

STATE OF INDIANA )  
 ) SS: BEFORE THE INDIANA  
COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
 )  
Twin City Fire Insurance Company )  
501 Pennsylvania Parkway, Suite 400 )  
Indianapolis, Indiana 46280-0014 )

Examination of: **Twin City Fire Insurance Company**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Twin City Fire Insurance Company (hereinafter "Company") for the time period January 1, 2013 through December 31, 2017.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on March 1, 2019.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on March 12, 2019 and was received by the Company on March 18, 2019.

On April 18, 2019, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

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IN THE MATTER OF: )  
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Twin City Fire Insurance Company )  
501 Pennsylvania Parkway, Suite 400 )  
Indianapolis, Indiana 46280-0014 )

Examination of: **Twin City Fire Insurance Company**


**NOTICE OF ENTRY OF ORDER**

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Twin City Fire Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Twin City Fire Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

May 17, 2019  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0663**

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2017.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this May 17 day of May, 2019.

  
Stephen W. Robertson  
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

*[Handwritten signature]*

*[Handwritten signature]*

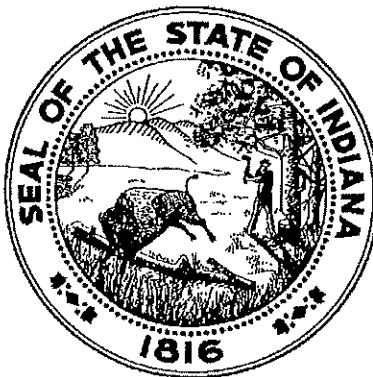
**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**TWIN CITY FIRE INSURANCE COMPANY**

NAIC Co. CODE 29459  
NAIC GROUP CODE 0091

As of

December 31, 2017



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# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

## Indiana Department of Insurance

Stephen W. Robertson, Commissioner  
311 W. Washington Street, Suite 103  
Indianapolis, Indiana 46204-2787  
Telephone: 317-232-2385  
Fax: 317-232-5251  
Website: [in.gov/doi](http://in.gov/doi)

March 1, 2019

Honorable Stephen W. Robertson, Commissioner  
Indiana Department of Insurance  
311 West Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3970, an examination has been made of the affairs and financial condition of:

**Twin City Fire Insurance Company**  
**501 Pennsylvania Parkway, Suite 400**  
**Indianapolis, Indiana 46280-0014**

hereinafter referred to as the "Company", or "TCFIC", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Hartford, Connecticut.

The Report of Examination, reflecting the status of the Company as of December 31, 2017, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2389    COMPANY COMPLIANCE 317-232-3495    CONSUMER SERVICES 317-232-2395/1-800-622-4461    FINANCIAL SERVICES 317-232-2390    MEDICAL MALPRACTICE 317-232-2402    COMPANY RECORDS 317-232-5692    STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2012. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2013 through December 31, 2017, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted 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 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.

The examination of the Connecticut domestic property and casualty insurance companies of The Hartford Financial Services Group, Inc., (HFSG) or (Group) was called by the Connecticut Insurance Department (CID) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The CID served as the lead state on the examination. The Illinois Department of Insurance, the Texas Department of Insurance, and the INDOI served as participants.

Oliver Wyman Actuarial Consulting, Inc., a consulting firm appointed by the CID, conducted a review of the loss and loss adjustment expense reserves as of December 31, 2017. There were no actuarial adjustments resulting from the review performed by Oliver Wyman Actuarial Consulting, Inc.

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, as in the Indiana Code (IC) 27-1-3.1-10 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 Company.

## HISTORY

The Company was incorporated on March 5, 1987, under the laws of Indiana and commenced business on July 1, 1987. The predecessor company, which was merged into the Company, was incorporated under the laws of New Jersey as the Citizens Insurance Company of New Jersey and commenced business on December 31, 1929.

The Company was a wholly owned subsidiary of Hartford Fire Insurance Company (HFIC), a Connecticut-domiciled stock property and casualty insurer. The Company is an indirect, 100% ultimately owned subsidiary of the HFSG, a publicly traded stock corporation engaged primarily in providing insurance and financial services including commercial and personal property and casualty products, as well as group disability, group life, and other group accident and health insurance products, and investment products services in the United States and internationally.



## CAPITAL AND SURPLUS

As of December 31, 2017, the Company had 35,000 shares of common capital stock authorized and 35,000 shares issued and outstanding with a par value of \$120 per share to its parent, HFSG.

## DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends to its parent, HFIC, during the examination period:

<u>Year</u>	<u>Ordinary Dividends</u>
2017	\$ 28,000,000
2016	26,000,000
2015	28,000,000
2014	28,000,000
2013	29,000,000
Total	<u>\$ 139,000,000</u>

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net income of such insurer of the prior year. All dividends paid during the examination period were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

## TERRITORY AND PLAN OF OPERATION

The Company is licensed to write multiple lines of property and casualty insurance in all fifty (50) states and the District of Columbia.

Member companies of the HFIC Pool provide the following commercial and consumer coverages through two (2) of HFSG's reporting segments: Commercial Lines and Personal Lines. The Commercial Lines segment includes three (3) lines of business: middle market, small commercial, and specialty. The Commercial Lines segment principally provides automobile, general liability, property, and workers' compensation insurance products to businesses, primarily throughout the United States. In addition, the specialty line of business provides automobile liability, automobile physical damage, bond, general liability, loss-sensitive workers' compensation, and professional liability insurance products. The Personal Lines segment provides automobile, homeowners, and personal umbrella coverages to individuals across the United States, including a program designed exclusively for members of AARP.

## GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2017	\$ 663,331,833	\$ 390,010,613	\$ 273,321,220	\$ 161,056,651	\$ 22,045,904
2016	675,475,171	394,213,606	281,261,565	157,751,005	21,036,479
2015	653,197,684	366,558,541	286,639,143	155,023,977	27,568,581
2014	650,422,253	361,513,736	288,908,518	151,450,297	27,560,357
2013	641,747,713	353,605,506	288,142,207	148,254,042	27,680,890

The Company's premiums grew consistently during the examination period. In 2016, the Company experienced weaker underwriting results and a decrease in net investment gain, resulting in lower net income when compared to 2015 results. The decrease in underwriting gain in 2016 was primarily attributable to increased losses in the private and commercial auto lines of business, and commercial multi-peril partially offset by improved underwriting results in the workers compensation line of business. Underwriting gains in 2017 improved over 2016 in the private and commercial auto lines of business partially offset by weaker experience in homeowners multi-peril and workers compensation lines of business. Dividends paid to the parent have been steady over the 5 year exam period and also contributed to changes in surplus.

## MANAGEMENT AND CONTROL

### Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of not less than five (5) nor more than twenty (20) members. The shareholder, at its annual meeting, elects the members of the Board.

The following is a listing of persons serving as directors as of December 31, 2017, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Douglas Graham Elliot Rocky Hill, Connecticut	President The Hartford Financial Services Group, Inc.
Brion Scott Johnson Avon, Connecticut	Executive Vice President and Chief Investment Officer The Hartford Financial Services Group, Inc.
Randle Lee McKee Springfield, Illinois	Vice President, Auto & Property Claims The Hartford Financial Services Group, Inc.
Robert William Paiano Farmington, Connecticut	Executive Vice President and Chief Risk Officer The Hartford Financial Services Group, Inc.
Anthony Joseph Phifer Tipton, Indiana	Regional Vice President, Auto & Property Claims The Hartford Financial Services Group, Inc.

## Officers

The Company's Bylaws state that the Board may from time to time elect or appoint a Chairman, a President, one (1) or more Vice Presidents, a Treasurer, a Secretary, and one (1) or more Assistant Treasurers and Assistant Secretaries, to serve at the pleasure of the Board.

The following is a list of key officers and their respective titles as of December 31, 2017:

<u>Name</u>	<u>Office</u>
Douglas Graham Elliot	President
Jonathan Ross Bennett	Senior Vice President and Chief Financial Officer
Sabra Rose Purtil	Senior Vice President and Treasurer
Michael Robert Hazel	Vice President and Controller
Omar Arif Kitchlew	Vice President and Appointed Actuary
Lisa Sue Levin	Corporate Secretary

## CONFLICT OF INTEREST

The Company maintains a Code of Conduct which addresses conflicts of interest. Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2017.

## OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2017.

## CORPORATE RECORDS

### Articles of Incorporation

There was one (1) amendment made to the Articles of Incorporation during the examination period on November 16, 2017. The amendment was to change the post office address of the Company's principal office as well as the number of votes required for adoption of a resolution of the Board.

### Bylaws

There was one (1) amendment made to the Bylaws during the examination period on July 15, 2013. The amendment was to eliminate unnecessarily formal language as well as to implement provisions that are consistent with a company that is a wholly-owned subsidiary of a publicly-held holding company.

## Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the end of the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws do not specify the date or time of when the annual meeting of shareholders is to be held. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year with the exception of 2013. However, measures have been implemented to bring the Company into compliance with IC 27-1-7-7(b) as a result of the prior examination, therefore no significant issues or findings are identified.

TCFIC's Audit Committee and Finance Committee meeting minutes were reviewed at the entity level.

The Group's committee meeting minutes were also reviewed for the following committees: Audit Committee, Compensation and Management Development Committee, Enterprise Risk and Capital Committee, Finance Investment and Risk Management Committee, and Nominating and Corporate Governance Committee.

## AFFILIATED COMPANIES

### Organizational Structure

The following abbreviated organizational chart shows the Company's parent and its upstream affiliates as of December 31, 2017:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
The Hartford Financial Services Group, Inc.		DE
Hartford Fire Insurance Company	19682	CT
<b>Twin City Fire Insurance Company</b>	<b>29459</b>	<b>IN</b>

### Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4:

#### *Investment Management Agreement*

Effective October 15, 2010, the Company, along with its affiliates, entered into an Investment Management Agreement with Hartford Investment Management Company (HIMCO). Pursuant to the terms of the agreement, HIMCO is to provide investment management services to the Company in return for a management fee as outlined in the Investment Management Agreement. The Company paid \$1,166,385 to HIMCO in 2017 for the services provided pursuant to this agreement.

#### *Investment Pooling Agreement*

The Company is party to an Investment Pooling Agreement with various affiliates, whereby the investment manager invests excess cash from various affiliated companies in qualified short-term investments in the name of Hartford Short-Term Investment Pool. Investment income and expenses are allocated on a pro-rata basis.

#### *Tax Allocation Agreement*

The Company is party to a Tax Allocation Agreement with the Group and its affiliates whereby consolidated federal income tax returns are filed and subsidiaries having taxable income will pay a tax liability equivalent to what the subsidiary would have paid if it had filed a separate federal income tax return for that year.

#### *Intercompany Liquidity Agreement*

Effective December 31, 2011, the Company joined the Intercompany Liquidity Agreement, between the Group and its listed affiliates. The agreement provides a mechanism for a short-term loan between the parties to the agreement. Loans may not exceed \$2 billion. There were no loans outstanding pursuant to this agreement as of the examination date.

#### *Cost Allocation Agreement*

Effective February 28, 2014, the Company entered into a Cost Allocation Agreement with HFIC and its affiliates. Pursuant to the terms of the agreement, the companies are to provide certain services to each other for the fair allocation of expenses among the parties.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Travelers Casualty and Surety Company of America. The bond has a single loss coverage limit of \$20,000,000 each loss with an aggregate limit of \$40,000,000 and a deductible of \$5,000,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2017, including, but not limited to: claim expense, computer systems, counterfeit money and counterfeit money orders, forgery or alteration, in transit, kidnap and ransom, real property mortgages – defective signatures, securities, servicing contractors, and third party administrators.

### **PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS**

The Company has no direct retirement plans. All personnel are employees of affiliated companies.

## STATUTORY DEPOSITS

The Company reported the following statutory deposits, as of December 31, 2017:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 3,429,888	\$ 3,679,551
All Other Special Deposits:		
California	341,086,925	358,539,334
Delaware	157,795	161,970
Georgia	194,334	202,479
Idaho	1,138,947	1,167,498
Massachusetts	150,642	153,599
Montana	272,587	284,885
Nevada	317,849	312,155
New Mexico	417,324	428,884
North Carolina	328,721	338,637
Oregon	11,791,788	12,266,932
Virginia	206,478	210,154
Department of Labor	461,059	487,851
Total Deposits	<u>\$ 359,954,337</u>	<u>\$ 378,233,929</u>

## REINSURANCE

### Reinsurance Pool

The property and casualty companies listed below participate in an Intercompany Reinsurance and Pooling Agreement (the Pool), whereby all property and casualty business written by these companies is ceded to HFIC, which acts as the lead pool reinsurer. The total pooled business is then redistributed to the various participants based on pre-determined percentages. Each participant in the Pool agrees to cede to HFIC, and HFIC accepts, assumes, and reinsures 100% of each other participant's underwriting liabilities. HFIC then negotiates and purchases external reinsurance intended to limit the net underwriting exposure of all Pool participants and then cedes back to each of the Pool participants their respective share of the net business. The Asbestos and Environmental reserve developments, which are subject to the adverse development cover reinsurance agreement with National Indemnity Company, reside on HFIC's balance sheet, and are not included in the Pool.

Each participant will share to the extent of their pooling share: (a) all premiums written, (b) all amounts paid or incurred during such period for losses, loss adjustment expenses, other underwriting expenses, and other specific losses arising out of their underwriting operations, (c) all claims and settlements involving business covered by the agreement, and (d) all resulting net underwriting income or loss. All participants settle their accounts monthly, within thirty (30) days of closing.

The following are member companies and their participation percentages in effect as of December 31, 2017:

Name of Pool Members	Percentage of Pool	Domiciliary State
Hartford Fire Insurance Company	41.50%	CT
Hartford Accident and Indemnity Company	32.69%	CT
Hartford Insurance Company of Illinois	10.10%	IL
<b>Hartford Casualty Insurance Company</b>	<b>5.50%</b>	<b>IN</b>
Hartford Underwriters Insurance Company	4.00%	CT
Pacific Insurance Company, Limited	1.70%	CT
<b>Twin City Fire Insurance Company</b>	<b>1.50%</b>	<b>IN</b>
Nutmeg Insurance Company	0.70%	CT
<b>Hartford Insurance Company of the Midwest Property and Casualty Insurance Company of Hartford</b>	<b>0.50%</b>	<b>IN</b>
Trumbull Insurance Company	0.50%	CT
Hartford Insurance Company of the Southeast	0.50%	CT
Sentinel Insurance Company, Ltd.	0.30%	CT
Hartford Lloyd's Insurance Company	0.01%	TX
Total	<u>100.0%</u>	

In 2017, the Company ceded \$1,344,245,000 in premiums and \$3,846,573,000 in loss, loss expense, IBNR and unearned premium reserves to HFIC and assumed \$160,587,000 in premiums and \$91,656,000 in losses and loss expense reserves and \$76,273,000 in unearned premium reserves arising from their share of the Pool.

### ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2016 and December 31, 2017, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2013 through December 31, 2017, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

TWIN CITY FIRE INSURANCE COMPANY

Assets

As of December 31, 2017

	<u>Per Examination*</u>
Bonds	\$ 619,767,851
Cash, cash equivalents and short-term investments	13,686,055
Other invested assets	935,305
Receivables for securities	3,568,228
Subtotals, cash and invested assets	<u>637,957,439</u>
Investment income due and accrued	6,234,950
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	8,943,779
Current federal and foreign income tax recoverable and interest thereon	892,328
Net deferred tax asset	6,407,000
Guaranty funds receivable or on deposit	53,177
Receivables from parent, subsidiaries and affiliates	786,160
Aggregate write-ins for other-than-invested assets	<u>2,057,000</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>663,331,833</u>
TOTAL	<u>\$ 663,331,833</u>

\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.



TWIN CITY FIRE INSURANCE COMPANY  
Liabilities, Surplus and Other Funds  
As of December 31, 2017

	Per Examination*
Losses	\$ 242,578,831
Reinsurance payable on paid losses and loss adjustment expenses	8,021,673
Loss adjustment expenses	51,151,773
Commissions payable, contingent commissions and other similar charges	2,018,318
Other expenses	4,195,320
Taxes, licenses and fees	1,950,313
Unearned premiums	76,273,050
Dividends declared and unpaid:	
Policyholders	309,015
Amounts withheld or retained by company for account of others	3,972
Remittances and items not allocated	1
Payable for securities	3,508,347
Total liabilities excluding protected cell liabilities	390,010,613
Total liabilities	390,010,613
Common capital stock	4,200,000
Gross paid in and contributed surplus	43,562,074
Unassigned funds (surplus)	225,559,146
Surplus as regards policyholders	273,321,220
TOTAL	\$ 663,331,833

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\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

TWIN CITY FIRE INSURANCE COMPANY  
Statement of Income  
For the Year Ended December 31, 2017

	Per Examination*
<b>UNDERWRITING INCOME</b>	
Premiums earned	\$ 161,056,651
DEDUCTIONS:	
Losses incurred	91,085,031
Loss adjustment expenses incurred	19,513,827
Other underwriting expenses incurred	47,982,417
Total underwriting deductions	158,581,276
Net underwriting gain (loss)	2,475,375
<b>INVESTMENT INCOME</b>	
Net investment income earned	19,132,413
Net realized capital gains (losses) less capital gains tax	(919,012)
Net investment gain (loss)	18,213,401
<b>OTHER INCOME</b>	
Finance and service charges not included in premiums	8,240,564
Aggregate write-ins for miscellaneous income	(5,772)
Total other income	8,234,792
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	28,923,569
Dividends to policyholders	341,533
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	28,582,036
Federal and foreign income taxes incurred	6,536,132
Net income**	\$ 22,045,904

\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

\*\* The balance includes immaterial rounding differences.

TWIN CITY FIRE INSURANCE COMPANY  
Capital and Surplus Account Reconciliation

	2017	2016	2015	2014	2013
Surplus as regards policyholders, December 31 prior year	\$281,261,565	\$286,639,143	\$288,908,518	\$288,142,207	\$291,114,546
Net income	22,045,904	21,036,479	27,568,581	27,560,357	27,680,890
Change in net unrealized capital gains or (losses) less capital gains tax	(781)	(4,537)	-	297,842	(351,666)
Change in net deferred income tax	(4,809,997)	854,614	(2,120,683)	(1,621,944)	276,060
Change in nonadmitted assets	2,819,726	(1,262,058)	323,963	2,593,281	(1,562,856)
Dividends to stockholders	(28,000,000)	(26,000,000)	(28,000,000)	(28,000,000)	(29,000,000)
Aggregate write-ins for gains and losses in surplus	4,804	(2,076)	(41,236)	(63,225)	(14,767)
Change in surplus as regards policyholders for the year**	(7,940,345)	(5,377,578)	(2,269,375)	766,311	(2,972,339)
Surplus as regards policyholders, December 31 current year**	<u>\$273,321,220</u>	<u>\$281,261,565</u>	<u>\$286,639,143</u>	<u>\$288,908,518</u>	<u>\$288,142,207</u>

\*\* The balance includes immaterial rounding differences.

### COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2017, based on the results of this examination.

### OTHER SIGNIFICANT ISSUES

There were no other significant issues as of December 31, 2017, based on the results of this examination.

### SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

**AFFIDAVIT**

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., performed an examination of Twin City Fire Insurance Company as of December 31, 2017.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

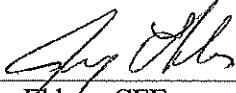
This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of Twin City Fire Insurance Company as of December 31, 2017, as determined by the undersigned.



\_\_\_\_\_  
Vitaliy Kyryk, CFE  
Noble Consulting Services, Inc.

Under the supervision of,

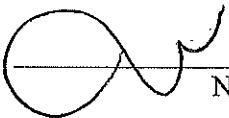


\_\_\_\_\_  
Jerry Ehlers, CFE  
Indiana Department of Insurance

State of: Indiana  
County of: Marion

On this 2 day of JANUARY, 2019, before me personally appeared, Vitaliy Kyryk and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: July 4, 2019  \_\_\_\_\_  
Notary Public

