

Report of the Examination of
General Casualty Company of Wisconsin
Sun Prairie, Wisconsin
As of December 31, 2022

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. HISTORY AND PLAN OF OPERATION.....	3
III. MANAGEMENT AND CONTROL.....	9
IV. AFFILIATED COMPANIES.....	11
V. REINSURANCE.....	19
VI. FINANCIAL DATA	28
VII. SUMMARY OF EXAMINATION RESULTS	37
VIII. CONCLUSION.....	40
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS	41
X. ACKNOWLEDGMENT.....	42



May 30, 2024

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

GENERAL CASUALTY COMPANY OF WISCONSIN
Sun Prairie, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of General Casualty Company of Wisconsin (GCWI or the company) was conducted in 2018 and 2019 as of December 31, 2017. The current examination covered the intervening period ending December 31, 2022, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of QBE North America Group. The Pennsylvania Insurance Department acted in the capacity as the lead state for the coordinated examinations. Work performed by the Pennsylvania Insurance Department was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

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, annual statement instructions, and Wisconsin laws and regulations. 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 at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Pennsylvania Insurance Department. The actuary reviewed the adequacy of the company's loss and loss adjustment expense reserves. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

General Casualty Company of Wisconsin was incorporated under its present name pursuant to the laws of the state of Wisconsin on May 12, 1925, and commenced business on May 29, 1925. Of the 1,000 shares of common capital stock originally issued to 15 subscribers, 991 shares were transferred to the Insurance Investment Company, which operated the company under a management contract, and the nine remaining shares were held by directors as qualifying shares.

On February 18, 1956, the directors surrendered their qualifying shares and Insurance Investment Company sold its entire interest in GCWI to the Fire Association of Philadelphia. On January 1, 1958, the Fire Association of Philadelphia changed its name to Reliance Insurance Company.

On April 30, 1990, Reliance Insurance Company sold all the issued and outstanding shares of GCWI to Winterthur U.S. Holdings, Inc., a subsidiary of Winterthur Swiss Insurance Company. In September 1990, Winterthur U.S. Holdings, Inc., contributed 15% of the shares of GCWI to Republic Insurance Company, a Texas-domiciled affiliate.

On December 31, 1996, Winterthur Reinsurance Corporation of America (Winterthur Re), another member of the Winterthur Swiss Group, acquired 10% of the shares of GCWI from Republic Insurance Company. Credit Suisse Group merged with the Winterthur Swiss Group on December 15, 1997. As a result of the merger, GCWI became an indirect wholly owned subsidiary of the Credit Suisse Group. Effective December 23, 1998, Winterthur Re was sold outside the Winterthur Group, and its shares (10%) of GCWI were transferred back to Winterthur U.S. Holdings, Inc. On August 31, 1999, Republic Insurance Company's 5% ownership interest was repurchased by GCWI. As a result, Winterthur U.S. Holdings, Inc., became the sole parent of GCWI.

Effective December 22, 2006, Credit Suisse Group finalized the sale of Winterthur Swiss Insurance Company to AXA. AXA is a French corporation managed under the oversight of a Management Board and a Supervisory Board. AXA's headquarters are located in Paris, France.

Effective May 31, 2007, AXA finalized the sale of Winterthur U.S. Holdings, Inc., and its consolidated subsidiaries to QBE Holdings, Inc., a subsidiary of Australian-based QBE Insurance Group Limited (QBE Limited). Winterthur U.S. Holdings, Inc., was renamed QBE Regional Companies (N.A.), Inc. (QBE Regional). Currently, GCWI records common capital stock of \$4,000,000 consisting of 20,000

shares of authorized stock with a par value per share of \$200.00. There are 19,250 shares outstanding with 750 shares held as treasury stock. All outstanding shares of GCWI are currently owned by QBE Regional.

GCWI effectively heads its holding company subsystem under QBE Regional, consisting of three subsidiary insurers (General Casualty Insurance Company, Regent Insurance Company, and Southern Pilot Insurance Company). The following timeline depicts organizational changes within the subsystem. Further information concerning the QBE Limited holding company group is included in the report under the section titled "Affiliated Companies."

- Regent Insurance Company (RIC) was organized on January 22, 1963, and commenced business on May 1, 1963. Since its inception, Regent has been a wholly-owned subsidiary of GCWI.
- General Casualty Insurance Company (GCIC) was incorporated under the laws of the state of Illinois on December 14, 1972, and commenced business on January 1, 1973. Effective December 31, 2007, GCIC redomiciled to the state of Wisconsin. Since its inception, GCIC has been a wholly-owned subsidiary of GCWI.
- Effective September 30, 1995, Protective Insurance Company, a subsidiary of Baldwin & Lyons, Inc., sold 100% of its shares in Hoosier Insurance Company (Hoosier) to GCWI. Hoosier merged with GCWI effective October 1, 2020.
- Effective April 1, 2001, GCWI acquired Blue Ridge Insurance Company (BlueIns), a sister company of GCWI, and its subsidiaries, Blue Ridge Indemnity Company (BlueInd) and MassWest Insurance Company, Inc. (MassWest), through a capital contribution from Winterthur U.S. Holdings, Inc. On July 1, 2001, GCWI became the immediate parent of BlueInd and MassWest through an upward dividend of 100% of their stock from BlueIns. Effective December 31, 2007, MassWest merged with and into GCWI. Effective January 1, 2011, Blue Ridge Insurance Company was sold to Catlin, Inc. Under the terms of the purchase agreement, all business previously written by BlueIns was retained by QBE Limited, and all existing liabilities were reinsured by GCWI. Effective April 1, 2017, Blue Ridge Indemnity Company was sold to LOTS Intermediate Co. Under the terms of the purchase agreement, GCWI entered into a loss portfolio

transfer arrangement and a 100% quota share arrangement pursuant to which GCWI will reinsure all the policy liabilities.

- Effective December 31, 2005, GCWI acquired Southern Guaranty Insurance Company (SGty), a sister company, and its subsidiaries, Southern Guaranty Insurance Company of Georgia (SGty-GA), Southern Pilot Insurance Company (SPIC) and Southern Fire & Casualty Company (SFire), through a capital contribution from Winterthur U.S. Holdings, Inc. On January 1, 2006, GCWI became the immediate parent of SGty-GA, SPIC, and SFire through an upward dividend of 100% of their stock by SGty. On May 30, 2007, GCWI sold SGty-GA to Key Financial Holdings, Inc. Effective March 1, 2017, SGty was sold to Premier Servicing, LLC. Effective November 1, 2020, GCWI sold SFire to Sentry Insurance a Mutual Company.
- Effective October 31, 2008, GCWI purchased National Farmers Union Property and Casualty Company (NFU) and its subsidiary, United Security Insurance Company (USIC) from QBE Reinsurance Corporation, a sister company of QBE Regional. Effective January 1, 2009, USIC's stock was transferred from NFU to GCWI via an upward stock dividend. Effective January 1, 2011, USIC was sold to Missouri Employers Mutual Insurance Company. Effective August 1, 2019, NFU was sold to Integon National Insurance Company.

GCWI and all members of QBE Regional, as well as all other insurance companies whose parent is QBE Holdings, Inc., are participants in an intercompany pooling arrangement. This arrangement is further described in this report under the section titled "Reinsurance."

QBE Insurance Corporation (QBEIC) is the primary employer for its holding company subsystem, with approximately 2,700 employees nationwide at the time of this examination. Subsidiaries of GCWI have no employees of their own and rely principally on QBEIC for the staff essential to running day-to-day operations. QBE Group Services Pty Limited manages the companies' investments, subject to the Global Investment Services Master Agreement. All operations of the holding company subsystem are conducted with staff provided by QBEIC and QBE Management Services Pty Limited, in accordance with business practices and internal controls established by QBE Limited. Written agreements with affiliates are further described in this report under the section titled "Affiliated Companies."

The company is licensed in all states, the District of Columbia and Puerto Rico. In 2022, the company wrote direct premium in the following states:

California	\$ 70,478,796	16.9%
Texas	54,569,947	13.1
New York	28,294,731	6.8
Illinois	20,576,824	4.9
Minnesota	15,675,557	3.7
Wisconsin	14,383,256	3.4
Florida	13,123,398	3.1
All others	<u>200,947,491</u>	<u>48.1</u>
Total	<u>\$418,050,002</u>	<u>100.0%</u>

GCWI is one of the 11 companies that comprise the QBE North America Pooled Entities (collectively referred to as “QBENA”). QBENA includes: GCWI, General Casualty Insurance Company (GCIC), NAU Country Insurance Company (NAU), North Pointe Insurance Company (North Pointe), Praetorian Insurance Company (Praetorian), QBEIC, QBE Reinsurance Corporation (QBE Re), QBE Specialty Insurance Company (Specialty), Regent Insurance Company (RIC), Southern Pilot Insurance Company (SPIC), and Stonington Insurance Company (Stonington).

QBENA operates as a group of property and casualty, admitted lines insurers, and reinsurers that market a broad range of property and casualty lines, including personal, commercial, agriculture, crop, and specialty products through independent agents, major brokers, and program managers.

The following table is a summary of the net insurance premiums written by the company in 2022. The growth of the company is discussed in the “Financial Data” section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Fire	\$ 33,056,588	\$ 17,947,714	\$ 40,060,733	\$ 10,943,569
Allied lines	37,323,349	42,736,189	45,091,883	34,967,656
Multiple Peril crop		229,535,243		229,535,243
Private crop		5,682,860		5,682,860
Private flood		52,437		52,437
Farmowners multiple peril		(825,799)		(825,799)
Homeowners multiple peril	(245)	44,975,021	1,106,779	43,867,997
Commercial multiple peril (non-liability portion)	157,257,432	65,898,506	193,018,928	30,137,010
Commercial multiple peril (liability portion)	52,533,869	31,509,592	77,936,347	6,107,114
Ocean marine		(271,060)		(271,060)
Inland marine	3,712,301	19,039,742	4,759,281	17,992,762
Medical professional liability - claims made		(1,550,845)		(1,550,845)
Earthquake	1,987,778	2,546,713	2,123,622	2,410,869
Comprehensive (hospital & medical) group		104,058,682		104,058,682
Credit accident and health (group and individual)		860		860
Other health		1,426,375		1,426,375
Workers' compensation	47,706,674	118,330,581	83,477,081	82,560,174
Other liability – occurrence	50,660,811	22,538,668	60,730,499	12,468,980
Other liability – claims made		29,707,624	1	29,707,623
Excess workers' compensation		805		805
Products liability – occurrence	1,671,454	1,514,416	2,580,011	605,859
Products liability – claims made		8,295		8,295
Private passenger auto no-fault (personal injury)		(20,054)		(20,054)
Other private passenger auto liability	6,042	(488,746)	6,042	(488,746)
Commercial auto no-fault (personal injury)	16,769	(26,415)	31,836	(41,481)
Other commercial auto liability	26,130,337	4,847,696	28,536,087	2,441,946
Private passenger auto physical damage	4,917	(4,364)	4,917	(4,364)
Commercial auto physical damage	5,693,755	1,625,804	6,101,119	1,218,440
Aircraft (all perils)	(459)	19,388,774	(1,223)	19,389,538
Fidelity	192,635	310,685	295,802	207,518
Surety	38,958	(425,127)	52,357	(438,526)
Burglary and theft	57,036	50,391	77,595	29,832
Boiler and machinery		(259,350)		(259,350)
Credit		1,000,063		1,000,063
Warranty		480,619		480,619

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Reinsurance – non-proportional assumed property		(95,355)		(95,355)
Reinsurance – non-proportional assumed liability		1,553,489		1,553,489
Reinsurance – non-proportional assumed financial lines	_____	<u>78,242</u>	_____	<u>78,242</u>
Total All Lines	<u>\$418,050,002</u>	<u>\$762,878,967</u>	<u>\$545,989,694</u>	<u>\$634,939,275</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of eight members. All directors are elected annually to serve a one-year term. Non-executive directors are restricted from holding office for a continuous period in excess of three years, without submitting for re-election by the QBE Group board. Executive directors are restricted from holding office for a continuous period in excess of three years, without submitting for re-election by the QBE Group CEO. Members of the company's board of directors may also be members of other boards of directors in the holding company group.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Christopher Castaldo Windsor Township, NJ	Chief Financial Officer QBE North America division	2025
Kristen Dodge Dauphinais Dallas, TX	Retired Former Head of US Cyber & Technology Division Beazley Insurance Group	2025
Laurie Lee Harris New York, NY	Retired Former Global Engagement Audit Partner, PricewaterhouseCoopers LLP	2025
David Andrew Horton Woollahra, NSW, Australia	QBE Group Chief Executive Officer	2025
Daniel Lawrence Jones Salt Lake, UT	Retired Chairman of QBE North American Divisional Board of Directors	2025
Shamla Thirupurasundrie Naidoo Keystone, SD	Head of Cloud Strategy and Innovation Netskope	2025
Sharon Ann Ritchey Longboat Key, FL	Chief Strategy Officer Enlighten Operational Excellence	2025
Julie Madden Wood Atlanta, GA	Chief Executive Officer/President QBE North America division	2025

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office
Julie Madden Wood	Chief Executive Officer/President
Christopher Castaldo	Chief Financial Officer
Mark Thomas Pasko	Chief Legal Officer/Corporate Secretary
Joseph Angelo Milicia	Chief Actuary
Jason Brian Pircher	Treasurer
Rachel Louise Beatrice Pollack	Chief People Officer
Adrian Michael La Forgia	Interim Chief Underwriting Officer
Todd Michael Greeley	Chief Claims Officer
John Yoon	Chief Accounting Officer
Patricia Smith	Chief Information Security Officer
Daniel Scott Fortin	Executive Vice President
David Michael Mulligan	Chief Operating Officer
Michael William Foley	Executive Vice President

Effective February 2016, once an individual is appointed an officer, they hold such position until their replacement, removal from office, termination of employment or such other event as specified in the company's bylaws, whichever first occurs.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors.

The committees at the time of the examination are listed below:

Administrative Committee

Julie Madden Wood, Chair
Christopher Castaldo
Laurie Lee Harris

Audit Committee

Laurie Lee Harris, Chair
Shamla Thirupurasundrie Naidoo
Sharon Ann Ritchey

Governance & Nomination Committee

Daniel Lawrence Jones, Chair
Kristen Dodge Dauphinais
Laurie Lee Harris
David Andrew Horton
Shamla Thirupurasundrie Naidoo
Sharon Ann Ritchey

People & Remuneration Committee

Sharon Ann Ritchey, Chair
Kristen Dodge Dauphinais
Laurie Lee Harris
Daniel Lawrence Jones
Shamla Thirupurasundrie Naidoo

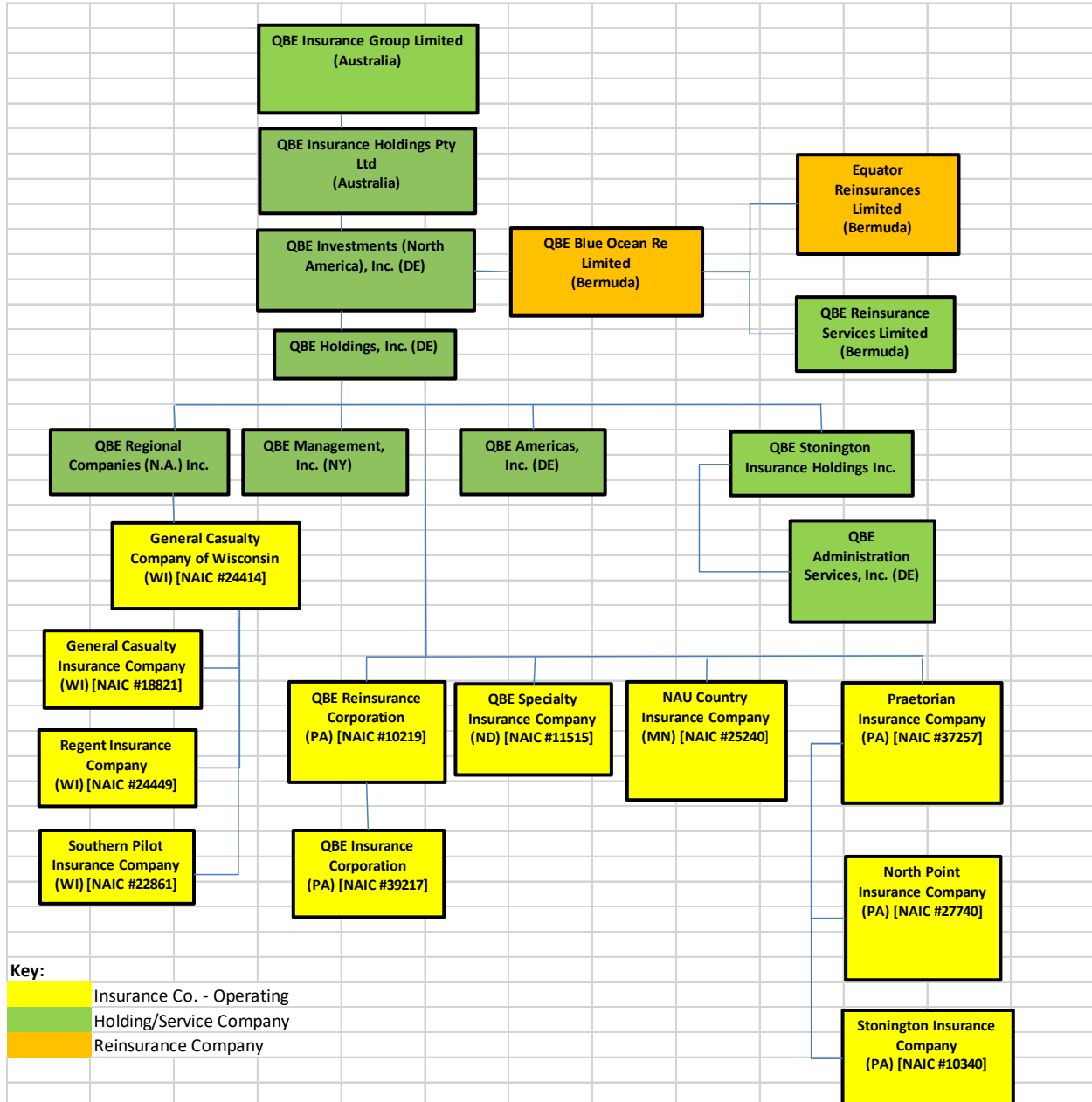
Risk & Capital Committee

Kristen Dodge Dauphinais, Chair
Laurie Lee Harris
Daniel Lawrence Jones
Shamla Thirupurasundrie Naidoo
Sharon Ann Ritchey

IV. AFFILIATED COMPANIES

General Casualty Company of Wisconsin is a member of a holding company system. The abbreviated organizational chart below identifies the succession of control directly related to the company, as well as other significant affiliates within the group. A brief description of the significant affiliates follows the organizational chart.

**Organizational Chart (Abbreviated)
As of 12/31/22**



QBE Insurance Group Limited (QBE Limited)

QBE Limited was formed in 1886 in Townsville, Australia. The headquarters of QBE Limited is in Sydney, Australia. QBE Limited is a publicly held company and is traded on the Australian Securities Exchange. The holding company group has operations in all the major insurance markets with insurance activities in 27 countries and operations in Australia, Europe, North America, Asia, and the Pacific. QBE's captive reinsurers, QBE Blue Ocean Re Limited and Equator Reinsurances Limited, provide reinsurance protection to its divisions in conjunction with the Group's external reinsurance programs.

QBE Limited's three operating segments are as follows:

North America

This segment writes general insurance, reinsurance, and crop business in the United States.

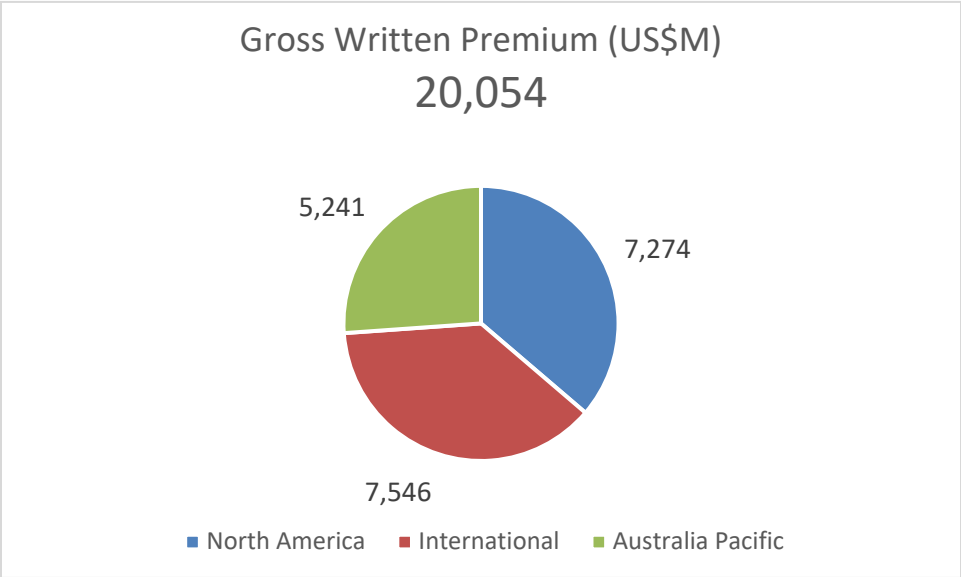
International

This segment writes general insurance business in the United Kingdom, Europe, Asia and Canada. It also writes general insurance and reinsurance business through Lloyd's.

Australia Pacific

This segment primarily underwrites general insurance risks throughout Australia, New Zealand, and the Pacific region, providing all major lines of insurance for personal and commercial risks.

The following chart shows QBE Limited's 2022 gross premium written (GPW) by segment.



As of December 31, 2022, the audited financial statements of QBE Insurance Group Limited reported (in U.S. dollars) assets of \$49.5 billion, liabilities of \$40.5 billion, and total equity of \$9.0 billion. Operations for 2022 produced a total comprehensive income of \$396 million.

QBE Insurance Holdings Pty Ltd. (Australia) (QBE Insurance Holdings)

QBE Insurance Holdings Pty Ltd., (Australia) is a non-operating holding company for QBE's Australian and New Zealand, Asia Pacific, Latin American, North American, and European operations, as well as QBE Blue Ocean Re Limited, Equator Reinsurances Limited, and QBE Strategic Capital Company Pty Limited (worldwide regulated insurance entities).

QBE Investments (North America), Inc. (QBE Investments)

QBE Investments (North America), Inc. is an intermediate holding company for the North American segment. QBE Investments is the holding company to facilitate the U.S. federal income tax consolidation and includes all U.S. domiciled subsidiaries as well as QBE Blue Ocean Re Limited and Equator Reinsurances Limited.

QBE Holdings, Inc. (QBE Holdings)

QBE Holdings, Inc., is an intermediate holding company for the North American segment that is the parent for all U.S. domiciled companies.

QBE Americas, Inc. (QBE Americas)

QBE Americas was incorporated in Delaware on September 11, 2009, to become an insurance services company. QBE Americas owns and maintains business assets, and pays all operating expenses (direct expenses charged and shared expenses will be allocated to appropriate business units).

QBE Reinsurance Corporation (QBE Re)

QBE Re's principal business is underwriting property and casualty reinsurance business, which is primarily obtained through reinsurance intermediaries. As of December 31, 2022, the audited financial statements of QBE Re reported assets of \$1.2 billion, liabilities of \$332.8 million, and surplus of \$888.5 million. Operations for 2022 produced a net income of \$6.7 million.

QBE Insurance Corporation (QBEIC)

QBEIC writes primarily property and casualty lines and group accident and health lines of direct insurance business through program managers. As of December 31, 2022, the audited financial statements of QBEIC reported assets of \$3.7 billion, liabilities of \$2.9 billion, and surplus of \$795.6 million. Operations for 2022 produced a net income of \$51.5 million.

QBE Specialty Insurance Company (Specialty)

Specialty primarily writes property and casualty insurance business through program managers and is eligible to write excess and surplus lines in all 50 states and the District of Columbia. As of December 31, 2022, the audited financial statements of Specialty reported assets of \$836.8 million, liabilities of \$658.6 million, and surplus of \$178.2 million. Operations for 2022 produced a net income of \$8.0 million.

QBE Regional Companies (N.A.), Inc. (QBE Regional)

QBE Regional is the holding company for all Wisconsin domiciled insurance companies.

General Casualty Insurance Company (GCIC)

As of December 31, 2022, GCIC was a property and casualty insurance company in run-off with 100% of its business ceded to its parent, GCW. As of December 31, 2022, the audited financial statements of GCIC reported assets of \$9.8 million, liabilities of \$1.1 million, and surplus of \$8.7 million. Operations for 2022 produced a net income of \$88 thousand.

Regent Insurance Company (Regent)

Regent provides personal and commercial property and casualty insurance coverages primarily for middle market business. As of December 31, 2022, the audited financial statements of Regent reported assets of \$40.4 million, liabilities of \$18.0 million, and surplus of \$22.4 million. Operations for 2022 produced a net income of \$0.5 million.

Southern Pilot Insurance Company (SPIC)

As of December 31, 2022, SPIC was a property and casualty insurance company in run-off with 100% of its business ceded to GCW. As of December 31, 2022, the audited financial statements of SPIC reported assets of \$7.4 million, liabilities of \$32 thousand, and surplus of \$7.3 million. Operations for 2022 produced a net loss of \$6 thousand.

Praetorian Insurance Company (Praetorian)

Praetorian concentrates on writing specialty property and casualty coverage not generally emphasized by standard insurance carriers. As of December 31, 2022, the audited financial statements of Praetorian reported assets of \$483.0 million, liabilities of \$354.0 million, and surplus of \$129.0 million. Operations for 2022 produced a net income of \$6.1 million.

North Pointe Insurance Company (North Pointe)

North Pointe provides commercial property and casualty insurance coverages primarily for middle market business. As of December 31, 2022, the audited financial statements of North Pointe reported assets of \$19.5 million, liabilities of \$2.7 million, and surplus of \$16.7 million. Operations for 2022 produced a net income of \$0.2 million.

Stonington Insurance Company (Stonington)

Stonington provides commercial property and casualty insurance coverage primarily for middle market business. As of December 31, 2022, the audited financial statements of Stonington reported assets of \$17.2 million, liabilities of \$1.5 million, and surplus of \$15.7 million. Operations for 2022 produced a net income of \$0.2 million.

QBE Administration Services, Inc. (QBEASI)

QBEASI is a legal entity registered under the law of the state of Delaware that primarily writes vehicle service contracts. QBEASI was formed on October 30, 2006.

NAU Country Insurance Company (NAU)

NAU provides property and casualty insurance coverage, with specialization in crop insurance. As of December 31, 2022, the audited financial statements of NAU reported assets of \$1.4 billion, liabilities of \$1.1 billion, and surplus of \$299.0 million. Operations for 2022 produced a net income of \$19.2 million.

QBE Blue Ocean Re Limited (Blue Ocean Re)

Blue Ocean Re was established in response to the introduction of the base erosion anti-abuse tax (BEAT) as a part of the U.S. Tax Reform Act in December 2017. The company was incorporated on February 8, 2018, and is domiciled in Bermuda. Blue Ocean Re is a wholly-owned subsidiary of QBE Investments (North America), Inc. The company replaced Equator Reinsurances

Limited (Equator Re) as the captive reinsurer for the QBE North American operations. The reinsurance agreements with Equator Re were transferred to Blue Ocean Re, effective January 1, 2018.

Equator Reinsurances Limited (Equator Re)

Equator Re is a captive reinsurer based in Bermuda, that provided reinsurance protection to the majority of the operating entities in the holding company group.

QBE Reinsurance Services (Bermuda) Limited (QBE Reinsurance Services)

QBE Reinsurance Services, incorporated on February 15, 2018, is a service entity that centralizes Bermuda's Equator Re division expenses and then recharges them to the other entities within the Equator Re division.

Agreements with Affiliates

Affiliated reinsurance and trust agreements are discussed in the section of the report titled "Reinsurance."

Global Investment Services Master Agreement

Effective January 1, 2017, various companies within the QBE Insurance Group, including QBENA, other U.S. affiliates and non-U.S. affiliate counterparties, and QBE Group Services Pty Limited entered into the Global Investment Services Master Agreement. The objectives of this agreement are to achieve: 1) a consistent set of terms that apply globally within the QBE Insurance; 2) a single document that applies globally and covers both investment management and advisory arrangements; and 3) a document that is easy to administer and maintain. The Global Investment Services Master Agreement replaces the individual management agreements for QBENA.

Multinational Cooperation Agreement

Effective January 1, 2017, QBENA (excluding NAU), the non-U.S. affiliated entities of QBE Insurance (Australia) Limited, as well as the New Zealand Branch, QBE Underwriting Limited, QBE Insurance (Europe) Limited (including the Danish, French, German, Italian, Spanish, and Swedish branches), QBE Services, Inc., QBE Hong Kong & Shanghai Insurance Limited, QBE Insurance (Singapore) Pte Ltd, QBE de Mexico Compania de Seguros, S.A. de C.V., QBE Seguros S.A., QBE Seguros La Buenos Aires S.A., and affiliated reinsurer Equator Reinsurances Limited entered into this agreement. Under this agreement, the QBE "Producing Offices" will provide business referrals to the

“Insurer” or “Servicing Offices”, and the Servicing Office will issue and service the local policies, in line with the requirements provided under the business referral, and the stipulations and guidelines prescribed by this agreement.

Multinational Client Centre Agreement for the Provision of Services

Effective January 1, 2017, QBENA (excluding NAU), QBE Group Services Pty LTD (QGS), QBE Americas, Inc., QBE Management Services Pty Limited, QBE Management Services (UK) Limited, and listed QBE North America entities, entered into this agreement. The agreement covers the provision of administrative services by the service providers to the producing offices in serving clients.

Variation Agreements

Effective August 1, 2018, the QBENA entities (excluding NAU) entered into separate Variation Agreements. Under these agreements, Blue Ocean Re replaced Equator Re as the reinsurer under the Multinational Cooperation Agreement.

Intercompany Cost Allocation and Management Services Agreement

Effective January 1, 2010, the company entered into this service agreement with QBE Investments (North America) and subsidiaries. In accordance with this agreement, QBE Americas and QBEIC provide actuarial, finance, accounting, legal, marketing, human resources, investment advice, internal audit, risk management, reinsurance management, underwriting, claims, senior management and staff, information systems, group insurances, and policy services for the actual cost of the services performed. There have been several amendments to this agreement during the examination period that removed various QBENA entities due to their sale.

Tax Sharing Agreement

Effective January 1, 2008, QBE Investments and listed affiliated companies entered into a tax sharing agreement. The agreement has since been amended to include acquired entities or to terminate former entities. In accordance with this agreement, the group allocates tax among its members specifically on the basis of the tax, a member would be liable for if it had filed a separate federal income tax return. Net operating loss and capital carryovers of the members shall be taken into account only to the extent such items were generated in a consolidated return year to which this agreement or a previous

tax-sharing agreement applied and the member has not previously been and is not otherwise compensated for the use of such tax benefit items.

Estimated tax payments are to be paid to the parent on a quarterly basis with final settlement within 30 days of the filing of the consolidated return. If any adjustments are necessary, the amount differing from the amount previously determined shall be paid within ten business days after the parent's receipt of a refund or at least five days before the due date for payment of additional tax liability. This agreement applies to all taxable years beginning with the effective date unless it is amended or terminated in writing by mutual agreement of all parties to the agreement.

V. REINSURANCE

The company's reinsurance portfolio and strategy at the time of the examination are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

2022 Revision of the 1976 QBE North America Pooling Agreement

Effective January 1, 2022, GCWI, GCIC, RIC, and SPIC entered into an intercompany pooling arrangement whereby the entire net business in force and produced as of that date was ceded to QBEIC and then redistributed between the participants on a pro-rata basis. The 2022 revision of the 1976 QBE North America Pooling Agreement was designed to reaffirm the basic provisions of the 1976 agreement, as previously amended, and to revise the pooling percentages.

Pool participants have entered into certain quota share and/or loss portfolio agreements in which cessions are made prior to participation in the pooling arrangement. These reinsurance agreements are discussed below, as applicable to the company. Aside from these cessions, participants cede 100% of net written premiums, net losses, and net loss adjustment expenses to QBEIC. QBEIC, as the pool reinsurer, assumes on a severally liable basis and cedes to pool participants on a jointly and severally liable pro rata basis as follows effective January 1, 2022:

Company Name	Percentage
QBE Insurance Corporation	43.0%
General Casualty Company of Wisconsin	20.0
NAU Country Insurance Company	17.0
QBE Reinsurance Corporation	5.0
QBE Specialty Insurance Company	10.0
Praetorian Insurance Company	5.0
General Casualty Insurance Company	0.0
North Pointe Insurance Company	0.0
Regent Insurance Company	0.0
Southern Pilot Insurance Company	0.0
Stonington Insurance Company	0.0

Monthly accounting of all activity and information relative to policies affected by the agreement is to be provided within 30 days after the close of each month. Settlements of any balances due shall be completed within 45 days after the close of each quarter. Each participant shall have the opportunity to review and approve any and all reinsurance transactions which in any way may affect the

agreement. The agreement may be terminated by any participant at the end of any treaty year by providing at least one year prior written notice to the remaining parties to the agreement.

Assuming Contracts

Loss Portfolio Transfer and Quota Share Reinsurance Agreements

During the current examination period, Unigard Indemnity Company, Southern Fire & Casualty Company, and Unigard Insurance Company were sold to unaffiliated parties. As a result of the sales, the companies entered into a loss portfolio transfer arrangement and a 100% quota share arrangement with various members of the intercompany pooling arrangement. The assuming companies agree to pay or perform or otherwise satisfy the obligations and liabilities of the sold entities. The sold affiliates, effective dates, and assuming companies are as follows:

Unigard Indemnity Company	January 1, 2018	Unigard Insurance Company
Southern Fire & Casualty Company	November 1, 2020	QBE Insurance Corporation
Unigard Insurance Company	November 1, 2020	QBE Insurance Corporation

GCWI entered into quota share reinsurance contracts with its subsidiaries, SPIC, RIC, and GCIC, effective July 1, 2021. The subsidiaries will cede to GCWI and GCWI will accept and reinsure on a 100% quota share basis all losses incurred on or after July 1, 2021, under policies in force as of July 1, 2021, and policies written or renewed by the subsidiaries or assumed by the subsidiaries after such effective date. GCWI shall assume 100% of the net liability of the subsidiaries under such policies. GCWI will allow the subsidiaries to deduct a ceding commission from the premium due to GCWI. The existing pooling agreement by and among GCWI, the subsidiaries, and other affiliates of GCWI will remain in place.

GCWI has also entered into loss portfolio reinsurance contracts with SPIC, RIC, and GCIC, effective July 1, 2021, whereby the subsidiaries cede to GCWI, and GCWI accepts and reinsures 100% of the Ultimate Net Liability and any Extra Contractual Obligations and Losses in Excess of Policy Limits on losses occurring on or prior to June 30, 2021.

Affiliated Ceding Contracts

Blue Ocean Re 2nd Amended and Restated Loss Portfolio Transfer and Quota Share Reinsurance Agreement

Effective January 1, 2015, current or future associate, subsidiary, and affiliated companies of QBENA (QBENA companies) entered into a quota share agreement with affiliate, Equator Re. Equator Re reinsures 40% of QBENA companies' net liability with respect to all direct and assumed business underwritten except that which is specifically excluded. The agreement was amended effective October 1, 2015, to terminate reinsurance under the agreement on business classified as mortgage and lender services on a cut-off basis, with respect to all QBENA Wisconsin domiciled companies and certain listed companies. Effective January 1, 2016, the agreement was amended a second time to change the terms of the agreement from a calendar year basis to loss occurring basis under policies in force as of January 1, 2016 (with effective dates of January 1, 2015, and later) and policies written or renewed with effective dates thereafter, as respects all QBENA Wisconsin domiciled companies and certain listed companies. Furthermore, the agreement was amended to terminate SGty effective January 1, 2017, and again amended effective April 1, 2017, to terminate BlueInd.

In addition to the quota share agreement, Equator Re reinsures 31% of the ultimate net liability and extra contractual obligations and loss in excess of policy limits incurred and recorded to the cedents' (GCWI, GCIC, RIC, BlueInd, SGty, SPIC, SFire, National Farmers Union Property and Casualty Company, UnigardIns, Unigard Indemnity Company, QBE Specialty Insurance Company, QBE Reinsurance Corporation, QBE Insurance Corporation, Praetorian Insurance Company, North Pointe Insurance Company, Stonington Insurance Company, Hoosier Insurance Company, and NAU Country Insurance Company's) financial statements as of December 31, 2015 except that which is specifically excluded under the loss portfolio transfer agreement. The agreement was amended to terminate SGty effective January 1, 2017, and again amended effective April 1, 2017, to terminate BlueInd.

Effective December 31, 2017, GCWI, North Pointe, Praetorian, QBEIC, Specialty, and Stonington (the cedents), and Equator Re agreed to amend, restate and consolidate such that increase the aforementioned 40% quota share agreement and the aforementioned 31% loss portfolio transfer

agreement to 100% quota share of covered losses, whenever occurring, under policies issued or assumed by the cedents that are included in certain discontinued programs.

Effective January 1, 2018, the cedents and Equator Re and Blue Ocean Re entered into the second amended and restated loss portfolio and quota share reinsurance agreement. All parties agreed that Equator Re assumes a 100% quota share of covered losses occurring on or before December 31, 2017, and Blue Ocean Re assumes a 100% quota share of covered losses occurring on or after January 1, 2018. Covered losses include ultimate net loss, third-party administrator expenses, extra contractual obligations, loss in excess of policy limits, premium payable under the inuring reinsurance agreements applicable to discontinued programs, and assessments related to the Michigan Catastrophic Claims Association (MCCA) and any similar assessments. On the effective date, an initial reinsurance premium should be transferred from the Equator Re trust account to the Blue Ocean Re trust account. This amount equals the unearned premium from reinsured policies as of January 1, 2018. Additional reinsurance premium equals to 60% of premium written from policies as regards the Community Association Underwriters of America, Inc. program, or 67.712% of premium written from policies as regards all other discontinued programs, or 100% of amount paid by third-party reinsurers, received from the MCCA, salvage, litigation or arbitration recoveries. A ceding commission of 100% of net program expenses incurred is allowed to be deducted from the reinsurance premium. The agreement shall continue in force until such time as the Reinsurers' liability with respect to covered losses terminates, which will be the earlier of: (1) the date the cedents' liability with respect to the discontinued programs is terminated and all amounts due to the cedents under this agreement with respect to the discontinued programs is paid or (2) the date on which this agreement is terminated by the mutual written consent of the parties.

Per Endorsement No. 1 to the (40%) Quota Share Reinsurance Contract effective January 1, 2019, UnigardInd assigns, transfers, conveys, and sets over to UnigardIns its rights pursuant to the Quota Share Reinsurance Contract and UnigardIns agrees to perform all of the obligations and liabilities of UnigardInd pursuant to the contract, due to the sale of UnigardInd.

Per Endorsement No. 2 and Addendum 2 to the Quota Share Reinsurance Contract effective July 1, 2020, all companies ceded to the Reinsurer (subject to the Loss Occurrence Cap) a 100% quota

share of the companies' net liability under its policies. The purpose of this transaction is to improve the alignment of QBE North America reinsurance terms with our affiliated divisional Group reinsurance terms.

Per Endorsement 3 to the (40%) Quota Share Reinsurance Contract effective November 1, 2020, Southern Fire & Casualty Company assigns, transfers, conveys, and sets over to QBEIC 100% of its rights pursuant to the Contract, and (ii) QBEIC assumes and agrees to pay or perform, or otherwise satisfy, when and as due, 100% of the obligations and liabilities of SFire pursuant to the Contract, due to the sale of SFire.

Per Endorsement 4 to the (40%) Quota Share Reinsurance Contract effective November 1, 2020, UnigardIns assigns, transfers, conveys and sets over to QBEIC 100% of its rights pursuant to the Contract, and (ii) QBEIC assumes and agrees to pay or perform, or otherwise satisfy, when and as due, 100% of the obligations and liabilities of UnigardIns pursuant to the Contract, due to the sale of UnigardIns.

Excess of Loss and Catastrophe Reinsurance Portfolio

The company's ceded reinsurance portfolio for catastrophic and excess of loss coverages is assigned and placed by QBE North America located in New York City, with the company's approval. QBE North America uses the "group aggregate methodology" only with respect to Property Catastrophe in development of their ceded reinsurance portfolio. The catastrophic and excess of loss coverages purchased encompasses all insurance subsidiaries of QBE North America. In determining adequate coverage, various loss scenarios are considered with the intent to protect the participants from a 100/250 year catastrophic event. The "group aggregate methodology" results in more buying power with respect to Property Catastrophe due to the centralization of reinsurance procurement. Exhibit A summarizes the company's ceded reinsurance portfolio for catastrophic and excess of loss coverages.

Equator Re Novation Agreement

Effective January 1, 2018, all companies affiliated with QBENA entered into a novation agreement with an affiliate, Equator Re, and an affiliate, Blue Ocean Re. Blue Ocean Re assumes all existing and future rights, liabilities, duties, and obligations of Equator Re under the reinsurance

agreements between QBENA and Equator Re with the same effect as if Blue Ocean Re had originally entered into the Reinsurance Agreements with QBENA.

For that reason, Blue Ocean Re is the reinsurer of any following affiliated ceding reinsurance agreements described in the “Reinsurance” section to replace Equator Re, effective January 1, 2018.

Reinsurance Trust Agreement

Effective June 1, 2019, GCWI, GCIC, RIC, and SPIC (Beneficiary) created single beneficiary trusts and reinsurance trust agreements with Equator Re (Grantor) and Citibank, N.A. (the Trustee) to replace the multi-beneficiary reinsurance trust agreement between the Grantor, GCWI, its subsidiaries, and the Trustee. The change is pursuant to the April 12, 2019, Stipulation and Order between the Beneficiary and the Office of the Commissioner of Insurance (OCI) in return for OCI's acceptance of credit for reinsurance ceded to the Grantor. The multi-beneficiary reinsurance trust agreement and the associated trust were terminated effective June 30, 2019.

Effective June 1, 2019, GCWI, GCIC, RIC, and SPIC (Beneficiary) created single beneficiary trusts and reinsurance trust agreements with QBE Blue Ocean Re Limited (Grantor) and Citibank, N.A. (the Trustee) to replace the multi-beneficiary reinsurance trust agreement between the Grantor, GCWI, its subsidiaries, and the Trustee. The change is pursuant to the April 12, 2019, Stipulation and Order between the Beneficiary and OCI in return for OCI's acceptance of credit for reinsurance ceded to the Grantor. The multi-beneficiary reinsurance trust agreement and the associated trust were terminated effective June 30, 2019.

Nonaffiliated Ceding Contracts

- | | |
|------------|---|
| 1. Type: | Quota Share |
| Reinsured: | QBE Insurance Corporation including all owned or affiliated companies comprising “QBENA” |
| Reinsurer: | The Hartford Steam Boiler Inspection and Insurance Company (Hartford Ins) |
| Scope: | Cyber Risk |
| Coverage: | 100% of liability for losses covered under a cyber risk coverage form attaching to its policies, subject to certain exclusions. |

- Limit: \$100,000 annual aggregate per policy for computer attack; \$100,000 annual aggregate per policy for network security liability
- Effective date: February 1, 2015
- Termination: Unlimited duration but may be terminated with 30 days' written notice by either party.
2. Type: Quota Share
- Reinsured: QBE Insurance Corporation including all owned or affiliated companies comprising "QBENA"
- Reinsurer: The Hartford Steam Boiler Inspection and Insurance Company
- Scope: Data Compromise
- Coverage: 100% of liability for losses covered under a data compromise coverage form attaching to its policies, subject to certain exclusions.
- Limit: \$250,000 annual aggregate per policy for response expenses; \$250,000 annual aggregate per policy for defense and liability
- Effective date: February 1, 2015
- Termination: Unlimited duration but may be terminated with 30 days' written notice by either party.
3. Type: Quota Share
- Reinsured: QBE Insurance Corporation including all owned or affiliated companies under common control
- Reinsurer: The Hartford Steam Boiler Inspection and Insurance Company
- Scope: Employment Practices Liability (EPL)
- Coverage: 100% of liability for losses (including defense costs) under an EPL coverage from attached to new and renewal policies written through the QBENA Small Business Unit and 80% of liability for losses (including defense costs) under an EPL coverage from all other attached to new and renewal policies, subject to certain exclusions
- Limit: As respects policies written through the QBENA Small Business Unit, Hartford Ins' liability for loss shall not exceed \$1 million, subject to \$1 million annual aggregate limit in the policy
- As respects all other covered policies, Hartford Ins' liability for each wrongful employment act shall not exceed \$1 million, subject to \$1 million annual aggregate limit in the policy
- Effective date: February 1, 2012
- Termination: Unlimited duration but may be terminated with 30 days' written notice by either party.

4. Type: Quota Share

Reinsured: QBE Insurance Corporation including all owned or affiliated companies comprising "QBENA" (cedents)

Reinsurer: The Hartford Steam Boiler Inspection and Insurance Company

Scope: Equipment Breakdown

Coverage: 100% of equipment breakdown liability with respect to accidents and electronic circuitry impairments, as well as with respect to accidents occurring under all risk excess program policies, subject to certain exclusions.

Limit: \$100 million for any one accident and/or any one electronic circuitry impairment, any one policy

Effective date: October 1, 2017

Termination: Unlimited duration but may be terminated with 30 days' written notice by either party

5. Type: Quota Share

Reinsured: QBE Insurance Corporation including all owned or affiliated companies comprising QBENA

Reinsurer: The Hartford Steam Boiler Inspection and Insurance Company

Scope: Home systems protection and Homeowners equipment breakdown

Coverage and limit:

Class of Business	Coverage*	Limit
Home systems protection liability under policies as respects home system breakdown	100%	\$100,000 for any one home system breakdown, any one policy
Homeowners equipment breakdown liability under policies as respects accidents	100%	50,000 for any one accident, any one policy
Service line coverage liability under policies as respects service line failures occurring on or after August 31, 2017	100%	10,000 for any one service line failure, any one policy

*Coverages subject to certain exclusion

Effective date: February 1, 2015

Termination: Unlimited duration but may be terminated with 30 days' written notice by either party.

6. Type:	Quota Share
Reinsured:	QBE Insurance Corporation including all owned or affiliated companies comprising "QBENA"
Reinsurer:	The Hartford Steam Boiler Inspection and Insurance Company (Hartford Ins)
Scope:	Cyber Suite
Coverage:	100% of liability for losses covered under a cyber suite coverage form attaching to its policies, subject to certain exclusions.
Limit:	a) The reinsurers liability for Cyber Coverage shall not exceed \$1,000,000 annual aggregate policy. b) The reinsurers liability for Identity Recovery shall not exceed \$25,000 annual aggregate as respects each Identity Recovery Insured.
Effective date:	October 1, 2017
Termination:	Unlimited duration but may be terminated with 30 days' written notice by either party.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the commissioner of insurance in the December 31, 2022, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

General Casualty Company of Wisconsin
Assets
As of December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 545,038,208	\$	\$ 545,038,208
Stocks:			
Preferred stocks	6,000,000		6,000,000
Common stocks	56,718,312		56,718,312
Real estate:			
Occupied by the company	27,690,450		27,690,450
Properties held for the production of income	16,908,025		16,908,025
Cash, cash equivalents, and short- term investments	163,521,253		163,521,253
Other invested assets	25,038,898		25,038,898
Receivables for securities	650,000		650,000
Investment income due and accrued	4,134,115		4,134,115
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	112,351,022	5,221,910	107,129,112
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	133,037,094		133,037,094
Accrued retrospective premiums and contracts subject to redetermination	1,164,078		1,164,078
Reinsurance:			
Amounts recoverable from reinsurers	216,700,245		216,700,245
Net deferred tax asset	45,351,252	5,645,488	39,705,763
Receivable from parent, subsidiaries, and affiliates	6,827,039		6,827,039
Write-ins for other than invested assets:			
Amounts billed & receivable deductible plans	52,879	25,353	27,526
Equities and deposits	9,307,591	1,500	9,306,091
Net FCIC receivable	266,148,225		266,148,225
Non-qualified deferred compensation plan	436,432		436,432
Other accounts receivable	<u>2,062,519</u>	<u>526,223</u>	<u>1,536,296</u>
Total Assets	<u>\$1,639,137,637</u>	<u>\$11,420,474</u>	<u>\$1,627,717,162</u>

**General Casualty Company of Wisconsin
Liabilities, Surplus, and Other Funds
As of December 31, 2022**

Losses	\$ 447,179,058
Reinsurance payable on paid loss and loss adjustment expenses	(346,315)
Loss adjustment expenses	81,177,002
Commissions payable, contingent commissions, and other similar charges	54,593,466
Other expenses (excluding taxes, licenses, and fees)	3,555,986
Taxes, licenses, and fees (excluding federal and foreign income taxes)	3,017,028
Unearned premiums	259,494,377
Advance premium	84,613
Ceded reinsurance premiums payable (net of ceding commissions)	432,715,096
Amounts withheld or retained by company for account of others	2,050,672
Remittances and items not allocated	29,394,511
Provision for reinsurance	110,000
Payable to parent, subsidiaries, and affiliates	16,644,188
Payable for securities	8,049
Write-ins for liabilities:	
Escheat reserve	912,290
Other liabilities	28,911
Claims clearing account	(16,264,389)
Deferred gain on real estate	<u>1,885,846</u>
 Total Liabilities	 1,316,240,389
 Common capital stock	 \$ 4,000,000
Gross paid in and contributed surplus	355,013,169
Unassigned funds (surplus)	(27,634,258)
Less treasury stock, at cost:	
Common	<u>19,902,138</u>
 Surplus as Regards Policyholders	 <u>311,476,772</u>
 Total Liabilities and Surplus	 <u>\$1,627,717,162</u>

**General Casualty Company of Wisconsin
Summary of Operations
For the Year 2022**

Underwriting Income		
Premiums earned		\$646,385,789
Deductions:		
Losses incurred	\$455,554,640	
Loss adjustment expenses incurred	35,487,572	
Other underwriting expenses incurred	<u>148,604,139</u>	
Total underwriting deductions		<u>639,646,351</u>
Net underwriting gain (loss)		6,739,438
Investment Income		
Net investment income earned	18,120,151	
Net realized capital gains (losses)	<u>(7,882,498)</u>	
Net investment gain (loss)		10,237,653
Other Income		
Net gain (loss) from agents' or premium balances charged off	(1,261,770)	
Finance and service charges not included in premiums	8,765	
Write-ins for miscellaneous income:		
Other miscellaneous income (expense)	<u>749,668</u>	
Total other income		<u>(503,337)</u>
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		16,473,754
Dividends to policyholders		<u>1,015,618</u>
Net Income		<u>\$ 15,458,136</u>

**General Casualty Company of Wisconsin
Cash Flow
For the Year 2022**

Premiums collected net of reinsurance		\$802,336,845
Net investment income		22,789,981
Miscellaneous income		<u>(503,337)</u>
Total		824,623,489
Benefit- and loss-related payments	\$611,522,191	
Commissions, expenses paid, and aggregate write-ins for deductions	197,209,488	
Dividends paid to policyholders	1,015,618	
Federal and foreign income taxes paid (recovered)	<u>(6,844)</u>	
Total deductions		<u>809,740,453</u>
Net cash from operations		14,883,036
Proceeds from investments sold, matured, or repaid:		
Bonds	\$190,725,046	
Stocks	18,003,584	
Other invested assets	170,314	
Net gains (losses) on cash, cash equivalents, and short-term investments	(632,516)	
Miscellaneous proceeds	<u>376,799</u>	
Total investment proceeds		208,643,227
Cost of investments acquired (long-term only):		
Bonds	222,403,021	
Stocks	39,179,902	
Real estate	263,454	
Other invested assets	(701,425)	
Miscellaneous applications	<u>650,000</u>	
Total investments acquired		<u>261,794,952</u>
Net cash from investments		(53,151,725)
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>31,044,623</u>	
Net cash from financing and miscellaneous sources		<u>31,044,623</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(7,224,066)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>170,745,319</u>
End of Year		<u>\$163,521,253</u>

**General Casualty Company of Wisconsin
Compulsory and Security Surplus Calculation
December 31, 2022**

Assets		\$1,627,717,162
Less security surplus of insurance subsidiaries		8,400,003
Less liabilities		<u>1,316,240,389</u>
Adjusted surplus		303,076,773
Annual premium:		
Group accident and health	\$105,485,917	
Factor	<u>10%</u>	
Total		\$ 10,548,592
Lines other than accident and health	758,824,585	
Factor	<u>20%</u>	
Total		<u>151,764,917</u>
Compulsory surplus (subject to a minimum of \$2 million)		<u>162,313,509</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 140,763,264</u>
Adjusted surplus (from above)		\$ 303,076,773
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum factor of 110%)		<u>186,660,535</u>
Security Surplus Excess (Deficit)		<u>\$ 116,416,238</u>

**General Casualty Company of Wisconsin
Analysis of Surplus
For the Five-Year Period Ending December 31, 2022**

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2022	2021	2020	2019	2018
Surplus, beginning of year	\$313,687,104	\$311,970,238	\$283,873,876	\$254,502,454	\$250,980,048
Net income	15,458,136	(2,093,747)	(77,872,455)	(25,229,716)	11,724,395
Change in net unrealized capital gains/losses	(21,494,239)	(184,733)	(3,200,379)	21,354,738	(10,325,444)
Change in net deferred income tax	(4,927,776)	1,047,225	16,075,020	6,991,740	(3,165,629)
Change in nonadmitted assets	6,767,003	5,046,335	(6,708,830)	(3,029,026)	5,049,927
Change in provision for reinsurance	1,976,000	(1,953,000)	(89,400)	17,200	201,800
Surplus adjustments:					
Paid in			99,735,464	30,900,000	
Transferred to capital					
Transferred from capital					
Write-ins for gains and (losses) in surplus:					
Change in miscellaneous surplus	7,597	(9,965)	37,836	(83,153)	14,647
Change in defined benefit plan	2,949	(135,249)	119,106	(38,699)	22,710
Correction of errors				(1,511,663)	
Surplus, End of Year	<u>\$311,476,772</u>	<u>\$313,687,104</u>	<u>\$311,970,238</u>	<u>\$283,873,876</u>	<u>\$254,502,454</u>

Growth of General Casualty Company of Wisconsin

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2022	\$1,627,717,162	\$1,316,240,389	\$311,476,772	\$ 15,458,136
2021	1,456,244,054	1,142,556,951	313,687,102	(2,093,747)
2020	1,278,552,519	966,582,282	311,970,238	(77,872,455)
2019	1,141,398,674	857,524,799	283,873,876	(25,229,716)
2018	889,334,986	634,832,532	254,502,454	11,724,395
2017	797,391,393	546,411,344	250,980,049	(10,530,251)

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2022	\$1,180,928,970	\$634,939,275	\$646,385,789	76.0%	23.5%	99.5%
2021	1,041,055,917	628,922,540	595,184,162	75.6	26.0	101.6
2020	772,111,142	554,719,860	522,411,017	85.0	28.9	113.9
2019	744,677,588	572,152,027	521,860,731	81.9	26.3	108.2
2018	670,939,181	431,039,384	406,049,259	67.4	29.6	97.0
2017	622,377,167	366,108,859	372,971,540	75.6	31.2	106.8

From 2017 through 2022, the company reported a 104.1% increase in assets, a 140.9% increase in liabilities, and a 24.1% increase in surplus. The net operating results overall were negative, driven by net underwriting losses.

Gross and net premiums written increased by 89.7% and 73.4% over the six years, respectively. In 2021, gross premium written increased due to growth in Allied Lines (Federal Crop business) and Commercial Specialty business. The largest year-over-year increase in net premium written and premium earned, which occurred in 2019, was due to an increase in GCWI's participation in the QBE North America pool (from 15.0% to 20.0%).

Net losses in 2019 and 2020 of \$25.2 million and \$77.9 million, respectively, resulted from underwriting losses of \$56.2 million and \$80.2 million, respectively. The underwriting results in 2019 were mainly due to the Federal Crop Insurance business, which was negatively impacted by an excessive wet spring and other untimely weather-related events that delayed planting and reduced yields. The underwriting loss in 2020 resulted from a combination of COVID-19 impact (premium rebates due to lower exposures, bad debt allowances related to industries hit hard by the pandemic, increase in A&H and workers' compensation claims, and additional litigation/defense costs), elevated CAT claims, and reserve strengthening.

During the examination period, the company's surplus increased due to capital contributions from its parent, QBE Regional. GCWI received a capital contribution on July 3, 2019, from its parent of \$30,900,000. In 2020, the company received several surplus contributions from its parent totaling \$63,750,000. In addition, the company received a surplus contribution of \$35,985,463 through an in-specie transfer of investments, on July 1, 2020, from QBE Regional.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2022, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were six specific comments and recommendations in the previous examination report.

The actions taken by the company as a result of the comments and recommendations were as follows:

1. Management and Control—It is recommended that the company continue to have all officers and directors complete an annual conflict-of-interest disclosure.

Action—Compliance.

2. Unclaimed Property—It is recommended that the company comply with ch. 177, Wis. Stat. as regards to unclaimed funds, and that it submit all funds that remain unclaimed after five years to the State of Wisconsin.

Action—Compliance.

3. Executive Compensation—It is recommended that the company properly complete the Report on Executive Compensation as required by s. 611.63 (4), Wis. Stat.

Action—Compliance.

4. Credit for Reinsurance—It is recommended the company comply with the credit for reinsurance collateral requirements for certified and unauthorized reinsurers in accordance with SSAP No. 62R, par. 56, and Appendix A-785 of the NAIC's Accounting Practices and Procedures Manual.

Action—Compliance.

5. Corporate Insurance—It is recommended that the company revise its general liability policy to include proper language clearly stating that the coverage applies to the subsidiaries and any other affiliated companies.

Action—Compliance.

6. Actuarial Report Documentation—It is again recommended that the company include sufficient documentation in its actuarial report in accordance with Actuarial Standard of Practice No. 41 containing the following:

- Future actuarial report exhibits developed in ResQ model reflect clearer labeling and footnotes, to the extent possible.
- A summary of the indicated and carried loss and LAE reserve position by reserve review segment as of both September 30, 20XX and December 31, 20XX be included in future versions of the actuarial report.
- The companies include a more traditional actual-versus-expected roll-forward analysis at a disaggregated level in future reserve studies.
- All detailed exhibits in support of the crop analysis performed by the companies be included in future actuarial reports.
- Detailed exhibits in support of the Asbestos and Environmental (“A&E”) analysis be included in the actuarial report, with a breakout of A&E reserves from the by-segment analysis provided.
- Future actuarial reports include a complete Schedule P reconciliation of paid losses, case outstanding reserves, and earned premiums by reserve review segment to the Schedule P lines of business.

Action—Compliance.

Summary of Current Examination Results

There were no recommendations made as a result of this examination.

VIII. CONCLUSION

GCWI is a property and casualty insurer licensed in all 50 states, the District of Columbia, and Puerto Rico. The company is one of 11 companies comprising the QBE North America Pool (participation rate: 20%). QBENA operates as a group of property and casualty admitted lines insurers and reinsurers that market a broad range of property and casualty lines, including personal, commercial, agriculture, crop and specialty products through independent agents, brokers and program managers.

During the period under examination, the company's surplus grew by 24% (driven primarily by capital contributions from GCWI's parent, QBE Regional), and gross and net premiums written grew by 90% and 73%, respectively. The company incurred net losses during 3 of the 5 years under examination, due to underwriting losses.

The company complied with all six prior exam recommendations. There were no recommendations made as a result of this examination.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no recommendations made as a result of this examination.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended by the officers and employees of the company during the course of the examination are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Josh Daggett	Insurance Financial Examiner
Eleanor Lu, CISA	IT Specialist
Nick Hartwig, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Gregory Mielke
Examiner-in-Charge