



**REPORT ON EXAMINATION
OF
NAVIGATORS INSURANCE COMPANY**

AS OF DECEMBER 31, 2022

**EXAMINER:
DATE OF REPORT:**

**LEE R. PROWELL
JUNE 21, 2024**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

June 21, 2024

Honorable Adrienne A. Harris
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 32455, dated October 24, 2022, attached hereto, I have made an examination into the condition and affairs of Navigators Insurance Company as of December 31, 2022, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Navigators Insurance Company.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

1. SCOPE OF EXAMINATION

The Department has performed an examination of Navigators Insurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2019. This examination covered the three-year period from January 1, 2020 through December 31, 2022. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with the state of Connecticut, which was the lead state of the Hartford Fire & Casualty Group. The examination was performed concurrently with the examinations of the following insurers:

<u>Company</u>	<u>State of Domicile</u>
Hartford Life and Accident Insurance Company	Connecticut
Hartford Fire Insurance Company	Connecticut
Twin City Fire Insurance Company	Indiana
Hartford Underwriters Insurance Company	Connecticut
Trumbull Insurance Company	Connecticut
Sentinel Insurance Company, Ltd.	Connecticut
Hartford Casualty Insurance Company	Indiana
Property and Casualty Insurance Company of Hartford	Indiana
Hartford Insurance Company of The Midwest	Indiana
Navigators Specialty Insurance Company	New York
Hartford Accident & Indemnity Company	Connecticut
Hartford Insurance Company of the Southeast	Connecticut
Pacific Insurance Company, Limited	Connecticut
Hartford Insurance Company of Illinois	Illinois
Maxum Indemnity Company	Connecticut
Nutmeg Insurance Company	Connecticut
Hartford Lloyd's Insurance Company	Texas
Maxum Casualty Insurance Company	Connecticut
New England Insurance Company	Connecticut
First State Insurance Company	Connecticut
New England Reinsurance Corporation	Connecticut

Other states participating in this examination were Illinois, Indiana, and Texas.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook, which 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. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Company history
- Management and control
- Territory and plan of operation
- Reinsurance
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to the recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations, or rules or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Navigators Insurance Company was incorporated under the laws of the State of New York on July 16, 1981. It became licensed on March 10, 1983 and commenced business on that same day.

On May 23, 2019, The Hartford Financial Services Group, Inc. ("The Hartford") closed on its acquisition of The Navigators Group, Inc. ("NAVIG"), which included the Company and its subsidiary, Navigators Specialty Insurance Company ("NSIC"). The acquisition was approved by the Department on May 16, 2019.

A. Corporate Governance

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven nor more than ten members. The board meets annually during each calendar year. Actions of the board of directors were taken by written consent, as permitted by the

bylaws, once during 2020 and twice in 2021 and 2022. At December 31, 2022, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Henry Clay Bassett, Jr Pound Ridge, New York	Director, The Hartford Financial Services Group, Inc
Eapen Attapurathu Chandy South Glastonbury, Connecticut	Director, The Hartford Financial Services Group, Inc
Michael Ross Fisher Avon, Connecticut	Director, The Hartford Financial Services Group, Inc
Mary Blake Nasenbenny La Grange, Illinois	Director, The Hartford Financial Services Group, Inc
Adrien Thomas Robinson Cornelius, North Carolina	Director, The Hartford Financial Services Group, Inc.
Amy Marie Stepnowski Glastonbury, Connecticut	Director, The Hartford Financial Services Group, Inc
Adin Morris Tooker Westport, Connecticut	Director, The Hartford Financial Services Group, Inc

As of December 31, 2022, the principal officers of the Company were:

<u>Name</u>	<u>Title</u>
Michael Ross Fisher	President
James Michael Yanosy	Senior Vice President and Chief Financial Officer
Kathleen Elizabeth Jorens	Senior Vice President and Treasurer
Allison Gayle Niderno	Vice President and Controller
Kevin Floyd Barnett	Corporate Secretary
Suzanne Elizabeth Henderson	Vice President and Appointed Actuary

B. Territory and Plan of Operation

As of December 31, 2022, the Company was licensed to write business in all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. The Company is also authorized to write in the United Kingdom where it operates as a branch.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident and health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity
29	Legal services

The Company is also empowered to transact such workers' compensation insurance as may be incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et. seq. as amended). Additionally, the Company is authorized by Section 4102(c) of the New York Insurance Law to (i) reinsure risks of every kind or description and (ii) insure property or risks of every kind or description located or resident outside of the United States, its territories and possessions. The Company is also licensed to write special risks pursuant to Article 63 of the New York Insurance Law.

Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$35,000,000. However, pursuant to Section 6302(c)(1) of the New York Insurance Law, to be licensed to write special risks, the Company is required to maintain a surplus as regards policyholders of at least 200% of its authorized control

level risk-based capital; therefore, the Company was required to maintain a minimum surplus to policyholders in the amount of \$946,334,588 as of December 31, 2022.

The following schedule shows the direct written premiums and premiums assumed by the Company for the period under examination:

<u>Calendar Year</u>	<u>Direct Premiums</u>	<u>Assumed Premiums</u>	<u>Total Gross Premiums</u>
2020	\$868,673,842	\$ 962,802,554	\$1,831,476,396
2021	\$924,329,959	\$1,184,670,674	\$2,109,000,633
2022	\$946,503,476	\$1,407,893,291	\$2,354,396,767

The Company is an international insurance company specializing in marine insurance. The Company's property and casualty insurance business primarily offers general liability coverage and umbrella and excess liability coverage to commercial enterprises. The Company also offers professional liability coverage through its directors and officers, and errors and omissions segments. The Company participates in the group's multi-channel distribution platform which utilizes global, national, and regional brokers as well as wholesalers.

Reinsurance assumed of \$1,407,893,291 accounted for 60% of gross premium written at December 31, 2022. Approximately \$810 million of this business is assumed from its wholly owned subsidiary, NSIC, pursuant to an inter-company quota share reinsurance agreement that went into effect on January 1, 1999. Pursuant to the terms of this agreement, the Company assumes 100% of NSIC's written premium. The remaining \$598 million of the Company's assumed reinsurance business consists mainly of property/casualty business assumed on a quota share and excess of loss basis with unaffiliated U.S. and non-U.S. cedants.

C. Reinsurance Ceded

The Company has structured its ceded reinsurance program as follows:

<u>Treaty type</u>	<u>Cession</u>
<u>Property</u> Quota Share	45.375% up to \$10 million, ultimate net loss, any one risk, any one loss.
Automatic Risk Excess of Loss (4 Layers)	\$240 million excess of \$10 million - Middle & large commercial lines.

<u>Treaty type</u>	<u>Cession</u>
Aggregate Per Risk Excess of Loss – Commercial Property Business	\$230 million excess of \$10 million – All lines of business Ultimate net loss, each loss, each risk.
<u>Catastrophe</u> Property Catastrophe (5 Layers)	\$30 million in excess of \$52.5 million subject to ultimate net loss within the layer \$6 million excess of \$4 million each risk, each loss. \$1 billion excess of \$100 million, ultimate net loss each loss occurrence
<u>Casualty</u> Quota Share	27.5% up to \$25 million, ultimate net loss, each claim, each policy, each occurrence.
Excess of Loss Contract (2 Layers)	\$12.125 million excess of \$6 million, ultimate net loss, each loss, each policy.
Casualty and Financial Lines Excess of Loss	Section A: - Small Medium Enterprises - \$12.5 million excess of \$1.5 million - Professional Indemnity & Crime - \$12.5 million excess of \$3.5 million - Large Accounts - \$12.5 million excess of \$5 million International Casualty - \$12.5 million excess of \$2.5 million. Ultimate net loss, every loss, any one risk, any one insured. Section B: \$10 million excess of \$5 million, ultimate net loss, every event.
<u>Retrocessional Property Catastrophe</u> Natural perils and/or non-natural perils (Property, Inland Marine, Marine or General Aviation written). Excess of Loss - 2 Layers - 3 Sections (A-C)	Section: A- \$65 million excess of \$25 million B- \$55 million excess of \$35 million C- \$50 million excess of \$40 million Ultimate net loss, each loss occurrence. Section A - Losses occurring worldwide, excluding North America, Central America, and South America. Section B - Losses occurring in North America, Central America, and South America. Section C - Losses occurring in North America, Central America, and South America, excluding any loss incurred within the Continental United States of America, Hawaii, and Canada.

<u>Treaty type</u>	<u>Cession</u>
<u>Natural perils</u> (Property, Inland Marine, Marine or General Aviation) Excess of Loss (2 Layers)	\$10 million excess of \$80 million, ultimate net loss, each loss occurrence.
<u>Earthquake and Windstorm</u> Property Catastrophe Excess of Loss	\$45 million excess of \$70 million, ultimate net loss, each loss occurrence.
<u>Marine/Inland Marine</u> Transport Quota Share	38.5% with maximum limit of \$25 million, ultimate net loss, any one risk. Ports and terminal risks shall be subject to a combined single limit of \$50 million.
Marine Cargo Quota Share	37.5% with a maximum limit of \$50 million, ultimate net loss, any one risk.
Marine Craft Quota Share	39.5% with a maximum limit of \$10 million, ultimate net loss, any one risk.
Marine Liability Quota Share	60% with maximum limit of \$10 million, ultimate net loss, any one risk.
Marine and Energy Excess of Loss Section 1 - Marine and Energy (7 Layers)	\$150 million excess of \$10 million
Section 2 – Political Violence and Terror (4 Layers)	\$135 million excess of \$10 million ultimate net loss, each and every loss and/or loss occurrence.
Inland Risk Excess of Loss	\$8 million excess of \$2 million, ultimate net loss, each loss, each policy. Limited to \$16 million, each loss occurrence.
<u>Surety, Trade Credit and Political Risks</u> Surety, Trade Credit and Political Risks Retro Excess of Loss	5% quota share of Company's net liability, limited to 300% of gross written premium ceded by the Company for policies allocated to this agreement.
Surety Excess of Loss	\$9 million excess of \$1 million, ultimate net loss, each principal.
Surety Excess of Loss (4 Layers)	\$85 million excess of \$15 million, ultimate net loss, each principal.

<u>Treaty type</u>	<u>Cession</u>
Financial Lines	
Quota Share and Excess of Loss	i. Quota Share up to \$35 million -- Fidelity, Investment Advisor and ERISA bonds.
Coverage I - business classified as Large Risk in various categories- 50% Quota Share.	ii. Quota Share up \$25 million - All other business covered. Each loss, each policy.
Coverage II - policies with occurrence limits of \$10M or less in several categories.	\$8 million excess of \$2 million. Ultimate net loss, each loss, each policy.
Coverage III - applies to representations and warranties insurance and/or contingent tax liability policies	Quota Share up to \$15 million for Section A; \$15 million up to \$25 million for Section B, and \$25 up to \$40 million for Section C. Ultimate net loss, each claim made, each coverage, each policy.
Surety, Trade Credit and Political Risks Retro Excess of Loss (2 Layers)	\$20 million excess of \$15 million per occurrence limit and \$40 million term limit.
<u>Others</u>	
Equipment Breakdown Excess of Loss	\$9.95 million excess of \$50 thousand, ultimate net loss, any one accident, any one policy
Political Violence and Terror Excess of Loss:	.
- Coverage A: - Terrorism and Aviation War	\$5 million excess of \$5 million, ultimate net loss, each and every loss.
- Coverage B: - Terrorism	\$10 million excess of \$145 million, ultimate net loss each and every loss.
Kidnap and Ransom Quota Share	100% quota share up to \$10 million, ultimate net loss, each loss, each policy.
Cyber Quota Share	50% quota share up to \$10 million with a maximum limit of \$10 million, ultimate net loss, each policy.
Cyber Aggregate Excess of Loss	\$100 million excess of \$150 million, aggregate losses.
Industry Loss Warranty Catastrophe Excess of Loss	\$5 million excess of \$25 thousand, ultimate net loss, each loss occurrence. Limited to \$5 million in all.
Automobile Liability Excess of Loss	\$500 thousand excess of \$500 thousand, ultimate net loss, each occurrence, each policy.

<u>Treaty type</u>	<u>Cession</u>
Multiple Line Quota Share	
- Equipment Breakdown	100% up to \$50 million, ultimate net loss, any one accident/electronic circuitry impairment, any one policy.
- Cyber Risk	Computer attack, 100% up to \$1 million, annual aggregate per policy. Network security liability, 100% up to \$1 million, annual aggregate per policy.
- Employment Practices Liability	Each wrongful employment act, 100% up to \$1 million, and annual aggregate policy limit of \$1 million.
- Data Compromise	Response expenses up to \$1 million, annual aggregate per policy. Defense and liability up to \$1 million, annual aggregate per policy.

Most of the Company's ceded business was to authorized reinsurers (81%), followed by unauthorized reinsurers (16%), certified reinsurers (1%), and reciprocal jurisdictions (2%).

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It is noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

Retroactive Reinsurance

Effective May 23, 2019, the Company and its affiliated insurance entities ("reinsureds") purchased a retroactive reinsurance agreement ("Navigators ADC") with an authorized non-affiliate. This agreement was entered into in conjunction with the sale of the Company to The Hartford. Under the terms of the agreement, the reinsurer is providing coverage for \$300 million of adverse net loss & defense and cost containment expenses ("DCC") reserve development that attaches at \$100 million above the reinsureds' existing net loss & DCC reserves as of December 31, 2018, subject to the treaty agreement of \$1.816 billion for incidents prior to December 31, 2018. The Hartford paid a consideration of \$91.4 million, of which the Company paid a proportional share pursuant to an existing intercompany allocation agreement, allocated proportionately based on the reinsureds' distribution of December 31, 2018 loss and DCC reserves. As of December 31, 2022, the Company reported \$241.1 million as retroactive reinsurance reserves ceded. Cumulative retroactive reinsurance ceded losses exceeding the initial paid consideration of \$75.3 million,

up to the shared limit of \$300 million, is segregated in surplus as special surplus funds. As of December 31, 2022, the Company reported \$165.8 million as special surplus funds.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles ("SSAP") No. 62R Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC annual statement instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

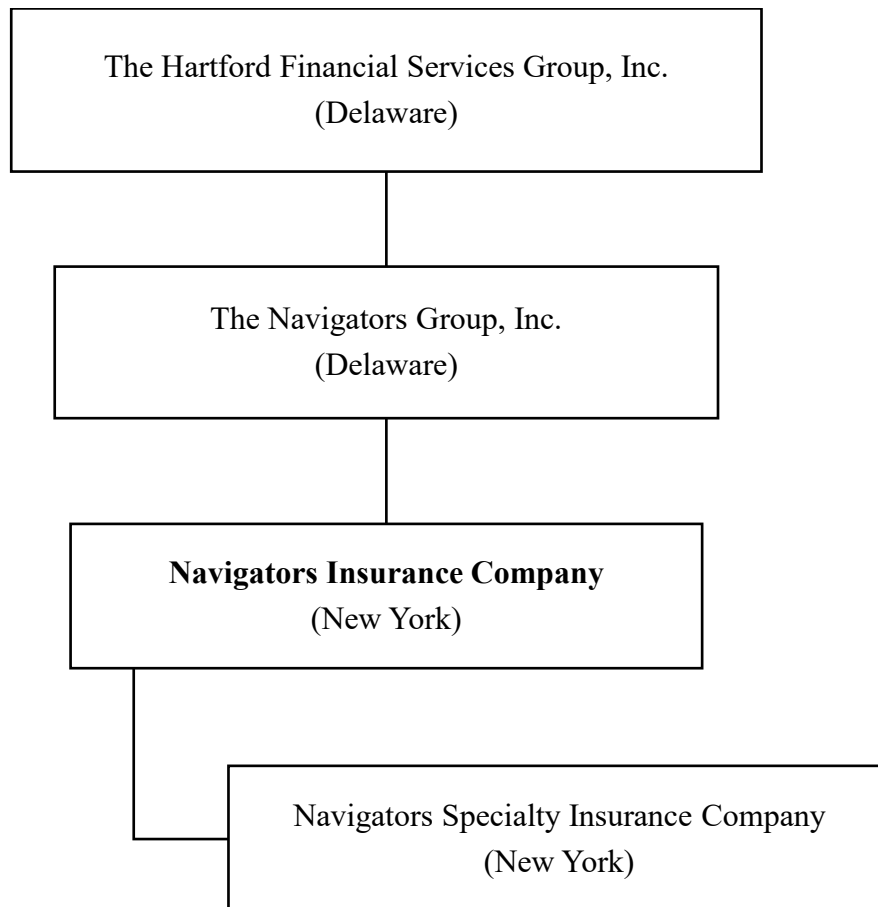
D. Holding Company System

The Company is a member of the Hartford Fire & Casualty Group. The Company is wholly owned by The Navigators Group, Inc., a Delaware corporation, which is wholly owned by The Hartford, a public company. The Company wholly owns NSIC, which primarily underwrites general liability and professional liability on an excess and surplus lines basis. As noted in section B of this report, the Company assumes all of the business written by NSIC pursuant to a 100% quota share reinsurance contract.

The Hartford is a holding company for a group of subsidiaries that provide property and casualty insurance, group benefits insurance and services, and mutual funds and exchange-traded funds to individuals and businesses in the U.S., the United Kingdom and other international locations. The Company provides a variety of customized insurance products including property, liability, marine, professional liability, bonds, and accident and health reinsurance under the global specialty business section of The Hartford.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2022:



Holding Company Agreements

At December 31, 2022, the Company was party to the following agreements with other members of its holding company system:

Tax Allocation Agreement

The Company and various specified affiliates and subsidiaries are party to an amended and restated tax allocation agreement with The Hartford. The agreement is effective May 6, 2020, and was submitted to the Department pursuant to the provisions of Department Circular Letter No. 33 (1979).

Investment Pooling Agreement

Effective April 3, 2020, the Company and various specified affiliates and subsidiaries of The Hartford are participants to the third amended and restated investment pooling agreement. Pursuant to the agreement, participants agree to invest certain cash balances that are available to each participant from time to time in the investment pool known as “The Hartford Short-Term Investment Pool”. Each of the participants appoints Hartford Investment Management Company (“HIMCO”) as the investment manager of the pool. Participants shall pay to the investment manager, quarterly fees in arrears, the equivalent of all indirect and direct costs incurred by the investment manager on behalf of such participants for the pool during the relevant period, but not to exceed the total costs which such participants would have accrued in providing such services for themselves.

Investment Management Agreement

Effective May 31, 2019, the Company and its subsidiary, NSIC, are party to an investment management agreement with HIMCO. Pursuant to the terms of the agreement, the Company and NSIC appoint HIMCO as its attorney-in-fact and investment manager. The agreement grants HIMCO full powers to manage the Company’s and NSIC’s assets in accordance with the terms and conditions of the agreement.

Services and Cost Allocation Agreement

Effective November 27, 2019, the Company and NSIC are party to a services and cost allocation agreement with Hartford Fire Insurance Company (“HFIC”). Pursuant to the terms of the agreement, HFIC provides a variety of operating services to the Company and NSIC as needed to allow each entity to conduct its business. Such operating expenses may include but are not limited to employees, office space, insurance, advertising, taxes, licenses and investment expenses, and other fees related to corporate services provided by one party to the other.

Agency Agreement

Effective July 13, 2022, NIC entered into an agency agreement with Navigators Underwriting Limited Swiss branch ("Agency"). Pursuant to terms of the agreement, the Company appoints the Agency as its agent, legal representative, and attorney for the purpose of procuring, underwriting, and servicing policies on its behalf. All cost and expenses are allocated in accordance with Department Regulation 30.

Liquidity Agreement

Effective May 23, 2019, the Company entered into an inter-company liquidity agreement with The Hartford. Pursuant to the terms of the agreement, The Hartford acts as an administrator for an inter-company liquidity facility under which certain subsidiaries and affiliates of The Hartford can borrow and lend to one another in accordance with the terms of the agreement. The Hartford and the Company are required to receive approval from the Department prior to making or receiving a loan.

All agreements subject to Section 1505 of the New York Insurance Law were filed with this Department.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2022, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	117%
Adjusted liabilities to liquid assets	89%
Two-year overall operating	86%

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the three-year period covered by this examination:

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$3,178,901,689	70.86%
Other underwriting expenses incurred	1,349,610,363	30.08%
Net underwriting gain (loss)	<u>(42,243,873)</u>	<u>(0.94)%</u>
Premiums earned	<u>\$4,486,268,179</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 334.4% at December 31, 2022. The RBC score is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC score of 200% or below

can result in regulatory action. There were no financial adjustments in this report that impacted the Company's RBC score.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2022, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$3,732,853,517	\$ 0	\$3,732,853,517
Preferred stocks	53,515,109	0	53,515,109
Common stocks	236,189,303	0	236,189,303
First liens - mortgage loans on real estate	330,792,751	0	330,792,751
Cash, cash equivalents and short-term investments	562,389,937	0	562,389,937
Other invested assets	253,986,609	0	253,986,609
Receivables for securities	2,014,248	0	2,014,248
Investment income due and accrued	31,837,287	329,857	31,507,430
Uncollected premiums and agents' balances in the course of collection	166,791,526	27,386,275	139,405,251
Deferred premiums, agents' balances and installments booked but deferred and not yet due	338,447,576	82,559	338,365,017
Amounts recoverable from reinsurers	106,406,422	0	106,406,422
Funds held by or deposited with reinsured companies	19,003,003	0	19,003,003
Current federal and foreign income tax recoverable and interest thereon	12,437,273	0	12,437,273
Net deferred tax asset	109,420,127	36,845,697	72,574,430
Receivables from parent, subsidiaries, and affiliates	7,168,521	0	7,168,521
Contingent commission ceded	781,198	0	781,198
Other assets	756,098	0	756,098
Prepaid expense	<u>14,433</u>	<u>14,433</u>	<u>0</u>
Total assets	<u>\$5,964,804,938</u>	<u>\$64,658,821</u>	<u>\$5,900,146,117</u>

Liabilities, Surplus, and Other FundsLiabilities

Losses and loss adjustment expenses	\$3,084,929,382
Reinsurance payable on paid losses and loss adjustment expenses	44,604,336
Commissions payable, contingent commissions and other similar charges	30,729,963
Other expenses (excluding taxes, licenses and fees)	26,813,998
Taxes, licenses and fees (excluding federal and foreign income taxes)	802,020
Unearned premiums	1,203,049,776
Advance premium	25
Ceded reinsurance premiums payable (net of ceding commissions)	93,884,860
Funds held by company under reinsurance treaties	2,610,610
Amounts withheld or retained by company for account of others	24,431,502
Remittances and items not allocated	1,462,116
Provision for reinsurance	15,058,000
Drafts outstanding	15,582,623
Payable to parent, subsidiaries and affiliates	2,019,873
Payable for securities	1,118,845
Retroactive reinsurance reserves ceded	(241,091,271)
Other liabilities	<u>11,985,255</u>
Total liabilities	\$4,317,991,913

Surplus and Other Funds

Special surplus from retroactive reinsurance	\$165,754,270
Common capital stock	5,000,000
Gross paid in and contributed surplus	704,311,880
Unassigned funds (surplus)	<u>707,088,054</u>
Surplus as regards policyholders	<u>1,582,154,204</u>
Total liabilities, surplus and other funds	<u>\$5,900,146,117</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2020 through 2022. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net income for the examination period as reported by the Company was \$292,987,528, as detailed below:

Underwriting Income

Premiums earned		\$4,486,268,179
Deductions:		
Losses and loss adjustment expenses incurred	\$3,178,901,689	
Other underwriting expenses incurred	1,349,610,363	
Total underwriting deductions		<u>4,528,512,052</u>
Net underwriting loss		\$ (42,243,873)

Investment Income

Net investment income earned	\$336,465,203	
Net realized capital gains (losses)	<u>(22,990,937)</u>	
Net investment gain		313,474,266

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (1,428,694)	
Finance and service charges not included in premiums	78,647	
Retroactive reinsurance gain	165,754,270	
Other expense	(14,743,917)	
Realized foreign exchange gain	8,419,109	
Restructuring expense	(3,241,882)	
Contra retroactive reinsurance ceded	874,274	
Commission income	<u>77</u>	
Total other income		<u>155,711,884</u>
Net income before federal and foreign income taxes		\$ 426,942,277
Federal and foreign income taxes incurred		<u>133,954,749</u>
Net income		<u>\$ 292,987,528</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$596,439,427 during the three-year examination period January 1, 2020 through December 31, 2022, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2019			\$985,714,777
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$292,987,528		
Net unrealized capital gains or (losses)	6,394,636		
Change in net unrealized foreign exchange capital gain (loss)	3,722,734		
Change in net deferred income tax	50,055,435		
Change in non-admitted assets		\$39,877,132	
Change in provision for reinsurance		10,033,546	
Surplus adjustments paid in	<u>293,189,772</u>	<u>0</u>	
Total gains and losses	\$646,350,105	\$49,910,678	
Net increase in surplus			<u>596,439,427</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2022			<u>\$1,582,154,204</u>

No adjustments were made to surplus as a result of this examination.

Capital paid in is \$5,000,000 consisting of 100 shares of \$50,000 par value per share common stock. Gross paid in and contributed surplus is \$704,311,880. Gross paid in and contributed surplus increased by \$293,189,772 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2020	Beginning gross paid in and contributed surplus	\$411,122,108
	<u>Cash Contribution</u>	
3/31/2022	Capital contribution	\$ 25,000,000
9/30/2022	Capital contribution	50,000,000
12/23/2022	Capital contribution	<u>200,000,000</u>
	Subtotal surplus contributions (cash)	\$275,000,000
	<u>Non-Cash Contribution</u>	
11/4/2021	Clear intercompany payable - stock-based compensation	\$10,482,853
2/28/2022	Clear intercompany payable - stock-based compensation	(355,816)
5/6/2022	Clear intercompany payable - stock-based compensation	4,464,707
8/24/2022	Clear intercompany payable - stock-based compensation	1,821,597
10/31/2022	Clear intercompany payable - stock-based compensation	<u>1,776,431</u>
	Subtotal surplus contributions (non-cash)	\$18,189,772
	Total surplus contributions	<u>293,189,772</u>
12/31/2022	Ending gross paid in and contributed surplus	<u>\$704,311,880</u>

NAVG paid capital contributions of \$275,000,000 to the Company in 2022. This was done to maintain the Company's RBC ratio above 300%. Additionally, non-cash capital contributions of \$18,189,772 were made to clear the intercompany payables related to the expense associated with stock-based compensation issued by The Hartford.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$3,084,929,382 is the same as reported by the Company as of December 31, 2022. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including SSAP No. 55.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained two recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Accounts and Records</u>	
It was recommended that the Company report its uncollected premiums and agents' balances in the course of collection pursuant to Section 1301(a)(6) of the New York Insurance Law and Paragraph 9 of SSAP No. 6.	11
The Company has complied with this recommendation.	
B. <u>Losses and Loss Adjustment Expenses</u>	
It was strongly recommended that the Company continue to strictly monitor its reserve liabilities and continue to take all necessary and appropriate actions to ensure that reserves are adequate, pursuant to the provisions of Sections 1303 and 4117 of the New York Insurance Law and SSAP No. 55.	17
The Company has complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

_____/S/_____
Lee Prowell
Financial Services Examiner 4

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Lee Prowell, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/S/_____
Lee Prowell

Subscribed and sworn to before me

this _____ day of _____, 2024.

APPOINTMENT NO. 32455

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Adrienne A. Harris, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Lee Prowell

as a proper person to examine the affairs of the

Navigators Insurance Company

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York*

this 24th day of October, 2022

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:

Joan Riddell

*Joan Riddell
Deputy Bureau Chief*

