

Report of the Examination of
Glencar Insurance Company
Milwaukee, Wisconsin
As of December 31, 2019

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April 7, 2021

Honorable Mark V. Afable
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:

GLENCAR INSURANCE COMPANY
Milwaukee, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Glencar Insurance Company (GIC or the company) was conducted in 2016 and 2017 as of December 31, 2015. At that time, the company was known as The Omaha Indemnity Company. The current examination covered the intervening period ending December 31, 2019, 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 the Hannover Re group. The Florida Office of Insurance Regulation acted in the capacity as the lead state for the coordinated examinations. Work performed by Florida Office of Insurance Regulation was reviewed and relied on where deemed appropriate. The Wisconsin Office of the Commissioner of Insurance (OCI) acted as the examination facilitator for the Glencar Insurance Company subgroup, the subgroup consisted solely of GIC.

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.

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 Office of the Commissioner of Insurance. 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

Glencar Insurance Company was incorporated on January 20, 1956, under the laws of the state of Wisconsin as The Equitable Casualty Company. On February 7, 1967, the articles of incorporation were amended and restated in connection with a transfer of ownership to Mutual of Omaha. On January 1, 2018, the articles of incorporation were amended and restated in connection with a transfer of ownership to Hannover Finance, Inc. (HFI), a direct, wholly owned subsidiary of Hannover Rück SE. The present name of the company was adopted on January 1, 2018.

In 2019, the company wrote no direct premium and assumed premium of \$91,955,485 from an affiliate. The company is currently licensed in all fifty states and the District of Columbia.

The major products assumed by the company include commercial multiple peril, other liability – occurrence, other liability – claims made, and commercial auto liability. The major products are marketed through program administrators recruited by Glencar Underwriting Managers, Inc. (GUM), which is an affiliated managing general underwriting company.

The following table is a summary of the net insurance premiums written by the company in 2019. 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	\$0	\$ 106,790	\$ 406	\$106,384
Allied lines		19,605	1,495	18,110
Commercial multiple peril		47,209,226	2,005,395	45,203,831
Inland marine		2,841,142	134,713	2,706,430
Workers' compensation		2,987,406	141,643	2,845,762
Other liability – occurrence		13,713,163	479,204	13,233,958
Other liability – claims made		13,296,073	578,595	12,717,478
Commercial auto liability		8,828,587	395,524	8,433,064
Auto physical damage	<u>0</u>	<u>2,953,492</u>	<u>132,142</u>	<u>2,821,350</u>
Total All Lines	<u>\$0</u>	<u>\$91,955,485</u>	<u>\$3,869,117</u>	<u>\$88,086,368</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of five members. All directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently receive no compensation for serving on the board.

As of the date of this examination report, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Sven Althoff Hannover, Lower Saxony, Germany	Insurance Executive	2022
Patrick P. Fee Wauwatosa, Wisconsin	Insurance Executive	2022
Axel Freiboth Hannover, Lower Saxony, Germany	Insurance Executive	2022
Catherine F. Hood Wall, New Jersey	Insurance Executive	2022
Michael T. Paul Wauconda, Illinois	Insurance Executive	2022

Officers of the Company

The officers serving as of the date of this examination report are as follows:

Name	Office
Patrick P. Fee	President
Catherine F. Hood	Chief Operating Officer & Secretary
Michael T. Paul	Chief Financial Officer & Treasurer
Yudelka D.C. Valerio	Chief Compliance Officer
Tatyana Lakush	Vice President
Frank Overheil	Chief Program Officer
Patricia W. O'Connell	Chief Underwriting Officer
William Smola	Vice President
Kevin M. Stineman	Chief Claims Officer
Arthur J. Zaremba	Chief Actuary

Committees of the Board

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

As of the date of this examination report, the board committees are as follows:

Investment Committee

Patrick P. Fee, Chair
Catherine F. Hood
Michael T. Paul

Cyber Security Committee

Patrick P. Fee, Chair
Catherine F. Hood
Michael T. Paul

Management Committees

A significant management committee that exists as of the date of this examination report is the GIC Operations Council. Membership is listed below:

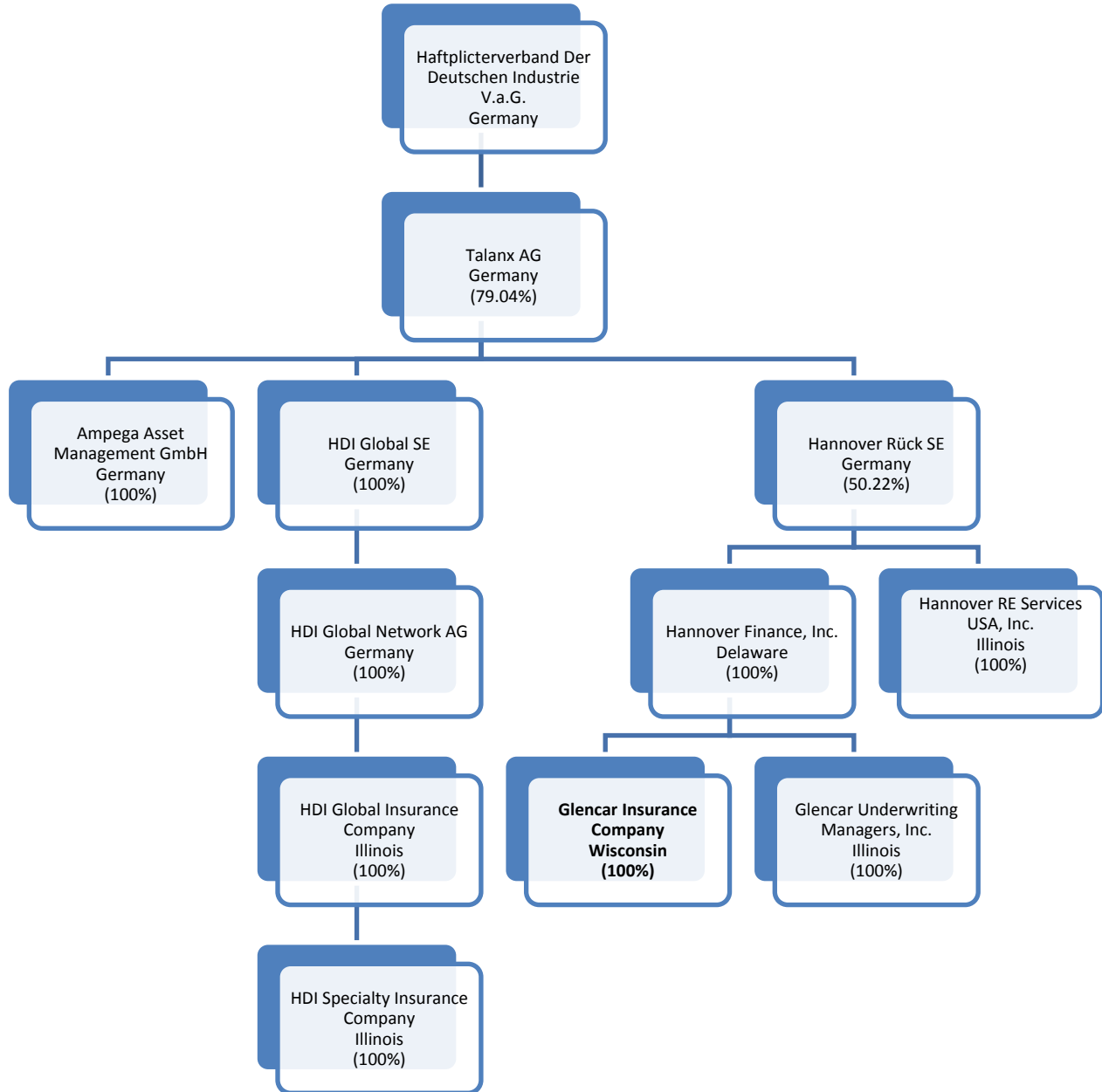
GIC Operations Council

Patrick P. Fee, Chair
Catherine F. Hood
Tatyana Lakush
Patricia W. O'Connell
Frank Overheil
Michael T. Paul
Kevin M. Stineman
Yudelka D.C. Valerio
Arthur J. Zaremba

IV. AFFILIATED COMPANIES

Glencar Insurance Company is a member of a holding company system. The organizational chart below depicts the relationships among certain affiliates in the group as of December 31, 2019. A brief description of the selected affiliates follows the organizational chart.

**Organizational Chart
As of December 31, 2019**



Note that the above organizational chart is a simplified version of the complete organizational chart due to the size and complexity of the holding company system. The chart includes only affiliates that are part of the immediate holding company structure and ones that directly affect the operations of the GIC.

Haftpflichtverband Der Deutschen Industrie V.a.G.

Haftpflichtverband Der Deutschen Industrie V.a.G. is a German domiciled mutual insurance company that manages its subsidiaries through a financial and management holding company, Talanx AG. As of December 31, 2019, audited International Financial Reporting Standards (IFRS) based consolidated financial statements reported assets of €179.4 billion, liabilities of €161.0 billion, and surplus of €18.4 billion. Operations for 2019 produced net income of €1.7 billion.

Talanx AG

Talanx AG is a German multinational holding company headquartered in Hannover, Germany. Its core businesses are insurance, reinsurance, and asset management. Talanx AG is active in more than 150 countries with a focus on business-to-business insurance. As of December 31, 2019, audited IFRS based consolidated financial statements reported assets of €177.5 billion, liabilities of €161.0 billion, and capital and surplus of €16.6 billion. Operations for 2019 produced net income of €1.7 billion.

Hannover Rück SE

Hannover Rück SE is the third-largest reinsurer in the world. It transacts all lines of property and casualty reinsurance, and life and health reinsurance. As of December 31, 2019, audited IFRS based consolidated financial statements reported assets of €45.5 billion, liabilities of €42.5 billion, and capital and surplus of €3.0 billion. Operations for 2019 produced net income of €1.3 billion.

Hannover Finance, Inc.

Hannover Finance, Inc. is a Delaware-based intermediate holding company and is the direct parent of GIC. As of December 31, 2019, the unaudited, stand-alone IFRS financial statements for HFI reported assets of \$1.4 billion, liabilities of \$(26.1 million), and surplus of \$1.4 billion. Operations for 2019 produced net income of \$27.2 million.

Ampega Asset Management GmbH

Ampega Asset Management GmbH (Ampega) is an investment management company headquartered in Germany, responsible for investing the assets of the Talanx AG and all of its subsidiaries, including GIC. As of December 31, 2019, Ampega reported IFRS based equity of €72.6 million.

Hannover RE Services USA, Inc.

Hannover RE Services USA, Inc. (HS USA) is a general business corporation that performs services for the Hannover Re Group. These services include underwriting and claims audits, marketing, and providing underwriting expertise. HS USA's financials are consolidated with Hannover Rück SE and are not available on their own. As of December 31, 2019, the unaudited, cash basis financial statements for HS USA reported assets of \$4.4 million, liabilities of \$300,000, and equity of \$4.0 million. Operations for 2019 produced net income of \$200,000.

Glencar Underwriting Managers, Inc.

Glencar Underwriting Managers, Inc. (GUM) is a managing general underwriter focused on specialty programs. As of December 31, 2019, the unaudited, GAAP based financial statements for GUM reported assets of \$31.1 million, liabilities of \$26.4 million, and equity of \$4.7 million. Operations for 2019 produced a net loss of \$133,400.

HDI Global Insurance Company

HDI Global Insurance Company (HDI Global) is a direct writer of fire, general and product liability business, inland marine, ocean marine, boiler and machinery, auto liability, auto physical damage, and worker's compensation coverages. HDI Global also markets commercial lines to clients of HDI Global Network AG, a German company, that have operations in the United States. Also, HDI Global writes business produced under six Program Administrator Agreements. Finally, HDI Global assumes some facultative reinsurance business. As of December 31, 2019, audited statutory based financial statements reported assets of \$619.6 million, liabilities of \$450.1 million, and capital and surplus of \$169.5 million. Operations for 2019 produced net income of \$7.4 million.

HDI Specialty Insurance Company

HDI Specialty Insurance Company (HDI Specialty) is a multiple line stock insurance company that writes on an excess and surplus basis. It also assumes some facultative reinsurance business. As of December 31, 2019, audited statutory based financial statements reported assets of \$172.0 million, liabilities of \$121.4 million, and capital and surplus of \$50.6 million. Operations for 2019 produced net income of \$400,000.

Agreements with Affiliates

The company's relationship to its affiliates is affected by various written agreements. A summary of these agreements by affiliate follows.

Glencar Underwriting Managers, Inc.

Program Administrator's Agreement

Effective January 1, 2018, GIC entered into a Program Administrator's Agreement with GUM. Under this agreement, GUM's underwriting authority extends to policies of insurance, including all endorsements and renewals, for lines of business that GIC is authorized to write in a given state and subject to GIC's underwriting and pricing standards.

Administrative Services Agreement

Effective January 1, 2018, GIC entered into an Administrative Services Agreement with GUM. Under this agreement, GUM is to provide the following services: actuarial, finance and accounting, reinsurance, claims, legal and regulatory, information technology, and personnel.

Ampega Asset Management GmbH

Investment Management Agreement

Effective January 1, 2018, GIC entered into an Investment Management Agreement with Ampega Asset Management GmbH (AAM). Under this agreement, AAM provides services related to asset investment and portfolio management for companies in the Talanx Group. The objective of the agreement is to work towards the standardization of services by one central service provider throughout the Talanx Group.

Hannover Finance, Inc.

Tax Allocation and Settlement Agreement

Effective January 1, 2018, GIC entered into a Tax Allocation and Settlement Agreement with HFI. Under this agreement, all the parties to the agreement file their federal income tax returns on a consolidated basis. HFI will have full responsibility and discretion for the final reporting position, elections, and disclosures taken in all tax returns.

Administrative Services Agreement

Effective January 1, 2019, GIC entered into an Administrative Services Agreement with HFI. Under this agreement, HFI is to provide the following services: administrative (international coordination), legal, regulatory, accounting, auditing, corporate communications, underwriting support, investment and collateral management, internal capital modeling, group protection, international human resources, reserving and aggregation control, watch list sanction screening, and various technology-related services. In addition, HFI may conduct enterprise projects which involve the collaboration with or create a benefit for GIC. GIC's costs associated with any enterprise projects is different depending on if the project by one party leads to a benefit to another party (project cost allocation) or if the project is a collaboration (cost plus basis).

Hannover RE Services USA, Inc.

Administrative Services Agreement

Effective April 1, 2020, GIC is a party to an Administrative Services Agreement with Hannover RE Services USA, Inc. (HS USA). Under this agreement, HS USA will provide, at the request of GIC, all employees and human resources services including but not limited to recruiting, employee relations, payroll, salary administration, benefits, training, record keeping, employee evaluation and objectives, and employee compliance and discipline. HS USA will provide any required services related to the engagement of consultants. HS USA will provide the following administrative services: property management; acquisition of equipment and management of information technology; employee expense account processing; management of accounts payable; and any other assigned tasks relevant to the operational support of Glencar Insurance Company.

V. REINSURANCE

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

Assuming Contracts

GIC's only significant assumed reinsurance contracts as of the date of this examination report are with two affiliates: HDI Global Insurance Company (HDI Global) and HDI Specialty Insurance Company (HDI Specialty). All of the contracts are quota share agreements, with different contracts for business produced by different program administrators. The following outline summarizes GIC's assumed reinsurance contracts with HDI Global and HDI Specialty.

1. Type: Quota Share
Reinsured: HDI Global Insurance Company
Scope: Various types of commercial business produced by Glencar Underwriting Managers, Inc.
Coverage: Glencar Insurance Company assumes a 100% Quota Share interest in the Net Retained Liability of HDI Global Insurance Company
Commissions: 34.5%-43.5% of ceded premium, based on the volume and type of business written
Effective date: January 1, 2018
Termination: Continuous
2. Type: Quota Share
Reinsured: HDI Global Insurance Company
Scope: Commercial Automotive business produced by Triad Insurance Management and Services Agency, Inc. and TIM&S Insurance Agency, Inc.
Coverage: Glencar Insurance Company assumes an 80% Quota Share interest in the Net Retained Liability of HDI Global Insurance Company
Commissions: 35% of ceded premium
Effective date: January 1, 2018
Termination: Continuous

3. Type: Quota Share
- Reinsured: HDI Global Insurance Company
- Scope: Commercial General Liability and Commercial Property business produced by Dual Commercial, LLC
- Coverage: Glencar Insurance Company assumes a 100% Quota Share interest in the Net Retained Liability of HDI Global Insurance Company
- Commissions: 36% of ceded premium
- Effective date: July 1, 2018
- Termination: Continuous
4. Type: Quota Share
- Reinsured: HDI Global Insurance Company and HDI Specialty Insurance Company
- Scope: Professional Liability business produced by CRES Insurance Services
- Coverage: Glencar Insurance Company assumes a Quota Share interest in the Net Retained Liability of the Reinsureds based on when the policy was written. The applicable Quota Share percentage is as follows:
Policies with effective dates before 11/1/2020: 30%
Policies with effective dates from 11/1/2020 thru 10/31/2021: 40%
Policies with effective dates after 10/31/2021: 50%
- Commissions: 33% of ceded premium
- Effective date: January 1, 2018
- Termination: Continuous
5. Type: Quota Share
- Reinsured: HDI Global Insurance Company and HDI Specialty Insurance Company
- Scope: Professional Liability business produced by Hunt Jorgenson, LLC
- Coverage: Glencar Insurance Company assumes a 50% Quota Share interest in the Net Retained Liability of the Reinsureds
- Commissions: 31% of ceded premium
- Effective date: July 1, 2018
- Termination: Continuous

Affiliated Ceding Contracts

1. Type: Stop Loss

Reinsurer:	Hannover Rück SE
Scope:	All business written and assumed.
Retention:	65% of Gross Net Written Premium
Coverage:	Two-year term covering both 2020 and 2021 underwriting years. For each underwriting year, there are six layers of protection up to 250% of Gross Net Written Premium.
Commissions:	None
Effective date:	January 1, 2020
Termination:	December 31, 2021

Nonaffiliated Ceding Contracts

- | | |
|-----------------|-------------------------------------------------------------------------------------------|
| Type: | 100% Quota Share |
| Reinsurer: | Medicare Advantage Ceding Company of Omaha (f/k/a Property and Casualty Company of Omaha) |
| Scope: | All claim liabilities of The Omaha Indemnity Company |
| Retention: | None |
| Coverage: | 100% of all claim liabilities and loss adjustment expenses. |
| Commissions: | None |
| Effective date: | October 1, 2017 |
| Termination: | Agreement remains in effect until all Reinsured Liabilities have been settled or expired. |

- | | |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Type: | Property Facultative |
| Reinsurer: | General Reinsurance Corporation |
| Scope: | Commercial Property for Common Interest Community Business underwritten by New Empire Programs |
| Retention: | Retention varies by type of risk and location of risk, varying from \$10 million to \$20 million |
| Coverage: | Either \$20 million or \$25 million, depending on the type of risk. Maximum of \$100 million on all risks associated with one occurrence. |
| Commissions: | None |
| Effective date: | January 1, 2020 |
| Termination: | Continuous |

3. Type: Property Facultative
- Reinsurer: General Reinsurance Corporation
- Scope: Apartments, Associations, and Commercial Property for Common Interest Community Business underwritten by CORE Programs
- Retention: \$10 million
- Coverage: \$20 million. Maximum of \$80 million on all risks associated with one occurrence.
- Commissions: None
- Effective date: January 1, 2020
- Termination: Continuous
4. Type: Boiler and Machinery Quota Share
- Reinsurer: The Travelers Indemnity Company
- Scope: Covered equipment as defined in Glencar's Equipment Breakdown Coverage Forms
- Retention: None
- Coverage: 100% of the liability. Maximum of \$100 million for one breakdown
- Commissions: 35% of all premiums ceded
- Effective date: January 1, 2020
- Termination: Continuous
5. Type: Cyber Quota Share
- Reinsurer: The Hartford Steam Boiler Inspection and Insurance Company
- Scope: Losses covered by a Cyber Suite Coverage Form
- Retention: None
- Coverage: 100% of the liability. Maximum of \$1 million per policy for Cyber Coverage. For Identity Recovery, a maximum of \$25 thousand per each Identity Recovery Insured.
- Commissions: 35% of all premiums ceded
- Effective date: August 1, 2020
- Termination: Continuous

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, 2019, 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, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

Glencar Insurance Company
Assets
As of December 31, 2019

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$144,458,661	\$ 0	\$144,458,661
Cash, cash equivalents, and short-term investments	8,914,862		8,914,862
Investment income due and accrued	1,151,134		1,151,134
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	9,052,899		9,052,899
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	4,492,993		4,492,993
Write-ins for other than invested assets:			
Prepaid expenses	<u>17,657</u>	<u>17,657</u>	<u> </u>
Total Assets	<u>\$168,088,205</u>	<u>\$17,657</u>	<u>\$168,070,548</u>

Glencar Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2019

Losses		\$ 54,260,980
Loss adjustment expenses		13,201,897
Commissions payable, contingent commissions, and other similar charges		161,988
Other expenses (excluding taxes, licenses, and fees)		56,775
Taxes, licenses, and fees (excluding federal and foreign income taxes)		11,682
Net deferred tax liability		79,169
Unearned premiums		42,021,041
Ceded reinsurance premiums payable (net of ceding commissions)		806,225
Payable to parent, subsidiaries, and affiliates		<u>33,749</u>
 Total Liabilities		 110,633,507
 Common capital stock	 \$ 4,000,000	
Gross paid in and contributed surplus	72,206,385	
Unassigned funds (surplus)	<u>(18,769,343)</u>	
 Surplus as Regards Policyholders		 <u>57,437,042</u>
 Total Liabilities and Surplus		 <u>\$168,070,548</u>

**Glencar Insurance Company
Summary of Operations
For the Year 2019**

Underwriting Income

Premiums earned		\$85,094,413
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Deductions:

Losses incurred	\$44,625,606	
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Loss adjustment expenses incurred	10,473,695	
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Other underwriting expenses incurred	<u>35,595,524</u>	
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Total underwriting deductions		<u>90,694,825</u>
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Net underwriting gain (loss)		(5,600,412)
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Investment Income

Net investment income earned	3,565,638	
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Net realized capital gains (losses)	<u>454,446</u>	
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Net investment gain (loss)		<u>4,020,084</u>
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Net Income (Loss)		\$ <u>(1,580,328)</u>
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**Glencar Insurance Company
Cash Flow
For the Year 2019**

Premiums collected net of reinsurance		\$87,538,105
Net investment income		<u>2,709,200</u>
Total		90,247,305
Benefit- and loss-related payments	\$14,275,757	
Commissions, expenses paid, and aggregate write-ins for deductions	<u>38,592,613</u>	
Total deductions		<u>52,868,370</u>
Net cash from operations		37,378,935
Proceeds from investments sold, matured, or repaid:		
Bonds	\$31,363,220	
Net gains (losses) on cash, cash equivalents, and short-term investments	<u>19,411</u>	
Total investment proceeds	31,382,631	
Cost of investments acquired (long- term only):		
Bonds	<u>101,153,383</u>	
Net cash from investments		(69,770,751)
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	<u>43,890</u>	
Net cash from financing and miscellaneous sources		<u>43,890</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(32,347,926)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>41,262,788</u>
End of Year		<u>\$ 8,914,862</u>

**Glencar Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2019**

Assets		\$168,070,548
Less liabilities		110,633,506
Less assets in excess of investment limitations*		<u>27,040,182</u>
Adjusted surplus		30,396,860
Annual premium:		
Lines other than accident and health	\$88,086,368	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>17,617,273</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 12,779,587</u>
Adjusted surplus (from above)		\$30,396,860
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>24,311,836</u>
Security Surplus Excess (Deficit)		<u>\$ 6,085,024</u>

* This subtraction is primarily related to foreign investments. Section 620.22 (9), Wis. Stat. (commonly known as the "basket clause") allows insurers to invest an additional 5% of the first \$500 million of assets plus 10% of the insurer's assets exceeding \$500 million in investments not otherwise permitted and not specifically prohibited by statute. The effect of these limitations is set forth in s. 620.21 (1), Wis. Stat., which states, "Assets may be counted toward satisfaction of the compulsory surplus requirement or security surplus standard only so far as they are invested in compliance with this chapter and applicable rules promulgated by the commissioner."

**Glencar Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2019**

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements. From 2015 through 2017, the company was owned by Mutual of Omaha and was known as The Omaha Indemnity Company.

	2019	2018	2017	2016	2015
Surplus, beginning of year	\$62,570,040	\$21,206,385	\$12,411,483	\$12,350,030	\$12,502,160
Net income	(1,580,328)	(15,628,707)	312,351	33,877	136,021
Change in net unrealized capital gains/losses				8,330	14,201
Change in net deferred income tax	(3,562,811)	2,020,159	(197,761)	(687)	109,191
Change in nonadmitted assets	10,141	(27,797)	430,312	19,933	(411,544)
Surplus adjustments: Paid in	<u> </u>	<u>55,000,000</u>	<u>8,250,000</u>	<u> </u>	<u> </u>
Surplus, End of Year	<u>\$57,437,042</u>	<u>\$62,570,040</u>	<u>\$21,206,385</u>	<u>\$12,411,483</u>	<u>\$12,350,030</u>

**Glencar Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2019**

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and those unusual results for Glencar Insurance Company (i.e., those after 2017) will be discussed below.

Ratio	2019	2018	2017	2016	2015
#1 Gross Premium to Surplus	160%	146%	0%	0%	0%
#2 Net Premium to Surplus	153	144	0	0	0
#3 Change in Net Premiums Written	-2	999*	0	0	0
#4 Surplus Aid to Surplus	0	0	0	0	0
#5 Two-Year Overall Operating Ratio	102*	102*	0	0	0
#6 Investment Yield	2.7	1.4*	2.3*	3.0*	3.8*
#7 Gross Change in Surplus	-8	195*	71*	0	-1
#8 Change in Adjusted Surplus	-8	-64*	4	0	-1
#9 Liabilities to Liquid Assets	69	56	0	15	15
#10 Agents' Balances to Surplus	16	13	0	0	0
#11 One-Year Reserve Development to Surplus	0	0	-9	1	0
#12 Two-Year Reserve Development to Surplus	0	-9	-8	1	1
#13 Estimated Current Reserve Deficiency to Surplus	-31	0	0	0	0

Ratio No. 3 measures the percentage change in the company's net premium written from the previous year. For 2018, the exceptional result of 999 is a default value due to The Omaha Indemnity Company having negative net premium written in 2017.

Ratio No. 5 measures the company's profitability over the previous two-year period. The exceptional result of 102% in 2018 was largely due to an increase in loss reserves on its assumed portfolio, most notably in general and automobile liability. The exceptional result of 102% in 2019 was also due to an increase in liability loss reserves as well as unfavorable loss results for historically profitable programs in GIC's assumed portfolio related to niche inland marine and professional liability insurance.

Ratio No. 6 measures the company's investment yield. The exceptional result in 2018 was due to relatively large investments in low-yielding U.S. Treasury Notes during the early part of the year.

Ratio No. 7 measures the percentage change in the company's surplus from the previous year. For 2018, the exceptional result of 195% is due to a capital infusion of \$55 million from HFI during 2018.

Ratio No. 8 measures the percentage change in the company's adjusted surplus to the previous year's surplus. In 2018, GIC's adjusted surplus backed out the capital infusion of \$55 million discussed in the previous paragraph. The exceptional result of -64% for 2018 was driven by a net loss of \$15.6 million during GIC's first year of operation.

Growth of Glencar Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2019	\$168,070,548	\$110,633,507	\$57,437,045	\$ (1,580,328)
2018	131,466,993	68,896,953	62,570,040	(15,628,707)
2017	21,206,385	0	21,206,385	312,531
2016	14,503,452	2,091,969	12,411,483	33,877
2015	14,444,392	2,094,362	12,350,030	136,021
2014	14,618,199	2,116,039	12,502,160	132,324

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2019	\$91,955,485	\$88,086,368	\$85,094,413	64.8%	40.4%	105.2%
2018	91,425,854	89,947,838	50,918,753	65.9	39.4	105.3
2017	0	(1,600,013)	(1,600,014)	104.5	-17.0	87.5
2016	0	0	0	0.0	0.0	0.0
2015	0	0	0	0.0	0.0	0.0
2014	0	0	0	0.0	0.0	0.0

The results prior to 2018 are for The Omaha Indemnity Company. The company was in runoff from 2014 through 2016. The results for 2017 reflect preparation for the sale of the company to HFI.

The results for 2018 and 2019 are for Glencar Insurance Company. The Loss and LAE Ratio is relatively high due to increases in loss reserves along with unfavorable loss results on historically profitable programs. The expense ratio for both years is relatively high due to the start-up nature of GIC. Management is taking action to bring both ratios down.

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, 2019, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were two specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Fidelity Insurance—It is recommended that the company ensure that they are a named insured on any insurance policies which are intended to provide coverage for the company.

Action—Compliance.

2. Fidelity Insurance—It is further recommended that the company ensure sufficient fidelity insurance coverage in accordance with the *Financial Condition Examiners Handbook*.

Action—Compliance.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Report on Compulsory and Security Surplus

The company filed its Compulsory and Security Surplus Calculation (Form OCI 22-008) as required by s. Ins 51.80 (9), Wis. Adm. Code. The calculation was re-performed as part of the examination and an error was noted in the reporting of assets. According to s.620.21 (1), Wis. Stat., "Assets may be counted toward satisfaction of the compulsory requirement or the security surplus standard only so far as they are invested in compliance with this chapter and applicable rules promulgated by the commissioner." Due to the large amount of foreign investments the company has, not all of their assets could be counted toward satisfaction of the compulsory surplus requirement or the security surplus standard. The amended calculation resulted in lower adjusted compulsory surplus excess and security surplus excess of approximately \$27.0 million. All of the foreign investments excluded were investment grade bonds with a NAIC designation of 1FE.

It is recommended that the company establish procedures for the accurate completion and filing of the Wisconsin Compulsory and Security Surplus calculation, as required by s. Ins 51.80 (9), Wis. Adm. Code.

VIII. CONCLUSION

Glencar Insurance Company was incorporated on January 20, 1956, under the laws of the State of Wisconsin as The Equitable Casualty Company. On February 7, 1967, ownership was transferred to Mutual of Omaha. On January 1, 2018, ownership was transferred to Hannover Finance, Inc., a direct, wholly owned subsidiary of Hannover Rück SE. The present name of the company was adopted on January 1, 2018.

In 2019, the company wrote no direct premium and assumed premium of \$91,955,485 from an affiliate. The company is currently licensed in all 50 states and the District of Columbia.

The major products assumed by the company include commercial multiple peril, other liability – occurrence, other liability – claims made, and commercial auto liability. The major products are marketed through managing general agents recruited by Glencar Underwriting Managers, Inc.

The examination resulted in one recommendation, dealing with the calculation of compulsory and security surplus.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 25 - Report on Compulsory and Security Surplus—It is recommended that the company establish procedures for the accurate completion and filing of the Wisconsin Compulsory and Security Surplus calculation, as required by s. Ins 51.80 (9), Wis. Adm. Code.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company 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
Michael Miller	Insurance Financial Examiner
Kongmeng Yang	Insurance Financial Examiner
John Coyle	Insurance Financial Examiner
Eleanor Lu, CISA	IT Specialist
Karl Albert, CFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

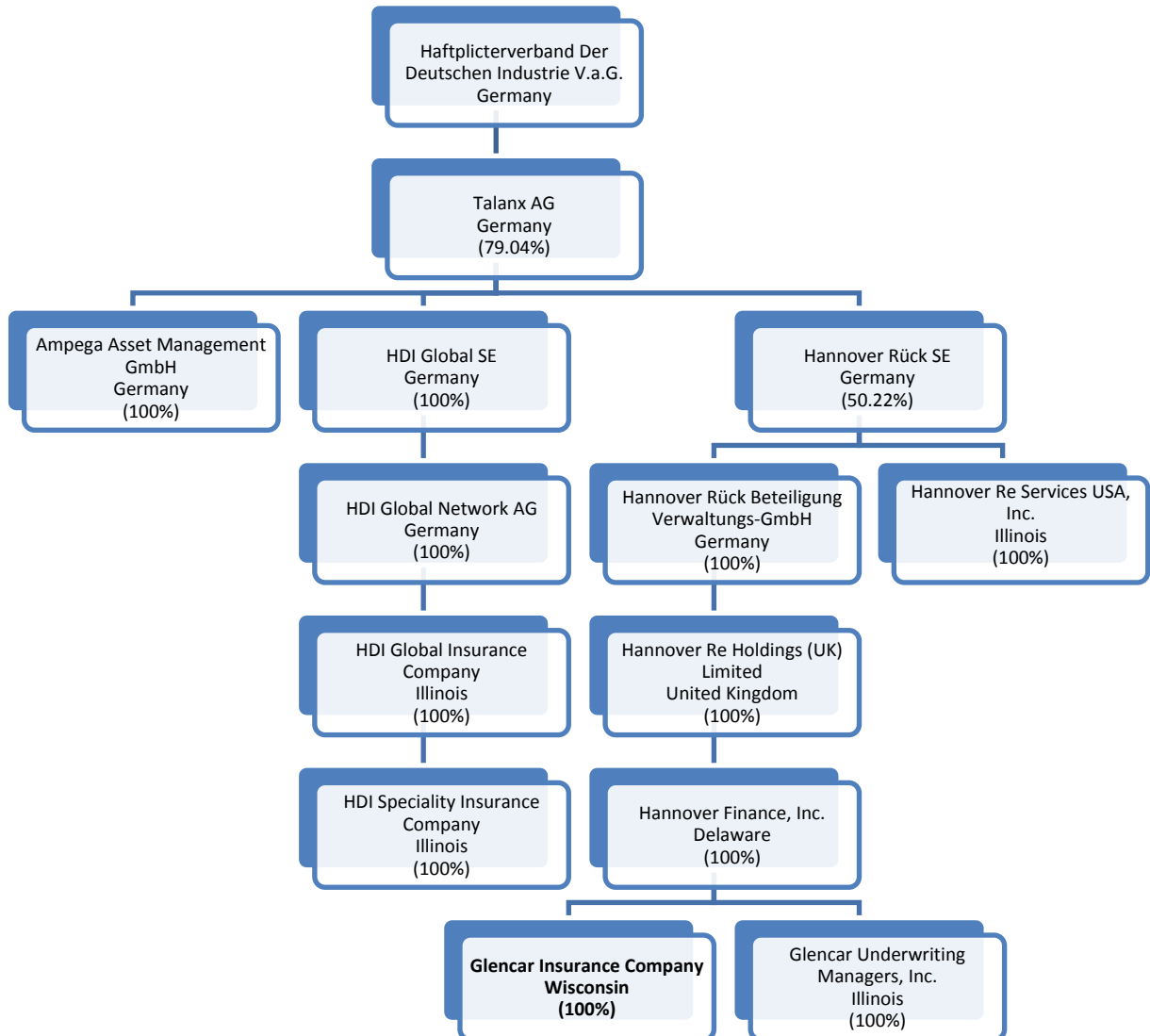


Thomas C. Hilger, AFE
Examiner-in-Charge

XI. APPENDIX - SUBSEQUENT EVENTS

Change in Intermediary Holding Company Structure

Effective November 1, 2020, the intermediary holding company structure was changed to help optimize Hannover Rück SE's capital, liquidity, solvency position, and to promote cost efficient corporate structures. As part of the transaction, Hannover Rück SE contributed 100% of the issued and outstanding shares of the capital stock of HFI to Hannover Rück Beteiligung Verwaltungs-GmbH (HRBV), an intermediate holding company. Then, HRBV contributed 100% of the issued and outstanding shares of the capital stock of HFI to Hannover Re Holdings (UK) Limited, a recently formed intermediate holding company. The organizational chart below depicts the relationships among certain affiliates in the group as of December 31, 2020.



COVID-19

On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a pandemic. As of the date of this report, significant uncertainty remains on the effect that the pandemic will have on the company, insurance industry, and economy at large. The examination's review of the impact to the company through the date of this report noted that there has not been a significant impact to the company overall; however, due to the various uncertainties with the pandemic, it is unclear whether this will continue to have a minimal impact to the company or if it will escalate. The Office of the Commissioner of Insurance continues to closely monitor the impact of the pandemic on the company.