

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

After full consideration and review of the report of the financial examination of Westport Insurance Corporation for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

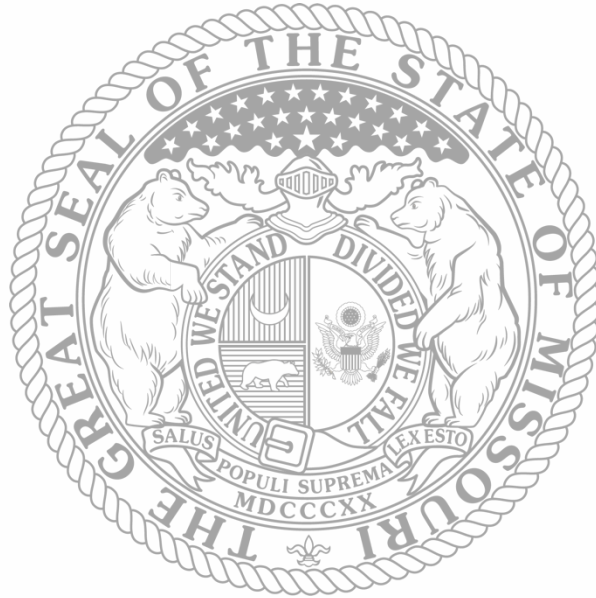
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Westport Insurance Corporation as of December 31, 2021, be and is hereby ADOPTED as filed and Westport Insurance Corporation to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 20th day of June, 2023.



A handwritten signature in blue ink that reads "Chlora Lindley-Myers".

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

WESTPORT INSURANCE CORPORATION

AS OF
DECEMBER 31, 2021

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
May 31, 2023

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial examination has been made of the records, affairs, and financial condition of

Westport Insurance Corporation (NAIC #39845)

hereinafter referred to as such, as WIC, or as the Company. Its administrative office is located at 1200 Main Street, Suite 800, Kansas City, Missouri 64105, telephone number 816-235-3700. The fieldwork for this examination began on May 2, 2022 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a multiple-state financial examination of WIC. The last examination of the Company by the Department covered the period of January 1, 2014, through December 31, 2016. The current examination covers the period of January 1, 2017, through December 31, 2021, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. The *Handbook* requires that we plan and perform the examination 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. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to WIC included Investments, Premiums and Underwriting, Claims Handling and Reserving, Reinsurance, and Related Party Transactions. The examination also included a review and evaluation of information technology general controls.

This examination was conducted as part of a coordinated examination of the U.S. domestic insurers/reinsurers within the Swiss Re Ltd (SRL) holding company system (Swiss Re or Group), which, for the purposes of this examination, consists of fourteen insurers (including two captives) domiciled in Missouri, New Hampshire, and New York. The Missouri Department of Commerce and Insurance is the lead state regulator for the Group. Along with Missouri, New Hampshire and New York participated in the coordinated examination. The examination was also conducted concurrently with the examinations of the Company's Missouri domiciled affiliates, as follows:

- Swiss Re Life & Health America Inc. (SRLHA)
- First Specialty Insurance Corporation (FSIC)
- Swiss Re Property & Casualty America Inc. (SRPCA)
- North American Elite Insurance Company (NAE)
- North American Specialty Insurance Company (NAS)
- Washington International Insurance Company (WIIC)
- Lumico Life Insurance Company (LLIC)
- Elips Life Insurance Company (ELIC)
- Wing Re Inc. (Wing Re)
- Wing Re II Inc. (Wing Re II)

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

COMPANY HISTORY

General

WIC was originally incorporated as the stock property and casualty (P&C) insurer, Employers Reinsurance Corporation (ERC), on March 13, 1981. Effective June 9, 2006, ERC was acquired by Swiss Reinsurance Company Ltd. (SRZ) from General Electric Corporation. ERC and its wholly owned subsidiary, WIC, merged with ERC as the surviving entity on January 1, 2008. ERC was renamed WIC.

On October 4, 2011, three New Hampshire domiciled insurance subsidiaries of Swiss Reinsurance America Corporation were transferred and contributed to WIC. WIIC, NAE, and NAS became direct subsidiaries of WIC. FSIC remained a subsidiary of WIC.

WIC and its subsidiaries are integral members of the Corporate Solutions Division (Corporate Solutions) of the Swiss Re Group. Corporate Solutions functions as the commercial insurance arm of the Group and offers customized, tailored insurance solutions to businesses. Swiss Re Corporate Solutions Ltd. (SRCS), a Swiss based reinsurer, currently heads the Division.

Mergers, Acquisitions, and Major Corporate Events

In order to simplify the organizational structure, reduce complexity, and strategically align operational and business models, Corporate Solutions North America has undergone a reorganization. The reorganization was designed to permit the Group to more efficiently allocate capital and leverage a common carrier to pool business and risks. The reorganization consisted of the creation of a new holding company, Swiss Re Corporate Solutions Holding, as a subsidiary of SRZ and the merger of SRCS with and into SRZ. In furtherance of the reorganization, WIC transferred via extraordinary dividend, ownership of its subsidiaries to Swiss Re Corporate Solutions America Holding Corporation (SRCSAH) on September 1, 2021. In turn, FSIC, NAE, and North American Capacity Insurance Company (NAC) were contributed by SRCSAH to NAS.

Dividends and Capital Contributions

The following dividend and capital contribution activity occurred during the examination period:

2017

- WIC provided a capital contribution of \$4 million to NAC.
- WIC paid a cash dividend of \$60 million to SRCSAH.

2018

- WIC received a \$300 million contribution from SRCSAH.

2019

- WIC received a cash dividend of \$25 million from NAS.
- WIC received a cash dividend of \$25 million from FSIC.
- WIC paid a cash dividend of \$300 million to SRCSAH.

2021

- WIC provided a capital contribution of \$60 million to NAE.
- WIC transferred via extraordinary dividend, the stock of subsidiaries valued at \$603.7 million to SRCSAH.

Surplus Notes

There were no surplus notes issued or outstanding during the examination period.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors that are elected by the stockholders. The Company's Bylaws specify that there shall be no fewer than nine and no more than twenty-five Directors. The Directors elected and serving as of December 31, 2021, are listed on the following page:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
John Robert Dacey Zurich, Switzerland	Group Chief Financial Officer Swiss Re Ltd.
Karen Lynn Gavan Toronto, Canada	Retired, President and CEO Economical Insurance Group
Jonathan Isherwood Riverside, Connecticut	Chief Executive Officer Swiss Re America Holding Corporation
David Leonard Jahnke Minneapolis, Minnesota	Retired, Global Lead Partner KPMG AG
Brian William MacLean Vernon, Connecticut	Retired, President and Chief Operating Officer The Travelers Companies, Inc.
Carol Ann Petren Scottsdale, Arizona	Retired, General counsel MacAndrews & Forbes Holdings, Inc.
Patrick Raaflaub Zurich, Switzerland	Group Chief Risk Officer Swiss Reinsurance Company Ltd.
Eileen Patricia Rominger* Scottsdale, Arizona	Retired, Partner CamberView Partners
Phillip Keebler Ryan New York, New York	Retired, Chief Financial Officer Credit Suisse
Larry Donald Zimpleman Cumming, Iowa	Retired, President & Chief Executive Officer The Principal Financial Group, USA

*Effective September 8, 2022, Eileen Rominger resigned from the Board.

Senior Officers

The Officers elected and serving, as of December 31, 2021, were as follows:

<u>Name</u>	<u>Office</u>
Ivan Javier Gonzalez*	Chief Executive Officer & President
Deryck Michael Malone	Controller & Treasurer
Elissa Beth Rueben Kenny	Secretary & Senior Vice President
Christopher Roy Ritter	Qualified Actuary & Senior Vice President
Steven Paul Anderson*	Senior Vice President
Michael Gray Bohannon	Vice President
Stephanie Schrandt Boone*	Managing Director
Laura Fincke Coppola*	Managing Director
Adrian Hall	Managing Director
Annettee Marie Kurtzweil	Senior Vice President, Chief Risk Officer
Michael Pasquale LaRocca	Managing Director
Kathleen Ann McGrath	Managing Director
Elizabeth Tesson McInerney	Managing Director
Sharon Mary O'Sullivan	Managing Director
Katarina Scamborova	Managing Director

- *Effective July 1, 2022, Kathleen Ann McGrath replaced Ivan Javier Gonzalez.
- Effective March 31, 2022, Steven Paul Anderson retired from the Company.
- *Effective April 22, 2022, Deryck Michael Malone left the Company.
- *Effective May 16, 2022, Stephanie Schrandt Boone left the Company.
- *Effective November 4, 2022, Laura Coppola left the Company.

Principal Committees

The Corporation's Bylaws state that the Board of Directors may designate an Executive Committee of not less than three members. The Board, at its discretion, may appoint other committees as necessary. Currently, the Board of Directors has established an Executive Committee, a Risk Committee, and an Audit Committee.

Executive Committee

Philip Keebler Ryan (Chair)
David Leonard Jahnke
Jonathan Isherwood

Risk Committee

Patrick Raaflaub (Chair)
John Robert Dacey
Carol Ann Petren
Eileen Patricia Rominger*
Philip Keebler Ryan

Audit Committee

David Leonard Jahnke (Chair)
Karen Lynn Gavan
Brian William MacLean
Larry Donald Zimpleman

*Effective September 8, 2022, Eileen Rominger resigned from the Board and the Risk Committee thereof.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the Board of Directors, Executive Committee, Audit Committee and Risk Committee were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

WIC is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). WIC is a part of the Swiss Re Group. The Swiss Re Group is a wholesale provider of reinsurance, insurance, and other insurance-based forms of risk transfer. Working through brokers and a network of offices around the globe, the Group serves a client base made up of insurance companies, medium-to-large-sized corporations and public sector clients. The ultimate controlling party of the Group is Swiss Re Ltd. (SRL), a corporation based in Zurich, Switzerland.

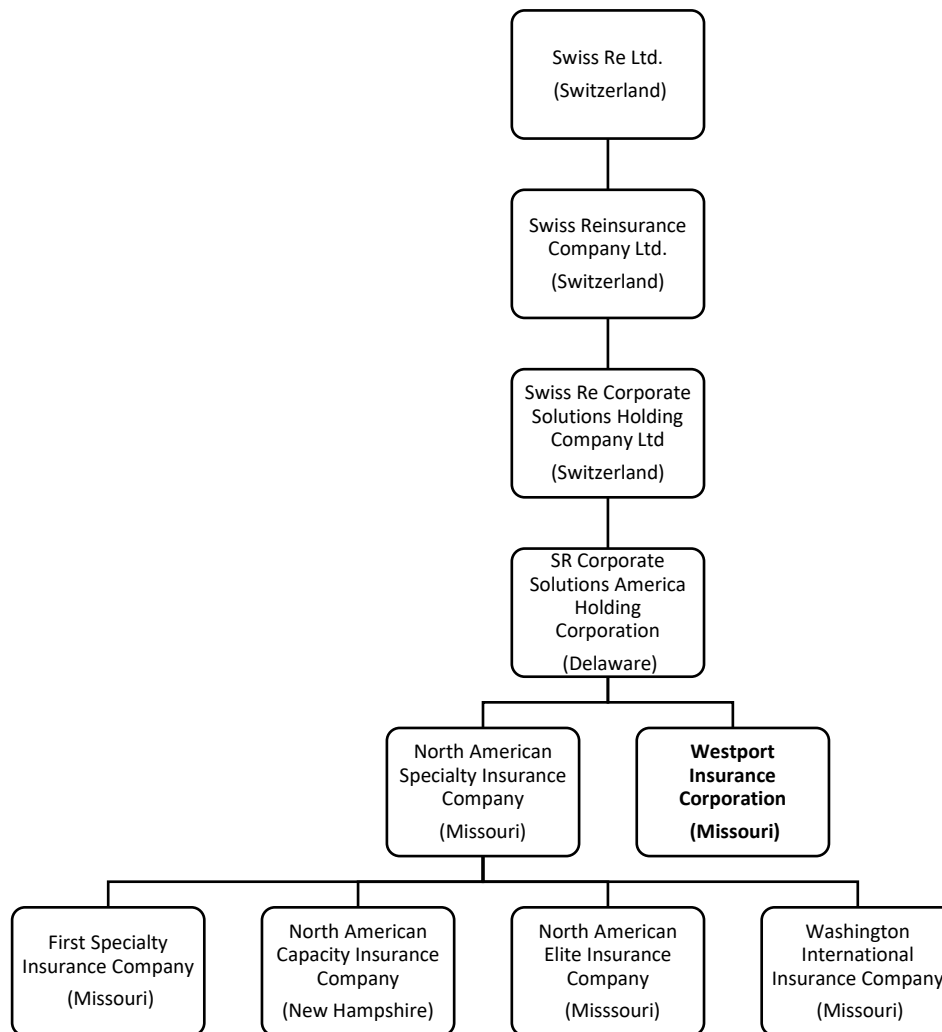
SRL is a diversified global reinsurer, offering a wide variety of reinsurance products and financial services solutions to manage capital and risk. SRL is a publicly traded company on the SIX Swiss Exchange under the symbol SREN; no single shareholder was determined to own 10% or more of its outstanding shares. Swiss Financial Market Supervisory Authority (FINMA) is the lead international regulator of the Swiss Re Group. As the lead state, Missouri represents the U.S. regulators in the Swiss Re Group Supervisory College organized by FINMA.

Following a restructuring and effective for the 2021 financial reports, the Group's operations are managed and reported through two business units and one stand-alone division that correspond to the Group's core activities, as described below:

- **Reinsurance Business Unit**
The Reinsurance Business Unit offers traditional reinsurance products, insurance-based capital market instruments, and risk management services globally through two operating segments – P&C Reinsurance and L&H Reinsurance.
- **Corporate Solutions Business Unit**
The Corporate Solutions Business Unit is the commercial arm of the Group, providing risk transfer solutions to large and mid-sized corporations around the world.
- **Division iptiQ**
iptiQ is a global Business-to-Business-to-Consumer digital insurance platform aimed at both digital and traditional affinity distribution partners.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2021.



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2021. A brief description of these agreements are as follows:

Service Agreement: This agreement, effective December 1, 2010, and as amended January 1, 2013, is between WIC and Swiss Re America Holding Corporation (SRAH). Per the agreement, SRAH provides WIC with general management and administrative services such as legal, personnel, information systems, accounting, finance, risk management, actuarial, underwriting, claims, and other services. WIC reimburses SRAH for the costs incurred in providing the services.

Service Agreement: This agreement, effective December 1, 2012, is between WIC and SRCSAH. Per the agreement, SRCSAH provides WIC with general management and administrative services such as legal, personnel, information systems, accounting, finance, risk management, actuarial, underwriting, claims, and other services. WIC reimburses SRCSAH for the cost incurred in providing the services.

Service Agreement: This agreement, effective December 1, 2012, is between WIC, Canadian branch and SRZ, Canadian branch. Per the agreement, SRZ, Canadian branch provides WIC, Canadian Branch with general management and administrative services such as legal, personnel, information systems, accounting, finance, risk management, actuarial, underwriting, claims, and other services.

Service Agreement: This agreement, effective July 25, 2012, and amended as of January 1, 2014, and April 1, 2014, is between WIC and Swiss Brokers Mexico, Intermediario de Reaseguro, S.A. de C.V. (SBM). Per the agreement, SBM provides WIC with claims operation services, accounting and underwriting services but not brokerage services.

Service Agreement: This agreement, effective July 25, 2012, is between WIC, Canadian branch and Swiss Brokers Mexico, Intermediario de Reaseguro, S.A. de C.V. (SBM). Per the agreement, SBM provides WIC, Canadian Branch with accounting and claims operation services.

Service Agreement: This agreement, effective April 1, 2010, is between WIC and Swiss Reinsurance America Corporation (SRAC). Per the agreement, each party agrees to provide the other with general management and administrative services such as legal, personnel, information systems, accounting, finance, risk management, actuarial, underwriting, claims, and other services. The receiving party reimburses the providing party for the cost incurred in providing the services.

Service Agreement: This agreement, effective January 1, 2013, is between WIC and NAS. Per the agreement, WIC provides NAS with general management and administrative services such as legal, personnel, information systems, accounting, finance, risk management, actuarial, underwriting, claims, and other services. NAS reimburses WIC for the cost incurred in providing the services.

Service Agreement: This agreement, effective January 28, 2009, is between WIC, FSIC, and Flint Hills Insurance Agency LLC (Flint) (fka FSIC Insurance Agency, LLC). Per the agreement, WIC provides FSIC and Flint with general management and administrative services such as legal, personnel, information systems, accounting, finance, risk management, actuarial, underwriting, claims, and other services. FSIC and Flint reimburse WIC for the cost incurred in providing the services.

Service Agreements: There are six similar service agreements, each effective January 1, 2013, between WIC and six individual affiliates. Per the agreements, WIC provides the affiliates with general management and administrative services such as legal, personnel, information systems, accounting, finance, risk management, actuarial, underwriting, claims, and other services. The affiliates reimburse WIC for the cost incurred in providing the services. The six affiliates that are party to the individual agreements are the following:

- SRCSAH
- Swiss Re International, SE (SRI)
- NAE
- NAC
- WIIC
- SRAH

Branding Agreement: This agreement, effective January 1, 2012, is between WIC, FSIC, and SRL. Per the agreement, WIC and FSIC are granted the non-exclusive, non-transferable, and non-sub-licensable right to use all registered and unregistered trademarks and other rights, including goodwill, in and to the Swiss Re brand worldwide.

Parental Guarantee: This agreement, effective June 30, 2003, is between WIC and FSIC. Per the agreement, WIC acts as guarantor and agrees to reimburse FSIC for any uncollectible external reinsurance.

Tax Allocation Agreement: This agreement, effective October 4, 2011, is between SRCSAH and its subsidiaries, including WIC. Per the agreement, WIC agrees to join in the filing of the consolidated federal income tax returns filed by SRCSAH. Each insurance subsidiary computes its federal income tax liability on a separate return basis but in no event are payments made by an insurance subsidiary to exceed its tax liability on a separate return basis for the year. SRCSAH reimburses the subsidiary for the subsidiary's loss or credit used in the consolidated return to reduce the consolidated tax liability.

Brokerage Agreement: This agreement, effective July 1, 2008, is between WIC and Swiss Re Atrium Corporation (Atrium). Per the agreement, Atrium provides various reinsurance brokerage services to WIC including reinsurance marketing, risk analysis, catastrophe exposure modeling, transaction structuring and actuarial. WIC pays Atrium a brokerage fee which varies based on the type of reinsurance contract.

ISDA Master and Credit Support Annex Agreements: This agreement, effective October 19, 2009, is between WIC and Swiss Re Financial Products Corporation (SRFPC). Per the agreement, SRFPC will enter into derivative transactions with unaffiliated counterparties on behalf of SRL affiliates including WIC. WIC reimburses SRFPC for any amounts charged by external counterparties. SRFPC will not charge or receive any additional fees.

Service Agreement: This agreement, effective January 1, 2011, is between WIC, Industrial Risk Insurers (IRI), and SRAH. Per the agreement, WIC appointed and authorized SRAH to provide services necessary for the winding up of IRI. Services will include, but not be limited to, settling, adjusting, and paying claims, paying broker commissions, and receiving premiums, refunds, and reinsurance recoverables. WIC will reimburse SRAH for costs incurred, with no markup, in connection with underwriting years in which WIC was a member of IRI.

Service Agreement: This agreement, effective January 1, 2012, is between WIC, Canadian Branch and SRZ. Per the agreement, WIC, Canadian Branch provides SRZ with claims and underwriting services.

Service Agreement: This agreement, effective January 1, 2012, is between WIC, Canadian Branch and Swiss Re Services Limited (SRSL). Per the agreement, SRSL provides WIC, Canadian Branch with claims and underwriting services.

Collateralized Securities Lending Agreement: This agreement, effective April 1, 2013, is between WIC and SRZ. Per the agreement, WIC appointed SRZ as its agent to lend securities from its custodial safekeeping account from time to time to borrowers in accordance with the terms of the Master Security Loan Agreement.

Brokerage Service Agreement: This agreement, effective January 1, 2014, is between WIC and Swiss Brokers Mexico, Intermediario de Reaseguro, S.A. de C.V. (SBM). Per the agreement, on WIC's behalf, SBM acts as the reinsurance intermediary through its offices in Mexico for non-U.S. business underwritten by insurers or reinsurers domiciled or licensed in Latin America. Services provided include marketing, identifying potential cedents, engaging in preliminary negotiations, monitoring and reporting claims development, and performing risk assessment activities.

Services Agreement, as amended: This agreement, effective April 1, 2014 and as amended April 1, 2015, is between WIC and Swiss Re Corporate Solutions Global Markets Inc. (SRCSGM). Per the agreement, WIC provides SRCSGM with general management and administrative services such as legal, personnel, information systems, accounting, finance, risk management, actuarial, underwriting, claims, and other services. SRCSGM reimburses WIC for the cost incurred in providing the services. Effective April 1, 2015, services to be provided by WIC were added, including office administration, property management, and supplies, information systems, and audit services.

Letter of Credit (LOC) Facilities /Concerning WIC Reinsurance Recoverables: This agreement, effective December 1, 2010, and as amended (replaces similar yearly LOCs dating back to 2006), is between SRZ and Nordia Bank, New York Branch, on behalf of WIC. Per the agreement, SRZ secured an LOC on WIC's behalf from Nordia Bank, New York Branch. With the Department's approval, this allows WIC to take credit for recoverables from unauthorized and/or insolvent reinsurers up to the amount of the LOC. WIC incurs no fee for this arrangement.

Service Agreement: This agreement, effective January 1, 2015, is between WIC and SRCS. Per the agreement, WIC will provide general management and administrative services on behalf of SRCS to include, but are not limited to, legal, risk management, underwriting and marketing, claims advisory and financial and accounting services.

ISDA Master and Credit Support Annex Agreements: This agreement, effective October 16, 2015, is between WIC and Swiss Re Financial Markets Corporation (SRFMC). Under the terms of the ISDA Master Agreement, SRFMC will enter into derivative transactions with unaffiliated counterparties on behalf of WIC. WIC reimburses SRFMC for any amounts charged by external counterparties. SRFMC will not charge or receive any additional fees. The Credit Support Annex specifies the types of assets that qualify as acceptable collateral, including cash, U.S. Treasury Obligations, and other securities as agreed to between the parties. JP Morgan Chase Bank will act as custodian. Default and payment terms will conform to ISDA requirements.

Service Agreement: This agreement, effective March 31, 2016, is between WIC and IHC Risk Solutions, LLC (Risk Solutions). Per the agreement, WIC agrees to provide general management and administrative services on behalf of Risk Solutions. Risk Solutions will reimburse WIC for the cost of services provided.

Management Agreement: This agreement, effective March 31, 2016, is between WIC and IHC Risk Solutions. Per the agreement, WIC authorizes Risk Solutions to manage and supervise the writing of WIC's aggregate and specific stop loss insurance policies marketed to employer or other groups in connection with self-funded medical benefit programs in accordance with agreed upon underwriting guidelines. Risk Solutions will hold all funds received in two separate fiduciary accounts – for premiums and claims.

International Assignments Template Agreement: This agreement, effective March 22, 2016, is between WIC and affiliates. Per the agreement, The Template was developed to track and calculate the costs associated with internal international assignments in which individuals employed by other Swiss Re Group entities may perform work on behalf of WIC, or vice versa, for a short period of time. Billing and settlement will be on a quarterly basis.

Representation Office Services Agreement: This agreement, effective November 16, 2016, is between WIC and Westport Insurance Corporation Escritorio de Representacao No Brasil Ltda. (WICBr). Per the agreement, WICBr will assist WIC in the analysis and evaluation of insurance and reinsurance programs underwritten or renewed by WIC arising from business underwritten by insurers and reinsurers domiciled or licensed in Brazil, assist WIC in the revision and monitoring of claims, act as a liaison-office between WIC and its clients in Brazil, and other services as requested by WIC. WICBr shall not under any circumstances give final acceptance to any risk for or on behalf of WIC. WIC has the ultimate and final authority over decisions and policies.

Specialized Services Agreement: This agreement, effective September 26, 2018, is between WIC and Swiss Re Corporate Solutions Mexico Servicios, S. de R.L. de C.V. (SRCS Mexico). Per the agreement, SRCS Mexico agrees to provide services, including but not limited to, reviewing, analyzing, and evaluating submissions of new and renewal business underwritten by insurers and reinsurers domiciled and licensed in Latin America, assisting in the development, communication, and implementation of underwriting standards and guidelines, supporting the issuance of quotes, binders, and endorsements in favor of WIC's cedents, and providing marketing, claims, advisory, and human resources administration services. These services are provided in connection with WIC's representative office in Mexico.

Investment Management Agreement: This agreement, effective January 1, 2019, is between WIC and SRCSAH. Per the agreement, SRCSAH agrees to manage the investment portfolio of WIC and assist and advise WIC in the preparation of the financial statements as they relate to investments managed, valuations, purchases and sales, and income on a monthly basis. Other services will include cash management, tax basis reporting, and performance monitoring. Investments are managed within the parameters established by WIC. SRCSAH will be reimbursed for costs incurred, to include salaries and related expenses, rent, rental or depreciation of equipment and employee benefits.

Affiliate Guarantee: This agreement, effective March 1, 2018, is between WIC and iptiQ Americas, Inc. Per the agreement, as a condition precedent to Lumico Life being admitted to do business in New Jersey, WIC provided a 10-year guarantee that Lumico Life will meet minimum capital and surplus requirements of the state. The amount of guarantee and the guarantee fee

shall automatically adjust in each subsequent year to be the amount of the minimum capital and surplus required under New Jersey law (guarantee) and the fee agreed to by the parties using the methodology of the ultimate parent company. iptiQ Americas, Inc. agrees to repay WIC for any amounts paid under this arrangement.

Secondment Agreement: This agreement, effective January 1, 2019, is between WIC, SRCS, and Swiss Re Life Capital Reinsurance Ltd. (SRLC Re). Per the agreement, WIC agrees to allow certain employees to contribute their know-how and to perform services as requested by SRCS and SRLC Re in furtherance of the activities of their respective joint ventures.

Repurchase Agreement: This agreement, effective August 15, 2021, is between WIC and SRZ. Per the agreement, SRZ will act as the sole counterparty for reverse repurchase and repurchase transactions. The transactions will be made and entered into pursuant to the Master Repurchase Agreement. Repurchase transactions are to be entered into at the direction of the Chief Financial Officer.

TERRITORY AND PLAN OF OPERATION

As an integral part of the Corporate Solutions (CorSo) Business Unit, WIC has operated as the primary North American direct commercial underwriter of the Swiss Re Group. However, beginning in fourth quarter 2021 and into 2022, new and renewal business written with U.S. policyholders on most lines of business began to be written by affiliated carriers. Limited risks for U.S. policyholders will be written by WIC until the required rate and form filings of the affiliates are approved. Additionally, WIC continues to write business out of the Canada branch and in Latin America until NAS establishes its Canada branch and is registered in various Latin America countries.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and writing ratios for the period under examination. The variances noted within the charts are largely a result of WIC's termination of the quota share reinsurance arrangement with SRCS effective year-end 2017. At the time of the termination, WIC was ceding 80% of its new and renewal business to SRCS. Effective January 1, 2019, WIC returned to its intragroup retrocession structure with business being ceded to SRCS and a newly formed captive.

(\$000s omitted)

Year	Net Premiums Written	Change in Net Premiums	Capital and Surplus	Ratio of Net Premiums to Surplus
2017	\$ 321,940	\$ 34,819	\$ 1,535,468	21.0%
2018	2,292,865	1,970,925	1,634,090	140.3%
2019	124,763	(2,168,102)	1,479,026	8.4%
2020	452,865	328,102	4,594,180	9.9%
2021	678,294	225,429	4,245,826	16.0%

The table below summarizes the Company's incurred losses and loss ratios for the period under examination:

(\$000s omitted)

Year	Net Premiums Earned	Net Losses and Loss Adjustment Expenses	Loss Ratio
2017	\$ 308,156	\$ 237,483	77.1%
2018	1,661,725	1,236,494	74.4%
2019	613,437	498,681	81.3%
2020	512,101	348,421	68.0%
2021	572,171	343,856	60.1%

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

Premium Type	2017	2018	2019	2020	2021
Direct Premiums Written	\$832,028	\$875,962	\$1,029,228	\$1,214,151	\$1,203,059
Reinsurance Assumed:					
Affiliates	832,591	911,943	1,028,321	(20,820)	1,184,167
Non-Affiliates	298,800	359,255	266,030	226,758	230,982
Reinsurance Ceded:					
Affiliates	1,522,298	(193,481)	2,120,404	911,537	1,858,716
Non-Affiliates	119,181	47,776	78,413	55,687	81,198
Net Premiums Written	\$ 321,940	\$ 2,292,865	\$ 124,762	\$ 452,864	\$ 678,294

Assumed Reinsurance

The Company assumes business from affiliated companies (FSIC, NAS, NAC, NAE, and WIIC) under various 80% to 100% quota share reinsurance agreements. The agreements underwent changes during the examination period and were terminated on a cutoff basis effective January 1, 2022.

Ceded Reinsurance

The Company has reinsurance agreements with affiliated and non-affiliated companies. The following are significant agreements with affiliates.

Effective October 1, 2019, WIC entered into a 50% loss portfolio transfer (LPT) reinsurance agreement with SRPCA. The LPT covers reinsurance and primary commercial runoff business written prior to December 31, 2006.

Effective October 1, 2019, WIC entered into two separate adverse loss development (ALD) reinsurance agreements with SRPCA. The first ALD provides \$1.3 billion in coverage for adverse loss development on accident years 2006 and prior; the second provides \$750 million in coverage for adverse loss development on accident years 2007 and prior.

Effective April 1, 2020, WIC entered into a multiple line non-obligatory quota share reinsurance agreement with SRAC covering retroactive and alternative business. Under the agreement, WIC may cede up to 100% covered ultimate liability.

During the period under examination, WIC also entered into a multiple line non-obligatory quota share, a property CAT excess of loss, and an accident year all lines aggregate stop loss with SRCS and Wing Re III Inc. (Wing Re III). Effective January 1, 2021, SRZ and Wing Re II replaced SRCS and Wing Re III as reinsurers. Under each agreement, premiums and losses were allocated 99% to SRZ and 1% to Wing Re II.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance contract.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, KPMG LLP, in New York, New York, performed the Company's 2021 statutory audit. The CPA firm PricewaterhouseCoopers, LLP, in New York, New York, performed the Company's statutory audit for the years 2017 through 2020. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, narrative descriptions of information technology processes and controls, internal control and substantive testing relating to claim and premium activities, and fraud risk analysis.

Actuarial Opinion

The Company's actuarial opinion regarding loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Christopher Ritter, ACAS, MAAA, for the years 2018 through 2021. Christopher Ritter is employed by WIC in Kansas City, Missouri. The Company's 2017 actuarial opinion regarding loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Steven Book, FCAS, MAAA, who was employed by WIC in Overland Park, Kansas.

Consulting Actuary

Pursuant to a contract with the Department, Kristine M. Fitzgerald, ACAS, MAAA, FCA of Actuarial & Technical Solutions, Inc. reviewed the underlying actuarial assumptions and methodologies used by WIC to determine the adequacy of loss reserves and LAE reserves. Kristine M. Fitzgerald determined that the Company made a reasonable provision for the loss and LAE reserves that were reported in the statutory financial statements, as of December 31, 2021.

Information Systems

The Department also engaged a third-party firm, Noble Consulting Services Inc. (Noble), to perform a review of the Group's information technology systems, policies, and procedures. Noble's work was completed under the supervision of Kimberly Dobbs, CFE, AES, CISA, Information Systems Examiner-in-Charge for the Department.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of WIC for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the “Comments on Financial Statement Items.” These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 2,873,963,255	\$ -	\$ 2,873,963,255
Common Stocks	102,564	102,564	-
Cash, Cash Equivalents, and Short- Term Investments	489,803,699	-	489,803,699
Other Invested Assets	4,232,118	-	4,232,118
Investment Income Due and Accrued Premiums and Considerations:	18,118,961	-	18,118,961
Uncollected Premiums and Agents' Balances in the Course of Collection	345,155,002	34,270,607	310,884,395
Deferred Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due	35,736,165	1,010,148	34,726,017
Accrued Retrospective Premiums			
Reinsurance:			
Amounts Recoverable from Reinsurers	292,651,300	-	292,651,300
Funds Held by or Deposited with Reinsured Companies	6,306,724	3,445,142	2,861,582
Net Deferred Tax Asset	32,459,036	-	32,459,036
Guaranty Funds Receivable or on Deposit	138,740	-	138,740
Receivables from Parent, Subsidiaries, and Affiliates	54,683,396	-	54,683,396
Aggregate Write-Ins for Other than Invested Assets	131,303,937	-	131,303,937
TOTAL ASSETS	\$ 4,284,654,897	\$ 38,828,461	\$ 4,245,826,436

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2021

Losses	\$ 1,009,237,506
Reinsurance Payable on Paid Losses and Loss Adjustment Expenses	132,695,168
Loss Adjustment Expenses	361,666,704
Commissions Payable, Contingent Commissions, and Other Similar Charges	7,230,371
Other Expenses	54,837,287
Taxes, Licenses, and Fees	13,204,199
Current Federal and Foreign Income Taxes	29,095,270
Unearned Premiums	334,392,196
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	302,104,870
Funds Held by Company Under Reinsurance Treaties	561,647,571
Amounts Withheld or Retained by Company for Account of Others	1,764,637
Remittances and Items Not Allocated	191,046,556
Provision for Reinsurance	16,721,447
Net Adjustments in Assets and Liabilities Due to Foreign Exchange Rates	58,095,940
Payable to Parent, Subsidiaries, and Affiliates	68,003,151
Payable for Securities	2,999,959
Aggregate Write-Ins for Liabilities	69,273,463
TOTAL LIABILITIES	\$ 3,214,016,295
Common Capital Stock	6,345,000
Gross Paid In and Contributed Surplus	1,046,672,765
Unassigned Funds (Surplus)	(21,207,624)
TOTAL CAPITAL AND SURPLUS	\$ 1,031,810,141
TOTAL LIABILITIES AND SURPLUS	\$ 4,245,826,436

STATEMENT OF INCOME
For the Year Ended December 31, 2021

Premiums Earned	\$ 572,171,440
DEDUCTIONS:	
Losses Incurred	256,903,190
Loss Adjustment Expenses Incurred	86,952,555
Other Underwriting Expenses Incurred	201,193,228
Aggregate Write-Ins for Underwriting Deductions	33,203,320
Total Underwriting Deductions	<u>\$ 578,252,293</u>
Net Underwriting Gain (Loss)	\$ (6,080,853)
Net Investment Income Earned	48,220,681
Net Realized Capital Gains	72,198,884
Net Investment Gain (Loss)	\$ 120,419,565
Net Gain (Loss) from Agents' or Premium Balances Charged Off	(85,713)
Finance and Service Charges Not Included in Premiums	10,291
Aggregate Write-Ins for Miscellaneous Income	(675,222)
Dividends to Policyholders	137,667
Federal and Foreign Income Taxes Incurred	<u>20,631,475</u>
NET INCOME (LOSS)	<u>\$ 92,818,926</u>

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2017 to December 31, 2021

(\$000s omitted)

	2017	2018	2019	2020	2021
Capital and Surplus, Beginning of Year	\$ 1,558,562	\$ 1,535,468	\$ 1,634,090	\$ 1,479,026	\$ 1,603,600
Net Income (Loss)	93,769	(245,241)	170,466	101,345	92,819
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	(18,821)	5,095	(5,154)	42,607	(62,886)
Change in Net Unrealized Foreign Exchange					
Capital Gain (Loss)	3,046	(5,872)	2,994	1,253	1,332
Change in Net Deferred Income Tax	(28,270)	42,468	(27,521)	(11,867)	10,243
Change in Nonadmitted Assets	(13,660)	(2,781)	9,362	(6,018)	(9,070)
Change in Provision for Reinsurance	842	4,953	(5,211)	(2,747)	(553)
Surplus Adjustments:					
Paid In	-	300,000	(251,933)	-	(440,544)
Dividends to Stockholders	(60,000)		(48,067)	-	(163,131)
Net Change in Capital and Surplus	(23,094)	98,622	(155,064)	124,574	(571,790)
Capital and Surplus, End of Year	\$ 1,535,468	\$ 1,634,090	\$ 1,479,026	\$ 1,603,600	\$ 1,031,810

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

Effective January 1, 2022, WIC cedes 100% of its business written and renewed to NAS.

On January 3, 2022, all United States employees of WIC were transferred to SRCSAH pursuant to the plan to streamline the legal entity structure of its North American Corporate Solutions business.

In 2023, Swiss Re streamlined its organizational structure. The Reinsurance Business Unit was split into P&C Reinsurance and L&H Reinsurance, with each having full authority over the respective underwriting and claims management processes. Corporate Solution's organizational model is not changing. The Group Functions will also adapt to optimally align with the new setup. The reorganization will not change the way Swiss Re reports its financial results externally. The reorganization was effective April 3, 2023.

As part of the efforts to streamline the legal entity structure of the North American business, the Company transferred its operations, including new and renewal business, from its existing Canadian Branch to a new Canadian branch of Swiss Re Corporate Solutions America Insurance Corporation (formerly NAS). The transfer was effective January 1, 2023.

The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of WIC during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Laura Church – CFE, CPA, Kim Waller – CFE, Lisa Li – CFE, CPA, ARe, Emily Pennington – CFE, Adrienne Lewis, James Le – CFE, CPA, ARe, Josh Nash – CFE, CPA, Kimberly Dobbs - CFE, AES, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Marc Peterson, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of Westport Insurance Corporation, its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Marc Peterson

Marc Peterson, CFE
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 2nd day of June, 2023.

My commission expires: May 18, 2024 *Kimberly Landers*
Notary Public



KIMBERLY LANDERS
My Commission Expires
May 18, 2024
Callaway County
Commission #12558402

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Sara McNeely, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance