242,547
Commissions payable, contingent and other	3,800,000
Other expenses	7,926
Taxes, licenses and fees	2,455,228
Unearned premiums	118,715,406
Dividends declared and unpaid	
Policyholders	8,879,159
Ceded reinsurance premiums payable	3,422,975
Amounts withheld or retained for account of others	277,281
Remittances and items not allocated	(9,106,859)
Provision for reinsurance	219,797
Payable to parent, subsidiaries, and affiliates	1,991,520
Aggregate write-ins for liabilities	<u>2,827,036</u>
Total liabilities	<u>\$ 783,656,946</u>
Common Capital Stock	\$ 8,000,000
Gross paid-in and contributed surplus	102,700,140
Unassigned funds (surplus)	<u>231,462,339</u>
Surplus as regards policyholders	<u>\$ 342,162,479</u>
Total liabilities and surplus	<u>\$ 1,125,819,425</u>

STATEMENT OF INCOME

Underwriting Income

Premiums earned \$285,500,199

Deductions

Losses incurred \$168,311,017

Loss adjustment expenses incurred 46,258,872

Other underwriting expenses incurred 87,598,047

Total underwriting deductions \$302,167,936

Net underwriting gain (loss) \$ (16,667,737)

Investment Income

Net investment income earned \$ 29,629,104

Net realized capital gains (losses) 1,056,485

Net investment gain (loss) \$ 30,685,589

Other Income

Net gain (loss) from agents' or premium balances charged off \$ (21,777)

Aggregate write-ins for miscellaneous income 1,763

Total other income \$ (20,014)

Net income before dividends to policyholders \$ 13,997,838

Dividends to policyholders 5,604,849

Net income before federal income tax \$ 8,392,989

Federal and foreign income taxes incurred 1,853,232

Net income \$ 6,539,757

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2020 \$328,346,066

Gains and (Losses) in Surplus

Net income \$ 6,539,757

Change in net unrealized capital gains or (losses) 28,075,256

Change in net deferred income tax 1,591,184

Change in non-admitted assets (2,192,204)

Change in provision for reinsurance (197,579)

Dividends to stockholders (20,000,000)

Change in surplus as regards policyholders for the year \$ 13,816,414

Surplus as regards policyholders, December 31, 2021 \$342,162,479

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$286,221,412	
Net investment income	33,256,554	
Miscellaneous income	<u>(20,014.00)</u>	
Total		\$319,457,952
Benefit and loss related payments	\$157,584,369	
Commissions, expenses paid and aggregate write-ins	129,841,824	
Dividends to policyholders	5,524,768	
Federal income taxes (paid) recovered	<u>4,317,389</u>	
Total		<u>\$297,268,351</u>
Net cash from operations		<u>\$ 22,189,601</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$105,841,828	
Stocks	<u>3,650,716</u>	
Total investment proceeds		\$109,492,544
Cost of investments acquired (long-term only):		
Bonds	\$ 98,079,669	
Stocks	<u>14,609,902</u>	
Total investments acquired		<u>\$112,689,571</u>
Net cash from investments		<u>\$ (3,197,027)</u>

Cash from Financing and Miscellaneous Sources

Dividends to stockholders	\$ 20,000,000	
Other cash provided (applied)	<u>2,127,390</u>	
Net cash from financing and miscellaneous sources		<u>\$ (17,872,610)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments		\$ 1,119,964
Cash, cash equivalents and short-term investments:		
Beginning of year		<u>(2,061,826)</u>
End of period		<u>\$ (941,862)</u>

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company is hereby acknowledged.

In addition to the undersigned, Jan Moenck, CFE, CIA, CBA, CFSA, CISA, and Dave Evans, CFE, of Risk & Regulatory Consulting, LLC, participated in the examination and preparation of this report.

Respectfully submitted,

/s/ Joshua J. Johnson

Joshua J. Johnson, CFE

Examiner in Charge

Risk & Regulatory Consulting, LLC

On behalf of the Iowa Insurance Division

/s/ Amanda Theisen

Amanda Theisen, CFE

Supervisor and Assistant Chief Examiner

Iowa Insurance Division