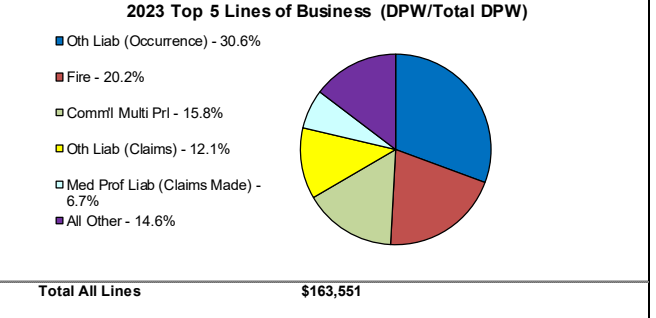
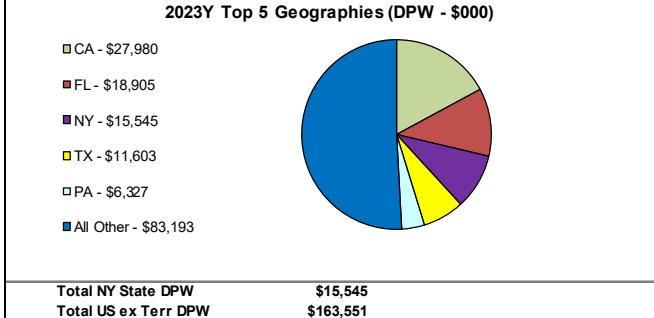
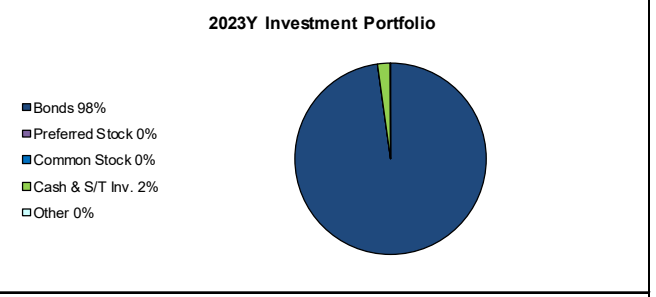
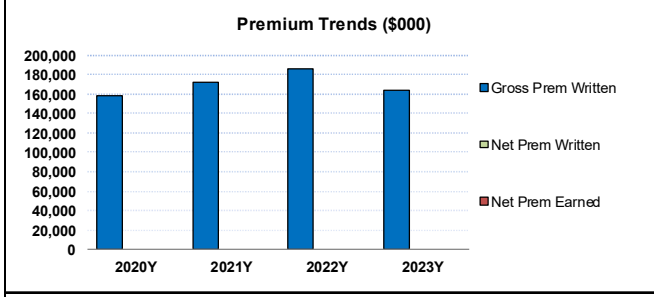
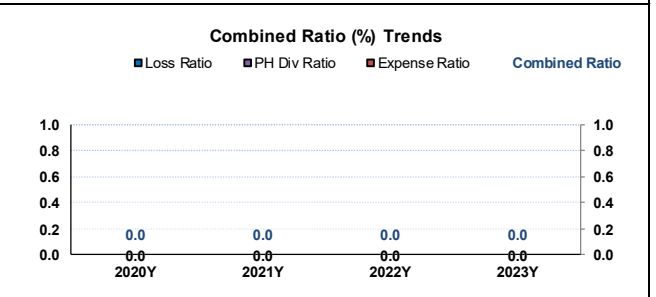
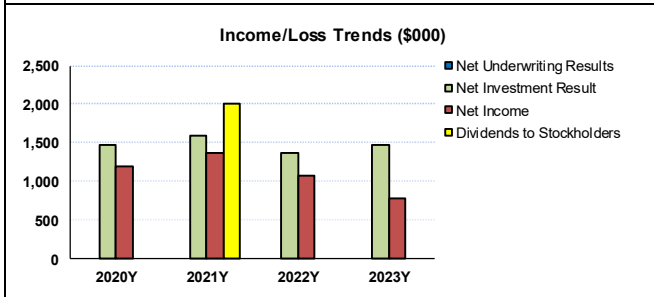




**AIX SPECIALTY INSURANCE COMPANY, NAIC #12833**  
**PARENT – The Hanover Insurance Group**

Dollars in 000

|                                       | 2020Y  | 2021Y  | 2022Y  | 2023Y  |                         | 2020Y    | 2021Y    | 2022Y    | 2023Y    |
|---------------------------------------|--------|--------|--------|--------|-------------------------|----------|----------|----------|----------|
| Total Assets                          | 55,807 | 54,458 | 56,752 | 59,142 | RBC Ratio (%)           | 24,646.7 | 11,117.7 | 11,249.2 | 10,661.7 |
| Total Liabilities                     | 6      | 264    | 3,585  | 7,519  | 2yr Res Development     | 0        | 0        | 0        | 0        |
| Policyholder Surplus                  | 55,802 | 54,194 | 53,166 | 51,623 | 2yr Dev / Surplus       | 0.0%     | 0.0%     | 0.0%     | 0.0%     |
| Cash & Invested Assets                | 54,048 | 53,932 | 55,644 | 57,267 | Affiliated Common Stock | 0        | 0        | 0        | 0        |
| Cash & Invested Assets / Total Assets | 96.8%  | 99.0%  | 98.0%  | 96.8%  | Affiliated CS / Surplus | 0.0%     | 0.0%     | 0.0%     | 0.0%     |
| Net Cash from Operations              | 470    | 2,922  | 4,381  | 4,660  | Net Reins Recoverable   | 307,111  | 371,598  | 403,543  | 418,191  |
| Loss & LAE Reserves                   | 0      | 0      | 0      | 0      | Net Reins Rec / Surplus | 550.4%   | 685.7%   | 759.0%   | 810.1%   |
| Loss & LAE Reserves/Surplus           | 0.0%   | 0.0%   | 0.0%   | 0.0%   | AMB / S&P Ratings       | A / NR   | A / NR   | A / NR   | A / NR   |



**TOP 5 REINSURERS FOR AIX SPECIALTY INSURANCE CO. BY GROSS RECOVERABLES**

PERIOD: 2023Y

Dollars in 000

| Reinsurer                         | Reinsurance Class                     | Reins Authorized Status | Gross Recov | Over 120 Days Overdue |
|-----------------------------------|---------------------------------------|-------------------------|-------------|-----------------------|
| 1 - The Hanover Insurance Company | US Affiliated Non-captive Non-pooling | Authorized              | 425,148     | 0                     |
| 2 - -                             | -                                     | -                       | -           | -                     |
| 3 - -                             | -                                     | -                       | -           | -                     |
| 4 - -                             | -                                     | -                       | -           | -                     |
| 5 - -                             | -                                     | -                       | -           | -                     |

**Important Information Regarding Financial Summaries**

This financial summary contains information helpful to New York excess lines brokers in meeting their non-delegable duty to use "due care" in the selection of a financially secure excess line insurer. Definitions of the financial terms used in the summaries appear as pop-up boxes when hovering your mouse over the corresponding text. For additional guidance on assessing insurance company financial statements, please reference "ELANY COMPLIANCE ADVISOR: FUNDAMENTALS OF INSURANCE COMPANY FINANCIAL ANALYSIS".

The Excess Line Association of New York has compiled the insurance company financial information from the Annual Statutory Financial Statements. All ratios, charts, and graphs are based on the compiled information. We have made every effort to ensure all information transcribed for these pages is correct. However, the Excess Line Association of New York cannot attest to the accuracy of data provided by its sources, nor do we make any warranties, either expressed or implied, regarding the accuracy or completeness of information presented in this document. We assume no responsibility for loss or damage resulting from the use of this information.

See A.M. Best and S&P Disclaimer on Summary Report page.

## ULTIMATE PARENT – The Hanover Insurance Group

| Corporate Profile |   | Financial Strength Ratings |                       |
|-------------------|---|----------------------------|-----------------------|
| Address:          | The Hanover Insurance Group, Inc.<br>440 Lincoln Street<br>Worcester, MA, 01653 | S&P Global:                | -                     |
| Website:          | <a href="http://www.hanover.com">www.hanover.com</a>                            | Moody's:                   | #OUTSIDE SUBSCRIPTION |
| President :       | John Conner Roche   | Fitch:                     | -                     |
| Ticker Symbol:    | NYSE: THG   | AM Best - P&C:             | -                     |
| SEC Filing:       | <a href="#">10-K</a>  |                            |                       |

| Highlights (\$000)                | 2020Y            | 2021Y            | 2022Y            | 2023Y            |
|-----------------------------------|------------------|------------------|------------------|------------------|
| Total Assets                      | 13,443,700       | 14,254,300       | 13,995,100       | 14,612,600       |
| Total Policy Reserves             | 8,506,700        | 9,182,500        | 9,966,800        | 10,410,600       |
| Total Debt                        | 816,600          | 781,600          | 782,400          | 783,200          |
| Total Other Liabilities           | 772,500          | 1,029,400        | 841,900          | 888,900          |
| Sep Account Liabilities           | 0                | 0                | 0                | 0                |
| Total Liabilities                 | 10,241,500       | 11,109,400       | 11,661,400       | 12,147,000       |
| <b>Total Equity</b>               | <b>3,202,200</b> | <b>3,144,900</b> | <b>2,333,700</b> | <b>2,465,600</b> |
| Total Liab & Equity               | 13,443,700       | 14,254,300       | 13,995,100       | 14,612,600       |
| Book Value / Share (\$)           | 87.97            | 88.59            | 65.55            | 68.87            |
| Reserves / Investments & Cash (x) | 0.95             | 0.98             | 1.13             | 1.13             |
| Reserves / Liabilities (x)        | 0.83             | 0.83             | 0.85             | 0.86             |
| Reserves / Equity (x)             | 2.66             | 2.92             | 4.27             | 4.22             |
| Debt / Equity (x)                 | 0.26             | 0.25             | 0.34             | 0.32             |
| Dec. 31 Closing Price (\$)        | 116.92           | 131.06           | 135.13           | 121.42           |
| Net Income (\$)                   | 358,700          | 418,700          | 116,000          | 35,300           |
| Basic EPS (\$)                    | 9.52             | 11.67            | 3.26             | 0.99             |
| Investment Yield (%)              | 3.18             | 4.76             | 2.15             | 3.37             |
| Ratios (%)                        |                  |                  |                  |                  |
| Loss Ratio                        | 62.80            | 65.70            | 69.00            | 73.00            |
| Expense Ratio                     | 31.60            | 31.30            | 30.80            | 30.50            |
| PH Dividend Ratio                 | <u>0.00</u>      | <u>0.00</u>      | <u>0.00</u>      | <u>0.00</u>      |
| Combined Ratio                    | 94.40            | 97.00            | 99.80            | 103.50           |

## **HISTORY**

AIX Specialty Insurance Company (AIX Specialty) was incorporated in the State of Delaware in June 2006, as a subsidiary of NOVA Casualty Company, itself a subsidiary of AIX Holdings, Inc. AIX Holdings and its subsidiaries were acquired by The Hanover Insurance Group (Hanover) September 2009, and the direct parent of company is the Hanover Insurance Company (Hanover Insurance) (New Hampshire). The company has been eligible to write surplus lines business in New York since September 2, 2009. As of December 31, 2023, AIX Specialty is a Delaware domestic surplus lines insurer and operated on a non-admitted basis in all fifty (50) states and the District of Columbia.

## **REINSURANCE**

AIX Specialty maintains a 100% quota share reinsurance agreement with its parent, Hanover Insurance. As a result of the quota share agreement, no values are reported for net premiums written or earned, underwriting income, and the various combined ratio trends. As such, the financial strength of the company is heavily dependent on the credit risk of Hanover, as well as investment risk of its own investment portfolio, managed in common by Hanover. For the years 2020 through 2023, respectively, AIX Specialty net reinsurance recoverable from Hanover totaled \$307M, \$372M, \$403M and \$418M, representing 550%, 686%, 759% and 810% of company surplus.

## **HOLDING COMPANY**

The Hanover Insurance Group (Hanover) was founded in 1852 as The Hanover Fire Insurance Company, at Hanover Square in New York. The Hanover, now with headquarters in Worcester, Massachusetts, operates in two divisions, Citizens Insurance, focusing primarily in the Midwest, and Hanover Insurance, focusing in the northeast, east coast, southern states and the west. Hanover provides property and casualty insurance through independent agents and brokers and offers standard and specialized insurance protection for small and mid-sized businesses, as well as for homes, automobiles, and other personal items. AM Best collectively rates fifteen (15) insurance affiliates of Hanover, including AIX Specialty Insurance Company. Hanover was initially rated by AM Best in 1907. For the years 2019 through 2022 the Hanover Group was rated by AM Best and S&P as 'A' / 'A+' and assigned a financial size of XV (\$2b and >).

## **SUBSEQUENT NOTEWORTHY OBSERVATIONS**

Last revised: May 2024

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| Financial Term                      | Definition  |
|-------------------------------------|---|
| 2y Dev/Surplus (IRIS #12)           | Reflects the magnitude of two years of loss reserve development in relation to prior reported surplus. A positive ratio indicates the portion of reserves that may have been underestimated in prior years in relation to prior year's surplus. A negative ratio indicates the portion of reserves that may have been overestimated in prior years in relation to prior year's surplus. |
| 2yr Res Development                 | The two-year increase or decrease in loss and loss adjustment expenses as a result of the re-estimation of reserves. A positive number indicates that reserves may have been underestimated in prior years. A negative number indicates that reserves may have been overestimated in prior years.   |
| Affiliated Common Stock             | The amount of common stock owned by the insurer that represents investments in affiliates or subsidiaries.  |
| Affiliated CS / Surplus             | The percentage of surplus that is comprised of investments in affiliates or subsidiaries.   |
| AMB / S&P Ratings                   | Financial strength ratings from AM Best Company and Standard & Poor's. <sup>1</sup>   |
| Cash & Invested Assets              | Bonds, stocks, mortgage loans on real estate, real estate, cash related investments, contract loans, invested assets, write-ins and receivable for securities.  |
| Cash & Invested Assets/Total Assets | A measure of liquidity that indicates the portion of assets held in cash or marketable securities.  |
| Combined Ratio                      | A measure of overall underwriting profitability. It is the sum of the loss and expense ratios. A combined ratio of less than 100% indicates an underwriting profit.   |
| Dividends to Stockholders           | Distribution of earnings to stockholders paid in the form of money, stock, scrip, etc. The amount is decided by the board of directors.   |
| DPW – Direct Premiums Written       | Premiums written including gross premiums booked, adjusted for additional or return premiums, on policies where the company is the primary or direct carrier, as it relates to a specific line of business.   |
| Expense Ratio                       | The ratio of underwriting expenses to net premiums written. The ratio represents the percentage of net premiums written that went toward underwriting expenses, such as commissions to agents and brokers, state and municipal taxes, salaries, employee benefits and other operating costs.  |
| Gross Premiums                      | The total premium written and assumed by an insurer before deductions for reinsurance.  |
| Loss & LAE Reserves                 | The estimated liability for unpaid insurance claims that have occurred as of a given evaluation date. Usually includes losses incurred but not reported (IBNR), losses due but not yet paid, and amounts not yet due. For individual claims, the loss reserve is the estimate of what will ultimately be paid out on that claim.  |
| Loss & LAE Reserves/Surplus         | Loss and loss adjustment expense reserves as a percentage of policyholders' surplus. The higher the value, the greater the insurer's reserve leverage and the greater the financial pressure on surplus.  |
| Loss Ratio                          | The ratio of incurred losses and loss adjustment expenses to net premiums earned. A measure of the underlying profitability, or loss experience, of a total book of business.   |
| Net Cash from Operations            | Indicates net cash generated from insurance operations, including underwriting and investment activities, after accounting for dividends and taxes paid.  |
| Net Income                          | The total after-tax earnings generated from operations as reported in the insurance company's statutory annual statement.   |
| Net Investment Result               | The return received by insurers from their investment portfolios including interest, dividends and realized capital gains/losses on stocks.   |
| Net Premiums Earned                 | The portion of net premiums written that the policyholder has already paid and for which the insurance company has already afforded coverage.   |
| Net Premiums Written                | Represents gross premium written less reinsurance ceded.  |

| Financial Term           | Definition   |
|--------------------------|--|
| Net Reins Rec / Surplus  | Measures the dependence on reinsurers and potential exposure to adjustments on such reinsurance as a percentage of surplus.  |
| Net Reins Recoverable    | The total ceded reinsurance recoverables due for paid losses, unpaid losses, losses incurred but not reported (IBNR), unearned premiums and commissions less funds held from reinsurers.   |
| Net Underwriting Results | Net premiums earned less incurred losses, loss adjustment expenses, and underwriting expenses incurred.  |
| PH Div Ratio             | A return of premium to policyholders based upon financial results of the company and lower-than-expected claims. Usually paid by mutual companies  |
| Policyholder Surplus     | The difference between total admitted assets and total liabilities. It also is the sum of paid in capital, paid in and contributed surplus, and net earned surplus, including voluntary contingency reserves. As of January 1, 2019, the minimum policyholder surplus requirement for eligible insurers in New York is \$47 million.   |
| RBC Ratio (%)            | <p>This ratio identifies the insurers that are inadequately capitalized by dividing total adjusted capital by the minimum amount of capital that regulatory authorities feel is necessary to support their operations and investments.</p> <p>A ratio of 200% or more results in “no action” from regulators. However, insurers whose ratio is between 200% and 300% may be subject to the Property/Casualty trend test, which will trigger a “Company Action Level” event if the insurer’s combined ratio is greater than 120%.</p> <p>A ratio of 150% to 200% results in a “Company Action Level”, under which the insurer must prepare a report to the regulator outlining a comprehensive action plan that identifies the conditions that contributed to their current financial condition as well as remediation plans.</p> <p>A ratio of 100% to 150% results in a “Regulatory Action Level”. In addition to the insurer filing an action plan, the state insurance commissioner is required to perform any examinations or analyses that he or she deems necessary and issue appropriate corrective orders to address the insurer’s financial problems.</p> <p>A ratio below 100% triggers an “Authorized Control Level” or “Mandatory Control Level”, under which the regulator can take steps to place the insurer under its control.</p> |
| Total Assets             | Assets that are permitted by state law to be included in the company’s financial statements. Admitted assets generally include assets that are liquid and whose value can be objectively assessed, or receivables that can reasonably be expected to be paid.  |
| Total Liabilities        | A summation of all company obligations recognized on the balance sheet. This includes provisions for loss and unearned premium reserves, commissions payable and other balances due.   |

<sup>1</sup> AM Best - A Best’s Financial Strength Rating is an independent opinion of an insurer’s financial strength and ability to meet its ongoing insurance policy and contract obligations. It is not a warranty of a company’s financial strength and ability to meet its obligations to policyholders. “View our “Guide Best’s Credit Ratings” for rating disclosures related to the use and limitations of Best’s Credit Rating, and for additional information regarding the development of a Best’s Credit Rating, and other rating-related information and definitions. <https://web.ambest.com/home>

<sup>1</sup>S&P - Please see “Intro to Credit Ratings” at <http://www.spglobal.com/understandingratings> to learn more.