

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Hartford Fire Insurance Pool Examination Report (the "Report") of the Hartford Fire Insurance Company, Hartford Accident and Indemnity Company, Hartford Underwriters Insurance Company, Pacific Insurance Company, Limited, Nutmeg Insurance Company, Trumbull Insurance Company, Hartford Insurance Company of the Southeast, and Sentinel Insurance Company, Ltd. as of December 31, 2017, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

TO WIT:

1. I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("C.G.S.").
2. The Companies are domestic insurers authorized to transact the business of insurance in the State of Connecticut.
3. On April 1, 2019, the verified Report of the Hartford Fire Insurance Pool was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Companies were afforded a period of thirty (30) days within which to submit to the Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On April 26, 2019, the Companies notified the Department of certain responses and comments relating to matters contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Companies is hereby adopted as modified with the Department.
2. That the Companies shall comply with the recommendations set forth in the Report, and that failure by the Companies to so comply shall result in sanctions or administrative action as provided by Title 38a of the C.G.S.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the Board of Directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the Commissioner, in writing, that a copy of the report or summary has been provided to each director. "

Please address the certification to the Commissioner, but send said certification to the care/attention of Mark Murphy, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary the chief executive officer or the chief financial officer of the entity examined shall present the report of summary to the entity's Board of Directors or similar governing body at a regular or special meeting. "

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 10th day of May, 2019.



Andrew N. Mais
Insurance Commissioner

Exhibit A

MULTI-ENTITY EXAMINATION REPORT OF:

<u>NAIC#</u>		<u>NAIC#</u>	
19682	Hartford Fire Insurance Company	22357	Hartford Accident and Indemnity Company
30104	Hartford Underwriters Insurance Company	10046	Pacific Insurance Company, Limited
39608	Nutmeg Insurance Company	27120	Trumbull Insurance Company
38261	Hartford Insurance Company of the Southeast	11000	Sentinel Insurance Company, Ltd.

(collectively defined as The Hartford Fire Insurance Pool)

AS OF DECEMBER 31, 2017

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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March 1, 2019

The Honorable Andrew N. Mais
Commissioner of Insurance
State of Connecticut Insurance Department
153 Market Street
Hartford, Connecticut 06103

Dear Commissioner:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the General Statutes of the State of Connecticut (CGS), the undersigned has conducted a financial examination of the condition and affairs of the Connecticut companies within

THE HARTFORD FIRE INSURANCE POOL

(hereinafter referred to as the Group or HFIP) incorporated under the laws of the State of Connecticut and having its statutory home office and its main administrative office located at One Hartford Plaza, Hartford, Connecticut. The report on such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Group was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department), as of December 31, 2012. The current examination, which covers the period from January 1, 2013 to December 31, 2017, was conducted at the statutory home office in Hartford, Connecticut.

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Group:

- Board of Director (Board) minutes from 2013 through the latest 2018 meeting;
- statutory audit reports from 2013 through 2017, completed by the Group's independent certified public accountants, Deloitte & Touche LLP (Deloitte);
- Management's Discussion and Analysis from 2013 through 2017;
- Statements of Actuarial Opinion from 2013 through 2017;
- documentation supporting Section 404 of the Sarbanes-Oxley Act of 2002;
- Annual Statements from 2013 through 2017; and
- reports of the Group's Internal Audit Department from 2013 through 2017.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department and reports from the National Association of Insurance Commissioners (NAIC) database, which indicated no material concerns with respect to financial condition or regulatory compliance issues.

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Work papers prepared by Deloitte in connection with its annual statutory audit were reviewed and relied upon to the extent deemed appropriate.

Jennan Enterprises LLC. (Jennan) was engaged by the Department to conduct an evaluation of the Information Technology (IT) controls.

Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman) was engaged by the Department to conduct an evaluation of the Group's reserving and pricing processes.

Baker Tilly Virchow Krause, LLP (Baker Tilly) was engaged by the Department to conduct an evaluation of the Group's investment holdings and provided staff accounting services.

The States of Indiana, Illinois and Texas participated in the financial examination of their domestic property/casualty companies.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Condition Examiners Handbook (the Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Group by obtaining information about the Group, including corporate governance, identifying inherent risks within the Group, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management compliance with the NAIC Accounting Practices & Procedures Manual and the NAIC Property and Casualty Annual Statement Instructions (Instructions).

Concurrent examinations were made of the following Connecticut and non-Connecticut domestic property and casualty companies within The Hartford Financial Services Group, Inc. (HFSG), collectively referred to as HFIP:

- Hartford Fire Insurance Company (CT)
- Trumbull Insurance Company (CT)
- Hartford Accident and Indemnity Company (CT)
- Hartford Insurance Company of Illinois (IL)
- Hartford Casualty Insurance Company (IN)
- Hartford Underwriters Insurance Company (CT)
- Pacific Insurance Company, Limited (CT)
- Twin City Fire Insurance Company (IN)
- Nutmeg Insurance Company (CT)
- Hartford Insurance Company of the Midwest (IN)
- Hartford Insurance Company of the Southeast (CT)
- Property and Casualty Insurance Company of Hartford (IN)
- Hartford Lloyd's Insurance Company (TX)
- Sentinel Insurance Company, Ltd. (CT)

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The Department also performed concurrent financial examinations of two Connecticut domestic affiliates:

Maxum Casualty Insurance Company (MCIC)
Maxum Indemnity Company (MIC)

These companies are collectively referred to as the Maxum Insurance Pool (Maxum).

The Department also performed concurrent financial examinations of three Connecticut domestic affiliates which are currently in run-off:

First State Insurance Company (FSIC)
New England Insurance Company (NEIC)
New England Reinsurance Corporation (NERC)

These companies are collectively referred to as the First State Insurance Group (FSIG).

The Department also performed an examination of the following Connecticut domestic life insurance affiliates, of which, certain entities were part of the HFSG's run-off individual life and annuity business, and effective May 31, 2018, were sold (Divested Entity) to a group of investors led by Cornell Capital LLC, Atlas Merchant Capital LLC, TRB Advisors LP, Global Atlantic Financial Group, Pine Brook and J. Safra Group:

Hartford Life Insurance Company (Divested Entity)
Hartford Life and Annuity Insurance Company (Divested Entity)
Hartford International Life Reassurance Corporation (Divested Entity)
American Maturity Life Insurance Company (Divested Entity)
Hartford Life and Accident Insurance Company

All accounts and activities of the Group were considered in accordance with the risk focused examination process.

Comments in this report are generally limited to exceptions noted or to items considered to be of a material nature.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

Hartford Fire Insurance Company (Hartford Fire)

The Company derives its corporate existence and powers from a charter granted in May 1810 by the General Assembly of the State of Connecticut. The original charter, which authorized the corporation to insure against losses sustained by fire, has been amended from time to time. The Certificate of Incorporation was amended and restated and then adopted by a vote of its Board on November 14, 2001, which authorized Hartford Fire to write any and all forms of insurance that any corporation now or hereafter chartered by the State of Connecticut and empowered to do an insurance business may now or hereafter lawfully do.

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In June 1970, International Telephone and Telegraph Corporation (ITT Corporation) acquired 99% of the outstanding common stock of Hartford Fire by exchange offer of one share of Series N Preferred Stock of ITT Corporation for one share of common stock of the Company. The Department approved the offer subject to conditions included in the restated Certificate of Incorporation approved by the Board at the November 18, 1975, meeting.

In December 1985, ITT Hartford Group Inc., (IHG) was formed as a new holding company and as a direct and wholly owned subsidiary of ITT Corporation. ITT Corporation transferred all of its outstanding common stock of Hartford Fire to IHG which then became the immediate parent of Hartford Fire.

In September 1992, Hartford Fire transferred its ownership of FSIG by a \$813 million dividend to its ultimate parent, ITT Corporation. Effective December 31, 1992, FSIG ceased participation in the HFIP and simultaneously formed its own pool with FSIC as the lead company. On August 3, 1993, Hartford Fire's Certificate of Incorporation (COI) was amended and adopted by its Board to authorize removal of FSIG from HFIP. On September 28, 1994, the COI was amended stating that the Company's capital stock would not be less than five million dollars. The authorized number of shares of capital stock would be 20,000 of common stock with a par value of \$5,000 per share.

In 1995, ITT distributed all of its outstanding shares of common stock of IHG. Following the distribution, IHG continued as one of the largest insurance companies in the United States. Hartford Accident and Indemnity Company, a subsidiary of Hartford Fire, then exchanged all of its shares of the Nutmeg Insurance Company (Nutmeg) for 1,638,000 shares of the IHG stock, resulting in Nutmeg becoming the direct, wholly owned subsidiary of IHG. In addition, Hartford Fire and its remaining subsidiaries were contributed to Nutmeg by IHG. Nutmeg then replaced Hartford Fire as the direct or indirect parent of all participants in the Hartford Insurance Group Reinsurance and Pooling Agreement (Pooling Agreement). Participation by member companies within the Pooling Agreement remained unchanged with Hartford Fire continuing as the lead company.

In May 1997, IHG formally changed its name to The Hartford Financial Services, Group, Inc.

In May 2000, Nutmeg made an extraordinary dividend of \$6,879,187,230 to HFSG. The extraordinary dividend consisted of all of the outstanding shares of Hartford Fire. HFSG became the immediate parent of Hartford Fire.

In August 2002, a new holding company, Hartford Holdings, Inc. (Hartford Holdings) was formed as a direct subsidiary of HFSG. HFSG contributed one hundred percent of its ownership of Nutmeg to Hartford Holdings. Hartford Fire transferred ownership of Hartford Life, Inc. to Hartford Holdings in exchange for Preferred Stock, Series A.

In December 2002, Hartford Fire sold to HFSG; Trumbull Insurance Company, Property and Casualty Insurance Company of Hartford, Hartford Insurance Company of the Midwest and

THE HARTFORD FIRE INSURANCE POOL

Hartford Insurance Company of the Southeast, all of which became wholly owned and direct subsidiaries of HFSG.

In July 2003, Hartford Fire transferred ownership of Hartford Casualty Insurance Company to Hartford Accident and Indemnity Company.

On June 30, 2009, Hartford Fire conveyed all of its equity interest in XDimensional to XD Holdings, Inc., a California limited liability company.

On December 28, 2009, 100% of the vested ownership interest in Catalyst360, LLC was contributed to Hartford Fire through a series of intercompany transactions.

On July 29, 2016, HFSG acquired Northern Homelands Company (Northern Homelands), the holding company of Maxum Specialty Insurance Group. Northern Homelands was the direct parent of MIC. As a result of the acquisition, Northern Homelands became a wholly-owned subsidiary of Hartford Fire, MIC remained a wholly-owned subsidiary of Northern Highlands, and MCIC remained a wholly-owned subsidiary of MIC, with HFSG as the ultimate controlling parent. As of December 2016, all Connecticut surplus lines policies were transferred to the Hartford Insurance Company of Illinois. Effective November 30, 2018, Northern Homelands merged with and into MIC, the surviving corporation.

On January 1, 2017, the Maxum companies entered into a 100% quota share treaty with Hartford Fire covering the net liabilities of Maxum policies written with effective dates on or after March 1, 2003. As a result, Hartford Fire now reinsures the entire net results of the Maxum companies on both a retrospective and prospective basis.

In the second quarter of 2017, Hartford Fire sold its U.K. property and casualty run-off subsidiaries, Hartford Financial Products International Limited and Downlands Liability Management Limited, in a cash transaction to Catalina Holdings U.K. Limited.

Hartford Underwriters Insurance Company (HUIC)

HUIC was incorporated by the State of Connecticut on December 23, 1987, pursuant to Section 33-236 of the CGS. On July 1, 1988, the New York Underwriters Insurance Company, a New York domiciled corporation, was merged into the Company.

Pacific Insurance Company, Limited (PIC)

The Connecticut Secretary of State issued a Certificate of Incorporation to PIC on May 24, 1994, pursuant to Section 33-286 of the CGS. Subsequently, on December 15, 1994, the Hawaii Secretary of State accepted a charter amendment that increased the common stock par value of the Pacific Insurance Company, Limited (Pacific - HI), domiciled in Hawaii, from \$6.25 to \$10.50 in order to facilitate the merger of Pacific - HI and Pacific Insurance Company of Connecticut (Pacific - CT). Effective January 20, 1995, the Department approved the Articles of Merger and the Agreement and Plan of Merger dated December 20, 1994, between Pacific - HI and Pacific - CT, which simultaneously changed its name to Pacific Insurance Company, Limited. On January 26, 1995, the Company re-domesticated to Connecticut and commenced business.

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Hartford Insurance Company of the Southeast (HICS)

HICS was incorporated in Florida on December 28, 1979, and commenced business on January 1, 1980, as a wholly-owned subsidiary of Hartford Fire. In December 2002, Hartford Fire sold to HFSG, Trumbull Insurance Company, Property and Casualty Insurance Company of Hartford, Hartford Insurance Company of the Midwest and Hartford Insurance Company of the Southeast, all of which became wholly owned and direct subsidiaries of HFSG. The Department approved this transaction. Effective December 7, 2005, HICS re-domesticated from the State of Florida to Connecticut.

Nutmeg Insurance Company (Nutmeg)

Nutmeg was originally chartered as the Hartford Insurance Company of Connecticut by Special Act No. 80-10 of the Connecticut General Assembly on November 19, 1980. On December 18, 1980, it commenced business and changed its name to the Nutmeg Insurance Company.

In December 1985, IHG was formed as a new holding company and a direct and wholly owned subsidiary of ITT Corporation. ITT Corporation transferred all of its outstanding common stock of Hartford Fire to IHG which then became the immediate parent of Hartford Fire.

Effective December 19, 1995, in conjunction with the corporate restructuring (spin-off) of the IHG from ITT Corporation, Hartford Accident and Indemnity Company, a subsidiary of Hartford Fire, exchanged all of its shares of Nutmeg for 1,638,000 shares of the IHG stock, resulting in Nutmeg becoming the direct, wholly owned subsidiary of IHG. As part of the transaction, Hartford Fire and its remaining subsidiaries were contributed to Nutmeg by IHG in December 1995. Nutmeg thereby replaced Hartford Fire as the direct or indirect parent of all participants in the Pooling Agreement. Participation by member companies within the Pooling Agreement remained unchanged with Hartford Fire continuing as the lead company. In May 1997, the IHG formally changed its name to HFSG.

Sentinel Insurance Company, Ltd. (SIC)

Sentinel Insurance Company (Sentinel – HI) was originally incorporated on November 30, 1955, under the laws of the Territory of Hawaii. Sentinel-HI commenced business immediately, writing all lines of insurance under its Certificate of Authority. In 1963, Hartford Fire acquired PIC and its subsidiary Sentinel – HI.

Sentinel Insurance Company of Connecticut (Sentinel-CT) was incorporated in Connecticut on July 6, 1999, for the purposes of re-domesticating Sentinel - HI from Hawaii to Connecticut. Effective October 14, 1999, Sentinel – HI merged with and into Sentinel – CT, with Sentinel – CT remaining as the surviving corporation. Simultaneous with the merger, Sentinel – CT changed its name to SIC. As part of the merger, ownership of the Company changed from PIC to Hart Re Group, LLC (Hart Re) a wholly owned subsidiary of Nutmeg. SIC is a member of the HFIP. In June 2003, Hart Re transferred ownership of SIC to HFSG.

Trumbull Insurance Company (TIC)

TIC is a continuation of the Hartford Insurance Company of Alabama (Hartford of Alabama), which was incorporated on August 28, 1979, under the laws of Alabama and commenced business on January 1, 1980. During 1987, Hartford of Alabama was merged into the Hartford Insurance

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Company of Connecticut (Hartford of Connecticut). Hartford of Connecticut was formed by a Certificate of Formation pursuant to Section 33-286 of the Connecticut insurance laws and was incorporated under the Stock Corporation Act on October 10, 1986. The objectives underlying the formation of Hartford of Connecticut were first, to provide the HFIP with expanded capacity to offer new programs and to write new insurance products (as well as to write the traditional lines of property/casualty insurance presently being offered by other members of the HFIP), and second, to provide a vehicle for the re-domestication of Hartford of Alabama from the State of Alabama to Connecticut. Effective April 22, 1992, the Company's current name was adopted.

In December 2002, Hartford Fire sold to HFSG, TIC, Property and Casualty Insurance Company of Hartford, Hartford Insurance Company of the Midwest, and HICS, all of which became wholly owned and direct subsidiaries of HFSG.

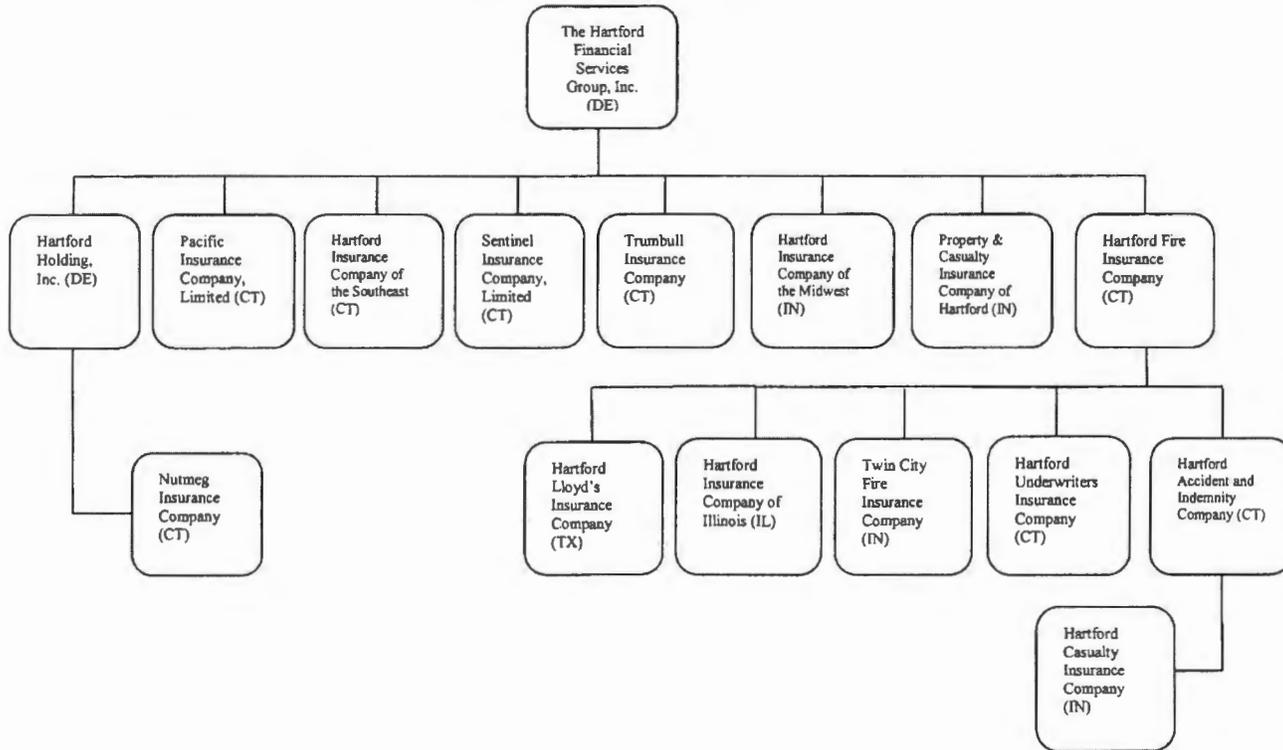
Hartford Accident and Indemnity Company (HAIC)

HAIC derives its corporate existence and powers from a Special Act of the General Assembly of the State of Connecticut, approved May 8, 1913. The restated charter, which was amended and accepted by the shareholders in 1966, authorized HAIC to insure persons, firms or corporations against any risk or casualty which now or hereafter may be the subject of fire, marine, inland marine, liability, casualty, accident, health, fidelity, indemnity, surety, or livestock business.

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ORGANIZATIONAL CHART

The following is a partial organizational chart of the Group as of December 31, 2017:



Notes to Organizational Chart

The Texas domestic, Hartford Lloyd's Insurance Company, is part of the HFIP. Hartford Fire owns one hundred percent of Northern Homeland Company which was the parent company of MIC until the effective date of the merger with and into MIC on November 30, 2018, at which time 100% of the share ownership of MIC was transferred to Hartford Fire. MIC is the parent company of MCIC. HFSG owns one hundred percent of Heritage Holdings, Inc., the parent company of FSIC. FSIC is the parent company of NEIC and NERC.

MANAGEMENT AND CONTROL

Annual Shareholders Meetings

The bylaws state that the annual meeting of the shareholders shall be held at such place (within or outside the state of Connecticut), date and hour as shall be determined by the Board to elect members of the Board for the succeeding year and transact any business properly brought before said meeting.

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Special meetings of the shareholders may be called at any time by the chairman of the Board, the president, the secretary, or any assistant secretary, or by a majority of the entire board.

Written notice of every meeting of the shareholders and the time and place thereof shall be given by the secretary or any assistant secretary of the companies within the Group, no fewer than ten and no more than sixty days prior to the time appointed for such meeting, which notice shall also state in the case of a special meeting, the purpose or purposes for which the meeting is called.

Board of Directors

The business and affairs of the Group shall be managed by or under the direction of the Board subject to provisions of the charters of the companies within the Group, the acts amendatory thereof and the bylaws. The number of directors shall not be fewer than three (3). Regular and special meetings of the Board shall be held either within or outside the state of Connecticut, or such other place as may be designated by the Board and at such times and on such dates as may be determined by the Board. A majority of the members of the Board, as prescribed under the bylaws, shall constitute a quorum for the transaction of business.

Directors serving the Company as of December 31, 2017, were:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
Douglas G. Elliot	President The Hartford Financial Services Group, Inc.
Brion Johnson	Chief Investment Officer The Hartford Financial Services Group, Inc. President HIMCO and Talcott Resolution
Robert W. Paiano	Executive Vice President and Chief Risk Officer The Hartford Financial Services Group, Inc.

Officers

The Board may from time to time elect or appoint a chairman, a president, one or more vice presidents, a treasurer, a secretary, and one or more assistant treasurers, and assistant secretaries to serve at the pleasure of the Board. At any time, the Board may elect or appoint such other officers or agents with such duties as it may deem necessary. The president, or his or her designee, shall have authority to appoint any officer other than the chairman or president of the Corporation. All officers of the companies within the Group shall hold office at the pleasure of the Board.

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Senior officers of the Group as of December 31, 2017, were:

<u>Name</u>	<u>Title</u>
Douglas G. Elliot	President
Jonathan R. Bennett	Senior Vice President and Chief Financial Officer
Sabra R. Purtill	Senior Vice President and Treasurer
Michael R. Hazel	Vice President and Controller
Omar Arif Kitchlew	Vice President and Appointed Actuary
Lisa Sue Levin	Corporate Secretary

Board Committees

HFSG Board has a standing Audit Committee (HFSG Audit Committee). The HFSG Board determined that all members of the HFSG Audit Committee qualify as “independent” under applicable laws. HFSG’s Audit Committee’s principal responsibility is one of oversight. In addition, the HFSG Audit Committee reviews with management significant deficiencies, material weaknesses or significant solvency concerns identified at the group level for its insurance companies.

The Board of the insurance company has an audit committee (the Company Audit Committee) with the directors serving as its members. The Company Audit Committee oversees the accounting and financial reporting processes for the Company as appropriate and the audit of the financial statements for the Company or the Group as appropriate. In addition the Company Audit Committee received quarterly communication from management with respect to significant deficiencies, material weaknesses or significant solvency concerns, if any, and significant transactions, and financial results of the Company.

HFSG Board has the following additional standing committees: Compensation and Management Development Committee, Nominating and Corporate Governance Committee, and Finance Investment and Risk Management Committee (FIRMCo).

The Enterprise Risk and Capital Committee (ERCC) is HFSG’s management committee chaired by the Chief Executive Officer that reports to the HFSG Board primarily through FIRMCo and through interactions with the HFSG Audit Committee. The ERCC oversees the risk profile and risk management practices of HFSG, in addition to overseeing the capital structure and the allocation of capital to the business units.

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RELATED PARTY AGREEMENTS

Investment Management Agreement

The Group and other affiliates are party to an Amended and Restated Investment Management Agreement (Agreement) with Hartford Investment Management Company (HIMCO). Pursuant to the terms of the Agreement, HIMCO provides a broad spectrum of investment services, including but not limited to providing advice to the Group concerning the development of investment strategies and objectives, the development of investment policies and guidelines, the investment and management of assets, the measurement and evaluation of investment performance, cash management, the management of banking relationships, the management of a custodial relationship, and administrative support.

Investment Pooling Agreement

The Group, as well as other affiliates, participate in a Second Amended and Restated Investment Pooling Agreement with HIMCO. HIMCO acts as the investment manager to invest certain cash balances available to the participants in the investment pool known as the "Hartford Short-Term Investment Pool". HIMCO is compensated at least quarterly for all incurred direct and indirect costs related to the services provided to the Group.

Liquidity Agreement

The Group has entered in an intercompany liquidity agreement with insurance company affiliates domiciled in the states of Connecticut, Illinois and Indiana. The agreement allows for short term advances of funds between affiliates for liquidity and other general corporate purposes.

Tax Allocation Agreement (TAA)

The Group is party to a TAA with HFSG and its direct and indirect subsidiaries. The TAA governs the tax return filing, payment and allocation of federal, state and local income tax liability between HFSG and its subsidiaries. Each member will calculate its separate tax liability, and the consolidated federal regular income tax liability will be apportioned among the members in accordance with the ratio which is consistent with the taxable income. Payment to the parent will be made by the due date of the consolidated return payment to the Internal Revenue Service.

Stop Loss Reinsurance Agreement.

Hartford Fire issued a stop loss reinsurance agreement to FSIC and its consolidated affiliates to support the runoff of the insurance obligations of FSIC. The terms of this agreement obligate the Hartford Fire to make payments up to \$800 million to FSIC to the extent that (i) FSIC's net retained paid losses exceed a stipulated dollar amount and (ii) FSIC maintain a level of statutory capital and surplus within a range above \$25 million to \$35 million.

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Cost Allocation Agreement

The Group is party to an amended and restated Services and Cost Allocation agreement with various insurance and non-insurance affiliates. This agreement provides for affiliates to obtain a variety of services from each other to conduct day to day business and be compensated on a fair and equitable basis for their services. Costs for services include, but shall not be limited to, employee salaries and benefits, taxes, fixed assets including furniture and personal computers, miscellaneous accounts payable including rent, travel and entertainment, insurance, advertising, taxes, licenses and fees, and other costs related to corporate services.

Administrative and Support Services Agreement

Hartford Fire and Horizon Management Group, LLC (Horizon), an indirect affiliate, entered into a services agreement with FSIG. Pursuant to the terms of the agreement, Hartford Fire and Horizon provide all management and administrative services required to conduct its business operation. These services relate without limitation to the handling and servicing of claims, losses and loss adjustment expenses to the FSIG.

INSURANCE COVERAGE

The Group is insured under a fidelity policy issued by three insurers (Travelers Casualty and Surety Company of America, Continental Casualty Insurance Company and Berkeley Regional Insurance Company). HFSG and its affiliates are listed as named insureds. The coverage includes an aggregate liability of \$40 million, a single loss limit of liability of \$20 million and a single loss deductible of \$5 million. These limits exceed the suggested minimum as outlined in the Handbook.

TERRITORY AND PLAN OF OPERATION

The Group sells diverse and innovative products through multiple distribution channels. The majority of the Group's United States business is primarily written through entities that participate in the HFIP. The HFIP provides: (1) workers' compensation, property, automobile, marine, livestock, liability and umbrella coverage to commercial accounts primarily throughout the United States; (2) a variety of customized insurance products and risk management services including professional liability, fidelity, surety and specialty casualty coverage to commercial accounts; (3) standard automobile, homeowners and home-based business coverage to individuals across the United States, including a special program designed exclusively for members of the American Association of Retired Persons (AARP). It also operates a member contact center for health insurance products offered through the AARP Health program.

REINSURANCE

The property and casualty companies listed below participate in the Pooling Agreement, an intercompany reinsurance and pooling agreement whereby all property and casualty business written by these companies is ceded to Hartford Fire, the lead participant. The total pool of business is then redistributed to the various participants based on pre-determined percentages.

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Each participant in the HFIP agrees to cede to Hartford Fire and Hartford Fire accepts, assumes and reinsures 100% of each participant's underwriting liabilities. Hartford Fire then cedes to each participant and each participant accepts and assumes its proportionate share as identified below, net of external reinsurance. The participants share (to the extent of their pooling percentages): (a) all premiums written by the HFIP; (b) all amounts paid or incurred during such period for losses and loss adjustment expenses (LAE); other underwriting expenses and other specific losses arising out of their underwriting operations; (c) all claims and settlements involving business covered by the agreement; and (d) all resulting net underwriting income or loss.

The following are the member company participation percentages in effect at December 31, 2017:

	<u>Pooling Percentages</u>
Hartford Fire Insurance Company	41.50
Hartford Accident and Indemnity Company	32.69
Hartford Insurance Company of Illinois	10.10
Hartford Casualty Insurance Company	5.50
Hartford Underwriters Insurance Company	4.00
Pacific Insurance Company, Limited	1.70
Twin City Fire Insurance Company	1.50
Nutmeg Insurance Company	0.70
Trumbull Insurance Company	0.50
Hartford Insurance Company of the Midwest	0.50
Property and Casualty Insurance Company of Hartford	0.50
Hartford Insurance Company of the Southeast	0.50
Sentinel Insurance Company, Ltd.	0.30
Hartford Lloyd's Insurance Company	<u>0.01</u>
Pool Total	<u>100.0%</u>

All accident and health business written by the Group and its United States affiliates is 100% reinsured with Hartford Life and Accident Insurance Company.

Assumed Reinsurance

All reinsurance assumed from external companies is booked by Hartford Fire. Currently, Hartford Fire engages in limited assumed reinsurance business from four business activities including; pools and associations, certain State of Texas business, large property, and multinational operations. Hartford Fire participates in a limited number of mandatory reinsurance pools and associations that cede premium to carriers. Within the State of Texas, Hartford Fire assumes business from a "front company" (i.e. Republic Underwriters) to achieve an alternative rating vehicle for certain personal lines business and premium income resulting from participation in the National Council on Compensation Insurance, Inc., and the National Workers' Compensation pool. Hartford Fire assumes property reinsurance on specific risks within its large property business unit. Hartford Fire's Multinational business unit assumes reinsurance from foreign insurance carriers for risks

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placed on behalf of domestic insurance customers. In addition, Hartford Fire has legacy assumed business from programs that were terminated effective 2003 or earlier.

Ceded Reinsurance

The Group maintains various reinsurance treaties including a property per-risk excess of loss and a property catastrophe reinsurance program intended to limit group-level exposures to pre-determined levels of risk. These corporate excess of loss and catastrophe reinsurance programs cover the HFIP. Hartford Fire places 100% of the first \$190 million in per-risk loss exposure above a loss retention of \$10 million per covered risk with a group of reinsurers. Coverage is provided by four individual layers, each fully subscribed by various external reinsurers.

Effective December 31, 2016, Hartford Fire, on behalf of the HFIP participants, entered into an asbestos and environmental adverse development cover (ADC) reinsurance agreement with National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc., to reduce uncertainty about potential adverse reserve development. Under the ADC, Hartford Fire paid consideration of \$650 million for NICO to assume adverse net loss and allocated loss adjustment expense reserve development up to \$1.5 billion above the existing net asbestos and environmental reserves of approximately \$1.7 billion, as of December 31, 2016. Hartford Fire has retained the risk of collection on amounts due from other third party reinsurers and continues to be responsible for claims handling and other administrative services, subject to certain conditions. Activity related to the ADC and any future net adverse development up to the \$1.5 billion limit under the ADC will be recorded on the books of Hartford Fire.

The Workers' Compensation Catastrophe Excess of Loss Reinsurance program is a multi-layer program that covers industrial accident perils, natural perils and terrorism perils on an excess of loss basis with a limit of \$350 million excess of \$100 million and is 80% placed. In addition, the program includes a non-catastrophe, industrial accident layer for 80% of \$30 million excess of a \$20 million retention.

Hartford Fire also cedes business covering specified business units to external reinsurers on both a facultative and treaty basis. Facultative reinsurance is purchased covering specified individual risks depending on need. The reinsurance treaties cover specified property and casualty business segments and consist of working layers, umbrella layers and catastrophe layers. Hartford Fire's retention will vary based upon business unit and corporate risk appetite.

It was noted that on January 1, 2018, and on January 1, 2019, Hartford Fire restructured its Core Property Catastrophe Program.

INFORMATION TECHNOLOGY CONTROLS

Jennan performed a risk-focused assessment and review of the Group's IT general controls (ITGCs) in accordance with NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Group's ITGCs was derived from Exhibit C Part One – Information Technology Planning Questionnaire (ITPQ) and Exhibit C Part Two – Information Technology Work Program (collectively Exhibit C). The Group's responses to the ITPQ were

THE HARTFORD FIRE INSURANCE POOL

evaluated, and certain controls within the IT control environment were tested to assess whether they were designed effectively and were functioning properly.

Jennan's objectives were to obtain reasonable assurance about whether Information Systems resources align with the Group's objectives and ensure that significant risks (strategic, operational, reporting, and compliance) arising out of its IT environment were appropriately mitigated by strategies and controls as outlined in Exhibit C.

The objectives above were achieved through a combination of reviewing the HFSG's policies and procedures, testing in key areas related to Exhibit C, interviewing the HFSG's IT senior management, reviewing IT risk assessment processes, and leveraging the risk assessment procedures performed by the HFSG's internal and external auditors.

The evaluation of IT controls focused on the following areas: management and organizational governance; data processing infrastructure; program change controls; system development controls; logical and physical security; business continuity plans; end user business developed applications; and cyber security and incident responses.

Based upon the risk-based assessment and review, the ITGCs were determined to be effective.

ACCOUNTS AND RECORDS

The Group records all financial accounting transactions in The Hartford's Enterprise General Ledger (EGL) application which uses the PeopleSoft Financials product. The EGL is the official book of records for the Group's financial accounting operations. Some external reporting is done out of TM1 which receives a feed of data from the EGL.

The Booke Seminars' software package, "The Complete Package for Windows" (TCP) is used to create the annual statement. TCP receives data from multiple sources, including the EGL for creation of the balance sheet and income statement. TCP also receives data from TM1 (via EGL) that produces the Underwriting and Investment Exhibits, State pages and Schedule T of the annual statement.

FINANCIAL STATEMENTS

The financial statements in Appendix A reflect the Group's financial position, as filed by the Group as of December 31, 2017.

AMOUNTS WITHHELD OR RETAINED BY COMPANY FOR ACCOUNT OF OTHERS

During our review of the Group's suspense accounts, it was noted that the Group recorded Safe Haven (SH) liability in Draft Outstanding. The SH program allows claimants to elect to deposit claim proceeds on account with the Group. As noted in the Instructions, "funds that the reporting entity holds in a fiduciary capacity for the account of others" is to be recorded in the Amounts Withheld or Retained by Company for Account of Others. It is recommended that the Company reclass this balance in accordance with the Instructions.

THE HARTFORD FIRE INSURANCE POOL

LOSSES AND LOSS ADJUSTMENT EXPENSES (LAE)

\$16,320,632,770

The following items are included in the captioned account:

Losses	\$13,375,286,982
LAE	<u>2,945,345,788</u>
	<u>\$16,320,632,770</u>

Oliver Wyman conducted a comprehensive risk-focused actuarial analysis of the Group's loss and LAE reserves, pricing and underwriting methodology and liquidity risks as of December 31, 2017. In performing the loss review and analysis, Oliver Wyman based its review on the following information provided by the Group:

- the Actuarial Report as of December 31, 2017, (including detailed calculations supporting the actuarial data to Schedule P - Part 1 – Summary of the Annual Statement);
- the 2017 Statements of Actuarial Opinion and Actuarial Opinion Summaries;
- Deloitte's actuarial work papers;
- the Group's internal analyses performed for selected business segments as discussed in this report;
- the Group's ground up analysis for selected asbestos accounts as well as its pure/bulk aggregate incurred but not reported analysis for both asbestos and environmental; and
- the 2013-2017 Annual Statements and other information requested and obtained during the course of the review through emails, discussions and meetings with key personnel of the Group.

A review by the Department of the Group's underlying data integrity concluded that there were no indications of any significant inaccuracies or inconsistencies in the underlying data.

Assessment of Reserve Risk

A review of the Group's reserve risk was conducted to form a conclusion regarding the risk that actual losses, LAE and other contractual payments reflected on the corresponding reserves would be greater than the carried liabilities. The reserving processes and controls were found to be reasonable, and the Group's actuarial approach, assumptions and methodologies were reasonable for estimating losses and LAE.

Assessment of Pricing and Underwriting Risk

Key risks relating to the pricing process were reviewed and tested along with a review of the appropriateness of the pricing methodologies, the reasonableness of the pricing assumptions and the pricing analysis used by the Group's underwriters. The actuarial pricing analysis and the underwriting processes and controls were found to be reasonable.

Assessment of Liquidity Risk

A review of the Group's liquidity risk was conducted by the Department to form a conclusion regarding the ability of the Group to meet contractual obligations as they become due. Oliver

THE HARTFORD FIRE INSURANCE POOL

Wyman assisted the Department by reviewing the reasonability of the Group's payout assumptions and noted no material concerns regarding the Group's ability to manage its liquidity risk.

CONCLUSION

Based upon the risk-based assessment and review, no material findings were noted which affected the Group's ability to manage its reserving, pricing and underwriting, or liquidity risk.

GROWTH OF COMPANY

The reconciliation of the policyholders' surplus during the period under examination is reflected in Appendix B. Changes reflected in the Group's policyholder surplus over the examination period were largely due to results from operations and the payment of ordinary dividends. It was also noted that on December 15, 2015, Nutmeg received a capital contribution of \$238.5 million from Hartford Holding and on May 1, 2017, the capital contribution was returned in the form of an extraordinary dividend to Hartford Holding.

RECOMMENDATION

PAGE

15 AMOUNTS WITHHELD OR RETAINED BY COMPANY FOR ACCOUNT OF OTHERS

- It is recommended that the Company reclass this balance in accordance with the Instructions.

SUBSEQUENT EVENTS

On February 16, 2018, Hartford Fire entered into a renewal rights agreement with the Farmers Exchanges, of the Farmers Insurance Group of Companies, to acquire its Foremost-branded small commercial business sold through independent agents.

On May 31, 2018, HFSG completed the sale of Talcott Resolution Inc., its run-off life and annuity businesses, to an investment group.

On August 22, 2018, HFSG signed a definitive agreement to acquire all the outstanding common shares of The Navigators Group, Inc., a global specialty underwriter.

CONCLUSION

As a result of the examination, there were no adjustments made to surplus.

THE HARTFORD FIRE INSURANCE POOL

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Edna Bosley; Mark Murphy, CFE; Wanchin Chou, FCAS, MAAA, CPCU, CSPA; Susan Gozzo-Andrews, FCAS, MAAA, RPLU+; Kenneth Roulier, AFE, CISA, AES; Michael Daniels, CFE; Grace Jiang, CFE; Chiffon King, AFE; Robert Linnell, CFE; Cecilia Arnold, CFE; Kent Krajick, CFE; Ronald Jankowski, CFE; and the professional services firms of Baker Tilly, Jennan and Oliver Wyman.

I, Wayne Shepherd, CFE, do solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2017, to the best of my information, knowledge and belief.

Respectfully submitted,

Wayne Shepherd
Wayne Shepherd, CFE
Examiner-In-Charge
State of Connecticut
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford

Subscribed and sworn to before me, Nancy M. Mercier
Notary Public on this 13th day of April, 2019.

Nancy M. Mercier
Notary Public

My Commission Expires June 30, 2020

THE HARTFORD FIRE INSURANCE POOL

APPENDIX A

ASSETS	1	2	3	4
	Hartford Fire Insurance Company	Hartford Accident and Indemnity Company	Hartford Underwriters Insurance Company	Pacific Insurance Company, Ltd.
Net Admitted Assets				
Bonds	\$6,428,423,899	\$7,806,639,821	\$1,431,585,417	\$601,757,426
Preferred stocks	4,498,481	7,403,190	0	9,768,000
Common stocks	5,414,219,918	1,390,493,480	0	0
Mortgage loans on real estate - first liens	791,894,794	773,579,780	99,304,419	25,315,802
Real estate - properties occupied by the company	333,492,680	0	0	0
Cash, cash equivalents and short-term investments	408,112,088	289,551,458	18,541,410	11,802,008
Derivatives	10,908,795	11,771,700	0	0
Other invested assets	4,524,749,529	572,378,709	3,034,371	0
Receivables for securities	6,311,502	47,228,816	11,940,526	17,813
Securities lending reinvested collateral assets	232,359,287	343,493,132	47,496,801	0
Aggregate write-ins for invested assets	190,010,037	187,800,626	3,742,016	0
Subtotals, cash and invested assets	18,344,981,009	11,430,340,712	1,615,644,960	648,661,049
Investment income due and accrued	59,217,335	74,563,480	14,804,557	5,878,165
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	622,878,541	194,914,747	23,850,076	10,136,282
Deferred premiums, agents' balances and installments	2,371,856,897	0	0	0
Reinsurance:				
Amounts recoverable from reinsurers	363,153,269	0	0	0
Funds held by or deposited with reinsured companies	(3,562,858)	0	0	0
Current federal and foreign income tax recoverable and interest thereon	0	16,093,988	1,740,690	4,002,716
Net deferred tax asset	300,039,000	187,741,560	18,471,000	7,366,000
Guaranty funds receivable or on deposit	1,469,795	1,158,898	141,805	60,267
Electronic data processing equipment and software	13,895,270	0	0	0
Receivables from parent, subsidiaries and affiliates	34,571,663	104,690	12,810	5,444
Aggregate write-ins for other-than-invested assets	746,798,072	1,672,216	1,244,510	1,548
Total	\$22,855,297,993	\$11,906,590,290	\$1,675,910,408	\$676,111,471

THE HARTFORD FIRE INSURANCE POOL

ASSETS	5	6	7	8
	Nutmeg Insurance Company	Trumbull Insurance Company	Hartford Insurance Company of the Southeast	Sentinel Insurance Company, Ltd
Net Admitted Assets				
Bonds	\$371,763,943	\$212,290,624	\$163,775,773	\$250,165,468
Preferred stocks	0	0	7,548,000	0
Common stocks	5,244,927	0	0	0
Mortgage loans on real estate - first liens	7,092,833	0	0	0
Real estate - properties occupied by the company	0	0	0	0
Cash, cash equivalents and short-term investments	24,259,413	12,175,952	12,592,215	9,828,162
Derivatives	0	0	0	0
Other invested assets	0	136,161	129,571	1,200,298
Receivables for securities	2,443,120	0	0	7,470,581
Securities lending reinvested collateral assets	0	0	0	0
Aggregate write-ins for invested assets	0	0	0	0
Subtotals, cash and invested assets	410,804,236	224,602,737	184,045,560	268,664,510
Investment income due and accrued	3,296,636	2,287,203	1,477,530	2,474,439
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	4,173,763	2,981,260	2,981,260	1,788,756
Deferred premiums, agents' balances and installments	0	0	0	0
Reinsurance:				
Amounts recoverable from reinsurers	0	0	0	0
Funds held by or deposited with reinsured companies	0	0	0	0
Current federal and foreign income tax recoverable and interest thereon	19,373,004	922,957	460,559	2,132,179
Net deferred tax asset	2,987,000	2,145,000	2,474,000	1,280,000
Guaranty funds receivable or on deposit	24,816	17,724	17,726	10,635
Electronic data processing equipment and software	0	0	0	0
Receivables from parent, subsidiaries and affiliates	2,242	3,596,609	110,956	1,800,720
Aggregate write-ins for other-than-invested assets	0	2,032,854	654,763	2,755,944
Total	\$440,661,697	\$238,586,344	\$192,222,353	\$280,907,184

THE HARTFORD FIRE INSURANCE POOL

LIABILITIES, SURPLUS AND OTHER FUNDS	1	2	3	4
	Hartford Fire Insurance Company	Hartford Accident and Indemnity Company	Hartford Underwriters Insurance Company	Pacific Insurance Company, Ltd.
Current Year Liabilities				
Losses	\$6,843,447,659	\$5,286,601,324	\$646,876,883	\$274,922,676
Reinsurance payable on paid losses and loss adjustment expenses	14,357,097	174,818,996	21,391,128	9,091,230
Loss adjustment expenses	1,567,999,050	1,114,767,637	136,404,728	57,972,010
Commissions payable, contingent commissions and other similar charges	55,840,122	43,985,870	5,382,180	2,287,427
Other expenses (excluding taxes, licenses and fees)	109,929,358	87,974,936	10,971,374	4,666,095
Taxes, licenses and fees (excluding federal and foreign income taxes)	53,958,612	42,503,786	5,200,830	2,210,353
Current federal and foreign income taxes	23,028,486	0	0	0
Unearned premiums	2,110,221,060	1,662,244,010	203,394,801	86,442,791
Advance premium	86,369,352	0	0	0
Dividends declared and unpaid - policyholders	8,549,415	6,734,468	824,040	350,217
Ceded reinsurance premiums payable (net of ceding commissions)	388,516,872	0	0	0
Funds held by company under reinsurance treaties	21,751,806	0	0	0
Amounts withheld or retained by company for account of others	539,301,185	0	0	0
Remittances and items not allocated	0	0	104,957	9,228
Provision for reinsurance	24,268,223	0	0	0
Net adjustments in assets and liabilities due to foreign exchange rates	20,278,000	0	0	0
Drafts outstanding	307,018,634	0	0	0
Payable to parent, subsidiaries and affiliates	52,215,144	2,686,154	757,247	124,102
Derivatives	195,963,761	186,222,831	3,607,449	0
Payable for securities	86,159,189	105,660,935	11,801,932	0
Payable for securities lending	232,359,287	343,493,132	47,496,801	0
Aggregate write-ins for liabilities	197,740,780	15,519,100	136,360	0
Total liabilities	12,939,273,090	9,073,213,179	1,094,350,712	438,076,128
Common capital stock	55,320,000	40,000,000	6,504,000	7,200,000
Gross paid in and contributed surplus	4,509,059,572	582,242,572	87,930,207	146,290,145
Unassigned funds (surplus)	5,359,662,016	2,211,134,539	487,125,490	84,545,198
Shares common (value included in common capital stock \$116) (less treasury stock at cost)	8,016,686	0	0	0
Surplus as regards policyholders	9,916,024,902	2,833,377,111	581,559,697	238,035,343
Total	<u>\$22,855,297,993</u>	<u>\$11,906,590,290</u>	<u>\$1,675,910,408</u>	<u>\$676,111,471</u>

THE HARTFORD FIRE INSURANCE POOL

LIABILITIES, SURPLUS AND OTHER FUNDS	5	6	7	8
	Nutmeg Insurance Company	Trumbull Insurance Company	Hartford Insurance Company of the Southeast	Sentinel Insurance Company, Ltd
Current Year Liabilities				
Losses	\$113,203,455	\$80,859,607	\$80,859,611	\$48,515,767
Reinsurance payable on paid losses and loss adjustment expenses	3,743,447	2,673,891	2,673,891	1,604,335
Loss adjustment expenses	23,870,827	17,050,591	17,050,591	10,230,354
Commissions payable, contingent commissions and other similar charges	941,881	672,772	672,773	403,664
Other expenses (excluding taxes, licenses and fees)	1,964,369	1,389,616	1,366,931	920,732
Taxes, licenses and fees (excluding federal and foreign income taxes)	910,146	650,098	650,106	390,062
Current federal and foreign income taxes	0	0	0	0
Unearned premiums	35,594,090	25,424,352	25,424,350	15,254,610
Advance premium	0	0	0	0
Dividends declared and unpaid - policyholders	144,207	103,005	103,005	61,803
Ceded reinsurance premiums payable (net of ceding commissions)	0	0	0	0
Funds held by company under reinsurance treaties	0	0	0	0
Amounts withheld or retained by company for account of others	0	0	0	0
Remittances and items not allocated	2,443,174	0	1	0
Provision for reinsurance	0	0	0	0
Net adjustments in assets and liabilities due to foreign exchange rates	0	0	0	0
Drafts outstanding	0	0	0	0
Payable to parent, subsidiaries and affiliates	76,335	0	0	0
Derivatives	0	0	0	0
Payable for securities	0	0	0	7,417,647
Payable for securities lending	0	0	0	0
Aggregate write-ins for liabilities	0	0	0	0
Total liabilities	182,891,932	128,823,932	128,801,258	84,798,974
Common capital stock	4,200,000	4,000,000	2,350,000	4,200,000
Gross paid in and contributed surplus	58,011,061	34,547,544	7,267,853	15,787,500
Unassigned funds (surplus)	195,558,704	71,214,869	53,803,243	176,120,710
Shares common	0	0	0	0
Surplus as regards policyholders	257,769,765	109,762,413	63,421,095	196,108,210
Total	\$440,661,697	\$238,586,344	\$192,222,353	\$280,907,184

THE HARTFORD FIRE INSURANCE POOL

STATEMENT OF INCOME	1	2	3	4
	Hartford Fire Insurance Company	Hartford Accident and Indemnity Company	Hartford Underwriters Insurance Company	Pacific Insurance Company, Ltd.
Current Year Income				
Premiums earned	\$4,455,900,660	\$3,509,961,268	\$429,484,401	\$182,530,871
Losses incurred	2,652,119,194	1,985,046,445	242,893,417	103,229,702
Loss adjustment expenses incurred	692,682,547	425,271,338	52,036,873	22,115,671
Other underwriting expenses incurred	1,327,507,814	1,045,696,794	127,953,111	54,380,073
Total underwriting deductions	4,672,309,555	3,456,014,577	422,883,400	179,725,446
Net underwriting gain (loss)	(216,408,895)	53,946,691	6,601,001	2,805,425
Net investment income earned	1,357,840,005	511,992,330	55,427,286	23,063,904
Net realized capital gains (losses)	40,002,862	28,722,574	4,338,817	1,424,498
Net investment gain (loss)	1,397,842,867	540,714,903	59,766,104	24,488,403
Net gain (loss) from agents' or premium balances charged off	(47,760,085)	0	0	0
Finance and service charges not included in premiums	8,223,683	3,642,642	9,252,366	138,450
Aggregate write-ins for miscellaneous income	215,863,886	0	(3,244)	0
Total other income	176,327,484	3,642,642	9,249,122	138,450
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,357,761,456	598,304,237	75,616,227	27,432,278
Dividends to policyholders	9,449,078	7,443,141	910,754	387,071
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,348,312,378	590,861,096	74,705,473	27,045,208
Federal and foreign income taxes incurred	91,192,876	122,715,285	18,529,881	5,348,778
Net income	<u>\$1,257,119,501</u>	<u>\$468,145,811</u>	<u>\$56,175,592</u>	<u>\$21,696,429</u>

THE HARTFORD FIRE INSURANCE POOL

STATEMENT OF INCOME	5	6	7	8
	Nutmeg Insurance Company	Trumbull Insurance Company	Hartford Insurance Company of the Southeast	Sentinel Insurance Company, Ltd
Current Year Income				
Premiums earned	\$75,159,771	\$53,685,544	\$53,685,551	\$32,211,330
Losses incurred	42,506,348	30,361,674	30,361,677	18,217,006
Loss adjustment expenses incurred	9,106,453	6,504,603	6,504,610	3,902,766
Other underwriting expenses incurred	22,391,795	15,994,132	15,994,140	9,596,484
Total underwriting deductions	74,004,596	52,860,409	52,860,427	31,716,256
Net underwriting gain (loss)	1,155,175	825,135	825,124	495,074
Net investment income earned	26,733,315	7,436,415	5,971,373	6,917,030
Net realized capital gains (losses)	22,458,911	192,213	1,179,489	(398,962)
Net investment gain (loss)	49,192,225	7,628,628	7,150,862	6,518,069
Net gain (loss) from agents' or premium balances charged off	0	0	0	0
Finance and service charges not included in premiums	0	13,077,596	1,023,740	12,814,289
Aggregate write-ins for miscellaneous income	15,527	0	0	0
Total other income	15,527	13,077,596	1,023,740	12,814,289
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	50,362,927	21,531,358	8,999,726	19,827,432
Dividends to policyholders	159,382	113,844	113,844	68,307
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	50,203,545	21,417,514	8,885,881	19,759,126
Federal and foreign income taxes incurred	3,500,641	6,284,480	1,916,284	5,664,462
Net income	<u>\$46,702,904</u>	<u>\$15,133,035</u>	<u>\$6,969,598</u>	<u>\$14,094,664</u>

THE HARTFORD FIRE INSURANCE POOL

APPENDIX B

Growth of the Company	1	2	3	4
Surplus	Hartford Fire Insurance Company	Hartford Accident & Indemnity Company	Hartford Underwriters Insurance Company	Pacific Insurance Company, Ltd
Surplus as regards policyholders, December 31, 2012	\$13,012,537,573	\$3,107,554,297	\$614,264,437	\$220,201,221
Net income	5,046,746,137	2,438,206,095	294,127,861	115,544,278
Change in net unrealized capital gains or (losses) less capital gains tax	178,604,195	51,013,832	(1,239,114)	1,131,196
Change in net unrealized foreign exchange capital gain (loss)	(7,394,610)	(797,667)	0	0
Change in net deferred income tax	(269,969,642)	(282,496,518)	(17,954,127)	(9,774,882)
Change in nonadmitted assets	(8,686,527)	143,435,986	6,671,306	4,065,562
Change in provision for reinsurance	3,771,413	0	0	0
Surplus adjustment: paid in	60,212,024	0	0	0
Dividends to stockholders	(7,474,822,856)	(2,621,000,000)	(314,000,000)	(93,000,000)
Aggregate write-ins for gains and losses in surplus	(624,972,806)	(2,538,913)	(310,665)	(132,034)
Net Change in Capital and Surplus for the Year	(3,096,512,672)	(274,177,185)	(32,704,739)	17,834,120
Capital and Surplus, December 31, 2017	<u>\$9,916,024,901</u>	<u>\$2,833,377,112</u>	<u>\$581,559,698</u>	<u>\$238,035,341</u>

THE HARTFORD FIRE INSURANCE POOL

Growth of the Company	5	6	7	8
Surplus	Nutmeg Ins Company	Trumbull Insurance Company	Hartford Insurance Company of the Southeast	Sentinel Insurance Company, Ltd.
Surplus as regards policyholders, December 31, 2012	\$227,875,465	\$91,314,485	\$54,433,374	\$131,244,420
Net income	126,654,066	67,610,196	32,358,131	78,722,433
Change in net unrealized capital gains or (losses) less capital gains tax	80,621,901	304,041	639,049	183,154
Change in net unrealized foreign exchange capital gain (loss)	(1)	0	0	0
Change in net deferred income tax	(7,261,806)	(2,947,487)	(2,207,253)	(1,250,088)
Change in nonadmitted assets	5,679,034	1,520,012	1,236,628	231,654
Change in provision for reinsurance	0	0	0	0
Surplus adjustment: paid in	(105,744,532)	0	0	0
Dividends to stockholders	(70,000,000)	(48,000,000)	(23,000,000)	(13,000,000)
Aggregate write-ins for gains and losses in surplus	(54,365)	(38,834)	(38,833)	(23,361)
Net Change in Capital and Surplus for the Year	29,894,297	18,447,928	8,987,722	64,863,792
Capital and Surplus, December 31, 2017	<u>\$257,769,762</u>	<u>\$109,762,413</u>	<u>\$63,421,096</u>	<u>\$196,108,212</u>