

EXAMINATION REPORT
OF
ST. PAUL SURPLUS LINES INSURANCE COMPANY
AS OF
DECEMBER 31, 2024

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
ST. PAUL SURPLUS LINES 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.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

Dated this 2nd day of June, 2026

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May 7, 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 Authority No. 25.028, dated February 20, 2025, an examination has been made of the affairs, financial condition and management of

ST. PAUL SURPLUS LINES INSURANCE COMPANY

hereinafter referred to as SPSLIC or the Company. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The administrative offices of the Company are located at One Tower Square, Hartford, Connecticut 06183.

SCOPE OF EXAMINATION

We have conducted our multi-state risk-focused financial examination of the Company. The last financial examination of the Company was conducted as of December 31, 2019 by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2020 through December 31, 2024. Our examination was performed as part of the coordinated examination of the Travelers Companies, Inc. group of regulated entities, wherein the State of Connecticut was the lead state regulator, with Delaware as a participating state regulator. To the

fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

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 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, KPMG, LLP (KPMG). Certain work papers from KPMG's

2024 audit of the Company and certain of its affiliates have been incorporated into the work papers of the examiners. The workpapers were 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 Company's financial statements as a result of this examination.

COMPANY HISTORY

The Company was originally incorporated in the State of Delaware on February 22, 1974 and commenced business on May 30, 1974. The Company has been a direct wholly owned subsidiary of St. Paul Fire and Marine Insurance Company (SPFMIC) since October 1, 2006 when its then direct parent, St. Paul Specialty Underwriting, Inc. (SPSU) merged into SPFMIC. The Company operated as an indirectly owned subsidiary of The St. Paul Companies, Inc. (The St. Paul) until April 1, 2004, when The St. Paul and The Travelers merged to form The St. Paul Travelers Companies, Inc. On February 26, 2007, The St. Paul Travelers Companies, Inc. changed its name to The Travelers Companies, Inc. (TRV). At this time, TRV was listed and began trading on the New York Stock Exchange.

The Amended and Restated Certificate of Incorporation authorizes SPSLIC to transact business as an admitted surplus lines carrier for the following lines business: health, credit health, property, marine and transportation, vehicle, liability, burglary and theft, personal property floater, glass, boiler and machinery, credit, leakage and fire extinguisher equipment, malpractice, elevator, congenital defect, livestock, entertainments' surety and workers compensation, and employer's liability and miscellaneous.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 41,000 shares of common stock with a \$100.00 par value. As of December 31, 2024, the Company had all common shares issued and outstanding totaling \$4,100,000. As of December 31, 2024, the Company reported gross paid in and contributed surplus of \$56,030,937.

Dividends

During the examination period, the Company paid the following dividend to its direct parent, SPFMIC:

<u>Amount</u>	<u>Date Declared</u>	<u>Date Department Notified</u>	<u>Date Paid</u>
\$18,800,000	November 20, 2020	November 23, 2020	December 28, 2020

The dividend was approved by the Department on December 8, 2020, with the notification to the Department and the dividend payment in compliance 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, the property and affairs of the Company must be managed by or under the direction of its Board of Directors (Board). In accordance with the Company's bylaws, the Board shall consist of one or more members, and the total number of directors shall be determined by the Board. Each director is elected annually and holds office until his or her successor is duly elected and qualified. Directors duly elected and serving as of December 31, 2024, were as follows:

<u>Name</u>	<u>Title</u>
Nicholas Seminara	Executive Vice President, SPSLIC
William Herbert Heyman	Vice Chairman, SPSLIC
Christine Kucera Kalla	Executive Vice President, SPSLIC
Michael Frederick Klien	Executive Vice President, SPSLIC
Daniel Stephen Frey	Executive Vice President, SPSLIC

Officers

The Company's officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, Chairman of the Board, Corporate Secretary and Treasurer. Other officers may be elected by or under the authority of the Board. All officers shall hold their respective offices during the pleasure of the Board. The Company's primary officers serving as of December 31, 2024, were as follows:

<u>Name</u>	<u>Title</u>
Nicholas Seminara	President
William Herbert Heyman	Vice Chairman
Avrohom Yaakov Kess	Vice Chairman and Chief Legal Officer
Andy Francis Bessette	Executive Vice President and Chief Administrative Officer
Daniel Stephen Frey	Executive Vice President and Chief Financial Officer
Bruce Richard Jones	Executive Vice President, ERM and Chief Risk Officer
Christine Kucera Kalla	Executive Vice President and General Counsel
Mojgan Mehdian LeFebvre	Executive Vice President, Chief Technology and Operations Officer
David Donnay Rowland	Executive Vice President and Co-Chief Investment Officer
Daniel Tei-Hwa Yin	Executive Vice President and Co-Chief Investment Officer
Douglas Keith Bell	Senior Vice President, Accounting Standards
Paul Edward Munson	Senior Vice President, Finance and Corporate Controller
Scott William Rynda	Senior Vice President, Corporate Tax
Julie Marie Joyce	Senior Vice President and Chief Corporate Actuary
Larry Jay Mills, Jr.	Vice President, Finance and Treasurer
Wendy Constance Skjerven	Vice President, Corporate Secretary and Group General Counsel

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including approval of investment transactions as required by 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination as required by 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 of the Delaware Insurance Code. The Company is an indirect subsidiary of TRV, which is publicly traded on the New York Stock Exchange. The following is an abbreviated organizational chart of the insurance holding company system as of December 31, 2024:

Company	NAIC #	Domicile
The Travelers Companies, Inc. (TRV)		CT
St. Paul Fire and Marine Insurance Co (SPFMIC)	24767	CT
St. Paul Surplus Lines Insurance Co (SPSLIC)	30481	DE

Agreements with Affiliates

The following significant affiliated agreements were in effect as of December 31, 2024:

Expense Allocation Agreement

Effective January 1, 2007, the Company became party to an Amended and Restated Expense Allocation Agreement by and among The Travelers Indemnity Company (Indemnity) and other specified affiliates. In accordance with the agreement, Indemnity provides or contracts with third parties to provide services on behalf of parties to the agreement. Services provided under the agreement may include, but are not limited to, financial management; operational management;

accounting; advertising; treasury; property management; payroll; internal and external audit; human resource management; tax; transportation; risk management; legal; investment management and advisory; government relations; records management and data processing; the acquisition/lease/license/maintenance of equipment, intellectual property, software and office space; information technology; benefits administration and support; underwriting; claim handling and administration; billing and collection; business processing; agency administration and general administration. The Company reimburses Indemnity for direct and indirect costs associated with the services received as determined by allocation methods consistent with requirements of the NAIC *Accounting Practices and Procedures Manual*. Reimbursement is on a cost basis with no profit or loss to Indemnity.

Tax Allocation Agreement

Effective September 1, 2017, the Company became party to an Amended and Restated Tax Allocation Agreement with TRV and specified TRV subsidiaries. The agreement sets forth the way total consolidated federal income tax is allocated among companies included in the consolidated return. In accordance with the agreement, member companies included in the TRV consolidated return are allocated taxes annually based upon their separate taxable income. Member companies with a current federal income tax receivable from TRV will receive settlement to the extent that such receivables are for tax benefits that have been utilized in the consolidated income tax return. Member companies are reimbursed by TRV in the event the Internal Revenue Service levies participants assets for unpaid taxes in excess of the amount specifically allocated to each member.

Money Market Liquidity Pool

Effective May 24, 2006, the Company became a party to the Pooling Agreement for Travelers Money Market Liquidity. The agreement sets forth the terms of a private short-term investment pool, known as the Travelers Money Market Liquidity Pool (TRVMMLP), in which affiliated companies may participate. The TRVMMLP is managed by Indemnity. In accordance with the agreement, each participant may convert its position in the TRVMMLP into cash at any time and may also use its position in the TRVMMLP to settle transactions with other affiliated participants. The position of each participant in the TRVMMLP is calculated and adjusted daily. As of December 31, 2024, the Company reported its share of the TRVMMLP as a short-term investment/cash equivalent.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2024, the Company is licensed in the State of Delaware and is eligible to write business as a surplus lines' insurance carrier in all other states, Puerto Rico and the U.S. Virgin Islands. The Company's principal lines of business include general liability, umbrella and excess liability, commercial multiple peril, commercial property and inland marine. The Company's products are distributed through independent surplus lines brokers.

REINSURANCE

The Company is a participant in an intercompany reinsurance pooling arrangement referred to as in the TRV Reinsurance Pool. The lead entity and administrator of the TRV Reinsurance Pool is Indemnity. Under the terms of the arrangement, the property-casualty underwriting risks for substantially all lines of business of the intercompany pool participants are reinsured with Indemnity. The pool of net underwriting risks remaining after reinsurance is transacted with third parties by Indemnity is then retroceded to the pool participants based on pool participation

percentages. The provision for reinsurance and write-off of uncollectible reinsurance are reported in the statutory financial statements of Indemnity and are not allocated to the other pool participants. As of December 31, 2024, the following companies participated in the TRV Reinsurance Pool:

<u>TRV Reinsurance Pool Participant</u>	<u>NAIC Company Code</u>	<u>Pool Participation Percent</u>
The Travelers Indemnity Company	25658	25.20
St. Paul Fire & Marine Insurance Company	24767	24.79
Travelers Casualty and Surety Company	19038	20.36
The Phoenix Insurance Company	25623	5.00
The Standard Fire Insurance Company	19070	4.84
United States Fidelity and Guaranty Company	25887	4.41
Travelers Casualty Ins. Company of America	19046	2.73
Farmington Casualty Company	41483	1.48
The Automobile Insurance Company of Hartford, CT	19062	1.37
The Travelers Indemnity Company of Connecticut	25682	1.37
The Charter Oak Fire Insurance Company	25615	1.27
Northland Insurance Company	24015	1.22
The Travelers Indemnity Company of America	25666	0.77
St. Paul Protective Insurance Company	19224	0.58
Travelers Casualty Company of Connecticut	36170	0.47
Travelers Commercial Casualty Company	40282	0.47
Travelers Commercial Insurance Company	36137	0.47
St. Paul Mercury Insurance Company	24791	0.40
Travelers Property Casualty Company of America	25674	0.36
Travelers Property Casualty Insurance Company	36161	0.30
The Travelers Casualty Company	41769	0.29
Travelers Constitution State Insurance Company	41750	0.29
TravCo Insurance Company	28188	0.27
The Travelers Home and Marine Insurance Company	27998	0.27
Travelers Personal Insurance Company	38130	0.27
Travelers Personal Security Insurance Company	36145	0.27
TravCo Personal Insurance Company	36463	0.14
Northland Casualty Company	24031	0.14

St. Paul Surplus Lines Insurance Company

Fidelity and Guaranty Insurance Underwriters, Inc.	25879	0.10
St. Paul Gauardina Insurance Company	24775	0.10
American Equity Specialty Insurance Company	10819	0.00
Travelers Specialty Insurance Company	10213	0.00
Northfield Insurance Company	27987	0.00
St. Paul Surplus Lines Insurance Company	30481	0.00
Travelers Excess and Surplus Lines Company	29696	0.00

All the above TRV Reinsurance Pool companies are party to reinsurance agreements with non-affiliated reinsurers covering business subject to the pooling agreement and have contractual rights of direct recovery from the non-affiliated reinsurers under the terms of such reinsurance agreements. As of December 31, 2024, the SPSLIC had a net payable of \$1,398,552 to Indemnity as a result of its intercompany pooling transactions that settled in January 2025.

FINANCIAL STATEMENTS

Financial Statements as reported and filed by the Company with the Department are reflected in the following:

- 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

St. Paul Surplus Lines Insurance Company

Assets
as of December 31, 2024

	Assets	Non admitted Assets	Net Admitted Assets
Bonds	\$ 205,048,941	\$ -	\$ 205,048,941
Cash and cash equivalents	3,456,672	-	3,456,672
Securities lending reinvested collateral assets	<u>723,962</u>	<u>-</u>	<u>723,962</u>
Subtotals, cash and invested assets	<u>\$ 209,229,575</u>	<u>\$ -</u>	<u>\$ 209,229,575</u>
Investment income due and accrued	2,028,888	-	2,028,888
Amounts recoverable from reinsurers	(1,308)	-	(1,308)
Receivable from parent, subsidiary and affiliates	1,407,381	-	1,407,381
Aggregate write-ins for other than invested assets:			
Other assets	<u>601</u>	<u>-</u>	<u>601</u>
Total	<u>\$ 212,665,136</u>	<u>\$ -</u>	<u>\$ 212,665,136</u>

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

		<u>Notes</u>
Losses	\$ -	1
Reinsurance payable on paid losses and loss adjustment expense	-	
Loss adjustment expense	-	1
Other expenses	29,246	
Current federal and foreign income taxes	249,949	
Net deferred tax liability	1,657,628	
Ceded reinsurance premiums payable	1,397,243	
Payable for securities lending	<u>723,962</u>	
Total liabilities	<u>\$ 4,058,029</u>	
Common capital stock	4,100,000	
Gross paid in and contributed surplus	56,030,937	
Unassigned funds (surplus)	<u>148,476,170</u>	
Surplus as regards policyholders	<u>\$ 208,607,107</u>	
Total liabilities, surplus and other funds	<u><u>\$ 212,665,136</u></u>	

Statement of Income
for the Year Ended December 31, 2024

Premiums earned	\$	-
DEDUCTIONS		
Losses incurred	\$	-
Loss adjustment expenses incurred		
Other underwriting expenses incurred		
Total underwriting deductions	<u>\$</u>	<u>-</u>
Net underwriting gains (losses)	<u>\$</u>	<u>-</u>
INVESTMENT INCOME		
Net investment income earned	\$	6,641,478
Net realized capital gains (losses)		<u>(238,252)</u>
Net investment gain	<u>\$</u>	<u>6,403,226</u>
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:		
Profit and loss, miscellaneous		<u>(99,915)</u>
Total other income	<u>\$</u>	<u>(99,915)</u>
<hr/>		
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>\$</u>	<u>6,303,311</u>
Dividends to policyholders		
<hr/>		
Net income after dividends to policyholders after capital gains tax and before all other federal and foreign income taxes	<u>\$</u>	<u>6,303,311</u>
Federal and foreign income taxes incurred		<u>1,197,545</u>
Net income	<u>\$</u>	<u><u>5,105,766</u></u>

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

	Aggregate Write- ins for Special Surplus	Common Capital Stock	Gross Paid In and Contributed Surplus	Unassigned Funds (Surplus)	Total
December 31, 2019	\$ 427,846	\$ 4,100,000	\$ 56,030,937	\$ 124,315,801	\$ 184,874,584
2020 Net Income	-	-	-	32,571,602	32,571,602
2020 Other Changes ¹	(427,846)	-	-	(9,431,447)	(9,859,293)
2020 Stockholder Dividends	-	-	-	(18,800,000)	(18,800,000)
December 31, 2020	<u>\$ -</u>	<u>\$ 4,100,000</u>	<u>\$ 56,030,937</u>	<u>\$ 128,655,956</u>	<u>\$ 188,786,893</u>
2021 Net Income	-	-	-	3,842,740	3,842,740
2021 Other Changes ¹	-	-	-	512,836	512,835
December 31, 2021	<u>\$ -</u>	<u>\$ 4,100,000</u>	<u>\$ 56,030,937</u>	<u>\$ 133,011,532</u>	<u>\$ 193,142,468</u>
2022 Net Income	-	-	-	3,833,542	3,833,542
2022 Other Changes ¹	-	-	-	814,041	814,041
December 31, 2022	<u>\$ -</u>	<u>\$ 4,100,000</u>	<u>\$ 56,030,937</u>	<u>\$ 137,659,115</u>	<u>\$ 197,790,051</u>
2023 Net Income	-	-	-	4,178,222	4,178,222
2023 Other Changes ¹	-	-	-	1,037,909	1,037,909
December 31, 2023	<u>\$ -</u>	<u>\$ 4,100,000</u>	<u>\$ 56,030,937</u>	<u>\$ 142,875,246</u>	<u>\$ 203,006,182</u>
2024 Net Income	-	-	-	5,105,766	5,105,766
2024 Other Changes ¹	-	-	-	495,158	495,158
December 31, 2024	<u>\$ -</u>	<u>\$ 4,100,000</u>	<u>\$ 56,030,937</u>	<u>\$ 148,476,170</u>	<u>\$ 208,607,107</u>

¹Other Changes in Unassigned Funds (Surplus) for each year may include change in net unrealized capital gains/losses, change in net deferred income taxes, change in non-admitted assets and change in the provision for reinsurance. In 2020, the \$427,876 aggregate write-ins for special surplus funds was earned and is included within the other changes.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$ 0
Loss Adjustment Expenses	\$ 0

The examination liability for the aforementioned captioned items of \$0 and \$0 are the same as reported by the Company as of December 31, 2024. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with General Accepted Actuarial Principles and Statutory Accounting Principles, including NAIC Accounting Practices and Procedures Manual, SSAP No. 55.

SUBSEQUENT EVENTS

There were no significant subsequent events noted for disclosure in this examination report.

SUMMARY OF RECOMMENDATIONS

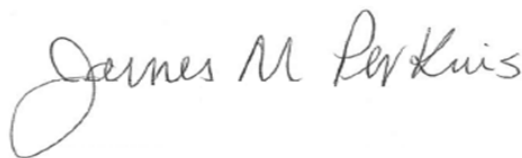
There were no recommendations as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the INS Consulting Actuary, the Company's outside audit firm, KPMG, and the Company's management and staff, was appreciated and is acknowledged.

Respectfully submitted,



Craig Jackson, CFE
Examiner-In-Charge
State of Delaware



James M. Perkins, CFE
Supervising Examiner
State of Delaware

St. Paul Surplus Lines Insurance Company

I, Craig Jackson, 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 Authority No. 25.028.

A handwritten signature in black ink that reads "Craig Jackson". The signature is written in a cursive, flowing style.

Craig Jackson, CPA, CFE