



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 First State Insurance Pool (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 May 7, 2024, 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 May 29, 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 CGS 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 Michael Shanahan, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS 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 6th day of June, 2024.



Andrew N. Mais
Insurance Commissioner



Exhibit A

MULTI-ENTITY EXAMINATION REPORT OF:

NAIC#

21822 First State Insurance Company
41629 New England Reinsurance Corporation
21830 New England Insurance Company

(collectively defined as The First State Insurance Pool)

AS OF DECEMBER 31, 2022

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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April 25, 2024

The Honorable Andrew N. Mais
Commissioner of Insurance
State of Connecticut Insurance Department
153 Market Street
Hartford, Connecticut 06103

Dear Commissioner:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the General Statutes of the State of Connecticut (CGS), the undersigned has conducted a financial examination of the condition and affairs of the Connecticut companies within

THE FIRST STATE INSURANCE POOL

(hereinafter referred to as the Group or FSIP) incorporated under the laws of the State of Connecticut and having its statutory home office at One Hartford Plaza, Hartford, Connecticut and its main administrative office located at 100 High Street, Boston, Massachusetts. The report on such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Group 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 to December 31, 2022, was conducted at the statutory home office in Hartford, Connecticut.

Concurrent examinations were made of the following Connecticut and non-Connecticut domestic property and casualty companies within The Hartford Financial Services Group, Inc. (HFSG), collectively referred to as the Hartford Fire Insurance Company and its combined affiliates:

Hartford Fire Insurance Company (CT)
Trumbull Insurance Company (CT)
Hartford Accident and Indemnity Company (CT)
Hartford Insurance Company of Illinois (IL)
Hartford Casualty Insurance Company (IN)
Hartford Underwriters Insurance Company (CT)
Pacific Insurance Company, Limited (CT)
Twin City Fire Insurance Company (IN)
Nutmeg Insurance Company (CT)
Hartford Insurance Company of the Midwest (IN)
Hartford Insurance Company of the Southeast (CT)
Property and Casualty Insurance Company of Hartford (IN)

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Hartford Lloyd's Insurance Company (TX)
Sentinel Insurance Company, Ltd. (CT)
Maxum Casualty Insurance Company (CT)
Maxum Indemnity Company (CT)

The States of Indiana, Illinois, and Texas participated in the financial examination of their domestic property/casualty companies.

The Department also performed a concurrent financial examination of the following life insurance affiliate:

Hartford Life and Accident Insurance Company (CT)

The New York Department Financial Services also performed concurrent financial examinations of the following insurance affiliates:

Navigators Insurance Company (NY)
Navigators Specialty Insurance Company (NY)

As a part of the examination planning procedures, the Department reviewed the following documentation submitted by the Group for the period under examination:

- Annual Statements filed with the Department from 2018 through 2022;
- Statements of Actuarial Opinion from 2018 through 2022;
- Management's Discussion and Analysis from 2018 through 2022;
- documentation supporting section 404 of the Sarbanes Oxley Act of 2002 (SOX) and the Model Audit Rule;
- reports of the Company's Internal Audit Department from 2018 through 2022;
- minutes of the Board of Directors (Board) and other Committees, affiliate and custodial agreements and other documents related to significant transactions that require prior Department approval; and
- statutory basis audit reports from 2018 through 2022, prepared by Deloitte & Touche, LLP (D&T), the Group's independent certified public accountants.

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, which indicated no material concerns with respect to financial condition or regulatory compliance issues.

Risk & Regulatory Consulting, LLC (RRC) was engaged by the Department to conduct an evaluation of the Group's Information Technology (IT) controls.

Milliman, Inc. (Milliman) was engaged by the Department to conduct evaluations of the Group's reserving and reinsurance processes.

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Winthrop Capital Management was engaged by the Indiana Department of Insurance to conduct an evaluation of the Group's investment holdings.

Work papers prepared by D&T, in connection with its annual statutory audits were reviewed and relied upon to the extent deemed appropriate.

We conducted our examination in accordance with the NAIC Financial Condition 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 Group, 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 currently and prospectively.

All accounts and activities of the Group 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 Group'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 Group.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

First State Insurance Company (FSIC)

FSIC was originally incorporated as the Lexington Insurance Company (Lexington) in the State of Delaware on November 10, 1948, and commenced business on January 2, 1949. In 1965, FSIC changed its name from Lexington to its present name. On February 3, 1971, all of FSIC's outstanding stock was acquired by International Telephone and Telegraph Corporation (ITT Corporation), and ownership was transferred to another ITT Corporation affiliate, Hartford Fire Insurance Company (HFIC or Hartford Fire). In early 1982, Hartford Fire contributed stock ownership of FSIC to Hartford Accident and Indemnity Company (Hartford A&I) which immediately transferred the shares as a contribution to New England Reinsurance Corporation (NERC), formerly known as Tower Insurance Company of Connecticut, a newly formed subsidiary.

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Effective September 30, 1992, the Group's ownership was transferred directly to ITT Corporation and FSIC was re-domesticated to the State of Connecticut. This transfer was accomplished via an \$813 million dividend, representing the total equity of the three companies in the Group. The Department also approved the simultaneous establishment of the Pooling Agreement between the Group effective December 31, 1992.

In December 1992, the Group ceased writing new and renewal property and casualty business and was placed into runoff. Since then, the Group has focused on the proper disposition of claims, resolving disputes and collecting reinsurance proceeds related to the business underwritten and reinsured prior to year-end 1992. In December 1995, as part of HFSG's spinoff from ITT Corporation, ownership was returned to HFSG. In 1997, ownership of the Group was transferred to Heritage Holdings, Inc., a direct subsidiary of HFSG.

All existing business is managed in runoff under a contract between the Group, Hartford Fire and Horizon Management Group, LLC (Horizon Management), a member company of HFSG. Also in 1992, Hartford Fire issued a stop loss reinsurance agreement to the Group to support the runoff of the Group's insurance obligations. In 2004, the Department approved an agreement between the parties to maintain a level of statutory-basis surplus within a range above \$25 million but not to exceed \$35 million at such time there is a cession of incurred losses. The terms of this agreement were last modified in 2019 and obligate Hartford Fire to make payments up to \$1.2 billion to the Group to the extent that (i) the Group's aggregate net retained paid losses exceeded a stipulated dollar amount (which was exhausted in 2006), and (ii) the Group's statutory capital and surplus fell below \$25 million. This agreement was further amended in 2019 to include coverage for unallocated loss adjustment expense.

New England Insurance Company (NEIC)

NEIC was incorporated under the laws of Connecticut on August 25, 1989, as the New England Insurance Company of Connecticut. The words "of Connecticut" were dropped subsequent to its merger with NEIC on July 1, 1990.

The former New England Insurance Company was incorporated as the Plymouth Insurance Company on August 23, 1954, under the laws of the Commonwealth of Massachusetts. The corporate name was changed to Plymouth Reinsurance Company, in November 1957, to NERC on August 22, 1968, and to NEIC on January 3, 1984. On July 1, 1990, it was merged with New England Insurance Company of Connecticut, the purpose being to re-domesticate from Massachusetts to Connecticut.

New England Reinsurance Corporation

NERC was incorporated as the Tower Insurance Company of Connecticut (TICC) on December 29, 1981, under the laws of the state of Connecticut. On February 5, 1982, Hartford Fire contributed \$116,623,759, to TICC surplus in the form of a stock ownership transfer of 100% of the stock of FSIC and NERC. TICC commenced business on April 2, 1982. On the same date, Hartford Fire purchased one share of capital stock for \$5,000 par

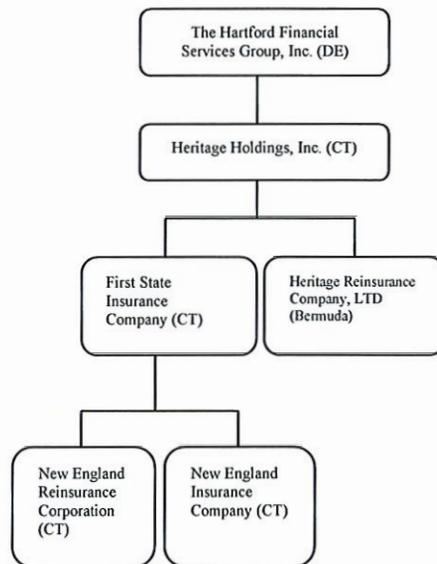
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value, and then passed the one share revalued at \$116,628,759 inclusive of the 100% stock of FSIC and NERC to an affiliate, Hartford A&I.

On January 3, 1984, the certificate of incorporation was amended and TICC changed its name to NERC. In July 1989, ownership of NERC was transferred from Hartford A&I to Hartford Fire. The charter and certificate of incorporation were amended further in September 1995, to increase NERC's capital stock from \$3,000,000 to \$4,200,000.

ORGANIZATIONAL CHART

The following is a portion of the organizational chart of the Group and its parent, subsidiaries and affiliated companies within the HFSG as of December 31, 2022:



MANAGEMENT AND CONTROL

Annual Shareholders Meetings

The bylaws state that the annual meeting of the shareholders shall be held at such place (within or outside the state of Connecticut), date and hour as shall be determined by the Board to elect members of the Board for the succeeding year and transact any business properly brought before said meeting.

Special meetings of the shareholders may be called at any time by the chairman of the Board, the president, the secretary, or any assistant secretary, or by a majority of the entire Board.

Written notice of every meeting of the shareholders and the time and place thereof shall be given by the secretary or any assistant secretary of the individual companies within the Group, no fewer than ten and no more than sixty days prior to the time appointed for such

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meeting, which notice shall also state in the case of a special meeting, the purpose or purposes for which the meeting is called.

Board of Directors

The business and affairs of each company in the Group shall be managed by or under the direction of its Board, which may exercise all the powers of the Group except such as required to be performed by the shareholders. The number of directors shall not be less than three. Regular and special meetings of the Board shall be held either within or outside the state of Connecticut, or such other place as may be designated by the Board and at such times and on such dates as may be determined by the Board. A majority of the members of the Board, present at a regular or special meeting, shall constitute a quorum for the transaction of business.

Directors serving the Group as of December 31, 2022, were:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
Kevin Francis LaFreniere	Senior Vice President, Claim Liability and Financial Products The Hartford Financial Services Group, Inc.
William Paul Teich	Vice President, Assumed Claims, Strategic Claims Management The Hartford Financial Services Group, Inc.
James Joseph Kelly	Director of Financial Analysis Reporting The Hartford Financial Services Group, Inc.
Sean Paul Johnston	Head of Strategic Claims Management The Hartford Financial Services Group, Inc.
Karmela Kay Malone	Senior Vice President, Claims Solutions The Hartford Financial Services Group, Inc.

Officers

The Board may from time to time elect or appoint a Chairman, a President, one or more Vice Presidents, a Treasurer, a Secretary, and one or more Assistant Treasurers, and Assistant Secretaries to serve at the pleasure of the Board. At any time, the Board may elect or appoint such other officers or agents with such duties as it may deem necessary. The President, or his or her designee, shall have authority to appoint any officer other than the Chairman or President of the Group.

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Officers serving the Group as of December 31, 2022, were:

<u>Name</u>	<u>Title</u>
Kevin Francis LaFreniere	President
James Michael Yanosy	Senior Vice President
Kathleen Elizabeth Jorens	Senior Vice President and Treasurer
Raymond Joseph Godin	Vice President and Controller
Suzanne Elizabeth Henderson	Vice President and Appointed Actuary
Kevin Floyd Barnett	Corporate Secretary

Board Committees

The Board by resolution may designate individuals to serve on one or more Committees from among its members. One-third of the members of a Committee, but no less than two, will constitute a quorum. The following are the current Board Committees of Group:

- a. Audit Committee. The Audit Committee shall oversee the Group's accounting and financial reporting processes and the audits of the Group's financial statements and it shall have and discharge such other powers and duties as are granted and imposed upon it by resolution of the Board.
- b. Finance Committee. The Finance Committee shall have the power and it shall be its duty to oversee the finances of the Group and it shall have and discharge such other powers and duties as are granted and imposed upon it by the By-laws or the Board of Directors. Such powers and duties shall include oversight of the mode, manner and time of making investments, the sale, transfer and exchange of investments, and the re-investment of the proceeds thereof.

RELATED PARTY AGREEMENTS

Investment Pooling Agreement

FSIP as well as other affiliates, participate in a Third Amended and Restated Investment Pooling Agreement with Hartford Investment Management Company (HIMCO). HIMCO acts as the investment manager to invest certain cash balances available to the participants in the investment pool known as the "Hartford Short-Term Investment Pool". HIMCO is compensated at least quarterly for all incurred direct and indirect costs related to the services provided to the Group.

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Liquidity Agreement

The Group entered in an intercompany Liquidity Agreement with HFSG and certain insurance company affiliates. The agreement allows for short term advances of funds between affiliates for liquidity and other general corporate purposes.

Tax Allocation Agreement (TAA)

The Group is party to a TAA with HFSG and its direct and indirect subsidiaries. The TAA governs the tax return filing, payment and allocation of federal, state and local income tax liability between HFSG and its subsidiaries. Each member will calculate its separate tax liability, and the consolidated federal regular income tax liability will be apportioned among the members in accordance with the ratio which is consistent with the taxable income. Payment to the parent will be made by the due date of the consolidated return payment to the Internal Revenue Service.

Management Services Agreement

The Group entered into a services agreement with Hartford Fire and Horizon Management, an indirect affiliate of Hartford Fire. Pursuant to the terms of the agreement, Hartford Fire and Horizon provide all management and administrative services required to conduct its business operation. These services relate, without limitation, to the handling and servicing of claims, losses and loss adjustment expenses to the Group.

Management Agreement

The Group entered into a management agreement with Heritage Reinsurance Company, Ltd and HIMCO. HIMCO provides investment counseling and administrative services to the Company for a quarterly fee, which is based on the net portfolio value at the end of each quarter.

TERRITORY AND PLAN OF OPERATION

The Group, collectively, is currently licensed in all states and the District of Columbia. Since the operations are currently in runoff, there were no direct premiums written.

REINSURANCE

Effective December 31, 1992, the Group entered into an inter-company Reinsurance and Pooling Agreement (Pooling Agreement) to which NERC and NEIC will cede 100% of their business to FSIC which will then retrocede percentages thereof to each of its subsidiaries. The Group will share premiums, losses and underwriting expenses in an amount equal to each participant's retrocessional quota share. FSIC acts as the lead participant in the Group's intercompany pool.

The following is a summary of the companies and the respective participation percentages in the Pooling Agreement:

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FSIC	98%
NEIC	1%
<u>NERC</u>	<u>1%</u>
Total	100%

Effective October 29, 2019, the Group amended its stop loss reinsurance agreement with Hartford Fire. The terms of this agreement obligated Hartford Fire to make payments to the Group of no more than \$1.2 billion to the extent that a) the Group's net retained paid losses exceeded a stipulated dollar amount (which was exhausted in 2006), and b) the Group's statutory capital and surplus fell below \$25 million. The existing practice between the parties to the agreement is to maintain a level of statutory surplus for the Group within a reasonable range above \$25 million to \$35 million.

The current cession to the stop loss reinsurance agreement was first triggered during the first quarter of 2003, when Hartford Fire, including the Group, concluded a comprehensive review of its asbestos exposures and as a result, additional loss and LAE reserves were recorded at the Group level. As of December 31, 2022, First State's total cession to Hartford Fire was \$927.2 million in loss and LAE reserves.

On August 15, 2022, HFSG (through Heritage Holdings, Inc.) made a cash capital contribution of \$50 million to FSIC in order to provide additional liquidity and enable FSIC to replenish the remaining reserve capacity under the stop loss agreement with HFIC by \$63 million inclusive of tax benefits. The overall transaction was largely status surplus neutral for FSIC resulting in an ending surplus within the required \$25-35 million range.

INFORMATION TECHNOLOGY CONTROLS

RRC performed a risk-based assessment and review of the Group's Information Technology General Controls (ITGCs) in accordance with NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Group's ITGCs was derived from Exhibit C Part 1 – Information Technology Planning Questionnaire (ITPQ) and Exhibit C Part 2 – Information Technology Work Program (collectively, Exhibit C). The Group'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.

RRC's objectives were to obtain reasonable assurance about whether:

- the Group had a process in place to effectively identify, mitigate and manage its IT risks;
- the Group's control structure policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
- the Group's policies and procedures were in place during the examination period.

The objectives above were achieved through a combination of reviewing the Group's policies and procedures, testing in key areas related to Exhibit C, interviewing the Group's IT senior management and reviewing IT risk assessment processes.

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In accordance with the Handbook, specific areas of review included:

- IT governance and organization structure;
- strategic planning, systems architecture and project oversight;
- IT risk management;
- vendor management;
- development and maintenance of policies;
- physical and logical security;
- business continuity and disaster recovery planning;
- end user or business developed applications; and
- cybersecurity and incident response.

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

ACCOUNTS AND RECORDS

The Group records all financial accounting transactions in The Hartford's Enterprise General Ledger (EGL) application which uses the PeopleSoft Financials product. The EGL is the official book of records for the Group's financial accounting operations. Some external reporting is done out of TM1 which receives a feed of data from the EGL.

The Sovos Statutory Reporting software package is used to create the annual statement. It receives data from multiple sources, including the EGL for creation of the balance sheet and income statement. Sovos also receives data from TM1 (via EGL) that produces the Underwriting and Investment Exhibits, State pages and Schedule T of the annual statement.

FINANCIAL STATEMENTS

The financial statements in Appendix A reflect the Group's financial position, as filed by the Group as of December 31, 2022.

LOSSES AND LAE

Milliman performed a review of reserving and reinsurance risks. No material issues were noted during the review of reserving or reinsurance risks.

GROWTH OF COMPANY

The reconciliation of surplus for the period under examination, January 1, 2018, through December 31, 2022 is included in Appendix B.

The change in surplus was primarily driven by results from operations. HFSG (through Heritage Holdings, Inc.) made cash contributions to the Company during the exam period in order to provide additional liquidity and enable the Company to replenish the remaining reserve capacity under the stop loss agreement with Hartford Fire.

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SUMMARY OF RECOMMENDATIONS

None noted.

SUBSEQUENT EVENTS

On March 28, 2023, the civil district court affirmed the bankruptcy court's ruling regarding Boy Scouts of America's plan of reorganization, including the written settlement (Settlement). The civil district court's ruling is now final, all conditions precedent to Settlement have been satisfied and on April 20, 2023, HFSG paid the Settlement amount of \$787 million (of which \$37.9 million is allocated to the Group's policies).

HFSG (through Heritage Holdings, Inc.) made the following cash contributions to FSIC each of which was statutory surplus neutral resulting in an ending surplus within the required \$25-\$35 million range:

- On April 11, 2023, in the amount of \$50 million to FSIC in order to provide additional liquidity and enable the Company to replenish the remaining reserve capacity under the stop loss reinsurance agreement by \$63 million, including tax benefit.
- On August 15, 2023, in the amount of \$25 million to FSIC in order to provide additional liquidity and enable the Company to replenish the remaining reserve capacity under the stop loss reinsurance agreement by \$33.2 million, including tax benefit.
- On December 15, 2023, in the amount of \$25 million to FSIC in order to provide additional liquidity and enable the Company to replenish the remaining reserve capacity under the stop loss reinsurance agreement by \$32.6 million, including tax benefit.
- On April 17, 2024, in the amount of \$25 million to FSIC in order to provide additional liquidity and enable the Company to replenish the remaining reserve capacity under the stop loss reinsurance agreement by \$32 million, including tax benefit.

CONCLUSION

As a result of the examination, no adjustments were made to surplus.

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SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Michael Shanahan, CFE; Wanchin Chou, FCAS, MAAA, CPCU, CSPA, CCRMP; Qing He, FCAS, MAAA; Amy Waldhauer, FCAS, MAAA; Kenneth Roulrier, AFE, CISA, AES; Michael Daniels, CFE; Grace Jiang, CFE; Dawn Cormier, CPA; Ronald Jankowski, CFE; Tahjma Roberson; Aishah Abdullah, and the professional services firms of RRC and Milliman.

I, Michael Estabrook, CFE, do solemnly swear that the foregoing report on 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,

Michael Estabrook, CFE
Examiner-In-Charge
State of Connecticut
Insurance Department

State of Connecticut

ss.

County of Hartford

Subscribed and sworn to before me, 
Notary Public on this 7 day of May, 2024.



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APPENDIX A

ASSETS	1	2	3
	First State Insurance Company	New England Reinsurance Corporation	New England Insurance Company
Net Admitted Assets			
Bonds	\$12,171,314	\$22,615,202	\$15,561,290
Common stocks	39,586,121	0	0
Cash, cash equivalents and short-term investments	37,954,965	2,254,415	1,272,424
Other invested assets	2,571,747	0	0
Receivables for securities	0	1,000,00	0
Investment income due and accrued	307,259	262,453	83,072
Uncollected premiums and agents' balances in the course of collection	50,537	0	0
Amounts recoverable from reinsurers	44,314,764	0	0
Current federal and foreign income tax recoverable and interest thereon	51,743	0	0
Receivables from parent, subsidiaries and affiliates	598,591	0	0
Aggregate write-ins for other-than-invested assets	1,447,110	0	0
Total	<u>\$139,054,151</u>	<u>\$26,132,070</u>	<u>\$16,916,786</u>

THE FIRST STATE INSURANCE POOL

LIABILITIES & CAPITAL AND SURPLUS	1	2	3
	First State Insurance Company	New England Reinsurance Corporation	New England Insurance Company
Current Year Liabilities			
Losses	\$61,036,432	\$622,820	\$622,820
Reinsurance payable on paid losses and loss adjustment expenses	158,693	0	0
Loss adjustment expenses	53,775,653	548,730	548,732
Current federal and foreign income taxes	0	146,180	61,161
Net deferred tax liability	0	0	297,621
Ceded reinsurance premiums payable	2,539	0	0
Funds held by company under reinsurance treaties	442,384	0	0
Remittances and items not allocated	68,234	0	0
Payable to parent, subsidiaries and affiliates	45,609	309,044	305,627
Aggregate write-ins for liabilities	(7,226,404)	0	0
Total liabilities	108,303,140	1,626,774	1,835,961
Common capital stock	5,000,000	4,200,000	7,200,000
Gross paid in and contributed surplus	1,111,062,365	240,111,709	1,150,000
Unassigned funds (surplus)	(1,085,311,354)	(219,806,413)	6,730,824
Surplus as regards policyholders	30,751,011	24,505,296	15,080,824
Totals	<u>\$139,054,151</u>	<u>\$26,132,070</u>	<u>\$16,916,786</u>

THE FIRST STATE INSURANCE POOL

STATEMENT OF INCOME	1	2	3
	First State Insurance Company	New England Reinsurance Corporation	New England Insurance Company
Current Year Income			
Premiums earned	\$0	\$0	\$0
Losses incurred	53,275,405	543,627	543,627
Loss adjustment expenses incurred	6,891,584	70,322	70,322
Other underwriting expenses incurred	196,895	2,009	2,009
Total underwriting deductions	60,363,884	615,958	615,958
Net underwriting gain (loss)	(60,363,884)	(615,958)	(615,958)
Net investment income earned	1,872,594	689,354	285,270
Net realized capital gains (losses)	(229,608)	0	1
Net investment gain (loss)	1,642,986	689,354	285,271
Net gain (loss) from agents' or premium balances charged off	0	0	0
Aggregate write-ins for miscellaneous income	(3,284,193)	0	0
Total other income	(3,284,193)	0	0
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(62,005,091)	73,396	(330,687)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(62,005,091)	73,396	(330,687)
Federal and foreign income taxes incurred	(13,264,732)	10,829	(74,189)
Net income	<u>(\$48,740,359)</u>	<u>\$62,567</u>	<u>(\$256,498)</u>

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APPENDIX B

Growth of the Company	1	2	3
	First State Insurance Company	New England Reinsurance Corporation	New England Insurance Company
Surplus			
Surplus as regards policyholders, December 31, 2017	\$64,018,549	\$37,098,670	\$17,409,666
Net income	(392,681,047)	(591,375)	(2,387,574)
Change in net unrealized capital gains or (losses) less capital gains tax	(2,897,267)	1	53,731
Change in net deferred income tax	812,244	(4,072)	5,001
Change in nonadmitted assets	1,498,532	2,072	0
Surplus adjustment: paid in	360,000,000	(12,000,000)	1,150,000
Aggregate write-ins for gains and losses in surplus	0	0	(1,150,000)
Net Change in Capital and Surplus	(33,267,538)	(12,593,374)	(2,328,842)
Capital and Surplus, December 31, 2022	<u>\$30,751,011</u>	<u>\$24,505,296</u>	<u>\$15,080,824</u>