

**REPORT ON EXAMINATION**  
**OF**  
**EVEREST DENALI INSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2020**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
EVEREST DENALI INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2020

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.

A handwritten signature in blue ink, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 23rd day of June, 2022

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May 25, 2022

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 Examination Certification No. 21.029, dated February 22, 2021, an examination has been made of the affairs, financial condition and management of

**EVEREST DENALI INSURANCE COMPANY**

hereinafter referred to as the Company or EDIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its home office located at 251 Little Falls Drive, Wilmington, Delaware. The administrative office of the Company is located at 100 Everest Way, Warren Corporate Center, Warren, New Jersey. The report of examination thereon is respectfully submitted.

**SCOPE OF EXAMINATION**

We have performed our examination of the Company. This was the first examination of the Company by the Delaware Department of Insurance (Department). This examination covered the period of November 7, 2016 (the date of the Organizational Examination) through December 31, 2020. Our examination was performed as part of the multi-state coordinated examination of

the Everest Group of regulated entities wherein Delaware is the lead state. The examination was conducted concurrently with that of the Company's Delaware domiciled affiliates, Everest Reinsurance Company (ERC), Everest National Insurance Company, Everest Indemnity Insurance Company, Everest Premier Insurance Company (EPIC) and the Company's Georgia domiciled affiliate, Everest Security Insurance Company. To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

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, PricewaterhouseCoopers LLC (PwC). Certain auditor work papers of the 2020 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 June 7, 2016, and commenced business on November 24, 2016, to engage in property and casualty insurance and reinsurance business. The Company is authorized to write property, casualty (all subdivisions), marine and transportation, surety and health.

#### **Capitalization**

The Company is authorized to issue 12,500 shares of common capital stock with a par value of \$1,000 per share. As of December 31, 2020, all 12,500 shares are issued and held by ERC, resulting in common capital stock of \$12,500,000. The Company's gross paid in and contributed surplus was \$12,500,000 as of December 31, 2020.

#### **Dividends to Stockholder**

The Company did not declare or pay any dividends during the examination period to its sole stockholder, ERC.

## MANAGEMENT AND CONTROL

### Directors

Pursuant to the General Corporation Law of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the Company's business and affairs are managed by its Board of Directors (Board). The bylaws provide that the Company's Board shall consist of a minimum of three directors. The number of directors shall not be subject to any maximum and shall be fixed from time to time either by the Board or the stockholders. As of December 31, 2020, the members of the Board together with their principal business affiliations were as follows:

<u>Name</u>	<u>Title</u>
Mark Kociancic #	Executive Vice President
Sanjoy Mukherjee	Executive Vice President and Secretary
Michael T. Mulray	Chief Operating Officer - Insurance Division

# New in 2020

### Officers

The bylaws of the Company state the principal officers shall be a President, one or more Vice Presidents, a Treasurer, a Comptroller, a Corporate Secretary and such additional officers as it may from time to time be decided by a resolution adopted by a Board majority. The Board may also designate such number of Executive Senior Vice Presidents as may be deemed appropriate. As of December 31, 2020, the Company's principal officers and their respective titles were as follows:

<u>Name</u>	<u>Title</u>
Mike Karmilowicz #	President
Mark Kociancic #	Executive Vice President
Dana Lodge	Chief Financial Officer
Sanjoy Mukherjee	Executive Vice President, Secretary and General Counsel
Keith T. Shoemaker	Senior Vice President and Comptroller
Ellen J. Edmonds	Senior Vice President and Actuary
Brian D. Drum	Senior Vice President, Underwriting

# New in 2020

### Corporate Records

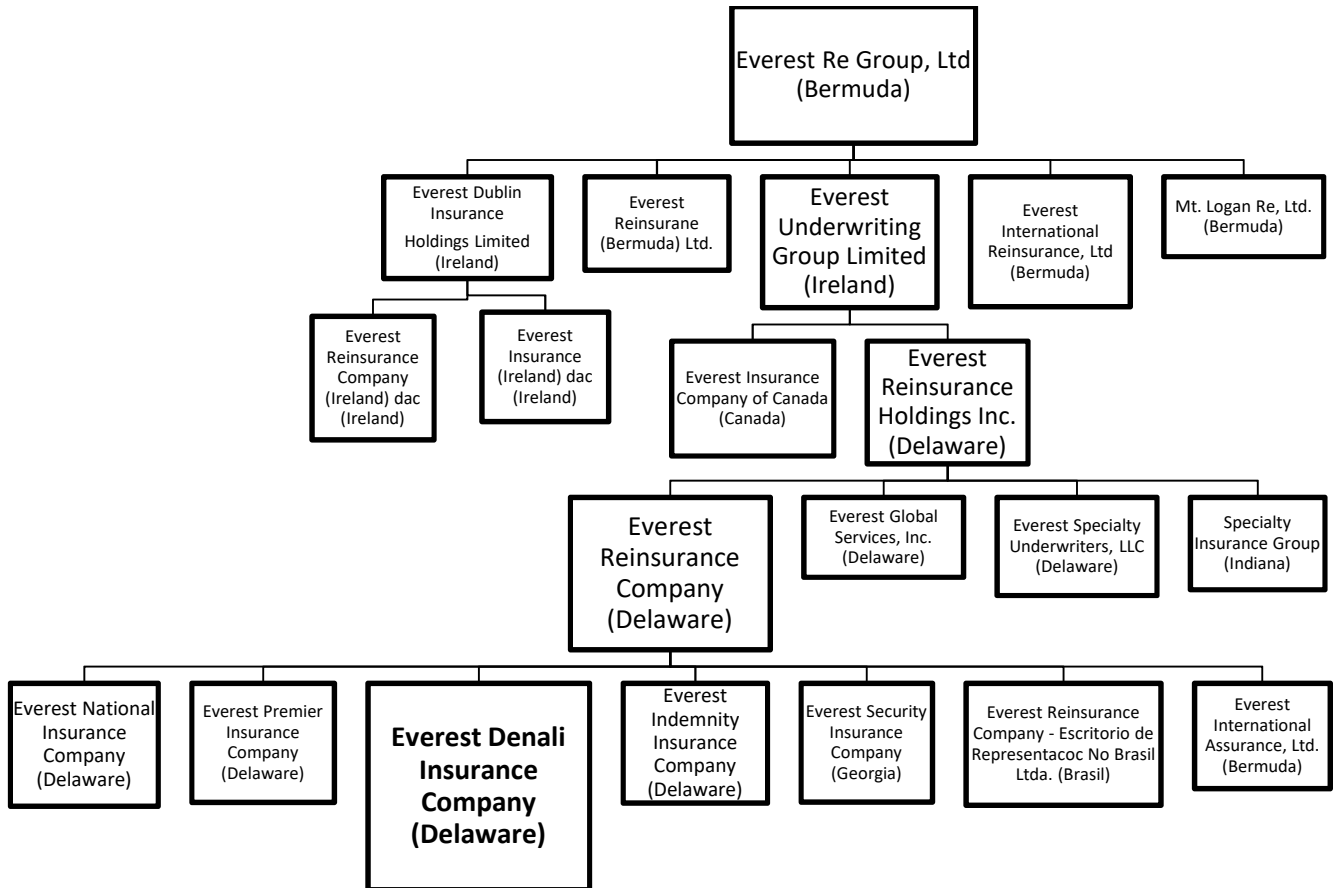
Review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* § 4919. In addition, review of the Company's Board meeting minutes over the examination period reflected accordance with the Company's bylaws. From review of such minutes, the attendance at Board meetings, the elections of directors and officers and the approvals of investment transactions were noted.

### 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 ultimate controlling entity within the holding company system is ERG, a Bermuda company established in 1999, which wholly owns Everest Underwriting Group (Ireland) Limited (Everest Ireland). Everest Ireland wholly owns Everest Reinsurance Holdings, Inc. (Holdings), a Delaware corporation, which is the holding company for the U.S. based operations. Holdings wholly owns ERC, a Delaware domiciled property and casualty insurer and the Company's direct parent within the holding company system. ERG is a registered public company whose shares are traded under the ticker symbol "RE" on the New York



Stock Exchange. The following abbreviated organization chart reflects the ownership chain of subsidiaries and their domestic affiliation as of December 31, 2020 (ownership of subsidiaries is 100% unless otherwise noted):



Agreements with Affiliates

The following affiliated agreements within ERG’s organizational structure were identified and in effect as of December 31, 2020:

*Tax Allocation Agreement*

Effective January 1, 2017, Holdings, the statutory insurance companies under review, Specialty Insurance Group and Everest International Assurance, Ltd. (collectively, the Group), are party to an Intercompany Tax Allocation Agreement, whereby, each company shall contribute its

fair and equitable share to the taxes payable by the Group or as compensation for the reduction in the net operating loss deduction, capital loss deduction or other tax benefit of the Group. The Group files a consolidated tax return and each year, with each company calculating their respective amounts for payment of taxes, estimated tax or refund of tax which each company would be liable for or entitled to as if it had filed a separate return. All payments between and among each company of the Group are settled no later than 90 days in accordance with the terms of the agreement. Final settlement among the companies occurs annually.

*Administrative Service Agreement*

Effective January 1, 2019, certain affiliate companies (Affiliates) became party to a Master Service Agreement. Under the terms of the agreement, services from an Affiliate may be provided to another Affiliate. Services provided include, but are not limited to, underwriting and claims services, agency services for admitted & excess lines, accounting, tax and auditing, legal services, information technology, etc. The receiving Affiliate shall pay the providing Affiliate the fair market value price for services.

*Parental Guarantees*

Effective March 28, 2017, ERC guarantees the Company will maintain a surplus level no less than the greater of regulatory action level risk-based capital or the minimum requirements for capital and surplus in the State of Maine of \$2.5 million.

Effective March 17, 2017, ERC guarantees the Company will maintain for a minimum of five years, commencing on the date of admission in the State of New Jersey, capital and surplus that meets or exceeds the requirements of New Jersey, as amended at any time during the five-year period and shall not be modified, revoked or rescinded without prior approval by the New Jersey Department of Banking and Insurance.

## TERRITORY AND PLAN OF OPERATION

The Company is licensed to write property and casualty insurance in all fifty (50) states and the District of Columbia and underwrites its property and casualty business through its agency relationships and its direct underwriting segments. As of December 31, 2020, the Company had seven active programs and nine underwriting segments in place. In 2020, 93.7% of the Company's direct premiums written were in the following three lines of business: commercial auto liability (52.5%), workers' compensation (28.3%) and auto physical damage (12.9%).

## REINSURANCE

The Company reported the following distribution of premiums written for the year ended December 31, 2020:

	2020	% GPW
Direct Business	\$ 189,414,427	99.3%
Reinsurance assumed from affiliates	-	0.0%
Reinsurance assumed from non-affiliates	1,394,684	0.7%
Gross Premiums Written	\$ 190,809,111	100.0%
Reinsurance ceded to affiliates	188,402,504	98.7%
Reinsurance ceded to non-affiliates	2,406,607	1.3%
Total Ceded Premium	\$ 190,809,111	100.0%
Net Premiums Written	\$ -	0.0%

### Assumed Reinsurance – Affiliates

The Company had no assumed business with affiliates.

### Assumed Reinsurance – Non-Affiliates

The Company's assumed business from mandatory pools and associations in 2020 totaled \$1,394,684.

Ceded Reinsurance – Affiliates

Effective January 1, 2014, amended effective January 1, 2017 and amended effective May 30, 2018, an intercompany pooling arrangement was created between the then U.S. statutory affiliates (Pool Companies), with all Pool Companies ceding 100% of their net retained liability (net liability after deductions of all inuring reinsurance on the business) under new and renewal policies to ERC, the lead company in the pooling arrangement, whereby each Pool Company has 0% participation in the pooling transaction. An amendment effective January 1, 2017, added the Company and EPIC to the pooling agreement as additional companies with the same terms and conditions. The amendment effective May 30, 2018, removed a 3.5% ceding commission on net written premiums subject to the pooling. For the year ended December 31, 2020, the Company's ceded premium to ERC under the pooling agreement was \$188,402,504.

Ceded Reinsurance – Unaffiliated

The Pool Companies purchase reinsurance to cover specific business written for the potential accumulation or aggregation of exposures across some or all of its operations. The amount of reinsurance purchased has varied over time, reflecting the view of its exposures and the cost of reinsurance, with significant exposure to property risk, including catastrophic losses relating to natural disasters. Catastrophe loss projections are segmented by risk zones, which are updated quarterly and reviewed as part of a formal risk management review process. Excluding aggregate stop loss coverages, adverse development covers, catastrophe bond coverages; the significant catastrophic reinsurance in place with external reinsurers have the following coverages:

Primary coverage, excluding wind, is \$50 million excess of \$75 million. All perils excess coverage, including wind, is \$525 million excess of \$125 million, and excess coverage, excluding

wind, is \$100 million excess of \$500 million (cancelled April 2021 and not renewed). All coverages described are 80% placed with external reinsurers.

In addition, the Pool Companies have in place an insured market loss warranty excess of loss reinsurance contract with Hannover Ruck Se. The contract provides excess of loss coverage for \$20 million excess \$25 thousand, providing coverage for named windstorms (including Greek alphabet symbols) by the “World Meteorological Organization” and/or United States “National Weather Service” and/or tracked by the services of the “National Oceanic and Atmospheric Administration.” The contract only responds in the event there is an original insured market loss resulting from a named windstorm as reported by the index provider, which occurs in the State of Florida, and is greater than \$15 billion.

Effective October 1, 2020 to September 30, 2021, the Pool Companies also have in place a workers’ compensation catastrophe excess of loss reinsurance agreement for its significant exposure to workers’ compensation claims resulting from catastrophic events. Under terms of the agreement, the Pool Companies have \$75 million in coverage, excess of a \$25 million, retention with one reinstatement (first layer) and coverage of \$100 million, excess of \$100 million, retention with one reinstatement (second layer). This reinsurance agreement was 100% placed with external reinsurers.

### **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, 2020
- Statement of Income for the year ended December 31, 2020
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2015 to December 31, 2020

Statement of Assets and Liabilities  
As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 27,460,610	\$ -	\$ 27,460,610
Cash	2,510,346		2,510,346
Cash equivalents	11,532,418		11,532,418
Short-term investments	992,608		992,608
Subtotals, cash and invested assets	<u>\$ 42,495,982</u>	<u>\$ -</u>	<u>\$ 42,495,982</u>
Investment income due and accrued	206,125		206,125
Uncollected premiums and agents' balances in the course of collection	60,709,526	1,625,005	59,084,521
Deferred premiums; agents' balances and installments booked but deferred and not yet due	25,500,315		25,500,315
Amounts recoverable from reinsurers	10,093,929		10,093,929
Net deferred tax asset	374,132		374,132
Aggregate write-ins for other than invested assets:			
Advances under affiliated quota share agreement	10,000,000		10,000,000
Guarantee fund surcharge	997,757		997,757
Recoverable deductibles	189,014		189,014
Equities and deposits in pools and associations	4,635		4,635
Total	<u>\$ 150,571,415</u>	<u>\$ 1,625,005</u>	<u>\$ 148,946,410</u>

Everest Denali Insurance Company

Losses	\$ -
Reinsurance payable on paid losses and loss adjustment expenses	-
Loss adjustment expenses	-
Commissions payable; contingent commissions and other similar charges	3,511,786
Other expenses (excluding taxes, licenses and fees)	691,487
Taxes, licenses, and fees (excluding federal and foreign income tax)	1,514,273
Current federal and foreign income taxes	314,216
Ceded reinsurance premiums payable (net of ceding commissions)	103,893,180
Amounts withheld or retained by company for account of others	3,331,821
Remittances and items not allocated	2,745,272
Payable to parent, subsidiaries and affiliates	5,119,824
Aggregate write-ins for liabilities:	
Surcharge payable	1,145,107
Total liabilities	<u>\$ 122,266,966</u>
Common capital stock	\$ 12,500,000
Gross paid in and contributed surplus	12,500,000
Unassigned funds (surplus)	1,679,444
Surplus as regards policyholders	<u>\$ 26,679,444</u>
Totals	<u><u>\$ 148,946,410</u></u>

Statement of Income  
For the Year Ended December 31, 2020

Premiums earned	\$ -
Losses incurred	-
Loss adjustment expenses incurred	-
Other underwriting expenses incurred	4,995
Total underwriting deductions	<u>\$ 4,995</u>
Net underwriting gain (loss)	<u>\$ (4,995)</u>
Net investment income earned	699,551
Net realized capital gains (losses)	251
Net investment gain (loss)	<u>\$ 699,802</u>
Finance and service charges not included in premiums	(491)
Aggregate write-ins for miscellaneous income:	
Foreign exchange gain	60
Other expense	(789)
Total other income	<u>\$ (1,220)</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 693,587</u>
Dividends to policyholders	-
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 693,587</u>
Federal and foreign income taxes incurred	167,729
Net Income	<u><u>\$ 525,858</u></u>



Reconciliation of Capital and Surplus  
For the Period from the Prior Examination  
As of December 31, 2015 to December 31, 2020

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
6/7/2016	\$ 12,500,000	\$ 12,500,000	\$ -	\$ 25,000,000
12/31/2016			9,371 (1)	9,371
12/31/2016			(9) (2)	(9)
12/31/2017			290,139 (1)	290,139
12/31/2017			9,230 (2)	9,230
12/31/2018			1,406,652 (1)	1,406,652
12/31/2018			5,427 (2)	5,427
12/31/2019			698,297 (1)	698,297
12/31/2019			(286,816) (2)	(286,816)
12/31/2020			525,858 (1)	525,858
12/31/2020			(978,705) (2)	(978,705)
	<u>\$ 12,500,000</u>	<u>\$ 12,500,000</u>	<u>\$ 1,679,444</u>	<u>\$ 26,679,444</u>

(1) Represents net income

(2) Change in net deferred income tax and/or Change in nonadmitted assets

**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**

There were no comments on Financial Statement items.

**SUBSEQUENT EVENTS**

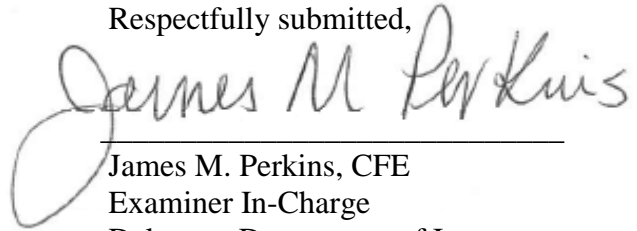
There were no significant subsequent events noted from the examination.

**SUMMARY OF RECOMMENDATIONS**

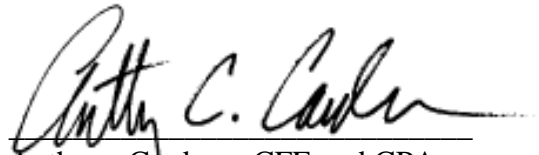
There were no recommendations as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, PwC and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

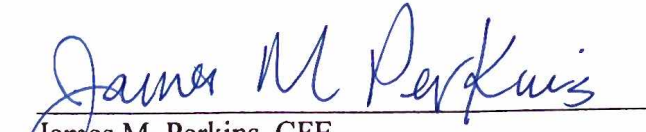


James M. Perkins, CFE  
Examiner In-Charge  
Delaware Department of Insurance



Anthony Cardone, CFE and CPA  
Supervising Examiner  
Delaware Department of Insurance

I, James M. Perkins, 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 certification 21.029.

  
James M. Perkins, CFE