



# 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 Examination Report (the "Report") of **National Liability & Fire Insurance Company** (the "Company") as of December 31, 2020, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

#### TO WIT:

1. I, Andrew N. Mais, as the 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 ("CGS").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On May 25, 2022, the verified Report of the Company was filed with the Connecticut Insurance Department ("Insurance Department").
4. In accordance with Section 38a-14(e)(3) of the CGS, the Company was afforded a period of thirty (30) days within which to submit to the Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On June 14, 2022, 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 Insurance Department.
2. That the Company shall comply with all of 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 CGS.
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.”*

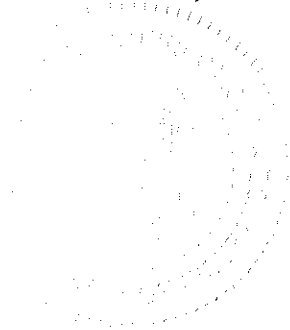
**Please address the certification to the commissioner but send[ing] to the care/attention of William Arfanis, Division Director of Field Examinations.**

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 or 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 15<sup>th</sup> day of June, 2022.



A handwritten signature in black ink, appearing to read "A. Mais", is written over a horizontal line.

Andrew N. Mais  
Insurance Commissioner

Exhibit A

**EXAMINATION REPORT**

**OF**

**NATIONAL LIABILITY & FIRE INSURANCE COMPANY  
(NAIC #20052)**

**AS OF**

**DECEMBER 31, 2020**

**BY THE**

**CONNECTICUT INSURANCE DEPARTMENT**



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May 25, 2022

The Honorable Andrew N. Mais  
Insurance Commissioner  
State of Connecticut Insurance Department  
153 Market Street, 6<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 Connecticut General Statutes (CGS), the undersigned has made an examination of the conditions and affairs of

**NATIONAL LIABILITY & FIRE INSURANCE COMPANY**

(hereinafter referred to as the Company or NL&F), a corporation with capital stock, incorporated under the laws of the State of Connecticut and having its statutory home office located at 100 First Stamford Place, Stamford, Connecticut and its main administrative office located at 1314 Douglas Street, Suite 1400, Omaha, Nebraska. The report on such examination is submitted herewith.

**SCOPE OF EXAMINATION**

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department) as of December 31, 2016. The current examination, which covers the period from January 1, 2017 to December 31, 2020, was conducted virtually.

The examination was part of the coordinated examination of the Berkshire Hathaway Group (Group). This consisted of the National Indemnity and Berkshire Hathaway Homestate groups of companies. The Nebraska Department of Insurance (Nebraska), the lead state of the Group, assumed the responsibility to coordinate the 2020 financial examination.

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Company from 2017 through 2020:

- Board of Director (Board) and other committee minutes (through the latest 2021 minutes);
- Statutory basis audit reports prepared by Deloitte & Touche, LLP (D&T), the Company's independent certified public accountant;
- Management Discussion and Analysis;
- Statement of Actuarial Opinion;

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Insurance Commissioner  
State of Connecticut Insurance Department  
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## NATIONAL LIABILITY & FIRE INSURANCE COMPANY

- Internal Audit Reports;
- Documentation supporting Section 404 of the Sarbanes Oxley Act of 2002 testing; and
- 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, and reports from the National Association of Insurance Commissioners (NAIC) database, all of which indicated no material concerns with respect to financial condition or regulatory compliance.

Workpapers prepared by D&T as of 12/31/2020, in connection with its annual statutory audit were reviewed and relied upon to the extent deemed appropriate.

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (the Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurers surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.) are not included within the examination report but separately communicated to other regulators and/or the Company.

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 incorporated on April 23, 1957, under the Illinois Insurance Code and commenced business on December 9, 1958, as the Home and Automobile Insurance Company. In 1971, the Company was acquired by National Indemnity Company (NICO), a subsidiary of Berkshire Hathaway Inc. (BHI). In 1980, BHI purchased all of the Company stock from NICO and the Company became a wholly-owned subsidiary of BHI. In 1987, the Company changed its name to NL&F. The Company redomesticated from Illinois to Connecticut on December 6, 1995.

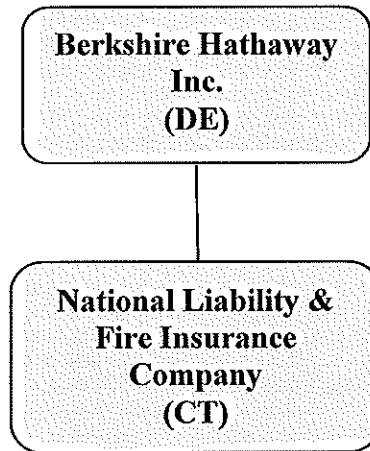
## NATIONAL LIABILITY & FIRE INSURANCE COMPANY

On December 21, 1998, BHI acquired General Reinsurance Corporation (General Re). A new holding company, OBH Inc., was created which became the parent company of NL&F. OBH Inc. became a wholly-owned subsidiary of BHI.

On January 28, 2010, OBH Inc. converted its form to a Delaware limited liability company and changed its name to OBH LLC. On January 1, 2012, OBH LLC merged into BHI.

### ORGANIZATIONAL CHART

The following is a partial organizational chart as of December 31, 2020:



Warren E. Buffett owned 31.84654% of the voting interest in BHI at December 31, 2020.

### MANAGEMENT AND CONTROL

The bylaws state that a meeting of the shareholders of the Company shall be held each year at the principal office of the Company in Connecticut, or at such other place as determined by the Board and stated in the notice to shareholders. The purpose of such meeting is the election of the Board members and the transaction of such other business as may properly come before the meeting.

Special meetings of the shareholders may be called by the president, the Board or the holders of not less than ten percent of all the outstanding shares of the Company. In place of holding a meeting, the shareholders may, by their unanimous written consent, dispose of any matter or transact any business.

A majority of the outstanding shares of the Company shall constitute a quorum.

The affairs of the Company shall be managed by the Board. The number of directors shall be not less than seven nor more than eleven, as may be fixed by the shareholders at each annual meeting.

The annual meeting of the Board shall be held immediately after and at the same place as the annual meeting of shareholders.



## NATIONAL LIABILITY & FIRE INSURANCE COMPANY

In addition to the annual meeting of the Board, the Board shall, by resolution, schedule not less than three regular meetings each year. Special meetings of the Board may be called by or at the request of the president or any three directors.

A majority of the Board, but not fewer than five directors, shall constitute a quorum.

The Board may designate three or more directors to constitute an executive committee. Additionally, the Board may designate from among the directors an investment committee and one or more other committees.

During the period under examination, the Company had an executive committee composed of three directors.

Members of the Board serving the Company at December 31, 2020, were as follows:

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
Dale D. Geistkemper	Treasurer and Controller, NICO
Bruce J Byrnes	Vice President, NICO
Marc D. Hamburg	Chief Financial Officer & Senior Investment Officer, BHI
Ajit Jain	Executive Vice President, NICO and Vice Chairman, BHI
Brian G. Snover	Secretary & Senior Vice President, NICO
Philip M. Wolf	Senior Vice President, NICO
Donald F. Wurster	President, NICO

The officers of the Company shall be a president, one or more vice presidents, one or more assistant vice presidents, a secretary, one or more assistant secretaries, a treasurer and one or more assistant treasurers, none of whom shall be required to be shareholders or Directors and each of whom shall be elected annually by the Board at each annual meeting to serve a term of office of one year or until a successor has been elected and qualified. The president and the secretary shall be different individuals.

## NATIONAL LIABILITY & FIRE INSURANCE COMPANY

Officers serving the Company at December 31, 2020, were as follows:

<u>Name</u>	<u>Title</u>
Donald F. Wurster	President
Brian G. Snover	Secretary & Senior Vice President
Zachary R. Royse	Assistant Controller
Dale D. Geistkemper	Treasurer and Controller
Ajit Jain	Executive Vice President
John D. Arendt	Vice President
Ateet A. Dhru	Vice President
Tracy L. Gulden	Vice President
Michael J. Lawler	Vice President
Raj R. Mehta	Vice President
Karen L. Rainwater	Vice President
Brad E. Rosen	Vice President
David J. Stanard	Vice President
Scott R. Doerr	Senior Vice President
Philip M. Wolf	Senior Vice President
Bruce J. Byrnes	Vice President
David N. Fields	Vice President
Timothy J. Kenesey	Vice President
Kevin D. Lewis	Vice President
Nancy F. Peters	Vice President
Ty J. Reil	Vice President
Peter M. Shelley	Vice President
Thomas L. Young	Vice President

### INSURANCE COVERAGES

NICO and affiliates, including the Company, are covered by a financial institution bond issued by Great American Insurance Company. The limit of liability on the financial institution bond exceeded the suggested minimum limits of insurance pursuant to the Handbook. Additionally, NICO maintains property, general liability, auto liability, workers compensation, and umbrella policies for itself and affiliates.

### TERRITORY AND PLAN OF OPERATION

NL&F is presently authorized as a property and casualty insurer in all 51 principal U.S. jurisdictions – the District of Columbia and all States. Major lines of business written include commercial auto liability, workers' compensation, other liability - claims-made, and aircraft (all perils). NL&F established a Canadian Branch in 2004, and is licensed to write Accident and Sickness, Aviation, Auto, General Liability, Property, Fidelity, Boiler and Machinery, Marine, and Surety covers in all 13 provinces and territories in Canada.

The Company distributes the majority of its commercial auto related property and liability products through more than 150 general agents, who in turn also utilize many independent

## NATIONAL LIABILITY & FIRE INSURANCE COMPANY

agents. NL&F markets its commercial products through managing general agents, general agents, brokers and licensed insurance producers.

### REINSURANCE

The Company reinsures on both a facultative and a treaty basis. The reinsurance treaties pertain to all property and casualty business segments and consist of working layers and catastrophe layers.

#### Reinsurance Assumed From Non-Affiliates

The Company assumes quota share and excess property risks from foreign as well as domestic insurance companies. The Company's maximum liability for each contract is limited to \$5 million per occurrence for contracts effective prior to June 1, 2020 and \$25 million per occurrence for contracts effective July 1, 2020 and subsequent due to an agreement with its affiliate, National Fire & Marine Insurance Company (NF&M), referenced in the Reinsurance Ceded To Affiliates section below.

#### Reinsurance Assumed From Affiliates

Effective October 1, 2018, the Company entered into a Quota Share reinsurance agreement with affiliates Medical Liability Mutual Insurance Company (MLMIC) and NICO.

Effective January 1, 2008, NICO entered into a reinsurance agreement with the Company under which the Company reinsured certain Canadian aviation exposures of NICO. This contract was not renewed for the 2009 year and continues in run-off.

#### Reinsurance Ceded To Non-Affiliates

The Company has a 75% quota share reinsurance agreement on its Starr Marine ocean marine business with various reinsurers. The business is in run-off, there was no new Starr Marine business written since 2010.

#### Reinsurance Ceded To Affiliates

The Company maintains commercial auto liability reinsurance with Columbia Insurance Company (CIC) and General Re. The retention on this excess of loss agreement is \$1 million with a limit of \$4 million, each occurrence.

Effective January 1, 2016, the Company entered into two excess of loss reinsurance agreements with NICO. Under the first agreement the Company cedes losses in excess of \$25 million per occurrence for business, excluding business written by the Company's Canadian Branch and certain other business segments.

In addition, the Company entered into a catastrophe reinsurance agreement, excluding business written by the Company's Canadian Branch, effective June 15, 2014, whereby losses in excess of

## NATIONAL LIABILITY & FIRE INSURANCE COMPANY

\$100 million commencing in a calendar year, and excess of \$25 million for each subsequent loss occurrence in that calendar year are ceded to NICO. For losses written by the Company's Canadian Branch, losses in excess of \$50 million commencing in a calendar year, and excess of \$25 million for each subsequent loss occurrence in that calendar year are ceded to NICO.

The Company has a reinsurance agreement with NICO, whereby NICO provides reinsurance for 100% of the ultimate net retained losses sustained by the Company, up to \$20 million in excess of \$5 million per occurrence, arising from the Company's issuance of workers' compensation policies through various workers' compensation underwriting programs detailed in the reinsurance agreement.

The Company entered into a reinsurance agreement with NICO, CIC, and General Re whereby the Company can be designated as an Associate Member of the United States Aircraft Insurance Group Pool (Pool) by either or by both CIC and General Re. The Company cedes the portion of the Pool designated by General Re directly to General Re. NICO reinsures the Company with respect to the business that is ultimately assumed by CIC. In turn, premium assumed by NICO is retroceded to CIC.

The Company's Canadian Branch cedes, on a quota share basis, 15% of the Global Aerospace Underwriting Managers Ltd. (GAUM) Pool, of which it is a direct participating member, to NICO on a 100% quota share basis. The agreement is continuous and is applicable during the periods that the Branch has a 23.39% participation in the GAUM Pool.

NF&M provides reinsurance for 100% of the liabilities of the Company in excess of \$5 million loss per occurrence for contracts effective prior to June 1, 2020 and \$25 million per occurrence for contracts effective July 1, 2020 and subsequent which arise from assumed contracts in the Company's Traditional Reinsurance Division.

California Insurance Company provides retrospective reinsurance on workers' compensation policies issued in the State of Connecticut on a 100% quota share basis, whereby the Company is operating in a fronting capacity on behalf of California Insurance Company.

The Company cedes 100% of the Brazil aviation risks to NICO, assumed from its participation in the GAUM Pool agreement. No new Brazil aviation risks have been written in the GAUM pool since 2018.

As part of the GAUM Pool agreement, the Company was nominated to write the aviation risks in Brazil by NICO. The Company's participation was effective December 1, 2009, and 100% is ceded to NICO.

## NATIONAL LIABILITY & FIRE INSURANCE COMPANY

### INFORMATION TECHNOLOGY (IT) CONTROLS

Nebraska conducted an assessment of the Group's IT environment, governance and general control activities in accordance with standards established by the Handbook's Exhibit C – Evaluation of Control in IT. Additionally, IT work performed by the Company's internal auditors and D&T was reviewed and utilized where deemed relevant.

The following were the objectives of the IT review:

- to determine that the control environment safeguards physical and logical access to applications and data;
- to determine that the control environment was adequate to ensure the development and maintenance of applications;
- to determine that the control environment was adequate to ensure acquisition and maintenance of hardware will meet and sustain their intended purpose;
- to determine the adequacy of disaster recovery and contingency planning;
- to determine that management adequately monitored these controls;
- to determine that controls were in place and adequate to accomplish the intended purposes';
- to evaluate the probable accuracy, timeliness, validity, reliability, integrity, and availability of information based on these controls; and
- to determine the level of control risk and control reliance to place on the Group's key IT activities.

Based upon the risk-based assessment and review, the Company's IT general controls were determined to be effective.

### RELATED PARTY AGREEMENTS

The Company has management agreements with BHI, NICO and certain affiliates of NICO. Key agreements were as follows:

- an agreement with NICO, whereby NICO may perform various services for the Company, including accounting, tax, internal and premium auditing, underwriting, claims, information technology, marketing and support services.
- a service agreement with WestGUARD Insurance Company for services in connection with various commercial lines of business written by the Company, including claims, policy servicing, auditing, and other services.
- a reciprocal agreement with Berkshire Hathaway Direct Insurance Company, where either company may provide facilities and perform various services for underwriting, claims, information technology and support services.
- a Federal Income Tax Allocation Agreement with a group of approximately 800 affiliated companies in the filing by BHI of a consolidated federal income tax return.
- an investment agreement with BHI whereby BHI provides certain investment management services.

## NATIONAL LIABILITY & FIRE INSURANCE COMPANY

During the review of related parties it was noted that New England Asset Management (NEAM), an affiliate, was billing the Company for investment services without a formal agreement. The Company indicated that moving forward BHI will bill the Company as a part of their investment services agreement and the Company will pay BHI for any investment management services provided. BHI then has the choice to contract out the actual work (ie. to NEAM), and will arrange settlement for such services directly. It is recommended that the Company review the agreement between BHI and NL&F to determine if any amendments are needed based on this change, and if necessary, submit the amendments to the Department in accordance with Section 38a-136 of the CGS.

### ACCOUNTS AND RECORDS

The Company maintains its general ledger (G/L) using the SunGard Enterprise Accounting System (Sungard-EAS) system. The premium and claim system utilized for the commercial auto business and certain other business segments are the V4 and Guidewire Claim Center, respectively. The program business and other segments are processed on various third-party administrator systems and reported to the Company at least on a quarterly basis.

The December 31, 2020, G/L account balances were reconciled and traced to the amounts reported in the Annual Statement without exception.

NATIONAL LIABILITY & FIRE INSURANCE COMPANY

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2020. No adjustments were made to surplus as a result of the examination.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 60,072,593		\$ 60,072,593
Preferred stocks	1,470,000		1,470,000
Common stocks	1,569,824,340	\$330,001,030	1,239,823,310
Cash, cash equivalents and short-term investments	1,792,894,750		1,792,894,750
Other invested assets	1,107,196	1,107,196	0
Receivables for securities	391		391
Investment income due and accrued	1,617,665		1,617,665
Uncollected premiums and agents' balances in the course of collection	183,657,718	6,153,062	177,504,656
Deferred premium agents' balances and installments booked but deferred and not yet due	11,400,961	84,145	11,316,816
Amounts recoverable from reinsurers	24,208,074		24,208,074
Funds held or deposited with reinsured companies	177,242		177,242
Receivable from parent, subsidiaries and affiliates	6,698,308		6,698,308
Aggregate write-ins for other than invested assets	14,629,938	14,605,971	23,967
<b>Totals</b>	<b><u>\$3,667,759,176</u></b>	<b><u>\$351,951,404</u></b>	<b><u>\$3,315,807,772</u></b>

NATIONAL LIABILITY & FIRE INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$1,138,881,415
Reinsurance payable on paid losses and loss adjustment expenses	11,549,895
Loss adjustment expenses	290,016,235
Commissions payable, contingent commissions and other similar charges	3,720,256
Other expenses	5,972,873
Taxes, licenses and fees	6,935,469
Current federal and foreign income taxes	1,421,591
Net deferred tax liability	130,758,357
Unearned premiums	385,755,627
Advance premium	14,204
Ceded reinsurance premiums payable (net ceding commissions)	31,276,001
Amounts withheld or retained by company for account of others	3,296,825
Provision for reinsurance	645,866
Net adjustments in assets and liabilities due to foreign exchange rates	3,901,282
Drafts outstanding	(29,931)
Payable to parent, subsidiaries and affiliates	71,396,369
Aggregate write-ins for liabilities	15,181,593
Total liabilities	2,100,693,927
Common capital stock	5,000,000
Gross paid in and contributed surplus	95,822,263
Unassigned funds (surplus)	1,114,291,582
Surplus as regards policyholders	1,215,113,845
Totals	<u>\$3,315,807,772</u>



NATIONAL LIABILITY & FIRE INSURANCE COMPANY

STATEMENT OF INCOME

UNDERWRITING INCOME	
Premiums earned	\$697,884,845
DEDUCTIONS:	
Losses incurred	453,159,435
Loss adjustment expenses incurred	109,007,844
Other underwriting expenses incurred	184,714,667
Aggregate write-ins for underwriting deductions	454,680
Total underwriting deductions	747,336,626
Net underwriting gain (loss)	(49,451,781)
INVESTMENT INCOME	
Net investment income earned	49,644,424
Net realized capital gains (losses)	(25,029,669)
Net investment gain (loss)	24,614,755
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	(3,474,309)
Finance and service charges not included in premiums	324,498
Aggregate write-ins for miscellaneous income	352,502
Total other income	(2,797,309)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(27,634,335)
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(27,634,335)
Federal and foreign income taxes incurred	3,192,114
Net income	(30,826,449)
CAPITAL AND SURPLUS ACCOUNT	
Surplus as regards policyholders, December 31, prior year	1,422,327,017
Net income	(30,826,449)
Change in net unrealized capital gains (losses)	(102,192,214)
Change in net unrealized foreign exchange capital gain (loss)	11,885,518
Change in net deferred income tax	(3,473,599)
Change in nonadmitted assets	56,629,737
Change in provision for reinsurance	761,834
Dividend to stockholders	(140,000,000)
Change in surplus as regards policyholders for the year	(207,213,173)
Surplus as regards policyholders, December 31, current year	<u>\$1,215,113,84</u>

## NATIONAL LIABILITY & FIRE INSURANCE COMPANY

### INVESTMENTS

The custody agreement between The Bank of New York Mellon and the Company, effective May 14, 2020, was not provided to the Department for approval in accordance with Connecticut Bulletin No. FS-2. The Company subsequently submitted the agreement to the Department during the exam.

LOSSES AND LAE \$1,428,897,650

The following items were included in the captioned account:

Losses	\$1,138,881,415
LAE	<u>290,016,235</u>
	<u>\$1,428,897,650</u>

Nebraska performed the reserving, pricing and reinsurance review for the Group. Nebraska considered a number of factors including size of reserves for each business segment, whether the business segment was ongoing or runoff business, as well as considering the individual companies surplus position as of December 31, 2020.

Based upon the risk-based assessment and review, no material financial findings related to reserving, pricing and reinsurance risks were noted.

POLICYHOLDERS SURPLUS \$1,215,113,844

The following is a reconciliation of policyholders' surplus during the period under examination:

Surplus as regards policyholders, December 31, 2016	\$1,126,622,140
Net income	554,338,931
Change in net unrealized capital gain (loss)	106,329,436
Change in net unrealized foreign exchange capital gain (loss)	19,555,969
Change in net deferred income tax	(18,003,851)
Change in nonadmitted assets	(333,581,048)
Change in provision for reinsurance	(147,733)
Dividend to stockholders	(240,000,000)
Net change in capital and policyholder surplus for the examination period	<u>88,491,704</u>
Surplus as regards policyholders, December 31, 2020	<u>\$1,215,113,844</u>

The Company's policyholder surplus increased during the examination period primarily due to profitable results of operations and the increase in unrealized capital gains. The increase was partially offset with decreases that were primarily due to dividends and change in nonadmitted assets related to common stock.

# NATIONAL LIABILITY & FIRE INSURANCE COMPANY

## RECOMMENDATION

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#### 8 RELATED PARTY AGREEMENTS

It is recommended that the Company review the agreement between BHI and NL&F to determine if any amendments are needed based on this change, and if necessary, submit the amendments to the Department in accordance with Section 38a-136 of the CGS.

## SUBSEQUENT EVENT

The COVID-19 pandemic has continued to develop throughout 2020 and 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination team noted no significant financial impact to the Company as result of COVID-19. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department will continue to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

## CONCLUSION

The results of this examination disclosed that as of December 31, 2020, the Company had admitted assets of \$3,315,807,772 liabilities of \$2,100,693,927 and capital and surplus of \$1,215,113,845. During the period under examination, admitted assets increased \$710,439,263 liabilities increased \$621,947,559, and capital and surplus increased \$88,491,704.

NATIONAL LIABILITY & FIRE INSURANCE COMPANY

SIGNATURE

In addition to the undersigned, the following Department personnel participated in this examination: William Arfanis, CFE; Qing He, FCAS, MAAA; Wanchin Chou, FCAS, MAAA, CPCU, CSPA, CCRMP; Lisa Pagliaro, AFE; and Chiffon King, AFE.

I, Michael H. Estabrook, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2020, to the best of my information, knowledge and belief.

Respectfully submitted,

Michael H. Estabrook, CFE  
Examiner-in-Charge  
State of Connecticut  
Insurance Department

State of Connecticut                      ss

County of Hartford

Subscribed and sworn before me, , Notary Public/Commissioner of the Superior Court, on this 26 day of May, 2022.

  
Notary Public/Commissioner of the Superior Court

My Commission Expires 6/30/2026

