

**WILMINGTON INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**



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*Great advice. Great people.*

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Wilmington Insurance Company

**Report on the Financial Statements**

We have audited the accompanying statutory financial statements of Wilmington Insurance Company (the "Company"), which comprise the statutory statements of admitted assets, liabilities, and capital and surplus as of December 31, 2017 and 2016, and the related statutory statements of operations, capital and surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with the statutory basis of accounting as prescribed by the Delaware Department of Insurance; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these statutory financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 2 to the statutory financial statements, the statutory financial statements and supplementary information were prepared by Wilmington Insurance Company using accounting practices prescribed by the State of Delaware. The effects on the statutory financial statements of the variances between the statutory accounting practices described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accounting Principles**

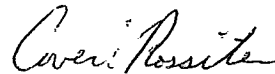
In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the statutory financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Wilmington Insurance Company as of December 31, 2017 and 2016, or the results of its operations or its cash flows for the years then ended. In addition, because of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" above, we do not express an opinion on the supplementary information referred to herein based upon U.S. generally accepted accounting principles.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the statutory financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Wilmington Insurance Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with the accounting practices prescribed by the Delaware Department of Insurance, as described in Note 2.

### **Report on Supplemental Information**

Our audits were conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The investment risks interrogatories and the summary investment schedule is presented for purposes of additional analysis and is not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audits of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory financial statements as a whole.



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Certified Public Accountants

May 15, 2018

**WILMINGTON INSURANCE COMPANY**  
**STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND**  
**CAPITAL AND SURPLUS**  
**DECEMBER 31, 2017 AND 2016**

	2017	2016
<b><u>ADMITTED ASSETS</u></b>		
Bonds, at statement value (fair value, \$1,434,400 and \$1,107,004 in 2017 and 2016, respectively)	\$ 1,429,111	\$ 1,089,363
Preferred stock, at fair value (cost, \$66,323 in 2016)	-	64,921
Common stock, at fair value (cost, \$228,778 and \$288,019 in 2017 and 2016, respectively)	232,782	270,231
Mortgage loans on real estate	75,000	-
Real estate, at cost less accumulated depreciation	391,938	400,124
Cash and short-term investments	2,052,624	2,647,708
Due from brokers	44,996	-
	4,226,451	4,472,347
Total cash and invested assets		
Accrued investment income	16,975	21,167
Premiums in course of collection	620,601	695,151
Reinsurance recoverable on paid losses	93,731	72,263
Federal income taxes recoverable	112,592	-
Net deferred tax asset	56,031	87,211
Data processing equipment, at cost less accumulated depreciation	57	397
Other	866	866
	5,127,304	5,349,402
<b>TOTAL ASSETS</b>	<b>\$ 5,127,304</b>	<b>\$ 5,349,402</b>
<b><u>LIABILITIES AND CAPITAL AND SURPLUS</u></b>		
Losses	\$ 234,807	\$ 220,052
Loss adjustment expenses	163,391	174,529
Commissions payable	122,977	136,595
Accounts payable and accrued expenses	70,725	55,524
Taxes, licenses & fees payable	(9,710)	(1,495)
Current federal income taxes payable	-	108,677
Unearned premiums	651,685	653,971
Advance premiums	41,009	54,768
Ceded reinsurance premiums payable	471,808	480,669
Remittances and items not allocated	10,232	10,250
	1,756,924	1,893,540
<b>TOTAL LIABILITIES</b>	<b>1,756,924</b>	<b>1,893,540</b>
Common stock (20,000 shares authorized; 14,800 shares issued and outstanding; \$100 par value)	1,480,000	1,480,000
Additional paid in capital	1,627,405	1,627,405
Unassigned funds	262,975	348,457
	3,370,380	3,455,862
<b>TOTAL CAPITAL AND SURPLUS</b>	<b>3,370,380</b>	<b>3,455,862</b>
	<b>\$ 5,127,304</b>	<b>\$ 5,349,402</b>
<b>TOTAL LIABILITIES AND CAPITAL AND SURPLUS</b>	<b>\$ 5,127,304</b>	<b>\$ 5,349,402</b>

See accompanying notes to statutory financial statements

**WILMINGTON INSURANCE COMPANY  
STATUTORY STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>UNDERWRITING GAIN (LOSS)</b>		
Net premiums earned	\$ 867,751	\$ 842,990
Expenses:		
Net loss incurred	221,057	(19,439)
Net loss adjustment expenses incurred	239,139	150,113
Net commissions and brokerage	(432,393)	(514,879)
Other underwriting expenses	1,072,344	800,122
	1,100,147	415,917
Net underwriting gain (loss)	(232,396)	427,073
<b>INVESTMENT ACTIVITY</b>		
Interest	51,514	28,557
Dividends	9,203	22,633
Real estate (Company occupancy of home office)	42,080	42,080
	102,797	93,270
Investment expenses	63,058	117,791
	39,739	(24,521)
Net realized capital gain	40,954	34,905
Net investment gain	80,693	10,384
<b>OTHER INCOME (EXPENSE)</b>		
Balances charged off	(1,578)	(836)
Other income	69,647	72,918
	68,069	72,082
<b>INCOME (LOSS) BEFORE FEDERAL INCOME TAXES</b>	(83,634)	509,539
Federal income taxes	(38,704)	95,751
<b>NET INCOME (LOSS)</b>	\$ (44,930)	\$ 413,788

See accompanying notes to statutory financial statements

**WILMINGTON INSURANCE COMPANY**  
**STATUTORY STATEMENTS OF CAPITAL AND SURPLUS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Balance, beginning of year</b>	\$ 3,455,862	\$ 3,262,955
Net income (loss)	(44,930)	413,788
Change in:		
Unrealized capital gain (loss), net deferred income tax benefit of \$7,089 and \$13,671 in 2017 and 2016, respectively	(580)	5,148
Net deferred income tax	(24,091)	51,019
Nonadmitted assets	14,015	23,177
Dividends to parent company	(29,896)	(85,100)
Prior year adjustment - ceded unearned premium reserve	<u>-</u>	<u>(215,125)</u>
<b>Balance, end of year</b>	<u><u>\$ 3,370,380</u></u>	<u><u>\$ 3,455,862</u></u>

**WILMINGTON INSURANCE COMPANY**  
**STATUTORY STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH AND SHORT-TERM INVESTMENTS FROM OPERATIONS</b>		
Premiums collected, net of reinsurance	\$ 904,985	\$ 1,072,600
Net investment income	64,615	20,888
Other income	68,069	72,082
Benefit and loss related payments	(227,770)	(90,382)
Commissions and expenses paid	(901,860)	(428,426)
Federal and foreign income taxes paid	(198,684)	(53,280)
Net cash and short-term investments from operations	(290,645)	593,482
<b>CASH AND SHORT-TERM INVESTMENTS FROM INVESTMENTS</b>		
Proceeds from sale of bonds	505,003	27,127
Proceeds from sale of stocks	621,736	793,216
Cost of bonds acquired	(854,319)	-
Cost of stocks acquired	(436,922)	(511,738)
Cost of mortgage loans	(75,000)	-
Cost of real estate acquired	(7,450)	(4,540)
Due from brokers	(44,996)	-
Net cash and short-term investments from investments	(291,948)	304,065
<b>CASH AND SHORT-TERM INVESTMENTS FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
Dividends to parent company	(29,896)	(85,100)
Other cash and short-term investments provided (used)	17,405	(217,592)
Net cash and short-term investments from financing and miscellaneous sources	(12,491)	(302,692)
<b>NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS</b>	(595,084)	594,855
<b>CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR</b>	2,647,708	2,052,853
<b>CASH AND SHORT-TERM INVESTMENTS, END OF YEAR</b>	<b>\$ 2,052,624</b>	<b>\$ 2,647,708</b>

See accompanying notes to statutory financial statements



**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**1. DESCRIPTION OF BUSINESS**

Wilmington Insurance Company (the "Company") writes property and liability insurance in Delaware and is also licensed to write business in the District of Columbia and North Dakota. The Company is a wholly owned subsidiary of Wilmington Holdings Corporation ("WHC"). In 2016, Trident Commercial Company ("Trident") owned 65% of WHC. In 2017, Gearson Partners Fund L.P. purchased WHC from Trident. Products are offered through independent insurance agents. A majority of the policies are written on a direct bill basis.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of accounting**

The statutory financial statements of the Company are presented on the basis of accounting practices prescribed by the Delaware Department of Insurance.

The Delaware Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Delaware for determining and reporting the financial condition and results of operations of an insurance company for determining its solvency under Delaware Insurance Laws. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures Manual* ("NAIC SAP") has been adopted as a component of prescribed practices by the state of Delaware. In 2017, the Company did not have any permitted accounting practices. During 2016, the Delaware Department of Insurance permitted the Company to correct an error that was identified in 2016 and related to the 2015 year directly through 2016 surplus.

Statutory accounting practices prescribed by the Delaware Department of Insurance vary in some respects from accounting principles generally accepted in the United States of America. The more significant of these differences are:

- a) bonds which management does not intend to hold to maturity are reported at amortized cost rather than fair value;
- b) acquisition costs, such as commissions, premium taxes and other items, have been charged to operations when incurred rather than deferred and amortized over the terms of the policies;
- c) all changes in deferred taxes are reported in surplus;
- d) certain assets designated as nonadmitted assets (principally, billed and unbilled premiums overdue, office furniture and equipment, automobiles and a portion of deferred tax assets) are charged off against surplus;
- e) salvage and subrogation are recorded as reductions of losses incurred on a cash basis;
- f) certain cash flows are reported in different activities and reported amounts may include noncash activities;

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Principles of accounting (continued)**

- g) estimated reinsurance receivables arising from ceding transactions and amounts paid to reinsurers related to unexpired portions of reinsurance contracts have been netted against related gross liabilities rather than reported as separate assets; and
- h) the Company does not separately report comprehensive income.

The effect of such differences on the accompanying statutory financial statements has not been determined.

**Fair value of financial instruments**

The Company has used the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Investments – The fair value of stocks are primarily based upon quoted market prices. The fair values for bonds are primarily based upon either quoted market prices or inputs derived principally from or corroborated from observable market information.

Cash and short-term investments – The carrying amounts reported in the statements of admitted assets, liabilities, and capital and surplus for these instruments approximate their fair values.

**Concentrations of credit risk**

Financial instruments and other assets which potentially expose the Company to concentrations of credit risk consist primarily of bonds, cash and short-term investments, premiums in the course of collection, and balances recoverable from reinsurers.

The Company's investment in Delaware State Health Bonds, totaling \$165,000 and \$165,000, accounted for 3.2% and 3.1% of total admitted assets at December 31, 2017 and 2016, respectively. The Company's investment in Maryland State Health Bonds, totaling \$305,689, accounted for 5.7% of total admitted assets at December 31, 2016 and was sold in 2017.

The Company maintains cash in bank deposit accounts that, at times, may exceed the federally insured limits. The Company has not experienced any losses from bank accounts.

Insureds primarily consist of individuals and commercial businesses. No one insured accounted for a significant amount of premiums receivable at December 31, 2017 and 2016.

As of December 31, 2017 and 2016, the Company had uncollateralized net reinsurance balances of \$1,708,000 and \$1,686,000, respectively, due from various Lloyd's syndicates which generally have an A. M. Best rating of A- or better.

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Premium revenue recognition**

Premium income is recognized in earnings over the periods covered by the policies, whereas the related acquisition and commission costs are expensed when incurred.

**Investments**

Bonds and stocks are valued in accordance with valuations prescribed by the National Association of Insurance Commissioners. Bonds are carried at cost, adjusted where appropriate for amortization of premium or accretion of discount computed on the scientific method. Highest quality perpetual preferred stocks are carried at quoted fair value while other preferred stocks are carried at lower of cost or fair value. Common stocks are carried at quoted fair value. The net unrealized gain or loss on stock is included in capital and surplus. Realized capital gains and losses are calculated based upon the specific identification of securities sold.

For all securities that are in an unrealized loss position, the Company performs an evaluation of the specific events attributable to the decline in fair value. The Company considers the length of time and extent to which the investment's fair value has been below cost as well as general market conditions, industry characteristics and the fundamental operating results of the issuer to determine if the decline is other-than-temporary. The Company also considers as part of the evaluation its intent and ability to hold the investment until its fair value has recovered to a level at least equal to its basis. When the Company determines that an investment's unrealized loss is other-than-temporary, a realized loss is recognized in the period in which the decline in fair value is determined to be other-than-temporary. The write-downs are measured based on current market prices and the Company's expectation at the time of the write-down of the future realizable value for the security. These write-downs result in a new cost basis being established for the security.

The Company's investment in mortgage loans are recorded at the amount paid to the seller.

**Real estate**

Real estate is recorded at cost less accumulated depreciation. Maintenance, repairs and minor renewals are charged to expense as incurred while expenditures which substantially increase the useful life of the asset are capitalized. Depreciation is provided by using the straight-line method over the estimated useful lives of the assets for financial reporting. Accelerated methods are used for income tax purposes.

**Cash and short-term investments**

For purposes of the statements of cash flow, cash on deposit and investments with remaining maturities of one year or less at time of acquisition are considered to be cash and short-term investments.

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Losses and loss adjustment expenses**

The liabilities for losses and loss adjustment expenses have been established on the basis of actuarial assumptions and management judgments. Projections of future ultimate losses and loss expenses are inherently uncertain because of the random nature of claims occurrences. They are also dependent upon future contingent events and are affected by economic, legal, political and social factors.

The liability for losses included the net amount for claims after deducting appropriate reinsurance recoveries, which have been reported to the Company and are unpaid at statement date, as well as provision for claims incurred but not reported at statement date. The reserve for claims incurred but not reported amounted to \$84,000 and \$60,000 at December 31, 2017 and 2016, respectively.

Management believes that the liabilities for losses and loss adjustment expenses are adequate to cover the ultimate net cost of losses and claims to date. These liabilities are subject to continuing review by management and changes in estimates are reflected in earnings currently.

The chance of material liability from toxic tort and environmental impairment claims is remote as there are no reported claims, and the Company primarily writes homeowners, fire and small commercial lines of insurance.

**Unearned premiums**

Unearned premiums are calculated using the monthly pro-rata method and are reported net after deducting amounts ceded to reinsurance companies.

**Income taxes**

The Company reports federal income taxes in the statements of operations that are currently paid or payable. Changes in deferred income taxes are reported in unassigned funds. The Company is included in the consolidated federal income tax return with WHC. The companies have a written agreement whereby current consolidated income taxes are allocated on a separate return basis and are settled annually.

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income taxes (continued)**

Deferred income taxes account for the tax effects of temporary differences between the statutory basis and tax basis of the Company's assets and liabilities and net operating loss carryover at enacted tax rates expected to be in effect when such amounts are realized or settled. Changes in deferred income taxes are reported in capital and surplus. The Company provides for a valuation allowance if it is determined that it is more likely than not that some or all of the deferred tax assets (DTAs) will not be realized. In addition, admitted DTAs are provided for using a multi-step evaluation limiting DTAs to the amount that will reverse in three years and which are available for recoupment based upon Internal Revenue Service (IRS) carryback rules, 15% of adjusted capital and surplus and the amount of deferred tax liabilities.

**Use of estimates**

Management of the Company has made a number of estimates and assumptions relating to the reporting of admitted assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these statutory financial statements in conformity with accounting practices prescribed by the Delaware Department of Insurance. Actual results could differ from those estimates.

**Reclassifications**

Certain amounts reported in the Company's 2017 and 2016 annual statement have been reclassified within the statements of capital and surplus in the accompanying statutory financial statements. These reclassifications had no impact on the Company's results of operations.

**Subsequent events**

The Company has evaluated subsequent events through May 15, 2018, the date which the financial statements were available to be issued.

**Accounting changes and corrections of errors**

In 2017, no accounting changes or correction of errors occurred. During the first quarter of 2016, the Company noted an error with the 2015 annual statement. This error was related to \$215,125 of ceded unearned premium that was improperly booked in 2015 due to a misunderstanding with the reinsurance contracts. To correct this error, the Company received approval from the Delaware Department of Insurance dated May 2, 2016 to make the adjustment in the first quarter of 2016 to correct the Company's unearned premium reserves. In order to correct the misstatement in the first quarter, the Company made the \$215,125 prior period adjustment directly to surplus and offset ceded written premiums by the same amount.

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**3. INVESTMENTS**

The statement value, gross unrealized gains, gross unrealized losses and fair value of investments in bonds at December 31 were as follows:

<u>2017</u>	<u>Statement Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
U.S. government securities	\$ 803,387	\$ -	\$ 1,311	\$ 802,076
States, territories and possessions	135,000	224	12,814	122,410
Political subdivisions	101,329	850	-	102,179
Special revenue	315,528	11,578	95	327,011
Industrial and miscellaneous	78,172	6,956	4,404	80,724
	<u>\$ 1,433,416</u>	<u>\$ 19,608</u>	<u>\$ 18,624</u>	<u>\$ 1,434,400</u>
Adjustment for bonds stated at fair value	(4,305)			
	<u>\$ 1,429,111</u>			
<u>2016</u>	<u>Statement Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
States, territories and possessions	\$ 195,192	\$ 5,093	\$ 1,785	\$ 198,500
Political subdivisions	102,192	1,705	-	103,897
Special revenue	597,296	16,627	2,445	611,478
Industrial and miscellaneous	196,646	5,956	9,473	193,129
	<u>\$ 1,091,326</u>	<u>\$ 29,381</u>	<u>\$ 13,703</u>	<u>\$ 1,107,004</u>
Adjustment for bonds stated at fair value	(1,963)			
	<u>\$ 1,089,363</u>			

The amortized cost and fair value of bonds at December 31, 2017, by contracted maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Amortized Cost</u>	<u>Fair Value</u>
Due within one year	\$ 943,899	\$ 943,005
Due after one year through five years	196,406	198,431
Due after five years through ten years	204,505	210,703
Due after ten years	88,606	82,261
	<u>\$ 1,433,416</u>	<u>\$ 1,434,400</u>

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**3. INVESTMENTS (CONTINUED)**

Proceeds from sales or maturities of bonds in 2017 and 2016 were \$505,003 and \$27,127, respectively. There were \$2,178 losses and \$3,298 gains realized on sales or maturities in 2017 and 2016, respectively.

At December 31, gross unrealized gains and losses pertaining to stocks carried at fair value were as follows:

	<u>2017</u>	<u>2016</u>
Gains	\$ 8,451	\$ 3,043
Losses	<u>4,447</u>	<u>22,233</u>
Net	<u>\$ 4,004</u>	<u>\$ (19,190)</u>

Proceeds from sales of stocks in 2017 and 2016 were \$621,736 and \$793,216 with a gain of \$59,251 and \$53,924, respectively.

The Company has performed other-than-temporary impairment analysis on all securities and has recognized other-than-temporary impairment losses of \$0, which were included in net realized capital losses in the statutory statements of operations for the years ended December 31, 2017 and 2016.

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**3. INVESTMENTS (CONTINUED)**

The gross unrealized losses, after the recognition of other-than-temporary impairment losses, and fair value, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss position at December 31 were as follows:

2017	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Government securities	\$ 802,076	\$ 1,311	\$ -	\$ -	\$ 802,076	\$ 1,311
States, territories and possessions	-	-	52,187	12,814	52,187	12,814
Special revenue	24,851	95	-	-	24,851	95
Industrial and miscellaneous	24,961	99	30,100	4,305	55,061	4,404
Subtotal, bonds	851,888	1,505	82,287	17,119	934,175	18,624
Common stock	65,618	4,447	-	-	65,618	4,447
Subtotal, stock	65,618	4,447	-	-	65,618	4,447
Total temporarily impaired securities	<u>\$ 917,506</u>	<u>\$ 5,952</u>	<u>\$ 82,287</u>	<u>\$ 17,119</u>	<u>\$ 999,793</u>	<u>\$ 23,071</u>

2016	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
States, territories and possessions	\$ -	\$ -	\$ 98,215	\$ 1,785	\$ 98,215	\$ 1,785
Special revenue	202,934	2,409	10,136	36	213,070	2,445
Industrial and miscellaneous	-	-	110,728	9,473	110,728	9,473
Subtotal, bonds	202,934	2,409	219,079	11,294	422,013	13,703
Preferred stock	13,024	366	27,907	1,770	40,931	2,136
Common stock	87,726	5,892	102,608	14,205	190,334	20,097
Subtotal, stock	100,750	6,258	130,515	15,975	231,265	22,233
Total temporarily impaired securities	<u>\$ 303,684</u>	<u>\$ 8,667</u>	<u>\$ 349,594</u>	<u>\$ 27,269</u>	<u>\$ 653,278</u>	<u>\$ 35,936</u>

At December 31, 2017 and 2016, the Company held securities with gross unrealized losses of \$23,071 and \$35,936, respectively. These unrealized losses are a result of general economic conditions. The Company has the ability and intent to hold all bonds until maturity and to hold all stocks until the security is no longer in an unrealized loss position.



**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**3. INVESTMENTS (CONTINUED)**

**Fair value measurements**

The Company's financial assets which are carried at fair value or for which fair value is disclosed are classified in one of the following three categories:

Level 1 – Represents quoted prices in active markets for identical assets. The Company considers U.S. treasury securities, exchange traded stocks and mutual funds to be Level 1 assets.

Level 2 – Represents financial assets whose fair value is determined based upon inputs derived principally from or corroborated with other observable market information. The Company considers all debt securities, except U.S. treasury securities, to be Level 2 assets.

Level 3 – Represents financial assets whose fair value is determined based upon inputs that are unobservable. The Company does not have any investments classified as Level 3.

The following tables present the fair value measurements for investments as of December 31:

<u>2017</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Fair Value</u>	<u>Contract Value</u>
Bonds:				
U.S. government securities	\$ -	\$ 802,076	\$ 802,076	\$ 803,387
States, territories and possessions	-	122,410	122,410	135,000
Political subdivisions	-	102,179	102,179	101,329
Special revenue	-	327,011	327,011	315,528
Industrial and miscellaneous	-	80,724	80,724	73,867
Total bonds	-	1,434,400	1,434,400	1,429,111
Common stock	232,782	-	232,782	232,782
Total stocks	232,782	-	232,782	232,782
Total	<u>\$ 232,782</u>	<u>\$ 1,434,400</u>	<u>\$ 1,667,182</u>	<u>\$ 1,661,893</u>

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**3. INVESTMENTS (CONTINUED)**

**Fair value measurements (continued)**

<u>2016</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Fair Value</u>	<u>Contract Value</u>
Bonds:				
States, territories and possessions	\$ -	\$ 198,500	\$ 198,500	\$ 195,191
Political subdivisions	-	103,897	103,897	102,192
Special revenue	-	611,478	611,478	597,296
Industrial and miscellaneous	-	193,129	193,129	194,684
Total bonds	-	1,107,004	1,107,004	1,089,363
Preferred stock	64,921	-	64,921	64,921
Common stock	270,231	-	270,231	270,231
Total stocks	335,152	-	335,152	335,152
Total	<u>\$ 335,152</u>	<u>\$ 1,107,004</u>	<u>\$ 1,442,156</u>	<u>\$ 1,424,515</u>

**4. MORTGAGE LOAN**

During the year ended December 31, 2017, the Company invested \$75,000 in a mortgage loan held through a participation agreement with Schutt Private Investment Fund, LP. The Company holds a 7.5% undivided interest in the \$2 million loan.

For purposes of monitoring the credit quality and risk characteristics of the loan, the Company considers loan-to-value ratios, loan performance and guarantees, as well as the status of the project construction and the status of sales activity for project units. The mortgage note holds first lien encumbering the property and all improvements, as well as guarantees, a security agreement and environmental indemnification from project principals and related entities.

Total disbursements under the \$2 million revolving note in which the Company is a participant are expected to be \$4.16 million over the life of the loan. The fair market value of the property, as completed, is \$7.35 million based on projected gross sales of units comprising the property. Accordingly, the loan-to-value at the time of making the loan is 57%. The maximum lending rate for the loan was 13.5%.

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**4. MORTGAGE LOAN (CONTINUED)**

The following is the age analysis of mortgage loans and identification of mortgage loans in which the Company is a participant or co-lender in a mortgage loan agreement as of December 31 2017:

2017	Farm	Residential		Commercial		Mezzanine	Total
		Insured	All Other	Insured	All Other		
Recorded investment							
Current	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ 75,000
30-59 days past due	-	-	-	-	-	-	-
60-89 days past due	-	-	-	-	-	-	-
90-179 days past due	-	-	-	-	-	-	-
180+ days past due	-	-	-	-	-	-	-
Participant or Co-Lender in a mortgage loan agreement	\$ -	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ 75,000

There were no mortgage loans with accruing interest 90-179 or 180 or more days past due as of December 31, 2017. The Company did not own any mortgage loan holdings as of December 31, 2016. The Company has committed a total of \$150,000 for this mortgage loan as December 31, 2017. The Company's mortgage loan investment is concentrated in one geographic location.

**5. PROPERTY AND EQUIPMENT**

The following is a schedule of admitted property and equipment at December 31:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Life</u>
Building and improvements	\$ 463,973	\$ 456,523	7-39 years
Less accumulated depreciation	(72,035)	(56,399)	
	<u>\$ 391,938</u>	<u>\$ 400,124</u>	
Data processing equipment and software	\$ 41,777	\$ 41,777	5 years
Less accumulated depreciation	(41,720)	(41,380)	
	<u>\$ 57</u>	<u>\$ 397</u>	

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**5. PROPERTY AND EQUIPMENT (CONTINUED)**

The following is a schedule of nonadmitted equipment at December 31:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Life</u>
Furniture, equipment and automobiles	\$ 57,355	\$ 57,355	5 years
Less accumulated depreciation	<u>(54,682)</u>	<u>(51,197)</u>	
	<u>\$ 2,673</u>	<u>\$ 6,158</u>	

Depreciation expense for 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Real estate	\$ 15,636	\$ 15,571
Data processing equipment and software	340	2,366
Furniture, equipment and automobiles	<u>3,485</u>	<u>3,484</u>
	<u>\$ 19,461</u>	<u>\$ 21,421</u>

**6. LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Activity in the liabilities for losses and loss adjustment expenses is summarized as follows:

	<u>2017</u>	<u>2016</u>
Net balance, January 1	\$ 394,581	\$ 483,834
Incurred related to:		
Current year	340,000	344,000
Prior years	<u>120,196</u>	<u>(213,326)</u>
Total incurred	<u>460,196</u>	<u>130,674</u>
Paid related to:		
Current year	177,000	167,000
Prior years	<u>279,579</u>	<u>52,927</u>
Total paid	<u>456,579</u>	<u>219,927</u>
Net balance, December 31	<u>\$ 398,198</u>	<u>\$ 394,581</u>

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**6. LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES  
(CONTINUED)**

As a result of changes in estimates of insured events in prior years, the liabilities for losses and loss adjustment expenses increased by \$120,196 in 2017 and decreased by \$213,326 in 2016.

**7. REINSURANCE**

In ordinary course of business, the Company seeks to limit its exposure to loss on individual claims and from the effects of catastrophes by entering into reinsurance contracts with other insurance companies. Reinsurance is ceded by the Company principally on pro rata and excess of loss basis with the Company's retention at 10% per occurrence for property risks (to a maximum retention of \$350,000) and \$50,000 per occurrence for casualty risks. Insurance ceded by the Company does not relieve it from its obligation to policyholders.

The effect of reinsurance on premiums written and earned for 2017 and 2016 was as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Written</u>	<u>Earned</u>	<u>Written</u>	<u>Earned</u>
Direct	\$ 3,486,647	\$ 3,589,355	\$ 3,644,903	\$ 3,674,314
Ceded	<u>(2,621,182)</u>	<u>(2,721,604)</u>	<u>(2,609,409)</u>	<u>(2,831,324)</u>
Net	<u>\$ 865,465</u>	<u>\$ 867,751</u>	<u>\$ 1,035,494</u>	<u>\$ 842,990</u>

The effect of reinsurance on unearned premiums as of December 31 was as follows:

	<u>2017</u>	<u>2016</u>
Direct	\$ 1,714,226	\$ 1,816,935
Ceded	<u>(1,062,541)</u>	<u>(1,162,964)</u>
	<u>\$ 651,685</u>	<u>\$ 653,971</u>

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**7. REINSURANCE (CONTINUED)**

The effect of reinsurance on the liabilities for losses and loss adjustment expenses as of December 31, 2017 and 2016 and losses and loss adjustment expenses incurred for 2017 and 2016 were as follows:

	<u>Liabilities for losses and loss adjustment expenses</u>		<u>Losses and loss adjustment expenses incurred</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Direct	\$ 994,620	\$ 883,174	\$ 992,622	\$ 861,516
Ceded	(596,422)	(488,593)	(532,426)	(730,842)
	<u>\$ 398,198</u>	<u>\$ 394,581</u>	<u>\$ 460,196</u>	<u>\$ 130,674</u>

The maximum amount of return commission which would be due nonadmitted reinsurers if all of the Company's reinsurance was cancelled as of December 2017 and 2016 was \$317,814 and \$347,766, respectively.

**8. FEDERAL INCOME TAXES**

The provision for federal income tax for 2017 and 2016 varied from that which would be obtained by applying the statutory federal income tax rate of 34% to income before income taxes due to the following:

	<u>2017</u>	<u>2016</u>
Provision computed at statutory rate	\$ (22,955)	\$ 162,131
Tax-exempt income	(9,490)	(7,092)
Nondeductible expenses	532	710
Other	33,419	(88,700)
Total	<u>\$ 1,506</u>	<u>\$ 67,049</u>
Current federal income taxes incurred	\$ (38,704)	\$ 95,751
Realized capital gains tax	16,119	22,317
Change in deferred income taxes	24,091	(51,019)
Total statutory income taxes	<u>\$ 1,506</u>	<u>\$ 67,049</u>

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**8. FEDERAL INCOME TAXES (CONTINUED)**

As of December 31, 2017, the Company did not have any net operating loss carryforwards, capital loss carryforwards or minimum tax credit carryovers. Additionally, the Company did not have any deposits under Section 6603 of the Internal Revenue Code.

The Company had federal income taxes in 2017 of (\$38,704) and had federal income taxes incurred 2016 of \$95,751 that are available for recoupment in the event of future losses.

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31 were as follows:

	<u>2017</u>	<u>2016</u>
Gross deferred tax assets:		
Ordinary:		
Unearned and advance premiums	\$ 29,523	\$ 48,891
Loss discounting	2,880	4,507
Fixed assets	561	2,094
Receivables - admitted	16,527	22,539
Other	8,851	11,814
Nonadmitted assets	<u>-</u>	<u>-</u>
Admitted deferred tax assets, ordinary	<u>58,342</u>	<u>89,845</u>
Capital:		
Unrealized investment losses	<u>2,401</u>	<u>16,744</u>
Nonadmitted deferred tax assets, capital	<u>2,401</u>	<u>16,744</u>
Total admitted deferred tax assets	<u>58,342</u>	<u>89,845</u>
Deferred tax liabilities:		
Ordinary, fixed assets	<u>2,311</u>	<u>2,634</u>
Total deferred tax liabilities	<u>2,311</u>	<u>2,634</u>
Net admitted deferred tax asset	<u>\$ 56,031</u>	<u>\$ 87,211</u>

All deferred tax liabilities have been recognized in 2017 and 2016.

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**8. FEDERAL INCOME TAXES (CONTINUED)**

The change in net deferred income taxes for 2017 and 2016 was as follows:

	<b>December 31,</b>		<b>Change</b>
	<b>2017</b>	<b>2016</b>	
Total gross deferred tax assets	\$ 58,342	\$ 89,845	\$ (31,503)
Total deferred tax liabilities	(2,311)	(2,634)	323
Net deferred tax asset	<u>\$ 56,031</u>	<u>\$ 87,211</u>	(31,180)
Tax effect of unrealized investment gains			<u>7,089</u>
Change in net deferred income tax			<u>\$ (24,091)</u>

	<b>December 31,</b>		<b>Change</b>
	<b>2016</b>	<b>2015</b>	
Total gross deferred tax assets	\$ 89,845	\$ 54,421	\$ 35,424
Total deferred tax liabilities	(2,634)	(4,558)	1,924
Net deferred tax asset	<u>\$ 87,211</u>	<u>\$ 49,863</u>	37,348
Tax effect of unrealized investment losses			<u>13,671</u>
Change in net deferred income tax			<u>\$ 51,019</u>



**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**8. FEDERAL INCOME TAXES (CONTINUED)**

The components of all deferred tax assets and liabilities at December 31 were as follows:

	<b>2017</b>		Total
	Ordinary	Capital	
Deferred tax assets admitted	\$ 58,342	\$ 2,401	\$ 60,743
Deferred tax assets nonadmitted	-	(2,401)	(2,401)
Deferred tax liabilities	(2,311)	-	(2,311)
Net admitted deferred tax asset	<u>\$ 56,031</u>	<u>\$ -</u>	<u>\$ 56,031</u>

Admission Calculation Components of SSAP No. 101:

Federal income taxes paid in prior years recoverable through loss carrybacks	<u>\$ 60,743</u>	<u>\$ -</u>	<u>\$ 60,743</u>
Adjusted gross deferred tax assets expected to be realized after application of the threshold limitations (the lesser of 1 and 2 below):	<u>-</u>	<u>-</u>	<u>-</u>
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	<u>-</u>	<u>-</u>	<u>-</u>
2. Adjusted gross deferred tax assets allowed per limitation threshold	<u>-</u>	<u>-</u>	<u>497,144</u>
Additional adjusted gross deferred tax assets offset by gross deferred tax liabilities	<u>(2,401)</u>	<u>-</u>	<u>(2,401)</u>
Admitted deferred tax assets	<u>\$ 58,342</u>	<u>\$ -</u>	<u>\$ 58,342</u>

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**8. FEDERAL INCOME TAXES (CONTINUED)**

	<u>2016</u>		
	<u>Ordinary</u>	<u>Capital</u>	<u>Total</u>
Deferred tax assets admitted	\$ 89,845	\$ 16,744	\$ 106,589
Deferred tax assets nonadmitted	-	(16,744)	(16,744)
Deferred tax liabilities	<u>(2,634)</u>	<u>-</u>	<u>(2,634)</u>
Net admitted deferred tax asset	<u>\$ 87,211</u>	<u>\$ -</u>	<u>\$ 87,211</u>
Admission Calculation Components of SSAP No. 101:			
Federal income taxes paid in prior years recoverable through loss carrybacks	<u>\$ 51,907</u>	<u>\$ -</u>	<u>\$ 51,907</u>
Adjusted gross deferred tax assets expected to be realized after application of the threshold limitations (the lesser of 1 and 2 below):	<u>-</u>	<u>-</u>	<u>-</u>
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	<u>41,268</u>	<u>-</u>	<u>41,268</u>
2. Adjusted gross deferred tax assets allowed per limitation threshold	<u>-</u>	<u>-</u>	<u>500,136</u>
Additional adjusted gross deferred tax assets offset by gross deferred tax liabilities	<u>(3,330)</u>	<u>-</u>	<u>(3,330)</u>
Admitted deferred tax assets	<u>\$ 89,845</u>	<u>\$ -</u>	<u>\$ 89,845</u>

The Company determined the amount of its admitted deferred tax assets based upon a realization threshold limitation table for risk-based capital (RBC) reporting entities. Based upon this table, the Company can admit deferred tax assets that can be expected to be realized within three years subject to a maximum of 15% of adjusted capital and surplus. Data used in determining the Company's threshold limitation was as follows:

	<u>2017</u>	<u>2016</u>
RBC ratio percentage used to determine recovery period and threshold limitation amount	671%	2762%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation	\$ 3,314,293	\$ 3,334,238

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**8. FEDERAL INCOME TAXES (CONTINUED)**

The Tax Cuts and Jobs Act of 2017 ("TCJA") was enacted into law on December 22, 2017, thereby requiring its provisions be reflected in the 2017 statutory financial statements. The TCJA, among its many elements, lowers the federal corporate tax rate to 21% from the existing 35%. Accordingly, the Company valued its deferred tax items to reflect the new, lower tax rate of 21%. The Company's current income tax expense was valued using the 35% tax rate.

The Internal Revenue Service ("IRS") requires the Company to discount loss reserves using either company specific payment patterns, or industry average tables published by the IRS. The Company has elected to follow the IRS industry average tables. The TCJA requires the IRS to publish tables linking the interest rates used to discount loss reserves to the corporate bond yield curve instead of the Federal mid-term rates used under the old law. As of the date of this report, the IRS has not published these updated tables. Accordingly, the Company is unable to make a reasonable estimate of any adjustment resulting from the application of the new IRS published discount rates. The Company has used the most recently published IRS tables for the preparation of the accompanying statutory financial statements. Any adjustment to the loss reserve discount will be recorded in the period in which additional information becomes available.

The Company has elected to not reclassify the income tax effects of the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings, as permitted in Accounting Standards Update 2018-02: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.

**9. LEASES**

The Company entered into a vehicle lease agreement on April 13, 2017. The Company has contracted to pay \$550 per month for 36 months. Minimum annual payments due under the terms of the lease are:

2018	\$	6,600
2019		6,600
2020		2,200
Thereafter		-
	\$	15,400

**10. DIVIDENDS AND CAPITAL AND SURPLUS**

As a Delaware domestic insurer, the Company is required to maintain minimum capital and surplus of \$750,000 in order to write multiple lines of insurance.

**WILMINGTON INSURANCE COMPANY**  
**NOTES TO THE STATUTORY FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**10. DIVIDENDS AND CAPITAL AND SURPLUS (CONTINUED)**

Dividend payments are limited by the Insurance Code of the State of Delaware. A domestic insurer may not declare or pay dividends or other distributions from any source other than earned surplus without the Commissioner's prior approval. As of December 31, 2017 and 2016, the balance of earned surplus was \$262,975 and \$348,457, respectively. The Company paid an ordinary dividend to WHC of \$29,896 and \$85,100 in 2017 and 2016, respectively. Dividend payments made by the Company were from earned surplus.

**11. MAJOR PRODUCERS**

In 2017 and 2016, five insurance agency groups produced approximately 81% and 83% of the Company's direct premium volume, respectively.

**12. DEFINED CONTRIBUTION PLAN**

The Company maintains a Safe Harbor 401(k) plan for eligible employees. Under the terms of the Plan, all employees who meet minimum service requirements are eligible to participate. The Plan permits voluntary employee contributions and provides for a fully vested employer matching contribution up to a maximum of 4% of eligible employee compensation for all employees that participate in the Plan. The Company had a monthly allowance for each employee of \$675 and \$655 for 2017 and 2016, respectively.

The Company has cafeteria style benefits and each employee may use the allowance to select their benefits. Company contributions to the 401(k) plan amounted to \$12,030 and \$12,281 for 2017 and 2016, respectively.

**13. RISK-BASED CAPITAL**

Risk-based capital (RBC) is a method developed by the NAIC to measure the minimum amount of capital that an insurance company needs to support its overall business operations. At December 31, 2017 and 2016, the Company's capital and surplus was in excess of the RBC requirements.

**14. RELATED PARTIES**

The managing member of Schutt Capital Management, a manager of Schutt Private Investment Fund LP, and a Managing Director of Gearson Investment Partners are on the Board of Directors of the Company and are partial owners of WHC through Gearson Partners Fund LP.

During the year ended December 31, 2017, the Company entered into a mortgage loan participation agreement with Schutt Private Investment Fund, LP for \$75,000.

**WILMINGTON INSURANCE COMPANY**  
**SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES**  
**DECEMBER 31, 2017**

Provided below are management's responses to the investment risks interrogatories and summary investment schedule required by NAIC SAP. Questions/categories not applicable to the Company have not been included below.

**Investment Risks Interrogatories**

The Company's total admitted assets as of December 31, 2017 were \$5,127,304.

The Company's largest exposures to a single issuer, based upon statement value, excluding U.S. government, U.S. government agency securities and U.S. government money market funds, listed by investment category were as follows:

1 Issuer	2 Description of exposure	3 Amount	4 Percentage of total admitted assets
Delaware St. Health Facs	Bond	\$ 165,000	3.218%
Fairfax Financial Holdings Ltd	Common Stock	155,455	3.032%
Delaware State General	Bond	101,329	1.976%
Maryland St. Trans Authority	Bond	90,504	1.765%
Kennedy-Wilson Commonwealth Hwy	Common Stock	65,618	1.280%
Puerto Rico Commonwealth Hwy	Bond	65,000	1.268%
Puerto Rico Municipal	Bond	50,000	0.975%
Safeway Inc	Bond	30,100	0.587%
Maryland 4.375% St. Health	Bond	25,077	0.489%
Chevron Corp	Bond	25,060	0.489%

The Company's amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating categories were as follows:

Bonds	1	2	Preferred Stocks	3	4
NAIC-1	\$ 1,380,305	26.921%	P/RP-1	\$ -	0.000%
NAIC-2	-	0.000%			
NAIC-4	5,100	0.099%			
NAIC-5	30,100	0.587%			
NAIC-6	13,606	0.265%			

**WILMINGTON INSURANCE COMPANY**  
**SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (CONTINUED)**  
**DECEMBER 31, 2017**

**Investment Risks Interrogatories (Continued)**

The Company's amounts and percentages of total admitted assets held in the largest equity interests were as follows:

1 Name of Issuer	2	3
Fairfax Financial Holdings Ltd	\$ 155,455	3.032%
Kennedy-Wilson Commonwealth Hwy	65,618	1.280%
NXP Semiconductors NV	11,709	0.228%

**WILMINGTON INSURANCE COMPANY  
SUMMARY INVESTMENT SCHEDULE  
DECEMBER 31, 2017**

	Gross investment holdings		Admitted assets as reported in the annual statement	
	Amount	Percentage	Amount	Percentage
Bonds:				
U.S. treasury securities	\$ 803,387	19.009%	\$ 803,387	19.009%
Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
States, territories and possessions general obligations	135,000	3.194%	135,000	3.194%
Political subdivisions of states, territories and possessions	101,329	2.397%	101,329	2.397%
Revenue and assessment obligations	315,528	7.466%	315,528	7.466%
Other debt and other fixed income securities, unaffiliated				
Domestic securities	73,867	1.748%	73,867	1.748%
Equity interests:				
Publicly traded equity securities, unaffiliated	232,782	5.508%	232,782	5.508%
Mortgage loans, multifamily residential properties	75,000	1.775%	75,000	1.775%
Real estate investments, property occupied by Company	391,938	9.273%	391,938	9.273%
Receivable from securities	44,996	1.065%	44,996	1.065%
Cash and short-term investments	2,052,624	48.566%	2,052,624	48.566%
Total invested assets	\$ 4,226,451	80.991%	\$ 4,226,451	80.991%

\* Gross investment holdings as valued in compliance with NAIC Accounting Practices and Procedures Manual

