

**EXAMINATION REPORT**  
**OF**  
**MIDWEST EMPLOYERS CASUALTY COMPANY**  
**AS OF**  
**DECEMBER 31, 2018**

Office of the  
Commissioner



Delaware  
Department of Insurance

REPORT ON EXAMINATION  
OF  
MIDWEST EMPLOYERS CASUALTY COMPANY  
AS OF  
DECEMBER 31, 2018

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro  
Insurance Commissioner

Dated this 5 day of June, 2020

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April 6, 2020

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 West North Street  
Suite 101  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 19.008, dated May 9, 2019, an examination has been made of the affairs, financial condition and management of

**Midwest Employers Casualty Company**

hereinafter referred to as the Company and incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware. The examination was conducted at the administrative office of the Company located at 475 Steamboat Road, Greenwich, Connecticut. The report of examination thereon is respectfully submitted.

**SCOPE OF EXAMINATION**

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The previous regulatory examination of the Company covered the four-year period from January 1, 2010 through December 31, 2013. This examination will cover the five-year period from January 1, 2014 through December 31, 2018, and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial

condition of the Company as of December 31, 2018. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination of the Company was performed as part of the multi-state coordinated examination of the W. R. Berkley Corporation Group (Group) of regulated United States property and casualty insurance companies as of December 31, 2018. Delaware is the lead state for the Group. The Company is an indirect subsidiary of the W. R. Berkley Corporation (WRBC). The examination was conducted concurrently with that of the Company's affiliates. The Companies in the Group and their state of domicile are summarized as follows:

| <u>Company Name</u>                            | <u>NAIC Number</u> | <u>State of Domicile</u> |
|--|--------------------|--------------------------|
| Acadia Insurance Company                       | 31325              | IA                       |
| Admiral Indemnity Company                      | 44318              | DE                       |
| Admiral Insurance Company                      | 24856              | DE                       |
| American Mining Insurance Company              | 15911              | IA                       |
| Berkley Assurance Company                      | 39462              | IA                       |
| Berkley Insurance Company                      | 32603              | DE                       |
| Berkley National Insurance Company             | 38911              | IA                       |
| Berkley Regional Insurance Company             | 29580              | IA                       |
| Berkley Specialty Insurance Company            | 31295              | DE                       |
| Carolina Casualty Insurance Company            | 10510              | IA                       |
| Clermont Insurance Company                     | 33480              | IA                       |
| Continental Western Insurance Company          | 10804              | IA                       |
| Firemen's Insurance Company of Washington D.C. | 21784              | DE                       |
| Gemini Insurance Company                       | 10833              | DE                       |
| Great Divide Insurance Company                 | 25224              | ND                       |
| Intrepid Insurance Company                     | 10749              | IA                       |
| Key Risk Insurance Company                     | 10885              | IA                       |
| Midwest Employers Casualty Company             | 23612              | DE                       |
| Nautilus Insurance Company                     | 17370              | AZ                       |
| Preferred Employers Insurance Company          | 10900              | CA                       |
| Riverport Insurance Company                    | 36684              | IA                       |
| Starnet Insurance Company                      | 40045              | IA                       |
| Tri-State Insurance Company of Minnesota       | 31003              | IA                       |
| Union Insurance Company                        | 25844              | IA                       |
| Union Standard Lloyds                          | 43435              | TX                       |

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm KPMG, LLP (KPMG). Certain auditor work papers of the 2018 KPMG audit of the Company have been incorporated into the work papers of the

examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, and in the area of risk mitigation and substantive testing.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

### **COMPANY HISTORY**

The Company was incorporated on March 21, 1986, under the laws of the State of Ohio, and commenced business on July 1, 1986. On November 8, 1995, WRBC acquired the Company. On March 30, 2000, WRBC contributed its ownership of all of the Company's outstanding common stock to Berkley Insurance Company (BIC). On January 31, 2001, the Company re-domiciled to the State of Delaware.

#### **Capitalization**

The Company's Certificate of Incorporation authorizes the issuance of 750 shares of common stock with a \$33,000 par value. As of December 31, 2018, the Company had 107 common shares issued and outstanding totaling \$3,531,000. All outstanding common shares of the Company are owned by BIC.

As of December 31, 2018, the Company reported gross paid in and contributed surplus of \$45,331,212.

#### **Dividends**

The Company did not pay any dividends during the period covered by this exam.

**MANAGEMENT AND CONTROL**

**Directors**

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company’s Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction, of its Board of Directors (Board).

In accordance with the Company’s bylaws, the number of Directors shall consist of not less than five members, and may consist of any number of Directors as may later be determined by resolution of the Board. Directors shall be elected annually by the sole stockholder and shall hold office for one year until successors are elected and qualified, or until earlier resignation or removal. The members of the Board, serving as of December 31, 2018, each elected or appointed in accordance with the Company bylaws were as follows:

| <u>Name</u>                 | <u>Title</u>                                  |
|-----------------------------|---|
| William Robert Berkley, Jr. | President                                     |
| Richard Mark Baio           | Senior Vice President and Treasurer           |
| Paul James Hancock          | Senior Vice President and Chief Actuary       |
| Carol Josephine LaPunzina   | Senior Vice President                         |
| Ira Seth Lederman           | Secretary                                     |
| Matthew Michael Ricciardi   | Senior Vice President and Assistant Secretary |
| James Gerald Shiel          | Executive Vice President – Investments        |

**Officers**

In accordance with its bylaws, officers serving the Company shall be a Chairman of the Board, a President, an Executive Vice President, one or more Senior Vice Presidents, a Secretary, a Treasurer and a Controller. The Board may also elect other such officers as considered necessary for the proper conduct of the business of the Company. The senior officers, duly appointed in accordance with the bylaws and serving at December 31, 2018, are as follows:



| <u>Name</u>                 | <u>Title</u>                                  |
|-----------------------------|---|
| William Robert Berkley, Jr. | President                                     |
| Ira Seth Lederman           | Secretary                                     |
| Richard Mark Baio           | Senior Vice President and Treasurer           |
| James Gerald Shiel          | Executive Vice President - Investments        |
| Paul James Hancock          | Senior Vice President and Chief Actuary       |
| Carol Josephine LaPunzina   | Senior Vice President                         |
| Matthew Michael Ricciardi   | Senior Vice President and Assistant Secretary |
| Bertman Adam Braud, Jr.     | Assistant Treasurer                           |
| Ann Marie Collins           | Assistant Treasurer                           |
| Susan Paula Tingleff        | Assistant Treasurer                           |

### Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, the review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

### Insurance Holding Company System

The Company is a member of an Insurance Holding Company System as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. The Company is a wholly-owned subsidiary of BIC.

An abbreviated organizational chart of the Group holding company system as of December 31, 2018, is as follows (with the percentage control of the downstream subsidiary by the upstream direct parent shown):

Midwest Employers Casualty Company

| <u>Entity [domicile]</u>                            | <u>Economic Control</u> | <u>Voting Control</u> |
|---|-------------------------|-----------------------|
| William R. Berkley {1}                              |                         |                       |
| W. R. Berkley Corporation [DE] {2}                  | 20.52%                  | 20.52%                |
| Berkley Dean & Company, Inc. [NJ]                   | 100%                    | 100%                  |
| Berkley Insurance Services, LLC [DE]                | 100%                    | 100%                  |
| Signet Star Holdings, Inc. [DE]                     | 100%                    | 100%                  |
| Berkley Insurance Company [DE]                      | 100%                    | 100%                  |
| Admiral Insurance Company [DE]                      | 100%                    | 100%                  |
| Admiral Indemnity Company [DE]                      | 100%                    | 100%                  |
| Carolina Casualty Insurance Company [IA]            | 100%                    | 100%                  |
| Clermont Insurance Company [IA]                     | 100%                    | 100%                  |
| Nautilus Insurance Company [AZ]                     | 100%                    | 100%                  |
| Berkley Assurance Company [IA]                      | 100%                    | 100%                  |
| Berkley Life and Health Insurance Company [IA]      | 100%                    | 100%                  |
| Berkley National Insurance Company [IA]             | 100%                    | 100%                  |
| Berkley Regional Insurance Company [IA]             | 100%                    | 100%                  |
| Acadia Insurance Company [IA]                       | 100%                    | 100%                  |
| American Mining Insurance Company [IA]              | 100%                    | 100%                  |
| Berkley Specialty Insurance Company [DE]            | 100%                    | 100%                  |
| Continental Western Insurance Company [IA]          | 100%                    | 100%                  |
| Firemen’s Insurance Company of Washington D.C. [DE] | 100%                    | 100%                  |
| Tri-State Insurance Company of Minnesota [IA]       | 100%                    | 100%                  |
| Union Insurance Company [IA]                        | 100%                    | 100%                  |
| Gemini Insurance Company [DE]                       | 100%                    | 100%                  |
| Great Divide Insurance Company [ND]                 | 100%                    | 100%                  |
| Intrepid Insurance Company [IA]                     | 100%                    | 100%                  |
| Key Risk Insurance Company [IA]                     | 100%                    | 100%                  |
| <b>Midwest Employers Casualty Company [DE]</b>      | 100%                    | 100%                  |
| Preferred Employers Insurance Company [CA]          | 100%                    | 100%                  |
| Riverport Insurance Company [IA]                    | 100%                    | 100%                  |
| StarNet Insurance Company [IA]                      | 100%                    | 100%                  |

{1} It was noted in a Securities and Exchange Commission filing that as of December 31, 2018, William R. Berkley beneficially owned or controlled 25,034,263 common shares of WRBC, which is publicly-traded on the New York Stock Exchange under the symbol “WRB”. According to the 2018 WRBC Annual Report, there were 121,995,760 outstanding common shares on December 31, 2018. This results in a 20.52% economic interest and 20.52% voting control that William R. Berkley has of WRBC. Consequently, William R. Berkley is considered an ultimate controlling entity of the Company.

{2} Other than {1} noted above, no other individual or entity owns or controls greater than 10% of WRBC as of December 31, 2018.

Agreements with Affiliates

*Tax Allocation Agreement*

Effective November 8, 1995, the Company and WRBC entered into an affiliated Tax Allocation Agreement. In accordance with the agreement, the Company will participate in WRBC's election to file a consolidated federal income tax return as long as the Company is a member of WRBC. For years where a consolidated federal tax return is filed, WRBC will pay or discharge, or cause to be paid or discharged, the consolidated federal tax liability of WRBC. Taxes are calculated on a separate return basis, and the Company will pay WRBC an amount equal to the federal income tax liability it would have incurred if it had filed on a separate return. Conversely, if the Company's separate return calculation results in a net operating loss, capital losses, deductions, tax credits or similar items, WRBC shall compensate the Company an amount equal to its federal income tax liability calculated on a separate return basis. In accordance with the contract, WRBC and the Company shall each pay its own state and local taxes.

As of December 31, 2013, the agreement remained in effect for all years prior to December 31, 2012. Effective January 1, 2013, the agreement was replaced by the tax provisions stipulated in the affiliated Reinsurance Pooling Agreement. The second amendment, dated July 21, 2016, added Intrepid Insurance Company as a Pool Affiliate.

*Investment Advisory Agreement*

Effective November 11, 1995, the Company entered into an affiliated Investment Advisory Agreement with Berkley Dean and Company, Inc. (Berkley Dean). In accordance with the agreement, Berkley Dean provides certain investment advisory and management services based upon criteria, standards and guidelines established by the Company. The Company has ultimate and final authority over decisions and policies on purchases and sales of securities.

*Computer Services Agreement*

Effective January 1, 2002, the Company entered an affiliated Computer Services Agreement with Berkley Technology Services, LLC (BTS). In accordance with the agreement, BTS provides computer and data processing services to the Company including: programming, network management, operations and consulting services. The agreement authorizes BTS to contract with other service providers to satisfy the needs of the Company at its discretion. Per the agreement, BTS agrees all information disclosed by the Company shall be confidential and shall not be disclosed to any individual, corporation, other business organization or governmental agency unless required by law in conformity with the Company's privacy policy. In addition, BTS agrees to use information only for the purpose for which the Company provided it.

**TERRITORY AND PLAN OF OPERATION**

Territory

As of December 31, 2018, the Company is licensed and authorized on an admitted basis to write insurance in all fifty U.S. States and the District of Columbia.

Plan of Operation

The Company specializes in writing excess workers' compensation and employers' liability coverages on a specific and aggregate basis to qualified self-insured employers. In addition, the Company writes large deductible workers' compensation coverage for targeted individual clients in situations where this product offers a better alternative to a self-insured arrangement. The Company also offers primarily workers' compensation and excess reinsurance to qualified insurance companies and captives that have similar qualities as the targeted individual and group self-insured accounts. On a limited basis, the Company offers surety

coverage in the form of a self-insured bond to the governing workers' compensation authority in the insured's domiciliary state.

Business is marketed directly to individual self-insureds and self-insured groups, principally targeting school districts, municipal governments, health care providers, retailers and light manufacturing. The Company's direct business is developed through independent agencies and wholesale brokers that place business for retail agents. For the year ended December, 31, 2018, the Company's direct written premiums were business produced by the following Profit Centers described below: Midwest Employers Casualty Group; Berkley Net Underwriters; and Key Risk.

Midwest Employers Casualty Group provides excess workers' compensation insurance products to individual employers, groups and workers' compensation insurance companies across the United States. Its workers' compensation excess of loss products include self-insured excess of loss coverages and large deductible policies. Through its relationship with Berkley Net Underwriters, Midwest Employers Casualty Group also offers multi-state coverage for group self-insureds. It has developed sophisticated, proprietary analytical tools and risk management services that help its insured lower their total cost of risk.

Berkley Net Underwriters focuses on small and medium-sized commercial risks, using a web-based system to allow producers to quote, bind and service workers' compensation insurance products on behalf of Berkley member insurance companies. Berkley Net Underwriters also manages Berkley's assigned risk servicing carrier operations.

Key Risk is a premier provider of workers' compensation insurance. It focuses on middle market accounts in several niches that appreciate expertise and exceptional service. The unit operates two business units--one focused on middle market accounts located primarily in the

mid-atlantic and southeastern United States, and one focused on national temporary staffing and United States Longshoreman & Harbor Act specialty programs. Its products are distributed by a select group of independent retail agents and wholesale brokers located throughout the United States.

The Company's direct written premiums by source are as follows:

| <u>Source</u>                    | <u>2018</u>          | <u>Percent</u> |
|----------------------------------|----------------------|----------------|
| Midwest Employers Casualty Group | \$177,072,333        | 74.63%         |
| Berkley Net Underwriters         | 55,516,210           | 23.40%         |
| Key Risk                         | <u>4,670,965</u>     | <u>1.97%</u>   |
| Total                            | <u>\$237,259,507</u> | <u>100.00%</u> |

The Company's direct written premiums by line of business are as follows:

| <u>Line of Business</u>           | <u>2017</u>          | <u>2018</u>          | <u>Percent</u> |
|-----------------------------------|----------------------|----------------------|----------------|
| Aggregate write-in line (line 34) | \$163,682,202        | \$167,845,473        | 70.74%         |
| Workers' Compensation (line 16)   | 115,495,325          | 69,107,321           | 29.13%         |
| Surety (line 24)                  | <u>315,409</u>       | <u>306,713</u>       | <u>0.13%</u>   |
| Total                             | <u>\$279,492,936</u> | <u>\$237,259,507</u> | <u>100.00%</u> |

The Company's direct written premiums by jurisdiction are as follows:

| <u>Jurisdiction</u>              | <u>2017</u>          | <u>2018</u>          | <u>Percent</u> |
|----------------------------------|----------------------|----------------------|----------------|
| California                       | \$96,463,487         | \$46,960,351         | 19.79%         |
| Ohio                             | 21,268,249           | 22,239,857           | 9.37%          |
| Michigan                         | 20,201,059           | 21,128,290           | 8.91%          |
| New York                         | 10,044,039           | 11,363,737           | 4.79%          |
| Georgia                          | 10,802,155           | 10,703,241           | 4.51%          |
| All Other Jurisdictions Combined | <u>120,713,947</u>   | <u>124,864,031</u>   | <u>52.63%</u>  |
| Total                            | <u>\$279,492,936</u> | <u>\$237,259,507</u> | <u>100.00%</u> |

### **REINSURANCE**

The Company reported the following distribution of premiums written for the year ended December 31, 2018:

|   | <b><u>2018</u></b>    | <b><u>% GPW</u></b> | <b><u>2013</u></b>    | <b><u>% GPW</u></b> |
|---|-----------------------|---------------------|-----------------------|---------------------|
| Direct business                         | \$ 237,259,507        | 98.6%               | \$ 139,101,838        | 89.5%               |
| Reinsurance assumed from affiliates     | -                     | 0.0%                | (263,778)             | -0.2%               |
| Reinsurance assumed from non-affiliates | 3,415,700             | 1.4%                | 16,617,595            | 10.7%               |
| Gross premiums written (“GPW”)          | <u>\$ 240,675,207</u> | <u>100%</u>         | <u>\$ 155,455,655</u> | <u>100%</u>         |
| Reinsurance ceded to affiliates         | \$ 240,675,207        | 100.0%              | \$ 157,073,054        | 101.0%              |
| Reinsurance ceded to non-affiliates     | -                     | 0.0%                | (1,617,399)           | -1.0%               |
| Total ceded                             | <u>\$ 240,675,207</u> | <u>100.0%</u>       | <u>\$ 155,455,655</u> | <u>100.0%</u>       |
| Net premiums written                    | <u>\$ -</u>           | <u>0.0%</u>         | <u>\$ -</u>           | <u>0.0%</u>         |

### Ceded Reinsurance Affiliates

Effective January 1, 2013, the Company and several of its affiliates entered into an intercompany pooling agreement. Under the terms of the agreement the Company and other pool participants cede 100% of their direct and assumed premiums written to the lead company in the pool BIC. During 2018 the Company ceded premiums amounting to \$240,675,207.

### **FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets and Liabilities as of December 31, 2018
- Statement of Income for the year ended December 31, 2018
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2013 to December 31, 2018

**MIDWEST EMPLOYERS CASUALTY COMPANY**  
**STATEMENT OF ASSETS**  
**AS OF DECEMBER 31, 2018**

|  | Ledger Assets                | Nonadmitted<br>Assets      | Net Admitted<br>Assets       |
|--|------------------------------|----------------------------|------------------------------|
| Bonds  | \$ 115,224,455               | \$ -                       | \$ 115,224,455               |
| Cash   | 1,311,608                    | -                          | 1,311,608                    |
| Cash equivalents                                   | 2,832,642                    | -                          | 2,832,642                    |
| Receivables for securities                         | 3,157                        | -                          | 3,157                        |
| Subtotals, cash and invested assets                | <u>\$ 119,371,862</u>        | <u>\$ -</u>                | <u>\$ 119,371,862</u>        |
| Investment income due and accrued                  | 1,011,108                    | -                          | 1,011,108                    |
| Uncollected premiums and agents' balances          | 20,441,982                   | 6,264,278                  | 14,177,704                   |
| Deferred premiums                                  | 17,220,954                   | 624,109                    | 16,596,845                   |
| Current federal and foreign income tax recoverable | 279,243                      | -                          | 279,243                      |
| Net deferred tax asset                             | 1,420,775                    | -                          | 1,420,775                    |
| Guaranty funds receivable or on deposit            | 373,250                      | -                          | 373,250                      |
| Aggregate write-ins for other than invested assets | 93,444                       | 1,236                      | 92,208                       |
| Total Assets                                       | <u><u>\$ 160,212,618</u></u> | <u><u>\$ 6,889,623</u></u> | <u><u>\$ 153,322,995</u></u> |



**MIDWEST EMPLOYERS CASUALTY COMPANY**  
**STATEMENT OF LIABILITIES AND SURPLUS**  
**AS OF DECEMBER 31, 2018**

|   | <u>2018</u>           | <u>Note</u> |
|---|-----------------------|-------------|
| Losses  | \$ -                  | 1           |
| Reinsurance payable on paid losses and loss adjustment expenses       | -                     |             |
| Loss adjustment expenses  | -                     | 1           |
| Commissions payable; contingent commissions and other similar charges | 4,293,870             |             |
| Advance Premium   | 195,335               |             |
| Ceded reinsurance premiums payable (net of ceding commissions)        | 32,800,723            |             |
| Amounts withheld or retained by company for account of others         | 5,307,471             |             |
| Remittances and items not allocated                                   | 2,631                 |             |
| Payable to parent; subsidiaries and affiliates                        | 60,773                |             |
| Aggregate write-ins for liabilities                                   | <u>2,396,968</u>      |             |
| Total liabilities excluding protected cell liabilities                | <u>\$ 45,057,771</u>  |             |
| <br>  |                       |             |
| Total liabilities   | <u>\$ 45,057,771</u>  |             |
| <br>  |                       |             |
| Common capital stock  | \$ 3,531,000          |             |
| Gross paid in and contributed surplus                                 | 45,331,212            |             |
| Unassigned funds (surplus)  | <u>59,403,011</u>     |             |
| <br>  |                       |             |
| Surplus as regards policyholders                                      | <u>\$ 108,265,223</u> |             |
| Totals of liabilities & surplus                                       | <u>\$ 153,322,994</u> |             |

**MIDWEST EMPLOYERS CASUALTY COMPANY**  
**STATEMENT OF OPERATIONS**  
**AS OF DECEMBER 31, 2018**

|   |                            |
|---|----------------------------|
| <b>Underwriting Income</b>  | <u>2018</u>                |
| Premiums earned   | \$ -                       |
| <b>Deductions</b>   |                            |
| Losses incurred   | \$ -                       |
| Loss adjustment expenses incurred   | -                          |
| Other underwriting expenses incurred  | -                          |
| <b>Total underwriting deductions</b>  | <u>\$ -</u>                |
| Net underwriting gain (loss)  | <u>\$ -</u>                |
| <br><b>Investment Income</b>  |                            |
| Net investment income earned  | \$ 4,201,075               |
| Net realized capital gains (losses) less capital gains tax of \$12,769  | <u>48,037</u>              |
| Net investment gain (loss)  | <u>\$ 4,249,112</u>        |
| <br><b>Other Income</b>   |                            |
| Net gain (loss) from agents' or premium balances charged off (amount recovered \$83 amount charged off \$827,711)           | \$ (827,628)               |
| Finance and service charges not included in premium   | -                          |
| Aggregate write-ins for miscellaneous income  | <u>827,628</u>             |
| Total other income  | <u>\$ -</u>                |
| Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes | 4,249,112                  |
| Dividends to policyholders  | <u>-</u>                   |
| Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes | \$ 4,249,112               |
| Federal and foreign income taxes incurred   | <u>362,744</u>             |
| <b>Net Income</b>   | <u><u>\$ 3,886,368</u></u> |

**RECONCILIATION OF CAPITAL AND SURPLUS**  
**For the Period from the Prior Examination**  
**As of December 31, 2013 to December 31, 2018**

|            | Common<br>Capital Stock | Surplus<br>Notes | Gross Paid-in and<br>Contributed Surplus | Unassigned<br>Surplus |     | Total                 |
|------------|-------------------------|------------------|--|-----------------------|-----|-----------------------|
| 12/31/2013 | \$ 3,531,000            | \$ -             | \$ 45,331,212                            | \$ 44,716,637         |     | \$ 93,578,849         |
| 12/31/2014 | -                       | -                | -  | 5,763,484             | (1) | 5,763,484             |
| 12/31/2015 | -                       | -                | -  | 3,383,638             | (1) | 3,383,638             |
| 12/31/2016 | -                       | -                | -  | 3,381,631             | (1) | 3,381,631             |
| 12/31/2017 | -                       | -                | -  | 702,968               | (1) | 702,968               |
| 12/31/2018 | -                       | -                | -  | 1,454,649             | (1) | 1,454,649             |
|            | <u>\$ 3,531,000</u>     | <u>\$ -</u>      | <u>\$ 45,331,212</u>                     | <u>\$ 59,403,007</u>  |     | <u>\$ 108,265,219</u> |

(1) Represents net income, change in unrealized capital gains/(losses), change in net deferred income tax, Change in non-admitted assets, aggregate write-ins for gains and losses in surplus

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Note 1:

|                          |        |
|--------------------------|--------|
| Losses                   | \$ -0- |
| Loss Adjustment Expenses | \$ -0- |

The examination liability for the aforementioned captioned items of \$0 and \$0 are the same as reported by the Company as of December 31, 2018. The Company cedes 100% of its losses and loss adjustment expenses to its affiliate, BIC. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Generally Accepted Actuarial Principles and Statutory Accounting Principles, including *NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principle No. 55 (SSAP # 55)*.

**SUBSEQUENT EVENTS**

During March of 2020, the World experienced a pandemic related to the COVID-19 virus. At the date of this report, the Company has not been able to quantify the effects of this pandemic on its current or future financial statements. Also, as of the date of this report, the Company was fully operational and was providing services to its policyholder.

There were no other material subsequent events noted.

**COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

There were no recommendations contained in the prior examination report issued by the Department as of December 31, 2013.

**SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

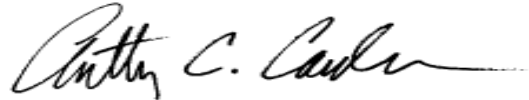
The assistance and cooperation of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, KPMG, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



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Greg Taylor, CFE  
Co-Examiner In-Charge  
State of Delaware



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Anthony Cardone, CFE, CPA  
Supervising Examiner  
State of Delaware

**Midwest Employers Casualty Company**

I, Greg Taylor, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 19.008.

  
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Greg Taylor, CFE