

REPORT ON EXAMINATION
OF
EVEREST REINSURANCE COMPANY
AS OF
DECEMBER 31, 2020

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
EVEREST REINSURANCE 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, which appears to read "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. 21.028, dated February 22, 2021, an examination has been made of the affairs, financial condition and management of

EVEREST REINSURANCE COMPANY

hereinafter referred to as the Company or ERC. 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. The last examination was conducted as of December 31, 2015, by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2016 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 National Insurance Company (ENIC), Everest Indemnity Insurance Company (EIIC), Everest Premier Insurance Company (EPIC), Everest Denali Insurance Company (EDIC) 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 Laws 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 originally incorporated as Prudential Reinsurance Company on June 13, 1973, under the laws of the State of Delaware and began operations on June 25, 1973. At that time, the Company was a wholly owned subsidiary of PRUCO, Inc., which was a wholly owned subsidiary of The Prudential Insurance Company of America (Prudential), the ultimate parent in the holding company system.

Effective October 6, 1995, as a result of an initial public offering of Prudential Reinsurance Holdings, Inc. (Pru Re Holdings), the Company ceased to be a member of the Prudential insurance holding company system. On April 2, 1996, Pru Re Holdings' name was changed to Everest Reinsurance Holdings, Inc. (Holdings) and became a member of a holding company system in which Holdings was the ultimate controlling entity. At the same time, the Company changed to its current name, Everest Reinsurance Company.

Everest Re Group, Ltd. (ERG), a Bermuda company, was established in 1999 as a wholly owned subsidiary of Holdings. On February 24, 2000, as a result of a corporate reorganization, Holdings became a subsidiary of ERG, the current ultimate controlling entity in the holding company system, with Holdings as its subsidiary holding company for the United States (U.S.) based operations. At that time, shareholders of Holdings common stock automatically became shareholders of the same number of common shares of ERG. Prior to the restructuring, ERG had no significant assets or capitalization and had not engaged in any business or prior activities other than in connection with the restructuring. ERG is a registered public company whose shares are traded under the ticker symbol “RE” on the New York Stock Exchange.

In December 2008, ERG organized a new wholly owned subsidiary, Everest Underwriting Group (Ireland) Limited (Everest Ireland), under the laws of the Republic of Ireland, which subsequently became the direct parent of Holdings. As of December 31, 2020, the Company is a wholly owned subsidiary of Holdings, which is a wholly owned subsidiary of Everest Ireland, which is a wholly owned subsidiary of ERG.

In 2016, EDIC and EPIC were organized and commenced business as Delaware domiciled affiliate companies and wholly owned subsidiaries of ERC. Both companies are licensed to write property and casualty insurance in all fifty (50) states and the District of Columbia.

Capitalization

The Company is authorized to issue 25,000 shares of common capital stock with a par value of \$400 per share. All 25,000 shares are issued and held by Holdings, resulting in common capital stock of \$10,000,000. The Company’s gross paid in and contributed surplus increased

\$2,425,189,519 during the examination period from \$974,988,997 to \$3,400,178,516 as a result of paid in surplus each year of the examination period.

Dividends to Stockholder

On May 8, 2019, the Company's Board of Directors (Board) declared an ordinary dividend not to exceed \$300 million to be paid to Holdings, its sole stockholder, on or before June 30, 2019. The Company notified the Department of the dividend on May 9, 2019, which was approved. Subsequently, on May 22, 2019, the Company paid a \$300 million dividend to Holdings, in compliance with 18 *Del. C.* § 5005(b).

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. The bylaws, as amended and restated February 3, 1995, provide that the Company's Board shall consist of a minimum of seven 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>
Juan Carlos Andrade #	Chairman of the Board
Mark Kociancic #	Executive Vice President
Sanjoy Mukherjee	Executive Vice President, General Counsel and Compliance Officer
John P. Doucette	Executive Vice President
Dennis S. Alba	Executive Vice President
Ronald D. Diaz	Executive Vice President, International
Luis E. Monteagudo	Senior Vice President, Accident and Health

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>
Juan Carlos Andrade #	President and Chief Executive Officer
Mark Kociancic #	Executive Vice President, Chief Financial Officer and Treasurer
Sanjoy Mukherjee	Executive Vice President, Secretary and General Counsel
Keith T. Shoemaker	Senior Vice President, Comptroller and Assistant Treasurer
Ellen J. Edmonds	Senior Vice President and Actuary
John P. Doucette	Executive Vice President
Ronald D. Diaz	Executive Vice President

New in 2020

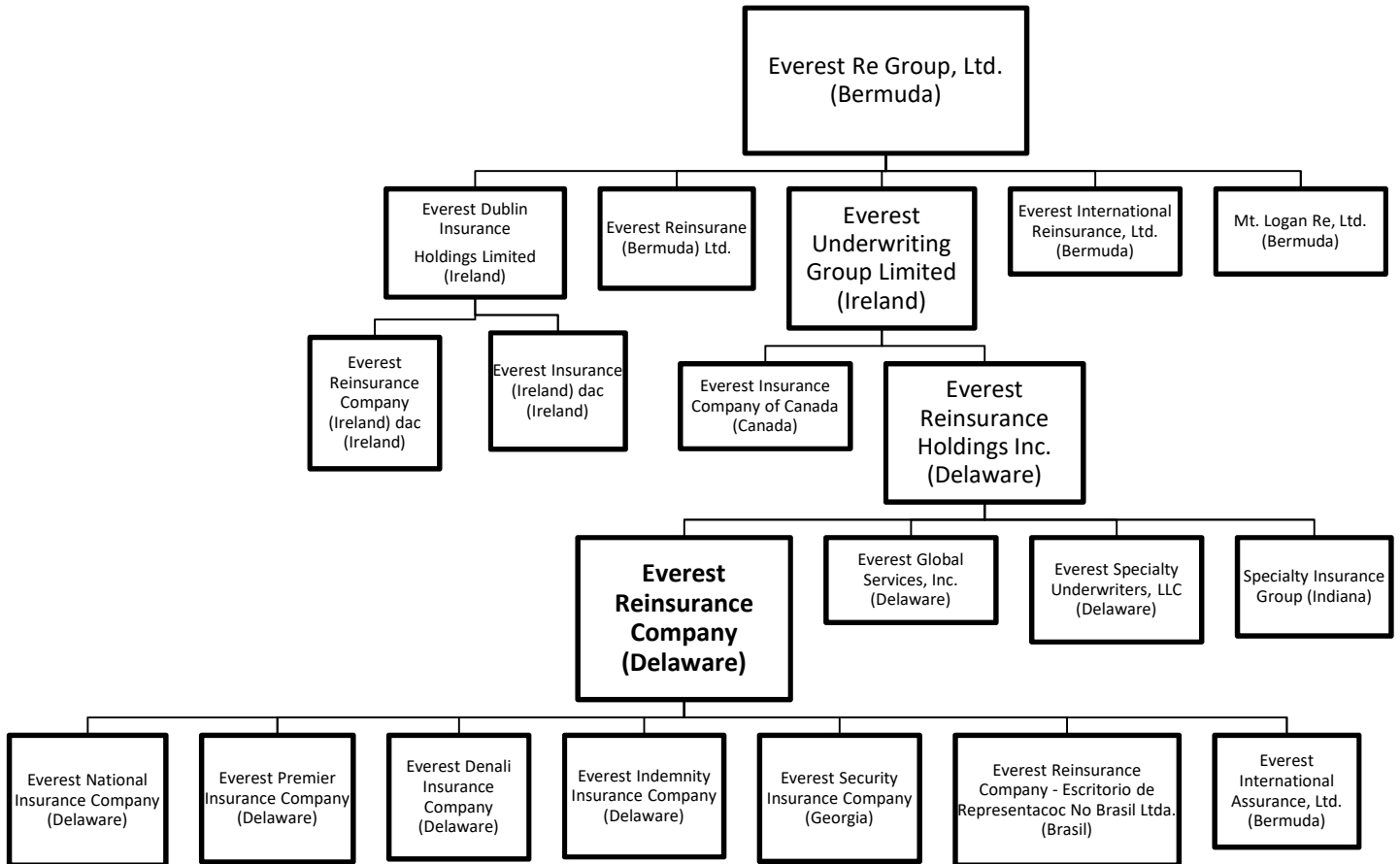
Corporate Records

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 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 Agreements

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.

Other Related Party Transactions

Effective March 1, 2000, the Company, in support of ENIC, guarantees ENIC obligations reflected in all its insurance contracts, subject to an aggregate limit of \$75 million.

Effective September 30, 2002, the Company, in support of EIIC, guarantees EIIC obligations in all its insurance contracts, subject to an aggregate limit of \$50 million.

Effective April 26, 2003, the Company, in support of ENIC, agrees to take immediate action to restore ENIC's policyholders' surplus if it falls below \$15 million, to at least \$15 million.

Effective March 28, 2017, the Company guarantees EDIC 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 28, 2017, the Company guarantees EPIC 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 June 1, 2011, the Company guarantees Everest Insurance Company of Canada (Everest Canada) will maintain the necessary surplus in accordance with the requirements of the Canadian Office of the Superintendent of Financial Institutions. If Everest Canada's surplus falls below \$50 million (CDN) at the end of any fiscal quarter, the Company agrees to take immediate action to restore Everest Canada's surplus to at least \$50 million (CDN).

Effective March 17, 2017, the Company guarantees EDIC 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.

Effective March 17, 2017, the Company guarantees EPIC 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 a licensed property and casualty insurer and/or reinsurer in all fifty (50) states, the District of Columbia, Puerto Rico and Guam and is authorized to conduct reinsurance business in Canada, Singapore and Brazil. The Company underwrites property and casualty reinsurance for insurance and reinsurance companies in the U.S. and international markets and

underwrites property and casualty facultative and treaty reinsurance, both directly and through intermediaries. Most of the Company's business is written in the U.S. on domestic risks, with its international business written in offices in the U.S. and through branches in Canada, Singapore and Brazil. In 2020, 92.5% of the Company's direct premiums written were in the following three lines of business: Other liability occurrence (70.3%), Group accident and health (11.7%) and Surety (10.5%).

As of December 31, 2020, the Company and its five wholly owned U.S. statutory insurance subsidiary companies operate under an intercompany reinsurance pooling arrangement described in the Reinsurance section below.

REINSURANCE

The Company reported the following distribution of premiums written for the years ended December 31, 2020, and the prior examination date of December 31, 2015:

	2020	% GPW	2015	% GPW
Direct Business	\$ 445,643,554	5%	\$ 140,522,914	3%
Reinsurance assumed from affiliates	2,448,059,629	30%	1,430,444,853	29%
Reinsurance assumed from non-affiliates	5,324,980,207	65%	3,438,811,891	69%
Gross Premiums Written	<u>\$ 8,218,683,390</u>	<u>100%</u>	<u>\$ 5,009,779,658</u>	<u>100%</u>
Reinsurance ceded to affiliates	399,776,966	5%	2,527,293,950	50%
Reinsurance ceded to non-affiliates	1,154,433,836	14%	402,983,349	8%
Total Ceded Premium	<u>\$ 1,554,210,802</u>	<u>19%</u>	<u>\$ 2,930,277,299</u>	<u>58%</u>
Net Premiums Written	<u><u>\$ 6,664,472,588</u></u>	<u><u>81%</u></u>	<u><u>\$ 2,079,502,359</u></u>	<u><u>42%</u></u>

Assumed 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 Company and its wholly owned U.S. statutory subsidiaries (Pool Companies), with the Company as the reinsurer assuming 100% of the net retained liability (net liability after deductions of all inuring reinsurance on the business) under new and renewal policies from its insurance subsidiaries. Concurrent with this

assumption, the Company retrocedes 0% back to its insurance subsidiaries. Therefore, participation in the pooling transaction is 100% for the Company and 0% for its U.S. statutory subsidiaries. The effect of this transaction increased the cessions on new and renewal business from 85% to 100%. The previous 85% quota share (QS) reinsurance agreements between the Company and its insurance subsidiaries were terminated as of December 31, 2013, on a run-off basis. The amendment effective January 1, 2017, added EDIC and EPIC to the pooling agreement. The amendment effective May 30, 2018, removed the 3.5% ceding commission on net written premiums subject to the pooling. For the year ended December 31, 2020, assumed premium (rounded to thousands) from pooled affiliates is reflected below.

<u>Entity</u>	<u>Assumed Premium</u>
ENIC	\$1,280,672,000
EIIC	715,271,000
EPIC	251,559,000
EDIC	188,403,000
<u>ESIC</u>	<u>25,000</u>
Total	<u>\$2,435,930,000</u>

Assumed Reinsurance – Non-Affiliates

The Company assumes both property and casualty reinsurance on a treaty and facultative basis through reinsurance brokers and on a direct basis. All reinsured clients are evaluated for financial stability and performance results. For the year ended December 31, 2020, assumed premium written from non-affiliates totaled approximately \$5.3 billion. A summary of the top five lines of business written were:

Annual Statement Line of Business	Reinsurance Assumed from Non-Affiliates	% of Assumed Premium
Reinsurance - nonproportional assumed property	\$ 1,585,532,231	29.8%
Reinsurance - nonproportional assumed liability	769,968,206	14.5%
Commercial multiple peril	650,108,419	12.2%
Other liability - occurrence	422,600,564	7.9%
Allied lines	362,743,524	6.8%
All other lines	1,534,027,263	28.8%
Total reinsurance assumed from non-affiliates	\$ 5,324,980,207	100.0%

Ceded Reinsurance – Affiliates

The Company ceded a portion of its business written effective January 1, 2002 through December 31, 2017 to two Bermuda affiliates, Everest Reinsurance (Bermuda), Ltd. (Everest Bermuda) and Everest International Reinsurance, Ltd. These annual QS agreements were terminated effective December 31, 2017, with any remaining unearned premium reserves returned to the Company. The QS percentages vary by underwriting year.

The Company secured an aggregate stop loss from Everest Bermuda for each of the last three individual accident years, although the terms have differed slightly by year. The 2018 aggregate stop loss covers losses and loss adjustment expenses, excluding catastrophes, incurred by the Company between January 1, 2018 and December 31, 2018 inclusive, excess of 56% of net subject premium up to a limit of 200% of net subject premium. The 2019 aggregate stop loss covers losses, loss adjustment expenses, acquisition costs and underwriting expenses incurred by the Company between January 1, 2019 and December 31, 2019 inclusive, excess of 103% of net subject premium up to a limit of 35% of net subject premium. The 2020 aggregate stop loss covers losses, loss adjustment expenses, acquisition costs and underwriting expenses incurred by the Company between January 1, 2020 and December 31, 2020 inclusive, excess of 102% of net subject premium up to a limit of 15% of net subject premium.

The Company reinsures some of its catastrophe exposures through the segregated accounts of Mt. Logan Re, Ltd. (Mt. Logan). Mt. Logan is a Class 3 insurer registered in Bermuda, effective February 27, 2013 under The Segregated Accounts Companies Act of 2000 and is wholly owned by ERG. Each segregated account invests predominantly in a set of catastrophe exposures, diversified by risk/peril and across different geographic regions globally. During 2020, the Company entered into six agreements with Mount Logan, with total premium ceded under those agreements of \$19,196,555.

The Company cedes business to a sponsored Special Purpose Reinsurance Vehicle, Kilimanjaro Re, Ltd. (Kilimanjaro). Kilimanjaro allows the Company to cede a portion of its catastrophe business, U.S. storms, U.S. earthquake and Canadian earthquake to investors who accept the risk. During the examination period Kilimanjaro sponsored fourteen (14) catastrophe bonds with varying placement percentages and bond limits.

The Company ceded business to ENIC under a 75% whole account reinsurance agreement. The agreement covers all new and renewal business classified as Canadian Property and Casualty Business with a limit of liability for any one occurrence not to exceed \$300 million and for all losses in the aggregate not to exceed \$468,750,000 during the agreement year. Premium ceded under this agreement in 2020 was approximately \$202,970,982.

Effective December 31, 2017, the Company negotiated an adverse development cover covering its net reserves as of that date with Everest Bermuda. The contract covers all business, except asbestos and environmental, CV Starr Program and property catastrophe business. This agreement is retroactive and is accounted for using deposit accounting.

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. In addition, with Kilimanjaro and Mt. Logan, the Company had catastrophic reinsurance in place with external reinsurers, with the following property coverages: primary coverage, excluding wind, \$50 million excess \$75 million; all perils excess coverage, including wind, \$525 million excess \$125 million and excess coverage, excluding wind, \$100 million excess \$500 million (cancelled April 2021 and not renewed). All coverages described are 80% placed with external reinsurers.

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 \$25,000, 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 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 Company has \$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.

In addition, the Pool Companies have credit and political risks covered by a 65% QS reinsurance agreement up to \$100 million.

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	\$ 9,452,250,173	\$ -	\$ 9,452,250,173
Common stocks (stocks)	914,135,093		914,135,093
Cash	237,646,964		237,646,964
Cash equivalents	500,338,995		500,338,995
Short-term investments	3,099,547		3,099,547
Other invested assets	2,113,872,323		2,113,872,323
Receivables for securities	1,244,949		1,244,949
Subtotals, cash and invested assets	<u>\$13,222,588,044</u>	<u>\$ -</u>	<u>\$ 13,222,588,044</u>
Investment income due and accrued	73,280,820		73,280,820
Uncollected premiums and agents' balances in the course of collection	1,288,032,546	8,881,658	1,279,150,888
Deferred premiums; agents' balances and installments booked but deferred and not yet due	905,732,248		905,732,248
Amounts recoverable from reinsurers	283,458,778		283,458,778
Funds held by or deposited with reinsured companies	477,548,987	1,200,336	476,348,651
Current federal and foreign income tax recoverable and interest thereon	153,666,859		153,666,859
Net deferred tax asset	219,226,765	84,796,550	134,430,215
Electronic data processing equipment software	45,682,608		45,682,608
Furniture and equipment, including healthcare delivery assets	2,580,137	2,580,137	
Receivables from parent; subsidiaries and affiliates	33,463,617		33,463,617
Aggregate write-ins for other than invested assets:			
Deposits with claim adjusting companies	226,654,903		226,654,903
Prepaid expenses	45,985,186	45,985,186	
Special deposit	5,254,471		5,254,471
Accounts receivable and other	889,431		889,431
Advances under affiliated quota share agreement	117,402		117,402
Recoverable deductibles	1,000		1,000
Guarantee fund surcharge	835		835
Total	<u>\$16,984,164,637</u>	<u>\$ 143,443,867</u>	<u>\$ 16,840,720,770</u>

Everest Reinsurance Company

		Notes
Losses	\$ 6,933,165,020	1
Reinsurance payable on paid losses and loss adjustment expenses	452,611,159	
Loss adjustment expenses	794,399,438	1
Commissions payable; contingent commissions and other similar charges	6,990,165	
Other expenses (excluding taxes, licenses and fees)	100,801,628	
Taxes, licenses, and fees (excluding federal and foreign income tax)	2,590,098	
Borrowed money and interest	310,071,375	
Unearned premiums	2,024,484,169	
Ceded reinsurance premiums payable (net of ceding commissions)	363,237,788	
Funds held by company under reinsurance treaties	53,299,416	
Amounts withheld or retained by company for account of others	6,486,283	
Remittances and items not allocated	9,813,296	
Provision for reinsurance	13,243,253	
Net adjustments in assets and liabilities due to foreign exchange rates	125,840,082	
Payable to parent; subsidiaries and affiliates	16,257,517	
Payable for securities	203,942,014	
Aggregate write-ins for liabilities:		
Advances due under affiliated quota share agreement	93,102,094	
Retroactive reinsurance reserve	24,069,570	
Accounts payable other	15,350,430	
Reserve for uncollectible reinsurance	14,962,511	
Uncashed checks/drafts pending escheatment	961	
Total liabilities	<u>\$ 11,564,718,267</u>	
Common capital stock	\$ 10,000,000	
Gross paid in and contributed surplus	3,400,178,517	
Unassigned funds (surplus)	1,865,823,986	
Surplus as regards policyholders	<u>\$ 5,276,002,503</u>	
Totals	<u><u>\$ 16,840,720,770</u></u>	

Statement of Income
For the Year Ended December 31, 2020

Premiums earned	\$ 6,429,248,583
Losses incurred	4,248,682,590
Loss adjustment expenses incurred	391,954,852
Other underwriting expenses incurred	1,767,093,205
Total underwriting deductions	<u>\$ 6,407,730,647</u>
Net underwriting gain (loss)	<u>\$ 21,517,936</u>
Net investment income earned	308,845,398
Net realized capital gains (losses)	2,994,817
Net investment gain (loss)	<u>\$ 311,840,215</u>
Net gain (loss) from agents' or premium balances charged off	(1,063,185)
Aggregate write-ins for miscellaneous income:	
Interest income on funds held under reinsurance treaties	5,710,745
Foreign exchange gain (loss)	4,364,629
Retroactive reinsurance gain (loss)	1,671,747
Other income	417,564
Total other income	<u>\$ 11,101,500</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 344,459,651</u>
Dividends to policyholders	94,355
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 344,365,296</u>
Federal and foreign income taxes incurred	<u>(250,711,582)</u>
Net Income	<u><u>\$ 595,076,878</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
12/31/2015	\$ 10,000,000	\$ 974,988,997	\$ 2,225,901,962		\$ 3,210,890,959
12/31/2016			523,547,373	(1)	523,547,373
12/31/2016			(103,814,667)	(2)	(103,814,667)
12/31/2016			(7,753,211)	(3)	(7,753,211)
12/31/2016		12,250,854		(4)	12,250,854
12/31/2017			(391,418,542)	(1)	(391,418,542)
12/31/2017			108,694,557	(2)	108,694,557
12/31/2017			39,185,189	(3)	39,185,189
12/31/2017		269,752		(4)	269,752
12/31/2018			(1,317,990,976)	(1)	(1,317,990,976)
12/31/2018			189,883,227	(2)	189,883,227
12/31/2018			(88,308,982)	(3)	(88,308,982)
12/31/2018		1,475,158,564		(4)	1,475,158,564
12/31/2019			363,033,534	(1)	363,033,534
12/31/2019			(69,786,809)	(2)	(69,786,809)
12/31/2019			93,006,740	(3)	93,006,740
12/31/2019			(300,000,000)	(5)	(300,000,000)
12/31/2019		2,292,428		(4)	2,292,428
12/31/2020			595,076,878	(1)	595,076,878
12/31/2020			(9,336,093)	(2)	(9,336,093)
12/31/2020			15,903,807	(3)	15,903,807
12/31/2020		935,217,921		(4)	935,217,921
	<u>\$ 10,000,000</u>	<u>\$ 3,400,178,517</u>	<u>\$ 1,865,823,986</u>		<u>\$ 5,276,002,503</u>

(1) Represents net income

(2) Change in unrealized capital gains (losses), Change in net unrealized foreign exchange capital gain, Change in net deferred income tax, Change in nonadmitted assets, Change in provision for reinsurance

(3) Aggregate write-ins for gains and losses in surplus (includes Translation adjustments, Net adjustment in assets/liabilities due to foreign exchange, and Minimum pension adjustment)

(4) Surplus adjustment – Paid In

(5) Dividends to stockholder

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	\$ 6,933,165,020
Loss Adjustment Expenses	\$ 794,399,438

The examination liability for the captioned items of \$6,933,165,020 and \$794,399,438 are the same as reported by the Company as of December 31, 2020. 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 No. 55).

SUBSEQUENT EVENTS

Intracompany Loan

Pursuant to an intracompany loan agreement with Holdings approved by the Department on October 7, 2021, the Company can borrow up to \$900 million through December 31, 2021. Per the agreement, the loan may be disbursed in either a single borrowing or through multiple borrowings. After approval of the loan, on October 21, 2021, the Company issued a \$470 million par value 3.25% debenture to Holdings that matures in 2051. Interest expense incurred on the loan in 2021 was \$2,970,139. Subsequently, on May 10, 2022, under terms of the loan the Company received payment of \$200 million from Holdings.

Ordinary Dividend

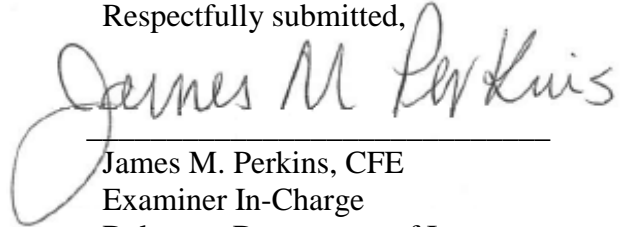
On June 23, 2021, the Company paid an ordinary dividend of \$120 million to Holdings.

SUMMARY OF RECOMMENDATIONS

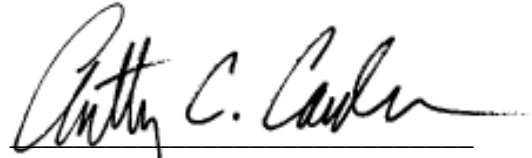
There were no recommendations as a result of this examination.

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

Everest Reinsurance Company

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 21.028.


James M. Perkins, CFE