

# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### ORDER ADOPTING REPORT OF EXAMINATION

I, Joshua Hershman, Deputy Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of Thames Insurance Company, Inc. (the Company) as of December 31, 2018, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

#### **TO WIT:**

1. I, Joshua Hershman, Deputy 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 Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On March 31, 2020, the verified Report of the Company was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Company was 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 29, 2020, the Company filed a written submission indicating that they were in agreement with all of the recommendations contained in 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 Company hereby is adopted as filed with the Department.
2. That the Company shall comply with the recommendations set forth in the Report, and that failure by the Company 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. "

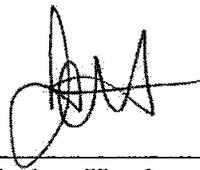
Please address the certification to the Commissioner, but send said certification to the care/attention of Mark Murphy, Supervising Examiner, of the Financial Regulation Division.

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 4<sup>th</sup> day of May, 2020.



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Joshua Hershman  
Deputy Insurance Commissioner



EXHIBIT A

EXAMINATION REPORT

OF THE

THAMES INSURANCE COMPANY, INC.  
(NAIC # 3735)

AS OF

DECEMBER 31, 2018

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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March 13, 2020

The Honorable Andrew N. Mais  
Insurance Commissioner  
State of Connecticut Insurance Department  
153 Market Street, 7<sup>th</sup> Floor  
Hartford, Connecticut 06103

Dear Commissioner Mais:

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 made a financial examination of the condition and affairs of the

**THAMES INSURANCE COMPANY, INC.**

(hereinafter referred to as the Company or Thames), a corporation incorporated under the laws of the State of Connecticut and having its home and administrative office located at 101 High Street, Norwich, Connecticut. The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Company was conducted as of December 31, 2013. The current examination, which covers the subsequent five year period from January 1, 2014 to December 31, 2018, was conducted at the administrative offices of the group of companies known as the NLC Insurance Companies (the Group).

Agents Investors Group, Inc., (AIGI) is the Company's immediate parent. NLC Insurance Companies, Inc. (NLC) is a direct subsidiary of the Company's ultimate parent, New London County Mutual Insurance Company (New London), which was examined concurrently with the Company. Concurrent examinations of the Hingham Mutual Fire Insurance Company (Hingham) and Danbury Insurance Company (Danbury) were also performed by the State of Massachusetts Division of Insurance.

As part of the examination planning procedures, the Financial Regulation Division of the Connecticut Insurance Department (the Department) reviewed the following materials submitted by the Company:

- Board of Director (Board) and Committee minutes from 2014 through the latest 2019 meeting;
- Statutory audit reports from 2014 through 2018, completed by the Company's current independent certified public accountants, PricewaterhouseCoopers LLP, (PwC);
- Management's Discussion and Analysis from 2014 through 2018;
- Statements of Actuarial Opinion from 2014 through 2018; and

## THAMES INSURANCE COMPANY, INC.

- Annual Statements filed with the Department:

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

Work papers prepared by PwC, in connection with its 2018 annual statutory audit, were reviewed and relied upon to the extent deemed appropriate.

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 Company by obtaining information about the Company, including corporate governance, identifying inherent risks within the Company 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.

All accounts and activities of the Company 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

The Company was chartered by Special Act 75-13 of the 1975 session of the Connecticut General Assembly. The Company, a stock insurance company, was granted a license by the State of Connecticut and commenced business in 1977.

New London owned 100% of the Company until 1987, when NLC was formed and all the outstanding shares of the Company were transferred to NLC.

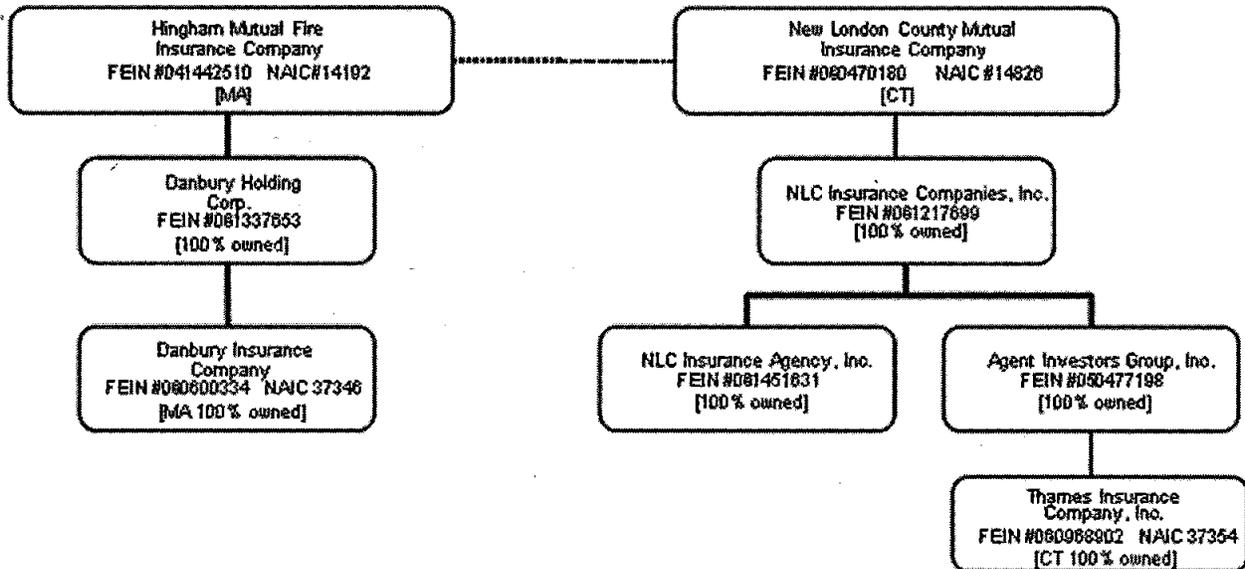
Effective December 22, 2005, Thames merged with Summit Insurance Company (Summit) a Rhode Island domiciled insurance company, leaving Thames as the surviving entity. Effective on the same date, Thames changed its name to Summit. However, on January 1, 2008, Summit changed its name to Thames. In 2005, prior to the merger of Summit and Thames, NLC Insurance Companies Inc., then the direct parent of Thames, contributed its ownership interest in Thames to

## THAMES INSURANCE COMPANY, INC.

AIGI. The Company has 100,000 shares of \$15 par value common stock authorized, issued and outstanding.

### ORGANIZATIONAL CHART

The following is an organizational chart of the Company and its subsidiaries and affiliated companies as of December 31, 2018:



### MANAGEMENT AND CONTROL

The bylaws and charter provide that the Company be managed by a Board of not less than six (6) or more than fifteen (15) annually elected directors. Annual meetings of shareholders are to be held at the principal offices of the Company in Connecticut or at such other place, either within or outside of Connecticut, as is designated in the notice of the meeting. They are to be held in the month of March, or on such other date and at a time as is stated in the notice of the meeting.

The bylaws provide that the Board be divided into three (3) classes, as nearly equal in number as possible, with the tenure of office of one class to expire at each annual meeting of the members.

A regular meeting of the Board is to be held without notice immediately after the annual meeting of members, or as soon thereafter as convenient. All other regular meetings of the Board may be held without notice at such date, time and place, either in or outside of the State of Connecticut, as the Board may determine and fix by resolution.

THAMES INSURANCE COMPANY, INC.

Members of the Board serving the Company at December 31, 2018, were as follows:

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
Steve Henry Chevalier	President and Chief Executive Officer NLC Insurance Companies
Edward Bulkeley Griswold	Managing Director L&L Capital Partners, LLC
Judy Sandstrom Jackson	Retired President and Chief Executive Officer NLC Insurance Companies
Donald Frank Mango	Global Head of Actuarial Pricing and Modeling Everest Insurance
Francis Pasquale Pandolfi	Self-employed Consultant
Martin Charles Shapiro	Private Investor
Robert Hampton Steele	Retired John Ryan Company

Officers serving the Company at December 31, 2018, were as follows:

<u>Officer</u>	<u>Title</u>
Steve Henry Chevalier	President and Chief Executive Officer
George Kowalsky	Vice President and Treasurer
Sherrie Lynn Krockomberger	Secretary and Controller
James William Parylak	Vice President and Chief Information Officer
Janice Viscio Ingarra	Vice President, Underwriting
George William Francis, Jr.	Vice President, Marketing
Dennis Joseph Nelson	Vice President, Claims

The Board, by resolution adopted by the affirmative vote of the directors holding a majority of the number of directorships, may designate two or more directors to constitute an executive committee or other committees. The standing committees, as of December 31, 2018, were audit, investment and compensation.

## THAMES INSURANCE COMPANY, INC.

### RELATED PARTY AGREEMENTS

#### Tax Allocation Agreement

Effective January 1, 2003, and amended January 1, 2005, as a result of the merger between the Company and Summit and later amended effective January 1, 2008, as the result of the name change of Summit to Thames, New London, and its direct and indirect subsidiaries elected to file a consolidated United States federal income tax return.

#### Intercompany Services Agreement

Effective September 22, 2010, the Company entered into an Intercompany Services Agreement, in which New London coordinates the resources and provides certain administrative and operational services to the Company, Hingham and Danbury.

#### Reinsurance Pooling Agreement

The Company, New London, Hingham, and Danbury are each a "Pool Member" under the Reinsurance Pooling Agreement (Pooling Agreement). Under the terms of the Pooling Agreement effective January 1, 2010, Hingham, Danbury and the Company shall cede, and New London shall reinsure, one hundred percent of the direct and assumed insurance business of Hingham, Danbury and the Company written prior to, on or after January 1, 2010, net of any losses ceded to other reinsurers. New London will, in turn, retrocede to Hingham, the Company and Danbury, 29%, 15% and 6%, respectively, of the pooled liabilities.

### INSURANCE COVERAGE

The Company, New London and affiliates are insured through a financial institution bond policy with Travelers Casualty and Surety Company of America in an amount that exceeds the suggested minimum limits of insurance pursuant to the Handbook.

### TERRITORY AND PLAN OF OPERATION

The Company is licensed in the states of Connecticut, Massachusetts and Rhode Island and offers homeowners, dwelling fire, personal auto, commercial multiple peril, and personal and commercial umbrella products. The Company utilizes an independent agency distribution system.

### REINSURANCE

See "Related Party Transactions – Reinsurance Pooling Agreement" section above.

### INFORMATION TECHNOLOGY AND CONTROLS

An evaluation of information technology (IT) controls was conducted in accordance with Exhibit C, Evaluation of controls in information technology (Exhibit C), and the six step process contained in the Handbook.

## THAMES INSURANCE COMPANY, INC.

The objectives of the evaluation were to determine whether IT resources align with the Company's strategies and objectives and to ensure that significant risk associated with its IT environment is appropriately mitigated by strategies and controls as outlined in Exhibit C. In particular, risks related to the safeguarding of data and business continuity planning were the focus of the review.

The Company's IT department consists of two primary areas; development and network administration. The Company utilizes purchased software that has been customized for its primary application systems. The primary policy and claim processing application that was in place during the examination period is the SDS (JWALK) system. This system is in the process of being replaced by the Guidewire application suite.

Due to weaknesses identified during the review of the Company's IT general controls, no reliance was placed on such for the examination.

### ACCOUNTS AND RECORDS

The StoneRiver Pro Financial Systems serves as the general ledger and accounts payable software and eFreedom serves as the statutory statement software. Investments are processed by GenRe – New England Asset Management's (GR-NEAM) CAMRA software. Certain Reinsurance ceded balances are calculated/maintained in SDS (JWALK). Other amounts are on external excel spreadsheets.

General ledger account balances were reconciled and traced to the amounts reported in the annual statement for 2018.

THAMES INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2018. No adjustments were made to surplus as a result of the examination.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$20,833,204		\$20,833,204
Stocks:			
Preferred stocks	299,692		299,692
Common stocks	3,594,182		3,594,182
Cash, cash equivalents and short-term investments	1,071,888		1,071,888
Investment income due and accrued	160,575		160,575
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	1,096,706		1,096,706
Deferred premiums, agents' balances and installments booked but deferred and not yet due	564,449		564,449
Reinsurance:			
Amounts recoverable from reinsurers	380,213		380,213
Current federal and foreign income tax recoverable	106,028		106,028
Net deferred tax asset	407,160		407,160
Receivables from parent, subsidiaries and affiliates	78,318		78,318
Aggregate write-ins for other than invested assets	1,037,001		1,037,001
<b>Total</b>	<b>\$29,629,415</b>	<b>\$0</b>	<b>\$29,629,415</b>

THAMES INSURANCE COMPANY, INC.

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$3,436,217
Reinsurance payable on paid losses and loss adjustment expenses	1,070,339
Loss adjustment expenses	728,814
Commissions payable, contingent commissions and other similar charges	279,989
Other expenses (excluding taxes, licenses and fees)	222,444
Taxes, licenses and fees (excluding federal and foreign income taxes)	(8,525)
Unearned premiums	5,705,623
Advance premium	59,084
Ceded reinsurance premiums payable	1,029,375
Total liabilities	12,523,361
Common capital stock	1,500,000
Gross paid in and contributed surplus	9,045,000
Unassigned funds (surplus)	6,561,054
Surplus as regards policyholders	17,106,054
Totals	\$29,629,415

THAMES INSURANCE COMPANY, INC.

STATEMENT OF INCOME

<b>UNDERWRITING INCOME</b>	
Premiums earned	\$10,673,227
<b>DEDUCTIONS</b>	
Losses incurred	6,504,402
Loss adjustment expenses incurred	937,424
Other underwriting expenses incurred	4,331,956
Total underwriting deductions	<u>11,773,782</u>
Net underwriting gain (loss)	(1,100,555)
<b>INVESTMENT INCOME</b>	
Net investment income earned	569,921
Net realized capital gains (losses)	603,234
Net investment gain (loss)	<u>1,173,154</u>
<b>OTHER INCOME</b>	
Net gain (loss) from agents' or premium balances charged off	330
Finance and service charges not included in premiums	45,500
Total other income	<u>45,830</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	118,429
Dividends to policyholders	
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	118,429
Federal and foreign income taxes incurred	(274,054)
Net income	<u>392,483</u>
<b>CAPITAL AND SURPLUS ACCOUNT</b>	
Surplus as regards policyholders, December 31 prior year	\$18,102,165
Net income	392,483
Change in net unrealized capital gains or (losses)	(1,011,468)
Change in net deferred income tax	(108,413)
Aggregate write-ins for gains and losses in surplus	(268,714)
Change in surplus as regards policyholders for the year	<u>(996,111)</u>
Surplus as regards policyholders, December 31 current year	<u>\$17,106,054</u>

THAMES INSURANCE COMPANY, INC.

LOSSES AND LOSS ADJUSTMENT EXPENSES (LAE) \$4,165,031

Losses	\$3,436,217
LAE	<u>728,814</u>
	<u>\$4,165,031</u>

The Department's actuaries performed a review of reserving, pricing and underwriting risk. No material issues were noted during the review of reserving and pricing and underwriting risks.

COMMON CAPITAL STOCK \$1,500,000

The Company has 100,000 shares of \$15 par value authorized, issued and outstanding common stock which are owned by AIGI.

GROSS PAID IN AND CONTRIBUTED SURPLUS \$9,045,000

During the period under examination there were no changes to the balance of this account.

UNASSIGNED FUNDS (SURPLUS) \$6,561,054

The fluctuation in unassigned surplus during the examination period was attributed to the fluctuation in earnings throughout the period under examination.

SUBSEQUENT EVENT

During the April 2019, annual meeting of policyholders Craig Thomas was appointed as the Company's chief financial officer.

CONCLUSION

The results of this examination disclosed that as of December 31, 2018, the Company had admitted assets of \$29,629,415, liabilities of \$12,523,361, and surplus as regards policyholders of \$17,106,054. During the period under examination, admitted assets increased \$980,486, liabilities decreased \$1,293,820, and surplus as regards policyholders increased \$2,274,306.

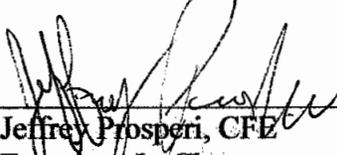
THAMES INSURANCE COMPANY, INC.

SIGNATURE

In addition to the undersigned, the following members of the State of Connecticut Insurance Department participated in the examination: Dawn Cormier, CPA; Robert Linnell, CFE; Mark Murphy, CFE; Lisa Pagliaro, AFE; Kenneth Roulier, AFE, CISA, AES; and Qing He, FCAS, MAAA.

I, Jeffrey Prospero, 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, 2018, to the best of my information, knowledge and belief.

Respectfully submitted,

  
\_\_\_\_\_  
Jeffrey Prospero, CFE  
Examiner-In-Charge  
State of Connecticut  
Insurance Department

State of Connecticut

ss.

County of Hartford

Subscribed and sworn to before me, \_\_\_\_\_

Notary Public on this 31<sup>ST</sup> day of March, 2020.

**JANE J. MURPHY**  
**NOTARY PUBLIC**  
MY COMMISSION EXPIRES JULY 31, 2023

