

Report of the Examination of  
Bowhead Insurance Company, Inc.  
New York City, New York  
As of December 31, 2023

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March 18, 2025

Honorable Nathan D. Houdek  
Commissioner of Insurance  
State of Wisconsin  
101 East Wilson Street  
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs  
and financial condition of:

BOWHEAD INSURANCE COMPANY, INC.  
New York City, New York

and this report is respectfully submitted.

## I. INTRODUCTION

This is the first examination of Bowhead Insurance Company, Inc. (BICI or the company).  
The current examination covered the period from inception to the year ending on December 31, 2023,  
and included a review of such subsequent transactions as deemed necessary to complete the  
examination.

The examination was conducted using a risk-focused approach in accordance with the  
National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This  
approach sets forth guidance for planning and performing the examination of an insurance company to  
evaluate the financial condition, assess corporate governance, identify current and prospective risks  
(including those that might materially affect the financial condition, either currently or prospectively), and  
evaluate system controls and procedures used to mitigate those risks.

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, annual statement  
instructions, and Wisconsin laws and regulations. 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 at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for completing this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

#### **Independent Actuary's Review**

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of the company's loss and loss adjustment expense reserves. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

## II. HISTORY AND PLAN OF OPERATION

The company was organized in 2020 as a property and casualty reinsurer as part of a holding company structure under Bowhead Holdings Inc., which was majority owned by Bowhead Insurance Holdings LP (BIHL). The group was developed with two main capital partners, a fund managed by Gallatin Point Capital LLC and American Family Mutual Insurance Company, S.I. (AFMICS), and began assuming business in 2021. Gallatin Point Capital LLC is a private investment firm specializing in opportunistic investments in financial institutions, services, and assets. AFMICS is a property and casualty insurance company domiciled in Wisconsin.

On March 19, 2024, the group amended the certificate of incorporation of Bowhead Holdings Inc. to change the name of the holding company to Bowhead Specialty Holdings Inc. (BSHI). The holding company executed an initial public offering (IPO) on May 23, 2024, and began trading on the New York Stock Exchange as Bowhead Specialty (Symbol BOW). Effective October 25, 2024, BIHL's beneficial ownership was reduced to 0%, and BIHL filed a certificate of dissolution on December 3, 2024. This action placed BSHI as the group's lead entity. BSHI conducts its business operations through three wholly owned subsidiaries, which include BICI.

Bowhead Insurance Company, Inc., assumes professional, casualty, and healthcare lines in states licensed by American Family Insurance Company, S.I. (AFMICS). Most professional lines policies are issued on a claims-made basis, while casualty policies are typically on an occurrence basis. Bowhead Specialty Underwriters, Inc. (a company affiliate) issues policies through Managing General Agency Agreements with AFMICS affiliates which then cede 100% of the business to BICI under a Quota Share Agreement between AFMICS and the company, in exchange for a ceding fee. There are three Managing General Agency Agreements with Homesite Insurance Company, Homesite Insurance Company of Florida, and Midvale Indemnity Company, each of which is a wholly-owned subsidiary of AFMICS.

In 2023, the company assumed premium in the following states:

California	\$ 84,577,745	16.7%
Florida	67,601,900	13.3%
New York	52,244,138	10.3%
Texas	49,914,969	9.8%
Illinois	25,586,836	5.0%
All others	<u>227,762,432</u>	<u>44.9%</u>
Total	<u>\$507,688,020</u>	<u>100.0%</u>

The company is licensed in Wisconsin and is eligible to write surplus lines in 35 other states. The company is not writing direct business at this time. The company may assume business written in any state and the District of Columbia because of its arrangement with American Family affiliates.

The major products marketed by the company include Professional Liability (D&O/Management liability, Cyber and E&O); Casualty (Excess Liability, Specialized Umbrella Liability, and Primary General Liability); and Healthcare Liability (Professional Liability and General Liability for Healthcare Organizations, including primary, excess and umbrella for Hospitals, Senior Care, Miscellaneous Healthcare; and E&O for Managed Care Organizations). Approximately 74.4% of business is on a non-admitted basis. The major products are primarily distributed by approximately 51 brokers through select wholesale (67%) and retail (33%) channels.

Late in the second quarter of 2024, the company launched a new excess and surplus (E&S) division focused on small, niche, hard-to-place risks. It writes business on a 100% non-admitted basis, and the initial product is contractors' general liability.

The following table is a summary of the net insurance premiums assumed by the company in 2023. The growth of the company is discussed in the "Financial Data" section of this report.

The following table is a summary of the net insurance premiums written by the company in 2023. The growth of the company is discussed in the "Financial Data" section of this report.

<b>Line of Business</b>	<b>Reinsurance Assumed</b>	<b>Reinsurance Ceded</b>	<b>Net Premium</b>
Medical professional liability - claims made	\$ 61,790,136	\$ 19,683,518	\$ 42,106,618
Other liability – occurrence	277,455,004	85,362,566	192,092,438
Other liability – claims made	167,883,165	67,834,903	100,048,262
Fidelity	559,715	134,710	425,005
	<hr/>	<hr/>	<hr/>
Total All Lines	<u>\$507,688,020</u>	<u>\$173,015,697</u>	<u>\$334,672,323</u>

### III. MANAGEMENT AND CONTROL

#### Bowhead Insurance Company, Inc.

##### Board of Directors

There are seven members on the board of directors, and they are elected at the annual meetings of the companies' shareholders to serve one-year terms. The BICI board of directors oversees the implementation of the applicable portions of the strategic plan developed by BSHI applicable to BICI. Currently, the board of directors consists of the following persons:

Name	Principal Occupation	Term Expires
Angela Brock-Kyle	Retired Financial Professional	2025
Zhak Cohen	Private Equity	2025
H. Matthew Crusey	Attorney, BICI	2025
David Foy	Insurance Consultant	2025
Greg Heerde	Chief Risk Officer, AFMICS	2025
Brad Mulcahey	Chief Financial Officer, BICI	2025
Stephen Sills	Chief Executive Officer, BICI	2025

##### Officers of the Company

The annually elected officers serving at the time of this examination are as follows:

Name	Office
Stephen Sills	President
Brad Mulcahey	Treasurer
H. Matthew Crusey	Secretary

##### Committees of the Board

The committees at the time of the examination are listed below and are composed of the same members as those serving for BSHI:

**Audit Committee**  
Thomas Baker  
David Foy, Chair  
Angela Brock-Kyle

## **BSHI Board of Directors**

The BSHI board of directors provides ultimate oversight and decision making for the Bowhead Group. The board of directors is broken into three classes, with each class serving for staggered three-year terms, with annual elections for the expiring class occurring at the annual meeting. The board of directors consists of 10 members. Officers are elected at the board's annual meeting. Gallatin Point Capital LLC and AFMICS I each have contractual rights to nominate directors to the BSHI board of directors as long as certain criteria are met. Each currently has the contractual right to nominate two directors to the BSHI board. Members of the company's board of directors may also be members of other boards of directors in the holding company group.

Currently, the board of directors consists of the following persons:

<b>Name</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Thomas Baker	Professor, University of Pennsylvania Law School	2025
Troy Van Beek	Chief Financial Officer, AFMICS I	2025
Matthew Botein	Co-Founder and Managing Partner of Gallatin Point Capital LLC	2025
Stephen Sills	Chief Executive Officer, BICI	2025
Zhak Cohen	Managing Director, Gallatin Point Capital LLC	2026
David Foy	Insurance Consultant	2026
David Holman	Retired Insurance Executive, AFMICS I	2026
Angela Brock-Kyle	Retired Financial Professional	2027
Fabian Fondriest	Executive Chair of Board of Directors of Trusted Resource Underwriters	2027
Dr. Ava Schnidman	Executive Leadership Consultant	2027

## **Officers of the Company**

The officers of BSHI serving at the time of this examination are as follows:

<b>Name</b>	<b>Office</b>
Stephen Sills	Chief Executive Officer
H. Matthew Crusey	General Counsel & Secretary
Brad Mulcahey	Chief Financial Officer & Treasurer
David Newman	Chief Underwriting Officer



## **Committees of the Board**

The BSHI's bylaws allow for the formation of certain committees by the board of directors.

The committees at the time of the examination are listed below:

### **Compensation, Nominating and Corporate Governance Committee**

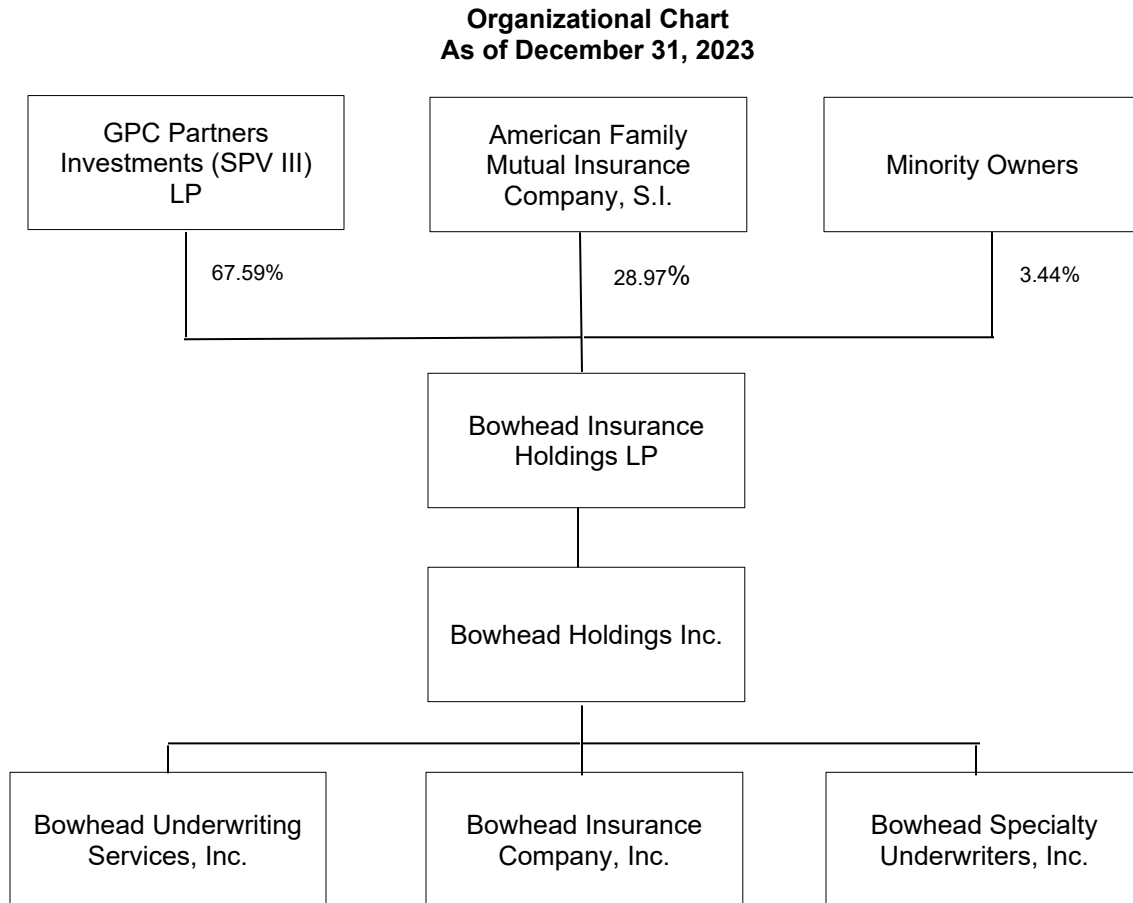
Matthew Botein, Chair  
Thomas Baker  
Troy Van Beek  
David Foy  
Dr. Ava Schnidman

### **Audit Committee**

Thomas Baker  
David Foy, Chair  
Angela Brock-Kyle

#### IV. AFFILIATED COMPANIES

Bowhead Insurance Company, Inc. is a member of a holding company system. The simplified organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates follows the organizational chart.



On March 19, 2024, Bowhead Holdings Inc. changed its name to BSHI. BSHI executed an IPO on May 23, 2024, and began trading on the New York Stock Exchange as Bowhead Specialty (Symbol BOW).

Effective October 25, 2024, BIHL's beneficial ownership was reduced to 0%, and BIHL filed a certificate of dissolution on December 3, 2024.

As of December 31, 2024, BSHI was owned by the following parties:

GPC Partners Investments (SPV III) LP– 33.59%  
AFMICSI – 14.39%  
Public Investors – 40.60%  
Minority Owners – 11.42%

#### **Bowhead Insurance Holdings LP**

BIHL is included as an affiliate in this report as prior to their dissolution they were the holding company for the group, holding all shares of Bowhead Holdings Inc., and its three wholly owned subsidiaries. Effective October 25, 2024, BIHL's ownership was reduced to 0%, and BIHL filed a certificate of dissolution on December 3, 2024.

#### **Bowhead Specialty Holdings Inc. (formerly Bowhead Holdings Inc.)**

Bowhead Specialty Holdings Inc. is a Delaware domiciled holding company that oversees the group, including the insurance entity Bowhead Insurance Company, Inc. On March 19, 2024, the group amended the certificate of incorporation of Bowhead Holdings Inc. to change the name of the holding company to Bowhead Specialty Holdings Inc. BSHI became the parent company of the group following the dissolution of BIHL. BSHI conducts its business operations through three wholly owned subsidiaries, which include BICI. As of December 31, 2023, the audited financial statements of BSHI reported assets of \$1,027,859,000, liabilities of \$835,782,000, and stockholders' equity of \$192,077,000. Operations for 2023 produced a net income of \$25,047,000.

#### **Bowhead Specialty Underwriters, Inc.**

Bowhead Specialty Underwriters, Inc. (BSUI) is a managing general agency, holding a resident insurance license in the state of Texas, and is domiciled in the State of Delaware. BSUI is also party to third-party broker agreements, allowing the direct payment of premiums from brokers to BSUI. As of December 31, 2023, the unaudited financial statements of BSUI reported assets of \$12,017,378, liabilities of \$11,764,010, and shareholders' equity of \$253,368. Operations for 2023 produced a net income of \$246,532.

#### **Bowhead Underwriting Services, Inc.**

Bowhead Underwriting Services, Inc. (BUSI) is a services company domiciled in the state of Delaware. All Bowhead employees are employed by Bowhead Underwriting Services Inc. As of October 2, 2024, BUSI had 242 employees. BUSI provides all necessary services to BSUI and BICI

through BUSI employees or third-party contractors. BUSI manages all aspects of operations, including underwriting, claims adjustment and payment, premium accounting; legal/compliance, accounting, information technology, marketing; financial reporting, and investment management for BICI. As of December 31, 2023, the unaudited financial statements of BUSI reported assets of \$27,848,069, liabilities of \$28,610,998, and shareholders' equity of \$(762,929). Operations for 2023 produced a net loss of \$(733,748).

### **American Family Mutual Insurance Company, S.I.**

AFMICSI owns approximately 14% of BSHI's issued outstanding common stock as of October 31, 2024. All business assumed by the company is initially placed through AFMICSI's affiliates before being ceded to BICI, minus a ceding fee.

### **Agreements with Affiliates**

#### **MGA Agreement**

Effective February 1, 2021, BSUI is party to three separate Managing General Agency Agreements with Homesite Insurance Company, Homesite Insurance Company of Florida, and Midvale Indemnity Company (together, Issuing Carriers), which are insurance subsidiaries of AFMICSI. Under these agreements, BSUI is permitted to issue insurance policies on behalf of these Issuing Carriers. BSUI is responsible for providing accounting, claims handling, and other necessary services to the Issuing Carriers. BSUI is entitled to commission in exchange for these services, which is adjusted to equal actual costs for each month in accordance with the terms of the MGA Agreements. The agreements were amended, effective May 23, 2024, as part of the initial public offering process.

#### **Services Agreement**

On October 7, 2020, BIHL, BUSI, BSUI, and BICI entered into a Services Agreement. Each affiliate may provide or receive services as necessary for or from other members of the holding company. The primary services provided under the Services Agreement are underwriting, claims, financial and accounting, investment, legal, reinsurance, and regulatory reporting services. Effective May 1, 2024, the Services Agreement was amended to add BSHI.

**Tax Allocation Agreement**

Effective July 1, 2021, BSHI, BUSI, BSUI, and BICI entered into a Tax Allocation Agreement to file consolidated returns. Under the Tax Allocation agreement, each participant is charged or refunded taxes according to the amount that the participant would have paid or received had it been filed on a separate return basis with the Internal Revenue Service.

## V. REINSURANCE

The company's reinsurance portfolio and strategy at the time of the examination are described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

BICI currently assumes business from AFMICS through a 100% quota share agreement on business produced by BSUI.

BICI's ceded reinsurance program includes both quota share and excess of loss components, which are designed to reduce the maximum net exposure to \$5 million. The company places policies with individual limits that vary depending upon the size, type of business, and the segment being underwritten, with a maximum gross limit of \$15 million and an expected average limit of approximately \$7.5 million. Current reinsurance contract summaries are included below:

### **Affiliated Assuming Contracts**

#### **Quota Share Reinsurance Agreement**

Effective November 1, 2020, BICI and AFMICS entered into a 100% quota share reinsurance agreement. Under the quota share agreement, BICI assumes 100% of all business, net of inuring third-party reinsurance, written on behalf of AFMICS's affiliates by BSUI. AFMICS receives a ceding fee on net premiums assumed by BICI. BICI is required to set aside assets in a trust to secure reinsured losses and allocated loss expenses paid by AFMICS but not recovered from BICI, reserves, including IBNR, for reinsured losses reported and outstanding, and reserves for allocated reinsured loss expenses. The agreement was amended, effective May 23, 2024, as part of the initial public offering process.

1. Type:	Quota Share
Reinsured:	AFMICS
Scope:	All applicable lines produced through BSUI or its appointed subagents/representatives under the General Managing Agency Agreements between BSUI and Homesite Insurance Company, Homesite Insurance Company of Florida and Midvale Indemnity Company
Retention:	None
Coverage:	100%

Effective date: November 1, 2020, until terminated

### Ceding Contracts

1. Type: Casualty Healthcare, and Professional Lines, Quota Share Reinsurance Contract

Reinsurers:	Participation Percentage
American Family Connect P&C IC	3.00%
Ascot Bermuda LTD	1.25
Convex insurance UK Limited	1.00
Endurance Assurance Corp	7.00
Markel Global Reinsurance Co	4.25
Renaissance Reinsurance U.S. Inc	8.50
Total	<u>25.00%</u>

Scope: Casualty Business, Healthcare Business and Professional Lines policies underwritten by BSUI.

Retention: Quota share percentage participation (75%)

Coverage: Quota share percentage participation (25%), not to exceed its share of \$15,000,000, each occurrence, each policy. Maximum liability as respects all occurrences not to exceed a loss ratio of 250%.

Effective date: May 1, 2024

2. Type: Casualty, Healthcare, and Professional Lines, Excess Cessions Reinsurance Contract

Reinsurers:	Participation Percentage
American Family Connect P&C IC	7.800%
Convex insurance UK Limited	2.600
Endurance Assurance Corp	16.250
Markel Global Reinsurance Co	11.375
Renaissance Reinsurance U.S. Inc	<u>22.100</u>
Total	<u>60.125%</u>

Scope: Casualty Business, Healthcare Business and Professional Lines policies underwritten by BSUI.

Retention: \$5,000,000 each Occurrence, each Policy

Coverage: \$10,000,000 each Occurrence, each Policy; policy limits apply, policy limits not to exceed \$15,000,000

Effective date: May 1, 2024

3. Type: Cyber Quota Share Reinsurance Contract

<b>Reinsurers:</b>	<b>Participation Percentage</b>
American Family Connect P&C IC	10.0%
Arch Reinsurance Company	10.0
Ariel Syndicate 1910	10.0
Ascot Bermuda Limited	2.5
Chaucer Syndicate 1084	3.0
Envelop Risk o/b/o MS Amlin AG	6.0
Liberty Specialty Markets Bermuda Limited	5.0
Odyssey Reinsurance Company	2.5
Renaissance Reinsurance US Inc.	10.0
Swiss Re America	<u>5.0</u>
Total	<u>64.0%</u>

Scope: Cyber business underwritten by BSUI . This Contract shall not cover more than 75 primary policies in total, including up to 20 primary policies with \$10,000,000 in limits to any one insured.

Retention: 36% of the first \$5,000,000 and the remaining balance until company limit of \$4,000,000 for each claim.

Coverage: 64% of Cyber losses; not to exceed the greater of a Loss Ratio of 350% or \$100,000,000 for up to 75 policies with 20 primary policies with \$10,000,000 in limits to any one insured.

Effective date: January 1, 2024

4. Type: Auto Carve Out Reinsurance Contract

<b>Reinsurers:</b>	<b>Participation Percentage</b>
Accident Fund Insurance Company of America	25.0%
Everest Reinsurance Company	<u>9.0</u>
Total	<u>34.0%</u>

Scope: Commercial Auto exposure under Policies, with ground up limits of not less than \$1,000,000 and not greater than \$5,000,000 each claim, originating from BSUI and classified as Excess Casualty including hired and non-owned auto endorsed to General Liability.

Retention: \$1,000,000 ground up for each claim

Coverage: \$4,000,000 for each claim

Effective date: March 1, 2024



## **VI. FINANCIAL DATA**

The following financial statements reflect the financial condition of the company as reported to the commissioner of insurance in the December 31, 2023, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

**Bowhead Insurance Company, Inc.**  
**Assets**  
**As of December 31, 2023**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$569,013,219	\$	\$569,013,219
Cash, cash equivalents, and short-term investments	117,222,935		117,222,935
Investment income due and accrued	4,660,338		4,660,338
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	38,816,523		38,816,523
Reinsurance:			
Amounts recoverable from reinsurers	3,115,970		3,115,970
Net deferred tax asset	14,496,596	3,175	14,493,420
Receivable from parent, subsidiaries, and affiliates	13,969,737		13,969,737
Write-ins for other than invested assets:			
Miscellaneous Receivable	<u>122,725</u>	<u>          </u>	<u>122,725</u>
Total Assets	<u>\$761,418,042</u>	<u>\$ 3,175</u>	<u>\$761,414,867</u>

**Bowhead Insurance Company, Inc.**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2023**

Losses		\$242,986,736
Loss adjustment expenses		51,925,387
Commissions payable, contingent commissions, and other similar charges		717,709
Other expenses (excluding taxes, licenses, and fees)		140,304
Taxes, licenses, and fees (excluding federal and foreign income taxes)		747,127
Current federal and foreign income taxes		94,832
Unearned premiums		227,972,257
Advance premium		85,739
Ceded reinsurance premiums payable (net of ceding commissions)		40,440,019
Payable to parent, subsidiaries, and affiliates		<u>4,842,208</u>
Total Liabilities		569,952,317
Common capital stock	\$	
	3,000,000	
Gross paid in and contributed surplus	178,600,694	
Unassigned funds (surplus)	<u>9,861,856</u>	
Surplus as Regards Policyholders		<u>191,462,550</u>
Total Liabilities and Surplus		<u>\$761,414,867</u>

**Bowhead Insurance Company, Inc.**  
**Summary of Operations**  
**For the Year 2023**

**Underwriting Income**

Premiums earned		\$263,902,023
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Deductions:

Losses incurred	\$138,036,493	
Loss adjustment expenses incurred	28,245,537	
Other underwriting expenses incurred	<u>90,133,178</u>	

Total underwriting deductions		<u>256,415,208</u>
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Net underwriting gain (loss)		7,486,815
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**Investment Income**

Net investment income earned	18,779,561	
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Net realized capital gains (losses)	<u>20</u>	
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Net investment gain (loss)		18,779,581
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**Other Income**

Finance and service charges not included in premiums	<u>125,000</u>	
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Total other income		<u>125,000</u>
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Net income (loss) before dividends to policyholders and before federal and foreign income taxes		26,391,396
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Federal and foreign income taxes incurred		<u>10,285,293</u>
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Net Income (Loss)		<u>\$ 16,106,104</u>
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**Bowhead Insurance Company, Inc.**  
**Cash Flow**  
**For the Year 2023**

Premiums collected net of reinsurance		\$341,534,578
Net investment income		13,385,509
Miscellaneous income		<u>125,000</u>
Total		355,045,087
Benefit- and loss-related payments	\$14,955,127	
Commissions, expenses paid, and aggregate write-ins for deductions	95,031,335	
Federal and foreign income taxes paid (recovered)	<u>13,500,006</u>	
Total deductions		<u>123,486,468</u>
Net cash from operations		231,558,619
Proceeds from investments sold, matured, or repaid:		
Bonds	\$36,809,381	
Net gains of (losses) on cash, cash equivalents and short-term investments	<u>24</u>	
Total investment proceeds	36,809,405	
Cost of investments acquired (long-term only):		
Total investments acquired	<u>345,843,486</u>	
Net cash from investments		(309,034,081)
Cash from financing and miscellaneous sources:		
Capital and paid in surplus less treasury stock	64,156,694	
Other cash provided (applied)	<u>7,002,003</u>	
Net cash from financing and miscellaneous sources		<u>71,158,697</u>
<b>Reconciliation:</b>		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(6,316,765)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>123,539,699</u>
End of Year		<u>\$117,222,935</u>

**Bowhead Insurance Company, Inc.**  
**Compulsory and Security Surplus Calculation**  
**December 31, 2023**

Assets			\$761,414,867
Less liabilities			<u>569,952,317</u>
Adjusted surplus			191,462,550
Annual premium:			
Medical Malpractice	\$ 42,106,617		
Factor	<u>50%</u>		
Total		<u>21,051,110</u>	
Lines other than health and medical malpractice	\$292,608,082		
Factor	<u>20%</u>		
Total		<u>58,521,616</u>	
Compulsory surplus (subject to a minimum of \$2 million)			<u>79,572,726</u>
Compulsory Surplus Excess (Deficit)			<u>\$111,889,824</u>
Adjusted surplus (from above)			\$191,462,550
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum factor of 110%)			<u>104,240,271</u>
Security Surplus Excess (Deficit)			<u>\$ 87,222,279</u>

**Bowhead Insurance Company, Inc.**  
**Analysis of Surplus**  
**For the Three-Year Period Ending December 31, 2023**

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	<b>2023</b>	<b>2022</b>	<b>2021</b>
Surplus, beginning of year	\$108,764,095	\$ 60,496,275	\$
Net income	16,106,104	2,913,995	(19,620,787)
Change in net deferred income tax	5,346,844	4,473,507	4,676,243
Change in nonadmitted assets	6		(3,181)
Capital changes:			
Paid in			3,000,000
Surplus adjustments:			
Paid in	64,156,694	42,000,000	72,444,000
Write-ins for gains and (losses) in surplus:	(2,911,191)	(1,119,682)	
Change in surplus from prior year	<u>82,698,456</u>	<u>48,267,820</u>	<u>60,496,275</u>
Surplus, End of Year	<u>\$191,462,550</u>	<u>\$108,764,095</u>	<u>\$60,496,275</u>

**Growth of Bowhead Insurance Company, Inc.**

<b>Year</b>	<b>Admitted Assets</b>	<b>Liabilities</b>	<b>Surplus as Regards Policyholders</b>	<b>Net Income</b>
2023	\$761,414,867	\$569,952,317	\$191,462,550	\$16,106,104
2022	454,320,993	345,556,898	108,764,095	2,913,995
2021	228,611,563	168,115,288	60,496,275	(19,620,787)

<b>Year</b>	<b>Gross Premium Written</b>	<b>Net Premium Written</b>	<b>Premium Earned</b>	<b>Loss and LAE Ratio</b>	<b>Expense Ratio</b>	<b>Combined Ratio</b>
2023	\$507,688,020	\$334,672,323	\$263,902,023	63.0%	26.9%	89.9%
2022	356,947,740	245,113,784	182,862,707	61.1	27.3	88.9
2021	223,882,849	152,368,504	57,418,000	60.1	27.7	87.8

In December 2020, the company received a capital contribution of \$23 million from BIHL as part of obtaining its Certificate of Authority. During 2021, the company received further contributions

totaling \$52.4 million. As a result of these contributions, the company was able to grow policyholder surplus to \$60.5 million despite net losses of \$19.6 million. With underwriting gains, net incomes, and further capital contributions, BICI surplus increased by 92% from year end 2021 through year end 2023. The company had gross premium writings of \$223.9 million during the first year of operations, and increased its gross premium written by 127%, net premium written by 121%, and premium earned by 360% from year end 2021. Additionally, from year end 2021, BICI saw rapid growth with admitted assets growing by 233% and liabilities by 239%. BICI has been profitable apart from its first year of operations with net income of \$16 million reported in 2023. The company's loss and combined ratios were slightly elevated in 2023 due in part to BICI beginning to experience claims. Even so, the loss and combined ratios are on the lower end of industry averages.

**Reconciliation of Surplus per Examination**

No adjustments were made to the surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2023, is accepted.



## **VII. SUMMARY OF EXAMINATION RESULTS**

### **Compliance with Prior Examination Report Recommendations**

There were no specific comments or suggestions in the previous examination report as this is the first examination of the company.

### **Summary of Current Examination Results**

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination workpapers.

### **Conflict of Interest Disclosure**

During review of the conflicts-of-interest (COI) forms, it was noted that the company could not provide the 2023 COI statements for six of the eight members required. In accordance with the Conflict of Interest Directives dated March 9, 1989, issued by the Wisconsin Insurance Commissioner, all insurers are required to have their officers, directors, and trustees complete an annual COI disclosure and retain records of it so it can be examined during examinations conducted by OCI. Follow up with the company noted that they appear not to have collected COI statements in 2023, which is in violation of the Wisconsin Insurance Commissioner's Directives. It is recommended that the company complete and retain conflict of interest statements on an annual basis as prescribed by the State of Wisconsin Conflict of Interest Directives.

### **Business Continuity Plan**

During the review of the Business Continuity Plan (BCP), it was noted that after performing tabletop exercises, certain areas of the BCP, such as established playbooks and contact lists, were lacking. Many of the sections of the BCP that were provided were at a high level. If the BCP must be activated, a more thorough plan generally results in more successful continuity activity. It is recommended that the company further review and develop the BCP to address items such as: contact information for internal parties, third-parties, regulators, law enforcement, and the press; roles and responsibilities for the various areas that are involved; communication plans, both internal and external; as well as an outline of the steps to take when the BCP is activated.

## **VIII. CONCLUSION**

Bowhead Insurance Company, Inc., is a specialty lines-focused property and casualty insurer. The company was organized in 2020 as a property and casualty reinsurer, as part of a holding company structure, and began assuming business written on paper of the subsidiaries of American Family Mutual Insurance Company, S.I., through a 100% quota share agreement.

Most professional lines policies are issued on a claims-made basis, while casualty policies are typically on an occurrence basis. The company is licensed in Wisconsin and is eligible to write surplus lines in 35 other states. Currently, the company is not writing direct business.

With underwriting gains, net incomes, and capital contributions, BICI surplus increased by 92% from year end 2021 through year end 2023. The company had gross premium writings of \$223.9 million during the first year of operations, and increased its gross premium written by 127%, net premium written by 121%, and premium earned by 360% from year end 2021.

This is the first examination of the company which resulted in two recommendations, no adjustments to policyholders' surplus, and no reclassifications to the balance sheet.

## **IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

1. Page 23 - Conflict of Interest Disclosures — It is recommended that the company complete and retain Conflict of Interest Statements on an annual basis as prescribed by the State of Wisconsin Conflict of Interest Directives.
2. Page 23 - Business Continuity Plan — It is recommended that the company further review and develop the BCP to address items such as: contact information for internal parties, third-parties, regulators, law enforcement, and the press; roles and responsibilities for the various areas that are involved; communication plans, both internal and external; as well as an outline of the steps to take when the BCP is activated.

## **X. ACKNOWLEDGMENT**

The courtesy and cooperation extended by the officers and employees of the company during the course of the examination are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

<b>Name</b>	<b>Title</b>
Roren Finney	Insurance Financial Examiner
Samir Hossain	Insurance Financial Examiner
Wade Kannich	Insurance Financial Examiner
Pierce Varney	Insurance Financial Examiner
Kongmeng Yang, CFE	Quality Control Specialists
Adam Donovan, CISSP	IT Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Kenton Harrison,  
Examiner-in-Charge