



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 **The Hartford Steam Boiler Inspection and Insurance Company of Connecticut** (the "Company") as of December 31, 2022 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 Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On December 11, 2023, 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 February 12, 2024, the Company notified the Department of certain responses and comments on certain items 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 Company is hereby 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 C.G.S. 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."

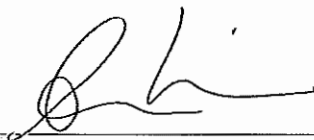
Please address the certification to the Commissioner but send said certification to the care/attention of William Arfanis, Assistant Deputy Commissioner of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the C.G.S. 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 21st day of February, 2024.



Andrew N. Mais
Insurance Commissioner

EXHIBIT A

EXAMINATION REPORT

OF

**THE HARTFORD STEAM BOILER INSPECTION
AND INSURANCE COMPANY OF CONNECTICUT
(NAIC # 29890)**

AS OF

DECEMBER 31, 2022

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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December 11, 2023

The Honorable Andrew N. Mais
Insurance Commissioner
State of Connecticut Insurance Department
153 Market Street, 6th Floor
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 made an examination of the condition and affairs of

THE HARTFORD STEAM BOILER INSPECTION
AND INSURANCE COMPANY OF CONNECTICUT

(hereinafter referred to as the Company), a corporation with capital stock, incorporated under the laws of the State of Connecticut and having its statutory home office and main administrative office located at One State Street, Hartford, Connecticut. The report on such examination is respectfully submitted.

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, 2017. The current examination, which covers the period from January 1, 2018, through December 31, 2022, was conducted at the statutory home office of the Company.

As part of the examination planning procedures, the Department reviewed certain material submitted by the Company:

- Board of Directors (Board) and other committee minutes (through the latest 2023 minutes);
- reinsurance agreements, custodial agreements, and other documents related to significant transactions that require prior approval from 2018 through 2022;
- a review of the 2021 and 2022 statutory audit reports completed by the Company's independent certified public accountants, Ernst & Young LLP (E&Y);
- Management's Discussion and Analysis from 2018 through 2022;
- documentation supporting the Model Audit Rule;
- 2021 Annual Report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Re), the Company's ultimate parent;

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- Annual Statements filed with the Department from 2018 through 2022; and
- reports of the Company's Internal Audit Department from 2018 through 2022. 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 independent audit reports, all of which indicated no material concerns with respect to financial condition or regulatory compliance issues.

Work papers prepared by E&Y as of December 31, 2022, in connection with its annual statutory audit were reviewed and relied upon to the extent deemed appropriate.

Concurrent examinations were made of the Company's affiliates, The Hartford Steam Boiler Inspection and Insurance Company (HSBIIC) and HSB Specialty Insurance Company (Specialty).

The Department retained the services of INS Regulatory Insurance Services, Inc. (INS) to review the adequacy and effectiveness of the information technology (IT) systems controls to determine the level of reliance to be placed on the information generated by the data processing systems and to ensure compliance with CT Insurance Data Security Law CGS 38a-38.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Examiners Handbook (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 insurer's 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.

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

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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 issued a certificate of incorporation on July 22, 1988. The Company is a directly and wholly-owned subsidiary of Global Standards, LLC (Global). Global is a directly and wholly-owned subsidiary of HSBIIC. HSBIIC is a directly and wholly-owned subsidiary of the HSB Group, Inc. (HSB Group), an insurance holding company formed on June 24, 1997. HSB Group is a directly and wholly-owned subsidiary of Munich-American Holding Corporation (MAHC). MAHC is 100% owned by Munich Re.

Effective November 22, 2000, AIG acquired 100% of the outstanding stock of the HSB Group, pursuant to an agreement and plan of merger dated August 17, 2000.

Effective January 1, 2002, all of the common stock of the Company was contributed to Global. The purpose of the reorganization was to centralize all of the government contracting business under one reporting and management structure to be operated separately from the rest of the members of the HSB Group.

On April 25, 2007, AIG contributed HSB Group to a new holding company, AIG Property Casualty Group, Inc., which was a directly and wholly-owned subsidiary of AIG.

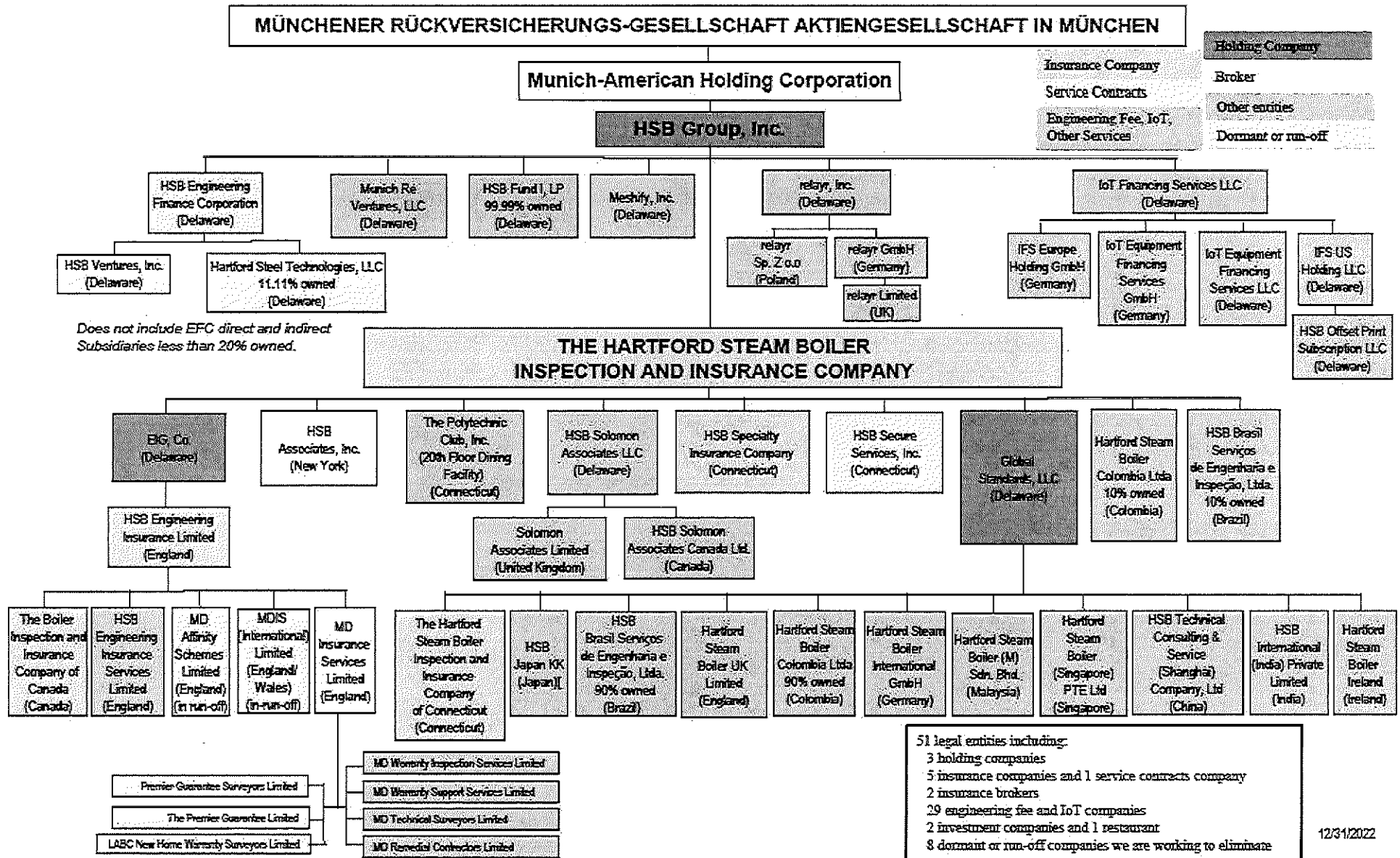
On December, 22, 2008, AIG and MAHC signed a Stock Purchase Agreement for the sale of HSB Group to MAHC. The sale was approved by the Department on March 27, 2009, and the closing occurred on March 31, 2009.

Effective January 1, 2017, HSB Group reorganized its engineering fee for service business to improve flexibility in corporate decision-making and increase operating efficiencies by realigning the engineering service business performed by various member companies including the Company.

ORGANIZATIONAL CHART

The following is an organizational chart, as of December 31, 2022, of the Company, its parent, main subsidiaries, and affiliates:

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY OF CONNECTICUT



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MANAGEMENT AND CONTROL

The bylaws state that the annual meeting of stockholders shall be held on the third Tuesday of April in each year or some other day within two months thereafter as fixed by the directors. Special meetings of the stockholders may be held at such time as fixed by the Board.

The articles of incorporation state that the business, property and affairs of the Company shall be managed by or under the direction of a Board consisting of not less than three nor more than six members. The exact number is determined by resolutions adopted by an affirmative vote of a majority of the Board.

At any meetings of the Board, the majority of directors present shall constitute a quorum for the transaction of business. Action of the Board shall be by majority vote of the directors present.

Members of the Company's Board retain membership until they retire, resign or are removed from the Board.

Members of the Board serving the Company at December 31, 2022, were as follows:

<u>Director</u>	<u>Principal Business Affiliation</u>
Gregory Mitchell Barats	President and Chief Executive Officer - HSBIIC
Jean Anderson Cohn	Senior Vice President, General Counsel, Corporate Secretary and Compliance Officer - HSBIIC
Amy Elizabeth Brodeur	Senior Vice President, Chief Accounting Officer & Treasurer - HSBIIC

According to the bylaws, there shall be a president and there may be a Chairman of the Board, each to be elected by the Board from their own number. The president shall be the chief executive officer and be responsible, under the direction of the Board, for the supervision, management and active control of the affairs and properties of the Company. There shall also be one or more vice presidents, a treasurer, a secretary and such other officers as may be required for the prompt and orderly transaction of the business of the Company.

The officers of the Company at December 31, 2022, were as follows:

<u>Officers</u>	<u>Title</u>
Amy Elizabeth Brodeur	President and Treasurer
Jean Anderson Cohn	Vice President, Secretary and General Counsel

Committees

The Company has no exclusive committees of the Board.

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RELATED PARTY AGREEMENTS

Tax Allocation Agreement

The Company has a written tax allocation agreement with MAHC setting forth the manner in which total consolidated federal income tax is allocated to each member of the consolidation. The Agreement allows for offsetting current period taxable losses against current period taxable income among the first level direct subsidiary subgroup. The tax sharing agreement was amended effective September 30, 2022 to also allow companies to recover tax attributes utilized in the consolidated tax return of MAHC and its subsidiaries in prior periods. There was no impact to the Company from the amendment. Generally the Agreement states that MAHC will not charge the Company more of the consolidated tax liability than the Company would have incurred had it filed a separate return. Intercompany tax balances are settled quarterly

Investment Management Agreement

The Company is party to an Investment Management Agreement (IMA) with MEAG New York Corporation (MEAG) and MR Group Investment US Inc. (GIM US). Both MEAG and GIM US are members of the MAHC Holding Company system. Collectively, under the IMA, both MEAG and GIM US provide investment management services in connection with the Company's invested assets and other services available upon request.

Services and Systems Access Agreement

The Company is party to a Services and Systems Access Agreement with HSBIIC pursuant to which the Company pays an annual service fee as compensations for its services. These services include investment accounting, data processing, statutory and other financial reporting and administrative services.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in all fifty states, the District of Columbia and Puerto Rico but had no written any premiums during the exam period.

REINSURANCE

The Company did not have any assumed or ceded reinsurance contracts or during the exam period.

INFORMATION TECHNOLOGY CONTROLS

INS performed a risk-based assessment and review of the Company'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 Company's ITGCs was derived from Exhibit C Part 1 – IT Planning Questionnaire (ITPQ) and Exhibit C Part 2 – IIT Work Program (collectively, Exhibit C). The Company's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

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

ACCOUNTS AND RECORDS

The Company uses a PeopleSoft general ledger accounting system within a local area network. Security controls within PeopleSoft limit access to general ledger data based on user function. Manual and automated journal entries are prepared, and uploaded to the general ledger and trial balances are produced from the general ledger and run daily throughout the course of the quarterly close process. The Company uses SOVOS Statutory Reporting by Sovos Compliance, LLC to produce its statutory annual statement.

Detailed analyses were performed on individual general ledger accounts throughout the examination.

The 2022 year-end trial balance was reconciled to the annual statement without exception.

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2022. No adjustments were made to surplus as a result of the examination.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$8,096,883		\$8,096,883
Cash, cash equivalents and short-term investments	7,282,885		7,282,885
Investment income due and accrued	74,572		74,572
TOTALS	<u>\$15,454,340</u>	<u>\$0</u>	<u>\$15,454,340</u>

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY
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LIABILITIES, SURPLUS AND OTHER FUNDS

Other expenses (excluding taxes, licenses and fees)	\$25,265
Taxes, licenses and fees (excluding federal and foreign income taxes)	34,007
Current federal and foreign income taxes	1,606,278
Net deferred tax liability	563,690
Payable to parent, subsidiaries and affiliates	26,704
Total liabilities	2,255,944
Common capital stock	3,000,000
Gross paid in and contributed surplus	5,453,787
Unassigned funds (surplus)	4,744,609
Surplus as regards policyholders	13,198,396
TOTALS	<u>\$15,454,340</u>

STATEMENT OF INCOME

UNDERWRITING INCOME	
Premiums earned	\$ 0
DEDUCTIONS	
Other underwriting expenses incurred	129,405
Total underwriting deductions	129,405
Net underwriting gain or (loss)	(129,405)
INVESTMENT INCOME	
Net investment income earned	89,762
Net realized capital gains(losses) less capital gains tax	(4,662)
Net investment gain	85,100
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(44,305)
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(44,305)
Federal and foreign income taxes incurred	(17,439)
Net income	(26,866)
CAPITAL AND SURPLUS ACCOUNT	
Surplus as regards policyholders, December 31 previous year	13,225,960
Net income	(26,866)
Change in net deferred income tax	(698)
Change in surplus as regards policyholders for the year	(27,564)
Surplus as regards policyholders, December 31 current year	<u>\$13,198,396</u>

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RECONCILIATION OF CAPITAL AND SURPLUS

The following is a reconciliation of capital and surplus for the period under examination:

Beginning of the Examination Period, January 1, 2018	\$13,011,774
Net income	141,272
Change in net unrealized foreign exchange capital gain/(loss)	396,526
Change in net deferred income tax	(376,157)
Change in non-admitted assets	24,981
Net Change in Capital and Surplus for the Examination Period	186,622
Capital and Surplus, December 31, 2022	<u>\$13,198,396</u>

SUBSEQUENT EVENTS

No significant subsequent events were identified through the date of the examination report.

SUMMARY OF RECOMMENDATIONS

None noted.

CONCLUSION

As of December 31, 2022, the Company reported admitted assets of \$15,454,340 liabilities of \$2,255,944, and capital and surplus of \$13,198,396. During the period under examination, admitted assets increased by \$149,670, liabilities decreased by \$36,952 and capital and surplus increased by \$186,622.

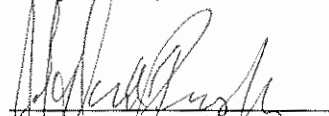
THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY
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SIGNATURE

In addition to the undersigned, William Arfanis, CFE, Keith Kleindienst, CFE, Robert Linnell, CFE, Riley Greider, Brian Llinares and Ken Roulier, AES, AFE, CISA, of the Department and the professional services firms of INS participated in this examination.

I, Jeffrey A. Prosperi, CFE, CPA, 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, 2022, to the best of my information, knowledge and belief.

Respectfully submitted,

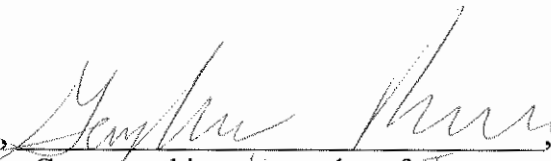


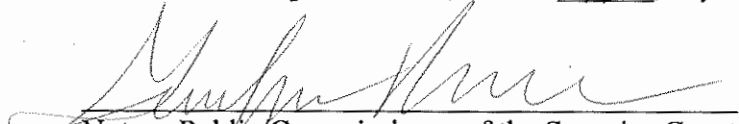
Jeffrey A. Prosperi, CFE
Insurance Certified Financial Examiner
State of Connecticut
Insurance Department

State of Connecticut

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County of Hartford

Subscribed and sworn to before me, , Notary
Public/Commissioner of the Superior Court, on this 11, day of January, 2024.


Notary Public/Commissioner of the Superior Court

My commission expires June 30, 2026

