

EXAMINATION REPORT OF  
NORTHFIELD INSURANCE COMPANY  
DES MOINES, IOWA  
AS OF DECEMBER 31, 2019

Des Moines, Iowa  
April 5, 2021

HONORABLE DOUG OMMEN  
Commissioner of Insurance  
State of Iowa Insurance Division  
Des Moines, Iowa

Commissioner:

In accordance with your respective authorizations and pursuant to Iowa statutory provisions, an examination has been made of the records, business affairs and financial condition of

NORTHFIELD INSURANCE

COMPANY DES MOINES, IOWA

AS OF DECEMBER 31, 2019

at its offices located at One Tower Square, Hartford, Connecticut. The report of such examination, containing applicable comments, explanations and financial data, is presented herein.

#### INTRODUCTION

Northfield Insurance Company, hereinafter referred to as “Northfield” or the “Company”, was previously examined as of December 31, 2014. The examination reported herein was conducted as a coordinated examination of an insurance holding company group with the Insurance Division of Connecticut acting as the Lead State. This Report of Examination reflects the operation and examination results for the Company, including its financial condition as of December 31, 2019.

#### SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2015 to the close of business on December 31, 2019, including any material transactions and/or events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The Handbook requires that the Division plan and perform the examination to evaluate the financial condition, 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 and general information about the insurer and its financial condition.

## HISTORY

The Company was incorporated under the laws of the State of Delaware on February 15, 1972, to transact insurance business of all classes except life, title, and mortgage insurance. On August 23, 1988, the Company was re- domesticated to the State of Missouri.

On December 15, 1998, the Company's ultimate controlling parent company, The Northland Company (TNC) and its subsidiary Jupiter Holdings, Inc., and Jupiter's insurance subsidiaries, were purchased by Associates First Capital Corporation. Effective January 1, 2002, the Company re- domesticated from the State of Missouri to the State of Iowa. Indemnity acquired the outstanding stock of TNC on October 1, 2001.

As a result of internal reorganization of certain insurance subsidiaries of The Travelers Companies, Inc., the Jupiter Holdings Inc. Pool Agreement was commuted and terminated effective January 1, 2007. The Inter-company Management Agreement was terminated in conjunction with the termination of the Jupiter Pool. On the same date the Company became a member of the TRV Pool with 0.52 percentage pool participation. The TRV Pool is an intercompany pooling arrangement that is led by The Travelers Indemnity Company. (See the Reinsurance section of this report for a further description of the TRV Pool.) The Company had a 52% share in the TRV Pool as of December 31, 2019; however, as of January 1, 2020 no longer retains a share in the pool.

On February 26, 2007, the Company's ultimate parent, The St. Paul Travelers Companies, Inc. changed its name to The Travelers Companies, Inc. (TRV) and began trading on the New York Stock Exchange under the symbol "TRV".

## MANAGEMENT AND CONTROL

### CAPITAL STOCK AND DIVIDENDS

The Company has 35,000 shares of common capital stock authorized, issued and outstanding with a par value of \$100 per share for authorized capital of \$3,500,000. All authorized shares have been issued. Gross paid in and contributed surplus totaled \$18,350,000. Cash dividends paid to the stockholder during the period under review are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 14,800,000
2016	\$ 15,300,000
2017	\$ 12,700,000
2018	\$ 9,900,000
2019	\$ 9,200,000

## ORGANIZATIONAL STRUCTURE

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa, and is wholly owned by its direct parent, Northland Insurance Company. The Company has no subsidiaries and is an indirect subsidiary of TRV, a publicly traded holding company incorporated in Minnesota. The Travelers holding company structure, as of December 31, 2019, is depicted in the following abbreviated table:

<u>Company</u>	<u>Domiciliary Jurisdiction</u>
The Travelers Companies, Inc.	Minnesota
Travelers Property Casualty Corp.	Connecticut
Travelers Insurance Group Holdings Inc.	Delaware The
Travelers Indemnity Company	Connecticut
Northland Insurance Company	Connecticut
<b>Northfield Insurance Company</b>	<b>Iowa</b>

## STOCKHOLDERS

The Bylaws prescribe that the annual meetings of the stockholders shall be held on the second Tuesday in April of each year in the city of Mendota Heights, Minnesota, or at such other place as may be designated in the notice of such meeting. Written notice of the annual meeting and any special meeting shall be given to each stockholder entitled to vote at least ten days before the date of the meeting, stating the time, place and object thereof. At such meeting, the Board of Directors shall be elected and such other business shall be transacted as may be properly brought before the meeting.

## BOARD OF DIRECTORS

The Articles of Incorporation and Bylaws provide that the number of directors which shall constitute the full Board shall be not less than five nor more than twenty-one. Directors need not be stockholders. In May 2013 the number of directors was fixed at six (6). Directors shall hold office until the next annual election and until their successors are duly elected and qualified, unless sooner terminated. Any vacancy occurring on the Board of Directors may be filled by a majority vote of the remaining directors.

A regular meeting of the Board of Directors shall be held immediately after the annual meeting of the stockholders. The Board of Directors may hold both regular and special meetings, either within or without the state of Iowa. Special meetings of the Board shall be called by either the President or the Secretary and shall be called upon the written request of two directors on 24- hour notice.

Directors elected at the 2019 annual meeting and serving at the date of examination were:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>
Nicholas Seminara Hartford, CT	President The Travelers Indemnity Company
Daniel Stephen Frey Hartford, CT	Executive Vice President & Chief Financial Officer The Travelers Indemnity Company

<u>Name and Address</u>	<u>Principal Business Affiliation</u>
William Herbert Heyman New York, NY	Vice Chairman The Travelers Indemnity Company
Christine Kucera Kalla St. Paul, MN	Executive Vice President & General Counsel The Travelers Indemnity Company
Gregory Cheshire Toczydowski Hartford, CT	Executive Vice President & President, & President Business Insurance The Travelers Indemnity Company

A majority of the outstanding shares of the Company entitled to vote, represented in person or by proxy, shall constitute a quorum at any meeting of the stockholders. During the course of the examination, Stockholders met and decided matters by written consent as opposed to meeting in person.

### COMMITTEES

The Company's Board of Directors established three committees of the Board at its 2019 Annual meeting, an Executive Committee, an Investment Committee, and an Audit Committee. In addition, the Board resolved that the Audit Committee of The Travelers Insurance Group Holdings, Inc. be designated as the Company's Audit Committee. The following persons were serving as committee members as of December 31, 2019:

<u>Dividend Committee</u>	<u>Executive Committee</u>	<u>Investment Committee</u>
Daniel S. Frey	Daniel S. Frey William H. Heyman Nicholas Seminara	Daniel S. Frey William H. Heyman Nicholas Seminara

### OFFICERS

The Bylaws prescribe that the officers of the Company shall be chosen by the Board of Directors and shall be a Chairman of the Board, a President, such number of Vice Presidents as may be deemed necessary, a Secretary, and a Treasurer. The Board may also choose one or more assistant vice presidents, assistant secretaries and assistant treasurers. Two or more offices may be held by the same person, except that where the offices of President and Secretary are held by the same person such person shall not hold any other office. Officers elected at the 2019 annual meeting as reported on the jurat page include the following:

<u>Name</u>	<u>Title</u>
Nicholas Seminara	President
Jay Steven Benet	Vice Chairman
William Herbert Heyman	Vice Chairman
Avrohom Yaakov Kess	Vice Chairman & Chief Legal Officer
Andy Francis Bessette	Executive Vice President & Chief Administrative Officer

<u>Name</u>	<u>Title</u>
Daniel Stephen Frey	Executive Vice President & Chief Financial Officer
Bruce Richard Jones	Executive Vice President, Enterprise Risk Management & Chief Risk Officer
Christine Kucera Kalla	Executive Vice President & General Counsel
Mojgan Mehdian Lefebvre	Executive Vice President & Chief Technology & Operations Officer
David Donnay Rowland	Executive Vice President, Co-Chief Investment Officer
Daniel Tei-Hwa Yin	Executive Vice President, Co-Chief Investment Officer
Douglass Keith Bell	Senior Vice President, Accounting Policy
Douglas Kenneth Russell	Senior Vice President, Treasurer, & Corporate Controller
Scott William Rynda	Senior Vice President, Corporate Tax
Wendy Constance Skjerven	Vice President, Corporate Secretary, & Group General Counsel
Julie Marie Joyce	Vice President & Chief Corporate Actuary

#### CONFLICT OF INTEREST STATEMENTS

The Company has an established procedure for annual disclosure to its Board of Directors of any material interest or affiliation on the part of its officers, directors, or key employees that is, or is likely to be, in conflict with the official duties of such person. All directors and officers completed statements and conflict questionnaires for 2019 with no issues noted.

#### CORPORATE RECORDS

The Articles of Incorporation and Bylaws were not amended during the period under review. The recorded minutes of the meetings of the stockholders and Board of Directors were reviewed and appeared to be complete and properly attested.

#### INTERCOMPANY AGREEMENTS

The Company, as a subsidiary and affiliate of The Travelers Indemnity Company (TIC), is party to intercompany cost sharing and administrative services agreements, investment services agreements for custodian services, and expense allocation agreements.

##### Expense Allocation Agreement

This agreement, which was amended in 2017, allows TIC to provide services required in the ordinary course of business. Such services may include financial management, operational management, accounting, treasury, property management, payroll, internal audit, human resource management, risk management, legal, government relations, records management and data processing, etc. with the sharing and payment of expenses and costs among affiliates. TIC makes individual company expense allocations

using appropriate measures on a basis consistent with applicable statutory provisions and related guidance consistently applied. Statements of services and reimbursements are provided and remitted monthly, with payments made by inter-company credits and debits settled monthly in arrears.

#### Tax Allocation Agreement

Effective April 1, 2004, the Company became a party to the TRV tax allocation agreement, as amended and restated effective September 1, 2017, which sets forth the manner in which the total consolidated federal income tax is allocated. Member companies included with the TRV consolidated group tax return are allocated taxes annually based on their separate taxable income. 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 federal income tax return. Member companies are reimbursed by TRV in the event the Internal Revenue Service levies upon a member's assets for unpaid taxes in excess of the amount specifically allocated to a member.

#### Money Market Liquidity Pool

Effective January 1, 2005, the Company became a party to a private short-term investment pool, known as the Travelers Money Market Liquidity Pool (TRVMMLP), in which affiliated companies may participate. This pool is managed by The Travelers Indemnity Company with each affiliate having the ability to convert its position in the pool into cash at any time and may also use its position in the pool to settle transactions with other affiliated participants in the pool. The position of each company in the pool is calculated and adjusted daily. Each participating insurance company carries its share of the pool as a short-term investment in Schedule DA.

### FIDELITY BOND AND OTHER INSURANCE

The Company, along with its affiliates, is protected by a blanket bond which covers the fidelity of each officer and employee. The bond is written by an authorized insurer with coverage that meets the NAIC's suggested minimum amount of fidelity insurance.

Other insurable interests appeared to be adequately protected by insurance policies currently in force.

### EMPLOYEES' WELFARE

The Company has no direct employees, as all personnel and related pension, stock ownership, and insurance plans are maintained by TRV or Travelers Property Casualty Corp., and any associated liabilities are recorded by these entities. All management and personnel services are allocated as per the Expense Allocation Agreement.

### REINSURANCE

The Company is a participant in the TRV Reinsurance Pool and cedes 100% of its direct written premiums into the pool as governed by a Quota Share Reinsurance Agreement effective January 1, 2007. The lead company of the TRV Pool is The Travelers Indemnity Company (Indemnity). The Company's participation percentage is 0.52%. The provision for reinsurance and the write off of uncollectable reinsurance are reported in the statements of Indemnity and are not allocated to the Company or other pool participants.

Effective January 1, 2020, after receiving all required regulatory approvals, the TRV Reinsurance Pool was amended. As a result of this amendment, the Company, St. Paul Surplus Lines Insurance Company, Travelers Excess and Surplus Lines Company, Discover Specialty Insurance Company, and American Equity Specialty Insurance Company each remain a member of the TRV Reinsurance Pool and continue to cede 100% of their direct and assumed business to Indemnity, but their retrocession from Indemnity, as well as their quota share percentage of the Pool's business, was reduced to zero. There was no impact to the Company's surplus as a result of the amendment.

### SPECIAL DEPOSIT

The Company had invested assets with a fair value of \$3,137,939 held in a special deposit with the state of Iowa for the benefit of all policyholders. Other special deposits were held with the states of New York and South Carolina totaling \$3,000,918 for their respective statutory requirements. Book value totaled \$5,897,148 for all statutory deposits.

### TERRITORY AND PLAN OF OPERATION

The Company is licensed in the State of Iowa and operated as a non-admitted surplus lines carrier in all other states. The Company's primary products include general liability, commercial property and inland marine coverages to meet the needs of owners and operators of commercial trucks, limousines and shuttle operations, owners of small businesses and others whose businesses include transporting people or goods.

The Company and its affiliates, Northland Insurance Company, and Northland Casualty Company are managed as a single entity with three divisions referred to as customer groups: commercial lines, specialty lines and personal lines. Each customer group is responsible for the growth and underwriting profit for specific products. Product design, pricing, risk selection criteria, service standards and promotion are coordinated by product managers. Underwriting and claims services are also provided within each customer group. Additional support such as actuarial, agency and agent services, administration, records, data processing, finance, legal, office services and personnel are provided by support departments serving more than one customer group.

### GROWTH OF COMPANY

The following historical financial data, as taken from the Company's Annual Statements for the years indicated, displays its growth:

<u>Year</u>	<u>Admitted Assets</u>	<u>Capital and Surplus</u>	<u>Liabilities</u>	<u>Gross Premiums Written</u>
2015	\$383,550,876	\$127,725,636	\$255,825,240	\$226,199,512
2016	387,976,784	125,333,103	262,643,681	232,094,121
2017	391,939,719	120,215,771	271,723,947	247,481,351
2018	413,781,234	118,959,624	294,821,610	277,994,217
2019	416,982,841	121,463,545	295,519,296	327,002,132



## ACCOUNTS AND RECORDS

The Company's general ledgers are maintained on an electronic, accrual basis. Trial balances were prepared for the examination years under review. Amounts from the general ledger accounts were reconciled and found to be in agreement with balances reported on the filed annual statements for assets, liabilities, income or disbursements.

## SUBSEQUENT EVENTS

### COVID-19 Pandemic

In March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there is significant uncertainty as to the impact the pandemic will have on the economy, insurance industry and the Company. In addition, this uncertainty has contributed to extreme volatility in the financial markets. As such, the Iowa Insurance Division will continue to monitor COVID-19 developments.

Effective January 1, 2020, after receiving all required approvals, the TRV Pool was amended whereby the percent of participation changed for the participants as indicated below:

<b><u>Pool Participant</u></b>	<b><u>Pool Participation</u></b>
The Travelers Indemnity Company	*25.20%
St. Paul Fire and Marine Insurance Company	24.79%
Travelers Casualty and Surety Company	20.36%
The Phoenix Insurance Company	5.00%
The Standard Fire Insurance Company	4.84%
United States Fidelity and Guaranty Company	4.41%
Travelers Casualty Insurance Company of America	2.73%
Farmington Casualty Company	1.48%
The Automobile Insurance Company of Hartford, Connecticut	1.37%
The Travelers Indemnity Company of Connecticut	1.37%
The Charter Oak Fire Insurance Company	1.27%
Northland Insurance Company	1.22%
The Travelers Indemnity Company of America	0.77%
St. Paul Protective Insurance Company	0.58%
Travelers Casualty Company of Connecticut	0.47%
Travelers Commercial Casualty Company	0.47%
Travelers Commercial Insurance Company	0.47%
St. Paul Mercury Insurance Company	0.40%
Travelers Property Casualty Company of America	0.36%
Travelers Property Casualty Insurance Company	0.30%
The Travelers Casualty Company	0.29%
Travelers Constitution State Insurance Company	0.29%
TravCo Insurance Company	0.27%
The Travelers Home and Marine Insurance Company	0.27%
Travelers Personal Security Insurance Company	0.27%
Travelers Personal Insurance Company	0.27%
Discover Property & Casualty Insurance Company	0.14%
Northland Casualty Company	0.14%
Fidelity and Guaranty Insurance Underwriters, Inc.	0.10%
St Paul Guardian Insurance Company	0.10%
American Equity Specialty Company	*0.00%

Discover Specialty Insurance Company	*0.00%
Northfield Insurance Company	*0.00%
St. Paul Surplus Lines Insurance Company	*0.00%
Travelers Excess and Surplus Lines Company	*0.00%
<b>TRV Pool Total</b>	<b><u>100.00%</u></b>

\*Pool participation changed effective January 1, 2020

FINANCIAL STATEMENTS

AND COMMENTS THEREON

NOTE: The following financial statements are based on the statutory financial statements filed by the Company with the Iowa Insurance Division and present the financial condition of the Company for the period ending December 31, 2019.

	<u>ASSETS</u>		
	<u>Ledger</u>	<u>Non-Admitted</u>	<u>Admitted</u>
Bonds	\$335,046,207	\$ 0	\$335,046,207
Cash and short-term investments	19,218,869	0	19,218,869
Other invested assets	3,527,592	0	3,527,592
Securities lending reinvested collateral assets	3,245,592	0	3,245,592
Investment income due and accrued	3,177,380	0	3,177,380
Uncollected premiums and agents' balances	8,695,350	908,965	7,786,386
Deferred premiums, agents' balance and installments booked and not yet due	27,486,824	159,683	27,327,142
Accrued retrospective premium	471,268	44,096	427,172
Amounts recoverable from reinsurers	8,861,511	0	8,861,511
Net deferred tax asset	5,770,479	1,264,224	4,506,255
Receivables from parent, subsidiaries and affiliates	2,664,176	0	2,664,176
Aggregate write-ins for other-than-invested assets	<u>1,232,039</u>	<u>37,478</u>	<u>1,194,561</u>
 Total assets	 <u>\$419,397,287</u>	 <u>\$2,414,446</u>	 <u>\$416,982,841</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$168,157,744
Reinsurance payable on losses and loss adjustment expense	7,472,499
Loss adjustment expenses	38,279,585
Commission payable, contingent commissions and other similar charges	4,110,904
Other expenses	3,218,109
Taxes, licenses and fees	1,559,556
Current federal and foreign income taxes	524,528
Unearned premiums	60,746,968
Dividends declared and unpaid: Policyholders	309,186
Ceded reinsurance premiums payable	4,381,451
Amounts withheld or retained by company for account of others	3,734,209
Payable for securities lending	3,245,592
Aggregate write-ins for liabilities	<u>(221,035)</u>
 Total liabilities	 <u>\$295,519,296</u>
Write-in for special surplus funds	\$ 252,818
Common capital stock	3,500,000
Gross paid in and contributed surplus	18,350,000
Unassigned funds (surplus)	<u>99,360,727</u>
 Surplus as regards policyholders	 <u>\$121,463,545</u>
 Total liabilities and surplus	 <u>\$416,982,841</u>

UNDERWRITING AND INVESTMENT EXHIBIT  
ONE YEAR PERIOD ENDING DECEMBER 31, 2019

STATEMENT OF INCOME

<u>Underwriting Income</u>		
Premium earned		\$128,091,649
<u>Deductions</u>		
Losses incurred	\$74,526,832	
Loss adjustment expenses incurred	13,414,485	
Other underwriting expenses incurred	<u>37,343,551</u>	
Total underwriting deductions		<u>125,284,869</u>
Net underwriting gain (loss)		\$ 2,806,781
<u>Investment Income</u>		
Net investment income earned	\$10,532,227	
Net realized capital gains (losses)	<u>419,948</u>	
Net investment gain (loss)		\$ 10,952,174
<u>Other Income</u>		
Net loss from agents' balances or premium balances charged off	\$ (287,156)	
Finance and service charges not included in premiums	474,127	
Aggregate write-ins for miscellaneous income	<u>(31,410)</u>	
Total other income		<u>155,560</u>
Net Income before dividends to policyholders and before federal income tax		13,914,515
Dividends to policyholders		<u>215,372</u>
Net income after dividends to policyholders and before federal income tax		\$ 13,669,143
Federal income taxes incurred		<u>1,930,939</u>
Net income		<u>\$ 11,768,204</u>

CAPITAL AND SURPLUS  
ACCOUNT

Surplus as regards policyholders, December 31, 2018	<u>118,959,624</u>
<u>Gains and (Losses) in Surplus</u>	
Net income	\$ 11,768,204
Change in net unrealized capital gains or (losses)	44,272
Change in net unrealized foreign exchange capital gain	335
Change in net deferred income tax	(45,956)
Change in non-admitted assets	(62,934)
Dividends to stockholders	<u>(9,200,000)</u>
Change in surplus as regards policyholders for the year	<u>\$ 2,503,921</u>
Surplus as regards to policyholders, December 31, 2019	<u>\$ 121,463,545</u>

CASH FLOW STATEMENT

CASH FROM OPERATIONS

Premium collected net of reinsurance	142,333,988	
Net investment income	11,595,461	
Miscellaneous income	<u>155,560</u>	
Total		\$154,085,008
Benefit and loss related payments	69,360,886	
Commissions, expenses paid and aggregate write-in for deductions	49,832,001	
Dividends to policyholders	225,335	
Federal and foreign income taxes paid	<u>1,001,470</u>	
Total		<u>120,419,692</u>
Net cash from operations		<u>\$ 33,665,317</u>

CASH FROM INVESTMENTS

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 33,912,366	
Other invested assets	<u>1,626,576</u>	
Total investment proceeds		\$ 35,538,941
Cost of investments acquired:		
Bonds	\$ 40,381,698	
Other invested assets	956,453	
Miscellaneous applications	<u>8,938,198</u>	
Total investments acquired		50,276,349
Net cash from investments		<u>\$(14,737,407)</u>

CASH FROM FINANCING AND MISCELLANEOUS SOURCES

Cash applied:		
Dividends to stockholders	\$ 9,200,000	
Other cash provided	<u>(10,190,905)</u>	
Net cash from financing and miscellaneous sources		<u>\$(19,390,905)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments	\$ (462,996)
Cash and short-term investments:	
Beginning of year	<u>19,681,865</u>
End of year	<u>\$19,218,869</u>

CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Company during this examination.

Respectfully submitted,

/s/ Jan M. Moenck  
JAN M. MOENCK, CFE  
Examiner-in-Charge  
Risk& Regulatory Consulting, LLC  
Representing the State of Iowa

/s/ Daniel Mathis  
Daniel Mathis, CFE  
Supervisor and Assistant Chief Examiner  
Iowa Insurance Division