

COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
DANBURY INSURANCE COMPANY

Hingham, Massachusetts

As of December 31, 2023

NAIC GROUP CODE 0787

NAIC COMPANY CODE 37346

EMPLOYER ID NUMBER 06-0600334

DANBURY INSURANCE COMPANY

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COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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MICHAEL T. CALJOUW
COMMISSIONER OF INSURANCE

April 22, 2025

The Honorable Michael T. Caljouw
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
One Federal Street, Suite 700
Boston, MA 02110-2012

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, and other applicable statutes, an examination has been made of the financial condition and affairs of

DANBURY INSURANCE COMPANY

at its home office located at 50 Derby Street, #104, Hingham, Massachusetts, 02043. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

Danbury Insurance Company ("Company") was last examined as of December 31, 2018 by the Massachusetts Division of Insurance ("Division"). The current examination was also conducted by the Division and covers the five-year period from January 1, 2019 through December 31, 2023, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

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, as mentioned in the Massachusetts General Laws, Chapter 175, Section 4, 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.

The Company was audited in 2019 and 2020 by PricewaterhouseCoopers LLP ("PwC") and has been audited annually by Marcum LLP ("Marcum") since 2021, on the Group's Combined Statutory Financial Statements. PwC and Marcum are independent certified public accounting firms. The firms expressed unqualified opinions on the Company's financial statements for calendar years 2019 through 2023. A review and use of the Certified Public Accountants' work papers was made to the extent deemed appropriate and effective.

Effective September 10, 2010, the Company and its parent, Hingham Mutual Insurance Company ("Hingham") became affiliated with New London County Mutual Insurance Company ("NLC") and Thames Insurance Company ("Thames") insurers domiciled in Connecticut. A coordinated examination was performed by the Connecticut Insurance Department ("Connecticut Department"). The Division relied on the work performed by the Connecticut Department wherever possible.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings identified during the examination.

COMPANY HISTORY

The Company was originally formed under the laws of the State of Connecticut and began business as Danbury Mutual Insurance Company in 1850 to insure risks against loss of real property by fire and lightning. In 1961, an amendment to its Charter empowered the Company to write fire, marine, casualty, liability, indemnity, fidelity, and any and all forms of insurance except life and endowment insurance and annuity contracts. In February 1988, the Company's charter was amended by the Connecticut General Assembly to allow the Company, when authorized by a two-thirds vote of its Board of Directors, to submit a plan of restructuring for the approval of Connecticut's Insurance Commissioner. Effective January 1, 1991, the Company underwent demutualization and was incorporated as a stock company with its current name under the laws of the State of Connecticut. At that time, it was licensed to write business only in the State of Connecticut. On August 11, 1994, Hingham purchased 80% of the stock of Danbury Holding Company ("DHC"), which was the sole parent company of Danbury Insurance Company; DHC later became a wholly owned subsidiary of Hingham Mutual Insurance Company ("Hingham") when Hingham purchased all remaining outstanding shares of DHC on May 1, 1998. The Company redomesticated to the Commonwealth of Massachusetts on December 15, 2000.

Effective September 10, 2010, the Company and its parent, Hingham, became affiliated with New London County Mutual and Thames Insurance Company, insurers domiciled in Connecticut. The affiliation agreement was approved by the Massachusetts Division of Insurance and the Connecticut Insurance Department.

Dividends to Policyholders

During the exam period, the Company did not pay dividends to its policyholders.

MANAGEMENT AND CONTROL

Board of Directors Minutes

The minutes of meetings of the Board of Directors ("Board") and its Committees for the period under examination were read and they indicated that all meetings were held in accordance with the Company's bylaws and the laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified at the meetings of the Board.

Danbury Insurance Company

Articles of Organization and By-laws

The articles of organization and by-laws of the Company were reviewed. The by-laws were updated in 2019 and all changes were routine and acceptable to the Division.

Board of Directors

According to the bylaws, the powers of the Company shall be exercised, its business and affairs shall be conducted and its property shall be controlled by the Board of Directors, except as otherwise provided by the laws of the Commonwealth of Massachusetts, the Articles of Organization or the bylaws. The number of Directors shall be no more than fifteen (15) or less than five (5).

At December 31, 2023, the Company's Board of Directors was composed of five persons, which is in compliance with the Company's bylaws and General Laws of Massachusetts. The members of the Board are as follows:

<u>Director</u>	<u>Title</u>
Steve Henry Chevalier	President and Chief Executive Officer, Director of NLC Insurance Companies
Judy Sanstrom Jackson	Retired NLC Executive
David Alan Foley	Retired- Actuary
Martin Charles Shapiro	Private Investor
Robert Hampton Steele	Vice Chairman, John Ryan Co.

Officers

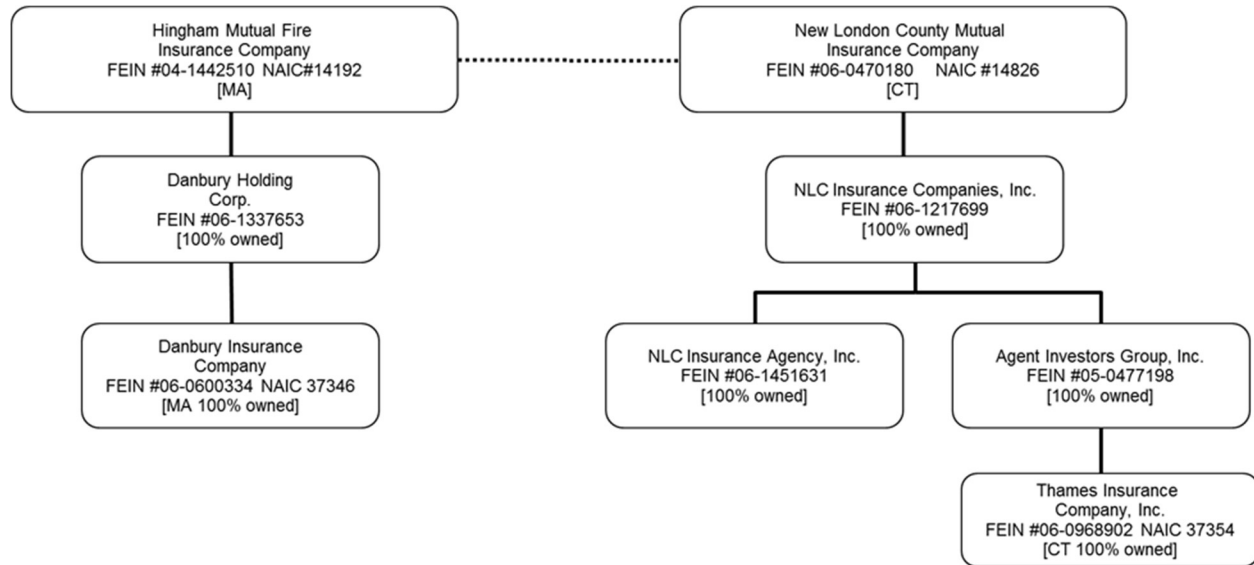
According to the Company's bylaws, the Board of Directors shall elect the officers of the Company. The officers of the Company shall be the chief executive officer, the president, the treasurer, and the secretary and such officers shall be elected. The positions of operational vice presidents, assistant secretaries, and assistant treasurers may be created by the chief executive officer in consultation with the chairman of the board. The officers shall hold office until the date of the next annual meeting and until their respective successors are elected and qualified. The officers of the Company as of December 31, 2023 were as follows:

<u>Officer</u>	<u>Title</u>
Steve Henry Chevalier	President
Craig Michael Thomas	Secretary, Treasurer and Vice President
Richard Morse Lord	Vice President
Janice Viscio Ingarra	Vice President
Duc Tu Ngo	Vice President
Paul John Chmura	Vice President

Danbury Insurance Company

Organizational Chart

At December 31, 2023, the following Companies were part of the organizational structure:



Affiliated Companies

As stated in the Insurance Holding Company System Form B and Form C as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of Massachusetts General Law Chapter 175, Section 206C and Regulation 211 CMR 7.00. The ultimate controlling entity of the system is New London County Mutual Insurance Company.

Transactions and Agreements with Subsidiaries and Affiliates

Administrative Services Agreements

The Company receives certain management, administrative, and data processing services from its affiliate, NLC, for which it pays a fee. Charges incurred by the Company to NLC are based upon actual expenses incurred by NLC.

Inter-Company Pooling Agreement

Effective with the affiliation agreement on September 10, 2010, the Company participates in an intercompany pooling agreement that combines underwriting results with affiliated entities. NLC is the lead company of the pool.

Danbury Insurance Company

Tax Sharing Agreement

Effective January 1, 2001, the Company participates in a written tax allocation agreement with two of its subsidiaries, Hingham Mutual Fire Insurance Company and Danbury Holding Corporation. The allocation method is based upon the respective tax liability of each member computed as if a separate return were filed in accordance with the Internal Revenue Code. Tax-related intercompany balances are settled annually upon finalization of the consolidated return.

TERRITORY AND PLAN OF OPERATION

The Company currently is licensed to write business in the following four states: Massachusetts, Connecticut, New Hampshire, and Rhode Island. All Certificates of Authority were current and in force.

Through its appointed independent agents, the Company's lines of business are homeowners provided to personal risks and some multiple peril coverage provided to commercial risks. Its predominant concentration of business is homeowners' coverage in Massachusetts.

Treatment of Policyholders – Market Conduct

It is expected that the Division's Market Conduct Department will initiate a comprehensive market conduct examination of the Company as of December 31, 2023. The market conduct examination was called pursuant to authority in Massachusetts General Law Chapter 175, Section 4. The market conduct examination will be conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Division. The examination will be conducted using the guidance and standards of the NAIC Market Regulation Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins. The business areas to be reviewed under this comprehensive market conduct examination are Company Operations/Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services; Underwriting and Rating and Claims. Each business area to be reviewed includes the identification and evaluation of the insurer's internal controls.

REINSURANCE

Intercompany Pooling Arrangements

Effective September 10, 2010, the Company participates in an intercompany pooling agreement that combines underwriting results with affiliated entities. New London County Mutual Insurance Company is the lead company of the pool. The participation percentages are as follows:

Danbury Insurance Company

New London County Mutual Insurance Company	50%
Hingham Mutual Fire Insurance Company	29%
Thames Insurance Company	15%
Danbury Insurance Company	6%

Ceded Reinsurance

The Company's affiliate, New London County Mutual, purchases pro-rata, excess of loss and catastrophe reinsurance on behalf of the pool.

Assumed Reinsurance

The Company does not assume reinsurance from unaffiliated reinsurers for the year ended December 31, 2023.

Danbury Insurance Company

FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2023. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2023

Statement of Income for the Year Ended December 31, 2023

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2023

Danbury Insurance Company

Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2023

	Per Annual Statement
Assets	
Bonds	\$9,460,149
Stocks	
Preferred stocks	207,113
Common stocks	942,134
Cash, cash equivalents and short-term investments	1,192,533
Subtotals, cash and invested assets	<u>11,801,929</u>
Investment income due and accrued	84,718
Premiums and considerations:	
Uncollected premiums and agents' balances	240,307
Deferred premiums, agents' balances and installments booked but deferred and not yet due	685,731
Reinsurance:	
Amounts recoverable from reinsurers	189,598
Current federal and foreign income tax recoverable and interest thereon	1
Net deferred tax asset	221,609
Receivables from parent, subsidiaries and affiliates	255,857
Aggregate write-ins for other than invested assets	811,748
Total assets	<u><u>\$14,291,497</u></u>
Liabilities	
Losses	\$2,175,562
Reinsurance payable on paid losses and loss adjustment expenses	228,950
Loss adjustment expenses	306,114
Commissions payable, contingent commissions and other similar charges	253,922
Other expenses (excluding taxes, licenses and fees)	64,254
Taxes, licenses and fees (excluding federal and foreign income taxes)	(1,611)
Unearned premiums	2,236,927
Advance premium	197,856
Ceded reinsurance premiums payable (net of ceding commissions)	561,085
Payable to parent, subsidiaries and affiliates	1,058,147
Total liabilities	<u><u>7,081,204</u></u>
Common Capital Stock	1,150,000
Gross paid in and contributed surplus	8,517,500
Unassigned funds (surplus)	(2,457,207)
Surplus as regards policyholders	<u>7,210,293</u>
Total liabilities, surplus and other funds	<u><u>\$14,291,497</u></u>

Danbury Insurance Company

Statement of Income For the Year Ended December 31, 2023

	Per Annual Statement
Premiums earned	\$4,326,848
Deductions:	
Losses incurred	2,086,220
Loss adjustment expenses incurred	414,099
Other underwriting expenses incurred	2,130,624
Total underwriting deductions	4,630,943
Net underwriting gain (loss)	(304,095)
Net investment income earned	303,237
Net realized capital gains (losses) less capital gains tax of \$42,740	(6,491)
Net investment gain (loss)	296,746
Net gain (loss) from agents' or premium balances charged off	(2,025)
Finance and service charges not included in premiums	36,178
Aggregate write-ins for miscellaneous income	0
Total other income	34,153
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	26,805
Dividends to policyholders	0
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	26,805
Federal and foreign income taxes incurred	1,725
Net income	\$25,080

Danbury Insurance Company

Reconciliation of Capital and Surplus
For Each Year in the Five-Year Period Ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital and surplus, December 31, prior year	\$7,145,356	\$7,570,438	\$7,771,000	\$7,941,709	\$7,667,808
Net income	25,080	(326,279)	(357,401)	(131,182)	159,542
Change in net unrealized capital gains or (losses)	69,023	(201,061)	90,094	(11,081)	113,165
Change in net deferred income tax	1,745	75,975	49,712	2,008	2,749
Change in nonadmitted assets	(33,254)	0	0	0	0
Aggregate write-ins for gains or (losses) in surplus	<u>2,342</u>	<u>26,284</u>	<u>17,032</u>	<u>(30,453)</u>	<u>(1,557)</u>
Net change in capital and surplus for the year	<u>64,937</u>	<u>(425,081)</u>	<u>(200,563)</u>	<u>(170,708)</u>	<u>273,900</u>
Capital and surplus, December 31, current year	<u><u>\$7,210,293</u></u>	<u><u>\$7,145,356</u></u>	<u><u>\$7,570,438</u></u>	<u><u>\$7,771,000</u></u>	<u><u>\$7,941,709</u></u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There have been no changes made to the financial statements as a result of the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

As a result of the examination, no adverse findings, or changes to the financial statements were identified.

Note 1 – Summary of Loss and Loss Adjustment Expense Reserves (“Loss and LAE Reserves”)

NLC acts as the lead company in an intercompany pooling arrangement with its affiliates. The relevant pooling percentages are as follows:

New London County Mutual Insurance Company	50%
Hingham Mutual Fire Insurance Company	29%
Thames Insurance Company	15%
Danbury Insurance Company	6%

The Connecticut Insurance Department performed an actuarial analysis of the Loss and LAE reserves of the insurance companies in the pool. The analysis evaluated the processes, procedures, methods, and assumptions used to determine the reasonableness of the carried Loss and LAE reserves of the pool as of December 31, 2023. The Department actuary concurred with the Company actuary’s conclusion regarding the reasonableness of the carried reserve.

After reviewing the work performed on the NLC pool, the Division determined that there was sufficient work done and that it could rely upon the work of Connecticut and the actuarial work performed on the entire pool in which the Company participates as indicated above. The conclusion reached is that the carried reserves of the Company as of December 31, 2023 are reasonable and no adjustment to these liabilities has been made in the financial statement within the Report of Examination.

SUMMARY OF RECOMMENDATIONS

There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report.

SIGNATURE PAGE

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by the following Division examiner who participated in this examination hereby is acknowledged:

Guangping Wei, CFE, Financial Examiner III

Robert G. Dynan

Robert G. Dynan, CFE
Supervising Examiner & Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance