State of Michigan

Department of
Insurance and Financial Services

Office of Insurance Evaluation

Financial Examination
of

DORINCO REINSURANCE COMPANY

Midland, Michigan

As of

December 31, 2023

State of Michigan

Department of Insurance and Financial Services

OFFICE OF INSURANCE EVALUATION

Lansing, Michigan

Certified Copy

Approved as a Public Document

Date: November 25, 2024

Anita G. Fox, Director

FINANCIAL EXAMINATION OF

DORINCO REINSURANCE COMPANY

Midland, Michigan

As of

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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, 2021 to December 31, 2023. 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 Paradigm Actuaries LLC. The analysis, performed by Daniel D. Schlemmer, 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, 2023 examination. This review consisted mainly of items noted by our analysis staff, 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, 2023 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 and DIFS on March 8, 1977. The Company commenced business on March 28, 1977.

The certificate of authority issued by DIFS authorizes the Company to transact the business of property and casualty insurance as provided in Chapter 6 of the Michigan Insurance Code (Code), excluding Section 602.

CAPITAL STOCK

The Company has 100,000 authorized shares of capital stock, of which 50,000 shares are issued and outstanding at December 31, 2023. 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, a wholly owned subsidiary of TDCC, owns 100 percent of the Company's outstanding stock.

In addition to the Company, Liana owns 100 percent of the outstanding stock of Dorintal Reinsurance Limited (Dorintal) and Diamond Reinsurance Company (Diamond). Dorintal and Diamond are reinsurers 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 notice sent to each director.

Directors serving as of December 31, 2023 are as follows:

Name	Affiliation
John T. Blaha	President of the Company
Ronald C. Edmonds*	Controller & Vice President of Controllers and Tax, TDCC
Melanie Kalmar	Vice President, Chief Information Officer, and Chief Digital Officer, TDCC
Cameron A. Lakatos	Vice President of the Company
Keith MacDonald	Vice President of the Company
Gary J. McGuire	Chief Executive Officer of the Company
Julie M. Premo+	Vice President & Controller of the Company
Jeff Tate	Chief Financial Officer, TDCC
Brian Tessin	Assistant Secretary of the Company
Amy Wilson	General Counsel & Corporate Secretary, TDCC

*Retired effective March 5, 2024. Replaced by Andrea Dominowski.
+Retired effective June 4, 2024. Replaced by Brad Vanfulpen.

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, 2023, the board has Executive and Compensation Committees.

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, 2023 are as follows:

Name	Title
John T. Blaha	President
Cameron A. Lakatos	Vice President
Keith MacDonald	Vice President

Gary J. McGuire	Chief Executive Officer
Julie M. Premo+	Vice President & Controller
Gregory E. Smith	Secretary
Brian Tessin	Assistant Secretary
Andrea Vigo	Treasurer

+Retired effective June 4, 2024. Replaced by Brad Vanfulpen.

TERRITORY AND PLAN OF OPERATION

The Company writes direct business for TDCC and its subsidiaries and affiliates. The Company's 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 76 percent of gross written premium. Non-standard auto and homeowners coverages are the largest lines of business.

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

REINSURANCE

Assumed

The Company assumed 76 percent of its business from unrelated companies in 2023. 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.

Ceded

Under the Company's direct property all risk program, \$45 million in excess of a \$50 million deductible is retained by the Company. The Company cedes the direct property business on an occurrence basis under three different cessions. The first cession is reinsured with Dorintal, an affiliated unauthorized reinsurer. This cession provides coverage for 100 percent of \$70 million excess of \$95 million, plus an additional aggregate limit for \$45 million in excess of the \$50 million deductible. The second cession is reinsured with Diamond, also an affiliated unauthorized reinsurer. This cession provides coverage for 100 percent of \$35 million in excess of \$165 million, plus coverage for 77.75 percent of \$50 million in excess of \$200 million. The final cession has multiple sub-layers and is for losses in excess of \$200 million with an overall limit of \$1.2 billion inclusive of the deductible and retentions. 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; and Starr Surplus Lines Insurance Company, an authorized reinsurer.

Under the Company's combined liability policy, the first \$25 million is retained by the Company. The Company cedes this direct casualty business under two separate cessions. The first cession is retained by Diamond. The cession provide coverage for 100 percent of \$25 million in excess of a \$25 million. The second cession is reinsured with Dorintal. This cession provides coverage for 100 percent of \$25 million in excess of \$100 million of aggregate loss.

The Company has quota share contracts with both Dorintal and Diamond. The contracts cover almost all the reinsurance issued by the Company to cover risks unrelated to TDCC. The Company retained 70 percent of business under this contract during 2023.

GROWTH OF THE COMPANY

The data below depicts the growth of the Company from December 31, 2020 to December 31, 2023.

Year	Admitted Assets	Liabilities	Capital and Surplus
2020*	$ 1,660,688,899	$ 1,045,916,515	$ 614,772,384
2021	$ 1,765,302,340	$ 1,151,751,959	$ 613,550,381
2022	$ 1,747,079,429	$ 1,160,813,628	$ 586,265,801
2023*	$ 1,934,550,344	$ 1,276,405,352	$ 658,144,992

Year	Net Premiums Written	Net Premiums Earned	Premiums Written to Surplus
2020*	$ 205,028,539	$ 214,364,475	0.33:1
2021	$ 235,368,551	$ 227,001,110	0.38:1
2022	$ 279,369,638	$ 247,215,263	0.48:1
2023*	$ 395,303,690	$ 344,755,305	0.60:1

Year	Losses Incurred	Loss Ratio	Loss Adjustment Expense Incurred	Loss Adjustment Expense Ratio
2020*	$ 149,105,405	69.6%	$ 27,216,287	12.7%
2021	$ 201,613,996	88.8%	$ 15,044,563	6.6%
2022	$ 161,948,116	65.5%	$ 24,087,971	9.7%
2023*	$ 38,382,950	11.1%	$ 202,385,838	58.7%

Year	Underwriting Expenses Incurred	Underwriting Expense Ratio	Combined Loss and Expense Ratio
2020*	$ 40,102,111	19.6%	101.9%
2021	$ 39,286,085	16.7%	112.1%
2022	$ 56,527,526	20.2%	95.4%
2023*	$ 87,827,395	22.2%	92.0%

* Per Report of Examination.

DORINCO REINSURANCE COMPANY
BALANCE SHEET
As of December 31, 2023

ASSETS	
Bonds	$1,304,985,685
Preferred Stocks	642,234
Cash and Short-Term Investments	218,345,860
Other Invested Assets	146,429,274
Receivables for Securities	4,845,324
Investment Income Due and Accrued	13,056,784
Uncollected Premiums and Agents' Balances in the Course of Collection	139,061,050
Deferred Premiums	65,642,641
Amounts Recoverable from Reinsurers	11,815,992
Funds Held By or Deposited with Reinsured Companies	19,554,083
Net Deferred Tax Asset	9,152,951
Receivables from Parent, Subsidiaries and Affiliates	1,001,282
Aggregate Write-ins for Other Than Invested Assets	17,184
Total Admitted Assets	$1,934,550,344
LIABILITIES, CAPITAL AND SURPLUS	
Losses	$ 613,633,356
Reinsurance Payable on Paid Losses and Loss Adjustment Expenses	33,534,938
Loss Adjustment Expenses	412,143,081
Other Expenses	3,416,896
Taxes, Licenses and Fees	2,583,730
Current Federal Income Taxes	11,844,976
Unearned Premiums	148,719,311
Ceded Reinsurance Premiums Payable	38,961,438
Funds Held By Company Under Reinsurance Treaties	5,196,787
Amounts Withheld or Retained by Company for Account of Others	5,896
Provision for Reinsurance	5,364,000
Payable to Parent, Subsidiaries and Affiliates	141,017
Payable for Securities	859,926
Total Liabilities	$1,276,405,352
Common Capital Stock	$ 5,000,000
Gross Paid-in and Contributed Surplus	221,000,000
Unassigned Funds	432,144,992
Total Capital and Surplus	$ 658,144,992
Total Liabilities, Capital and Surplus	$1,934,550,344

DORINCO REINSURANCE COMPANY
STATEMENT OF INCOME
For the Year Ending December 31, 2023

UNDERWRITING INCOME	
Premiums Earned	$344,755,305
Deductions:	
Losses Incurred	$ 38,382,950
Loss Adjustment Expenses Incurred	202,385,838
Other Underwriting Expenses Incurred	87,827,395
Total Underwriting Deductions	$328,596,183
Net Underwriting Gain	$ 16,159,122
INVESTMENT INCOME	
Net Investment Income Earned	$ 41,000,956
Net Realized Capital Gains	14,581,461
Net Investment Gain	$ 55,582,417
OTHER INCOME	
Aggregate Write-ins for Miscellaneous Income	$ 3,162,969
Total Other Income	$ 3,162,969
Net Income Before Federal Income Taxes	$ 74,904,508
Federal and Foreign Income Taxes Incurred	13,684,661
Net Income	$ 61,219,847

DORINCO REINSURANCE COMPANY
STATEMENT OF CAPITAL AND SURPLUS
For the Year Ending December 31, 2023

Capital and Surplus, December 31, 2022	$ 586,265,801
Net Income	$ 61,219,847
Change in Net Unrealized Capital Gains	1,236,383
Change in Net Deferred Income Tax	1,454,853
Change in Non-Admitted Assets	1,076,804
Change in Provision for Reinsurance	6,891,304
Net Change in Capital and Surplus	$ 71,879,191
Capital and Surplus, December 31, 2023	$ 658,144,992

DORINCO REINSURANCE COMPANY
STATEMENT OF CASH FLOWS
For the Year Ending December 31, 2023

OPERATIONS	
Premiums Collected	$ 306,148,927
Net Investment Income	50,100,881
Miscellaneous Expense	(6,921,124)
Total	$ 349,328,684
Benefit and Loss Related Payments	$ 180,077,531
Commissions, Expenses Paid, and Aggregate Write-ins	115,207,011
Federal and Foreign Income Taxes Paid	10,300,858
Total	$ 305,585,400
Net Cash from Operations	$ 43,743,284
INVESTMENTS	
Proceeds from Investments Sold, Matured or Repaid:	
Bonds	$ 209,088,835
Stocks	160,200
Other Invested Assets	11,263,317
Net Losses on Cash, Cash Equivalents and Short-Term Investments	(9,069)
Miscellaneous Proceeds	(1)
Total Investment Proceeds	$ 220,503,282
Cost of Investments Acquired:	
Bonds	$ 141,703,837
Stocks	157,279
Other Invested Assets	13,844,117
Miscellaneous Applications	7,700,362
Total Investments Acquired	$ 163,405,595
Net Cash from Investments	$ 57,097,687
FINANCING AND MISCELLANEOUS SOURCES	
Other Cash Provided	$ 2,540,230
Net Cash from Financing and Miscellaneous Sources	$ 2,540,230

DORINCO REINSURANCE COMPANY
STATEMENT OF CASH FLOWS (Continued)
For the Year Ending December 31, 2023

Net Change in Cash and Short-Term Investments	$ 103,381,201
Cash and Short-Term Investments at December 31, 2022	114,964,659
Cash and Short-Term Investments at December 31, 2023	$ 218,345,860

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

Cash and cash equivalents include readily marketable securities having original maturities of three months or less at the acquisition date. Cash and cash equivalents are carried at cost, which approximates fair value, except for money market funds, which are carried at fair value.

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. The estimated fair value of short-term investments is based on values obtained from independent pricing services using quoted market prices.

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

Preferred stocks are stated at cost, lower of cost or amortized cost, or fair values depending on the assigned credit rating and whether the preferred stock has mandatory sinking fund provisions.

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 and enters into various futures contracts with the objective of adjusting the fixed income portfolio duration. 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.

During the second quarter of 2023, the Company performed a historical analysis of loss reserves that resulted in the reallocation of about $250 million between loss and loss adjustment expense reserves. The offsetting adjustment decreased the loss reserve and increased the loss adjustment expense reserve. During the third quarter of 2023, the Company performed a historical analysis of ceded loss reserves that resulted in the reallocation of about $104 million between loss and loss adjustment expense reserves. The offsetting adjustment increased the loss reserve and decreased the loss adjustment expense reserve. The net impact of the reallocation is approximately $146 million and is reflected in the balance sheet and statement of income.

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 with TDCC. 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.

The Company also has an intercompany revolving note receivable from Liana with a balance of approximately $20.5 million as of December 31, 2023. The revolving note receivable bears interest from day to day at a rate per annum equal to the one-month Secured Overnight Financing Rate, minus one-fourth percent. The maturity date is automatically extended from year to year in one-year terms expiring May 1.

4. CONSOLIDATED BENEFIT PLANS

TDCC sponsors a defined benefit pension plan covering substantially all Company employees. Benefits are based on the length of service and the employee's three highest consecutive years of compensation. TDCC's funding policy is to contribute to the pension plan when pension laws and economics either require or encourage funding. Pension costs of $171,399 were allocated to the Company in 2023.

TDCC sponsors a postretirement health care benefit plan covering substantially all retired employees of the Company. TDCC funds most of the costs of these benefits when incurred. The Company's share of postretirement health care benefits was $60,808 in 2023.

Substantially all employees of the Company are eligible to participate in a defined contribution plan by contributing a portion of their compensation, which is partially matched by TDCC. Matching contributions of $112,162 were charged to the Company in 2023.

The Company has no legal obligations for benefits under any of these plans.

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 $65,814,499 in dividends as of December 31, 2023 without approval from DIFS. The Company did not pay any dividends in 2023.

6. COMMITMENTS AND CONTINGENCIES

As of December 31, 2023, the Company had $60,963,035 in unpaid capital commitments related to its investments in certain limited partnerships. In January 2024, $705,078 of this commitment was called.

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. ASBESTOS AND ENVIRONMENTAL RESERVES

The Company's exposure to asbestos and environmental (A&E) losses arises from direct insurance and reinsurance.

The Company estimates the full impact of A&E exposures by establishing full case reserves and incurred but not reported reserves. As of December 31, 2023, the Company held $5.6 million in net reserves for asbestos and $2.6 million in net reserves for environmental claims.

EXAMINATION FINDINGS AND RECOMMENDATIONS

1. Intercompany Transactions

   The Company is not filing Form Ds for all intercompany transactions as required by Section 1341(3) of the Code. The Company does not have a formal agreement for the administrative services it is providing to Diamond. The Company also did not file the amendments to the revolving loan agreements with Liana and TDCC for the transition from LIBOR. Section 1341(3) of the Code states the Company shall not enter into, or modify an existing transaction, without notifying the director in writing at least 30 days prior to entering into or modifying the transaction.

   We recommend the Company develop policies and procedures to ensure all intercompany agreements and amendments are filed with DIFS as required by Section 1341(3) of the Code. We further recommend the Company file Form Ds for the referenced intercompany transactions.

2. Director Election Notifications

   The Company elected a new director in both the fourth quarter of 2023 and the first quarter of 2024. DIFS did not receive notification of these elections within 30 days, as required by Section 250(1) of the Code.

   We recommend the Company timely notify DIFS of all officer and director elections as required by Section 250(1) of the Code.

CONCLUSION

As of our December 31, 2023 examination, we determined the Company to have admitted assets of $1,934,550,344, liabilities of $1,276,405,352, and capital and surplus of $658,144,992.

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

In addition to the undersigned, Diane L. Gallagher-Starr, APIR, Aundrea N. Jones, APIR, and Ragan J. Woods, APIR, examiners of DIFS; and Paradigm Actuaries LLC, consulting actuaries, participated in the examination.

Respectfully submitted,

Kristen R. VanHamlin, CFE, PIR
Examiner-in-Charge
Department of Insurance and Financial Services

STATEMENT OF ACTUARIAL OPINION
Dorinco Reinsurance Company
For the Year Ended December 31, 2023

IDENTIFICATION

I, Daniel Schlemmer, am associated with the firm of Paradigm Actuaries LLC. I am a member of the American Academy of Actuaries and meet its qualification standards for statements of actuarial opinion regarding property and casualty insurance company statutory Annual Statements. I am a Fellow of the Casualty Actuarial Society. I have been requested by the state of Michigan Department of Insurance and Financial Services ("DIFS") to render an opinion on Dorinco Reinsurance Company ("the Company") as part of their examination of the Company.

SCOPE

I have examined the reserves listed in Exhibit A, as shown in the Annual Statement of the Company as filed with state regulatory officials, as of December 31, 2023. The loss and loss adjustment expense reserve items in this Scope and specified in Exhibit A on which I am expressing an opinion, reflect the Loss Reserve Disclosure items listed under the Relevant Comments section and in Exhibit B.

My examination of the loss and loss adjustment expense reserves was based upon data and related information prepared by the Company. In this regard, I relied on data provided by the Company's Opining Actuary, Yi Jing, FCAS, MAAA, of WTW, as well as data provided to Ms. Jing by the Vice President and Controller of the Company, Julie Premo.

My review was limited to items in Exhibit A and did not include an analysis of any income statement items or other balance sheet items. My opinion on the reserves is based upon the assumption that all reserves are backed by valid assets, which have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

OPINION

In my opinion, the amounts carried in Exhibit A and identified above in the Scope paragraph:

A. Meet the requirements of the insurance laws of the State of Michigan;
B. Are consistent with estimates of unpaid loss and loss adjustment expenses computed in accordance with Standards of Practice issued by the Actuarial Standards Board; and
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

<u>Risk of Material Adverse Deviation</u>

There are a variety of risk factors that may result in the actual future net loss and loss adjustment expense payments deviating from the provision in the Company's net carried reserves. In my evaluation, I considered the following risk factors which increase the uncertainty in the Company's loss and loss adjustment expense reserve:

- The Company writes excess of loss insurance for which unpaid loss and LAE reserves are generally subject to greater uncertainty.
- The Company provides its parent company, Dow Chemical Company, with products liability coverage that has mass tort exposures.
- The Company cedes a material amount (77% of surplus) to Dorintal and Diamond, non -rated affiliates.
- The impact of changes in inflation or the expected persistence of inflation (e.g. wage, social, medical, cost of goods sold) on personal auto, workers compensation and liability lines of business.

The absence of other risk factors from this listing does not imply that additional risk factors will not be identified in the future as being a significant influence on the Company's reserves.

With respect to the Company, I do not believe there is a significant risk of material adverse deviation in the Company's loss and loss adjustment expense reserves. In making this determination, I have considered a material adverse deviation to be one in which the actual unpaid losses and loss adjustment expenses exceed the Company's reserves by an amount greater than $131.6 million, calculated as approximately 20% of the Company's statutory surplus as of December 31, 2023.

<u>Uncertainty</u>

In evaluating whether the reserves make a reasonable provision for unpaid losses and loss adjustment expenses, it is necessary to project future loss and loss adjustment expense payments. Actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, my projections make no provision for extraordinary future emergence of new classes or types of losses not sufficiently represented in the Company's historical database or that are not yet quantifiable.

<u>Other Disclosures</u>

Accident & Health ("A&H") Long Duration Contracts

The Company does not write and therefore has no reserves for A&H long duration contracts, defined as A&H contracts in which the contract term is greater than or equal to thirteen months and contract reserves are required.

Asbestos & Environmental Liabilities
The Company currently holds reserves for losses and loss adjustment expenses for asbestos and environmental claims arising from the sale of commercial multiple peril and general liability. The Company currently holds $5,614,978 in net reserves and $5,058,901 in gross reserves for loss and loss adjustment expense for asbestos liability. The Company also holds $2,626,233 in net reserves and $2,629,007 in gross reserves for loss and loss adjustment expense for environmental liability. Estimation of ultimate liabilities for these claims is unusually difficult due to issues arising from the extreme latency in claim activity, determination of ultimate damages and the allocation of such damages to financially responsible parties. Therefore, any estimation of these liabilities is subject to significantly greater than normal variation and uncertainty.

Discounting
The Company does not discount loss and loss adjustment expense reserves.

Extended Loss and Loss Adjustment Expense Reserve
The Company has no exposure to Extended Reporting Endorsements ("EREs") at no additional premium in the event of death, disability or retirement ("DD&R") of an insured. Therefore, the Company has not established a provision for DD&R waiver of premium endorsement.

IRIS Ratios
I have reviewed the Company's calculations of the National Association of Insurance Commissioners' Insurance Regulatory Information System (IRIS) tests that relate to the Company's December 31, 2023 loss and loss adjustment expense reserves (Test 11, One Year Reserve Development to Surplus; Test 12, Two Year Reserve Development to Surplus; and Test 13, Estimated Current Reserve Deficiency to Surplus). The Company shows an exceptional value for IRIS Test 13 due to the increase in net earned premium for non-standard auto liability and homeowners lines of business.

Pools & Associations
The Company participates in a small number of voluntary and involuntary pools. The Company's practice is to record the loss and loss adjustment expense reserves reported to it by the pools without an adjustment for reporting lag.

Reinsurance
My opinion on the loss and loss adjustment expense reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible. Based on my review of the Company's Schedule F, all except $0.8 million of the Company's ceded loss and loss

adjustment expense reserves are with affiliated companies that are unrated. The unrated cessions pertaining to the affiliate companies total approximately $506 million and are fully secured. Other cessions are not material. The company has represented that it knows of no uncollectible reinsurance cessions. I have not anticipated any contingent liabilities that could arise if the reinsurers do not meet their obligations to the Company.

Retroactive Reinsurance
Based on Company management and its description of the Company's ceded and assumed reinsurance, I am not aware of any reinsurance contract that either has been or should have been accounted for as retroactive insurance or financial reinsurance.

Salvage & Subrogation
Reserves for the Company are stated net of salvage and subrogation. The Company's anticipated salvaged and subrogation recoveries are zero, as stated in Exhibit B item 8.

SUPPORTING DOCUMENTS AND USAGE

An actuarial report, including underlying actuarial work papers supporting the findings expressed in this Statement of Actuarial Opinion, has been provided to DIFS staff. This Statement of Actuarial Opinion is solely for regulatory examination, and only to be relied upon by examiners from the state of Michigan and examiners from other states as determined by Michigan.

Daniel Schlemmer, FCAS, MAAA
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Chicago, IL 60614
312-925-7073
dan@paradigmactuaries.net
September 10, 2024

Exhibit A: SCOPE

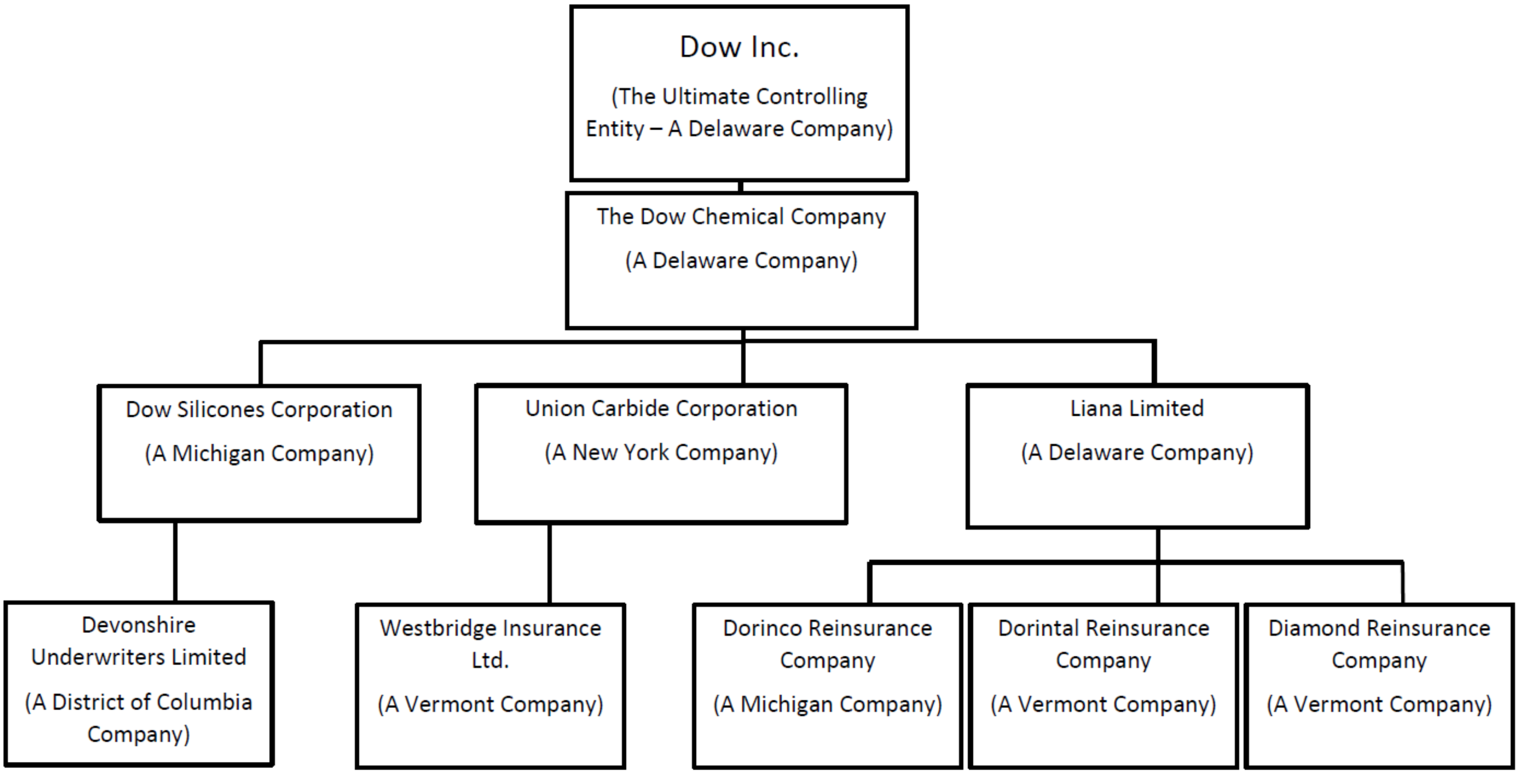
Loss and Loss Adjustment Expense Reserves		
1.	Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Col. 1, Line 1)	$ 613,633,356
2.	Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Col. 1, Line 3)	412,143,081
3.	Reserve of Unpaid Losses – Direct and Assumed (Schedule P, Part 1, Summary Totals from Cols. 13 and 15, Line 12 * 1000)	1,008,970,000
4.	Reserve for Unpaid Loss Adjustment Expenses – Direct and Assumed (Schedule P, Part 1, Summary Totals from Cols. 17, 19 and 21, Line 12 * 1000)	523,967,000
5.	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	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	0

Exhibit B: DISCLOSURES

		Column 1	Column 2	Column 3	Column 4
1.	Name of Appointed Actuary		Schlemmer	Daniel	
2.	Appointed Actuary's Relationship to Company E = Employee; C = Consultant			C	
3.	The Appointed Actuary is a Qualified Actuary based upon what qualification? F=FCAS; A = ACAS; M = not a member of CAS, but a member of AAA approved by Casualty Practice Council; O = Other			F	
4.	Type of Opinion, as identified in the OPINION paragraph. R= Reasonable; I= Inadequate; E = Excessive; Q = Qualified; N = No Opinion			R	
5.	Materiality Standard expressed in US dollars	$131,629,000			
6.	Is there a significant risk of Material Adverse Deviation?				Yes []No[X] N/A [ ]
7.	Statutory Surplus (Liabilities, Col 1, Line 37)	$658,144,992			
8.	Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P	$0			
9.	Discount as a reduction to loss reserves and loss expense reserves as reported in Schedule P				
	9.1 Nontabular Discount	$0			
	9.2 Tabular Discount	$0			

	Column 1	Column 2	Column 3	Column 4
10. The net reserves for losses and expenses for the Company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on the Liability, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.	$919,000			
11. The net reserves for losses and loss adjustment expenses that the Company carries for the following liabilities included on the Liability, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.				
11.1 Asbestos, as disclosed in the Notes to Financial Statements	$5,614,978			
11.2 Environmental, as disclosed in the Notes to Financial Statements	$2,626,233			
12. The total claims made extended loss and expense reserve (Schedule P Interrogatories)				
12.1 Amount rptd as loss reserve	$0			
12.2 Amount reported as unearned premium reserve	$0			
13. The net reserves for A&H Long Duration Contracts that the Company carries on the following lines on the Liability, Surplus and Other Funds page:				
13.1 Losses	$0			
13.2 Loss Adjustment Expenses	$0			
13.3 Unearned Premium	$0			
13.4 Write-Ins	$0			
14. Other items on which the Appointed Actuary is providing Relevant Comment (list separately)				
14.1 Retroactive insurance reserve assumed (Pg3 Col 1, line 2501)	$0			

Exhibit 2


Dow Inc.
(The Ultimate Controlling Entity – A Delaware Company)
The Dow Chemical Company
(A Delaware Company)
Dow Silicones Corporation
(A Michigan Company)
Union Carbide Corporation
(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 Company
(A Vermont Company)
Diamond Reinsurance Company
(A Vermont Company)