

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

JUN 27 2022

FILED

CERTIFICATION

June 27, 2022

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

GEICO MARINE INSURANCE COMPANY

AS OF

DECEMBER 31, 2020

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

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



A handwritten signature in blue ink, appearing to read "Eric Dunning", is written over a horizontal line.

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

GEICO MARINE INSURANCE COMPANY

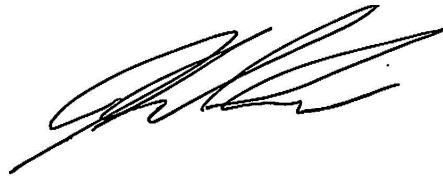
5323 PORT ROYAL ROAD

SPRINGFIELD, VA 22151

dated as of December 31, 2020, verified under oath by the examiner-in-charge on
June 2, 2022, and received by the company on June 3, 2022, has been adopted
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 17th day of June 2022.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'Justin C. Schrader', written in a cursive style.

Justin C. Schrader, CFE
Chief Financial Examiner

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

GEICO MARINE INSURANCE COMPANY

as of

December 31, 2020

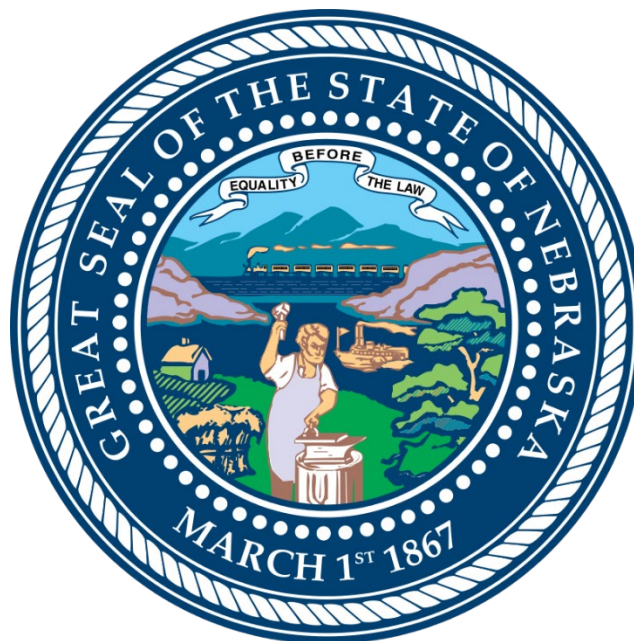


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Springfield, Virginia
June 2, 2022

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

Dear Sir:

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

GEICO MARINE INSURANCE COMPANY

which has its Statutory Home Office located at

1440 Kiewit Plaza
Omaha, Nebraska 68131

with its Principal Executive Office Located at

5323 Port Royal Road
Springfield, Virginia 22151

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

INTRODUCTION

The State of Maryland last examined the Company as of December 31, 2015. The current financial condition examination covers the intervening period to and includes the close of business on December 31, 2020 and such subsequent events and transactions as were considered pertinent to this report. The State of Nebraska participated in this examination and assisted in the preparation of this report.

SCOPE OF EXAMINATION

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

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

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

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

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

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

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

DESCRIPTION OF COMPANY

HISTORY

The Company is a wholly owned subsidiary of Boat America Corporation (BAC), a Virginia corporation, and is formerly known as Seaworthy Insurance Company. The Company was incorporated under the laws of Maryland on November 1, 1989. The Company obtained its original Certificate of Authority from the Maryland Insurance Administration (MIA) on February 27, 1990 and commenced operations in March 1990. The Company underwrites ocean marine coverage.

Effective January 1, 2015, GEICO Corporation, a Delaware corporation and a wholly owned subsidiary of National Indemnity Company (NICO), a Nebraska corporation, assumed the direct management of BAC. NICO is a wholly owned subsidiary of Berkshire Hathaway Inc. (BHI), a corporation organized under the laws of the state of Delaware, with executive offices located in Omaha, Nebraska. In October 2015, the MIA approved the Company's name change from Seaworthy Insurance Company to GEICO Marine Insurance Company with an effective date of November 1, 2015.

Effective December 31, 2020, the Company re-domesticated to the State of Nebraska.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An abridged organizational listing flowing from the "Ultimate Controlling Person," as reported in the 2020 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

Berkshire Hathaway Inc.
 National Indemnity Company
 GEICO Corporation
 Boat America Corporation
 GEICO Marine Insurance Company

Shareholder

The Articles of Incorporation state that, “the total authorized capital stock of the Corporation is five hundred thousand (500,000) shares of Common Stock of the par value of ten dollars (\$10.00) per share.” As of December 31, 2020, Company records indicated that 300,000 were issued and outstanding, and all shares were owned by the parent company, BAC.

Gross paid in and contributed surplus decreased by \$1,552,617 in 2017 and increased by \$25,000,000 in 2018 for a total of \$44,009,043 as of December 31, 2020. No dividends were paid during the examination period. The Company received a subsequent capital contribution in 2021 from its parent in the amount of 31,500,000.

The By-Laws state that, “the annual meeting of the Stockholders of the Corporation shall be held in the month of April each year on a day determined by the Secretary, unless otherwise ordered by the Board of Directors. The annual meeting shall be for the purposes of electing Directors to succeed those whose terms shall have expired as of the date of such annual meeting, receiving reports of Officers and committees, and for the transaction of such other business of the Corporation as may properly come before the meeting.”

Board of Directors

The Articles of Incorporation state that, “the Corporation shall have and be managed by a Board of Directors. The number of Directors of the Corporation shall be nine (9), which number may be increased pursuant to the By-Laws of the Corporation, but shall never be less than permitted by the laws of the State of Nebraska.”

The By-Laws state that, “the Directors shall be elected each year at the annual meeting of the Stockholders...” The By-Laws go on to state “regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined...”

The following persons were serving as Directors at December 31, 2020:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Cecilia Lynn Aguerrevere (a) Alexandria, Virginia	Chief Financial Officer and Treasurer of the Company
Michele Amy El-Gamil (g) Bethesda, Maryland	Internal Auditor Government Employees Insurance Company
Kirk Quoc La (b) Clifton, Virginia	Vice President Government Employees Insurance Company
Tammy Lee Moore (h) Centrefille, Virginia	AVP Line III Government Employees Insurance Company
Michael Gilford Pellerin (i) Fernandina Beach, Florida	Boat Managing Director – Underwriting Government Employees Insurance Company
John Warren Pham Virginia Beach, Virginia	Chief Information Officer Government Employees Insurance Company
Nancy Leigh Pierce (c) Washington, District of Columbia	Executive Vice President Government Employees Insurance Company
William Evan Roberts (d) Bethesda, Maryland	Chairman of the Company
Armando Valdes (e) Hialeah, Florida	Assistant Controller Government Employees Insurance Company
Richard Caulton Wilson (f) Alexandria, Virginia	Vice President Claims of the Company

(a) Resigned effective 2/26/21; replaced by Daniel Jaksich effective 2/26/21

(b) Not re-elected effective 4/27/21

(c) Not re-elected effective 4/27/21; replaced by Melissa Gallaro effective 4/27/21

(d) Resigned effective 12/31/20; replaced by John Pham as Chairman effective 1/1/21

(e) Not re-elected effective 4/27/21; replaced by Shane Wheeler effective 4/27/21, who was subsequently replaced by Nancy Pierce effective 4/26/22

(f) Resigned effective 3/3/21

(g) Not re-elected effective 4/26/22; replaced by Todd Combs effective 4/26/22

(h) Replaced by Seth Ingall effective 4/26/22

(i) Replaced by Hollis White effective 4/26/22

Officers

The By-Laws state that, “the Officers of the Company shall be a President, Secretary, and a Treasurer, and also such other Officers including a Chairman of the Board and/or one or more Vice Presidents and/or one or more assistants to the foregoing Officers as the Board of Directors from time to time may consider necessary for the proper conduct of the business of the Company. The Officers shall be elected annually by the Board of Directors at its first meeting following the annual meeting of the Stockholders except where a longer term is expressly provided in an employment contract duly authorized and approved by the Board of Directors.”

The following is a listing of Officers elected and serving the Company at December 31, 2020:

<u>Name</u>	<u>Office</u>
William Evan Roberts	Chairman
Tammy Lee Moore	President
Cecilia Ann Aguerrevere	Senior Vice-President, Chief Financial Officer, and Treasurer
Christopher James Nowack	Secretary
Richard Caulton Wilson	Vice-President Claims
Michael Gilford Pellerin	Vice-President Underwriting
Travis S. Stiens	Assistant Vice-President
Hollis White	Assistant Vice-President
Maren S. Kench	Assistant Vice-President
Todd Prigal	Assistant Vice-President
John Nichols	Assistant Secretary
Michael Freije	Assistant Secretary

Committees

The By-Laws state that, “the Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more Committees (including, but not limited to, an Audit Committee, Executive Committee, Claims Committee, and Finance Committee), each consisting of such number of Directors (but not less than two) as the Board shall appoint.”

The following persons were serving on the Audit Committee at December 31, 2020:

Facility Services Agreement

Effective January 1, 2007, the Company entered into a Facility Services Agreement with BAC. This agreement is for facility and services provided by BAC to the Company. BAC shall provide to the Company office space and storage in its leased facilities. BAC shall provide data processing services, as well as general accounting, personnel, general facility management, policy issuance, and premium accounting to the Company. Effective January 1, 2018, the agreement was amended to include the name change of the Company (Seaworthy Insurance Company to GEICO Marine Insurance Company) and the location change of BAC corporate headquarters from Alexandria, Virginia to Springfield, Virginia.

Intercompany Service Agreement with National Liability & Fire Insurance Company

Effective June 1, 2008, the Company entered into an intercompany service agreement with National Liability and Fire Insurance Company (NLF). NLF is to perform certain administrative and special services for the Company in its operations and desire further for the Company to make use in its day-to-day operations of certain property, equipment, and facilities of NLF. This arrangement will achieve certain operating economies and improve services to the mutual benefit of both the Company and NLF. Since 2018, the Company has had no policy activity with this agreement; however, there is claims activity still in run-off.

Intercompany Service Agreement with National Indemnity Insurance Company

Effective June 1, 2008, the Company entered into an intercompany service agreement with National Indemnity Company (NICO). NICO is to perform certain administrative and special services for the Company in its operations and to make further use in its day-to-day operations of certain property, equipment, and facilities of NICO. This arrangement will achieve certain operating economies and improve services to the mutual benefit of both the Company and NICO.

Towing Manager's Agreement

Effective January 1, 2013, the Company entered as a party into the Towing Manager's Agreement with BAC and BoatU.S., Inc. (BoatU.S.). This agreement is for the specific purpose of the sale and administration of the ocean marine search and rescue (towing and waterway assistance). This agreement was subsequently terminated as of January 1, 2022.

Yacht Underwriter Manager's Agreement

Effective January 1, 2013, the Company entered as a party into the Yacht Underwriting Manager's Agreement with BAC and BoatU.S. This agreement is for the specific purpose of the sale of ocean marine (boat/yacht) insurance to members of the Boat Owners Association of the U.S. and to facilitate the servicing and handling of such business. The Company appoints BoatU.S. as its agent in the State of Maryland and any other state where the Company is admitted to do business. This agreement was subsequently terminated as of January 1, 2022.

Tax Allocation Agreement

Effective February 16, 2018, the Company entered into the Agreement to Allocate Consolidated Federal Income Tax Liability with GEICO Corporation and GEICO Corporation's subsidiaries. The parties of the agreement agree to allocate the consolidated federal income tax liability among members of the affiliated group using the method described in the Internal Revenue Service Regulations. Federal income taxes are paid to or refunded by GEICO Corporation.

Investment Services Agreement

Effective January 1, 2016, the Company was added to the Investment Services Agreement with BHI and NICO. Under this agreement, BHI is appointed as investment manager and will provide investment management services and supervise and direct the investments for the Company subject to

the terms and conditions of the agreement and to the terms of BHI's investment objectives, policies, and restrictions.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is a property and casualty insurance company licensed to transact business in all 50 states, and the District of Columbia. The Company underwrites ocean marine coverage in two focused areas – on-the-water towing of recreational boats and the issuance of ocean marine policies covering a variety of watercraft.

During the examination period, the Company's business was underwritten by its affiliate, GEICO Insurance Agency, Inc. and a network of independent agents. In 2020, the Company stopped writing new business for charter and superyacht programs and non-renewed all superyacht policies. The Company ended the independent agency program, which started to phase out in 2020. Starting 2021, the Company started non-renewing charter business.

REINSURANCE

Assumed

The Company does not assume any reinsurance.

Ceded

In order to protect itself from significant losses, the Company had implemented a ceded reinsurance program. Under this program, the Company effectively limited its liability related to excessive losses. The Company has evaluated its maximum loss by use of a blend of actuarial and experimental methods. The Company ultimately cedes on an excess of loss basis for named and numbered storm losses to external parties (with retention of \$20M), and 80% and 75% of all other losses to an affiliate, NICO. The following agreements were in effect during the examination period:

Loss Portfolio Agreement of Reinsurance

The Company and NICO, an affiliate, entered into a Loss Portfolio Agreement of Reinsurance, effective January 1, 2008, where NICO assumed 50% of the Company's outstanding net loss and loss adjustment expense reserves at December 31, 2007 with an aggregate limit on the loss portfolio of three times the consideration paid by the Company. Effective December 31, 2012, the agreement was amended to increase the percentage NICO assumes to 75%. This agreement was commuted, effective January 1, 2022.

Quota Share Agreement of Reinsurance

Effective December 31, 2007, the Company and NICO also entered into a Quota Share Agreement of Reinsurance where NICO assumes 50% of all premiums written and earned in return for assuming 50% of all losses and loss adjustment expenses incurred after December 31, 2007 by the Company with the reinsurance premiums subject to a commission allowance equal to 50% of the Company's expenses. The agreement is subject to an aggregate ceded limit for each calendar accident year equal to three times the earned premium ceded by the Company for that calendar accident year. Settlements are made quarterly by the fifteenth day of the second month after the close of such quarter. Effective January 1, 2013, the agreement was amended to increase the percentage NICO assumes to 75%. This agreement was commuted, effective January 1, 2022.

Quota Share Agreement of Reinsurance, Super Yacht

Effective October 1, 2011, the Company entered into a Quota Share Agreement of Reinsurance with NICO. Under this agreement, NICO assumes 80% of all Super Yacht program premiums written and earned in return for assuming 80% of all losses and loss adjustment expenses incurred by the Company. The reinsurance premiums are subject to a commission allowance equal to 80% of the Company's Super Yacht expenses. The agreement is subject to an aggregate ceded net loss limit for

each calendar accident year of \$500 million. The remaining 20% Super Yacht business inures to the Company's Quota Share Agreement of Reinsurance (see preceding paragraph) with its affiliate, NICO, effective December 31, 2007. This agreement was commuted, effective January 1, 2022.

Reinsurance Agreement due to Named windstorms and Flood associated with a Named Wind Storm

Effective June 1, 2013, the Company entered into a Reinsurance Agreement with NICO. Under this agreement, in return for a percentage of its earned premiums, NICO assumes 100% of the Company's Named wind storm and flood associated with a Named wind storm losses. This agreement inures to all other reinsurance agreements. This agreement was terminated and replaced, effective May 1, 2019, through an agreement with unaffiliated reinsurers that provides similar coverage.

Reinsurance Agreements due to Named or numbered windstorms

Effective May 1, 2019, the Company entered into two annual Excess of Loss Reinsurance Agreements with groups of unaffiliated reinsurers through a broker, Capsicum Re. The two agreements work in conjunction and combined have a maximum recovery of \$107.5M for losses arising from a Named or Numbered windstorms. The first agreement requires the Company to retain the first \$5.0 million in losses and surpass \$20.0 million in losses from one Loss Occurrence before making a claim to the reinsurers. The Company can recover up to \$95.0 million after the \$20.0 million loss threshold is met. If the Company surpasses \$100.0 million in losses, the second agreement will cover \$12.5 million in excess of \$100.0 million. As of December 31, 2020, the total earned premium ceded under these agreements was \$5.2 million. This agreement was in place through April 30, 2020.

Reinsurance Agreements due to Named or numbered windstorms

Effective May 1, 2020, the Company entered into three annual Excess of Loss Reinsurance Agreements with groups of unaffiliated reinsurers through a broker, Capsicum Re. The three agreements

work in conjunction and combined have a maximum recovery of \$107.5M for losses arising from a Named or Numbered windstorms. The first agreement requires the Company to retain the first \$5.0 million in losses and surpass \$20.0 million in losses from one Loss Occurrence before making a claim to the reinsurers. However, the first layer only covers 80.25% of the losses arising from a windstorm. The second and third layer only cover 90% of the losses, so the Company is responsible for the other 10%. The second agreement covers the remaining 19.75% of losses at a different premium on the first layer, which nets to 100% coverage on the first layer. In total, the Company can recover up to \$95.0 million if it exceeds the \$20.0 million loss threshold. If the Company surpasses \$100.0 million in losses, the third agreement will cover \$12.5 million in excess of \$100.0 million. The total earned premium ceded under these three agreement was \$15.6 million. As of December 31, 2020, the amount receivable from the reinsurers is \$14.7 million.

Annual Excess of Loss for a Single Loss Occurrence

Effective April 1, 2019 to April 30, 2020, the Company entered into an annual Excess of Loss Reinsurance Agreement with a group of unaffiliated reinsurers through a broker, Capsicum Re, with a maximum recovery of up to \$3.0 million. The total earned premium ceded under this agreement was \$0.3 million in 2020. As of December 31, 2020, the amount receivable from these reinsurers is \$0.5 million. This agreement covers losses related to a single Loss Occurrence, such as a marina fire or a severe winter storm.

Annual Excess of Loss for a Single Loss Occurrence

Effective May 1, 2020, the Company entered into another annual Excess of Loss Reinsurance Agreement with a group of unaffiliated reinsurers through a broker, Capsicum Re, with a maximum recovery of up to \$3.0 million. The total earned premium ceded under this agreement was \$1.2 million

in 2020. This agreement covers losses related to a single Loss Occurrence, such as a marina fire or a severe winter storm.

General

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

BODY OF REPORT

GROWTH

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$ 3,329,654	\$ 3,444,942	\$ 3,437,882	\$ 3,341,196	\$ 3,464,398
Common stocks	37,775,040	51,535,560	43,584,560	48,707,460	43,487,540
Cash, cash equivalents and short-term investments	26,479,760	25,270,055	46,869,838	41,515,375	53,700,924
Admitted assets	119,433,494	149,498,583	161,896,961	177,596,149	228,205,106
Losses	9,045,341	13,684,765	16,782,678	17,885,642	22,242,089
Unearned premium	24,396,054	32,918,120	37,374,681	46,395,896	58,002,280
Total liabilities	71,480,527	95,156,123	91,366,249	102,109,662	173,901,757
Capital and surplus	47,952,967	54,342,460	70,530,712	75,486,487	54,303,349
Premiums earned	30,458,536	49,123,780	63,813,553	67,567,919	75,406,346
Net investment gain	1,821,371	16,901,941	1,676,762	4,574,187	1,197,495
Losses incurred	26,755,568	40,057,997	50,198,954	51,269,685	62,309,675
Net income	(4,255,764)	9,703,348	(4,855,862)	(3,865,669)	(13,530,516)

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2020. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and

should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2020

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 3,464,398		\$ 3,464,398
Common stocks	43,487,540		43,487,540
Cash and short-term investments	<u>53,700,924</u>		<u>53,700,924</u>
Subtotal, cash and invested assets	\$100,652,862		\$100,652,862
Investment income due and accrued	47,896		47,896
Uncollected premiums and agents' balances in the course of collection	18,946,623		18,946,623
Deferred premiums, agent's balances and installments booked but not deferred and not yet due	18,917,264		18,917,264
Amounts recoverable for reinsurers	81,643,486		81,643,486
Current federal and foreign income tax	4,193,800		4,193,800
Electronic data processing equipment	20,860	20,860	
Furniture and equipment	43,908	43,908	
Receivable from parent, subs and affiliates	3,222,267		3,222,267
Trade and credit card receivables	580,908		580,908
Miscellaneous prepaid expenses	<u>8,312</u>	<u>8,312</u>	
Totals	<u>\$228,278,186</u>	<u>\$73,080</u>	<u>\$228,205,106</u>

Liabilities, Surplus, and Other Funds

Losses	\$ 22,242,089
Commissions payable, contingent commissions, other similar charges	1,760,407
Other expenses	951,968
Taxes, licenses, and fees	2,454,544
Net deferred tax liability	4,321,969
Unearned premiums	58,002,280
Advance premiums	2,045,864
Ceded reinsurance premiums payable	17,574,348
Provision for reinsurance	4,935,000
Payable to parent, subsidiaries, and affiliates	<u>59,613,288</u>
Total liabilities	<u>\$173,901,757</u>
Common capital stock	\$ 3,000,000
Gross paid in and contributed surplus	44,009,043
Unassigned funds (Surplus)	<u>7,294,306</u>
Total capital and surplus	<u>\$ 54,303,349</u>
Totals	<u>\$228,205,105</u>

STATEMENT OF INCOME – 2020**Underwriting Income**

Premiums earned	\$ 75,406,346
Losses incurred	\$ 62,309,675
Loss adjustment expenses incurred	3,710,988
Other underwriting expenses incurred	29,317,532
Total underwriting deductions	<u>\$ 95,338,195</u>
Net underwriting gain/loss	<u>\$(19,931,849)</u>

Investment Income

Net investment income earned	\$ 1,195,355
Net realized capital gain	<u>2,140</u>
Net investment gain	<u>\$ 1,197,495</u>

Other Income

Finance and service charges not included in premiums	<u>1,012,179</u>
Total other income	<u>\$ 1,012,179</u>
Net income before federal income taxes	\$(17,722,175)
Federal income taxes incurred	<u>4,191,659</u>
Net income	<u><u>\$(13,530,516)</u></u>

CAPITAL AND SURPLUS ACCOUNT

	2016	2017	2018	2019	2020
Capital and surplus, beginning	<u>\$48,481,771</u>	<u>\$47,952,967</u>	<u>\$54,342,460</u>	<u>\$70,530,712</u>	<u>\$75,486,487</u>
Net income	\$ (4,255,764)	\$ 9,703,348	\$ (4,855,862)	\$(3,865,669)	\$(13,530,516)
Change in net unrealized capital gains or (losses)	3,692,814	(2,961,759)	(6,281,290)	9,113,872	(4,123,738)
Change in net deferred income tax	5,207	15,590	2,293,822	967,255	(431,792)
Change in non-admitted assets	28,939	(367,805)	31,582	417,317	160,909
Change in provision for reinsurance				(1,677,000)	(3,258,000)
Surplus adjustment paid in		(1,552,617)	25,000,000		
Surplus adjustment transferred from capital		1,552,617			
Prior year surplus adjustment	<u> </u>	<u>119</u>	<u> </u>	<u> </u>	<u> </u>
Net change for the year	<u>\$ (528,804)</u>	<u>\$ 6,389,493</u>	<u>\$16,188,252</u>	<u>\$ 4,955,775</u>	<u>\$(21,183,137)</u>
Capital and surplus, ending	<u>\$ 47,952,967</u>	<u>\$54,342,460</u>	<u>\$70,530,712</u>	<u>\$75,486,487</u>	<u>\$ 54,303,350</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$7,294,306, as reported in the Company's 2020 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendation appearing in the previous report of examination for the Maryland Insurance Administration is reflected below together with the remedial actions taken by the Company to comply therewith:

Board Approval of Investment Transactions – Accordingly, we recommend that the investment transactions be presented to the Board of Directors for review and ratification and that evidence be contained in the Boards minutes to support approval or ratification.

Actions: The Company has not complied with this recommendation. This recommendation will be repeated under the caption “Commentary on Current Examination Findings” in this report.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Board Approval of Investment Activity

The examiner reviewed the minutes of the Board of Directors and noted that the Company was not in compliance with Nebraska Insurance Law 44-5105(3), which requires that the Board of Directors or a committee thereof formally approves investment activity on a quarterly basis. It is recommended that the Company comply with Nebraska Insurance Law 44-5105(3) and ensures that the Board of Directors reviews and approves investment activity on a quarterly basis.

Investment Services Agreement

The Company was not in compliance with SSAP 25(7) which states that “transactions between related parties must be in the form of a written agreement. The written agreement must provide for the timely settlement of amounts owed, with a specified due date.” Specifically, the Company is a party to an Investment Services Agreement with BHI, which requires a payment to be made to BHI. However, the Company was invoiced by, and made payments to, New England Asset Management, Inc. (NEAM), an affiliated company. There is no intercompany agreement between the Company and NEAM, which is not in compliance with SSAP 25(7). It is recommended that the Company enters into a separate agreement with NEAM to ensure compliance with SSAP 25(7), and with Section §44-2133(2)(d) of the

Nebraska Insurance Statutes, or the Company shall amend its current agreement with BHI to allow for a payment to another party.

Adjusting and Other Expenses

The Company was not in compliance with SSAP 55, paragraph 6, which states that Adjusting and Other Expenses (A&O), among other "types of future costs ... shall be considered in determining the liabilities for unpaid losses and loss adjustment expenses." At December 31, 2020, the Company did not carry any A&O reserves. No unpaid A&O reserves appears to have caused materially understated gross and ceded liabilities, but not a materially understated net liability at year-end 2020. In 2021, the Company began carrying an A&O reserve.

SUBSEQUENT EVENTS

CAPITAL CONTRIBUTION

On February 23, 2021, GEICO Corporation made a capital contribution of \$31.5 million to Boat America Corporation. Boat America Corporation subsequently made a capital contribution of \$31.5 million to the Company.

REINSURANCE CEDED

Effective January 1, 2022, the Company commuted all of its reinsurance agreements with NICO, as well as its named storm treaty with GEICO.

The Company entered into a Loss Portfolio Agreement of Reinsurance, effective January 1, 2022 with its affiliate, GEICO, whereby the Company cedes 100% of outstanding net loss and loss adjustment expense reserve at January 1, 2022, excluding those amounts ceded to external reinsurers.

Effective January 1, 2022, the Company entered into a Quota Share Agreement with GEICO, whereby the Company cedes 100% of unearned premium reserves as of January 1, 2022, along with

100% of all premiums written net of general expenses on all business written on and after January 1, 2022 and 100% of all losses and loss adjustment expenses incurred on and after January 1, 2022, excluding those amounts ceded to external reinsurers in the event of a named storm loss.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been made as a result of this examination:

Board Approval of Investment Activity – It is recommended that the Company comply with Nebraska Insurance Law 44-5105(3) and ensures that the Board of Directors reviews and approves investment activity on a quarterly basis.

Investment Services Agreement - It is recommended that the Company enters into a separate agreement with NEAM to ensure compliance with SSAP 25(7), and with Section §44-2133(2)(d) of the Nebraska Insurance Statutes, or the Company shall amend its current agreement with BHI to allow for a payment to another party.

ACKNOWLEDGMENT

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

In addition to the undersigned, Mario Ascic, CFE; Jessica Lynch, CFE, MCM; and Mel Heaps, CFE, Financial Examiners; Lindsey Pittman, CFE, CPA, CISA, MCM, Information Technology Examiner; all with the firm of Lewis and Ellis, Inc., and Gordon Hay, FCAS, MAAA, CPCU, Actuarial Examiner with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Katerina Bolbas, CFE, CIA, MCM
Examiner-in Charge
Lewis & Ellis, Inc.
Representing the Department of Insurance
State of Nebraska



Andrea Johnson, CFE
Assistant Chief Examiner - Field
Department of Insurance
State of Nebraska

State of Illinois,

County of Cook,


Katerina Bolbas, being duly sworn, states as follows:

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

The affiant says nothing further.


Examiner-in-Charge's Signature

Subscribed and sworn before me by Katerina Bolbas on this 2nd day of June, 2022.

(SEAL) 


Notary Public

My commission expires 8/06/2022 [date].