



COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
BUNKER HILL INSURANCE COMPANY

Boston, Massachusetts

As of December 31, 2012

NAIC GROUP CODE 0415

NAIC COMPANY CODE 10394

EMPLOYER ID NUMBER 04-3292991

BUNKER HILL INSURANCE COMPANY

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COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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March 21, 2014

Honorable Joseph G. Murphy
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, an examination has been made of the financial condition and affairs of

BUNKER HILL INSURANCE COMPANY

at its home office located at 695 Atlantic Avenue, Boston, Massachusetts 02111. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Bunker Hill Insurance Company ("the Company") was last examined as of December 31, 2007 by the Massachusetts Division of Insurance (the "Division"). The current examination was also conducted by the Division, and covers the period from January 1, 2008 through December 31, 2012, including any material transactions and/or events occurring subsequent to the examination date as noted during the course of this examination.

Concurrent with this examination, the following insurance affiliates in the Plymouth Rock Company Insurance Group were also examined and separate Reports of Examination have been issued:

Plymouth Rock Assurance Corporation
Bunker Hill Insurance Casualty Company
Pilgrim Insurance Company

The examination was conducted in accordance with standards established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations. All accounts and activities of the company were considered in accordance with the risk-focused examination process.

In addition to a review of the financial condition of the Company, the examination included a review of the Company's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bond and other insurance, employees' benefits plans, disaster recovery plan, treatment of policyholders and other pertinent matters to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

The Company is audited annually by PricewaterhouseCoopers LLP, an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2008 through 2012. A review and use of the Certified Public Accountants' work papers was made to the extent deemed appropriate and effective. An independent consulting firm, Risk and Regulatory Consulting, LLC, was retained by the Division to evaluate the adequacy of the Company's loss and loss adjustment expense reserves as of December 31, 2012 and review the adequacy and effectiveness of the IT systems controls to determine the level of reliance to be placed on the information generated by the data processing systems.

SUMMARY OF SIGNIFICANT FINDINGS

During the course of the examination we did not become aware of any matters that rose to the level of a significant finding.

SUBSEQUENT EVENTS

We are not aware of any significant events subsequent to December 31, 2012.

COMPANY HISTORY

General

The Company, a stock company, was incorporated on December 13, 1995 under the laws of the Commonwealth of Massachusetts and commenced business on May 1, 1996. The Company is authorized to issue policies for fire, ocean & inland marine, liability other than auto, glass, water damage and sprinkler leakage, burglary, robbery, theft, repair-replacement, stock companies (extension of coverage), reinsurance except life, personal property floater, and dwellings.

The Company is authorized to transact business in Connecticut as well as Massachusetts.

Capital Stock

The Company's Articles of Organization authorized the Company to issue 9,000 shares of common stock with a par value of \$0.01 per share. In 1996, the Company was initially capitalized with \$6,210,000, consisting of \$90 in capital stock and \$6,209,910 in paid-in and contributed surplus. To comply with minimum capital and surplus requirements of Massachusetts General Law ("MGL"), Chapter 175, Section 48, an amount of \$949,910 was transferred to common stock from paid-in and contributed surplus.

On November 16, 2000, an amendment to the Company's Articles of Organization filed in accordance with MGL, Chapter 156B, Section 6 was approved by the Division. This amendment changed the par value of the stock from \$0.01 per share to \$100.00 per share and increased the total number of shares issued from 9,000 to 10,000.

The Plymouth Rock Company owns all the outstanding shares of common stock of the Company. As of December 31, 2012, the Company had issued 10,000 shares of common stock with an aggregate par value of \$1,000,000.

Dividends to Stockholders

The Company did not declare or pay dividends to its stockholder during the examination period.

CORPORATE RECORDS

Board of Directors Minutes

The minutes of meetings of the Board of Directors for the period under examination were read. The minutes indicated that all meetings were held in accordance with the Company's bylaws and the laws of the Commonwealth of Massachusetts. Activities of the Committees were reported at each meeting of the Board of Directors.

Articles of Incorporation and Bylaws

The bylaws and Articles of Organization and amendments thereto were read. On November 16, 2000, an amendment to the Company's Articles of Organization filed in accordance with MGL, Chapter 156B, Section 6, was approved by the Massachusetts Commissioner of Insurance. The approved amendment changed the par value of the stock from \$0.01 per share to \$100.00 per share and increased the total number of shares issued from 9,000 to 10,000.

Conflict of Interest Procedures

The Company has a policy pertaining to conflict of interest. In support of its answer to Question 14 of the General Interrogatories of the Annual Statement, the Company has an established procedure for the disclosure to the Board of Directors of any material interest or affiliation on the part of any officer or director or responsible employee which is in or is likely to conflict with his or her official duties. Annually, each officer or director or responsible employee completes a questionnaire disclosing any material conflicts of interests. The completed questionnaires were reviewed and no discrepancies were noted to contradict the Company's response to the General Interrogatory regarding conflicts of interests reported in the Company's 2012 Annual Statement.

Disaster Recovery and Business Continuity

The Company provides for the continuity of management and operations in the event of a catastrophe or national emergency in accordance with MGL, Chapter 175, Sections 180M-180Q.

MANAGEMENT AND CONTROL

Board of Directors

According to the bylaws, the Company's business shall be managed by a Board of Directors which may exercise all of the powers of the Company except as otherwise provided by the Articles of Organization, by law, or by the bylaws. The Board of Directors shall consist of not fewer than five Directors with the number to be determined at each Annual Meeting by vote of the stockholders. Each Director shall hold office until the next Annual Meeting. Upon death, removal, or resignation, his or her successor shall be elected by either the stockholders or the Directors. At December 31, 2012, the Company's Board of Directors consisted of the following individuals:

Bunker Hill Insurance Company

<u>Name of Director</u>	<u>Title</u>
Christopher B. Olie	President of Plymouth Rock Assurance Corporation
Frederick C. Childs	Vice President, SRB Corporation
Kerry A. Emanuel	Professor of Atmospheric Science at MIT
William D. Hartranft	Vice President/Chief Financial Officer of Plymouth Rock Assurance Corporation
Keith R. Jensen	Vice President/Chief Marketing Officer of Plymouth Rock Assurance Corporation
Frank P. Palmer	Vice President of Underwriting at Plymouth Rock Management Company of New Jersey

The bylaws do not specify the number of meetings of Directors to be held during a year. The minutes of the Board of Directors meetings indicate that meetings were held four times per year during the examination period. The bylaws provide that at any meeting of the Board, a majority of the Directors then in office (but not less than four) shall constitute a quorum. The minutes indicate that a quorum was present at all meetings of the Board of Directors held during the examination period.

Committees of the Board of Directors

The bylaws allow that the Directors may elect from their number an executive committee and such other committees as they may determine. There were no committees of the Board of Directors during the period of examination. However, the audit committee of the Company's parent, The Plymouth Rock Company Incorporated, serves as the audit committee of the Company. The membership consists of Director Rosenthal (Chair), Director Belodoff, Director Kidd, and Director Johnston. In addition, the investment committee of the parent is charged with authorizing and approving investments for the Company consistent with the Investment Guidelines adopted by the Board. The membership consists of Director Stone, Director Bailey, and Director Belodoff.

Officers

According to the Company's bylaws, the officers of the Company shall be a President, a Treasurer, a Secretary, and such other officers as the Board of Directors may elect or appoint. Pursuant to the bylaws, the officers of the Company shall be elected by the Board of Directors at its first meeting after the Annual Meeting. If any office becomes vacant, the Board of Directors may elect a successor.

Officers of the Company at December 31, 2012 are as follows:

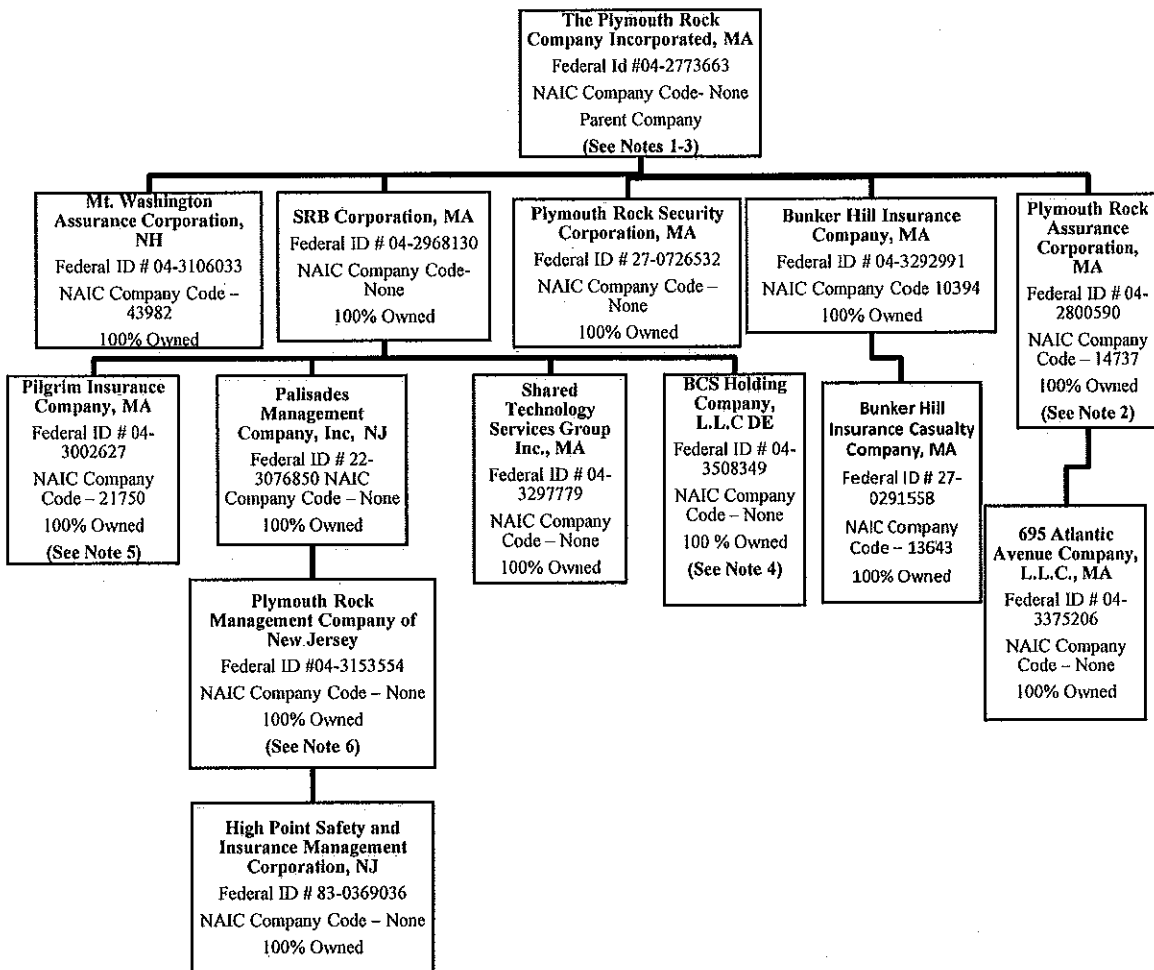
<u>Name of Officer</u>	<u>Title</u>
Vacant	President
William D. Hartranft	Treasurer
Courtland J. Troutman	Secretary

Bunker Hill Insurance Company

Affiliated Companies

As stated in the Insurance Holding Company System Form B, as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of MGL, Chapter 175, Section 206C and regulation 211 CMR 7.00. The Plymouth Rock Company Incorporated is the "ultimate controlling person" for twenty entities, including five insurance and fifteen non-insurance entities.

Organizational Chart



Notes:

- The Plymouth Rock Company owns 25,590 shares of common stock, approximately 9.8% of the total number of understanding shares of Homesite Group Incorporated ("HGI"), DE. There is no controlling shareholder of HGI. Although several shareholders each currently own more than 10% of the outstanding capital stock of HGI, no party can elect a majority of the board of directors of HGI, thereby negating the power in any party to direct or cause the direction of the management and policies of HGI. Federal ID #04-3361207, NAIC Company Code- None.
- The Plymouth Rock Company and Plymouth Rock Assurance Corporation own 99% and 1% respectively, of Windmill Point Finance Company, L.L.C., MA; Federal ID# 04-3314857, NAIC Company Code-None.
- The Plymouth Rock Company owns 100% of 99 Bedford Corporation MA; Federal ID #04-3286956, NAIC Company Code-None.
- BCS Holding Company L.L.C owns 100% of the following entities: Encharter Insurance, L.L, MA, Federal ID #06-1664611, NAIC Company Code-None, and Encharter Insurance, L.L.C., CT Federal ID #30-0206265, NAIC Company Code-None
- Pilgrim Insurance Company own 100% of Pilgrim Risk Management, L.L.C., MA; Federal ID# 20-2834400, NAIC Company Code - None.
- Plymouth Rock Management Company of New Jersey owns 100% of the following entities: National Atlantic Insurance Agency, NJ; Federal ID#22-3367170, NAIC Company Code-None, and High Point Brokerage Company, Inc., NJ; Federal ID #22-3605411, NAIC Company Code - None.

Bunker Hill Insurance Company

Transactions and Agreements with Subsidiaries and Affiliates

Administrative Services Agreements

The Company receives certain accounting, management and other services from and to its affiliates. Fees charged for these services are negotiated annually.

Purchase of Subsidiary

On April 5, 2012, the Company acquired Plymouth Rock Assurance Casualty Company ("PRACC") from Plymouth Rock Assurance Corporation ("PRAC"). The Company paid PRAC in cash \$4,971,261, a price considered by the Company to be equal to the fair market value of PRACC. Following the acquisition, the name of PRACC was changed to Bunker Hill Insurance Casualty Company ("BHICC"). Following the acquisition, the existing pooling agreement by and among PRAC, Pilgrim Insurance Company, and PRACC was amended to delete PRACC as a participant as of January 1, 2012.

Tax Sharing Agreement

The Company participates in a tax allocation agreement with its eligible affiliates. The allocation method is based upon the respective tax liability of each member computed as if a separate return were filed, in accordance with the Internal Revenue Code. Inter-company tax balances are settled quarterly and after the tax filing is made in September.

Capital Support Agreement

During 2007, the Company entered into a Statutory Capital Support Agreement with its Parent, the Plymouth Rock Company Inc, which was renewed in 2011 and again in 2012. The agreement, as amended, states that at any time during the period July 1, 2012 to June 30, 2013, the Company's surplus as regards policyholders falls below \$20 million the Parent will make a capital contribution to the Company not to exceed \$5.1 million. As security for this agreement, the Parent purchased an irrevocable standby letter of credit from a bank in the amount of \$5.1 million. The letter of credit is scheduled to expire on June 30, 2013, but will be automatically extended by the bank for an additional one-year period unless the Parent provides the bank with notice at least 120 days prior to the expiration date that it does not wish the letter of credit to be extended. As security for its repayment obligations to the bank that issued the letter of credit, the Parent pledged securities to the bank which had, as of December 31, 2012, a market value of approximately \$6.0 million. During 2011, the Company's surplus dropped below the specified threshold, and The Plymouth Rock Company made a capital contribution in the amount of \$2.4 million to Bunker Hill under this agreement. The letter of credit was not drawn upon. No capital contribution was made under this agreement in any other years during the examination period.

Reinsurance Agreements

See the reinsurance section for a discussion of intercompany reinsurance agreements.

FIDELITY BONDS AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized Massachusetts insurer, consistent with MGL, Chapter 175, Section 60. The aggregate limit of liability exceeds the NAIC suggested minimum.

Bunker Hill Insurance Company

The Company has further protected its interests and property by policies of insurance covering other insurable risks. Coverage is provided by insurers licensed in the Commonwealth of Massachusetts, and the policies were in force as of December 31, 2012.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company offers various insurance plans, including group and family life, dental and health coverage, and long-term disability to all eligible employees. The Company offers a Savings and Investment Plan under Section 401 (k) of the Internal Revenue Code to all employees. This Plan, which is a defined contribution plan, covers all participating employees of the Company beginning with the month following the date of employment.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write business in Massachusetts and Connecticut. The Company's principal line of business is homeowners provided primarily to personal risks through its appointed independent agents.

Policy Forms and Underwriting Practices

The Company offers primarily personal homeowners coverage utilizing policy forms, riders and endorsements that are subject to the approval of the individual state insurance departments.

Treatment of Policyholders

During the financial examination of the Company, the Division's Market Conduct Section initiated a comprehensive market conduct examination of the Company for the period January 1, 2012 through December 31, 2012. The market conduct examination was called pursuant to authority in MGL, Chapter 175, Section 4.

The market conduct examination is being conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Division. Representatives from the firm of Rudmose & Noller Advisors LLC were engaged to complete certain agreed-upon procedures which were developed using the guidance and standards of the NAIC Market Regulation Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins.

The basic business areas that are being reviewed under this market conduct examination are Company Operations/Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services; Underwriting and Rating; Claims, in addition to an assessment of the Company's internal control environment. Once this market conduct examination is completed, a Report on the Comprehensive Market Conduct Examination of the Company for the period January 1, 2012 through December 31, 2012 will be issued and become available as a public document.

Bunker Hill Insurance Company

GROWTH OF COMPANY

The growth of the Company for the years 2008 through 2012 is shown in the following schedule, which was prepared from the Company's annual statements.

Year	Admitted Assets	Liabilities	Surplus	Direct Premiums Written	Net Premiums Written
2008	\$41,988,894	\$22,234,129	\$19,754,765	\$39,403,539	\$23,088,881
2009	43,458,167	20,596,390	22,861,777	41,047,811	24,245,114
2010	45,735,241	19,592,733	26,142,508	39,409,648	23,189,348
2011	41,854,002	21,804,635	20,049,367	38,163,586	22,011,234
2012	42,180,170	19,726,483	22,453,687	39,484,020	13,588,191

REINSURANCE

Intercompany Pooling Arrangements

Effective January 1, 2012, the Company participates in an intercompany pooling agreement that combines underwriting results with an affiliated entity. The Company is the lead company of the pool.

The participation percentages are as follows:

Bunker Hill Insurance Company	76%
Bunker Hill Insurance Casualty Company	24%

Ceded Reinsurance

The Company has entered into various reinsurance agreements with unaffiliated reinsurers for the purposes of managing their exposure to large losses.

At December 31, 2012, the Company had \$17,247,070 of premiums written and \$6,713,625 of unearned premiums respectively, deducted from their accounts as a result of this reinsurance.

ACCOUNTS AND RECORDS

The internal control structure was discussed with management through questionnaires, interviews and through a review of the work performed by the Company's Independent Certified Public Accountants. Testing of key underwriting and claim internal controls was performed. No material deficiencies were noted.

The NAIC provides a questionnaire covering the evaluation of the controls in the IT systems environment. The questionnaire was completed by the Company and reviewed by the Division

Bunker Hill Insurance Company

to evaluate the adequacy of the IT controls. In addition to the questionnaire, interviews with Company staff were conducted to gather supplemental information and corroborate the Company's responses to the questionnaire. A review was also made of the documentation supporting Management and Organization Controls, Application Systems Development and Maintenance Controls, Operating and Processing Controls, Logical and Physical Security Controls, Contingency Planning Controls, Personal Computer, Local Area Network ("LAN"), Wide Area Network ("WAN") and Internet Controls. No material deficiencies were noted.

The Company maintains its accounts and records on an electronic data processing basis. All entries are input to this data processing system, which then generates general ledger and supporting reports as well as other reports common to the insurance industry. No material exceptions were noted.

The books and records of the Company are audited annually by PricewaterhouseCoopers LLP, independent Certified Public Accountants, in accordance with 211 CMR 23.00 and 211 CMR 26.00.

FINANCIAL STATEMENTS

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division of Insurance and by the NAIC as of December 31, 2012:

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2012

Statement of Income for the Year Ended December 31, 2012

Statement of Capital and Surplus for the Year Ended December 31, 2012

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2012

Bunker Hill Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2012

Assets	As Reported by the Company	Examination Changes	Per Statutory Examination
Bonds	\$14,776,607	\$0	\$14,776,607
Common Stock	12,674,568		12,674,568
Cash and short term investments	180,764		180,764
Other Invested Assets	3,610,488		3,610,488
Subtotals, cash and invested assets	31,242,427	0	31,242,427
Investment income due and accrued	376,364		376,364
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	828,593		828,593
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,608,937		3,608,937
Amounts recoverable from reinsurance	388,645		388,645
Current federal and foreign income tax recoverable and interest thereon	688,158		688,158
Net deferred tax asset	946,241		946,241
Electronic data processing equipment and software	102,311		102,311
Receivables from parent, subsidiaries and affiliates	10,838		10,838
Aggregate write ins for other than invested assets	3,987,656		3,987,656
Total Assets	\$42,180,170	\$0	\$42,180,170

Bunker Hill Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds (continued)
As of December 31, 2012

Liabilities	As Reported by the Company	Examination Changes	Per Statutory Examination	Notes
Losses	\$3,250,722	\$0	\$3,250,722	(1)
Loss adjustment expenses	1,051,056		1,051,056	(1)
Commissions payable, contingent, commissions and other similar charges	1,446,284		1,446,284	
Other expenses	690,754		690,754	
Taxes, licenses and fees	183,988		183,988	
Unearned premiums	10,768,255		10,768,255	
Advance premium	594,703		594,703	
Ceded reinsurance premiums payable	396,164		396,164	
Remittances and items not allocated	26,373		26,373	
Payable to parent, subsidiaries and affiliates	387,084		387,084	
Aggregate write-ins for liabilities	931,100		931,100	
Total Liabilities	<u>\$19,726,483</u>	<u>\$0</u>	<u>\$19,726,483</u>	
Common capital stock	1,000,000		1,000,000	
Gross paid in and contributed surplus	12,910,000		12,910,000	
Unassigned funds (surplus)	8,543,687		8,543,687	
Surplus as regards policyholders	<u>\$22,453,687</u>	<u>\$0</u>	<u>\$22,453,687</u>	
Total Liabilities, Surplus and Other Funds	<u>\$42,180,170</u>	<u>\$0</u>	<u>\$42,180,170</u>	

Bunker Hill Insurance Company
Statement of Income
For the Year Ended December 31, 2012

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums earned	\$16,619,480	\$0	\$16,619,480
Deductions:			
Losses incurred	4,882,166		4,882,166
Loss adjustment expenses incurred	2,668,297		2,668,297
Other underwriting expenses incurred	7,222,283		7,222,283
Total underwriting deductions	14,772,746	0	14,772,746
Net underwriting gain (loss)	1,846,734	0	1,846,734
Net investment income earned	698,508		698,508
Net realized capital gains or (losses) less capital gains tax	115,340		115,340
Net investment gain (loss)	813,848	0	813,848
Net gain (loss) from agents' or premium balances charged off	(55,225)		(55,225)
Finance and service charges not included in premiums	263,820		263,820
Total Other Income	208,595	0	208,595
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	2,869,177		2,869,177
Federal and foreign income taxes incurred	443,720		443,720
Net income (loss)	\$2,425,457	\$0	\$2,425,457

Bunker Hill Insurance Company
Statement of Capital and Surplus
For the Year Ended December 31, 2012

	As Reported by the Company	Examination Changes	Per Statutory Examination
Surplus as regards policyholders, December 31 prior year	\$20,049,367	\$0	\$20,049,367
Net income (loss)	2,425,457		2,425,457
Change in net unrealized capital gains or (losses) less tax	746,740		746,740
Change in net deferred income tax	(192,043)		(192,043)
Change in nonadmitted assets	(583,021)		(583,021)
Change in provision for reinsurance	7,187		7,187
Change in surplus as regards policyholders for the year	<u>2,404,320</u>	<u>0</u>	<u>2,404,320</u>
Surplus as regards policyholders, December 31 current year	<u>\$22,453,687</u>	<u>\$0</u>	<u>\$22,453,687</u>

Bunker Hill Insurance Company
Reconciliation of Capital and Surplus
For Each Year in the Five-Year Period Ended December 31, 2012

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Surplus as regards policyholders, December 31 prior year	\$20,049,367	\$26,142,508	\$22,861,777	\$19,754,765	\$19,971,056
Net income (loss)	2,425,457	(8,192,065)	3,139,023	2,396,100	2,085,722
Change in net unrealized capital gains or (losses) less tax	746,740	(79,666)	196,747	438,041	(1,726,023)
Change in net deferred income tax	(192,043)	(85,786)	(78,801)	(271,383)	(70,561)
Change in nonadmitted assets	(583,021)	(174,728)	70,053	544,254	(505,429)
Change in provision for reinsurance	7,187	39,104	(46,291)	0	0
Surplus adjustments paid in	<u>0</u>	<u>2,400,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in surplus as regards policyholders for the year	<u>2,404,320</u>	<u>(6,093,141)</u>	<u>3,280,731</u>	<u>3,107,012</u>	<u>(216,291)</u>
Surplus as regards policyholders, December 31 current year	<u>\$22,453,687</u>	<u>\$20,049,367</u>	<u>\$26,142,508</u>	<u>\$22,861,777</u>	<u>\$19,754,765</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1- Summary of Loss and Loss Adjustment Expense Reserves (“Loss and LAE Reserves”)

The Division engaged Risk and Regulatory Consulting, LLC (“RRC”) to review the reasonableness of the loss and LAE reserves of the Company as of December 31, 2012. The review was conducted in a manner consistent with the Code of Professional Conduct and the Qualification Standards of the American Academy of Actuaries and the Standards of Practice adopted by the Actuarial Standards Board.

Bunker Hill Insurance Company and its affiliate, Bunker Hill Insurance Casualty Company, held net loss and LAE reserves of approximately \$5.7 million as of December 31, 2012. These reserves are net of anticipated salvage and subrogation and assumed and ceded reinsurance.

Risk and Regulatory Consulting, LLC’s actuarial review utilized accident year paid and incurred loss data at annual valuations through December 31, 2012. RRC’s actuarial central estimate of the net loss and LAE reserves is \$4.2 million. RRC also calculated a range of estimates that it considered reasonable and acceptable. The overall reasonable range of estimates extends from \$4.0 million to \$4.4 million.

The results of RRC’s actuarial review indicated that the Company’s recorded net loss and LAE reserves at December 31, 2012 fell above the range of reasonable estimates for all unpaid loss and LAE obligations of the Company under the terms of its policies and reinsurance agreements. RRC recommends that the Company reduce its reserves to be within the range of reasonable estimates.

The table below summarizes a comparison of RRC’s range of reasonable estimates for loss and LAE reserves to the Company’s net carried loss and LAE reserves as of December 31, 2012. All amounts shown are in millions:

	Low Point of Range	Select Estimate	High Point of Range
RRC Estimate	\$4.0	\$4.2	\$4.4
Company Carried	5.7	5.7	5.7
Company Carried Over/(Under) RRC	1.7	1.5	1.3

SUMMARY OF RECOMMENDATIONS

There are no material recommendations included in this examination report.

ACKNOWLEDGMENT

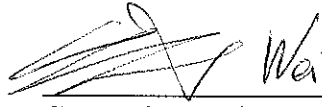
Acknowledgment is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by Risk and Regulatory Consulting, LLC and by the following Massachusetts Division of Insurance examiners who participated in this examination hereby is acknowledged.

Carla Mallqui, AFE, Financial Examiner II
Steve Tsimitsos, CFE, Financial Examiner II



Robert Dynan, CFE
Supervising Examiner
Commonwealth of Massachusetts
Division of Insurance



Guangping Wei, CFE
Examiner-in-Charge
Commonwealth of Massachusetts
Division of Insurance