

**REPORT ON EXAMINATION  
OF  
EXECUTIVE RISK INDEMNITY INC.  
AS OF  
DECEMBER 31, 2019**

Office of the  
Commissioner



Delaware  
Department of Insurance

REPORT ON EXAMINATION  
OF  
EXECUTIVE RISK INDEMNITY INC.  
AS OF  
DECEMBER 31, 2019

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 14 day of June, 2021

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May 5, 2021

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

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 20.001, dated October 15, 2019, an examination has been made of the affairs, financial condition, and management of

**EXECUTIVE RISK INDEMNITY INC.**

hereinafter referred to as the Company or ERII and incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, in care of CT Corporation System, Wilmington, Delaware 19801. Due to the COVID-19 Pandemic, the examination was conducted offsite. The administrative office of the Company located at 202B Hall's Mill Road, Whitehouse Station, New Jersey 08889. 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 five-year period from January 1, 2012 through December 31, 2016. This examination will cover the three-year period from January 1, 2017 through December

31, 2019, 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, 2019. 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 Chubb Limited Group as of December 31, 2019. Pennsylvania was the lead state for the Chubb Limited Group exam. The examination was conducted concurrently with that of the Company's U.S. affiliates

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 PricewaterhouseCoopers LLP (PwC). Certain auditor work papers of the 2019 PwC audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of

Executive Risk Indemnity Inc.

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 September 23, 1977, under the laws of Delaware as the American Excess Insurance Company and began business on January 1, 1978. Executive Risk Inc. (ERI) was its ultimate parent. The Company changed its name to ERIC Reinsurance Company on April 16, 1987. On April 14, 1992, the Company's name changed to Executive Re Indemnity Inc. and the present title was adopted on January 27, 1995. The Company primarily provides executive protection coverages, particularly directors and officers, and professional liability coverages. On July 19, 1999, The Chubb Corporation, a holding company with subsidiaries principally engaged in property and casualty insurance, acquired Executive Risk Inc. and its subsidiaries, including ERII. Effective January 14, 2016, ACE Limited acquired The Chubb Corporation and its affiliates. On January 15, 2016, The Chubb Corporation merged into ACE INA Holdings Inc., with ACE INA Holdings Inc., now known as Chubb INA Holdings Inc. (Chubb INA Holdings), as the surviving entity. ACE Limited also changed its name to Chubb Limited. Chubb Limited is the ultimate parent company of ERII. On September 30, 2017, ERII became a wholly-owned subsidiary of Chubb INA Holdings.

### Capitalization

The Company is authorized to issue 50,000 shares of common stock with a par value of \$100 per share. As of December 31, 2019, there are 50,000 shares of common stock issued and held by Chubb INA Holdings.

### Dividends

The Company made dividend payments over the period covered by this exam period to its sole shareholder, Chubb INA Holdings in compliance with Delaware code.

<u>Date Declared</u>	<u>Type</u>	<u>Amount</u>	<u>Paid Date</u>
November 6, 2019	Ordinary	\$150,000,000	December 6, 2019
May 14, 2019	Ordinary	\$100,000,000	June 15, 2019
August 31, 2018	Extraordinary	\$150,000,000	September 30, 2018
December 6, 2017	Ordinary	\$100,000,000	December 14, 2017

## **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).

Directors shall be elected annually by the sole shareholder and the number of directors who will constitute the entire Board, shall be fixed from time to time by resolution passed by a majority of the Board. The directors shall hold office until the next Annual Shareholders Meeting or until their successors are elected or appointed. The Board, duly elected in accordance with its bylaws and serving at December 31, 2019, is as follows:

<u>Name</u>	<u>Principle Business Affiliation</u>
Paul Krump Mendham, NJ	Executive Vice President ACE American Insurance Company
Kevin Rampe New Hope, PA	Executive Vice President ACE American Insurance Company
Scott Henck Lebanon, NJ	Executive Vice President ACE American Insurance Company
John Lupica Newtown, PA	Chairman of the Board – President ACE American Insurance Company
Latrell Johnson Robbinsville, NJ	Executive Vice President, Human Resources Chubb Insurance
Michelle McLaughlin Monroe Township, NJ	Various underwriting positions Chubb Insurance
Drew Spitzer Summit, NJ	Treasurer ACE American Insurance Company
Frances O'Brien Basking Ridge, NJ	Executive Vice President ACE American Insurance Company
Edward Zaccaria New Hope, PA	Executive Vice President ACE American Insurance Company

#### Officers

In accordance with its bylaws, officers serving the Company shall be a Chairman of the Board, a President, one or more Vice Presidents (as determined by the Board), a Secretary, a Treasurer, and other officers as may from time to time be appointed by the Board. The Vice Presidents may include Executive Vice Presidents and Senior Vice Presidents. The Company's principal officers, duly appointed in accordance with the bylaws and serving at December 31, 2019, are as follows:

<u>Name</u>	<u>Title</u>
Scott Alan Meyer	President
Drew Kiehn Spitzer	Treasurer
Brandon Michael Peene	Secretary
Paul Joseph Krump	Chairman
John Joseph Lupica	Executive Vice President
Paul Gerard O'Connell	Senior Vice President & Chief Actuary
Christopher Anthony Maleno	Executive Vice President
John Paul Taylor	Senior Vice President



Committees of the Board

The Company's bylaws provide that the Board, by resolution, may designate one or more committees, each consisting of at least one member. As of December 31, 2019, the standing Board committees were constituted as follows:

Executive

Paul Joseph Krump, Chairman  
John Joseph Lupica  
Drew Kiehn Spitzer

Investment

John Joseph Lupica, Chairman  
Paul Joseph Krump  
Drew Kiehn Spitzer

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 known as the Chubb Group of Insurance Companies (Chubb Group) as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. All of the common stock of the Company is owned by its immediate parent Chubb INA Holdings. Chubb INA Holdings is owned 80% by Chubb Group Holdings, Inc. and 20% by Chubb Limited. Chubb Group Holdings Inc. is wholly-owned by Chubb Limited.

Executive Risk Indemnity Inc.

Chubb Limited is the world's largest publicly traded property and casualty insurer and trades under the symbol "CB". An abbreviated organizational chart as of December 31, 2019, of the Chubb Limited holding company system is shown below:

Chubb Limited		Publicly Held
Chubb Group Holdings, Inc.		100%
Chubb INA Holdings, Inc. *		80%
<b>Executive Risk Indemnity Inc.</b>	<b>DE</b>	<b>100%</b>
Executive Risk Specialty Insurance Company	CT	100%
Chubb Custom Insurance Company	NJ	100%

\*remaining 20% ownership held directly by Chubb Limited

### Agreements with Affiliates

#### *Service and Support Agreement*

Effective August 12, 2010, and most recently amended on January 1, 2018, a SIU Service and Support Agreement was entered into by and between Westchester Surplus Lines Insurance Company (WSLIC), numerous Chubb Property and Casualty Insurance Companies identified in Exhibit A of the Service and Support Agreement with ESIS. ESIS, is a wholly owned subsidiary of Chubb and manages the third party administrators handling claims under policies issued by the Chubb Group. Where there is no third party claims administrator involved, the Chubb Group have delegated to ESIS their obligations to: (a) investigate potentially fraudulent claim activity, and (b) to report potentially fraudulent claim activity to governmental authorities as required by law or filed fraud plan. In consideration for the provision of the above services by ESIS, the Company pays a yearly service fee.

The January 1, 2018, amendment (Amendment 4) acts: (1) to change the Agreement such that references to ACE USA shall be deleted and replaced with Chubb where they appear and references to ACE Property and Casualty Insurance Companies shall be replaced with Chubb Companies where they appear; (2) to add a new section (Section 14) to the Agreement

pertaining to compliance with specific provisions of applicable California and New York anti-fraud statutes and regulations; (3) to add parties to the Agreement, including ERII and amend Exhibit A to reflect the additional parties; and (4) to remove reference to Bankers Standard Fire and Marine Insurance Company (BSF&M) as a party to the Agreement, since BSF&M merged with and into Bankers Standard Insurance Company effective December 31, 2016. Approval for ERII to become a party to this Agreement was given on November 15, 2017.

The parties in the Agreement are as follows:

ACE American	Company of North America
ERII	Bankers Standard Insurance Company
ACE Fire Underwriters Insurance Company	Pacific Employers Insurance Company
Federal Insurance Company	Century Indemnity Company
ACE Insurance Company of the Midwest	Pacific Indemnity Company
Great Northern Insurance Company	Chubb Custom Insurance Company
ACE Property and Casualty Insurance Company	Penn Millers Insurance Company
Indemnity Insurance Company of North America	Chubb Indemnity Insurance Company
Agri General Insurance Company	Vigilant Insurance Company
Illinois Union Insurance Company	Chubb National Insurance Company
Atlantic Employers Insurance Company Insurance	Westchester Fire Insurance Company
	Chubb Insurance Company of New Jersey
	Westchester Surplus Lines Insurance Company

*Service Agreement (Federal – ACE American) – Amended*

A service agreement between ACE American Insurance Company (ACE American), a Pennsylvania affiliate and Federal Insurance Company (Federal), an Indiana affiliate was entered into effective March 14, 2016, amended January 1, 2018, and, December 1, 2018. Under the Agreement, Federal or ACE American, either party may provide services to the other including actuarial, administrative support, administrative, audit, claims, communications/marketing, compliance, financial, human resources, information technology,

Executive Risk Indemnity Inc.

internal audit, investment, legal, loss control, operations support, reinsurance related, treasury, underwriting and other. The service recipient shall pay the service provider no less than the full cost (including overhead) borne by the service provider in providing those services. Under the Agreement, either party has the right to subcontract with any third party, affiliated or unaffiliated, for the performance of the services. ERII became a party to the agreement as of January 1, 2018. The December 1, 2018, amendment (Amendment 2) which received prior approval from the Department on October 4, 2018, served to add Executive Risk Specialty Insurance Company (ERSIC) to the Agreement; and (2) to change the Agreement such that term "Service Recipient" shall now also include ERSIC.

*Tax Allocation Agreement*

Effective January 1, 2012, the Company entered into an Intercompany Tax Allocation Agreement with The Chubb Corporation along with certain of its affiliates. Due to the merger, this agreement was replaced. Effective January 15, 2016, the Company entered into an Amended and Restated Intercompany Tax Allocation Agreement with Chubb Group Holdings and certain of its affiliates. Under the provisions of the agreement, any subsidiary having taxable income will pay a tax liability equivalent to what that subsidiary would have paid if it had filed a separate federal income tax return for the year. If the separately calculated federal income tax return for any subsidiary results in a tax loss, the current tax benefit resulting from such loss, to the extent utilizable on a separate return basis, will be paid to that subsidiary. Effective January 10, 2017, the Amended and Restated Intercompany Tax Sharing Agreement was executed to include additional provisions required by certain domestic regulators to comply with applicable state laws. This amendment was approved by the Department.

Executive Risk Indemnity Inc.

*Investment Advisory Service Agreement*

Effective July 1, 2016, ERII entered into an Investment Advisory Services Agreement with Chubb Asset Management Inc. (Chubb Asset) pursuant to which Chubb Asset assists with the evaluation and selection of ERII's investment advisors and monitors the performance, compliance, and risk profile of ERII's portfolio. This agreement was filed with and approved by the Department.

**TERRITORY AND PLAN OF OPERATION**

Territory

As of December 31, 2019, ERII is authorized to transact the business of insurance in 50 states and the District of Columbia. The Company is licensed and domiciled in the State of Delaware and is licensed in 48 other states and the District of Columbia. ERII became admitted as a licensed insurer in Connecticut in September 2020. Also, the Company is eligible as a non-admitted surplus lines writer in the U.S. Virgin Islands.

Plan of Operation

Chubb Limited is the Swiss-incorporated holding company of the Chubb Group of Companies. The Chubb Limited provides commercial and personal property and casualty insurance (P&C), personal accident and supplemental health insurance, reinsurance, and life insurance to a diverse group of clients with operations in 54 countries. Chubb operates through six (6) business segments as follows: North America Commercial P&C Insurance, North America Personal P&C Insurance, North America Agricultural Insurance, Overseas General Insurance, Global Reinsurance, and Life Insurance. The US companies primarily write in North America Commercial P&C Insurance and North America Personal P&C.

The North America Commercial P&C Insurance segment provides P&C insurance to large, middle market, and small commercial businesses in the U.S., Canada and Bermuda,

and includes Major Accounts, Commercial Insurance, and Westchester and Chubb Bermuda. During 2019 this segment wrote \$17,539 million or 54% of the consolidated net premium written. Major Accounts was the largest portion of North America Commercial P&C Insurance's net premiums earned in 2019. Within Major Accounts, there are differentiated business units that offer specialized products. In general, Major Accounts provides a broad array of traditional and specialty P&C, A&H, and risk management products and services to large U.S. and Canadian-based institutional organizations and corporate companies. The next largest segment is Commercial Insurance. This unit has two business units within it: Commercial Insurance and Small Commercial Insurance. The Commercial Insurance unit provides a broad range of P&C, professional lines and accident & health products targeted to U.S. and Canadian-based middle market customers in a variety of industries with annual revenues greater than \$10 million. The Small Commercial operations provide a broad range of property and casualty, workers' compensation, small commercial management and professional liability for small businesses based in the U.S. with annual revenues up to \$10 million.

The North America Personal P&C Insurance segment provides affluent and high net worth individuals and families with homeowners, automobile and collector cars, valuable articles (including fine arts), personal and excess liability, travel insurance, and recreational marine insurance and services. During 2019 this segment wrote \$6,813 million or 21% of the consolidated net premium written. This segment includes business written by Chubb Personal Risk Services division, which comprises Chubb high net worth personal lines business and ACE Private Risk Services, with operations in the U.S. and Canada. The homeowners business, including valuable articles, is the largest segment of North America Personal P&C Insurance's net premiums written in 2019.

Per Schedule T of the Annual Statement for the year ending 2019 approximately 70% or \$103,335,446 of the Company's direct written premium was written in the following states: New York (40.6%), California (20.0%), Florida (4.1%), Pennsylvania (2.8%) and Illinois (2.6%). Direct premium written in all other states amounted to \$43,962,686.

The Company reported the following distribution of Direct Premiums Written in its filed Annual Statement for 2019:

Line of Business	Premiums	Percent	Direct Premiums Written	Percent
Other Liability - claims made			\$ 42,806,961	29.1%
Homeowners			32,039,306	21.8%
Other Liability - occurrence			40,115,525	27.2%
Other			5,163,194	3.5%
Workers Compensation			12,027,544	8.2%
Product liability			15,145,602	10.3%
Total			<u>\$ 147,298,132</u>	<u>100.0%</u>

\*Source: 2016 Analyst IPS

The Company's distribution channel for all of its direct written business is through independent agents and brokers. Thus, no managing general agents/third party administrators are utilized in its marketing of product lines of business.

The Company was a participant in an intercompany reinsurance pool, which covered substantially all business, with affiliate insurers up until December 31, 2017. Each company retained a share of its direct and assumed business and ceded the remaining share to the other participant companies. Effective January 1, 2018, the Company entered into a new intercompany pooling agreement (see Pooling Agreement below)

**REINSURANCE**

ERII reported the following distribution of net premiums written for 2019:

Direct	\$147,298,132
Reinsurance assumed from affiliates	1,812,244,762
Reinsurance assumed from non-affiliates	<u>(133)</u>
Total gross (direct and assumed)	<u>\$1,959,542,761</u>
Reinsurance ceded to affiliates	147,298,132
Reinsurance ceded to non-affiliates	<u>-0-</u>
Total ceded	<u>\$147,298,132</u>
Net premiums written	<u>\$ 1,812,244,629</u>

**ERII Assumed**

ERII ceded 100% of its gross, pre-pooled business and then assumed 10% of the net Chubb Pool retained business. ERII's reinsurance assumed from affiliates of \$1.8 billion represents its net 10% participation in the Chubb Pool.

**ERII Ceded**

The Chubb Reinsurance Program can be categorized into several components: Affiliated Reinsurance (includes pooling) and External Reinsurance.

**Pooling Agreement**

Effective January 1, 2018, with the approval of the Department, the Company participates in an intercompany reinsurance pooling agreement (the Chubb Pool) in which ACE American is the lead company. ACE American ultimately reinsures the gross business written by each of the companies via the pooling agreement or a 100% quota share reinsurance agreement. All ceded reinsurance in force for the Chubb Pool and certain foreign branch business, inures to ACE American's benefit. After placing ceded reinsurance, ACE American retrocedes the remaining net business to each of the



Executive Risk Indemnity Inc.

other Chubb Pool members in proportion to their agreed upon pool share. Additionally, the Company agreed to cede all receivables to ACE American, the lead pool Company. The names, NAIC company codes and pool participation percentages of the intercompany pool members at statement date are as follows:

<u>Pool Participants</u>	<u>NAIC Company Code</u>	<u>Pool Participation %</u>
ACE American <b>(A)</b>	22667	25%
Federal Insurance Company # <b>(B)</b>	20281	25%
ACE Property and Casualty Company #	20699	20%
Pacific Indemnity Company ##	20346	20%
Executive Risk Indemnity Inc. ##	35181	10%
ACE Fire Underwriters Insurance Company #	20702	0%
ACE Insurance Company of the Midwest #	26417	0%
Atlantic Employers Insurance Company #	38938	0%
Bankers Standard Insurance Company #	18279	0%
Chubb Insurance Company of New Jersey ##	41386	0%
Chubb National Insurance Company ##	10052	0%
Great Northern Insurance Company ##	20303	0%
Indemnity Insurance Company of North America #	43575	0%
Insurance Company of North America #	22713	0%
Pacific Employers Insurance Company #	22748	0%
Penn Millers Insurance Company #	14982	0%
Westchester Fire Insurance Company #	10030	0%

# Company cedes 100% gross loss, LAE and underwriting expenses to ACE American

## Company cedes 100% gross loss, LAE and underwriting expenses to Federal

(A) ACE American aggregates and cedes the Pool's third party reinsurance, as a result, it has recorded the Chubb Pool's Provision for Reinsurance.

(B) Federal assumes from other Pool/Quota Share Companies, then retrocedes 100% of gross loss, loss adjustment expense (LAE) and underwriting expenses to ACE American.

In order to avoid incurred loss/LAE and earned premium while effectuating the Chubb Pool in 2018, paid losses/LAE and written premiums were used to offset changes in loss/LAE reserves and unearned premium reserves resulting in zero incurred/earned impact. This will make some assumed and ceded paid/written items appear distorted; however, this treatment is in accordance with Statutory Accounting Practices guidance.

### **FINANCIAL STATEMENTS**

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

- Statement of Assets as of December 31, 2019
- Statement of Liabilities and Surplus as of December 31, 2019
- Statement of Income for the year ended December 31, 2019
- Statement of Capital and Surplus Account for the year ended December 31, 2019
- Reconciliation of Capital and Surplus for the Period January 1, 2017 to December 31, 2019

**EXECUTIVE RISK INDEMNITY INC.**  
**STATEMENT OF ASSET**  
**AS OF DECEMBER 31, 2019**

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 4,026,995,479	\$ -	\$ 4,026,995,479
Preferred Stocks	2,746,000	-	2,746,000
Common Stocks	430,369,618	-	430,369,618
Real Estate	17,376,881	-	17,376,881
Cash, Cash equivalents, Short Term Investments	94,241,105	-	94,241,105
Receivable for Securities	2,750	-	2,750
Subtotals, Cash and Invested Assets	<u>\$ 4,571,731,833</u>	<u>\$ -</u>	<u>\$ 4,571,731,833</u>
Investment income due and accrued	37,215,041	-	37,215,041
Uncollected premiums	228,576,263	-	228,576,263
Deferred premiums	353,381,066	1,165,734	352,215,332
Accrued retrospective Premiums	17,829,071	1,784,004	16,045,067
Amounts recoverable from reinsurers	14,076,553	-	14,076,553
Net deferred tax asset	71,814,701	20,889,470	50,925,231
Receivables from parent; subsidiaries and affiliates	371,338,552	-	371,338,552
Aggregate write-ins for other than invested assets	19,391,450	18,023,291	1,368,159
Total Assets	<u><u>\$ 5,685,354,530</u></u>	<u><u>\$ 41,862,499</u></u>	<u><u>\$ 5,643,492,031</u></u>

**EXECUTIVE RISK INDEMNITY INC.  
STATEMENT OF LIABILITIES AND SURPLUS  
AS OF DECEMBER 31, 2019**

	<u>2019</u>
Losses	\$ 2,105,226,067
Reinsurance payable on losses and loss adjustment expenses	303,723,036
Loss adjustment expenses	624,250,473
Commission payable, contingent commission and other similar charges	18,695,532
Taxes, Licenses and fees (excluding federal and foreign income taxes)	12,319,881
Current federal and foreign income taxes	9,164,622
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$67,766,226 and including warranty reserves of \$0)	805,890,833
Dividends declared and unaid to policyholders	10,052,258
Ceded reinsurance premiums payable (net of ceding commissions)	133,644,479
Remittances and items not allocated	21
Payable to parent; subsidiaries and affiliates	226,591
Payable for securities	10,445,822
Aggregate write-ins for liabilities	17,435,244
Total liabilities excluding protected cell liabilities	<u>\$ 4,051,074,859</u>
Total liabilities	<u>\$ 4,051,074,859</u>
Common capital stock	\$ 5,000,000
Gross paid in and contributed surplus	516,957,352
Unassigned funds (surplus)	<u>1,070,459,820</u>
Surplus as regards policyholders	<u>\$ 1,592,417,172</u>
Totals of liabilities & surplus	<u><u>\$ 5,643,492,031</u></u>

**EXECUTIVE RISK INDEMNITY INC.  
STATEMENT OF INCOME  
AS OF DECEMBER 31, 2019**

<b>Underwriting Income</b>	<u>2019</u>
Premiums earned	\$ 1,772,371,887
Deductions	
Losses incurred	\$ 1,002,401,566
Loss adjustment expenses incurred	238,280,752
Other underwriting expenses incurred	415,996,801
Total underwriting deductions	<u>\$ 1,656,679,119</u>
Net underwriting gain (loss)	<u>\$ 115,692,768</u>
 <b>Investment Income</b>	
Net investment income earned	\$ 160,675,600
Net realized capital gains (losses) less capital gains tax of \$(678,330)	<u>(2,383,560)</u>
Net investment gain (loss)	<u>\$ 158,292,040</u>
 <b>Other Income</b>	
Net gain (loss) from agents' or premium balances charged off	\$ -
Finance and service charges not included in premium	-
Aggregate write-ins for miscellaneous income	<u>(1)</u>
Total other income	<u>\$ (1)</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 273,984,807</u>
Dividends to policyholders	<u>4,583,817</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 269,400,990</u>
Federal and foreign income taxes incurred	<u>54,529,576</u>
Net Income	<u><u>\$ 214,871,414</u></u>

**EXECUTIVE RISK INDEMNITY INC.  
CAPITAL & SURPLUS ACCOUNT  
AS OF DECEMBER 31, 2019**

	<u>2019</u>
Surplus as regards to policyholders; December 31, 2018	<u>\$ 1,584,260,674</u>
Net income	\$ 214,871,414
Change in net unrealized capital gains (losses) less capital gains tax of \$8,549,380	43,010,231
Change in net unrealized foreign exchange capital gain (loss)	(178,846)
Change in net deferred income tax	11,092,823
Change in nonadmitted assets	(10,592,335)
Dividends to stockholders	(250,000,000)
Aggregate write-ins for gains and losses in surplus	<u>(46,789)</u>
Net change in capital and surplus for the year	<u>\$ 8,156,498</u>
Capital and surplus; December 31, 2019	<u><u>\$ 1,592,417,172</u></u>

**EXECUTIVE RISK INDEMNITY INC.  
RECONCILIATION OF CAPITAL AND SURPLUS  
AS OF JANUARY 1, 2017 to DECEMBER 31, 2019**

	<b>Common Capital Stock</b>	<b>Gross Paid-in and Contributed Surplus</b>	<b>Unassigned Surplus</b>
1/1/2017	\$ 5,000,000	\$ 294,050,000	\$ 951,915,307
12/31/2017	-	-	116,570,979
12/31/2017	-	-	(100,000,000)
12/31/2017	-	222,907,352	-
12/31/2017	-	-	(795,200)
12/31/2018	-	-	244,163,200
12/31/2018	-	-	(150,000,000)
12/31/2018	-	-	449,036
12/31/2019	-	-	(250,000,000)
12/31/2019	-	-	(46,789)
12/31/2019	-	-	258,203,287
	<u>\$ 5,000,000</u>	<u>\$ 516,957,352</u>	<u>\$ 1,070,459,820</u>

- (1) Represents net income, change in unrealized capital gains/(losses), change in net unrealized foreign exchange capital gain, change in net deferred income tax, Change in non-admitted assets and changes in provision for reinsurance.
- (2) Dividends to stockholders.
- (3) Contributed capital.
- (4) Aggregate write-ins for gains and losses in surplus, prior period adjustments.

**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:

<u>Losses</u>	<u>\$2,105,226,067</u>
<u>Loss Adjustment Expenses</u>	<u>\$624,250,473</u>

The examination liability for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2019. The examination analysis

of Loss and LAE reserves was conducted in accordance with Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual*, SSAP No. 55.

### **SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and national, state and local governments have implemented a range of policies and actions to combat it. The extent of the impact of COVID-19 on world economies and the Company will depend on future developments, which are highly uncertain and difficult to predict, including the severity and duration of the pandemic, and the actions taken by government authorities and other third parties to contain or address its impact. Various government officials, including U.S. state insurance commissioners, have taken actions to protect consumers from hardship caused by COVID-19 that, in the aggregate, may adversely impact the Company's results of operations in the near term. While it is likely that certain lines of business may experience increased loss activity due to COVID-19, there are also segments in which the Company operates that may benefit from improved loss experience due to reduced exposures. Company Management will continue to monitor developments, and their impacts on the Company including its operations, capital position (including the risk-based capital ratio), the fair value of investments, and estimates reported in the financial statements and accompanying notes.

At the date of this report, the extent and severity of the COVID-19 pandemic is not yet fully clarified by Chubb, but they do not expect a material adverse effect on any specific lines of business or products and the Company was fully operational and was providing services to its policyholders.

The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position and continues to closely



monitor any impact on the Company and will take necessary action if a solvency concern arises.

**COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

There were no recommendations contained in the prior examination report issued by the Department as of December 31, 2016.

**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 Company's outside audit firm, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



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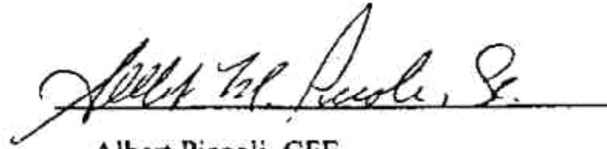
Albert M. Piccoli, Sr. CFE  
Examiner In-Charge  
State of Delaware



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Anthony Cardone, CPA, CFE  
Supervising Examiner  
State of Delaware

I, Albert Piccoli, 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 20.001.

A handwritten signature in cursive script, reading "Albert Piccoli, CFE", is written over a horizontal line.

Albert Piccoli, CFE