



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** (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."

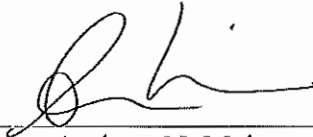
Please address the certification to the Commissioner but send said certification to the care/attention of William Arfanis, Assistant Deputy Commissioner of the Financial Regulation Division.

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
(NAIC # 11452)**

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 Connecticut General Statutes (CGS), the undersigned has made a financial examination of the condition and affairs of

**THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE
COMPANY**

(hereinafter referred to as the Company or HSBIIIC), 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 THE 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;
- Statements of Actuarial Opinion 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;

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY

- 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 of Connecticut (HSBCT) 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.

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE 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 granted a charter by the General Assembly of the State of Connecticut on June 30, 1866, and commenced business on February 14, 1867. The charter and bylaws were last amended and restated on February 23, 1998, by resolutions of the Board and stockholder.

The Company 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.

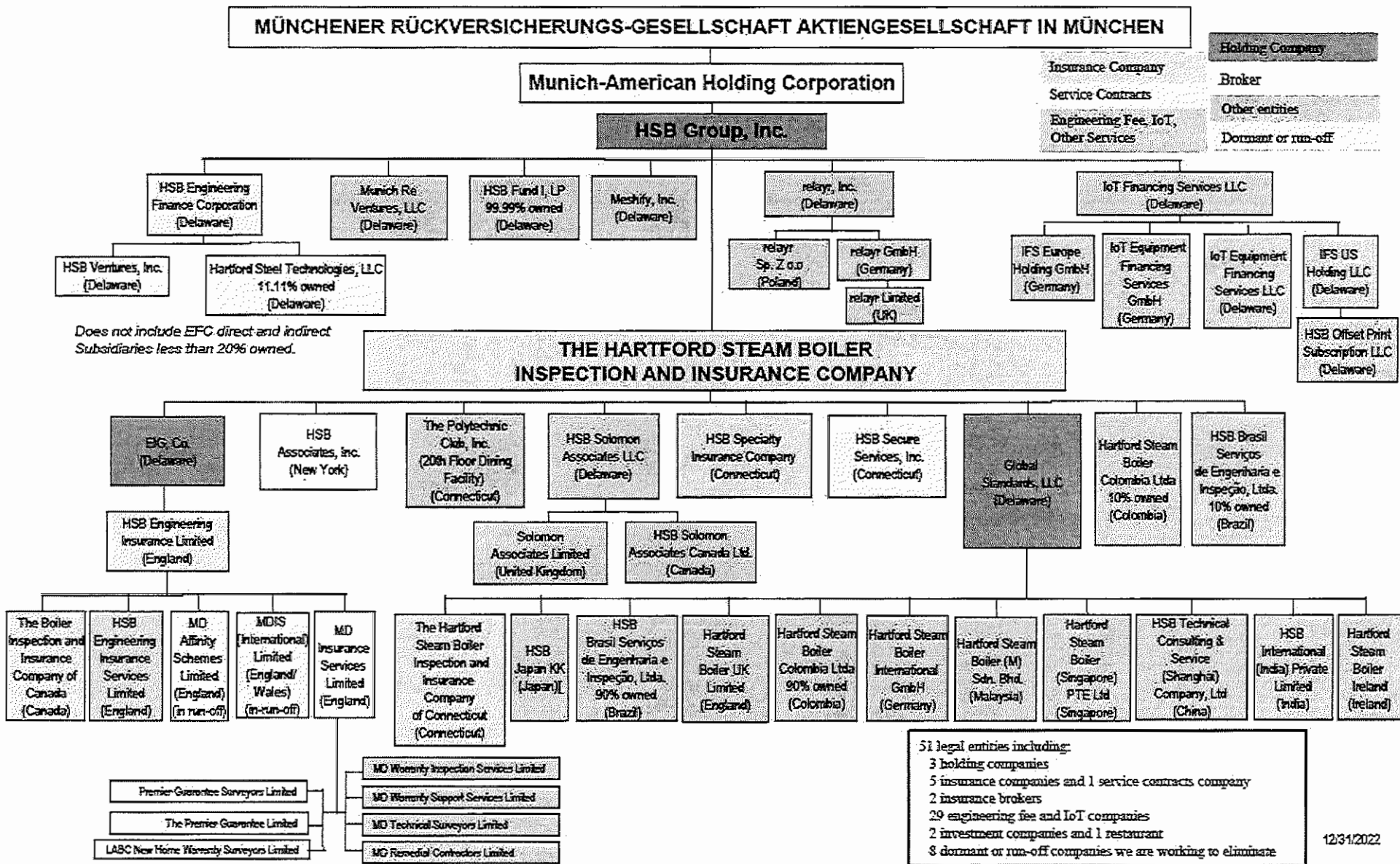
On April 25, 2007, AIG contributed HSB Group to a new holding company, AIG Property Casualty Group, Inc., which was a directly and wholly-owned subsidiary of AIG.

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.

ORGANIZATIONAL CHART

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

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY



THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY

MANAGEMENT AND CONTROL

The charter, as amended and restated February 23, 1998, states, “the Corporation shall have the power to write boiler and machinery, fire, marine, casualty, liability, indemnity, accident and health, and fidelity insurance and any and all other forms of insurance against hazards or risks of every kind and description which on or after the effective date of this act may lawfully be the subject of insurance except life and endowment insurance and contracts for the payment of annuities; and the Corporation is specifically empowered to accept and cede reinsurance of any such risks or hazards. The Corporation shall have the power to make inspections and render inspection and engineering services in connection with the design, construction, maintenance or operations of boilers, machinery or any equipment regardless of whether policies of insurance are issued in connection therewith. The Corporation may exercise such powers outside of Connecticut to the extent permitted by the laws of the particular jurisdiction. Policies or other contracts may be issued, stipulated to be with or without participation in profits; and they may be with or without seal.”

Annual Stockholders Meetings

The bylaws, as amended February 23, 1998, state that all meetings of the stockholders shall be held in the city of Hartford or such place within Connecticut as the Board may appoint. The annual meeting shall be held on the third Tuesday of April in each year or some other day within two months thereafter as fixed by the Board. Notice of every meeting of the stockholders and of the time and place thereof shall be given as required by law.

Special meetings of the stockholders may be held at such time as fixed by the Board.

Board of Directors

The Company’s charter states that the business, property and affairs of the Corporation shall be managed by or under the direction of the Board. The number of directors shall consist of the number of directors fixed by, or in a manner provided in, the bylaws of the Corporation.

The bylaws provide that actions of the Board shall be by majority vote of the directors present. At any meetings of the Board, a majority of the directors then in office, but not less than one-third of the directorships shall constitute a quorum for the transaction of business. Unless otherwise prescribed, action of the Board shall be by majority vote of the directors present.

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY

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

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
Gregory Mitchell Barats	President and Chief Executive Officer - HSBIIC
Alice Chamberlayne Hill	David M. Rubenstein Senior Fellow for Energy and Environment, Council on Foreign Relations
Anthony Joseph Kuczinski	President and Chief Executive Officer - Munich Reinsurance America, Inc.
Matthew Scott Forman	Senior Vice President, Chief Financial Officer - HSBIIC
Oliver Jurgen Horbelt	Chief Financial Officer - Munich Reinsurance America, Inc.
Elizabeth Ann Levy-Navarro	Financial Industry Consultant
Jean Anderson Cohn	Senior Vice President, General Counsel, Corporate Secretary and Compliance Officer – HSBIIC
Lisa Anne Pollina	Financial Industry Consultant

Officers

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 control of the affairs and properties of the Company.

The Board shall also elect a corporate secretary, a treasurer, one or more senior vice presidents and one or more vice presidents and may elect one or more executive vice presidents.

The president shall appoint such other officers as may be required for the prompt and orderly transaction of the business of the Company.

The officers shall be subject to the direction of and shall have such authority and perform such duties as may be assigned from time to time by the Board or the president.

The following individuals were serving the Company as officers, as of December 31, 2022:

<u>Officer</u>	<u>Title</u>
Gregory Mitchell Barats	President and Chief Executive Officer
Matthew Scott Forman	Senior Vice President and Chief Financial Officer
Jean Anderson Cohn	Senior Vice President, General Counsel, Corporate Secretary and Compliance Officer

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY

Jan Michael Hesse	Senior Vice President and Chief Operating Officer
David John Firstenberg	Senior Vice President and Chief Underwriting Officer
Amy Elizabeth Brodeur	Senior Vice President, Chief Accounting Officer and Treasurer
Jeffrey Charles O'Shaughnessy	Senior Vice President
Susan Woodring Ahrens	Senior Vice President
Stephanie Ann Watkins	Senior Vice President
Peter Richter	Senior Vice President

Committees

The Company has an executive, investment and audit committee (AC) of the Board. The AC shall be comprised of no fewer than two members. At least one member of the AC shall have accounting or related financial management related experience as determined by the Board. Each member of the AC shall be a member of the Board. The percentage of the independent AC members shall be at least seventy-five percent. The AC shall meet as necessary in the opinion of the chairman but at least quarterly.

The investment committee (IC) is comprised of no fewer than three members and at least two members must be directors. Effective May 17, 2018, the IC was incorporated into the Munich Re Regional Investment Management Committee (MRRIMC).

In addition to the MRRIMC, the following regional committees have been established by the Board of the Company's affiliated company, Munich Reinsurance America, Inc., and the charter of each Committee has been approved by the Company's Board, as well as the Boards of the other Munich Re US P&C companies to which the committee applies. Each committee has responsibility for oversight of certain of the Company's operations:

- Regional Risk Management Committee
- Regional U.S. Savings Committee

The membership of each of the Regional Committees consists of various members of the Boards of Directors of Munich Reinsurance America Inc.'s affiliated property and casualty insurance companies and members of senior management.

RELATED PARTY AGREEMENTS

Tax Allocation Agreement

The Company is a member of the MAHC consolidated U.S. federal income tax group and has a written tax allocation agreement (the 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

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY

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.

Services Agreement

The Company is party to a Services Agreement with certain of its subsidiaries and affiliates. The Company receives annual service fees as compensation for its services. These services include underwriting, investment, statutory reporting, cash management, data processing, corporate support, financial and legal support, payroll and employee benefit services, internal audit and certain administrative and engineering services.

Services Agreement

The Company is party to a service agreement with Munich Re pursuant to which the Company provides, or causes to be provided through one of its subsidiaries, certain engineering and “Internet of Things” services to Munich Re as well as certain additional services, such as technical due diligence services.

General Services and Cost Allocation Agreement

The Company is a party to a General Services and Cost Allocation Agreement with MAHC and Munich Re pursuant to which certain of MAHC’s and Munich Re’s subsidiaries which are parties to the agreement can have access to certain services and facilities of the others and various general and administrative expenses can be allocated. Such services include accounting, tax and auditing, underwriting, claims, engineering, loss and inspection services, IT services and other corporate services.

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.

Investment Reporting Service Agreement

The Company is party to a service agreement with MEAG Munich Ergo Asset Management GmbH, Munchen (MEAG Munich) under which MEAG Munich provides the Company with investment reporting services.

Framework Agreement

The Company is party to a Framework Agreement for the Group-Wide Provision of IT Services with Munich Re and certain of Munich Re’s direct and indirect subsidiaries. Under this agreement, Munich Re coordinates the performance and delivery of group-wide IT Services provided under the agreement through three regional IT Hubs.

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Services and Systems Access Agreement

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

Services Agreement

The Company is party to a Services Agreement with certain of Global Standards, LLC (Global) direct and indirect subsidiaries (Member Companies). These services include engineering and expenditure payment services which the Company may provide to a Member Company, or conversely, a Member Company may provide to the Company.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in all fifty states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

The Company's most significant line of business is boiler and machinery (equipment breakdown) insurance which provides insurance against losses from accidents to boilers, pressure vessels and a wide variety of mechanical and electrical machinery and equipment, along with a high level of inspection service aimed at loss prevention. In addition to equipment breakdown insurance, some of the other insurance coverages the Company provides (directly and indirectly as assumed reinsurance) are Other Liability which includes Identity Recovery Insurance, Employment Practices Liability Insurance, Data Compromise Insurance and Cyber Insurance as well as Inland Marine and Commercial Multiperil, both of which includes Renewable Energy Insurance.

The Company also has engineering businesses whereby inspection services, performance benchmarking, and engineering consulting are provided either on a fee-for-service basis or as part of an insurance policy. In addition to serving the United States market, the Company and its subsidiaries, EIG, Co., Global, and HSB Solomon Associates, LLC and their subsidiaries, provide these engineering and inspection services in a number of other countries, most notably the United Kingdom, Canada, Germany, China, and other countries in Asia.

REINSURANCE

Assumed Reinsurance

In addition to writing direct business through agencies and brokerage firms, the Company assumes equipment breakdown and certain other specialty coverage exposures from over 390 insurance companies, several insurance pools, and its directly and indirectly-held insurance subsidiaries. Approximately 67% of premiums assumed by the Company related to equipment breakdown coverage, while the remaining 33% is primarily comprise of other liability coverages (a significant portion of which relates to cyber coverages). Under the equipment breakdown reinsurance agreements, the Company's reinsured companies may cede equipment breakdown exposures in their multi-peril

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY

policies and such risks will be assumed by the Company under terms of the agreement. These agreements generally provide that the Company will assume 100% of each equipment breakdown risk, subject to the capacity specified in the agreement, and will receive the entire equipment breakdown premium except for a ceding commission, which will be retained by the reinsured company for commissions to agents and brokers premium taxes, assessments and handling expenses. In addition, certain contracts provide for contingent commissions, which may be paid out on an annual basis, generally based on actual experience of the reinsured business.

Although the Company assumes the role of a reinsurer, it continues to have varying levels of selling and underwriting responsibilities as well as involvement in inspecting and claims handling because of its 100% assumption of equipment breakdown risk. The Company provides various equipment breakdown underwriting (that is, the examination and evaluation of the risk based on its engineering judgments), claims and engineering services to the cedant. Traditionally, as part of the underwriting process, the Company retains the right to decline or restrict coverage in the same manner as it does for its own business. In addition, the Company writes a simplified program (referred to as ReSource) under which a reinsurance company agrees to cede to the Company the entire portfolio of account meeting specific underwriting guidelines and occupancy parameters, which the Company agrees to reinsure for equipment breakdown losses.

The Company has a 100% quota share reinsurance agreement with its directly-owned subsidiary, Specialty, under which the Company assumes 100% of all premiums and losses from Specialty.

Ceded Reinsurance

The Company participates in various quota share, excess of loss and facultative reinsurance agreements to limit its exposure, particularly to catastrophic losses and high risk lines, as well as to provide additional capacity to write business. The Company evaluates its exposures and reinsurance needs annually to structure a program that corresponds with the level of exposure that it is willing to retain.

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

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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.

FIANCIAL 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	\$1,347,637,530		1,347,637,530
Stocks:			
Common stocks	145,210,821	\$2,244,216	142,966,605
Real estate:			
Properties held for the production of income	54,943,281		54,943,281
Cash, cash equivalents and short-term investments	328,181,279		328,181,279
Other invested assets	79,032,525	11,005,855	68,026,670
Investment income due and accrued	9,219,212	171	9,219,041
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	70,522,750	687,204	69,835,546
Deferred premiums and agents' balances and installments booked but deferred and not yet due	115,026		115,026
Reinsurance:			
Funds held by or deposited with reinsured companies	8,339,909		8,339,909
Current federal and foreign income tax recoverable and interest thereon	244,736		244,736
Net deferred tax asset	82,035,876	8,981,991	73,053,885
Electronic data processing equipment and software	798		798
Furniture and equipment, including health care delivery assets	21,418,089	21,418,089	0
Receivables from parent, subsidiaries and affiliates	7,961,196		7,961,196
Aggregate write-ins for other than invested assets	37,856,625	22,866,970	14,989,655
Total	<u>\$2,192,719,653</u>	<u>\$67,204,496</u>	<u>\$2,125,515,157</u>

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$400,245,474
Reinsurance payable on paid losses and loss adjustment expenses	1,000,000
Loss adjustment expenses	35,093,408
Commissions payable, contingent commissions and other similar charges	96,017,948
Other expenses (excluding taxes, licenses and fees)	102,891,197
Taxes, licenses and fees (excluding federal and foreign income taxes)	2,020,639
Current federal and foreign income taxes	240,456
Borrowed money	2,889,253
Unearned premiums	664,991,454
Advance premium	448,269
Ceded reinsurance premiums payable (net of ceding commissions)	3,196,230
Amounts withheld or retained by company for account of others	2,830,468
Provision for reinsurance	923,962
Payable to parent, subsidiaries and affiliates	5,527,144
Payable for securities	197,094
Aggregate write-ins for liabilities	9,044,267
Total liabilities	1,327,557,263
Common capital stock	10,000,000
Gross paid in and contributed surplus	681,608,776
Unassigned funds (surplus)	160,314,250
Less - Treasury stock	53,965,132
Surplus as regards policyholders	797,957,894
Totals	<u>\$2,125,515,157</u>

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY

STATEMENT OF INCOME

UNDERWRITING INCOME	
Premiums earned	\$1,509,497,492
DEDUCTIONS	
Losses incurred	425,383,228
Loss adjustment expenses incurred	47,143,947
Other underwriting expenses incurred	815,698,812
Total underwriting deductions	1,288,225,987
Net underwriting gain or (loss)	221,271,505
INVESTMENT INCOME	
Net investment income earned	24,162,211
Net realized capital gains or (losses)	(16,803,925)
Net investment gain (loss)	7,358,286
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	(7,595)
Finance and service charges not included in premiums	30
Aggregate write-ins for miscellaneous income	(853)
Total other income	(8,418)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	228,621,373
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	228,621,373
Federal and foreign income taxes incurred	56,543,625
Net income	172,077,748
CAPITAL AND SURPLUS ACCOUNT	
Surplus as regards policyholders, December 31 prior year	661,007,538
Net income	172,077,748
Change in net unrealized capital gains or (losses)	(77,395,680)
Change in net unrealized foreign exchange capital gain (loss)	(997,029)
Change in net deferred income tax	3,876,256
Change in nonadmitted assets	(10,300,008)
Change in provision for reinsurance	(456,015)
Surplus adjustments: paid in	183,179,280
Dividends to stockholders	(142,630,296)
Aggregate write-ins for gains and losses in surplus	9,596,100
Change in surplus as regards policyholders for the year	136,950,356
Surplus as regards policyholders, December 31 current year	<u>\$797,957,894</u>

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY

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	\$503,588,968
Net income	649,703,304
Change in net unrealized capital gain/(losses)	(109,993,499)
Change in net unrealized foreign exchange capital gain (loss)	(1,085,872)
Change in net deferred income tax	5,335,491
Change in non-admitted assets	6,212,761
Change in provision for reinsurance	2,554,654
Surplus paid in	363,592,602
Dividends to stockholders	(633,038,878)
Aggregate write-ins for gains and losses in surplus	11,088,363
Net Change in Capital and Surplus for the Examination Period	294,368,926
Capital and Surplus, December 31, 2022	<u>\$797,957,894</u>

LOSSES AND LOSS ADJUSTMENT EXPENSES (LAE) \$435,338,882

The following items were included in the captioned account:

Losses	\$400,245,474
LAE	<u>35,093,408</u>
	<u>\$435,338,882</u>

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

SUBSEQUENT EVENT

On March 28, 2023, the Board approved an ordinary dividend of \$172,077,748, which was paid to HSB Group on April 14, 2023.

SUMMARY OF RECOMMENDATIONS

None noted.

CONCLUSION

The results of this examination disclosed that, as of December 31, 2022, the Company reported admitted assets of \$2,125,515,157, liabilities of \$1,327,557,263, and surplus of \$797,957,894. During the period under examination, admitted assets increased \$911,975,869, liabilities increased \$617,606,943 and capital and surplus increased \$294,368,926.

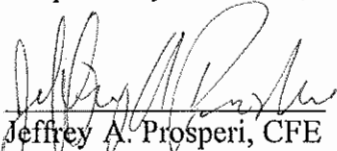
THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY

SIGNATURE

In addition to the undersigned, William Arfanis, CFE, Wanchin Chou, FCAS, MAAA, Amy Waldhauer, FCAS, MAAA, Qing He, FCAS, MAAA, Keith Kleindienst, CFE, Robert Linnell, CFE, Riley Greider, Brian Llinares and Ken Roulier, AES, AFE, CISA, of the Department and the professional services firm 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,

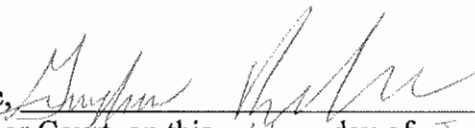


Jeffrey A. Prosperi, CFE
Insurance Certified Financial Examiner
State of Connecticut
Insurance Department

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 17, day of January, 2024.


Notary Public/Commissioner of the Superior Court

My commission expires June 30, 2026

