

**STATE OF NORTH DAKOTA
BISMARCK, NORTH DAKOTA**

REPORT OF EXAMINATION

OF

**GREAT DIVIDE INSURANCE COMPANY
BISMARCK, NORTH DAKOTA**

**AS OF
DECEMBER 31, 2022**

STATE OF NORTH DAKOTA
INSURANCE DEPARTMENT

I, the undersigned, Commissioner of Insurance of the State of North Dakota, do hereby certify that I have compared the annexed copy of the Report of Examination of the

Great Divide Insurance Company

Bismarck, North Dakota

as of December 31, 2022, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.

IN WITNESS WHEREOF, I have hereunto
set my hand and affixed my official seal at my
office in the City of Bismarck, this 11th day of

June, 2024


Jon Godfread
Insurance Commissioner



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Bismarck, North Dakota
May 13, 2024

Honorable Jon Godfreed
Commissioner of Insurance
State of North Dakota
600 East Boulevard Avenue
Bismarck, ND 58505-0320

Dear Commissioner:

Pursuant to your instructions and statutory requirements, a financial examination has been made of the books, records and financial condition of

Great Divide Insurance Company

Statutory Home Office
120 W Sweet Ave
Bismarck, ND 58504-5566

Administrative Offices
11201 Douglas Avenue
Urbandale, Iowa 50322-3707

hereinafter referred to as the "Company", was last examined as of December 31, 2018, by Examiners representing the North Dakota Insurance Department, hereinafter referred to as the "Department".

SCOPE OF EXAMINATION

This examination was a multi-state, risk focused financial condition examination conducted in accordance with North Dakota Century Code ("N.D.C.C.") § 26.1-03-19.3 and observed guidelines and procedures contained in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook*. The examination was conducted to determine the Company's financial condition, its compliance with statutes, and to review the corporate affairs and insurance operations. The last examination covered the period of January 1, 2014, to December 31, 2018. This examination covers the period of January 1, 2019 through December 31, 2022, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this statutory examination.

The examination was conducted in accordance with examination policies and standards established by the Department and procedures recommended by the NAIC. In accordance with the NAIC *Financial Condition Examiners Handbook*, the examination was planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. The examination also included identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles.

The examination does not attest to the fair presentation of the financial statements included herein. Statements were prepared by management and are therefore the responsibility of management. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

Concurrent examinations were made of the following W.R. Berkley Corporation ("WRBC") affiliated property and casualty insurance companies ("Group") that are direct writers.

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
1. Acadia Insurance Company	31325	IA
2. Admiral Indemnity Company	44318	DE
3. Admiral Insurance Company	24856	DE
4. Berkley Assurance Company	39462	IA
5. Berkley Casualty Company	15911	IA
6. Berkley Insurance Company	32603	DE
7. Berkley Life and Health Insurance Company	64890	IA
8. Berkley National Insurance Company	38911	IA
9. Berkley Prestige Insurance Company	17412	IA
10. Berkley Regional Insurance Company	29580	IA
11. Berkley Specialty Insurance Company	31295	DE
12. Carolina Casualty Insurance Company	10510	IA
13. Clermont Insurance Company	33480	IA
14. Continental Western Insurance Company	10804	IA
15. Fireman's Insurance Company of Wash D.C	21784	DE
16. Gemini Insurance Company	10833	DE
17. Great Divide Insurance Company	25224	ND
18. Intrepid Casualty Company	17182	IA
19. Intrepid Insurance Company	10749	IA
20. Intrepid Specialty Insurance Company	17181	IA
21. Key Risk Insurance Company	10885	IA
22. Midwest Employers Casualty Company	23612	DE
23. Nautilus Insurance Company	17370	AZ
24. Preferred Employers Insurance Company	10900	CA
25. Riverport Insurance Company	36684	IA
26. StarNet Insurance Company	40045	IA
27. Tri-State Insurance Company of Minnesota	31003	IA
28. Union Insurance Company	25844	IA
29. Union Standard Lloyds	43435	TX

STATUS OF PRIOR EXAMINATION FINDINGS

There were no examination findings in the preceding Report on Examination which covered the period from January 1, 2014, to December 31, 2018.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings or material changes in the financial statements

SUBSEQUENT EVENTS

No significant subsequent events were noted during the examination.

HISTORY

General

The Company was originally incorporated on April 10, 1903, under the laws of the State of North Dakota by the Retail Dealers Association of North Dakota and Northern Minnesota. The Company began operations on May 15, 1903, as the Implement Dealers Mutual Fire insurance Company. In 1949 the Company changed its name to the Implement Dealers Mutual Insurance Company. Effective June 1, 1986, the Company was converted from a mutual to a stock company, which was incorporated on April 29, 1986, and the name changed to American West Insurance Company. On May 20, 1988, Tri-State Insurance Company of Minnesota, a wholly owned subsidiary of WRBC, acquired American West Insurance Company. On June 13, 1991, the Company's name was changed to Great Divide Insurance Company.

Effective July 1, 1991, Nautilus Insurance Company ("NIC") acquired ownership of the Company, NIC is a wholly owned subsidiary of Admiral Insurance Company ("ADIC"), an Iowa corporation, is a wholly owned subsidiary of WRBC.

Effective January 1, 2013, ADIC acquired direct ownership of the Company. This ownership change was associated with an intercompany pooling reorganization.

Effective September 30, 2013, Berkley Insurance Company ("BIC"), a Delaware company, acquired ownership of the Company.

The Company's primary purpose is to engage in the business of property and casualty insurance.

Capital Stock

The Company's Amended and Restated Articles of Incorporation authorize the Company to issue 6,000,000 shares of common capital stock with a par value of \$1.00 per share for a total capital paid up of \$6,000,000.

Effective January 1, 2013, ownership of the Company was transferred via an ordinary and an extraordinary dividend distribution of the Company's stock from NIC to ADIC. The dividend distributions totaled \$70.1 million. This amount was equal to the Company's surplus as of September 30, 2012.

Effective September 30, 2013, ownership of the Company was transferred via an ordinary and an extraordinary dividend distribution of the Company's stock from ADIC to BIC. The dividend distributions totaled \$66.6 million. This amount was equal to the Company's surplus as of June 30, 2013.

At December 31, 2022, the Company reported all 6,000,000 shares as issued to BIC.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws provide that the number of directors shall be established by the Board of Directors or by action of the stockholders but shall not be less than seven. Directors shall be elected at the annual meeting of the stockholders and each director shall serve until his successor is elected and qualified.

Directors serving at December 31, 2022 were as follows:

<u>Name</u>	<u>Principal Business Affiliation</u>
William R. Berkley, Jr. Greenwich, CT	President – Chief Executive Officer W. R. Berkley Corporation
Richard M. Baio West Harrison, NY	Executive Vice President - Treasurer W. R. Berkley Corporation
Paul J. Hancock Brookfield, CT	Senior Vice President – Chief Actuary W. R. Berkley Corporation
Carol J. LaPunzina Demarest, NJ	Senior Vice President – Human Resources W. R. Berkley Corporation
Phillip S. Welt Greenwich, CT	Executive Vice President - Secretary W. R. Berkley Corporation
James G. Shiel Pound Ridge, NY	Executive Vice President – Investments W. R. Berkley Corporation

Officers

The Bylaws provide that the elected officers of the Company shall be a President, a Vice President, a Treasurer, and a Secretary.

The principal officers elected and serving at December 31, 2022, were as follows:

<u>Name</u>	<u>Title</u>
William Robert Berkley Jr.	President
Richard Mark Baio	Treasurer
Philip Stanley Welt	Secretary

CORPORATE RECORDS

Articles of Incorporation and Bylaws

There were no amendments to the Bylaws or Articles of Incorporation during the period under examination.

Board of Directors, Stockholders and Committee Minutes

The minutes of the Board of Directors and stockholder meetings for the period under examination were read and no exceptions were noted. As the meeting minutes of Executive and Investment Committees are not maintained by the Group and all the other relevant committees are at the W.R. Berkley level, no committee minutes were reviewed for the exam period.

Conflict of Interest

The Company has an established procedure for annual disclosure to its board of directors of any material conflict of interest or affiliation on the part of its officers, directors or key employees which is in, or likely to, conflict with the official duties of such person.

AFFILIATED COMPANIES

Insurance Holding Company System

The Company is a member of an insurance holding company system as it is defined in N.D.C.C. §26.1- 10. The Company is a wholly owned subsidiary of Berkley Insurance Company (BIC).

An abbreviated organizational chart of the Group holding company system as of December 31, 2022, is as follows (William R. Berkley owns 20.6% voting interest in WRBC and WRBC owns 100% voting interests in the subsidiaries listed below):

William R. Berkley (1)

WR Berkley Corporation (2)

Signet Star Holdings, Inc.

Berkley Insurance Company	DE	Pooling Affiliate
Admiral Insurance Company	DE	Pooling Affiliate
Admiral Indemnity Company	DE	100% QS
Carolina Casualty Insurance Co	IA	Pooling Affiliate
Clermont Insurance Company	IA	100% QS
Nautilus Insurance Company	AZ	Pooling Affiliate
Berkley Regional Insurance Company	IA	Pooling Affiliate
Acadia Insurance Company	IA	Pooling Affiliate
Berkley Casualty Company	IA	Pooling Affiliate
Berkley Specialty Insurance Co	DE	Pooling Affiliate
Continental Western Insurance Co	IA	Pooling Affiliate
Firemen's Insurance Company of Washington, D.C.	DE	Pooling Affiliate
Tri-State Insurance Company of MN	IA	Pooling Affiliate
Union Insurance Company	IA	Pooling Affiliate
Berkley Prestige Insurance Company	IA	Pooling Affiliate

Berkley Assurance Company	IA	Pooling Affiliate
Berkley National Insurance Company	IA	Pooling Affiliate
Gemini Insurance Company	DE	Pooling Affiliate
Great Divide Insurance Company	ND	Pooling Affiliate
Intrepid Casualty Company	IA	Pooling Affiliate
Intrepid Insurance Company	IA	Pooling Affiliate
Intrepid Specialty Insurance Company	IA	Pooling Affiliate
Key Risk Insurance Company	IA	Pooling Affiliate
Midwest Employers Casualty Company	DE	Pooling Affiliate
Preferred Employers Insurance Company	CA	100% QS
Riverport Insurance Company	IA	Pooling Affiliate
StarNet Insurance Company	IA	Pooling Affiliate
Union Standard Lloyds	TX	100% QS
Berkley Life and Health Insurance Company	IA	Life Company

- (1) It was noted in a Securities and Exchange Commission filing that as of December 31, 2022, William R. Berkley beneficially owned or controlled 56,982,979 common shares of WRBC, which is publicly traded on the New York Stock Exchange under the symbol WRB. According to the 2022 WRBC Annual Report, there were 276,778,950 outstanding common shares on December 31, 2022. This results in a 20.6% economic interest and 20.6% voting control that William R. Berkley has of WRBC. Consequently, William R. Berkley is considered an ultimate controlling entity of the Group and the Company.
- (2) At December 31, 2022, other than noted in (1) above, no other individual or entity owns or controls greater than 10% of WRBC.

INTERCOMPANY AGREEMENTS

The Company does not have any direct employees. All services used by the Company are provided by BIC through an intercompany pooling agreement. See the description of the intercompany pooling agreement in the reinsurance section of this report. The Company had the following significant related party agreements in force:

Investment Advisory Agreement

Effective April 5, 1996, the Company entered into an Investment Advisory Agreement with Berkley Dean & Company (Berkley Dean), an affiliate, whereby Berkley Dean is appointed the Company's investment advisor and manager with authority to supervise and direct the investment and reinvestment of its securities in accordance with the Company's investment objectives. The securities under management by Berkley Dean are held in a custodial account maintained by JP Morgan Chase pursuant to a Custodial Agreement with the Company. Advisory fees are paid quarterly at an annual rate of not less than 0.15 of one percent based on a sliding scale of assets under management. The agreement can be terminated by either party with at least 90 days written notice prior to each anniversary.

Consolidated Federal Income Tax Allocation Agreement

On May 19, 1988, the Company entered into a Tax Allocation Agreement with W. R. Berkley Corporation providing for the allocation of the tax liability reported on the consolidated federal income tax return of WRBC. The Company's tax liability is calculated on a stand-alone basis. Payments due under the agreement are made quarterly on or before the forty-fifth day following each calendar quarter. If at any quarterly payment date, the Company has a credit balance

outstanding which has been outstanding for more than one year, WRBC shall pay any credit amount to the Company. The payment may be deferred for a period not to exceed three years provided WRBC issues a note evidencing the obligation with interest.

FIDELITY BOND AND OTHER INSURANCE

The Company is insured under a blanket fidelity bond issued to WRBC and its subsidiaries. The bond provides coverage in the amount of \$15 million for individual claims and \$15 million for all claims. The coverage meets the NAIC's recommended minimum amount of fidelity bond coverage for the Company.

The Company does not maintain any other insurance coverage since it has no employees nor does it own any assets other than investments. All operations are performed by affiliates for which the company reimburses them in the form of management fees.

STATUTORY DEPOSITS

The Company maintained the following deposits at December 31, 2022:

State	Purpose	Type of Asset	Statement Value	Fair Market Value
California	Work Comp	Bonds	\$7,987,037	\$7,547,298
Delaware	Work Comp	Bonds	100,018	100,289
Idaho	Work Comp	Bonds	310,603	293,798
Massachusetts	Work Comp	Bonds	164,094	169,359
Nevada	Multiple	Bonds	310,941	315,778
New Mexico	P&C	Bonds	311,142	325,131
Oregon	Multiple	Bonds	828,516	758,491
US Dept of Labor	Work Comp	Bonds	<u>491,023</u>	<u>475,156</u>
Total Special Deposits			<u>\$10,503,374</u>	<u>\$9,985,300</u>

The Company also maintained the following deposits for the benefit of all policyholders at December 31, 2022:

State	Type of Asset	Statement Value	Fair Market Value
Georgia	Bonds	85,015	85,246
North Carolina	Bonds	307,037	292,806
North Dakota	Bonds	2,629,233	2,505,076
Virginia	Bonds	207,421	199,030
Total Deposits for the Benefit of all Policyholders		<u>\$3,228,706</u>	<u>\$3,082,158</u>

TERRITORY AND PLAN OF OPERATIONS

As of December 31, 2022, the Company was licensed as an admitted carrier in the District of Columbia and all states except Arizona where it is licensed as a surplus lines carrier.

CEDED REINSURANCE

Intercompany Reinsurance Pooling Agreement

Effective January 1, 2013, BIC entered into an intercompany pooling agreement with its affiliated companies. During 2022, the BIC assumed \$7,695,544,000 from affiliated insurance companies through the intercompany pooling agreement. Under the terms of the agreement BIC, as the lead company in the pool, assumed 100% of the direct and assumed business written by the pool members. A listing of the affiliated companies who participate in the pool with premiums ceded to the pool in 2022 is shown below:

<u>Pool Affiliate</u>	<u>Premium Ceded</u>
Acadia Insurance Company	\$399,235,000
Admiral Insurance Company	924,284,000
Berkley Assurance Company	337,442,000
Berkley Casualty Insurance Company	144,999,000
Berkley National Insurance Company	680,388,000
Berkley Regional Insurance Company	271,673,000
Berkley Regional Specialty Insurance Company	190,986,000
Carolina Casualty Insurance Company	420,441,000
Continental Western Insurance	308,377,000
Fireman Insurance Company of Washington, D.C.	195,655,000
Gemini Insurance Company	940,303,000
Great Divide Insurance Company	310,811,000
Intrepid Casualty Insurance Company	0
Intrepid Insurance Company	85,255,000
Intrepid Specialty Insurance Company	18,407,000
Key Risk Insurance Company	182,997,000
Midwest Employers Casualty Company	288,884,000
Nautilus Insurance Company	844,622,000
Riverport Insurance Company	42,385,000
StarNet Insurance Company	428,930,000
Tri-State Insurance Company of Minnesota	299,044,000
Union Insurance Company	<u>380,426,000</u>
 Total Assumed Intercompany Pool	 <u>\$7,695,544,000</u>

The affiliated companies listed below are not participants in the intercompany reinsurance pooling agreement shown above, but do have a 100% quota share agreement with BIC. Premiums ceded to BIC in 2022, rounded to the nearest thousand are as follows:

<u>Company</u>	<u>Premium Ceded</u>
Admiral Indemnity Company	\$81,308,000
Clermont Insurance Company	16,175,000
Preferred Employers Insurance Company	134,292,000
Union Standard Lloyd's	<u>8,513,000</u>
Total	<u>\$240,288,000</u>

ACCOUNTS AND RECORDS

The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the course of the examination.

The Company is audited annually by an outside firm of independent certified public accountants. The work papers of this firm were made available to the Examiners and were used to the extent deemed appropriate for this examination.

Claim Complaints

N.D.C.C. § 26.1-04-03(10) requires that the Company adopt and implement reasonable standards for the prompt handling of written communications, primarily expressing grievances, received by the Company from insureds or claimants. The Company's complaints logs were reviewed and deemed compliant.

FINANCIAL STATEMENTS

The following pages present a Statement of Assets, Liabilities, Surplus, and Other Funds as of December 31, 2022. This statement is followed by supporting statements and reconciliations presented in the following order:

- Statement of Assets, December 31, 2022
- Statement of Liabilities, Surplus, and Other Funds, December 31, 2022
- Summary of Income, Year 2022
- Reconciliation of Capital and Surplus, January 1, 2019, through December 31, 2022

These financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2022. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered and integral part of the financial statements.

Great Divide Insurance Company
Statement of Assets
as of December 31, 2022

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	\$ 95,492,335		\$ 95,492,335
Cash and cash equivalents	10,376,918		10,376,918
Short-term investments	13,314,541		13,314,541
Receivables for securities	4,725,163		4,725,163
Investment income due and accrued	522,708		522,708
Uncollected premium and agents balances in the course of collection	44,954,335	7,082,772	37,871,563
Deferred premiums, agents balances, and installments booked but not yet due	3,177,559	59,059	3,118,501
Accrued retrospective premiums	85,907,688	6,145,913	79,761,775
Federal and foreign income tax receivable	33,099		33,099
Net deferred tax asset	2,897,374	230	2,897,144
Guaranty Funds receivable or on deposit	230,991		230,991
Receivables from parent & affiliates	2,721	2,721	
Aggregate write-ins:			
Miscellaneous receivable	3,438,625	400,747	3,037,878
Total Assets	\$265,074,057	\$13,691,442	\$251,382,615

Great Divide Insurance Company
Statement of Liabilities, Surplus, and Other Funds
as of December 31, 2022

Losses	\$	0
Reinsurance payable on paid losses and LAE		0
Loss adjustment expenses		0
Commissions payable, contingent commissions and other similar charges		(56,163)
Other expenses		0
Ceded reinsurance premiums payable		136,802,000
Amounts withheld or retained by company		76,871
Payable for securities		0
Total Liabilities		<u>\$136,822,708</u>
Common capital stock	\$	6,000,000
Gross paid-in and contributed surplus		64,894,980
Unassigned funds (surplus)		43,664,928
Surplus as regards policyholders		<u>114,559,908</u>
Total		<u>\$251,382,615</u>

**Great Divide Insurance Company
Underwriting and Investment Exhibit
for the Year Ended December 31, 2022**

UNDERWRITING INCOME

Premiums earned		\$	0
Deductions			
Losses incurred	\$	0	
Loss expenses incurred		0	
Other underwriting expenses incurred		0	
		0	
Total Underwriting Deductions			0
Net Underwriting Gain or (Loss)		\$	0

INVESTMENT INCOME

Net investment income earned		\$	1,875,581
Net realized capital, gains or (losses)		(43,414)	
		1,832,167	
Net Investment Gain or (Loss)		\$	1,832,167

OTHER INCOME

Loss from agents' balances charged off		\$	(1,663,659)
Write-in for other income		1,663,659	
		0	
Total other income		\$	0
Net income before federal income taxes		\$	1,832,167
Federal income taxes incurred		327,292	
		1,504,875	
Net Income		\$	1,504,875

Great Divide Insurance Company
Reconciliation of Capital and Surplus Account
January 1, 2019 through December 31, 2022

	For years ending			
	2022	2021	2020	2019
Capital and surplus, December 31, prior year	<u>\$112,097,520</u>	<u>\$84,220,348</u>	<u>73,674,968</u>	<u>\$70,218,336</u>
Net income	1,504,875	862,766	1,139,566	1,953,461
Change in net unrealized capital gain (loss) less capital gains tax	0	0	0	(105,978)
Change in net deferred income tax	(162,006)	(611,864)	322,308	875,177
Change in non-admitted assets	683,219	2,614,106	(912,431)	(4,290,949)
Paid in surplus		24,999,231	10,000,000	5,000,000
Write-in for deferred revenue on investment	436,299	12,933	(4,063)	24,921
Net change in capital and surplus for the year	2,462,388	27,877,172	10,545,380	3,456,632
Capital and surplus, December 31, current year	<u>\$114,559,908</u>	<u>\$112,097,520</u>	<u>\$84,220,348</u>	<u>\$73,674,968</u>

CONCLUSION

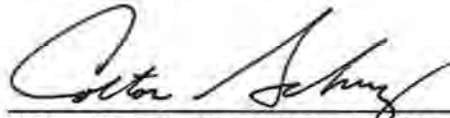
The financial condition of the Company, as of December 31, 2022, as determined by this examination is summarized as follows:

Admitted Assets		<u>\$251,382,615</u>
Total Liabilities	\$136,822,708	
Surplus as Regards Policyholders	<u>114,559,908</u>	
Liabilities, Surplus, and Other Funds		<u>\$251,382,615</u>

Since the last examination conducted as of December 31, 2018, the Company's admitted assets have decreased \$29,126,668, its total liabilities have decreased \$73,468,240, and its surplus as regards policyholders has increased \$44,341,572.

The courteous cooperation extended by the officers and employees of the Company during the course of the examination is gratefully acknowledged.

Respectfully submitted,



Colton Schulz, CFE, CISA, CRISC, CFE (Fraud)
Supervising Examiner
North Dakota Insurance Department