



**REPORT ON EXAMINATION
OF
PLYMOUTH ROCK ASSURANCE PREFERRED
CORPORATION**

AS OF DECEMBER 31, 2022

**EXAMINER:
DATE OF REPORT:**

**OSCAR CASTRO
MARCH 27, 2024**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

March 27, 2024

Honorable Adrienne A. Harris
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 32475 dated February 8, 2023, attached hereto, I have made an examination into the condition and affairs of Plymouth Rock Assurance Preferred Corporation as of December 31, 2022, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Plymouth Rock Assurance Preferred Corporation.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

1. SCOPE OF EXAMINATION

The Department has performed an examination of Plymouth Rock Assurance Preferred Corporation, a multi-state insurer. The previous examination was conducted as of December 31, 2017. This examination covered the five-year period from January 1, 2018, through December 31, 2022. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination of the Company was conducted in conjunction with the State of Massachusetts, which was the lead state of the Plymouth Rock Insurance Group. The examination was performed concurrently with the examinations of the following insurers:

<u>Company</u>	<u>State of Domicile</u>
Plymouth Rock Home Assurance Corporation (“PRHAC”)	Massachusetts
Bunker Hill Insurance Casualty Company (“BH Cas”)	Massachusetts
Bunker Hill Preferred Insurance Company (“BH Pref”)	Massachusetts
Bunker Hill Property Insurance Company (“BH Prop”)	Massachusetts
Bunker Hill Insurance Company (“BHIC”)	Massachusetts
Plymouth Rock Assurance Corporation (“PRAC”)	Massachusetts
Pilgrim Insurance Company (“Pilgrim”)	Massachusetts
Mt. Washington Assurance Corporation (“MWAC”)	New Hampshire
Plymouth Rock Assurance Corporation of New York (“PRACNY”)	New York

Other states participating in this examination were Massachusetts and New Hampshire.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook, which 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. This 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 New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Company history
- Management and control
- Territory and plan of operation
- Reinsurance
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations, or rules or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Plymouth Rock Assurance Preferred Corporation was incorporated under the laws of the State of New York on December 16, 1994, as Abeille General Insurance Company, Inc. It became licensed on December 16, 1994, and commenced business on the same day. On February 1, 1997, its name was changed to AIG National Insurance Company.

On July 6, 1997, the Company was acquired by 21st Century Security Insurance Company. On July 1, 2009, FGI, a subsidiary of Zurich Financial Services Group, acquired the Company and its parent, and other member companies within the 21st Century Personal Auto Group Pool. On April 1, 2010, the Company changed its name to 21st Century National Insurance Company.

On April 1, 2018, Plymouth Rock Assurance Corporation (“PRAC”), a Massachusetts domestic property and casualty company, purchased all of the issued and outstanding shares of stock of the Company from 21st Century Security Insurance Company. On December 7, 2018, the Company adopted its present name.

Concurrent with its acquisition by PRAC, the Company entered into a 100% quota share reinsurance agreement with 21st Century North America Insurance Company, under which the Company cedes 100% of the underwriting results of all policies issued on 21st Century systems until the last policy expired in December 2018 with effective dates of June 11, 2018, and prior. Also concurrent with its acquisition, the

Company entered into service agreements and 100% quota share reinsurance agreements with 21st Century North America and 21st Century Advantage Insurance Company, under which the Company services and assumes the underwriting results for all New York private passenger automobile policies issued by the Company on behalf of 21st Century North America Insurance Company and 21st Century Advantage Insurance Company with effective dates of June 12, 2018, and later.

A. Corporate Governance

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven members. The board meets four times during each calendar year. At December 31, 2022, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Mary Joyce Boyd Hingham, Massachusetts	President and Chief Executive Officer, Plymouth Rock Assurance Preferred Corporation
Colleen Mary Granahan Newton Highlands, Massachusetts	Director, Plymouth Rock Assurance Corporation
William Daniel Hartranft Newton, Massachusetts	Vice President and Chief Financial Officer, Plymouth Rock Assurance Corporation
John Conrad Hill Brooklyn, New York	President and Chief Executive Officer, Central Securities Corporation
Brendan Michael Kirby Needham, Massachusetts	Chief Information Security Officer, Shared Technology Services Group LLC
Andrew Allison McElwee, Jr. New London, New Hampshire	President and Chief Operating Officer, The Plymouth Rock Company Incorporated
Sandra Ann Urie Winchester, Massachusetts	Chair Emeritus, Cambridge Associates, LLC Board Member, Evolution AB Member, Stewardship Committee, NextWorld

As of December 31, 2022, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Mary Joyce Boyd	President and Chief Executive Officer
William Daniel Hartranft	Treasurer, Vice President, and Chief Financial Officer

Lauren Elizabeth Dwyer
 John Matthew Anglim
 Erin Ruth Macgowan

Secretary
 Assistant Treasurer
 Assistant Secretary

B. Territory and Plan of Operation

As of December 31, 2022, the Company was licensed to write business in 40 states and the District of Columbia. Additionally, the Company was also an authorized accredited reinsurer in Connecticut. Subsequent to this examination, in August 2023, the Company surrendered its Florida state license.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also empowered to transact such workers' compensation insurance as may be incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et. seq. as amended).

Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$4,400,000.

The following schedule shows the direct written premiums and premiums assumed by the Company for the period under examination:

<u>Calendar Year</u>	<u>Direct Premiums</u>	<u>Assumed Premiums</u>	<u>Total Gross Premiums</u>
2018	\$ 5,111,586	\$ 4,946,104	\$ 10,057,690
2019	\$23,583,622	\$59,143,664	\$ 82,727,286
2020	\$62,163,417	\$42,427,990	\$104,591,407
2021	\$70,080,399	\$38,500,716	\$108,581,115
2022	\$83,258,892	\$23,818,242	\$107,077,134

Although the Company is licensed in many states, all of its direct business was written in New York and Pennsylvania. The Company sold its products through a network of 380 licensed independent insurance agents. The majority of the direct premiums written by the Company were private passenger auto physical damage and other private passenger auto liability, which accounted for 43.3% and 42.4%, respectively.

During the examination period, the majority of the Company's assumed business originated from its parent, Plymouth Rock Assurance Corporation, pursuant to an intercompany pooling agreement. Due to the pooling agreement (described in section 2C of this report), the net exposure of the Company is significantly different than its direct and assumed exposure.

C. Reinsurance Ceded

Intercompany Pooling Agreement

Prior to April 1, 2018, the Company participated in the 21st Century Intercompany Pooling Agreement. Under that agreement, the Company ceded all of its underwriting results to 21st Century North America Insurance Company, the lead of the pool. The Company's participation in the pool was 0%. Effective April 1, 2018, the Company was removed from the pool.

Effective June 12, 2018, the Company entered into a 90% quota share reinsurance agreement with PRAC. Under the terms of this agreement, the Company ceded 90% of its net underwriting risks to PRAC.

Effective January 1, 2019, the Company entered into an intercompany pooling agreement with its immediate parent, Plymouth Rock Assurance Corporation, its affiliates Pilgrim, and PRACNY (collectively, the "Pool Members"). Pursuant to this agreement, Pilgrim, PRACNY, and the Company cede 100% of their business written, net of third-party reinsurance, to PRAC. PRAC then retrocedes the combined business written to each Pool Member based on their respective participation percentage in the

Pool. This pooling agreement replaced the 90% quota share agreement with PRAC. The intercompany pooling agreement was submitted to and non-disapproved by the Department pursuant to the provisions of Section 1505(d) of the New York Insurance Law.

The following table shows the pool participants and their respective pooling percentages as of December 31, 2022:

<u>Pool Participants</u>	<u>Percentage</u>
Plymouth Rock Assurance Corporation	79%
Pilgrim Insurance Company	9%
Plymouth Rock Assurance Preferred Corporation	5%
Plymouth Rock Assurance Corporation of New York	<u>7%</u>
Total	<u>100%</u>

In 2022, the Company reported reinsurance premiums ceded to PRAC in the amount of \$83,382,000 and reinsurance recoverable from PRAC in the amount of \$125,556,000. PRAC is an authorized reinsurer; therefore, the reinsurance recoverable amount due from PRAC is not collateralized.

As indicated in section 2 above, effective April 1, 2018, the Company (formerly known as 21st Century National Insurance Company) was sold to PRAC. Concurrent with its acquisition, the Company entered into a 100% quota share reinsurance agreement with 21st Century North America Insurance Company under which the Company cedes 100% of the underwriting results of all policies issued on 21st Century systems until the last policy expired in December 2018 with effective dates of June 11, 2018 and prior.

D. Holding Company System

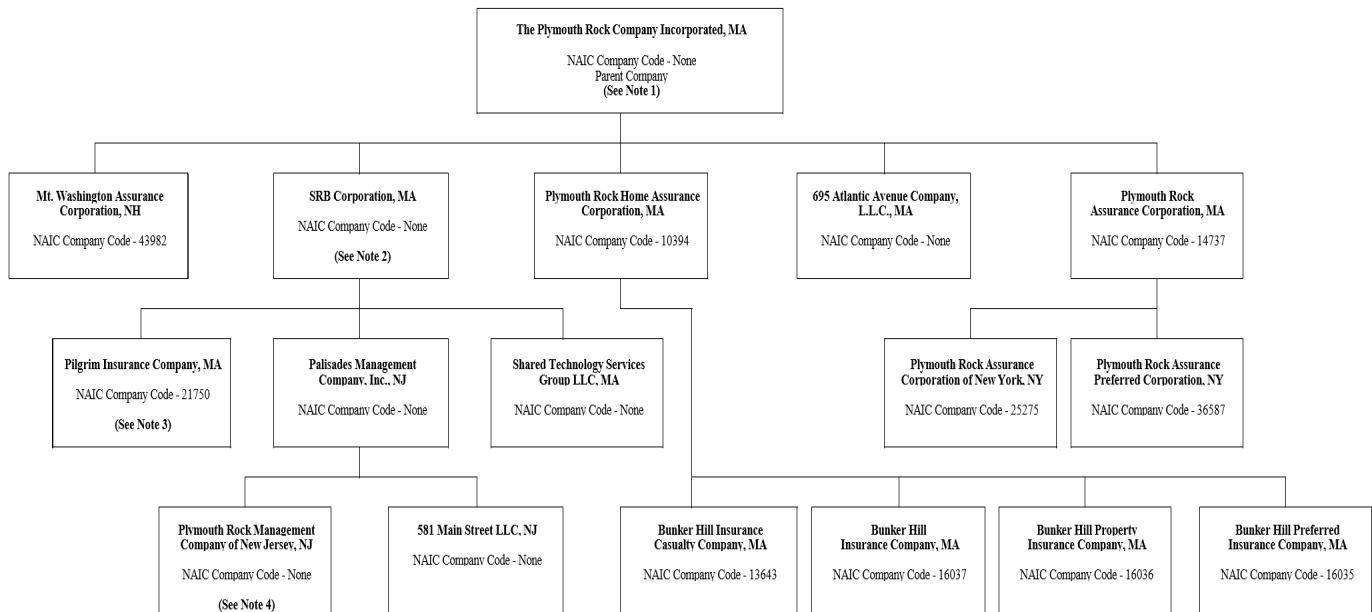
The Company is a member of the Plymouth Rock Insurance Group. The Company is 100% owned by Plymouth Rock Assurance Corporation, a Massachusetts domiciled corporation, which is ultimately controlled by Plymouth Rock Company Incorporated (“PRC”).

PRC is a privately held company which was founded in 1982 and has been headquartered in Boston, Massachusetts since its inception. Its primary business is the ownership and management of property and casualty insurance companies, specializing in coverage of personal automobiles and homes. PRC, through a number of operating subsidiaries, operates in Massachusetts, New York, New Hampshire, Connecticut, and Pennsylvania and provides various insurance and investment management services for insurance entities in those states and elsewhere in the United States.

The purpose of the Company in the holding company system is part of PRAC's plan to expand its insurance business in the New York and Pennsylvania markets.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2022:



Notes

- 1) 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.
- 2) SRB Corporation owns 100% of the following entities: Encharter Insurance, L.L.C, MA, Federal ID #06-1664611, NAIC Company Code - None, Encharter Insurance, L.L.C., CT, Federal ID # 30-0206265, NAIC Company Code - None, and Perks and More, LLC, MA; Federal ID # 83-4550882, NAIC Company Code - None.
- 3) Pilgrim Insurance Company owns 100% of Pilgrim Risk Management, L.L.C., MA; Federal ID # 20-2834400, NAIC Company Code - None.
- 4) Plymouth Rock Management Company of New Jersey owns 100% of the following entities: National Atlantic Insurance Agency, Inc., NJ; Federal ID # 22-3367170, NAIC Company Code - None, and High Point Brokerage Company, Inc., NJ; Federal ID # 22-3605411, NAIC Company Code - None.

Holding Company Agreements

At December 31, 2022, the Company was party to the following agreements with other members of its holding company system:

Services Agreement

Effective January 1, 2007, various members of the Plymouth Rock Companies entered into a Services Agreement, whereby the parties to the Agreement agree to provide various administrative services to each other, including accounting, legal, actuarial, general administrative, and such other services as the members may agree upon from time to time. Fees for services are paid quarterly. Effective April 1, 2018, the fifth amendment to the Agreement was executed to include the Company as a party to the Agreement. The Services Agreement and its amendments were filed with this Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on April 2, 2018.

In 2022, the Company paid expenses totaling \$3,060,616 to PRAC for services provided pursuant to the Services Agreement.

Intercompany Technology Development, Operations, and Support Agreement

Effective February 4, 2004, various members of the Plymouth Rock Companies entered into the Second Amended and Restated Intercompany Technology Development, Operations and Support Agreement, whereby Shared Technology Services Group, Inc. (“STG”) provides technology services to the other parties to the Agreement. Effective April 1, 2018, the fourth amendment to the Agreement was executed to include the Company as a party to the Agreement. This Agreement and its amendments were filed with this Department pursuant to Section 1505 of the New York Insurance Law and were non-disapproved on April 2, 2018.

Investment Management Agreement

Effective April 1, 2018, the Company and its affiliate, SRB Corporation, entered into the investment management agreement pursuant to which the Company receives investment advising services, among other services. Services fees are paid quarterly. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on April 2, 2018.

The Company incurred \$718,151 in expenses during 2022 under the investment management agreement with SRB Corporation.

Consolidated Federal Income Tax Liability Allocation Agreement

Effective December 21, 2016, Plymouth Rock Company Incorporated (“PRC”) and various subsidiaries entered into a Consolidated Federal Income Tax Liability Allocation Agreement, whereby the parties to the agreement file consolidated federal income tax returns. The agreement provides that each company’s tax liability on a consolidated basis will not exceed the tax liability that it would have paid on a stand-alone basis.

Since 2018, when the Company became part of the Plymouth Rock group, its taxes have been filed on a consolidated basis with the parties to the tax allocation agreement; however, the Company was never added as a party to the agreement. Subsequent to the examination date, on July 31, 2023, the Company filed with the Department a new tax allocation agreement, which includes the Company, pursuant to Section 1505 of the New York Insurance Law. The new tax allocation agreement was non-disapproved on August 15, 2023.

E. Significant Ratios

The Company’s operating ratios, computed as of December 31, 2022, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders’ surplus	84%
Adjusted liabilities to liquid assets	99%
Two-year overall operating	99%

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	<u>Amounts</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$ 94,294,653	69.65%
Other underwriting expenses incurred	37,611,579	27.78
Net underwriting gain (loss)	<u>3,475,142</u>	<u>2.57</u>
Premiums earned	<u>\$135,381,374</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 478.6% at December 31, 2022. The RBC score is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC score of 200% or below can result in regulatory action.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2022, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 83,000,186	\$ 0	\$83,000,186
Cash, cash equivalents and short-term equivalents	(34,312)	0	(34,312)
Investment income due and accrued	743,826	0	743,826
Uncollected premiums and agents' balances in the course of collection	1,373,707	210,068	1,163,639
Deferred premiums, agents' balances and installments booked but deferred and not yet due	20,769,385	0	20,769,385
Amounts recoverable from reinsurers	14,222,877	0	14,222,877
Current federal and foreign income tax recoverable and interest	246,625	0	246,625
Net deferred tax asset	2,801,319	1,868,962	932,357
Receivables from parent, subsidiaries and affiliates	9,975,411	0	9,975,411
Leasehold improvements	<u>66,009</u>	<u>66,009</u>	<u>0</u>
Total assets	<u>\$164,774,665</u>	<u>\$2,145,039</u>	<u>\$162,629,626</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$17,586,044
Reinsurance payable on paid loss and loss adjustment expenses	(428,997)
Commissions payable, contingent commissions and other similar charges	1,156,001
Other expenses (excluding taxes, licenses and fees)	660,635
Taxes, licenses and fees (excluding federal and foreign income taxes)	678,763
Unearned premiums	14,639,581
Advance premium	879,390
Ceded reinsurance premiums payable (net of ceding commissions)	19,954,734
Funds held by company under reinsurance treaties	79,107,218
Remittances and items not allocated	42,314
Other liabilities	267,065
NY MVLEF	<u>2,035</u>
Total liabilities	\$134,544,783

Surplus and Other Funds

Common capital stock	\$ 3,000,000
Gross paid in and contributed surplus	26,309,332
Unassigned funds (surplus)	<u>(1,224,490)</u>
Surplus as regards policyholders	<u>28,084,842</u>
Total liabilities, surplus and other funds	<u>\$162,629,626</u>

Note: During the examination period, the Company was not subject to audit by the Internal Revenue Service. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net income for the examination period as reported by the Company was \$5,958,359, as detailed below:

Underwriting Income

Premiums earned		\$135,381,374
Deductions:		
Losses and loss adjustment expenses incurred	\$94,294,653	
Other underwriting expenses incurred	42,997,436	
Aggregate write-ins for underwriting deductions:		
Servicing fees	<u>(5,385,857)</u>	
Total underwriting deductions		<u>131,906,232</u>
Net underwriting gain or (loss)		\$ 3,475,142

Investment Income

Net investment income earned	\$ 4,119,886	
Net realized capital gain	<u>1,508,818</u>	
Net investment gain or (loss)		5,628,704

Other Income

Net gain or (loss) from agents' or premiums balances charged off	\$(1,198,377)	
Finance and service charges not included in premiums	<u>864,813</u>	
Total other income or (loss)		<u>(333,564)</u>
Net income before federal and foreign income taxes		\$ 8,770,282
Federal and foreign income taxes incurred		<u>2,811,923</u>
Net income		\$ <u>5,958,359</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$2,680,141 during the five-year examination period January 1, 2018 through December 31, 2022, as reported by the Company, detailed as follows:

Surplus as regards policyholders, as reported by the Company as of December 31, 2017			\$25,404,701
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$5,958,360		
Net unrealized capital gains or (losses)		\$6,512,627	
Change in net deferred income tax	1,070,115		
Change in nonadmitted assets		2,145,039	
Capital paid in		3,000,000	
Surplus paid in	21,517,404		
Dividends to stockholders	<u>0</u>	<u>14,208,072</u>	
Total gains and losses	\$28,545,879	\$25,865,738	
Net increase in surplus			<u>2,680,141</u>
Surplus as regards policyholders, as reported by the Company as of December 31, 2022			<u>\$28,084,842</u>

Capital paid in is \$3,000,000 consisting of 60,000 shares of \$50 par value per share common stock. Gross paid in and contributed surplus is \$26,309,332. Gross paid in and contributed surplus increased by \$21,517,404 during the examination period.

No adjustments were made to surplus as a result of this examination.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$17,586,044 is the same as reported by the Company as of December 31, 2022. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including SSAP No. 55.

As of December 31, 2022, the Company's loss and loss adjustment expense reserves are concentrated in other private passenger auto liability (84.45%), other commercial auto liability (6.57%), and private passenger auto no-fault (4.77%).

5. **COMPLIANCE WITH PRIOR REPORT ON EXAMINATION**

The prior report on examination did not contain any comments or recommendations.

6. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

There are no comments or recommendations in this report.

Respectfully submitted,

_____/S/_____
Oscar Castro
Financial Services Examiner 2

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Oscar Castro, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/S/_____
Oscar Castro

Subscribed and sworn to before me

this _____ day of _____, 2024.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Adrienne A. Harris, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Oscar Castro

as a proper person to examine the affairs of the

Plymouth Rock Assurance Preferred Corporation

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York*

this 8th day of February 2023

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:

Joan Riddell

*Joan Riddell
Deputy Bureau Chief*

