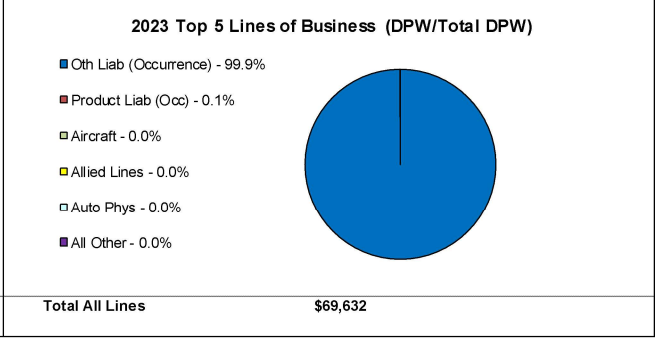
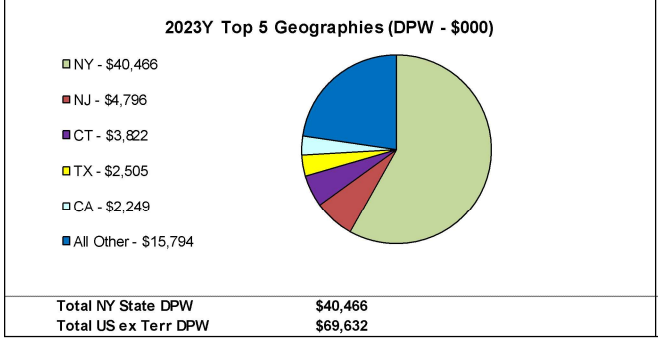
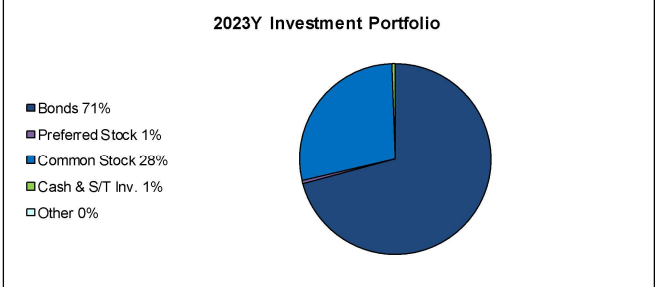
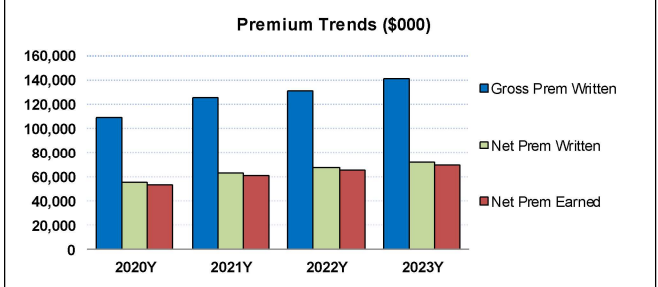
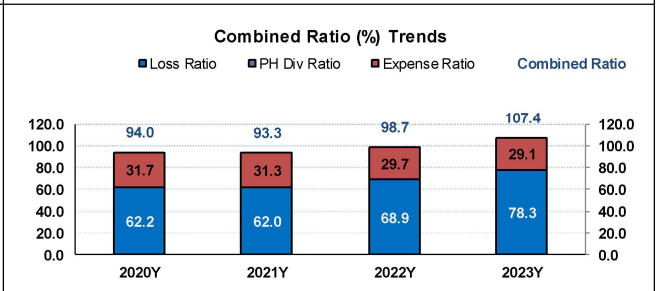
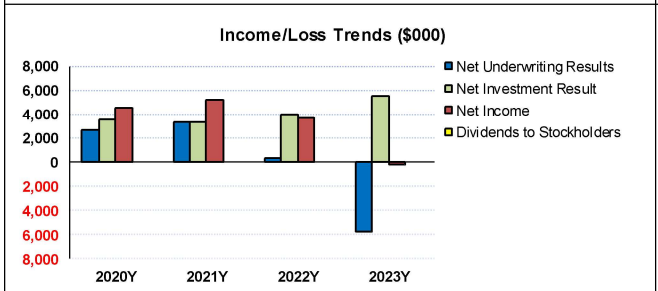




**MERCHANTS NATIONAL INSURANCE COMPANY, NAIC #12775  
PARENT – Merchants Mutual Insurance Company**

Dollars in 000

	2020Y	2021Y	2022Y	2023Y		2020Y	2021Y	2022Y	2023Y
Total Assets	186,735	208,863	230,242	239,865	RBC Ratio (%)	594.0	611.3	619.6	529.8
Total Liabilities	111,081	122,552	140,617	149,474	2yr Res Development	7,035	4,799	2,828	9,666
Policyholder Surplus	75,654	86,311	89,624	90,392	2yr Dev / Surplus	1117.4%	698.9%	373.8%	1119.9%
Cash & Invested Assets	156,717	178,450	199,164	203,705	Affiliated Common Stock	37,776	41,772	43,051	43,786
Cash & Invested Assets / Total Assets	83.9%	85.4%	86.5%	84.9%	Affiliated CS / Surplus	49.9%	48.4%	48.0%	48.4%
Net Cash from Operations	16,193	15,678	11,903	13,301	Net Reins Recoverable	61,612	86,571	107,314	135,532
Loss & LAE Reserves	67,932	76,475	86,521	101,062	Net Reins Rec / Surplus	81.4%	100.3%	119.7%	149.9%
Loss & LAE Reserves/Surplus	89.8%	88.6%	96.5%	111.8%	AMB / S&P Ratings	A- / NR	A- / NR	A- / NR	A- / NR



**TOP 5 REINSURERS FOR MERCHANTS NATIONAL INS CO. BY GROSS RECOVERABLES**

PERIOD: 2023Y

Dollars in 000

Reinsurer	Reinsurance Class	Reins Authorized Status	Gross Recov	Over 120 Days Overdue
1 - Swiss Reinsurance America Corporation	US Unaffiliated	Authorized	40,433	0
2 - Merchants Mutual Insurance Company	US Affiliated Pooling	Authorized	18,325	0
3 - Partner Reinsurance Company of the U.S.	US Unaffiliated	Authorized	15,035	0
4 - Transatlantic Reinsurance Company	US Unaffiliated	Authorized	13,969	0
5 - AXIS Reinsurance Company	US Unaffiliated	Authorized	10,947	0

**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.

## HISTORY

Merchants National Insurance Company (Merchants National or the Company) was incorporated in the State of New Hampshire on January 1, 2007, as a subsidiary of Merchants Mutual Insurance Company (Merchants Mutual). Financial and operations control of the company remains with Merchants Mutual. The company became eligible to write surplus lines business in New York on May 17, 2016. As of December 31, 2023, Merchants National is a New Hampshire domestic surplus lines insurer and operated on a non-admitted basis in forty-three (43) states and the District of Columbia.

## REINSURANCE

Merchants National is a participant in an intercompany pooling agreement including two (2) affiliates, with its parent Merchants Mutual pool lead, retaining 70%. Under the terms of the agreement the company cedes all business to the pool and receives 20% of the combined results, which may include business not written by the company. Another affiliate, Merchants Preferred Insurance Company participates with the balance of 10%. As such, the financial strength of the company is heavily dependent upon the underwriting performance of its fellow pool members, the credit risk of Merchants Mutual, as well as investment risk of its own investment portfolio, managed in common by Merchants Mutual. For the years 2020 through 2023, respectively, Merchants National net reinsurance recoverable was shown as \$62M, \$87M, \$107M and \$135M, representing 81%, 100%, 120% and 150% of company surplus.

## HOLDING COMPANY

Founded 1918 by local merchants in Buffalo, NY as Merchants Mutual Liability Company to insure their delivery vehicles, the company remains in Buffalo. Renamed Merchants Mutual Insurance Company in 1957, Merchants Mutual has expanded and now writes personal lines auto, homeowners and personal umbrella insurance, commercial lines business and surplus lines insurance for building owners, auto repair shops, golf courses, contractors, retail, restaurants, workers compensation and umbrella coverage. AM Best collectively rates three (3) insurance subsidiaries of the Merchants Mutual Insurance Group, including Merchants National Insurance Company. For the years 2020 through 2023 the group was rated 'A-' and assigned the financial size of IX (\$250m - \$500m). Merchants Mutual Insurance Company does not file publicly available financial data.

## 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.