

**EXAMINATION REPORT
OF
AIX SPECIALTY INSURANCE COMPANY
AS OF
DECEMBER 31, 2024**

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
AIX SPECIALTY INSURANCE COMPANY
AS OF
DECEMBER 31, 2024

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.



Trinidad Navarro
Insurance Commissioner

Dated this 20 day of January, 2026

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January 14, 2026

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street, Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 25.003, dated February 24, 2025, an examination has been made of the affairs, financial condition and management of

AIX SPECIALTY INSURANCE COMPANY

hereinafter referred to as ASIC or the Company and incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware 19801. The administrative offices of the Company are located at 440 Lincoln Street, Worcester, Massachusetts 01653.

SCOPE OF EXAMINATION

We have performed our full-scope risk-focused surveillance examination of the Company. The last examination was conducted as of December 31, 2019 by the Delaware Department of Insurance (Department). This examination covered the five-year period from January 1, 2020 through December 31, 2024, and was performed as part of the multi-state coordinated examination of The Hanover Insurance Group, Inc. (THG or Group) United States (U.S.) property and casualty insurance companies as of December 31, 2024, with New Hampshire

as the lead state regulator. The examination was conducted concurrently with other THG affiliate insurance companies.

The examination encompasses a general review of transactions during the period, the Company's business policies and practices as well as management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2024. Transactions subsequent to the examination date were reviewed where deemed necessary.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the general Delaware Corporation Laws of the State of Delaware, as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items

identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers LLP (PwC). Certain auditor work papers from their 2024 audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in the financial statements as a result of this examination.

COMPANY HISTORY

ASIC was incorporated on June 20, 2006, in the state of Delaware and was formed as a wholly owned subsidiary of NOVA Casualty Company (NCC). NCC is a wholly owned subsidiary of The Hanover Insurance Company (HIC).

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 5,000,000 shares of common stock with a \$1.00 par value. As of December 31, 2024, the Company had 5,000,000 common shares issued and outstanding totaling \$5,000,000 in capital common stock. All outstanding common shares of the Company are owned by NCC. As of December 31, 2024, the Company reported gross paid in and contributed surplus of \$46,668,776.

Dividends

On November 2, 2021, the Company's Board of Directors (Board) declared, approved and notified the Department of an ordinary dividend totaling \$2,000,000, which was paid on November 19, 2021 to ASIC's sole stockholder, NCC, in accordance with 18 *Del. C.* § 5004(e).

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's certificate of incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction of its Board. The Board shall consist of not less than four (4) or more than eighteen (18) directors, who may or may not be stockholders of the Company and who shall be elected annually by the stockholders for the term of one year and shall serve until the election and acceptance of their duly qualified successors. Any vacancies on the Board may be filled for the unexpired term. ASIC's Board members that served as of December 31, 2024, were as follows:

<u>Name</u>	<u>Title</u>
John Connor Roche	President, AIX Specialty Insurance Company
Warren Ellison Barnes	Corporate Controller, Senior Vice President *
Dennis Francis Kerrigan Jr.	Chief Legal Officer, Executive Vice President
Denise Maureen Lowsley	Chief Human Resources Officer, Executive Vice President
Jeffery Mark Farber	Chief Financial Officer, Executive Vice President
Willard Ty-Lunn Lee	Chief Information and Innovation Officer, Executive Vice President
Lindsay France Greenfield	Chief Investment Officer, Executive Vice President
David John Lovely	Chief Claims Officer, Executive Vice President
Bryan James Salvatore	President Specialty, Executive Vice President

* Retired February 25, 2025

Officers

Officers were elected in accordance with the Company's bylaws during the period under examination. The officers of the Company may be a Chairman of the Board, Chief Executive Officer, a Vice Chairman of the Board (if the Board so determines), a President, one or more Vice Presidents, a Secretary and a Treasurer. An officer may hold two positions except for President and Treasurer. As of December 31, 2024, the Company's principal officers, together with their respective titles, were as follows:

<u>Name</u>	<u>Title</u>
John Connor Roche	President
Nathaniel William Clarkin	Vice President and Treasurer
Charles Frederick Cronin	Senior Vice President and Secretary

Corporate Records

The recorded minutes of the shareholders, the Board, and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, and approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, a review of Company files indicated that written correspondence was submitted to the Department regarding the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

The Company is a member of an Insurance Holding Company System as defined under 18 *Del. C.* §5001(7) of the Delaware Insurance Code. An abbreviated presentation of the insurance holding company system as of December 31, 2024, follows (ownership is 100%):

	<u>State of Domicile</u>
The Hanover Insurance Group, Inc.	DE
Opus Investment Management, Inc.	MA
The Hanover Insurance Company	NH
NOVA Casualty Company	NY
AIX Specialty Insurance Company	DE

Agreements with Affiliates

The following agreements with THG affiliates were in effect as of December 31, 2024:

Consolidated Service Agreement

THG entered into a Consolidated Service Agreement with its affiliates including ASIC effective July 14, 2010. Under the terms of the Agreement, THG provides ASIC with management, space and other services including accounting, electronic data processing, human resources, legal and other staff functions. Amendments 1 and 2 were effective prior to the current exam period and Amendment 3, dated February 9, 2023, pertained to the sale of The Hanover New Jersey Insurance Company and had no effect on services provided to ASIC.

Consolidated Tax Agreements

Effective December 31, 2001, the Hanover Insurance Group entered into a Tax Allocation agreement with affiliates. The Department approved ASIC's participation on November 18, 2008.

Investment Advisory Agreement

Effective January 1, 2006, ASIC entered into an Investment Advisory Agreement with OPUS Investment Management. The agreement was terminated on May 31, 2024. The investment services are now performed by HIC under the Services Agreement dated January 1, 2010.

Quota Share Reinsurance Agreement

ASIC and HIC are parties to a Quota Share (QS) reinsurance agreement effective January 1, 2009. Under the terms of the QS agreement, ASIC cedes 100% of all business written to HIC. The Department approved the agreement by letter dated December 5, 2008.

Guaranty Agreement

Effective November 29, 2008, HIC entered into a Guaranty Agreement with ASIC whereby HIC ensures the complete performance of all obligations of ASIC on or after November 28, 2008, to the extent that ASIC is unable to do so in the normal course of business. The Department approved the agreement by letter dated December 5, 2008.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2024, ASIC is licensed in the state of Delaware and functions on a non-admitted basis in the remaining 49 U.S. states and the District of Columbia. ASIC underwrites commercial and personal property coverage primarily through independent agents.

ASIC serves as a writer of niche specialty programs, specifically property and liability coverage risks generally not insured in the admitted market. Program Managers oversee classes of business with supporting agents within the programs. Affiliated THG insurers and agents use ASIC's paper to provide policies and services to clients on risks that fit its risk profile.

REINSURANCE

As mentioned above, ASIC is party to a 100% QS agreement, whereby ASIC cedes all of its direct business to upstream parent HIC. ASIC does not assume any business. ASIC reported the following distribution of premiums written for the years ended December 31, 2024, and the prior examination date of December 31, 2019:

	<u>2024</u>	<u>2019</u>
Direct premiums written	\$ 143,553,540	\$ 162,483,527
Reinsurance assumed from affiliates		
Reinsurance assumed from non-affiliates		
Total gross premiums (direct and assumed)	<u>\$ 143,553,540</u>	<u>\$ 162,483,527</u>
Reinsurance ceded to affiliates	143,553,540	162,483,527
Reinsurance ceded to non-affiliates		
Total ceded premiums	<u>\$ 143,553,540</u>	<u>\$ 162,483,527</u>
Net premiums written	<u>\$ -</u>	<u>\$ -</u>

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected as follows:

- Assets as of December 31, 2024
- Liabilities, Surplus and Other Funds as of December 31, 2024
- Statement of Income for the year ended December 31, 2024
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2019 to December 31, 2024

Assets
As of December 31, 2024

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 57,627,129	\$ -	\$ 57,627,129
Cash	35,015		35,015
Cash equivalents	464,804		464,804
Short-term investments	145,937		145,937
Receivables for securities	50,000		50,000
Subtotals, cash and invested assets	<u>\$ 58,322,885</u>	<u>\$ -</u>	<u>\$ 58,322,885</u>
Investment income due and accrued	425.071		425.071
Current federal and foreign income tax recoverable and interest thereon	570,180		570,180
Net deferred tax asset	407,480		407,480
Electronic data processing equipment and software	5,808,218	5,808,218	-
Receivables from parent; subsidiaries and affiliates	950,433		950,433
Aggregate write-ins for other-than-invested assets:			
Other non-admitted assets	<u>910,103</u>	<u>910,103</u>	<u>-</u>
Total	<u>\$ 67,394,370</u>	<u>\$ 6,718,321</u>	<u>\$ 60,676,049</u>

Liabilities, Surplus and Other Funds
As of December 31, 2024

	<u>Note</u>
Losses	\$ - 1
Loss adjustment expenses	- 1
Ceded reinsurance premiums payable (net of ceding commissions)	6,730,927
Payable to parent,subsidiaries and affiliates	<u>4,813</u>
Total liabilities	<u><u>\$ 6,735,740</u></u>
Common capital stock	\$ 5,000,000
Gross paid in and contributed surplus	46,668,776
Unassigned funds (surplus)	<u>2,271,533</u>
Surplus as regards policyholders	<u><u>\$ 53,940,309</u></u>
Total Liabilities, Capital and Surplus	<u><u>\$ 60,676,049</u></u>

Statement of Income
For the Year Ended December 31, 2024

Underwriting Income	
Premiums earned	\$ _____ -
Deductions	
Losses incurred	\$ _____ -
Loss adjustment expenses incurred	\$ _____ -
Other underwriting expenses incurred	\$ _____ -
Total underwriting deductions	\$ _____ -
Net underwriting gain or (loss)	\$ _____ -
Investment Income	
Net investment income earned	\$ 1,704,118
Net realized capital gains or (losses)	(734,173)
Net investment gain or (loss)	\$ 969,945
Other Income	
Net gain (loss) from agents' or premium balances charged off	\$ _____ -
Finance and service charges not included in premiums	\$ _____ -
Aggregate write-ins for miscellaneous income	\$ _____ -
Total other income	\$ _____ -
Net income before dividends to policyholders	\$ 969,945
Dividends to policyholders	\$ _____ -
Net income; after dividends to policyholders	\$ 969,945
Federal and foreign income taxes incurred	(898,393)
Net Income	<u>\$ 1,868,338</u>

**Reconciliation of Capital and Surplus
for the Period from the Prior Examination as of
December 31, 2019, to December 31, 2024**

	Gross Paid-in and			
	Common Capital Stock	Contributed Surplus	Unassigned Surplus	Total
12/31/19	\$ 5,000,000	\$ 45,668,776	\$ 2,953,001	\$ 53,621,777
12/31/20 (1)			1,194,060	1,194,060
12/31/20 (2)			985,697	985,697
12/31/21 (1)			1,369,667	1,369,667
12/31/21 (2)			(977,034)	(977,034)
12/31/21 (3)			(2,000,000)	(2,000,000)
12/31/22 (1)			1,082,743	1,082,743
12/31/22 (2)			(2,110,708)	(2,110,708)
12/31/23 (1)			784,437	784,437
12/31/23 (2)			(2,327,391)	(2,327,391)
12/31/24 (1)			1,868,338	1,868,338
12/31/24 (2)			(551,277)	(551,277)
12/31/24 (4)	<u>1,000,000</u>	<u>1,000,000</u>		
12/31/24	<u>\$ 5,000,000</u>	<u>\$ 46,668,776</u>	<u>\$ 2,271,533</u>	<u>\$ 53,940,309</u>

(1) Net income

(2) Change in net deferred tax and change in nonadmitted assets

(3) Dividends to stockholders

(4) Surplus adjustments: Paid in

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses incurred	\$ 0
Loss adjustment expenses	\$ 0

ASIC cedes 100% of all losses and loss adjustment expenses to HIC per a QS reinsurance agreement effective January 1, 2009.

SUBSEQUENT EVENTS

There were no significant subsequent events to report from this examination.

SUMMARY OF RECOMMENDATIONS

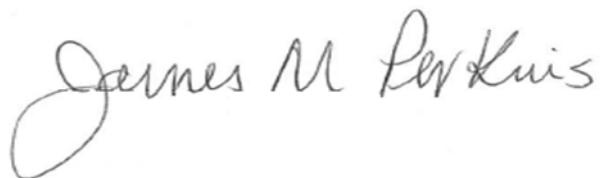
There were no recommendations as a result of this examination.

The assistance and cooperation of the lead state New Hampshire Insurance Department is appreciated and is acknowledged. In addition, the examination services of Noble Consulting Services, Inc., the actuarial services of INS Consultants, Inc, the outside audit firm, PwC and the Company's management and staff are appreciated and is acknowledged.

Respectfully submitted,



Patrick White, CFE
Examiner In-Charge
State of Delaware



James Perkins, CFE
Supervising Examiner
State of Delaware

AIX Specialty Insurance Company

I, Patrick White, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 25.003.

A handwritten signature in black ink, appearing to read "Patrick White".

Patrick White, CFE