

EXAMINATION REPORT OF  
INTREPID INSURANCE COMPANY  
URBANDALE, IOWA  
AS OF DECEMBER 31, 2018

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

Urbandale, Iowa  
April 6, 2020

Commissioner:

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

INTREPID INSURANCE COMPANY  
URBANDALE, IOWA  
AS OF DECEMBER 31, 2018

at the Company's Home Office located at 11201 Douglas Avenue, Urbandale, Iowa. The report of such examination, containing applicable comments, explanations and financial data, is presented herein. The report on examination thereon is respectfully submitted.

INTRODUCTION

Intrepid Insurance Company, hereinafter referred to as the "Company", was last examined as of December 31, 2013, and is domiciled and licensed as a property and casualty insurance company in the State of Iowa. In conjunction with this examination, a coordinated examination of the W. R. Berkley Corporation's ("WRBC") property and casualty companies was conducted in cooperation with the Delaware Insurance Department, the lead state.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2014 to the close of business on December 31, 2018, 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 as Intrepid Insurance Company on August 19, 1997 under the provisions of Chapter 6 of the Michigan Insurance Code. A certificate of authority was issued to the Company on December 10, 1999. Effective September 28, 2016, the Company re-domesticated from the State of Michigan to the State of Iowa.

In 2016, the Company's outstanding capital stock was purchased by W. R. Berkley Corporation ("WRBC"), a Delaware corporation, the Company's ultimate parent. As of September 28, 2016, WRBC contributed the Company's stock shares to Berkley Insurance Company, a subsidiary of WRBC.

## CAPITAL STOCK AND DIVIDENDS THEREON

Total authorized capital was \$10,000,000 consisting of 200,000 shares of \$50 par value common stock. The Company owned all issued and outstanding capital stock as of December 31, 2018. The gross paid in and contributed surplus was \$20,000,000.

The Company paid stockholder dividends of \$15,657,138 during the examination period.

## HOLDING COMPANY SYSTEM

The Company is a member of a holding company system as defined by Chapter 521A, Iowa Code. 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 companies within the holding company system, as of December 31, 2018, follows:

W. R. Berkley Corporation  
    Signet Star Holdings, Inc.  
        Berkley Insurance Company (DE)  
            **Intrepid 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.

Elected members serving at December 31, 2018, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Richard M. Baio West Harrison, New York	Senior Vice President - Treasurer W. R. Berkley Corporation
William R. Berkley, Jr. Greenwich, Connecticut	President and Chief Executive Officer W. R. Berkley Corporation
Paul J. Hancock Brookfield, Connecticut	Senior Vice President - Chief Actuary W. R. Berkley Corporation
Carol J. LaPunzina Demarest, New Jersey	Senior Vice President - Human Resources W. R. Berkley Corporation
Ira S. Lederman Bedford, New York	Executive Vice President - Secretary W. R. Berkley Corporation
Matthew M. Ricciardi Port Washington, New York	Senior Vice President - General Counsel W. R. Berkley Corporation
James G. Shiel Pound Ridge, New York	Executive Vice President - Investments W. R. Berkley Corporation

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, 2018, were as follows:

<u>Officers</u>	<u>Title</u>
William R. Berkley, Jr.	President
Richard M. Baio	Treasurer
Ira S. Lederman	Secretary
Bertram A. Braud, Jr.	Assistant Treasurer
Ann M. Collins	Assistant Treasurer
Susan P. Tingleff	Assistant Treasurer

#### CONFLICTS 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 which is in, or likely to, conflict with the official duties of such person.

#### CORPORATE RECORDS

Effective September 28, 2016, the bylaws and articles of incorporation were amended to reflect changes relating to re-domestication of the Company from Michigan.

The recorded minutes of the stockholders and Board of Directors were read and noted. The minutes were properly attested.

## RELATED PARTY AGREEMENTS

The Company had the following significant related party agreements in place as of December 31, 2018:

### Computer Services Agreement

Effective July 21, 2016, the Company entered into a Computer Services Agreement with Berkley Technology Services ("BTS"), an affiliate. The contract allows BTS to operate the computer and data processing services including, programming, network management, operations and consulting services.

### Investment Advisory Agreement

Effective July 21, 2016, the Company entered into an Investment Advisory Agreement with Berkley Dean & Company, LLC ("Berkley Dean"), an affiliated Company. Under the terms of the agreement Steamboat provides investment advisory and management services to the Company and has 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.

### Administrative Services Agreements

Effective July 21, 2016, the Company entered into a Management and Administration Agreement with Intrepid Director Insurance Agency, LLC ("IDIA"), an affiliate. Under the terms of the agreement IDIA is responsible for the administration of the business in all states in which the Company is licensed as an insurer and for all lines of business for which it is licensed.

### Reinsurance Pooling Agreement

Effective July 21, 2016, the Company joined a 100% Reinsurance Pooling Agreement with Berkley Insurance Company ("BIC"), an affiliate. The Company has 0% net retention with the lead entity Berkley Insurance Company retaining 100% of the pool. The agreement allows BIC to act as manager on the Company's behalf to administer and conduct business of the various pool affiliates. These duties include acting as an agent to collect and disperse funds (including premiums and claims payments); performing accounting functions; computing reinsurance ceded and reinsurance assumed adjustments associated with the pooling agreement; computing, billing, and collecting transfer settlement balances among the pool members; furnishing personnel and facilities to carry out all necessary functions, underwriting all risks and the issuing policies; obtaining and maintaining systems necessary to perform its duties; and, finally, it allows for BIC to perform any and all other duties necessary in the operation and management of the business of the pool affiliates.

The agreement affirmatively states that the business and affairs of the Company shall be managed by the Company's Board of Directors, and, to the extent delegated by the board, by its appropriately designated officers. The Pooling Agreement was approved by the Iowa Insurance Division.

Commercial property and casualty lines of business subject to the pooling include general liability, excess, umbrella, automobile, property, products liability, workers' compensation and professional liability lines. These are written on both a surplus lines or admitted basis.

The Affiliates in the Pooling Agreement are as follows:

Acadia Insurance Company  
Admiral Insurance Company  
American Mining Insurance Company  
Berkley Assurance Company  
Berkley National Insurance Company  
Berkley Regional Insurance Company  
Berkley Specialty Insurance Company  
Carolina Casualty Insurance Company  
Continental Western Insurance Company  
Firemen's Insurance Company of Washington D.C.  
Gemini Insurance Company  
Great Divide Insurance Company  
Intrepid Insurance Company  
Key Risk Insurance Company  
Midwest Employers Casualty Company  
Nautilus Insurance Company  
Riverport Insurance Company  
StarNet Insurance Company  
Tri-State Insurance Company of Minnesota  
Union Insurance Company

FIDELITY BONDS AND OTHER INSURANCE

W. R. Berkley Corporation, along with its subsidiaries as named insureds, is protected by a blanket bond which covers the fidelity of each officer and employee up to \$15,000,000 for any one occurrence. The bond is written by an authorized insurer with a closed expiration date. The coverage meets the NAIC suggested minimum amount of fidelity insurance for the Company.

The other insurable interests appeared to be adequately protected by insurance policies currently in force with policies written by companies authorized to transact business in the State of Iowa.

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 instance may be charged to the Company via the various underwriting and management agreements with the WRBC limited liability companies.

STATUTORY DEPOSITS

As of December 31, 2018, the book/adjusted carrying value of special deposits held in trust for the benefit of all policyholders totaled \$250,444. The book/adjusted carrying values of special deposits held in trust, totaling \$5,347,347, and not held for the protection of all policyholders of the Company, are as follows:

Arkansas	\$ 165,293	Nevada	\$ 300,532
Delaware	100,177	New Mexico	330,586
Florida	204,713	North Carolina	305,541
Idaho	250,444	Oregon	506,900
Iowa	2,504,437	Virginia	528,458
Massachusetts	150,266		

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, the Company was authorized to transact business in the District of Columbia and all states except California.

GROWTH OF COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus As Regards Policyholders</u>	<u>Net Premiums Earned</u>	<u>Net Losses Incurred</u>	<u>Investment Income Earned</u>
2014	\$ 33,375,067	\$29,207,271	\$ 0	\$ 0	\$827,201
2015	33,546,996	29,530,556	0	0	836,992
2016	10,180,057	10,083,789	0	0	315,179
2017	32,193,524	30,424,179	0	0	333,350
2018	37,938,600	30,964,731	0	0	656,387

The Company reported \$0 net premiums earned and \$0 losses incurred during the examination period as a result of the inter-company reinsurance pooling agreements in which the Company cedes 100% of its business to affiliates with \$0 retention.

ACCOUNTS AND RECORDS

The Company's general ledger is maintained on an accrual basis. A trial balance was prepared for 2018. 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 differences with the amounts in the financial statements, as presented in the Annual Statement at December 31, 2018, were noted.

SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there is significant uncertainty as to the 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.

F I N A N C I A L   S T A T E M E N T S  
A N D   C O M M E N T S   T H E R E O N

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, 2018.

STATEMENT OF ASSETS AND LIABILITIES  
EXAMINATION PERIOD ENDING DECEMBER 31, 2018

	<u>ASSETS</u>			Not		Admitted
	<u>Ledger</u>	<u>Admitted</u>		<u>Admitted</u>		<u>Admitted</u>
Bonds	\$ 28,425,889	\$		\$ 28,425,889		
Cash and short-term investments	2,363,521			2,363,521		
Receivable for securities	17,806			17,806		
Investment income due and accrued	98,851			98,851		
Premiums and considerations:						
Uncollected premiums and agents' balances in the course of collection	915,910	1,055		914,855		
Deferred premiums, agents' balances and installments booked but differed and not yet due	6,009,064			6,009,064		
Current federal and foreign income tax recoverable	56,450			56,450		
Net deferred tax asset	32,290			32,290		
Guaranty funds receivable or on deposit	1,200			1,200		
Aggregate write-ins for other than invested assets	<u>172,070</u>	<u>153,396</u>		<u>18,674</u>		
Totals assets	\$ <u>38,093,051</u>	\$	<u>154,451</u>	\$ <u>37,938,600</u>		

LIABILITIES, SURPLUS AND OTHER FUNDS

Other expenses						\$ 184,469
Taxes, licenses and fees						195,905
Ceded reinsurance premiums payable						6,199,495
Payable to parent, subsidiaries and affiliates						16,612
Aggregate write-ins for liabilities						<u>377,387</u>
Total liabilities						\$ <u>6,973,869</u>
Common capital stock						\$ 10,000,000
Gross paid in and contributed surplus						20,000,000
Unassigned funds (surplus)						\$ <u>964,731</u>
Surplus as regards policyholders						\$ <u>30,964,731</u>
Total liabilities and surplus						\$ <u>37,938,600</u>

STATEMENT OF INCOME  
ONE-YEAR PERIOD ENDING DECEMBER 31, 2018

Investment Income

Net investment income earned	\$ 656,387	
Net realized capital gains (losses)	(89,616)	
Net investment income		\$ <u>566,771</u>

Other Income

Net gain (loss) from agents' and premium balances charged off	\$ 0	
Other income	0	
Total other income		\$ <u>0</u>
Net income before federal income tax		\$ 566,771
Federal and foreign income taxes incurred		<u>57,454</u>
Net income		\$ <u>509,317</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2017		\$ <u>30,424,179</u>
Net income		\$ 509,317
Change in net deferred income tax		32,290
Change in non-admitted assets		(154,451)
Aggregate write-ins for gains and losses in surplus		<u>153,396</u>
Change in surplus as regards policyholders for the year		\$ <u>540,552</u>
Surplus as regards policyholders, December 31, 2018		\$ <u>30,964,731</u>

CASH FLOW STATEMENT  
ONE-YEAR PERIOD ENDING DECEMBER 31, 2018

Cash from Operations

Premiums collected net of reinsurance	\$	(716,530)	
Net investment income		<u>638,121</u>	
Total			\$ (78,410)
Commissions, expenses paid and aggregate write-ins for deductions	\$	(364,909)	
Federal and foreign income taxes paid (recovered)		<u>51,000</u>	
Total			<u>(313,909)</u>
Net cash from operations			\$ 235,499

Cash from Investments

Proceeds from investments sold, matured or repaid	\$	28,670,878	
Cost of investments acquired (long-term only)		<u>29,698,632</u>	
Net cash from investments			\$ (1,027,755)

Cash from Financing and Miscellaneous Sources

Net cash from financing and miscellaneous sources	\$	<u>358,545</u>	
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RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments		<u>(433,711)</u>	
Cash, cash equivalents and short-term investments:			
Beginning of year	\$	<u>2,797,231</u>	
End of period	\$	<u>2,363,521</u>	

STATEMENT OF INCOME

FIVE-YEAR PERIOD ENDING DECEMBER 31, 2018

Underwriting Income

Losses Incurred	\$	(12,751)	
Loss adjustment expenses incurred		(8)	
Other underwriting expenses incurred		<u>1,199,947</u>	
Total other income			\$ <u>1,187,188</u>
Net underwriting gain (loss)			\$ <u>(1,187,188)</u>

Investment Income

Net investment income earned	\$	2,969,109	
Net realized capital gain		<u>695,891</u>	
Net investment gain or (loss)			\$ <u>3,665,000</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$	0	
Finance or service charges not included in premiums		0	
Aggregate write-ins for miscellaneous income		<u>69,380</u>	
Total other income			\$ <u>69,380</u>
Net income before dividends to policyholders and before federal and foreign income taxes			\$ 2,547,193
Dividends to policyholders			0
Net income after dividends to policyholders but before federal and foreign income taxes			\$ 2,547,193
Federal and foreign income taxes incurred			<u>286,722</u>
Net Income			\$ <u>2,260,470</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2013	\$	<u>28,807,591</u>	
<u>Gains and (Losses) in Surplus</u>			
Net income	\$	2,260,470	
Change in net unrealized capital gains or (losses)		0	
Change in net deferred income tax		32,290	
Change in non-admitted assets		(154,451)	
Surplus adjustments: Paid in Dividends to stockholders		15,522,573	
		(15,657,138)	
Aggregate write-ins for gains (losses) in surplus	\$	<u>153,396</u>	
Change in surplus as regards policyholders for the year	\$	<u>2,157,140</u>	
Surplus as regards policyholders, December 31, 2018	\$	<u>30,964,731</u>	

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, Chineta Alford, CFE, MCM, and Ralph Romano, AIE, FLMI, MCM, with INS Regulatory Insurance Services, Inc., participated in the examination and preparation of this report.

Respectfully submitted,

      /s/ Richard Foster        
Richard Foster, CFE  
INS Regulatory Insurance Services, Inc.  
On behalf of the  
Insurance Division State of Iowa

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