

JUN 23 2023

FILED

CERTIFICATION

June 23, 2023

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

GREAT WEST CASUALTY COMPANY

AS OF

DECEMBER 31, 2021

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.





DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

GREAT WEST CASUALTY COMPANY

1100 WEST 29TH STREET

SOUTH SIOUX CITY, NE 68776

dated as of December 31, 2021, verified under oath by the examiner-in-charge on May 24, 2023, and received by the company on May 25, 2023, has been adopted with modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 13th day of June 2023.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "L. Crawford", written in a cursive style.

Lindsay Crawford, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

GREAT WEST CASUALTY COMPANY

as of

December 31, 2021

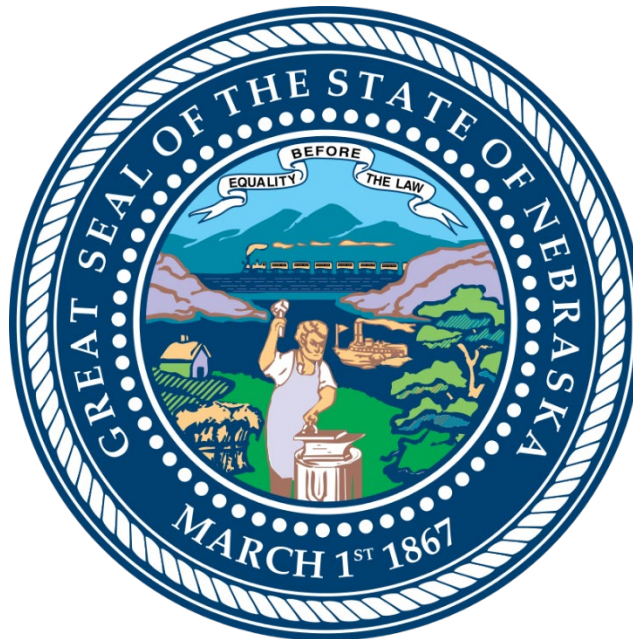


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South Sioux City, NE
May 17, 2023

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

GREAT WEST CASUALTY COMPANY
1100 West 29th Street
South Sioux City, NE 68776

(hereinafter also referred to as the “Company”), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Company as of December 31, 2016. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2021 and such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska, California, Delaware, Florida, Illinois, Iowa, Mississippi, North Carolina, Oklahoma, Pennsylvania, Texas, Vermont, and Wisconsin participated in this examination and assisted in the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company’s affiliates, American Business & Mercantile Insurance Mutual, Inc., Old Republic Home Protection Company, BITCO General Insurance Corporation, BITCO National Insurance Company, Old Republic General Insurance Corporation, Old Republic Life Insurance Company,

Old Republic Security Assurance Company, Old Republic Union Insurance Company, Republic Credit Indemnity Company, Manufacturers Alliance Insurance Company, Old Republic Insurance Company, Pennsylvania Manufacturers Association Insurance Company, Pennsylvania Manufacturers Indemnity Company, Old Republic Lloyds of Texas, Old Republic Surety Company, and Old Republic Specialty Insurance Company.

SCOPE OF EXAMINATION

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Pennsylvania Insurance Department as the coordinating state and the states of California, Delaware, Florida, Illinois, Iowa, Mississippi, Nebraska, North Carolina, Oklahoma, Texas, Wisconsin, and Vermont as participating states. The coordinated exam separated all the entities involved into three subgroups consisting of the General Insurance Subgroup (GI), Title Subgroup (Title), and Guaranty Mortgage Subgroup (GM). Pennsylvania was the lead state and exam facilitator for the GI, Florida was the facilitator for the Title, and North Carolina was the

facilitator for the GM. Work performed by Pennsylvania was evaluated and relied upon as part of the preparation of this report.

The companies examined under this approach benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or Subsidiary Operating Centers (SOC) level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

The Nebraska Department of Insurance made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholder, Board of Directors and committees held during the examination period were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions, and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare and pension. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report."

The Company's reinsurance facilities were ascertained and noted and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by KPMG, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2020 and 2021. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was incorporated under the laws of the State of Nebraska on March 22, 1956, as Great West Insurance Company, with its Home Office located in South Sioux City, Nebraska. It was licensed to commence business as a capital stock casualty insurance company on April 16th of that same year and continued to operate under the name Great West Insurance Company until August 17, 1962, when its present name was adopted.

Majority ownership of the Company was maintained by its original incorporators until December 28, 1970, at which time such control transferred to Greater Nebraska Corporation, an insurance holding company, through an exchange of stock. The holding company subsequently changed its name to First Greatwest Corporation on December 4, 1972.

Ownership of First Greatwest Corporation was acquired by Pullman Incorporated on March 24, 1978. Wheelabrator-Frye, Inc. subsequently acquired financial control of Pullman Incorporated and its subsidiaries, including the Company, on November 6, 1980. On July 10, 1981, Wheelabrator-Frye, Inc. sold First Greatwest Corporation and some of its subsidiaries, including the Company, to Bitco Corporation, an insurance holding company located in Rock Island, Illinois. This transaction, and a subsequent realignment of subsidiaries, resulted in the Company becoming a wholly-owned subsidiary of Bitco Corporation.

On March 11, 1985, control of the Company was acquired by Old Republic International Corporation, a Delaware holding company (Old Republic). The acquisition of control took place pursuant to an Agreement and Plan of Merger dated December 21, 1984, between ORI, Inc. (a Delaware wholly-owned subsidiary of Old Republic) and Bitco Corporation, and a Supplemental Agreement of the same date between Old Republic, ORI, Inc. and Bitco Corporation. The

merger contemplated by these Agreements was consummated on March 11, 1985, with Bitco Corporation being merged into ORI, Inc. Upon the effectiveness of the merger, the name of ORI, Inc. was changed to Bitco Corporation. Following the merger, Old Republic contributed all of the outstanding shares of Bitco Corporation to its wholly-owned mid-stream holding company, Old Republic General Insurance Group, Inc. (Delaware).

During August 1990, Bitco Corporation was merged into Old Republic General Insurance Group Inc. (ORGIG) for the purpose of simplifying the organizational structure. With the merger, the Company's common stock was issued in the name of ORGIG, and its preferred stock was divided among five companies, all of which are ultimately owned by Old Republic. On October 2, 1993, the outstanding common stock of the Company was reissued to ORI Great West Holdings, Inc. On December 15, 1996, the Company redeemed its outstanding preferred stock for cash.

Under provisions of its amended charter and in conformity with Nebraska statutes, the Company is presently authorized to write those lines of business usual to a multiple line property and casualty insurance company.

MANAGEMENT AND CONTROL

Holding Company

The Company, a subsidiary of ORI Great West Holdings, Inc., is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the "Ultimate Controlling Entity," as reported in the 2021 Annual Statement, is attached to this report as an addendum.

Shareholder

Article IV of the Company’s Articles of Incorporation states that, “the authorized capital stock of said corporation shall be Seven Million Five Hundred Thousand Dollars (\$7,500,000), consisting of One Million (1,000,000) shares of Common Stock of the par value of Two and 50/100 Dollars (\$2.50) per share and Fifty Thousand (50,000) shares of Preferred Stock of the par value of One Hundred Dollars (\$100.00) per share.” As of December 31, 2021, Company records indicated that 1,000,000 shares of common stock were issued and outstanding for a total of \$2,500,000, and all were owned by ORI Great West Holdings, Inc.

As of December 31, 2021, the gross paid-in and contributed surplus was \$56,130,928. This has not changed since the previous examination.

Cash dividends paid to the common stockholder during the examination period are as follows:

| <u>Date</u> | <u>Amount</u> |
|--------------------|----------------------|
| 2017 | \$65,000,000 |
| 2018 | 58,000,000 |
| 2019 | 70,000,000 |
| 2020 | 82,000,000 |
| 2021 | 74,000,000 |

Article IX of the Company’s Articles of Incorporation states that, “the annual meeting of the stockholders shall be held on or before the 31st day of May each calendar year, beginning with the year 1985.”

Board of Directors

Article IV of the By-Laws states that, “the Board of Directors shall consist of a minimum of five (5) and a maximum of twenty-one (21) persons, one (1) of whom must be a citizen of the State of Nebraska.”

The following persons were serving as Directors at December 31, 2021:

| <u>Name and Residence</u> | <u>Principal Occupation</u> |
|--|---|
| Barbara A. Adachi San Mateo, CA | Retired Partner, Deloitte |
| Steven J. Bateman Maple Plain, MN | Retired Partner, PricewaterhouseCoopers, LLP |
| Jimmy A. Dew Bermuda Run, NC | Retired Vice President of Republic Mortgage Insurance Company |
| John M. Dixon Winnetka, IL | Retired Partner, Chapman and Cutler Attorneys |
| Hugh H. Fugleberg Homer, NE | Retired President and Chief Operating Officer of the Company |
| Michael D. Kennedy Atlanta, GA | Senior Client Partner, Korn Ferry |
| Charles J. Kovaleski Oviedo, FL | Retired Executive Vice President of Old Republic National Title Insurance Company |
| Spencer Leroy III Western Springs, IL | Retired Senior Vice President, Secretary and General Counsel of Old Republic International Corporation |
| Peter B. McNitt Winnetka, IL | Retired Vice Chairman, BMO Harris Bank |
| R. Scott Rager Oak Brook, IL | Executive Vice Chairman of Old Republic International Corporation |
| Glenn W. Reed Barrington, IL | Retired Partner, Drinker Biddle |
| Craig R. Smiddy Chicago, IL | President and Chief Executive Officer of Old Republic International Corporation |
| Arnold L. Steiner Birmingham, AL | Retired President, Steiner Bank |
| Fredricka Taubitz San Diego, CA (Summer) Sarasota, FL (Winter) | Retired Executive Vice President and Chief Financial Officer, Zenith National Insurance Corporation |

Name and Residence

Principal Occupation

Steven R. Walker
Oakland, CA

Retired Partner, Leland, Parachini, Steinberg,
Matzger & Melnick, LLP Attorneys

Officers

Article VI of the By-Laws states that, “the Officers of the Company shall be a Chairman, a President, one or more Senior Vice Presidents, one or more Executive Vice Presidents, one or more Vice Presidents, a Secretary and a Treasurer, all of whom shall be selected by the Board of Directors and shall hold their respective offices for such a period as designated by the Board or until their successors are elected and qualified... The Board of Directors may select a Vice Chairman, one or more Assistant Vice Presidents, Assistant Secretaries or Assistant Treasurers with terms of office and duties designated by resolution.”

The following is a listing of Senior Officers elected and serving the Company at December 31, 2021:

Name

Office

Craig R. Smiddy

Chairman of the Board

Steven J. Olson

President

James D. Jensen

Chief Executive Officer

Mary E. Anderson

Chief Financial Officer and Treasurer

Craig A. Posson

Secretary and General Counsel

Mandy S. Graham

Chief Operating Officer

Terry J. Keime

Executive Vice President, Underwriting &
Safety

James C. Meehan

Vice President, Claims

Committees

Article X of the By-Laws states that, “all Committees shall be elected by and serve at the pleasure of the Board of Directors. A majority of a Committee’s membership shall constitute a quorum and an affirmative vote of a majority of the members attending a meeting shall be required to carry any motion or resolution, unless otherwise required by the Board of Directors.

Each Committee shall keep regular minutes of its proceedings and shall submit its minutes for approval to the next meeting of the Board of Directors.”

Members elected to committees by the Board of Directors at December 31, 2021 are as follows:

Executive Committee

Craig R. Smiddy, Chair
John M. Dixon
Spencer LeRoy III
Arnold L. Steiner
Fredricka Taubitz
Steven R. Walker
Aldo C. Zucaro

Audit Committee

Fredricka Taubitz, Chair
Steven J. Bateman
Peter B. McNitt
Michael D. Kennedy
Charles J. Kovaleski
Spencer Leroy III
Glenn W. Reed
Steven R. Walker

Compensation Committee

John M. Dixon, Chair
Steven J. Bateman
Lisa Caldwell
Jimmy A. Dew
Peter B. McNitt
Glenn W. Reed
Arnold L. Steiner
Fredricka Taubitz

TRANSACTIONS WITH AFFILIATES

Investment Counsel Services Agreement

Effective July 1, 2012, the Company entered into an Investment Counsel Services Agreement with Old Republic Asset Management Corporation (ORAM). This agreement replaces the original agreement that was dated January 1, 2005. Under this agreement, ORAM shall have full discretionary authority to manage, purchase or sell any or all securities owned by the Company. ORAM will keep accurate and detailed records and provide the Company with monthly investment reports. ORAM receives an annual fee in quarterly installments based on the market value of securities under supervision as shown by the quarterly statements.

Tax Sharing Agreement

Effective April 28, 2004, the Company became party to the Tax Sharing Agreement between Old Republic and its subsidiaries to apply to the tax year ended 2004 and to each tax year thereafter until terminated. The tax allocation is based upon the separate return calculation. Any overpayments or adjustments in favor of the Company will be reimbursed.

Information Technology Services Agreements

Effective February 1, 2005, the Company and Old Republic Insurance Company of Canada (ORINSCO) agreed to an Information Technology Services Agreement. The Company will provide information technology, specifically strategic planning and consultation. The Company will receive \$20,833 (Canadian) per month. This agreement will be ongoing until cancelled by either party upon 60 days written notice.

Effective February 28, 2008, the Company became party to an Information Technology Services Agreement with Old Republic Insurance Company (ORIC). The Company provides services that include data center and helpdesk services. Data center service fees are based upon usage of shared resources that include CPU time, telecommunications facilities, and special software. Fees are reviewed annually or at any time there is a 25% usage increase for three consecutive months which may increase the monthly fee. This agreement is in effect indefinitely and may be terminated by either party with 180 days written notice.

Effective February 5, 2008, the Company became party to a Disaster Recovery Services Agreement with Chicago Underwriting Group, Inc. (CUG). The Company provides disaster recovery services with special recovery requirements established by CUG. Terms of the agreement include a service fee of \$800 per month which may be changed annually and, in addition, CUG will reimburse the Company actual expenses incurred during the disaster window.

This agreement will continue annually and may be terminated by either party providing 30 days advance written notice. Since the agreement was entered into, CUG's name has been changed to Old Republic Professional Liability, Inc.

Reimbursement Agreements

Effective January 1, 2013, the Company became party to three reimbursement agreements with affiliates, Great West Services, Inc., Great Republic Assurance, Ltd., and to their parent, ORI Great West Holdings, Inc. The terms of the agreements state that from time to time the Company will pay bank fees and other miscellaneous fees on behalf of the affiliates and parent for convenience or to achieve economies of scale. The fees charged by the Company are actual expenses incurred with no additional fees added.

Shared Services Agreements

The Company has a number of shared services agreements in place with many of the affiliates of the Old Republic group. The Company will provide services that include but are not limited to: claims handling, underwriting, actuarial, marketing, legal, accounting, information technology, human resources, emergency management planning, internal audit, office call processing, transcription, training, and other operational services. Terms of the agreement are renewed annually. Fees are based upon the most appropriate service provided.

Management and Claims Service Agreements

Effective January 1, 2008, the Company and American Business & Personal Insurance Mutual, Inc. (ABPIM), now known as American Business & Mercantile Insurance Mutual, Inc. (ABMIM), entered into a Management and Claims Service Agreement which utilizes the expertise of the Company in writing commercial automobile physical damage, workers compensation, cargo and non-trucking use liability coverages. The Company agrees to render

such underwriting, accounting, reporting, premium collection and disbursement, and claim services to ABMIM and its reinsurers. For these services, the Company receives an underwriting service fee of 9 percent of direct premiums written for each month with 6 ½ percent representing the management fee and 2 ½ percent representing allowances for sums due for premium taxes, boards, and bureaus. This Service Agreement was amended effective January 1, 2013 to add the line of workers' compensation and to provide for quarterly billing by the Company. This Agreement may be terminated upon 75 days notice in writing by either party.

Effective July 1, 2009, the Company and ABPIM, now known as ABMIM, entered into a Claims Servicing Agreement with the Company being the "Administrator" and the exclusive agent to process ABMIM claims. For these services, the Company receives a fee of 4% of net premiums earned on the insurance program. This Agreement continues until termination or expiration of the Managing General Agency Agreement between the Company and Old Republic Agribusiness Underwriters, Inc. This Agreement was amended effective January 1, 2013 to provide for quarterly billing by the Company.

Intercompany Aircraft Usage Agreement

Effective December 1, 2012, the Company entered into an agreement with Joe Morten & Son, Inc. (JMS) whereby the Company can utilize the JMS aircraft on an as-needed basis. The Company shall be billed the usage costs on a flat charge per mile based upon fuel, insurance, and other costs associated with the aircraft. The agreement is indefinite with a 90-day termination notice.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact the business of insurance in the District of Columbia and in all states of the United States except Hawaii.

The Company provides property and liability insurance, primarily commercial automobile insurance, to the trucking industry. Geographically, the Company's marketing territory is primarily in the midwest, southeast, south, and most western states. The country is divided into three regions; East, Central, and West with offices located in Boise, Idaho, Bloomington, Indiana, South Sioux City, Nebraska, Arlington, Texas, and Knoxville, Tennessee. The corporate offices are also located in South Sioux City, Nebraska.

The Company markets its products through agents that specialize in its product line. As of December 31, 2021, the Company's agency force included 1,419 licensed agents producing business through approximately 164 agencies. As of December 2021, approximately 12.4% of all insurance written by the Company is produced by affiliated agencies, namely Joe Morten & Son, Inc.

REINSURANCE

Assumed

The Company assumes casualty and property business from its affiliate ABMIM. Under terms effective January 1, 2008, this agreement provides coverage for each occurrence as follows:

Casualty business:

| | |
|---------------------|--|
| First Share Cover | 20% of the first \$500,000 |
| First Excess Cover | 100% of \$1,500,000 in excess of \$500,000 |
| Second Excess Cover | 100% of \$3,000,000 in excess of \$2,000,000 |

Property business:

| | |
|---------------------|--|
| First Share Cover | 20% of the first \$500,000 |
| First Excess Cover | 100% of \$1,500,000 in excess of \$500,000 |
| Second Excess Cover | 100% of \$3,000,000 in excess of \$2,000,000 |

The Company services the business under a separate agreement with ABMIM. Under this service agreement, ABMIM utilizes the Company's services to write workers compensation coverage, and in the past, has also written commercial automobile physical damage, cargo, and non-trucking use liability coverages under this agreement. The Company renders underwriting, accounting, reporting, premium collection and disbursement, and claims service to ABMIM and its reinsurers on this business. As consideration, the Company receives a reinsurance premium based on the First Share Cover, First Excess Cover, and Second Excess Cover as outlined above. For the property and casualty business under the First Share Cover, the Company receives 20% of the subject gross net premium earned by ABMIM.

A reinsurance agreement similar to that with ABMIM was entered into effective July 30, 1993, and most recently amended October 1, 2015, with Old Republic Union Insurance Company (ORUIC). This agreement provides coverage for each occurrence as follows:

Casualty business:

| | |
|---------------------|--|
| First Share Cover | 100% of the first \$500,000 |
| First Excess Cover | 100% of \$500,000 in excess of \$500,000 |
| Second Excess Cover | 100% of \$1,000,000 in excess of \$1,000,000 |
| Third Excess Cover | 100% of \$3,000,000 in excess of \$2,000,000 |

Property business:

| | |
|---------------------|--|
| First Share Cover | 100% of the first \$500,000 |
| First Excess Cover | 100% of \$500,000 in excess of \$500,000 |
| Second Excess Cover | 100% of \$1,000,000 in excess of \$1,000,000 |
| Third Excess Cover | 100% of \$3,000,000 in excess of \$2,000,000 |

The Company also services this business under a separate agreement. The Company performs such insurance functions as may be necessary and required including, but not necessarily limited

to, marketing, underwriting, and claims services. For the property and casualty business under the First Share Cover, the Company receives 100% of the subject gross net premium earned by ORUIC.

Another similar reinsurance agreement was entered into February 1, 1998, and amended January 1, 2014 with affiliate Old Republic Life Insurance Company (ORL). Under this agreement, the Company assumes liability under occupational accident business issued by ORL. This agreement provides coverage for each occurrence as follows:

| | |
|---------------------|--|
| First Excess Cover | 100% of \$500,000 in excess of \$500,000 |
| Second Excess Cover | 100% of \$1,000,000 in excess of \$1,000,000 |
| Third Excess Cover | 100% of \$3,000,000 in excess of \$2,000,000 |

The Company participates in state workers' compensation pools through the National Council on Compensation Insurance. In addition, the Company participates in various states' Commercial Auto Insurance Plans.

Ceded

Effective January 1, 2016, an agreement was in place with an affiliate Inter West Assurance, Ltd. providing reinsurance coverage for the Company's direct written property and casualty, assumed casualty, and occupational accident business. Under the terms of this agreement, reinsurance is provided under a First Excess Coverage; \$500,000 each occurrence in excess of \$500,000. In addition to payments for their share of net loss, the reinsurer shared proportionately in adjustment expenses.

Effective January 1, 2006, an agreement was in place with Old Republic General Insurance Company (ORGIC) providing reinsurance coverage for the Company's direct written property and casualty, assumed casualty, and occupational accident business or a combination thereof. Under the terms of this agreement, reinsurance is provided under a Second Excess

Coverage; \$1,000,000 each occurrence in excess of \$1,000,000. In addition to payments for their share of net loss, the reinsurer shares proportionately in adjustment expenses.

Effective January 1, 2007, an agreement was in place with ORGIC providing reinsurance coverage for the Company's direct written property and casualty, assumed casualty, and occupational accident business or a combination thereof. Under the terms of this agreement, reinsurance is provided under a Third Excess Coverage; \$3,000,000 in excess of \$2,000,000. In addition to payments for their share of net loss, the reinsurer shares proportionately in adjustment expenses.

The casualty contract applicable to the Company is broken down into 3rd through 5th and 6th through 8th layers. The 3rd through 5th layers are applicable to personal and commercial auto liability, other liability, and workers' compensation for each occurrence as follows:

| | |
|--------------|--|
| Third Layer | \$ 5,000,000 in excess of \$ 5,000,000 |
| Fourth Layer | \$10,000,000 in excess of \$10,000,000 |
| Fifth Layer | \$20,000,000 in excess of \$20,000,000 |

The 6th through 8th layers indemnify the Company for liability under workers' compensation policies only as follow:

| | |
|---------------|--|
| Sixth Layer | \$ 20,000,000 in excess of \$ 40,000,000 |
| Seventh Layer | \$ 40,000,000 in excess of \$ 60,000,000 |
| Eight Layer | \$100,000,000 in excess of \$100,000,000 |

The ultimate net loss in respect of all loss events during the term of the contract is limited by layer as follows:

| | |
|---------------|---------------|
| Third Layer | \$ 10,000,000 |
| Fourth Layer | \$ 20,000,000 |
| Fifth Layer | \$ 40,000,000 |
| Sixth Layer | \$ 60,000,000 |
| Seventh Layer | \$100,000,000 |
| Eight Layer | \$200,000,000 |

Effective March 1, 2009, the Company entered into an Umbrella Liability Quota Share Reinsurance Agreement, renewed annually, that cedes liability under Commercial Umbrella Liability and Excess Liability policies written for certain classifications of insureds. The Limits of Coverage are provided as respects to policies issued by the Company for amounts up to but not exceeding \$5,000,000; the Company cedes 100% to the reinsurers the Company's net retained liability as respects the first \$1,000,000 plus a 100% quota share participation of the Company's net retained liability for amounts in excess of \$1,000,000 up to \$4,000,000 under each policy resulting from each occurrence. The policy limits that may be ceded by the Company to the Reinsurer and covered shall be up to \$1,000,000 excess of a \$1,000,000 primary limit; up to \$3,000,000 excess of a \$2,000,000 primary limit and up to \$5,000,000 excess of a \$5,000,000 primary limit. With respect to policies with 10 insured vehicles or less, the policy limits that may be ceded by the Company to the Reinsurer and covered shall be up to \$4,000,000 excess of a \$1,000,000 primary limit. The Company retains a commission allowance of 31% of the proportional premium ceded.

Effective October 1, 2019, the Company replaced the above agreement by entering into a Casualty Quota Share/Excess Cessions Reinsurance Contract that cedes a proportionate participation in respect to all policies produced and/or underwritten and classified by the company as Automobile Liability, General Liability, Excess Liability, Employers Liability, and Umbrella Liability. This agreement is renewed annually, and as of October 1, 2021, ORGIC participates at 20% and various unaffiliated reinsurers comprise the remaining 80% participation. The Company retains a commission allowance of 31% of the proportional premium ceded.

As respects Excess Liability and Umbrella Liability business subject to this Contract, the Company will cede, and the Reinsurers agree to accept 100% of the Company's excess liability

for Losses on all Policies described in the Coverage Article as Excess Liability and Umbrella Liability. However, the limit of liability on each cession made hereunder will not exceed \$10,000,000, any one Occurrence or Offense, any one Policy.

As respects Automobile Liability and General Liability business subject to this Contract, no claim will be made hereunder unless the Company has first sustained a Loss of \$1,000,000, any one Occurrence or Offense, any one Policy. The Company will then cede and the Reinsurers agree to accept 100% of the Company's liability for Losses on all Policies described in the Coverage Article as Automobile Liability and General Liability. However, the limit of liability on each cession made hereunder will not exceed \$10,000,000, any one Occurrence or Offense, any one Policy. Effective July 1, 2007 and renewing each year, the Company has a Property Catastrophe Excess of Loss Reinsurance Agreement. This agreement allows the Company to recover when it has an interest in two or more risks involved in the same loss occurrence, also known as basket coverage. The subscribing reinsurers shall be liable in respect to each loss occurrence for 100% of the ultimate net loss over and above an initial ultimate net loss of \$3,000,000 each loss occurrence, subject to a limit of liability to the reinsurer of 95% of \$10,000,000 each loss occurrence. As of July 1, 2021, ORGIC participates at 43% and various unaffiliated reinsurers comprise the remaining participation. Additional Property Catastrophe layers with various unaffiliated reinsurers are listed below:

| | |
|--------------|--|
| Second Layer | \$ 20,000,000 in excess of \$ 10,000,000 |
| Third Layer | \$ 40,000,000 in excess of \$ 30,000,000 |
| Fourth Layer | \$ 60,000,000 in excess of \$ 70,000,000 |
| Fifth Layer | \$ 70,000,000 in excess of \$130,000,000 |
| Sixth Layer | \$125,000,000 in excess of \$200,000,000 |

Since January 1, 2000, the Company has been party to an affiliated quota share reinsurance contract. Since January 1, 2005, the Company has ceded 5% of its net retained

liability to ORGIC. The reinsurance premium is equal to the percentage of the subject net premiums written by the Company. Under the agreement the Company's net retained liability is defined to include unallocated loss adjustment expenses. A fixed commission allowance of 22.5% is provided for underwriting expense.

The Company maintains reinsurance agreements with internal and external captives that provide coverage for certain trucking policies, primarily coverage for carriers' leased operators when not on dispatch. There is an affiliated captive reinsurance agreement with Great Republic Assurance, Ltd. and various agreements with non-affiliated captive insurers. Limits of liability under these agreements vary.

The Company also utilizes facultative reinsurance as an accommodation to insureds whose risk exceeds the Company's tolerance for a particular line of business. This coverage is placed with several different unaffiliated reinsurers.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--------------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| Bonds | \$ 1,127,814,554 | \$1,164,930,810 | \$1,211,667,659 | \$1,234,367,165 | \$1,352,386,694 |
| Admitted assets | 2,133,225,771 | 2,196,963,270 | 2,306,974,137 | 2,381,952,212 | 2,586,585,929 |
| Loss reserves | 727,291,255 | 761,628,745 | 801,291,054 | 811,252,381 | 824,511,344 |
| Loss adjustment expenses | 137,560,981 | 142,691,166 | 150,149,027 | 153,974,460 | 160,295,852 |
| Total liabilities | 1,507,207,461 | 1,583,930,645 | 1,619,802,398 | 1,696,347,094 | 1,754,036,148 |
| Capital and surplus | 626,018,310 | 613,032,625 | 687,171,740 | 685,605,119 | 832,549,786 |
| Premiums earned | 872,156,509 | 924,496,034 | 924,576,773 | 915,639,156 | 993,580,739 |
| Losses incurred | 547,821,756 | 558,526,672 | 546,644,619 | 530,631,335 | 504,430,073 |
| Loss expenses incurred | 108,539,405 | 112,389,986 | 114,860,992 | 108,157,217 | 113,083,881 |
| Underwriting gain/(loss) | 18,773,552 | 36,985,107 | 46,148,135 | 57,879,557 | 130,212,684 |
| Net investment income | 50,562,823 | 54,732,307 | 56,908,444 | 56,397,262 | 55,870,903 |
| Net income | 62,683,157 | 76,524,511 | 89,744,884 | 72,841,724 | 152,095,491 |

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2021

| <u>Assets</u> | <u>Assets</u> | <u>Assets Not Admitted</u> | <u>Net Admitted Assets</u> |
|---|------------------------|---------------------------------------|---|
| Bonds | \$1,352,386,694 | | \$1,352,386,694 |
| Common stocks | 577,535,418 | | 577,535,418 |
| Properties occupied by the Company | 26,721 | | 29,721 |
| Cash and cash equivalents | 54,855,899 | | 54,855,899 |
| Other invested assets | <u>9,768,000</u> | | <u>9,768,000</u> |
| Subtotal, cash and invested assets | \$1,994,575,732 | | \$1,994,575,732 |
| Investment income due and accrued | 11,277,782 | | 11,277,782 |
| Uncollected premiums and agents' balances | 111,842,558 | \$ 880,452 | 110,962,106 |
| Deferred premiums | 426,274,627 | 103,900 | 426,170,727 |
| Accrued retrospective premiums | 1,722,477 | | 1,722,477 |
| Amounts recoverable from reinsurer | 30,384,518 | | 30,384,518 |
| Guaranty funds receivable or on deposit | 451,782 | | 451,782 |
| Electronic data processing equipment | 3,233,547 | 3,046,073 | 187,474 |
| Furniture and equipment | 4,207,720 | 4,207,720 | |
| Receivables from parent, subsidiaries and affiliates | 1,886,552 | | 1,886,552 |
| Self-insurance recoverable on loss payments | 8,433,038 | 229,056 | 8,203,982 |
| Equities and deposits in pools and associations | 762,798 | | 762,798 |
| Sales & use tax refund receivable | 5,576,069 | 5,576,069 | |
| Prepaid expenses | <u>3,478,847</u> | <u>3,478,847</u> | <u> </u> |
| Totals | <u>\$2,604,108,046</u> | <u>\$17,522,116</u> | <u>\$2,586,585,929</u> |

Liabilities, Surplus, and Other Funds

| | |
|---|----------------------------|
| Losses | \$ 824,511,344 |
| Loss adjustment expenses | 160,295,852 |
| Commissions payable, contingent commissions and other similar charges | 4,879,984 |
| Other expenses | 23,452,416 |
| Taxes, licenses and fees | 8,641,058 |
| Current federal and foreign income tax | 2,842,021 |
| Net deferred tax liability | 6,131,955 |
| Unearned premiums | 540,007,297 |
| Advance premium | 1,518,802 |
| Dividends declared and unpaid – policyholders | 516,692 |
| Ceded reinsurance premiums payable | 14,590,350 |
| Funds held by company under reinsurance treaties | 150,000 |
| Amounts withheld or retained by company for account of others | 1,066,278 |
| Remittances and items not allocated | 250,718 |
| Provision for reinsurance | 6,795,190 |
| Drafts outstanding | 43,465,287 |
| Payable to parent, subsidiaries and affiliates | 739,719 |
| Policyholders' deposit funds | 77,547,738 |
| Self-insured and bond collateral | 31,684,822 |
| Adjusting expense payable | 2,346,685 |
| Premiums payable on retrospective rated policies | 658,652 |
| Premium deficiency reserve | (13,109) |
| Excess commissions | <u>1,956,397</u> |
| Total liabilities | <u>\$1,754,036,148</u> |
| Special surplus – deferred gain on sale leaseback | \$ 3,213,634 |
| Common capital stock | 2,500,000 |
| Gross paid in and contributed surplus | 56,130,928 |
| Unassigned funds (surplus) | <u>770,705,224</u> |
| Total capital and surplus | <u>\$ 832,549,786</u> |
| Totals | <u>\$2,586,585,934</u> |

STATEMENT OF INCOME – 2021

Underwriting Income

| | |
|--------------------------------------|-----------------------|
| Premiums earned | \$ 993,580,739 |
| Losses incurred | \$ 504,430,073 |
| Loss adjustment expenses incurred | 113,083,881 |
| Other underwriting expenses incurred | 246,089,307 |
| CAIP – premium deficiency reserve | (235,207) |
| Total underwriting deductions | <u>\$ 863,368,055</u> |
| Net underwriting gain | <u>\$ 130,212,684</u> |

Investment Income

| | |
|------------------------------|----------------------|
| Net investment income earned | \$ 55,870,903 |
| Net realized capital gain | <u>3,739,006</u> |
| Net investment gain | <u>\$ 59,609,909</u> |

Other Income

| | |
|---|-----------------------|
| Net loss from agents' or premium balances charged off | \$ (179,929) |
| Finance and service charges not included in premiums | 1,149,994 |
| Miscellaneous income | <u>(4,614)</u> |
| Total other income | <u>\$ 965,451</u> |
| Net income before dividends to policyholders and federal income taxes | \$ 190,788,043 |
| Dividends to policyholders | 533,247 |
| Federal income taxes incurred | <u>38,159,305</u> |
| Net income | <u>\$ 152,095,491</u> |

CAPITAL AND SURPLUS ACCOUNT

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|----------------------|------------------------|----------------------|-----------------------|----------------------|
| Capital and surplus, beginning | \$622,307,728 | \$626,018,310 | \$613,032,625 | \$687,171,740 | \$685,605,119 |
| Net income | \$ 62,683,157 | \$ 76,524,511 | \$ 89,744,844 | \$ 72,841,724 | \$152,095,491 |
| Change in net unrealized capital gains | 27,683,678 | (30,323,420) | 58,772,015 | 5,054,189 | 71,767,523 |
| Change in net deferred income tax | (20,090,735) | 4,463,911 | (569,844) | 7,319,146 | (1,442,287) |
| Change in non admitted assets | (1,713,621) | (5,899,044) | (3,611,222) | (4,625,702) | 5,488,163 |
| Change in provision for reinsurance | (439,052) | 407,640 | 52,126 | 9,740 | (6,795,190) |
| Dividends to stockholders | (65,000,000) | (58,000,000) | (70,000,000) | (82,000,000) | (74,000,000) |
| Special surplus – deferred gain on sale leaseback | <u>587,155</u> | <u>(159,282)</u> | <u>(248,843)</u> | <u>(165,717)</u> | <u>(169,032)</u> |
| Net change for the year | <u>\$ 3,710,582</u> | <u>\$ (12,985,685)</u> | <u>\$ 74,139,115</u> | <u>\$ (1,566,621)</u> | <u>\$146,944,668</u> |
| Capital and surplus, ending | <u>\$626,018,310</u> | <u>\$613,032,625</u> | <u>\$687,171,740</u> | <u>\$685,605,119</u> | <u>\$832,549,787</u> |

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$770,705,224 as reported in the Company's 2021 Annual Statement has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

No recommendations were made as a result of the previous examination.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS


There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Kim Hurst, CFE, Financial Examiner; with the Nebraska Department of Insurance and Financial Examiners, Information Systems Specialists, and Actuarial Examiners with or contracted by the Pennsylvania Insurance Department, California Department of Insurance, Delaware Department of Insurance, Florida Office of Insurance Regulation, Illinois Department of Insurance, Iowa Insurance Division, Mississippi Insurance Department, North Carolina Department of Insurance, Oklahoma Insurance Department, Texas Department of Insurance, Wisconsin Office of the Commissioner of Insurance, and the Vermont Department of Financial Regulation; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Joe Jacobson, CFE
Examiner-in-Charge
Department of Insurance
State of Nebraska

ADDENDUM

Organizational Chart

Old Republic International Corporation (DE)

Old Republic General Insurance Group, Inc. (DE)
 BITCO Corp. (DE)
 BITCO General Insurance Corp. (IL)
 BITCO National Insurance Company (IL)

Brummel Brothers, Inc. (IL)

Old Republic Professional Liability, Inc. (DE)

Employers General Insurance Group, Inc. (DE)
 National General Agency, Inc. (TX)

Inter West Assurance, Ltd. (NC)

ORI Great West Holdings, Inc. (DE)
 Great West Casualty Company (NE)
 Joe Morten & Son, Inc. (NE)
 Great West Services, Inc. (NE)
 Great Republic Assurance, Ltd. (BA)

Old Republic Aerospace, Inc. (DE)

Old Republic Allied Management Company (DE)

Old Republic General Insurance Corporation (IL)

ORHP Management Company (IL)
 Old Republic Home Protection Company, Inc. (CA)
 Old Republic Home Protection Services, Inc. (IL)

Old Republic Inland Marine, Inc. (DE)
 Old Republic Inland Marine Company, IC (VT)

Old Republic Insurance Company (PA)

Old Republic Lloyds of Texas (TX)

Old Republic Mercantile Insurance Company (VT)

Old Republic Residual Market Services, Inc. (DE)
 Old Republic Residual Market Insurance Company (NC)

Old Republic Risk Management, Inc. (DE)

Old Republic Security Holdings, Inc. (DE)
 Old Republic Insured Automotive Services, Inc. (OK)
 Minnehoma Automobile Association, Inc. (FL)

Old Republic Specialty Insurance Underwriters, Inc. (DE) *
 Old Republic Specialty Insurance Company, IC (VT)

Old Republic Surety Group, Inc. (DE)
 Old Republic Surety Company (WI)
 Capital Service Insurance Agency, Inc. (WI)

Old Republic Union Insurance Company (IL)

PMA Companies, Inc. (PA)
 Pennsylvania Manufacturers' Association Insurance Company (PA)
 Pennsylvania Manufacturers Indemnity Company (PA)

Manufacturers Alliance Insurance Company (PA)
 PMA Holdings, Ltd (BA)
 Pennsylvania Manufacturers' International Insurance, Ltd. (BA)
 Mid-Atlantic States Investment Company (DE)
 PMA Insurance, SPC (Cayman)
 PMA General Services, Inc. (PA)
 PMA Management Corp. (PA)
 PMA One Benefit, Inc. (PA)
 PMA Services, Inc. (PA)
 PMA Management Corp of New England, Inc. (CT)
 PMA Management Corp. of New York
 Reliable Canadian Holdings, Ltd. (Can)
 D. I. S. C. C. Enterprise, Ltd. (Can)
 Reliable Life Insurance Co. (Can)
 Old Republic Insurance Company of Canada (Can)
 American Business & Mercantile Insurance Mutual, Inc. (DE) ***
 Inter Capital Group, Inc. (DE)
 Inter Capital Company of Chicago (DE)
 Inter Capital Realty Corp. (DE)

Republic Financial Indemnity Group, Inc. (DE)
 RMIC Companies, Inc. (DE)
 Republic Mortgage Insurance Company (NC)
 Republic Mortgage Assurance Company (FL)
 Republic Mortgage Guaranty Insurance Corporation (NC)
 RMIC Corporation (NC)

Old Republic National Services Group, Inc. (IL)
 Old Republic Asset Management Corp. (IL)
 Old Republic Capital Corporation (DE)
 Old Republic Finance Company (DE)
 Old Republic Financial Acceptance Corp. (DE)
 Old Republic General Services, Inc. (IL)

Old Republic Life Insurance Group, Inc. (DE) **
 Old Republic Life Insurance Company (IL)
 Old Republic Assignment Company (IL)

Old Republic Title Insurance Group, Inc. (DE)
 Old Republic National Title Holding Company (DE)
 Old Republic Title Insurance Companies, Inc. (DE)
 American Guaranty Title Insurance Company (OK)
 Mississippi Valley Title Insurance Company (MS)
 Old Republic National Title Insurance Company (FL)
 Old Republic Title Companies, Inc. (DE)
 Old Republic National Commercial Title Services, Inc. (DE)

L.T. Service Corp. (NY)
 Lex Terrae National Title Services, Inc. (NJ)
 Lex Terrae, Ltd. (NY)
 Old Republic Western Title, Inc. (CA)
 Old Republic Title Holding Company, Inc. (CA)
 Mara Escrow Company (CA)
 Old Republic Escrow of Vancouver, Inc. (WA)
 Old Republic Title and Escrow of Hawaii, Ltd. (HI)
 Old Republic Title Company (CA)
 Old Republic Title Company of Nevada (NV)
 Old Republic Title Company of Oregon (OR)
 Old Republic Title Information Concepts (CA)
 Old Republic Title Insurance Agency, Inc. (AZ)
 Old Republic Title, Ltd. (DE)
 Old Republic National Title Services, Inc. (DE)
 Old Republic Diversified Services, Inc. (MN)
 Old Republic Exchange Company (CA)
 Old Republic National Ancillary Services, Inc. (MN)
 Attorneys' Title Fund Services, LLC (FL)
 National Title Agent's Services Company (MN)
 Old Republic Eastern Title, Inc. (DE)
 Compass Abstract, Inc. (PA)
 Genesis Abstract, LLC (PA) *
 Mississippi Valley Title Services Company (MS)
 Old Republic Title Company of Tennessee (TN)
 Sentry Abstract Company (PA)
 The Title Company of North Carolina (NC)
 Trident Land Transfer Company (NJ) LLC (DE) *
 Troon Management Corporation (PA)
 Old Republic Central Title, Inc. (DE)
 American First Title & Trust Company (OK)
 Kansas City Management Group, LLC (SD) *
 Lenders Inspection Company (OK) *
 Mississippi Real Estate Dispositions, LLC (MN)
 Old Republic Title Company of Conroe (TX)
 Old Republic Title Company of Indiana (IN)
 Old Republic Title Company of Oklahoma (OK)
 Old Republic Title Company of St. Louis, Inc. (MO)
 Old Republic Title Tech Companies, Inc. (DE)
 eRecording Partners Network, LLC (MN)
 Old Republic Branch Information Services, Inc. (DE)
 op2 Solutions, Inc. (TX)
 RQ Holdings, Inc. (TX)
 RamQuest Software, Inc. (TX)
 Guardian Consumer Services, Inc. (TX) *

- * Denotes less than 100% owned subsidiaries and affiliates
- ** Denotes 100% jointly owned companies within the overall corporate system
- *** Denotes related mutual entity owned by policyholders

State of Nebraska,

County of Lancaster,

Joe Jacobson, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Great West Casualty Company.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Great West Casualty Company was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

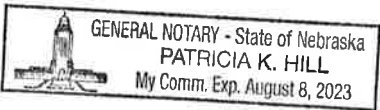
The affiant says nothing further.



Examiner-in-Charge's Signature

Subscribed and sworn before me by Joe Jacobson on this 24 day of May, 2023.

(SEAL)



Notary Public

My commission expires 8-8-23 [date].