State of Michigan

Department of
Insurance and Financial Services

Office of Insurance Evaluation

Financial Examination
of

Dorinco Reinsurance Company

Midland, MI

As of December 31, 2020

State of Michigan

Department of Insurance and Financial Services

OFFICE OF INSURANCE EVALUATION
Lansing, Michigan

Certified Copy

Approved as a Public Document

Date: December 17, 2021

Anita G. Fox, Director

FINANCIAL EXAMINATION OF
DORINCO REINSURANCE COMPANY
Midland, MI

As of

December 31, 2020

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Ms. Anita G. Fox
Director
Department of Insurance and Financial Services
State of Michigan
Lansing, Michigan

Director:

In accordance with instructions and pursuant to statutory requirements, we have examined the financial condition, controls and operations of:

Dorinco Reinsurance Company
2211 H.H. Dow Way Sylvia Stoesser Center
Midland, Michigan

a stock property and casualty insurer, hereinafter referred to as the "Company." Our examination report follows.

SCOPE OF EXAMINATION

The Department of Insurance and Financial Services (DIFS) conducted a risk-focused examination of the Company for the period from January 1, 2018 to December 31, 2020. We conducted the examination in accordance with guidelines and procedures recommended by the Financial Condition (E) Committee of the National Association of Insurance Commissioners (NAIC) and the laws, rules and regulations of the state of Michigan.

We reviewed and incorporated certain workpapers of the Company's independent auditors, Deloitte & Touche LLP, into our examination workpapers where appropriate.

To determine the adequacy of the Company's reserves and related actuarial items, we hired the actuarial consulting services of Taylor & Mulder, Inc. The analysis, performed by Daniel W. Lupton, FCAS, MAAA, consisted of the tests necessary to certify the adequacy of the reserves and related actuarial items. The actuarial certification is shown in the report of examination as Exhibit 1 and the detailed report is on file at our offices. We have tested the underlying data provided to the actuary for completeness and accuracy.

We performed a limited review of the period between the previous examination and this December 31, 2020 examination. This review consisted mainly of items noted by our analysis staff, changes in the balance sheet, a review of the minutes of the board of directors and annual meetings of the stockholders, and a review of any items we deemed necessary.

Our examination considered the following matters that have an impact on the Company's financial condition or conformity with related laws:

Conflict of Interest
Fidelity Bond and Other Insurance
Policy Forms and Underwriting
Accounts and Records
Treatment of Policyholders
Corporate Governance
Risk Assessment
Systems Controls and Procedures

In addition, we reviewed transactions occurring subsequent to December 31, 2020 as deemed appropriate. Comment on the findings of our examination is limited to matters involving a departure from laws, rules or regulations; a significant change in the amount of an item; or a necessary explanation. Any other adjustments or comments were discussed with Company personnel and may appear in a letter to the Company that was prepared in conjunction with this report of examination.

HISTORY AND PURPOSE

The Company's articles of incorporation were signed on December 13, 1976 and were approved by the Michigan Attorney General on March 8, 1977. The articles of incorporation were approved by DIFS on March 8, 1977.

The certificate of authority issued by DIFS authorizes the Company to transact the business of homeowners, inland marine, automobile, steam boiler and flywheel, liability, workers' compensation, plate glass sprinkler and water damage, burglary and theft, and surety and fidelity insurance as provided in Section 606; Section 610 (including Sections 614, 616, and 620); Subsections (a) to (i) of Section 624 (I); and Section 628 of the Michigan Insurance Code.

CAPITAL STOCK

The Company has 100,000 authorized shares of capital stock, of which 50,000 shares are issued and outstanding at December 31, 2020. The capital stock has a par value of $100 per share.

Upon initial capitalization of the Company, 25,000 shares were issued to The Dow Chemical Company (TDCC). In March 1978, an additional 25,000 shares were issued to TDCC. In January 1987, TDCC's ownership in the Company was transferred to Liana Limited (Liana), a holding company established by TDCC.

MANAGEMENT AND CONTROL

Holding Company Structure

The Company is a member of a holding company system. Dow Inc. (Dow), a publicly traded company, is the ultimate controlling parent, with 100 percent ownership of TDCC. Liana owns 100 percent of the Company's outstanding stock and is wholly owned by TDCC.

In addition to the Company, Liana also owns 100 percent of the outstanding stock of Dorintal Reinsurance Limited (Dorintal). Dorintal is a reinsurer located and domiciled in Vermont.

A summarized organizational chart for the holding company system appears at the end of this report as Exhibit 2.

Stockholders

Stockholders are entitled to one vote in person or by proxy for each share of stock owned. A majority of the capital stock outstanding constitutes a quorum.

The bylaws provide that the annual stockholder meeting be held in April. Special meetings of the stockholders may be called at any time by the board of directors, an officer, or holder(s) of not less than 10 percent of the outstanding stock of the Company.

Board of Directors

The corporate powers of the Company are exercised by a board of directors elected by the stockholder at the annual meeting. The bylaws provide that the board of directors consist of not fewer than three nor more than 15 directors, as determined by the stockholders at each annual meeting. Directors need not be stockholders. Each director holds office until the next annual meeting. Any vacancy on the board of directors occurring between annual meetings may be filled by the remaining directors for the unexpired term.

Special meetings of the board may be held at such times as called by the chairman of the board, the president, the secretary, or any member of the board, with a written request sent to each director.

Directors serving as of December 31, 2020 are as follows:

Name	Affiliation
David E. Chamberlain	Executive Vice President of the Company
Veronica Dejeu	Vice President of the Company
Ronald C. Edmonds	Vice President of Controllers and Tax of TDCC
Melanie Kalmar	Vice President, Chief Information Officer, and Chief Digital Officer of TDCC
Gary J. McGuire	President and CEO of the Company
Julie M. Premo	Vice President and Controller of the Company
Robert M. Sparling	Chief Investment Officer of TDCC
Brian Tessin	Chief Tax Officer of TDCC
Howard I. Ungerleider	President and Chief Financial Officer of TDCC
Amy Wilson	General Counsel and Corporate Secretary of TDCC

Committees

The board of directors may appoint an executive committee of three or more directors, and any other committees it deems necessary. As of December 31, 2020, the board has an executive committee and a compensation committee.

Officers

The officers of the Company are elected by the board of directors and consist of a president, secretary, treasurer, and such other officers as determined by the board. All officers are elected annually for a term of one year and need not be a director.

Officers serving as of December 31, 2020 are as follows:

Name	Title
Gary J. McGuire	President and Chief Executive Officer
David E. Chamberlain	Executive Vice President
John J. Blaha	Treasurer
Gregory E. Smith	Secretary
Julie M. Premo	Vice President and Controller
Veronica Dejeu	Vice President

TERRITORY AND PLAN OF OPERATION

The Company writes direct business for TDCC and its subsidiaries and affiliates. The Company's main focus is to act as an insurance vehicle in the management of TDCC's risks and to compliment it with unrelated insurance business. The Company provides fire, other liability-occurrence, and products liability-claims made coverages for the operations of TDCC. The Company acts as a conduit to the commercial market. TDCC's corporate risk management department negotiates with Company personnel to obtain direct coverage. These policies are in manuscript form and are required to be submitted to DIFS individually, as needed. The Company's direct business is rated using independent rates developed from its own statistical experience and commercial market rates.

In addition, the Company writes uncorrelated third-party business on a reinsurance basis, which represents approximately 60 percent of gross written premium. The third-party business is mainly non-standard auto coverage.

The Company's treaty business consists of both pro rata and excess of loss contracts.

REINSURANCE

The Company assumed slightly over 60 percent of its business from unrelated companies in 2020. The assumptions cover many property and liability lines, with the majority in private passenger auto liability. The majority of the Company's assumed business is placed through various brokers.

Under the Company's direct property all risk program, its retention is $15 million in excess of a $35 million deductible plus 37.5 percent of $50 million in excess of $50 million. The Company cedes a portion the direct property business on an occurrence basis under two different cessions. The first cession is reinsured with Dorintal, an affiliated unauthorized reinsurer. This cession provides coverage for 37.5 percent of $100 million excess of the $100 million. The final cession has seven sub-layers and is for losses in excess of $50 million with an overall limit of $1.2 billion inclusive of the deductible and retentions, with $1.2 billion as the maximum limit under the original coverage. The largest reinsurers on these layers are: Zurich American Insurance Company, an authorized reinsurer; Allianz Global Risk US Insurance Company, an authorized reinsurer; HDI (Haftpflichtverband), an unauthorized reinsurer; Swiss Re Corporate Solutions Ltd, a certified reinsurer; ACE American Insurance Company, an authorized reinsurer; and GuideOne Mutual Insurance Co, an authorized reinsurer.

The Company also has a quota share contract with Dorintal. This contract covers almost all the reinsurance issued by the Company to cover risks unrelated to TDCC. The Company retained 75 percent of business under this contract during 2020.

GROWTH OF THE COMPANY

The data below depicts the growth of the Company from December 31, 2017 to December 31, 2020.

Year	Admitted Assets	Liabilities	Capital and Surplus
2017*	$ 1,547,868,728	$ 968,175,731	$ 579,692,997
2018	$ 1,568,339,939	$ 964,289,961	$ 604,049,978
2019	$ 1,652,056,261	$ 1,028,166,815	$ 623,889,446
2020*	$ 1,660,688,899	$ 1,045,916,515	$ 614,772,384

Year	Net Premiums Written	Net Premiums Earned	Premiums Written to Surplus
2017*	$ 157,296,004	$ 153,925,856	0.27:1
2018	$ 216,459,888	$ 213,161,746	0.36:1
2019	$ 233,237,412	$ 244,651,140	0.37:1
2020*	$ 205,028,539	$ 214,364,475	0.33:1

Year	Losses Incurred	Loss Ratio	Loss Adjustment Expense Incurred	Loss Adjustment Expense Ratio
2017*	$ 126,422,871	82.1%	$ (14,379,814)	(9.3%)
2018	$ 124,192,017	58.3%	$ 17,197,653	8.1%
2019	$ 168,682,203	68.9%	$ 62,577,144	25.6%
2020*	$ 149,105,405	69.6%	$ 27,216,287	12.7%

Year	Underwriting Expenses Incurred	Underwriting Expense Ratio	Combined Loss and Expense Ratio
2017*	$ 34,834,092	22.1%	94.9%
2018	$ 45,521,408	21.0%	87.4%
2019	$ 43,980,886	18.9%	113.4%
2020*	$ 40,102,111	19.6%	101.8%

* Per Report of Examination.

DORINCO REINSURANCE COMPANY
BALANCE SHEET
As of December 31, 2020

ASSETS	
Bonds	$ 1,067,579,786
Preferred Stocks	642,234
Cash and Short-Term Investments	248,863,675
Other Invested Assets	231,175,604
Receivables for Securities	2,600,992
Investment Income Due and Accrued	8,466,163
Uncollected Premiums and Agents' Balances in the Course of Collection	51,856,675
Deferred Premiums and Agents' Balances Booked but Deferred and Not Yet Due	29,381,732
Amounts Recoverable from Reinsurers	4,782,458
Funds Held By or Deposited with Reinsured Companies	9,551,239
Net Deferred Tax Asset	5,250,759
Receivables from Parent, Subsidiaries and Affiliates	537,574
Aggregate Write-ins for Other Than Invested Assets	8
Total Admitted Assets	$ 1,660,688,899
LIABILITIES, CAPITAL AND SURPLUS	
Losses	$ 703,816,959
Reinsurance Payable on Paid Losses and Loss Adjustment Expenses	10,387,701
Loss Adjustment Expenses	233,689,689
Other Expenses	1,662,935
Taxes, Licenses and Fees	656,401
Current Federal and Foreign Income Taxes	21,299,602
Unearned Premiums	57,649,110
Ceded Reinsurance Premiums Payable	11,566,286
Funds Held By Company Under Reinsurance Treaties	1,763,515
Amounts Withheld or Retained By Company for Account of Others	56,583
Provision for Reinsurance	1,573,833
Payable for Securities	1,793,901
Total Liabilities	$ 1,045,916,515
Common Capital Stock	$ 5,000,000
Gross Paid-In and Contributed Surplus	221,000,000
Unassigned Funds	388,772,384
Total Capital and Surplus	$ 614,772,384
Total Liabilities, Capital and Surplus	$ 1,660,688,899

DORINCO REINSURANCE COMPANY
STATEMENT OF INCOME
For the Year Ending December 31, 2020

UNDERWRITING INCOME	
Premiums Earned	$214,364,475
Deductions:	
Losses Incurred	$149,105,405
Loss Adjustment Expenses Incurred	27,216,287
Other Underwriting Expenses Incurred	40,102,111
Total Underwriting Deductions	$216,423,803
Net Underwriting Loss	$ (2,059,328)
INVESTMENT INCOME	
Net Investment Income Earned	$ 30,603,699
Net Realized Capital Gains	42,010,538
Net Investment Gain	$ 72,614,237
OTHER INCOME	
Net Gain from Agents or Premium Balances Charged Off	$ 9,050
Aggregate Write-ins for Miscellaneous Income	3,237,686
Total Other Income	$ 3,246,736
Net Income Before Federal Income Taxes	$ 73,801,645
Federal Income Taxes Incurred	1,195,145
Net Income	$ 72,606,500

DORINCO REINSURANCE COMPANY
STATEMENT OF CAPITAL AND SURPLUS
For the Year Ending December 31, 2020

Capital and Surplus, December 31, 2019	$ 623,889,446
Net Income	$ 72,606,500
Change in Net Unrealized Capital Losses	(1,592,641)
Change in Net Deferred Income Tax	(4,781,063)
Change in Non-Admitted Assets	4,023,416
Change in Provision for Reinsurance	5,626,726
Dividends to Stockholders	(85,000,000)
Net Change in Capital and Surplus	$ (9,117,062)
Capital and Surplus, December 31, 2020	$ 614,772,384

DORINCO REINSURANCE COMPANY
STATEMENT OF CASH FLOWS
For the Year Ending December 31, 2020

OPERATIONS	
Premiums Collected	$214,648,149
Net Investment Income	41,298,315
Miscellaneous Income	4,065,025
Total	$260,011,489
Benefit and Loss Related Payments	$105,341,826
Commissions, Expenses Paid, and Aggregate Write-ins	59,412,492
Federal Income Taxes Paid	12,590,609
Total	$177,344,927
Net Cash from Operations	$ 82,666,562
INVESTMENTS	
Proceeds from Investments Sold, Matured or Repaid:	
Bonds	$557,257,276
Stocks	1,946,796
Real Estate	112,907
Other Invested Assets	20,719,129
Net Losses on Cash, Cash Equiv. and Short-term Investments	(132,778)
Total Investment Proceeds	$579,903,330
Cost of Investments Acquired:	
Bonds	$601,001,689
Stocks	1,495,413
Other Invested Assets	12,414,588
Miscellaneous Applications	4,933,007
Total Investments Acquired	$619,844,697
Net Cash from Investments	$(39,941,367)
FINANCING AND MISCELLANEOUS SOURCES	
Cash Applied:	
Dividends to Stockholders	$(85,000,000)
Other Cash Applied	(1,797)
Net Cash from Financing and Miscellaneous Sources	$(85,001,797)
Net Decrease in Cash and Short-Term Investments	$(42,276,602)
Cash and Short-Term Investments at December 31, 2019	291,140,277
Cash and Short-Term Investments at December 31, 2020	$248,863,675

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared by the Company in conformity with accounting practices prescribed or permitted by DIFS.

Use of Estimates

The preparation of financial statements in conformity with statutory accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Investments

Short-term investments include all investments whose maturities, at the time of acquisition, are one year or less and are stated at amortized cost, which approximates fair value.

Bonds not backed by other loans are generally stated at amortized cost using the interest method. Bonds with NAIC designations of 3 through 6 are stated at the lower of amortized cost or fair value.

Common stocks are stated at fair value, except those investments in stocks of subsidiaries and controlled affiliates in which the Company has an interest of 10 percent or more are carried on the equity basis.

Preferred stocks are stated at book value for NAIC classes 1 and 2 and the lower of book value or fair value for NAIC classes 3 through 6.

Loan-backed securities are stated at either amortized cost or the lower of amortized cost or fair value. Premiums and discounts on loan-backed bonds and structured securities are amortized using the prospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker/dealer survey values or internal estimates.

When applicable, the Company uses foreign exchange forward contracts to hedge currency exposures in its bond portfolio and enters into options contracts and exchange-traded futures to replicate exposure and hedge price risk in its common stock portfolio. Additionally, the Company uses currency and interest rate derivatives for income generation. When utilized, the Company accounts for these financial instruments at fair value and records the changes in fair value as an adjustment to unassigned funds.

Premiums

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written using the pro rata method.

Expenses incurred in connection with acquiring new and renewal insurance business are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

Losses and Loss Adjustment Expenses

The liability for unpaid reported losses and loss adjustment expenses is based on a case-by-case estimate for all direct lines of business. A provision is also made for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while the Company believes that the amounts provided are adequate, the ultimate liability may be in excess of or less than amounts provided. The liability for unpaid losses on business assumed is based, in part, on reports received from ceding companies. Adjustments of estimates and differences between estimates and amounts subsequently paid are reflected in operations as they occur.

2. INCOME TAXES

The Company joins with Dow and its other domestic subsidiaries in filing a consolidated federal income tax return and is party to a federal income tax allocation agreement. The portion of the consolidated tax allocated to the Company is equivalent to the liability that would have been incurred on a separate return basis. Under the tax allocation agreement between the Company and TDCC, income tax liabilities are settled when TDCC’s tax payments are due. The Company retains credit for its operating losses and settles its intercompany tax balances at least annually.

3. RELATED PARTY TRANSACTIONS

The Company writes various policies for TDCC as primary insurer and acts as a reinsurer of certain other TDCC risks. The Company also reimburses its parent and affiliates for costs incurred in providing shared services personnel to the Company.

In addition, the Company has an intercompany revolving note receivable from Liana with a balance of $100,725,194 as of December 31, 2020. The revolving note receivable bears interest from day to day at a rate per annum equal to the one-month LIBOR, minus one-fourth percent. The maturity date is automatically extended from year to year in one-year terms expiring May 1.

4. BENEFIT PLANS

The Company's employees are covered under TDCC's benefit plans. The Company participates with other subsidiaries of TDCC in a U.S. pension plan. The basic U.S. pension plan, which covers all employees, is a defined-benefit plan, with benefits based on length of service and the employee's three highest consecutive years of compensation, as defined by plan documents. The funding policy is to contribute to those plans when pension laws and economics either require or encourage funding.

In addition to pension benefits, the Company participates in other healthcare and life insurance benefit plans sponsored by TDCC, including those for retired employees. TDCC funds the cost of these healthcare and life insurance benefits in the year incurred.

The expenses of these plans are allocated to the Company in accordance with an intercompany cost-sharing arrangement. The pension expense of the Company was approximately $263,565 for 2020. The Company's share of postretirement healthcare benefits was approximately $89,134 for 2020.

5. DIVIDEND RESTRICTIONS

Under Michigan insurance law, dividends can only be distributed out of earned surplus, unless DIFS approves the dividend prior to payment. Furthermore, without the prior approval of DIFS, dividends cannot be distributed if all dividends paid within the preceding 12 months exceed the greater of 100 percent of statutory net income from operations, less realized capital gains or 10 percent of the Company's statutory surplus for the prior year. The Company had the ability to pay $61,477,238 in dividends as of December 31, 2020 without approval from DIFS. The Company paid ordinary dividends of $32,388,945 and extraordinary dividends of $32,611,055 on June 30, 2020. The Company also paid extraordinary dividends of $20,000,000 on December 29, 2020. DIFS' approval was provided for both extraordinary dividends.

6. COMMITMENTS AND CONTINGENCIES

As of December 31, 2020, the Company had $63,111,397 in unpaid capital commitments related to its investments in certain limited partnerships.

The Company is party to a number of claims and lawsuits arising out of the normal course of business. In the opinion of the Company the possibility is remote that the aggregate of all claims and lawsuits will have a materially adverse impact on the Company's statutory-basis financial statements.

7. COVID-19

During the year 2020, the global outbreak of the COVID-19 virus has caused significant market volatility that may increase the impairment risk on the Company's investments, economic uncertainty, and interruptions to normal business activities. The Company's operations could be impacted by business closures, quarantine measures, travel restrictions, the disease's impact on the health of the Company's employees, and possible impacts to claim and premium activity. As of the date of issuance of this report, the outbreak is still evolving so there is significant uncertainty as to its ultimate impact on the Company.

EXAMINATION FINDINGS AND RECOMMENDATIONS

1. Bylaws

   The Company did not file for DIFS’ prior approval amended bylaws that the Company has placed into effect. Section 5228(2) of the Michigan Insurance Code requires such approval prior placing amended bylaws into effect.

   We recommend the Company submit all amendments of its bylaws to DIFS for approval in accordance with Section 5228(2) of the Michigan Insurance Code.

2. Officer Salary Approval

   The Company's board of directors is not approving the bonuses and salaries of its officers as required by Section 5248(1) of the Michigan Insurance Code. Section 5248(1) requires the board of directors to approve any salary, compensation, or emolument to any officer or director of a domestic insurer.

   We recommend the Company comply with Section 5248(1) of the Michigan Insurance Code.

CONCLUSION

As of our December 31, 2020 examination, we determined the Company to have admitted assets of $1,660,688,899, liabilities of $1,045,916,515, and capital and surplus of $614,772,384.

We appreciate the cooperation and assistance extended by the officers and employees of the Company.

In addition to the undersigned, Patrick Tess, CFE, PIR, Darlynn Garrett, PIR, and Ragan Woods, APIR, examiners of DIFS; and Taylor & Mulder, Inc., consulting actuaries, participated in the examination.

Respectfully submitted,

Timothy J. Defever, CFE, PIR
Examiner-in-Charge
Department of Insurance and Financial Services

Taylor&Mulder
Property and Casualty Consulting Actuaries

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Potomac, MD 20854

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Statement of Actuarial Opinion
Dorinco Reinsurance Company - Michigan
For the Year Ended December 31, 2020

IDENTIFICATION

I, Daniel W. Lupton, Consulting Actuary, am associated with the firm Taylor & Mulder, Inc., 10508 Rivers Bend Lane, Potomac, MD 20854. I am a member in good standing and a Fellow of the Casualty Actuarial Society. I am a member in good standing with the American Academy of Actuaries, and I meet the US qualification standards for Statements of Actuarial Opinion regarding Property and Casualty Loss and Loss Adjustment Expense Reserves. I was retained by the State of Michigan Department of Insurance and Financial Services ("DIFS") on June 2, 2021 to render this opinion in connection with its financial examination of the Company as of December 31, 2020.

SCOPE

I have examined the actuarial assumptions and methods used in determining the reserves listed in Exhibit A, as shown in the Annual Statement of the Dorinco Reinsurance Company ("Dorinco" or "the Company") as of December 31, 2020. The reserves listed in Exhibit A, where applicable, include provisions for Disclosure items (disclosures 8 through 13.2) in Exhibit B.

In forming my opinion on the loss and loss adjustment expense ("LAE") reserves, I relied upon data provided in the actuarial report supporting the Statement of Actuarial Opinion as of December 31, 2020 as prepared by Yi Jing, FCAS, MAAA of Willis Towers Watson. I relied upon the DIFS financial examination team to test the accuracy and completeness of this data. In other respects, my examination included such review of the actuarial assumptions and methods used and such tests of the calculations as I considered necessary.

OPINION

In my opinion, the amounts carried in Exhibit A on account of the items identified:

A. Meet the requirements of the insurance laws of the State of Michigan.
B. Are consistent with reserves computed in accordance with accepted actuarial standards and principles.
C. Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

RELEVANT COMMENTS

This Statement of Actuarial Opinion was prepared for use by the DIFS for the purpose of assisting the DIFS with the financial examination of Dorinco as of December 31, 2020. Reserves booked in the Company's Annual Statement are presented on an undiscounted basis, based on statutory accounting principles (SAP). No material assumption or method was prescribed by law.

COMPANY-SPECIFIC RISK FACTORS

In my evaluation, I considered the following risk factors that could increase the uncertainty inherent in the Company's loss and loss adjustment expense reserves:

- **Mass Tort Exposure:** The Company issues product liability coverage which exposes them to mass tort claims.
- **Excess Loss Coverage:** Dorinco writes excess loss policies, and these policies tend to have more volatile claims severities.
- **Changes in the Legal Environment:** A new legal precedent could cause a mass tort event that was not accounted for in establishing the unpaid loss reserves.
- **Ceded Reinsurance:** The Company cedes a material amount of their business written to an affiliate: Dorintal Reinsurance Limited.

RISK OF MATERIAL ADVERSE DEVIATION

I believe there are significant risks and uncertainties associated with the Company's net loss and loss adjustment expense reserves that could result in material adverse deviation. I have identified those risk factors as mass tort exposure, excess loss claims, changes in the legal environment, and the reliance on affiliated reinsurers. These risk factors are described in greater detail in the preceding paragraph and in the report supporting this opinion. The absence of other risk factors from this commentary is not meant to imply that additional factors cannot be identified in the future as having had a significant influence on the Company's reserves.

MATERIALITY STANDARD

My materiality standard for the purposes of addressing the risk of material adverse deviation of the Company's reserves for unpaid loss and loss adjustment expenses has been established as 20% of the Company's policyholder surplus. This results in a materiality standard of $123 million.

SALVAGE AND SUBROGATION

The Company's reserves listed in Exhibit A are established net of anticipated salvage and subrogation. Anticipated salvage and subrogation disclosed in item 8 of Exhibit B is $0.

DISCOUNTING

The Company does not reduce reserves to reflect discounting.

VOLUNTARY AND INVOLUNTARY UNDERWRITING POOLS

The Company participates in a small number of voluntary and involuntary pools. Company practice is to record the loss and loss adjustment expense reserves reported to it by the pools without adjusting for a reporting lag. Reserve exposure with respect to pools is considered immaterial.

ASBESTOS AND ENVIRONMENTAL

I have reviewed the Company's exposure to asbestos and environmental claims, and I have accounted for these claims in forming my opinion. The Company acquired Union Carbide Corporation which has exposure to asbestos claims, but Dorinco does not provide coverage for these claims prior to February 6, 2001. Estimation of liabilities for these claims in unusually difficult due to the extreme latency of claim activity, issues related to allocation of claim costs (including defense costs) across policy years and insurers, and the potential for coverage disputers with insureds and other insurers (regarding allocation of such costs). Therefore, any estimation of these liabilities is subject to significantly greater than normal variation and uncertainty.

EXTENDED LOSS AND EXPENSE RESERVE FOR CLAIMS MADE POLICIES

The Company does not write any extended loss and expense contracts on claims-made policies.

ACCIDENT AND HEALTH (A&H) LONG DURATION CONTRACTS

The Company does not write any policies or contracts related to fixed premium policies with coverage periods of thirteen months or greater that are non-cancellable and not subject to premium increase.

REINSURANCE COLLECTIBILITY

I have reviewed the Company's ceded reinsurance balances as shown on Schedule F – Part 3. I am not aware of any ceded amounts that have been deemed uncollectible.

The only Company that Dorinco cedes loss and loss adjustment expense reserves to is an unrated affiliate insurer, Dorintal. Dorinco cedes $358 Million, or 58% of its surplus, to Dorintal and these cessions are fully secured.

My opinion on the loss and LAE reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible.

NAIC IRIS TESTS

I have examined the NAIC IRIS tests for One-Year Reserve Development to Surplus, Two-Year Reserve Development to Surplus, and Estimated Current Reserve Deficiency to Surplus, and no exceptional values were observed.

SUPPORTING DOCUMENTS AND USAGE

An actuarial report which includes actuarial work papers supporting the findings expressed in this Statement of Actuarial Opinion will be provided to the DIFS.

This statement of Actuarial Opinion was prepared solely for the purpose of assisting the DIFS with the financial examination of the Dorinco Reinsurance Company as of December 31, 2020. It is not intended for any other purpose.

Daniel W. Lupton, FCAS, MAAA, CSPA, MBA
Taylor & Mulder, Inc.
10508 Rivers Bend Ln.
Potomac, MD 20854
(301) 956-9199

September 9, 2021

Dorinco Reinsurance Company

Exhibit A: SCOPE

Loss and Loss Adjustment Expense Reserves:	Amount
1. Reserve for Unpaid Losses (Liabilities, Surplus, and Other Funds page, Col 1, Line 1)	$703,816,959
2. Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus, and Other Funds page, Col 1, Line 3)	$233,689,689
3. Reserve for Unpaid Losses – Direct and Assumed (Should equal Schedule P, Part 1, Totals from Cols. 13 and 15, Line 12 * 1000)	$1,056,464,000
4. Reserve for Unpaid Loss Adjustment Expenses – Direct and Assumed (Should equal Schedule P, Part 1, Totals from Cols. 17, 19, and 21, Line 12 * 1000)	$238,971,000
5. The Page 3 write-in item reserve, "Retroactive Reinsurance Reserve Assumed"	$0
6. Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	$0
Premium Reserves:	
7. Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	$0
8. Reserve for Net Unearned Premiums for Long Duration Contracts	$0
9. Other Premium Reserve Items on which the Appointed Actuary is expressing an Opinion (list separately)	$0

Dorinco Reinsurance Company

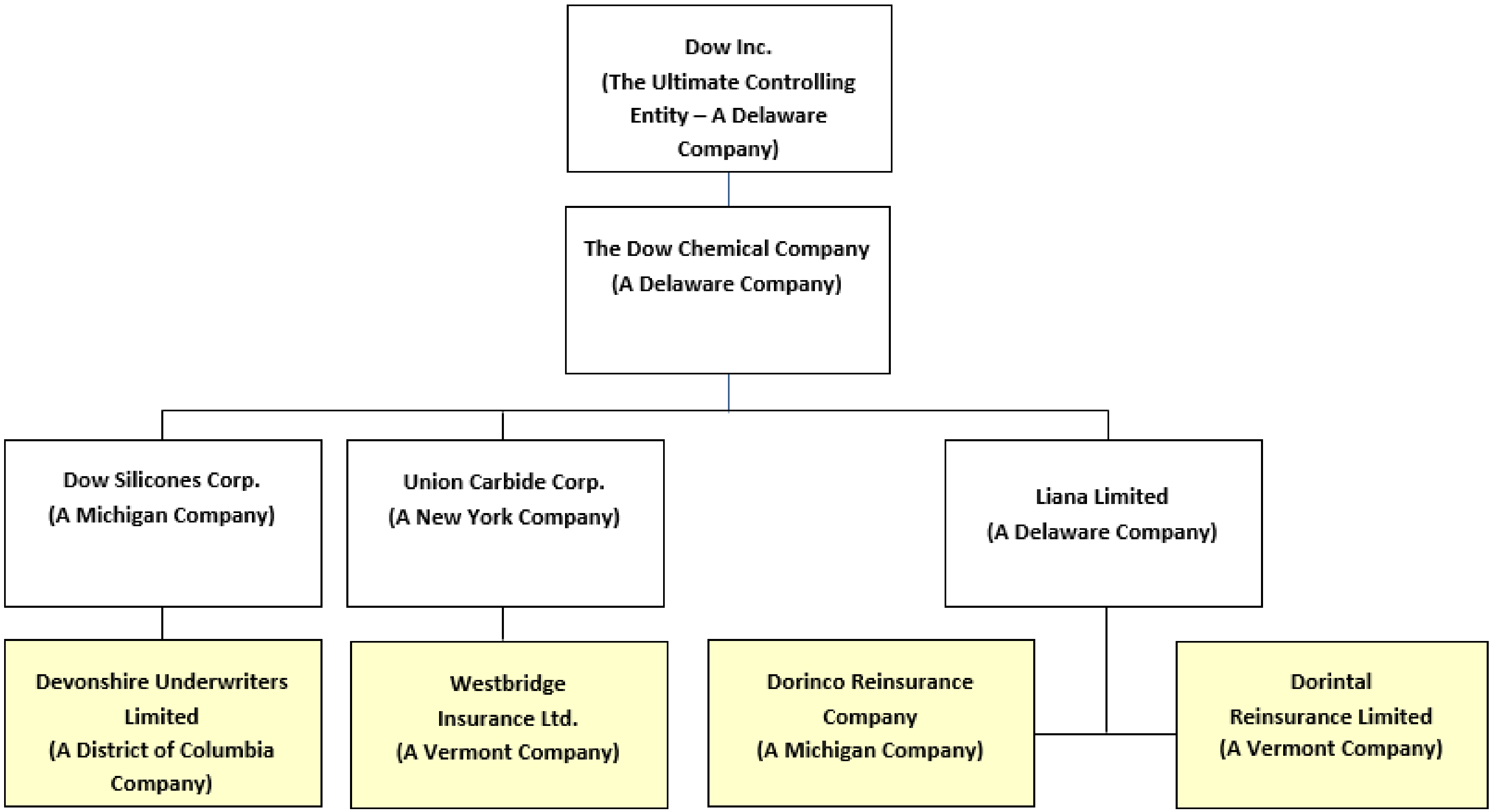
Exhibit B: DISCLOSURES

1. Name of the Appointed Actuary	Daniel W Lupton
2. The Appointed Actuary's Relationship to the Company. Enter E or C based upon the following: E if an Employee of the Company or Group C if a Consultant	C
3. The Appointed Actuary has the following designation (indicated by letter code): F if a Fellow of the Casualty Actuarial Society (FCAS) A if an Associate of the Casualty Actuarial Society (ACAS) M if not a member of the Casualty Actuarial Society but a member of the American Academy of Actuaries (MAAA) approved by the Casualty Practice Council, as documented with the attached approval letter.	F
4. Type of Opinion, as identified in the OPINION paragraph. Enter R, I, E, Q, or N based upon the following: R if Reasonable I if Inadequate or Deficient Provision E if Excessive or Redundant Provision Q if Qualified. Use Q when part of the OPINION is Qualified N if No Opinion	R
5. Materiality Standard expressed in US dollars (Used to Answer Question #6)	$123,000,000
6. Are there significant risks that could result in Material Adverse Deviation?	Yes [X] No [] Not Applicable [ ]
7. Statutory Surplus (Liabilities, Col 1, Line 37)	$614,772,384
8. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P (should equal Part 1 Summary, Col 23, Line 12 * 1000)	$0
9. Discount included as a reduction to loss reserves and loss adjustment expense reserves as reported in Schedule P.	
9.1 Nontabular Discount [Notes, Line 32B23, (Amounts 1, 2, 3, & 4)], Electronic Filing Cols 1, 2, 3, & 4	$0
9.2 Tabular Discount [Notes, Line 32A23, (Amounts 1 & 2)], Electronic Filing Col 1 & 2	$0

10. The net reserves for losses and loss adjustment expenses for the Company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and loss adjustment expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines	$2,006,000
11. The net reserves for losses and loss adjustment expenses that the Company carries for the following liabilities included on the Liabilities, Surplus, and Other Funds page, Losses and Loss Adjustment Expenses lines *	
11.1 Asbestos, as disclosed in the Notes to Financial Statements (Notes, Line 33A03D, ending net asbestos reserves for current year) Electronic Filing Col 5	$6,426,256
11.2 Environmental, as disclosed in the Notes to Financial Statements (Notes, Line 33D03D, ending net environmental reserves for current year), Electronic Filing Col 5	$1,437,279
12. The total claims made extended loss and loss adjustment expense, and unearned premium reserves (Greater than or equal to Schedule P Interrogatories)	
12.1 Amount reported as loss and loss adjustment expense reserves	$0
12.2 Amount reported as unearned premium reserves	$0
13. The net reserves for the A&H Long Duration Contracts that the Company carries on the following lines on the Liabilities, Surplus and Other Funds page:	
13.1 Losses	$0
13.2 Loss Adjustment Expenses	$0
13.3 Unearned Premium	$0
13.4 Write- In (list separately, adding additional lines as needed, and identify (e.g., "Premium Deficiency Reserves", "Contract Reserves other than Premium Deficiency Reserves" or "AG 51 Reserves"))	$0
14. Other items on which the Appointed Actuary is providing relevant comment (list separately, adding additional lines as needed)	$0

* The reserves disclosed in item 11 above, should exclude amounts relating to contracts specifically written to cover asbestos and environmental exposures. Contracts specifically written to cover these exposures include Environmental Impairment Liability (post 1986), Asbestos Abatement, Pollution Legal Liability, Contractor's Pollution Liability, Consultant's Environmental Liability, and Pollution and Remediation Legal Liability.

Exhibit 2



Dow Inc.
(The Ultimate Controlling Entity – A Delaware Company)
The Dow Chemical Company
(A Delaware Company)
Dow Silicones Corp.
(A Michigan Company)
Union Carbide Corp.
(A New York Company)
Liana Limited
(A Delaware Company)
Devonshire Underwriters Limited
(A District of Columbia Company)
Westbridge Insurance Ltd.
(A Vermont Company)
Dorinco Reinsurance Company
(A Michigan Company)
Dorintal Reinsurance Limited
(A Vermont Company)