

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

REPORT OF EXAMINATION OF THE
HINGHAM MUTUAL FIRE INSURANCE COMPANY

Hingham, Massachusetts

As of December 31, 2023

NAIC GROUP CODE 0787

NAIC COMPANY CODE 14192

EMPLOYER ID NUMBER 04-1442510

HINGHAM MUTUAL FIRE INSURANCE COMPANY

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COMMONWEALTH OF MASSACHUSETTS
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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

HINGHAM MUTUAL FIRE 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

Hingham Mutual Fire 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 wholly-owned subsidiary, Danbury Insurance Company ("Danbury") 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 incorporated under the laws of the Commonwealth of Massachusetts on March 1, 1826, and commenced business on September 1, 1826. As a licensed property and casualty insurer, the Company is subject to the provisions of Massachusetts General Law (“M.G.L”) Chapter 175, Section 4 and other Massachusetts Insurance Laws.

Effective September 10, 2010, the Company and its wholly-owned subsidiary, Danbury Insurance Company, became affiliated with New London County Mutual and the 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.

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, 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 seven (7).

Hingham Mutual Fire Insurance Company

At December 31, 2023, the Company's Board of Directors was composed of five persons. 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

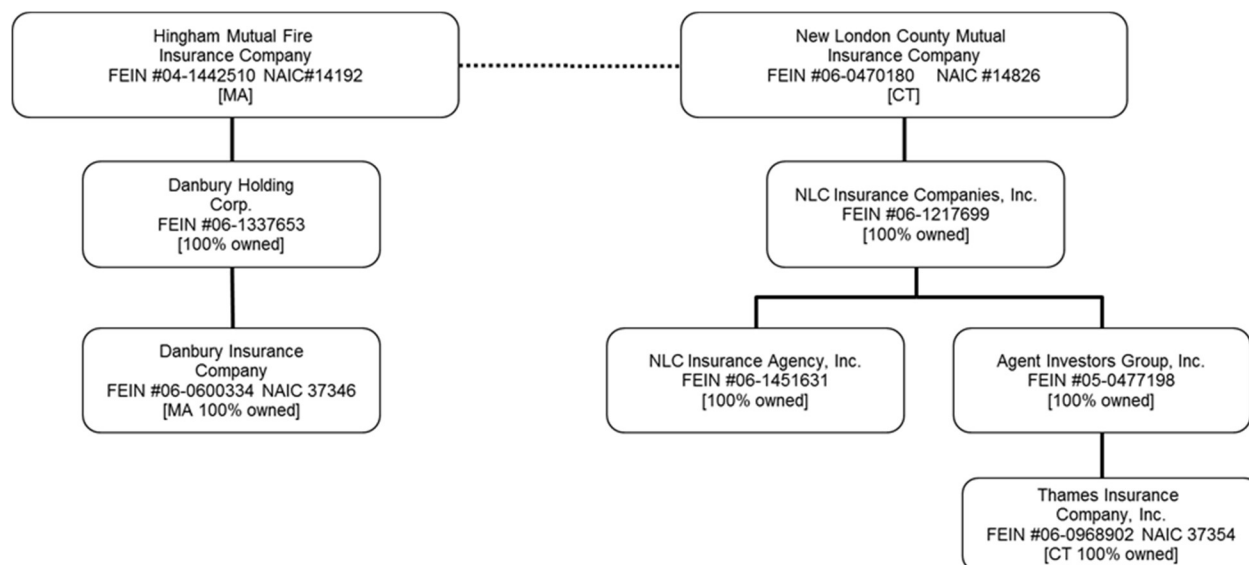
According to the Company's bylaws, the Board of Directors shall elect the officers of the Company. The officers of the Company shall be the chief executive officer, the president, the treasurer, and the secretary and such officers shall be elected. The positions of operational vice presidents, assistant 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

Hingham Mutual Fire 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 M.G.L., 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.

Hingham Mutual Fire Insurance Company

Tax Sharing Agreement

Effective January 1, 2001, the Company participates in a written tax allocation agreement with two of its subsidiaries, Danbury Holding Corporation and Danbury Insurance Company. 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 five states: Massachusetts, Rhode Island, New Hampshire, Connecticut, and Vermont. 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 include 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:

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

Hingham Mutual Fire Insurance Company

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 assumes a small amount of reinsurance from unaffiliated reinsurers. For the year ended December 31, 2023, the total amount of premium assumed from non-affiliates was \$2,642.

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

Hingham Mutual Fire Insurance Company

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

	Per Annual Statement
Assets	
Bonds	\$30,939,691
Stocks	
Preferred stocks	1,274,037
Common stocks	13,914,744
Cash, cash equivalents and short-term investments	5,876,737
Other invested assets	1,010,486
Subtotals, cash and invested assets	53,015,695
Investment income due and accrued	302,687
Premiums and considerations:	
Uncollected premiums and agents' balances	1,161,484
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,243,775
Reinsurance:	
Amounts recoverable from reinsurers	395,773
Current federal and foreign income tax recoverable and interest thereon	214,812
Net deferred tax asset	1,033,291
Electronic data processing equipment and software	0
Receivables from parent, subsidiaries and affiliates	7,797,853
Aggregate write-ins for other than invested assets	5,582,712
Total assets	\$70,748,081
Liabilities	
Losses	\$10,515,214
Reinsurance payable on paid losses and loss adjustment expenses	1,106,377
Loss adjustment expenses	1,479,552
Commissions payable, contingent commissions and other similar charges	1,227,288
Other expenses (excluding taxes, licenses and fees)	310,559
Taxes, licenses and fees (excluding federal and foreign income taxes)	(7,789)
Borrowed money	(43,137)
Unearned premiums	10,811,814
Advance premium	190,921
Ceded reinsurance premiums payable (net of ceding commissions)	530,659
Remittances and items not allocated	15,397
Payable to parent, subsidiaries and affiliates	255,858
Aggregate write-ins for liabilities	17,444
Total liabilities	26,410,157
Unassigned funds (surplus)	44,337,925
Surplus as regards policyholders	44,337,925
Total liabilities, surplus and other funds	\$70,748,081

Hingham Mutual Fire Insurance Company

Statement of Income For the Year Ended December 31, 2023

	Per Annual Statement
Premiums earned	\$20,913,100
Deductions:	
Losses incurred	10,083,395
Loss adjustment expenses incurred	2,001,478
Other underwriting expenses incurred	10,298,016
Total underwriting deductions	22,382,889
Net underwriting gain (loss)	(1,469,790)
Net investment income earned	1,016,596
Net realized capital gains (losses) less capital gains tax of \$171,881	646,599
Net investment gain (loss)	1,663,195
Net gain (loss) from agents' or premium balances charged off	(3,378)
Finance and service charges not included in premiums	43,095
Aggregate write-ins for miscellaneous income	54,981
Total other income	94,699
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	288,104
Dividends to policyholders	0
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	288,104
Federal and foreign income taxes incurred	(157,188)
Net income	\$445,292

Hingham Mutual Fire Insurance Company

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

	2023	2022	2021	2020	2019
Capital and surplus, December 31, prior year	\$44,535,481	\$47,651,074	\$48,428,112	\$49,252,814	\$47,486,246
Net income	445,292	(1,982,963)	(1,986,067)	(938,663)	629,563
Change in net unrealized capital gains or (losses)	(163,334)	(1,620,953)	812,975	99,151	1,100,071
Change in net deferred income tax	(277,058)	461,339	373,239	36,044	36,841
Change in nonadmitted assets	(204,867)	0	4,028	8,057	8,057
Aggregate write-ins for gains or (losses) in surplus	2,411	26,985	18,785	(29,289)	(7,964)
Net change in capital and surplus for the year	(197,556)	(3,115,593)	(777,039)	(824,701)	1,766,568
Capital and surplus, December 31, current year	<u>\$44,337,925</u>	<u>\$44,535,481</u>	<u>\$47,651,074</u>	<u>\$48,428,112</u>	<u>\$49,252,814</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