

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

***REPORT OF EXAMINATION OF THE***  
**BUNKER HILL INSURANCE CASUALTY COMPANY**

**Boston, Massachusetts**

**As of December 31, 2022**

**NAIC GROUP CODE 0415**

**NAIC COMPANY CODE 13643**

**EMPLOYER ID NUMBER 27-0291558**

# **BUNKER HILL INSURANCE CASUALTY COMPANY**

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**COMMONWEALTH OF MASSACHUSETTS**  
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**DIVISION OF INSURANCE**

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**KIM DRISCOLL**  
LIEUTENANT GOVERNOR

February 1, 2024

The Honorable Gary D. Anderson  
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 CASUALTY COMPANY**

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

## **SCOPE OF EXAMINATION**

Bunker Hill Insurance Casualty Company ("BH Cas" or the "Company") was last examined as of December 31, 2017 by the Massachusetts Division of Insurance (the "Division"). The current examination was also conducted by the Division, and covers the period from January 1, 2018 through December 31, 2022, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

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

Plymouth Rock Assurance Corporation ("PRAC")  
Pilgrim Insurance Company ("PIC")  
Plymouth Rock Home Assurance Corporation ("PRHAC")  
Bunker Hill Insurance Company ("BHIC")  
Bunker Hill Preferred Insurance Company ("BH Pref")  
Bunker Hill Property Insurance Company ("BH Prop")

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws, Chapter 175, Section 4, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company is audited annually by PricewaterhouseCoopers, LLP ("PwC"), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2018 through 2022. A review and use of the certified public accountants' work papers was made to the extent deemed appropriate and effective. Representatives from the firm Risk & Regulatory Consulting LLC ("RRC") were retained by the Division to assist in the examination by performing certain examination procedures at the direction

## Bunker Hill Insurance Casualty Company

and under the overall management of the Division's examination staff. Additional assistance included a review of information systems and information technology general controls ("ITGC's") and a review of the actuarially determined loss and loss adjustment expense reserves, as well as other significant actuarial estimates.

### **SUMMARY OF SIGNIFICANT FINDINGS OF FACT**

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

### **COMPANY HISTORY**

#### **General**

The Company, a privately held stock company, was formerly named Plymouth Rock Assurance Casualty Company ("PRACC") upon its formation on June 1, 2009. It became part of the Insurance Holding System with the issuance of 100% of its outstanding shares of common stock to PRAC. On April 5, 2012, Plymouth Rock Home Assurance Corporation ("PRHAC"), formerly Bunker Hill Insurance Company ("BHIC"), acquired PRACC from PRAC. Following the acquisition, the name of PRACC was changed to Bunker Hill Insurance Casualty Company. The Company underwrites homeowners business in Massachusetts.

#### **Capital Stock**

The Company's Articles of Organization authorized the Company to issue 10,000 shares of common stock with a par value of \$100 per share. There are 7,000 shares issued and outstanding, all owned by PRHAC. The ultimate controlling entity of the Company is The Plymouth Rock Company Incorporated.

The initial capitalization of the Company consisted of common capital stock of \$700,000 and \$4,130,000 of gross paid in and contributed surplus.

#### **Dividends**

There were no dividends declared during the period under examination.

### **MANAGEMENT AND CONTROL**

#### **Board of Directors Minutes**

The minutes of meetings of the Board of Directors, or consent actions in lieu of meetings, and minutes of its Committee meetings for the period under examination were read, and they indicated that all actions were taken in accordance with the Company's bylaws and the Laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified by the Board of Directors.

## Bunker Hill Insurance Casualty Company

### Articles of Organization and Bylaws

The bylaws and Articles of Organization and amendments thereto were read. The bylaws were amended and restated as of December 8, 2009. On April 12, 2012, Articles of Amendment were approved by the Massachusetts Commissioner of Insurance and on April 20, 2012 they were filed with the Massachusetts Secretary of State, changing the name of the Company from Plymouth Rock Assurance Casualty Company to Bunker Hill Insurance Casualty Company.

### 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.

As of December 31, 2022, the Company's Board was comprised as follows:

| <u>Name of Director</u> | <u>Title</u> |
|-------------------------|--------------|
| Andrew A. McElwee, Jr.  | Chairman     |
| Wilbur L. Martin IV     | Director     |
| Kerry A. Emanuel        | Director     |
| Colleen M. Granahan     | Director     |
| Scott N. Kwiker         | Director     |
| Julie A. Rochman        | Director     |

### Committees of the Board of Directors

The bylaws allow the Directors to elect from their number an Executive Committee and such other committees as they may determine, and delegate to any such committees some or all of the powers of the Directors except those prohibited. There were no committees of the BH Cas Board of Directors during the examination period. However, the Company's ultimate parent Board, the Plymouth Rock Company Incorporated ("PRC"), established the Audit Committee and Enterprise Risk Committee to fulfill the functions on behalf of the Company. The Audit Committee is governed by a charter and comprised of a Chairman, Norman L. Rosenthal, and three directors, Andrew A. McElwee, Jr., Sandra A. Urie and Wilmot H. Kidd, III. In addition, PRC's Investment Committee is charged with authorizing and approving investments for the Company consistent with the Investment Guidelines adopted by the Board.

# Bunker Hill Insurance Casualty Company

## 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, 2022 were as follows:

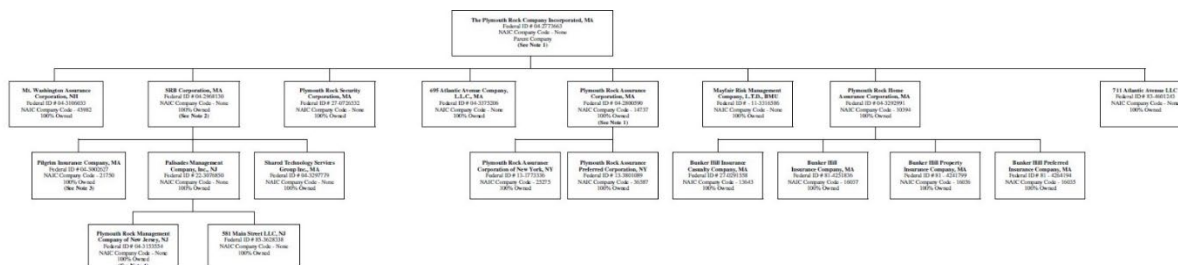
| <u>Name of Officer</u> | <u>Title</u>                               |
|------------------------|--|
| Wilbur L. Martin IV    | President and Chief Executive Officer      |
| William D. Hartranft   | Treasurer                                  |
| Lauren E. Dwyer        | Secretary                                  |
| Scott N. Kwiker        | Vice President and Chief Operating Officer |
| Andrew J. Leeds        | Vice President                             |
| John M. Anglim         | Assistant Treasurer                        |
| Erin R. Macgowan       | Assistant Secretary                        |

## 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 Massachusetts General Laws, Chapter 175, Section 206C, and 211 CMR 7.00. The Plymouth Rock Company Incorporated is the “ultimate controlling person” of the holding company system.

## Organizational Chart

At December 31, 2022, Bunker Hill Insurance Casualty Company and its operating subsidiaries and affiliated companies were members of the following organizational structure:



## Bunker Hill Insurance Casualty Company

### Notes:

1. The Plymouth Rock Company and Plymouth Rock Assurance Corporation, MA own 99% and 1%, respectively, of Windmill Point Finance Company, L.L.C.
2. SRB Corporation owns 100% of Encharter Insurance, L.L.C., MA, Encharter Insurance, L.L.C., CT, and Perks and More, L.L.C., MA.
3. Pilgrim Insurance Company owns 100% of Pilgrim Risk Management, L.L.C., MA.
4. Plymouth Rock Management Company of New Jersey owns 100% of the National Atlantic Insurance Agency, Inc., NJ and High Point Brokerage Company, Inc., NJ.

### Transactions and Agreements with Affiliates

#### *Administrative Services Agreements*

The Company receives certain accounting, data processing, actuarial, management, and other services from its affiliates. Service fees are paid pursuant to the terms of inter-company service agreements previously approved by the Division.

#### *Investment Management Agreement*

Affiliate SRB Corporation provides investment advising services to the Company and other affiliates, among other services. Investment expenses are paid to SRB Corporation pursuant to the terms of an investment agreement previously approved by the Division.

#### *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 October.

### **TERRITORY AND PLAN OF OPERATION**

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

### Treatment of Policyholders – Market Conduct

The Division's Market Conduct Examination Section initiated a comprehensive market conduct examination of the Plymouth Rock Group as of December 31, 2018. The examination report was adopted on March 4, 2021. The examination resulted in no recommendations or required actions in company operations/management or policyholder service. The examination indicated that the Company meets all tested Company policies, procedures and statutory requirements in these areas. Further, the tested Company practices generally appear to meet industry best practices in these areas.



## **REINSURANCE**

### **Intercompany Pooling Agreements**

The Company and its four Affiliates, PRHAC, BHIC, BH Pref and BH Prop participate in an intercompany pooling agreement, effective January 1, 2017, with participation percentages of 20% for each company. Under this agreement, PRHAC assumes 100% of the net liabilities arising from underwriting of the five companies. The liabilities are combined and subsequently ceded to the entities based on the percentage.

### **Ceded Reinsurance**

Effective July 1, 2017, PRAC Group and PRHAC Group entered into a catastrophe excess of loss reinsurance layer with other non-affiliated entities under which participants cede catastrophe losses in excess of a retention and assume an amount of the layer's total catastrophe losses at participation rates that were proportional to each entity's surplus at the time the layer was established.

### **Assumed Reinsurance**

In addition to the pooling agreements mentioned above, the Company assumes business from the MA FAIR Plan.

Bunker Hill Insurance Casualty Company

**FINANCIAL STATEMENTS**

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2022. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2022

Statement of Income for the Year Ended December 31, 2022

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2022

# Bunker Hill Insurance Casualty Company

## Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2022

|   | Per<br>Annual<br>Statement |
|---|----------------------------|
| <b>ASSETS</b>   |                            |
| Bonds   | \$ 20,254,835              |
| Common stocks   | 18,911,965                 |
| Cash, cash equivalents, and short-term investments  | 798,638                    |
| Subtotals, cash and invested assets   | 39,965,438                 |
| Investment income due and accrued   | 182,148                    |
| Uncollected premiums and agents' balances in course of collection                           | 297,606                    |
| Deferred premiums and agents' balances and installments booked but deferred and not yet due | 4,404,388                  |
| Amounts recoverable from reinsurers   | 2,233,381                  |
| Current federal and foreign income tax recoverable and interest thereon                     | 323,632                    |
| Net deferred tax asset  | 289,210                    |
| Receivable from parent, subsidiaries and affiliates   | 796,351                    |
| Aggregate write-ins for other than invested assets  | 1,710,000                  |
| Total Assets  | \$ 50,202,154              |

# Bunker Hill Insurance Casualty Company

## Statement of Assets, Liabilities, Surplus and Other Funds (Continued) as of December 31, 2022

|   | Per<br>Annual<br>Statement |
|---|----------------------------|
| <b>LIABILITIES</b>  |                            |
| Losses  | \$ 7,008,276               |
| Reinsurance payable on paid losses and loss adjustment expenses       | 3,572,253                  |
| Loss adjustment expenses  | 1,290,792                  |
| Commissions payable, contingent commissions and other similar charges | 259,792                    |
| Other expenses  | 161,745                    |
| Taxes, licenses and fees  | 7,444                      |
| Unearned premiums   | 15,663,653                 |
| Advance premium   | 270,444                    |
| Ceded reinsurance premiums payable                                    | 3,030,043                  |
| Payable to parent, subsidiaries and affiliates                        | 453                        |
| Aggregate write-ins for liabilities                                   | 11,383                     |
| Total Liabilities   | <u>31,276,278</u>          |
| Common capital stock  | 700,000                    |
| Gross paid in and contributed surplus                                 | 20,040,000                 |
| Unassigned funds (surplus)  | <u>(1,814,124)</u>         |
| Surplus as regards policyholders                                      | 18,925,876                 |
| Total Liabilities, Surplus and Other Funds                            | <u><u>\$50,202,154</u></u> |

# Bunker Hill Insurance Casualty Company

## Statement of Income For the Year Ended December 31, 2022

|   | Per<br>Annual<br>Statement  |
|---|-----------------------------|
| <b>Underwriting Income</b>  |                             |
| Premiums earned   | \$22,390,597                |
| <b>Deductions</b>   |                             |
| Losses  | 13,134,868                  |
| Loss adjustment expenses incurred   | 2,836,737                   |
| Other underwriting expenses incurred  | 10,124,968                  |
| Total underwriting deductions   | 26,096,573                  |
| Net underwriting gain (loss)  | (3,705,976)                 |
| <b>Investment Income</b>  |                             |
| Net investment income earned  | 486,372                     |
| Net realized capital gains or (losses)  | (128,885)                   |
| Net investment gain (loss)  | 357,487                     |
| <b>Other Income</b>   |                             |
| Net gain (loss) from agents' or premium balances charged off  | (45,683)                    |
| Finance and service charges not included in premiums  | 43,892                      |
| Total other income  | (1,791)                     |
| Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes | (3,350,280)                 |
| Federal and foreign income taxes incurred   | (618,828)                   |
| <b>Net income</b>   | <u><u>\$(2,731,452)</u></u> |

Bunker Hill Insurance Casualty Company

**Reconciliation of Capital and Surplus**

**For Each Year in the Five-Year Period Ended December 31, 2022**

|  | <u>2022</u>         | <u>2021</u>         | <u>2020</u>         | <u>2019</u>         | <u>2018</u>        |
|--|---------------------|---------------------|---------------------|---------------------|--------------------|
| Surplus as regards<br>policyholders, December 31<br>prior year               | \$18,037,340        | \$12,864,458        | \$10,923,624        | \$6,297,430         | \$6,388,908        |
| Net income   | (2,731,452)         | (424,712)           | (401,872)           | 1,147,647           | (419,297)          |
| Change in net unrealized capital<br>gains (losses) less capital gains<br>tax | (2,734,117)         | 1,384,597           | (363,895)           | 993,656             | 192,617            |
| Change in net unrealized<br>foreign exchange capital gain<br>(loss)          |                     |                     |                     |                     |                    |
| Change in net deferred income<br>tax   | 32,516              | 122,107             | 126,209             | 88,656              | 186,871            |
| Change in nonadmitted assets   | (488,411)           | (9,110)             | (19,608)            | (3,765)             | (51,669)           |
| Surplus adjustments: Paid in<br>Dividends to stockholders                    | 6,810,000           | 4,100,000           | 2,600,000           | 2,400,000           |                    |
| Change in surplus as regards<br>policyholders for the year                   | 888,536             | 5,172,882           | 1,940,834           | 4,626,194           | (91,478)           |
| Surplus as regards<br>policyholders December 31<br>current year              | <u>\$18,925,876</u> | <u>\$18,037,340</u> | <u>\$12,864,458</u> | <u>\$10,923,624</u> | <u>\$6,297,430</u> |

## **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no changes in the financial statements resulting from the examination.

### **COMMENTS ON FINANCIAL STATEMENT ITEMS**

As a result of the examination, no significant issues with non-compliance, adverse findings, or material changes to the financial statements were identified.

The Division engaged consulting actuaries from RRC to review the reasonableness of the losses and loss adjustment expense reserves (“Reserves”) of the Plymouth Rock Group as of December 31, 2022. The review was conducted in a manner consistent with the Code of Professional Conduct and Qualification Standards of the American Academy of Actuaries and the Standards of Practice adopted by the Actuarial Standards Board.

RRC’s actuarial review utilized year-end paid and incurred loss data developed through December 31, 2022. The table below summarizes a comparison of RRC’s range of reasonable net estimates for the Reserves to the Plymouth Rock Group’s net carried reserves as of December 31, 2022.

| <u>Plymouth Rock Group</u><br>(000’s omitted) |            |                  |             |                      |                                       |
|---|------------|------------------|-------------|----------------------|---------------------------------------|
| <u>RRC Estimates</u>                          |            |                  |             |                      |                                       |
|   | <u>Low</u> | <u>Indicated</u> | <u>High</u> | <u>Total Carried</u> | <u>(Deficiency)<br/>Vs. Indicated</u> |
| Net Loss & LAE                                | NA         | \$349,398        | NA          | \$393,211            | \$43,813                              |

The Group’s recorded reserves are 12.5% above RRC's estimates and RRC Actuarial Examiners therefore conclude that the recorded reserves are not likely to be deficient.

### **SUBSEQUENT EVENTS**

Effective January 1, 2023, affiliate Shared Technology Services Group, Inc. was transferred as a dividend from its parent, affiliate SRB Corporation, to Parent and then contributed down to Plymouth Rock Assurance Corporation. Concurrent to this contribution, Shared Technology Services Group, Inc. was reorganized and renamed Shared Technology Services Group, LLC (“STG”). The equity value of STG at the point of contribution was \$4,304.

**SUMMARY OF RECOMMENDATIONS**

There were no significant recommendations noted by the examination team for improvements on process, activities and/or controls that should be noted in this report.



**SIGNATURE PAGE**

Acknowledgement 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 the following Division examiner who participated in this examination hereby is acknowledged:

Guangping Wei, CFE, Financial Examiner III

*Robert G. Dynan*

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Robert G. Dynan, CFE  
Supervising Examiner & Examiner-In-Charge  
Commonwealth of Massachusetts  
Division of Insurance