

STATE OF INDIANA)
) SS:
COUNTY OF MARION) BEFORE THE INDIANA
 COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Great Northern Insurance Company)
One American Square)
202 North Illinois Street, Suite 2600)
Indianapolis, Indiana 46282)

Examination of: **Great Northern Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Great Northern Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Great Northern Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 25, 2021
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 6147

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Examination of: **Great Northern Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Great Northern Insurance Company (hereinafter “Company”) for the time period January 1, 2017 through December 31, 2019.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 5, 2021.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on June 11, 2021 and was received by the Company on June 23, 2021.

On June 18, 2021, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.
2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2019.

3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 25 day of
June, 2021.



Amy L. Beard
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

GREAT NORTHERN INSURANCE COMPANY

NAIC Co. CODE 20303
NAIC GROUP CODE 626

As of

December 31, 2019

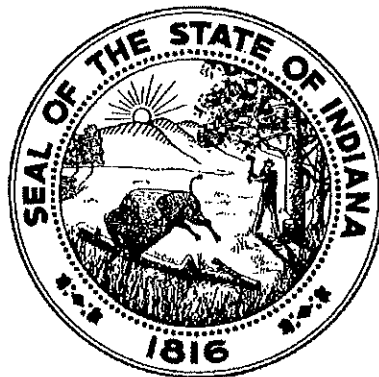


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

May 5, 2021

Honorable Amy L. Beard, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4038, an examination has been made of the affairs and financial condition of:

**Great Northern Insurance Company
One American Square
202 North Illinois Street, Suite 2600
Indianapolis, Indiana 46282**

hereinafter referred to as the "Company", or "GNIC", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Whitehouse Station, New Jersey.

The Report of Examination, reflecting the status of the Company as of December 31, 2019, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2389 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-2402 COMPANY RECORDS 317-232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2012 through December 31, 2016. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2017 through December 31, 2019, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). 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 identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination of the Indiana domestic insurance companies of the Chubb Limited Group (Group) was called by the Pennsylvania Insurance Department (PID) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The PID served as the lead state on the examination, and the INDOI, California Department of Insurance, Connecticut Insurance Department, Delaware Department of Insurance, Georgia Office of Insurance and Safety Fire Commissioner, Illinois Department of Insurance, Iowa Insurance Division, New Jersey Department of Banking and Insurance, New York State Department of Financial Services, Texas Department of Insurance, and Wisconsin Office of the Commissioner of Insurance served as participants.

The PID staff provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2019.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. 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.

This examination report includes significant findings of fact, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer 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 separately communicated to other regulators and/or the Company.

HISTORY

GNIC was originally organized and commenced business in 1913 under the Lloyd's plan of insurance underwriting as authorized by the general laws of the state of Minnesota. In 1952, the Subscribers unanimously adopted a resolution formulating and adopting a plan of reorganization for conversion of Underwriters at Lloyds of Minneapolis into a stock insurance company. The plan was carried out and a stock insurance company, known as Great Northern Insurance Company, was formed and incorporated under the laws of the state of Minnesota on June 26, 1952.

During 1960, Federal Insurance Company (Federal) acquired the Company, and GNIC became a wholly owned subsidiary of Federal. In 2007, GNIC re-domesticated to Indiana. Until January 14, 2016, The Chubb Corporation (Chubb Corp.), a holding company for property and casualty insurance companies, was the ultimate parent of the Company.

On July 1, 2015, it was announced that ACE Limited (ACE) had agreed to acquire Chubb Corp. Effective January 14, 2016, Chubb Corp. merged with William Investment Holdings Corporation, a wholly owned subsidiary of ACE created for the purpose of the transaction. Chubb Corp. was the surviving corporation and became a wholly owned indirect subsidiary of ACE. On January 15, 2016, Chubb Corp. merged with and into ACE INA Holdings Inc. (ACE INA), a Delaware corporation and indirect subsidiary of ACE, with ACE INA continuing as the surviving corporation. ACE INA subsequently changed its name to Chubb INA Holdings, Inc. On January 15, 2016, ACE was renamed Chubb Limited.

CAPITAL AND SURPLUS

The Company has 166,667 shares of capital stock authorized, issued and outstanding with a par value of \$25 per share. The Company has no preferred stock authorized.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends, (in 000s) to Federal during the examination period:

Year	Total	Ordinary Dividends	Extraordinary Dividends
2019	\$ -	\$ -	\$ -
2018	200,000		200,000
2017	-	-	-
Total	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year’s surplus or the net income of such insurer of the prior year. The Company paid one (1) extraordinary dividend during the examination period with the prior approval of the INDOI.

TERRITORY AND PLAN OF OPERATION

GNIC is licensed in all fifty (50) states and Washington, D.C. The Company writes directly in nearly all personal and commercial property and casualty lines. The Company directly writes homeowners’, commercial multiple-peril, inland marine, and several other lines of business on a traditional and specialty basis.

In 2019, the Company’s largest three states, by Direct Premiums Written (DPW), are New York (\$315M – 23.8%), Connecticut (\$108M – 8.2%) and Colorado (\$99M – 7.5%). The largest line of business is Homeowners, making up approximately 41.3% of DPW.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results, (in 000s), of the Company during the examination period*:

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums Earned	Net Income
2019	\$ 592,645	\$ 197,203	\$ 395,442	\$ -	\$ 10,454
2018	613,060	228,072	384,987	-	33,595
2017	1,698,367	1,140,979	557,388	235,006	65,235

*Amounts include immaterial rounding differences

Beginning in 2018, the Company participates in a new intercompany reinsurance pooling agreement (the Chubb Pool) in which ACE American Insurance Company (ACE American) is the lead company; see Intercompany Reinsurance Pooling Agreement in the Reinsurance section of this Report of Examination for additional details. Because of this, many of the variances in balances from 2017 to 2018 were due to the impact of the Company's participation in the Chubb Pool.

The Admitted Assets, Liabilities, and Surplus and Other Funds decreased from 2017 to 2018 due to the impact of the Chubb Pool.

Admitted Assets, Liabilities, and Surplus and Other Funds were consistent for 2018 and 2019.

Premiums earned were reported for 2017 and decreased to \$0 for 2018 and 2019 due to the aforementioned Intercompany Reinsurance Pooling Agreement.

Net income decreased during the period due to the Company being a net 0% participant in the Chubb Pool resulting in retaining no underwriting risk, net investment income, and after-tax realized capital gains.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business and affairs of the Company are to be managed by a Board of Directors (Board), the number of which is determined by a resolution of a majority of the Board. At least one (1) of the directors must be a resident of Indiana. The shareholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors as of December 31, 2019, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Scott Henck Lebanon, New Jersey	Executive Vice President, Chief Actuary Chubb North America
Latrell Johnson Robbinsville, New Jersey	Executive Vice President, Human Resources Chubb North America

Paul Krump Mendham, New Jersey	Executive Vice President, Chubb Group; President, North America Commercial and Personal Ins. Chubb North America
John Lupica Newtown, Pennsylvania	Vice Chairman, Chubb Group; President, North America Major Accounts and Specialty Ins.
Michelle McLaughlin Monroe Township, New Jersey	Executive Vice President, Property and Marine Manager, Commercial Insurance Chubb North America
Allison Meta Fishers, Indiana	Vice President and Indianapolis Branch Manager Chubb North America
Frances O'Brien Basking Ridge, New Jersey	Senior Vice President, Chubb Group; Division President, North America Personal Risk Services Chubb North America
Kevin Rampe New Hope, Pennsylvania	Director of Global Legal Operations and General Counsel Chubb North America
Drew Spitzer Summit, New Jersey	Executive Vice President and Chief Financial Officer Chubb North America
Edward Zaccaria New Hope, Pennsylvania	Chief Underwriting Officer Chubb North America

Officers

The Bylaws state that the elected officers of the Company shall consist of a President, one (1) or more Vice Presidents, a Secretary and a Treasurer. The Board may also elect from time to time such other officers as is deemed necessary. Each of these officers is elected by the Board and shall hold office at the pleasure of the Board.

The following is a list of key officers and their respective titles as of December 31, 2019:

<u>Name</u>	<u>Office</u>
Paul Krump	Chairman and President
Drew Spitzer	Executive Vice President, Chief Financial Officer and Treasurer
Brandon Peene	Vice President and Secretary
John Lupica	Executive Vice President
Christopher Maleno	Executive Vice President
Paul O'Connell	Senior Vice President and Chief Actuary
John Taylor	Senior Vice President

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2019.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2019.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws do not specify the date or time the annual meeting of shareholders is to be held. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

The committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee (Chubb Limited), Executive Committee, and Investment Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and affiliates as of December 31, 2019:

	NAIC Co. Code	Domiciliary State/Country
Chubb Limited		
Chubb Group Holdings Inc.		
Chubb US Holdings Inc.		
Westchester Fire Insurance Company (1)	10030	PA
Chubb INA Holdings Inc.		
Executive Risk Indemnity Inc. (1)	35181	DE
Federal Insurance Company (1)	20281	IN
Chubb National Insurance Company (1)	10052	IN
Great Northern Insurance Company (1)	20303	IN
Chubb Insurance Company of New Jersey (1)	41386	NJ

Pacific Indemnity Company (1)	20346	WI
INA Corporation		
INA Financial Corporation		
INA Holdings Corporation		
ACE American Insurance Company (1)	22667	PA
Indemnity Insurance Company of No. America (1)	43575	PA
Bankers Standard Insurance Company (1)	18279	PA
Penn Millers Holding Corporation		
PMMHC Corp		
Penn Millers Insurance Company (1)	14982	PA
Pacific Employers Insurance Company (1)	22748	PA
ACE Property and Casualty Insurance Company (1)	20699	PA
ACE Insurance Company of the Midwest (1)	26417	IN
Atlantic Employers Insurance Company (1)	38938	NJ
ACE Fire Underwriters Ins. Company (1)	20702	PA
ESIS, Inc. (2)		
Insurance Company of North America (1)	22713	PA
Chubb & Son Inc.		
Chubb Insurance Solutions Agency Inc. (2)		
Chubb Asset Management Inc. (2)		

(1) Participant in the Chubb Pool

(2) Non-insurance affiliate – party to an affiliated agreement with GNIC

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Note that under the Intercompany Reinsurance Pooling Agreement effective January 1, 2018 (see Intercompany Reinsurance Pooling Agreement in the Reinsurance section of this Report of Examination), all underwriting results, including loss adjustment and other underwriting expenses allocated to Chubb’s active U.S. property and casualty companies, are ultimately ceded to ACE American for aggregation and retroceded to the companies participating in the Chubb Pool in accordance with their participation percentage. As a result, on a pooled basis, Federal incurs 25% of the total net underwriting results for the Chubb Pool, while GNIC incurs zero total net underwriting results, resulting in \$0 net expenses attributable to these agreements in 2019.

Management Agreement

Effective January 1, 1998, and as amended December 31, 2007, the Company entered into a Management Agreement with Federal, whereby Federal acts as manager of the general business of insurance of the Company.

Producer Agreement

Effective January 1, 2012, and as amended April 19, 2018, GNIC and certain of its affiliated property and casualty insurance companies (Insurers) entered into a Producer Agreement with Chubb Insurance Solutions Agency Inc. (CISA), an affiliated insurance agency. Pursuant to the agreement, CISA acts as an insurance agent for the Insurers, in accordance with the authority granted to CISA from time to time.

SIU Service and Support Agreement

Effective August 12, 2010, and as amended on January 1, 2011, March 19, 2015, July 1, 2016 and January 1, 2018, GNIC and certain of its affiliated property and casualty insurance companies (the affiliated companies) entered into a SIU Service and Support Agreement (SIU Agreement) with ESIS, Inc. (ESIS), an affiliated licensed third-party

claims administrator. Under the terms of the SIU Agreement, ESIS handles claims under policies issued by the affiliated companies. The affiliated companies have delegated to ESIS their obligations to: (a) investigate potentially fraudulent claim activity, and (b) to report potentially fraudulent claim activity to governmental authorities as required by law or filed fraud plan.

Investment Advisory Services Agreement

Effective July 1, 2016, the Company entered into an Investment Advisory Services Agreement with Chubb Asset Management (Chubb Asset) in which Chubb Asset assists with the evaluation and selection of the Company's investment advisors and monitors the performance, compliance, and risk profile of the Company's portfolio.

Consolidated Federal Income Tax Allocation Agreement

Effective January 1, 2012, as amended December 31, 2012, January 1, 2014, February 18, 2015, December 8, 2016, and January 10, 2017, the Company became a party to an Amended and Restated Tax Allocation Agreement (Tax Allocation Agreement) with Chubb Group Holdings, Inc. The Tax Allocation Agreement provides that any subsidiary having taxable income will pay a tax liability equivalent to what that subsidiary would have paid if it had filed a separate federal income tax return for the year. If the separately calculated federal income tax return for any subsidiary results in a tax loss, the current tax benefit resulting from such loss, to the extent utilizable on a separate return basis, will be paid to that subsidiary.

Intercompany Reinsurance Pooling Agreement

See Intercompany Reinsurance Pooling Agreement in this Report of Examination.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by National Union Fire Insurance Company. The bond has a single loss coverage limit of \$25 million with a \$5 million deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2019, including but not limited to commercial property liability, employment practices liability, ERISA liability, management indemnity/directors' and officers' liability, professional indemnity liability, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company has no employees and therefore, no retirement, deferred compensation, or other postretirement benefit plans. The Medicare Modernization Act on Postretirement Benefits (INT 04-17) had no impact on the Company.

In accordance with the Company's Management Agreement with Federal, the Company had a pre-acquisition defined contribution benefit plan, the Capital Accumulation Plan, which is closed. All employees now participate in the holding company plan.

In accordance with the Company's Management Agreement with Federal, the Company bears its proportionate share of expenses incurred by Federal for costs related to the defined plans in which Federal participates. The Company has no legal obligation for benefits under the plan.

The Company has no post-employment benefits or compensated absences.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits, (in 000s), as of December 31, 2019:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 3,242	\$ 3,315
All Other Special Deposits:		
California	110	112
Delaware	112	118
District of Columbia	3,634	3,920
Georgia	86	86
Massachusetts	171	182
Montana	28	29
Nevada	345	356
North Carolina	311	311
Oregon	1,075	1,100
Virginia	62	65
Total Deposits	<u>\$ 9,176</u>	<u>\$ 9,594</u>

REINSURANCE

Intercompany Reinsurance Pooling Agreement

Effective January 1, 2018, the Company participates in an Intercompany Reinsurance Pooling Agreement in which ACE American is the lead company of the Chubb Pool. ACE American ultimately reinsures the gross business written by each of the companies listed below, as well as other active U.S. property and casualty companies that ceded to Federal or directly to ACE American via the Intercompany Reinsurance Pooling Agreement or a 100% quota share reinsurance agreement. All ceded reinsurance in force for the Chubb Pool and certain foreign branch business, inures to ACE American's benefit. After placing ceded reinsurance, ACE American retrocedes the remaining net business to each of the other Chubb Pool members in proportion to their agreed upon pool share. See the companies' Annual Statement Notes for additional information on the various 100% quota share reinsurance agreements.

The names, NAIC company codes and pool participation percentages of the Chubb Pool members are as follows:

<u>Chubb Pool Participants</u>	<u>NAIC Company Code</u>	<u>Chubb Pool Participation %</u>
ACE American (A)	22667	25%
Federal (B) (C)	20281	25%
ACE Property and Casualty Insurance Company (C)	20699	20%
Pacific Indemnity Company (D)	20346	20%
Executive Risk Indemnity, Inc. (D)	35181	10%
ACE Fire Underwriters Insurance Company (C)	20702	0%
ACE Insurance Company of the Midwest (C)	26417	0%
Atlantic Employers Insurance Company (C)	38938	0%
Bankers Standard Insurance Company (C)	18279	0%
Chubb Insurance Company of New Jersey (D)	41386	0%
Chubb National Insurance Company (D)	10052	0%

Great Northern Insurance Company (D)	20303	0%
Indemnity Insurance Company of North America (C)	43575	0%
Insurance Company of North America (C)	22713	0%
Pacific Employers Insurance Company (C)	22748	0%
Penn Millers Insurance Company (C)	14982	0%
Westchester Fire Insurance Company (C)	10030	0%

- (A) ACE American aggregates and cedes the Chubb Pool's 3rd Party reinsurance; as a result, it has recorded the Chubb Pool's Provision for Reinsurance.
- (B) Federal assumes from other Pool/Quota Share Companies, then retrocedes 100% gross loss, LAE and underwriting expenses to ACE American.
- (C) Company cedes 100% gross loss, LAE and underwriting expenses to ACE American
- (D) Company cedes 100% gross loss, LAE and underwriting expenses to Federal

In order to avoid incurred loss/LAE and earned premium while effectuating the Chubb Pool in 2018, paid losses/LAE and written premiums were used to offset changes in loss/LAE reserves and unearned premium reserve resulting in zero incurred/earned impact. This will make some assumed and ceded paid/written items appear distorted; however, this treatment is in accordance with SSAP guidance.

Ceded Reinsurance

As discussed above, the Company is a net zero percent participant in the Chubb Pool and cedes 100% gross to Federal.

The Group purchases ceded reinsurance on a combined group basis; see Intercompany Reinsurance Pooling Agreement for additional details. The most significant component of the Group's ceded reinsurance program is directed at per-event (catastrophe) risks associated with property risks.

Chubb's core property catastrophe reinsurance program provides protection against natural catastrophes impacting its primary property operations (i.e., excluding their Global Reinsurance and Life Insurance segments). Chubb renewed its Global Property Catastrophe Reinsurance Program for their North American and International operations effective April 1, 2019 through March 31, 2020, with modest enhancements in coverage from the expiring program. The program consists of three (3) layers in excess of losses retained by Chubb on a per occurrence basis. In addition, Chubb also renewed its terrorism coverage (excluding nuclear, biological, chemical and radiation coverage, with an inclusion of coverage for biological and chemical coverage for personal lines) for the United States from April 1, 2019 through March 31, 2020 with the same limits and retention and percentage placed except that the majority of terrorism coverage is on an aggregate basis above their retentions without a reinstatement.

Chubb also has a property catastrophe bond in place that offers additional natural catastrophe protection for certain parts of the portfolio. The geographic scope of this coverage is from Virginia through Maine. The East Lane VI 2015 bond currently provides \$250 million of coverage as part of a \$427 million layer in excess of \$2 billion retention through March 13, 2020.

Assumed Reinsurance

The Company has no material assumed reinsurance.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2018 and December 31, 2019, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2017 through December 31, 2019, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

GREAT NORTHERN INSURANCE COMPANY

Assets
As of December 31, 2019
(in 000s)

	<u>Per Examination*</u>
Bonds	\$ 343,244
Stocks:	
Common stocks	2
Cash, cash equivalents and short-term investments	23,346
Receivables for securities	1
Subtotals, cash and invested assets	<u>366,592</u>
Investment income due and accrued	2,868
Premiums and considerations:	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	861
Accrued retrospective premiums	(149)
Reinsurance:	
Amounts recoverable from reinsurers	203,970
Current federal and foreign income tax recoverable and interest thereon	6,536
Aggregate write-ins for other than invested assets	<u>11,967</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>592,645</u>
Totals**	<u>\$ 592,645</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

**Amounts include immaterial rounding differences

GREAT NORTHERN INSURANCE COMPANY
 Liabilities, Surplus and Other Funds
 As of December 31, 2019
 (in 000s)

	Per Examination*
Net deferred tax liability	\$ 1,663
Ceded reinsurance premiums payable	712
Payable to parent, subsidiaries and affiliates	194,701
Aggregate write-ins for liabilities	127
Total liabilities excluding protected cell liabilities	197,203
Total liabilities	197,203
Common capital stock	4,167
Gross paid in and contributed surplus	83,700
Unassigned funds (surplus)	307,575
Surplus as regards policyholders	395,442
Totals	\$ 592,645

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

GREAT NORTHERN INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2019
(in 000s)

	<u>Per Examination*</u>
INVESTMENT INCOME	
Net investment income earned	\$ 12,257
Net realized capital gains (losses) less capital gains tax	72
Net investment gain (loss)	12,330
OTHER INCOME	
Aggregate write-ins for miscellaneous income	(1)
Total other income	(1)
Net income, before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	12,329
Dividends to policyholders	-
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	12,329
Federal and foreign income taxes incurred	1,875
Net income**	\$ 10,454

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

**Amounts include immaterial rounding differences

GREAT NORTHERN INSURANCE COMPANY
 Capital and Surplus Account Reconciliation
 (in 000s)

	2019	2018	2017
Surplus as regards policyholders, December 31 prior year	\$ 384,987	\$ 557,388	\$ 504,162
Net income	10,454	33,595	65,235
Change in net unrealized capital gains or (losses) less capital gains tax	5	(25)	(25)
Change in net deferred income tax	1,988	(13,792)	(22,374)
Change in nonadmitted assets	(1,937)	5,050	12,124
Change in provision for reinsurance*	-	2,273	(961)
Dividends to stockholders	-	(200,000)	-
Aggregate write-ins for gains and losses in surplus*	(56)	499	(772)
Change in surplus as regards policyholders for the year*	<u>10,455</u>	<u>(172,401)</u>	<u>53,226</u>
Surplus as regards policyholders, December 31 current year*	<u>\$ 395,442</u>	<u>\$ 384,987</u>	<u>\$ 557,388</u>

* Amounts include immaterial rounding differences.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2019, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no significant issues based on the results of this examination.

SUBSEQUENT EVENTS

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The extent of the impact of COVID-19 on GNIC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. Due to the timing of the examination and field work, the effects of the pandemic on this entity are not fully addressed within this examination report.

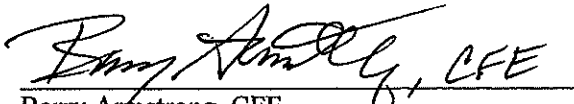
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Pennsylvania Insurance Department Actuaries, performed an examination of Great Northern Insurance Company, as of December 31, 2019.


The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of the condition of Great Northern Insurance Company as of December 31, 2019, as determined by the undersigned.


Barry Armstrong, CFE
Noble Consulting Services, Inc.

Under the Supervision of:



Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

DARCY L. SHAWVER
NOTARY PUBLIC
SEAL
MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706053

On this 15th day of June, 2021, before me personally appeared, Barry Armstrong and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: October 4, 2025 
Notary Public


Notary Public

