

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, 2022

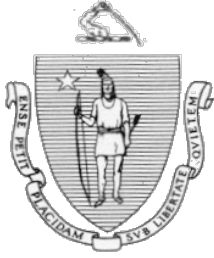
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BUNKER HILL INSURANCE COMPANY

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

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MAURA HEALEY
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GARY D. ANDERSON
COMMISSIONER OF INSURANCE

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 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 Company ("BHIC" 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 Casualty Company ("BH Cas")
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 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 incorporated on October 26, 2016 under the laws of the Commonwealth of Massachusetts and commenced business on January 1, 2017. On August 5, 2020, the Company changed its name from Bunker Hill Security Insurance Company to Bunker Hill Insurance Company. The Company, along with affiliates Bunker Hill Insurance Casualty Company ("BH Cas", formerly "Plymouth Rock Assurance Casualty Company"), Bunker Hill Preferred Insurance Company ("BH Pref"), and Bunker Hill Property Insurance Company ("BH Prop") are wholly-owned subsidiaries of Plymouth Rock Home Assurance Corporation ("PRHAC"). The group was established to write homeowners insurance 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

The Company has not declared a stockholder dividend since inception.

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

Bunker Hill Insurance Company

Commonwealth of Massachusetts. Activities of the Committees were ratified by the Board of Directors.

Articles of Organization and Bylaws

The bylaws and Articles of Organization and amendments thereto were read. The bylaws and Articles of Organization have not been amended since inception.

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 from delegating. There were no committees of the BHIC Board of Directors during the examination period. However, the Company's ultimate parent's 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 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:

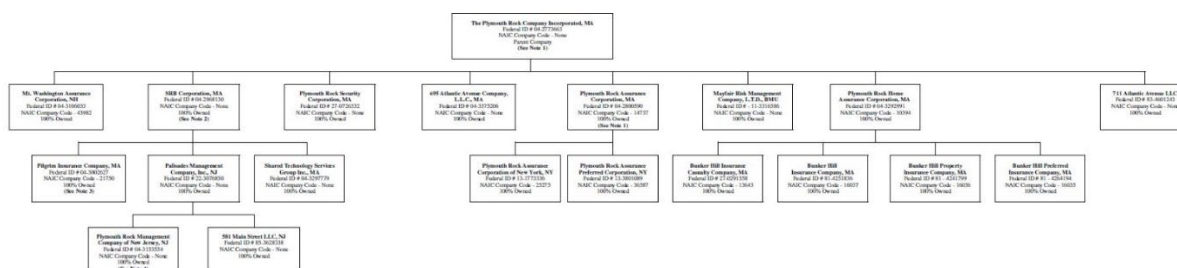
<u>Name of Officer</u>	<u>Title</u>
Wilbur L. Martin IV	President and Chief Executive Officer
William D. Hartranft	Treasurer
Lauren E. Dwyer	Secretary
Scott N. Kwiker	Vice President and Chief Operating Officer
Andrew J. Leeds	Vice President
John M. Anglim	Assistant Treasurer
Erin R. Macgowan	Assistant 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 Section 206C of Massachusetts General Law, Chapter 175, and regulation 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 Company and its affiliated companies were members of the following organizational structure:



Bunker Hill Insurance 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 insurance 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, BH Cas, 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 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 Company

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

	Per Annual Statement
ASSETS	
Bonds	\$ 21,285,530
Common stocks	15,653,555
Cash, cash equivalents, and short-term investments	480,519
Subtotals, cash and invested assets	37,419,604
Investment income due and accrued	194,010
Uncollected premiums and agents' balances in course of collection	412,733
Deferred premiums and agents' balances and installments booked but deferred and not yet due	4,741,849
Amounts recoverable from reinsurers	1,973,016
Current federal and foreign income tax recoverable and interest thereon	331,942
Net deferred tax asset	287,780
Receivable from parent, subsidiaries and affiliates	2,161,705
Aggregate write-ins for other than invested assets	3,377,000
Total Assets	\$ 50,899,639

Bunker Hill Insurance Company

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

	Per Annual Statement
LIABILITIES	
Losses	\$ 7,008,276
Reinsurance payable on paid losses and loss adjustment expenses	3,572,252
Loss adjustment expenses	1,290,792
Commissions payable, contingent commissions and other similar charges	367,503
Other expenses	71,727
Taxes, licenses and fees	68,048
Unearned premiums	15,663,653
Advance premium	352,762
Ceded reinsurance premiums payable	3,892,412
Remittances and items not allocated	21,483
Payable to parent, subsidiaries and affiliates	1,072
Aggregate write-ins for liabilities	8,568
Total Liabilities	<u>32,318,548</u>
Common capital stock	700,000
Gross paid in and contributed surplus	20,907,000
Unassigned funds (surplus)	<u>(3,025,909)</u>
Surplus as regards policyholders	<u>18,581,091</u>
Total Liabilities, Surplus, and Other Funds	<u>\$ 50,899,639</u>

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Statement of Income For the Year Ended December 31, 2022

	Per Annual Statement
Underwriting Income	
Premiums earned	\$ 22,390,597
Deductions	
Losses	13,134,868
Loss adjustment expenses incurred	2,836,737
Other underwriting expenses incurred	10,124,969
Total underwriting deductions	26,096,574
Net underwriting gain (loss)	(3,705,977)
Investment Income	
Net investment income earned	469,450
Net realized capital gains or (losses)	(79,141)
Net investment gain (loss)	390,309
Other Income	
Finance and service charges not included in premiums	55,218
Total other income	55,218
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(3,260,450)
Federal and foreign income taxes incurred	(603,690)
Net income	\$ (2,656,760)

Bunker Hill Insurance 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 policyholders, December 31 prior year	\$17,696,933	\$12,154,918	\$10,333,639	\$5,707,200	\$5,893,316
Net income	(2,656,760)	(404,665)	(661,441)	1,226,927	(449,177)
Change in net unrealized capital gains (losses) less capital gains tax	(2,528,023)	1,040,900	(245,694)	614,806	97,592
Change in net unrealized foreign exchange capital gain (loss)					
Change in net deferred income tax	(26,123)	119,966	140,217	86,068	170,637
Change in nonadmitted assets	(581,936)	(14,186)	(11,803)	(1,362)	(5,168)
Surplus adjustments: Paid in Dividends to stockholders	6,677,000	4,800,000	2,600,000	2,700,000	0
Change in surplus as regards policyholders for the year	884,158	5,542,015	1,821,279	4,626,439	(186,116)
Surplus as regards policyholders December 31 current year	<u>\$18,581,091</u>	<u>\$17,696,933</u>	<u>\$12,154,918</u>	<u>\$10,333,639</u>	<u>\$5,707,200</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> (000’s omitted)					
<u>RRC Estimates</u>					
	<u>Low</u>	<u>Indicated</u>	<u>High</u>	<u>Total Carried</u>	<u>(Deficiency) 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.

Bunker Hill Insurance Company

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

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