

STATE OF INDIANA)
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Rock Ridge Insurance Company)
5464 East County Road 350 North)
Danville, Indiana 46122)

Examination of: **Rock Ridge Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Rock Ridge Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Rock Ridge Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 18, 2021
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9995

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Rock Ridge Insurance Company)
5464 East County Road 350 North)
Danville, Indiana 46122)

Examination of: **Rock Ridge Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Rock Ridge Insurance Company (hereinafter “Company”) for the time period January 1, 2016 through December 31, 2019.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on February 2, 2021.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 13, 2021 and was received by the Company on May 18, 2021.

On June 9, 2021, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2019.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 18 day of
June, 2021.



Amy L. Beard
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

ROCK RIDGE INSURANCE COMPANY
NAIC COMPANY CODE 11089
NAIC GROUP CODE 4850

As of

December 31, 2019

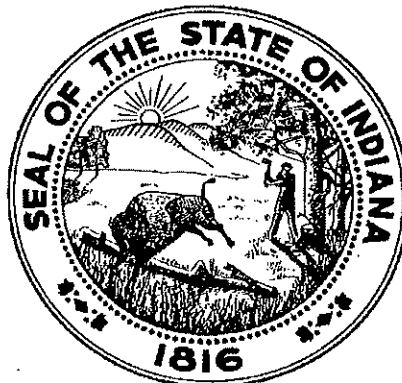


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

February 2, 2021

Honorable Amy L. Beard
Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4046, an examination has been made of the affairs and financial condition of:

Rock Ridge Insurance Company
5464 East County Road 350 North
Danville, Indiana 46122

an Indiana domestic property and casualty insurance company, hereinafter referred to as the "Company" or "RRIC." The Company's main administrative office is located at B-7 Tabonuco Street, Suite 912, Guaynabo, Puerto Rico, US 00968. The examination was conducted at the statutory home office of the Company's parent, Clear Blue Specialty Insurance Company (CBSIC), located at 200 South College Street, Suite 1910, Charlotte, North Carolina 28202.

The Report of Examination, showing the financial status of the Company as of December 31, 2019, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES COMPANY COMPLIANCE CONSUMER SERVICES FINANCIAL SERVICES MEDICAL MALPRACTICE COMPANY RECORDS STATE HEALTH INSURANCE PROGRAM
317-232-2389 317-232-3495 317-232-2395/1-800-622-4461 317-232-2390 317-232-2402 317-232-5692 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2015 as National Building Material Assurance Company. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) with oversight by the INDOI and covered the period from January 1, 2016 through December 31, 2019, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was performed on a coordinated basis with the North Carolina Department of Insurance (NCDOI) and the Illinois Department of Insurance. The NCDOI served as the lead state for the coordinated examination. The INDOI relied upon a portion of the coordinated examination work performed by the NCDOI in its examination of CBSIC.

In conducting the risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by EisnerAmper LLP for 2016 and 2017 and BDO USA, LLP for 2018 and 2019. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

The NCDOI Actuary conducted a review of the Company's Loss Reserves and Loss Adjustment Expenses as of December 31, 2019.

In accordance with the 2019 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, Thomas Consulting performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code (IC). All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was incorporated in the state of Illinois on March 13, 2001 as National Building Material Assurance Company. The Company was organized and funded by its parent, Indiana Lumbermens Mutual Insurance Company (ILMIC), a mutual property and casualty insurance company domiciled in the state of Indiana. On June 9, 2006, the Company transferred its state of domicile from Illinois to Indiana.

On July 23, 2018, CBSIC acquired 100% of the common stock of the Company from ILMIC. When the Company was acquired by CBSIC, it had been dormant since 2014 and had no in-force policies or active claims. The Company's name was changed to Rock Ridge Insurance Company on December 6, 2018.

CAPITAL AND SURPLUS

Pursuant to the Articles of Incorporation, the capital stock authorized for the Company is 1,000,000 shares

of a single class of common stock with a par value of \$10 per share. As of December 31, 2019, the Company's total capital and surplus was \$10,059,180, which included: common capital stock of \$2,500,000, consisting of 250,000 issued and outstanding shares; gross paid-in and contributed surplus of \$7,254,199; and unassigned funds (surplus) of \$304,981. All issued and outstanding shares were 100% owned by CBSIC as of December 31, 2019.

DIVIDENDS TO STOCKHOLDERS

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

TERRITORY AND PLAN OF OPERATION

The Company was licensed in twenty-nine (29) states and the District of Columbia as of December 31, 2019. As part of the Clear Blue Insurance Group (Group), the Company writes as an eligible surplus lines insurer and plans to become a major source of fronting through growth and expansion. The Company seeks a diversified mix of business both within itself and among its affiliates. RRIC may offer alternative tiered products in states where affiliates operate providing diverse product selections within the same markets and lines of business. The Company is significantly dependent on managing general agents (MGA) and program managers for policy production, servicing, claims management, and adjusting.

In 2019 the Company expanded its licenses to also write admitted property and casualty insurance. During the fourth quarter of 2019, the Company began to write program business, which includes distinct books of commercial automobile and homeowners produced by MGAs in the states of Texas, Arizona, and Illinois. All of the underwriting risk is ceded to unaffiliated, highly rated reinsurance companies.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company for the period under examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus as Regards Policyholders</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2019	\$10,286,990	\$227,810	\$10,059,180	(\$19,698)	(\$120,915)
2018	5,197,188	183,969	5,013,219	281,741	(136,994)
2017	6,728,842	2,004,476	4,724,366	797,982	104,550
2016	6,372,184	1,972,906	4,399,278	766,974	84,392

Note: Amounts are shown in whole dollars and rows may not total due to rounding.

The data above was taken from the Company's Annual Statements and is presented for reporting purposes only. The Company was inactive from 2016 to 2018 and all premiums earned for those years were reported on a run-off basis. The data for 2019 represents the only year for which premiums earned and are applicable to the Company under the Group.

LOSS EXPERIENCE

The following exhibit summarizes the underwriting results of the Company for the period under examination:

<u>Year</u>	<u>Premiums Earned</u>	<u>Losses and Loss Adjustment Expenses (LAE) Incurred</u>	<u>Other Underwriting Expenses Incurred</u>	<u>Losses and LAE Ratio</u>	<u>Combined Ratio</u>
2019	(\$19,698)	\$0	\$264,608	0.00%	(1,343.32%)
2018	281,741	219,226	255,155	77.81%	168.37%
2017	797,982	513,997	266,408	64.41%	97.80%
2016	766,974	485,751	249,887	63.33%	95.91%

Note: Amounts are shown in whole dollars and rows may not total due to rounding.

MANAGEMENT AND CONTROL

Directors

The Company's Bylaws specify that the Board of Directors (Board) shall consist of not less than five (5) nor more than nine (9) persons. Board members are elected at the Annual Meeting of the Shareholders and hold office until the next meeting, and thereafter until their successors have been elected and qualified. The following five (5) persons were serving as directors as of December 31, 2019:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Jerome D. Breslin Dallas, Texas	Chief Executive Officer and President Rock Ridge Insurance Company
Stuart D. Breslin Danville, Indiana	Retired, Pharmaceutical Executive and Independent Consultant
Jeffrey K. Downey San Juan, Puerto Rico	Senior Vice President Finance and Treasurer Rock Ridge Insurance Company
Peter M. Klope San Juan, Puerto Rico	Chief Operating Officer Rock Ridge Insurance Company
James W. Mann Charlotte, North Carolina	Chief Risk Officer Rock Ridge Insurance Company

Officers

The Company's Bylaws state that the executive officers of the Company shall consist of a Chief Executive Officer (CEO), Chief Financial Officer (CFO), Corporate Secretary, and such Vice Presidents and other officers as the Board determines. The CEO shall act as the President and the CFO shall act as the Treasurer.

The following is a list of key officers and their respective titles as of December 31, 2019:

<u>Name</u>	<u>Title</u>
Jerome D. Breslin	Chief Executive Officer and President
Jeffrey K. Downey	Senior Vice President Finance, and Treasurer
James W. Mann	Chief Risk Officer
Peter M. Klope	Chief Operating Officer
Daniel O. Kennedy	Chief Legal Officer, Senior Vice President and Corporate Secretary
Manuel A. Lebron	Chief Financial Officer
Oswaldo Ramirez	Chief Compliance Officer and Assistant Corporate Secretary

Corporate Governance

The Company's Bylaws provide that the directors may designate from its members one (1) or more Board committees consisting of two (2) or more directors. In addition, the Board of Clear Blue Financial Holdings, LLC (CBFH) established an Audit Committee to provide group-level oversight. The Audit Committee of CBFH serves as the Audit Committee of the Company. As of December 31, 2019, the Board committees and member directors that were elected to serve were as follows:

CBFH Audit Committee:

Nicholaos C. Krenteras	Chairman
Robert E. Glanville	
Neil W. McConachie	

Investment Committee:

Jeffrey K. Downey	Chairman
Jerome D. Breslin	

CONFLICT OF INTEREST

The Company has a Code of Business Conduct and Ethics policy which requires the reporting of potential conflicts of interest to its General Counsel at the time the conflict is identified by the employee. The Company's Annual Compliance Certification requires employees to acknowledge that they are aware of the policy and comply with the policy.

OATH OF OFFICE

IC 27-1-7-10(i) requires that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. Each director serving as of December 31, 2019, signed an Oath of Office statement when elected.

CORPORATE RECORDS

Articles of Incorporation

Effective January 9, 2019, the Company amended its Articles of Incorporation to change its name from National Building Material Assurance Company to Rock Ridge Insurance Company, and to update the address of its statutory home office and other items related to the change in ownership. The INDOI approved the amended Articles of Incorporation on December 6, 2018.

Bylaws

Effective November 16, 2018, the Company amended its Bylaws to change its name, statutory home office, and ownership changes as made to its Articles of Incorporation. The amended Bylaws were properly filed with the INDOI.

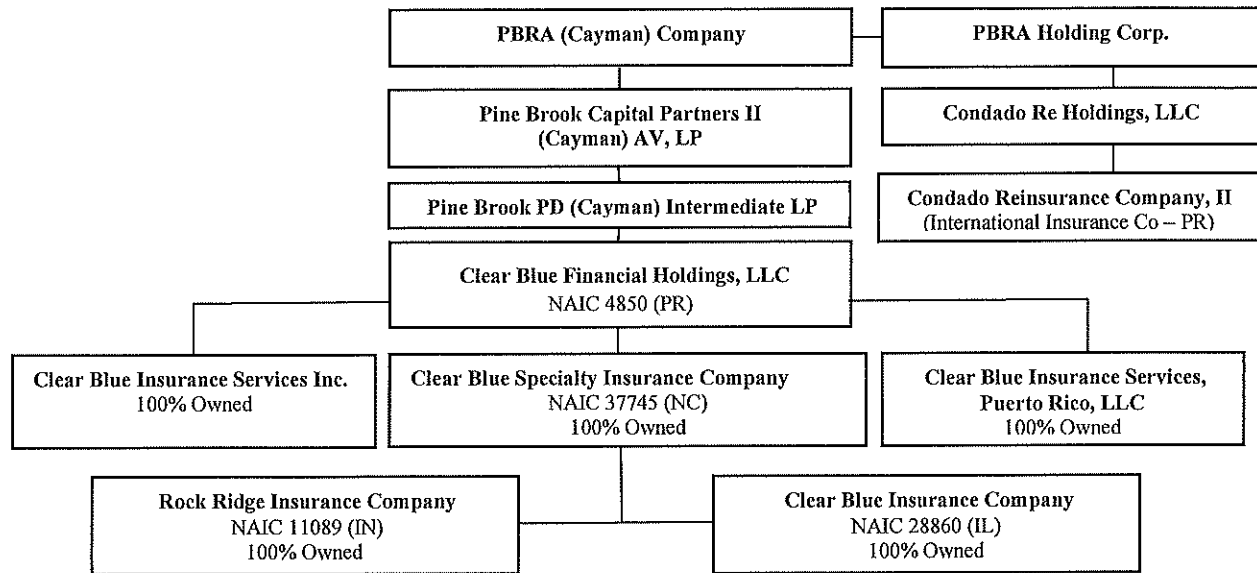
Minutes

The Board of Directors and Shareholders Meeting minutes were reviewed for the period under examination through the fieldwork completion date and significant actions taken during each meeting were noted. For the period under examination, the Annual Meetings of the Shareholders were held in accordance with IC 27-1-7-7(b) and the Company's Bylaws.

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23 and Regulation of Insurance Holding Company Systems. An Insurance Holding Company System Registration Statement was filed annually with the INDOI for each year of the examination period. The following organizational chart depicts the Company's relationship within the holding company system.



During the examination, Vibe Syndicate Management Limited (Vibe Syndicate), a reinsurer that assumes business from the Company, was identified as an affiliate. Pine Brook Capital Partners II (Cayman) AV, LP owns a controlling interest in both the Company and Vibe Syndicate. Contrary to the requirements of IC 27-1-23-3(b)(2), the Company did not report Vibe Syndicate as a member of the holding company system in its 2019 Form B Insurance Holding Company System Annual Registration Statement as filed with the INDOI. **(Please see the "Other Significant Findings" section of this report of examination regarding this issue.)**

Affiliated Agreements

The following significant affiliated agreements were disclosed as part of the Form B Holding Company Registration Statement and were filed with, and not disapproved by, the INDOI in accordance with IC 27-1-23-4(b)(4).

Contribution Agreement

Effective September 30, 2019, the Company entered into a Contribution Agreement with CBSIC whereby CBSIC made the following cash contributions to the Company: July 29, 2019, \$4,041,800; July 31, 2019, \$1,008,317; and September 30, 2019, \$200,000.

Financial Guaranty Agreement

Effective October 31, 2019, the Company entered into a Financial Guaranty Agreement with CBSIC for RRIC to be approved to conduct insurance transactions in the state of Maine. Under this agreement, CBSIC provides a financial guaranty of \$2,500,000 to RRIC in order to demonstrate a continued financial ability for RRIC to perform on its obligations of risks incurred in Maine. CBSIC financially guarantees the Company's minimum capital and surplus requirement stipulated by the Superintendent of Maine.

Amended Services Agreement

In 2019, the Company was included in the existing Amended Services Agreement between affiliates Clear Blue Insurance Services of Puerto Rico, CBSIC, and Clear Blue Insurance Company (CBIC). Under the

agreement, the Company pays 4.5% of its gross written premiums as a compensation for the services provided, such as accounting, actuarial, information systems, program management, and administrative and compliance services. Fees incurred by the Company for such services were \$8,556 in 2019. This agreement was formalized with the inclusion of RRIC in the Second Amended Service Agreement dated February 18, 2020. (Please see the “Subsequent Events” section of this Report of Examination.)

Reinsurance Agreements

Please refer to the Reinsurance section of this Report of Examination for a summary of the intercompany reinsurance agreements.

FIDELITY BOND AND OTHER INSURANCE

The Company is protected by a Financial Institution Bond of the Group. The Company is insured for a single loss of up to \$3,000,000 and an aggregate loss limit of \$6,000,000 with a \$25,000 deductible. The fidelity bond limit was adequate to meet the prescribed minimum coverage specified by the NAIC. Other various interests of the Company are protected by appropriate policies of insurance.

Contrary to the requirements of IC 27-1-7-14, the Company’s Financial Institution Bond was not approved by the Company’s Board for the years that the Company has operated under its current ownership. (Please see the "Other Significant Findings" section of this Report of Examination regarding this issue.)

STATUTORY AND SPECIAL DEPOSITS

The Company reported special deposits comprised of U.S. Treasury Bonds held by various Departments of Insurance as of December 31, 2019:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits For the Benefit of All Policyholders:		
Indiana	\$ 2,604,580	\$ 2,636,267
All Other Special Deposits:		
New Mexico	308,110	310,149
North Carolina	<u>308,110</u>	<u>310,206</u>
Total Deposits	<u>\$ 3,220,800</u>	<u>\$ 3,256,622</u>

Note: Amounts are shown in whole dollars and columns may not total due to rounding.

REINSURANCE

The Company's reinsurance program includes excess of loss, quota share, and catastrophe coverages. The Company obtains these coverages through reinsurance intermediaries, third-party reinsurers, and through contracts with its affiliates. The Company is also a participant in an Intercompany Pooling and Reinsurance Agreement with its insurer affiliates. The reinsurance program is described below.

Reinsurance Assumed

The Company did not assume any reinsurance during the period covered by this examination.

Reinsurance Ceded - Affiliated

Pooling and Reinsurance Agreement

Effective July 26, 2019, the Company entered into the Pooling and Reinsurance Agreement with CBSIC and CBIC, collectively referred to as Pool Members. Under the terms of the agreement, Pool Members agree to an equitable division of operating expenses, share their financial capacity to share risks, and pool results of their underwriting operations. Pool Members also agree that a portion of the business written by, or on behalf of the Pool Members as issuing insurers, be reinsured with the other Pool Members in the event reinsured business is insufficient or reinsurers default on obligations. The net participation percentages are as follows: CBSIC 48.20%, CBIC 44.60%, and RRIC 7.20%. Pool Members assume risks in accordance with their participation percentages.

Master Quota Share Agreement

Effective January 1, 2019, the Company, CBSIC, and CBIC entered into a Master Quota Share Reinsurance Agreement with an affiliate, Condado Reinsurance Company, I.I. (Condado). Under the terms of the agreement, the Company, CBSIC, and CBIC agree to cede a specified percentage of all liabilities incurred and net premiums produced by two (2) individual insurance programs to Condado under the agreement as of January 1, 2019. Condado executes Participation Agreements with subsidiaries of the MGAs producing the program business, establishing the MGA as the owner of the economic interest in the protected cell related to the program business written and assumed by Condado.

Reinsurance Ceded - Unaffiliated

100% Quota Share Reinsurance

The Company predominantly utilizes proportional quota share reinsurance contracts to cede 100% of its underwriting risk. The reinsurance contracts require subscribing reinsurers that are rated A- or better. Reinsurance counterparties rated B+ or lower are required to hold collateral in the form of trust accounts or letters of credit.

Corporate Reinsurance

The Group's corporate reinsurance program provides the Company with additional coverage with the following limits and retentions as of December 31, 2019:

<u>Corporate Reinsurance Coverage</u>	<u>Retention</u>	<u>Limit</u>
Awards Made Extra Contractual Obligations/Excess of Policy Limits	\$5,000,000 per occurrence	\$5,000,000 per occurrence
Automobile Physical Damage Catastrophe Excess of Loss	\$12,000,000 per occurrence	\$8,000,000 per occurrence

Homeowners Catastrophe Excess of Loss	\$25,000,000 per occurrence	\$425,000,000 per occurrence (8 layers of coverage)
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The Company's retention under the corporate program is generally 100% ceded under its quota share agreements. In addition, each of the corporate coverages have one (1) reinstatement.

RESERVES

Robert W. Van Epps, FCAS, MAAA, of Financial Risk Analysts, LLC, is the Company's Appointed Actuary. Mr. Van Epps was appointed by the Board to render an actuarial opinion on the statutory-basis reserves of the Company. He rendered an opinion on such reserves for 2018 and 2019. G. Christopher Nyce, FCAS, MAAA, of KPMG LLP, rendered an opinion on such reserves for the years 2016 and 2017 covered by this examination.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining loss and loss adjustment expense reserves and related actuarial items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2019. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used, and such tests of the calculations as considered necessary.

The 2019 opinion stated the amounts carried in the Annual Statement on account of the items identified: a) meet the requirements of the insurance laws of the State of Indiana, b) are consistent with reserves computed in accordance with accepted actuarial standards and principles, and c) make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2019, was agreed to the Annual Statement without exception. The Company's independent auditors issued unqualified opinions on the Company's audited Statutory Financial Statements for each year during the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2019, with no exceptions noted. All of the independent audit work papers were made available to Thomas Consulting during the examination. Overall, Thomas Consulting determined the Company's accounting procedures, practices, and records were satisfactory.

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus and Other Funds
Comparative Exhibit - Statutory Statement of Income
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

ROCK RIDGE INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2019

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Bonds	\$ 9,734,636	\$ -	\$ 9,734,636	\$ 1,685,142
Cash, cash equivalents and short-term investments	<u>506,723</u>	<u>-</u>	<u>506,723</u>	<u>3,511,382</u>
Subtotals, cash and invested assets	<u>\$ 10,241,359</u>	<u>\$ -</u>	<u>\$ 10,241,359</u>	<u>\$ 5,196,524</u>
Investment income due and accrued	\$ 26,367	\$ -	\$ 26,367	\$ 664
Uncollected premiums and agents' balances in the course of collection	5,805	-	5,805	-
Aggregate write-ins for other-than-invested assets	<u>13,459</u>	<u>-</u>	<u>13,459</u>	<u>-</u>
Totals	<u>\$ 10,286,990</u>	<u>\$ -</u>	<u>\$ 10,286,990</u>	<u>\$ 5,197,188</u>

ROCK RIDGE INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2019

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Losses	\$ -	\$ -	\$ -	\$ -
Loss adjustment expenses	-	-	-	-
Other expenses	76,624	-	76,624	42,476
Taxes, licenses and fees (excluding federal and foreign income taxes)	2,896	-	2,896	-
Ceded reinsurance premiums payable	26,000	-	26,000	-
Provision for reinsurance	71,000	-	71,000	-
Payable to parent, subsidiaries and affiliates	50,170	-	50,170	141,493
Aggregate write-ins for liabilities	1,120	-	1,120	-
Total liabilities	<u>\$ 227,810</u>	<u>\$ -</u>	<u>\$ 227,810</u>	<u>\$ 183,969</u>
Common capital stock	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 2,500,000
Gross paid in and contributed surplus	7,254,199	-	7,254,199	2,004,081
Unassigned funds (surplus)	304,981	-	304,981	509,138
Surplus as regards policyholders	<u>\$ 10,059,180</u>	<u>\$ -</u>	<u>\$ 10,059,180</u>	<u>\$ 5,013,219</u>
Totals	<u>\$ 10,286,990</u>	<u>\$ -</u>	<u>\$ 10,286,990</u>	<u>\$ 5,197,188</u>

ROCK RIDGE INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2019

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Underwriting income				
Premiums earned	\$ (19,698)	\$ -	\$ (19,968)	\$ 281,741
DEDUCTIONS				
Losses incurred	-	-	-	181,951
Loss adjustment expenses incurred	-	-	-	37,275
Other underwriting expenses	264,608	-	264,608	255,155
Total underwriting deductions	<u>\$ 264,608</u>	<u>\$ -</u>	<u>\$ 264,608</u>	<u>\$ 474,381</u>
Net underwriting gain (loss)	<u>\$ (284,306)</u>	<u>\$ -</u>	<u>\$ (284,306)</u>	<u>\$ (192,640)</u>
Investment income				
Net investment income earned	\$ 158,042	\$ -	\$ 158,042	\$ 90,654
Net realized capital gains (losses)	5,349	-	5,349	(33,824)
Net investment gain	<u>\$ 163,391</u>	<u>\$ -</u>	<u>\$ 163,391</u>	<u>\$ 56,830</u>
Other income				
Aggregate write-ins for miscellaneous income	\$ -	\$ -	\$ -	\$ 231
Total other income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ (120,915)	\$ -	\$ (120,915)	\$ (135,579)
Dividends to policyholders	\$ -	\$ -	\$ -	\$ 3,980
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>\$ (120,915)</u>	<u>\$ -</u>	<u>\$ (120,915)</u>	<u>\$ (139,559)</u>
Federal and foreign income taxes incurred	\$ -	\$ -	\$ -	\$ (2,565)
Net income	<u>\$ (120,915)</u>	<u>\$ -</u>	<u>\$ (120,915)</u>	<u>\$ (136,994)</u>

ROCK RIDGE INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Surplus as regards policyholders, December 31, prior year	\$ 5,013,219	\$ 4,724,367	\$ 4,399,278	\$ 4,086,424
Net income	\$ (120,915)	\$ (136,994)	\$ 104,550	\$ 84,392
Change in net unrealized capital gains or losses		1,993	(1,993)	-
Change in net deferred income tax	-	(42,119)	(25,520)	(23,575)
Change in nonadmitted assets	(12,242)	33,660	6,011	(7,732)
Change in provision for reinsurance	(71,000)	1,750	(475)	2,570
Capital changes Paid in Surplus adjustments Paid in	-	300,000	150,000	150,000
Aggregate write-in for gains and losses in surplus	5,250,118	125,000	78,635	78,635
	<u>-</u>	<u>5,562</u>	<u>13,881</u>	<u>28,564</u>
Change in surplus as regards policyholders for the year	<u>\$ 5,045,961</u>	<u>\$ 288,852</u>	<u>\$ 325,089</u>	<u>\$ 312,854</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 10,059,180</u>	<u>\$ 5,013,219</u>	<u>\$ 4,724,367</u>	<u>\$ 4,399,278</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2019, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

Affiliated Companies

Contrary to the requirements of IC 27-1-23-3(b)(2), the Company did not report Vibe Syndicate as a member of the holding company system in its 2019 Form B Insurance Holding Company System Annual Registration Statement as filed with the INDOI (See page 7).

It is recommended that the Company comply with IC 27-1-23-3(b)(2) regarding the proper disclosure of affiliated entities in its Form B Insurance Holding Company System Annual Registration Statement. It was noted as of December 31, 2020 that Pine Brook divested/sold its ownership interests in Vibe.

Fidelity Bond

Contrary to the requirements of IC 27-1-7-14, the Company's Financial Institution Bond was not approved by the Company's Board for the years that the Company has operated under its current ownership (See page 8).

It is recommended that the Board review and approve the Company's Financial Institution Bond whenever the bond is renewed or amended, and a record of the Board's approval be recorded in the meeting minutes.

SUBSEQUENT EVENTS

Holding Company Chairman of the Board

On January 1, 2020, Gregg T. Davis was appointed as Chairman of the Board of CBFH. Mr. Davis replaced Nicholaos C. Krenteras who resigned from the Board on December 31, 2019.

Second Amended Services Agreement

Effective February 18, 2020, the Company's Services Agreement was amended to add it as a party to the agreement. The agreement was filed with, and not disapproved by, the INDOI in accordance with IC 27-1-23-4(b)(4) on February 6, 2020.

Pandemic Risk

On March 11, 2020, the World Health Organization declared an outbreak of the coronavirus (COVID-19). The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. Due to the timing of the examination and fieldwork, the effects of COVID-19 on this entity are not fully addressed

within this examination report.

Form A Exemption - Transfer of Ownership

A Form A Exemption Request was filed on March 23, 2020 with the INDOI to transfer ownership of the Company from CBSIC to CBIC. On April 8, 2020, the INDOI confirmed that the proposed transaction would not require the filing of a Form A or a hearing in accordance with IC 27-1-23-2.

Highlander Specialty Insurance Company

On June 4, 2020, Highlander Specialty Insurance Company (HSIC) was incorporated as an Illinois property and casualty insurance company. HSIC is a direct and wholly owned subsidiary of CBSIC. On October 22, 2020, CBSIC filed a Form D with the NCDOI requesting approval for CBSIC to contribute its ownership in CBIC to HSIC. On December 18, 2020, the NCDOI approved the Form D filing.

Third Amended and Restated Pooling Agreement

Effective August 5, 2020, the Company entered into a Third Amended and Restated Pooling and Reinsurance Agreement, which added HSIC as a Pool Member of the agreement and revised the net participation percentages of Pool Members to the following: CBSIC 32.5%, CBIC 47.6%, RRIC 18.2% and HSIC 1.8%. The agreement was filed with, and not disapproved by, the INDOI in accordance with IC 27-1-23-4(b)(4) on August 5, 2020.

Third Amended Services Agreement

Effective August 17, 2020, the Company entered into a Third Amended Services Agreement which added HSIC as a party to the agreement. The agreement was filed with, and not disapproved by, the INDOI in accordance with IC 27-1-23-4(b)(4) on September 4, 2020.

Captive Insurance Company Affiliate

On January 14, 2021, the Company notified the INDOI that CBFH is in the process of forming a Vermont domiciled protected cell captive insurance company which is expected to assume Condado's current business. The new captive insurance company will be wholly owned by CBFH and will be an affiliate of the Company. The filing remains under review by the Vermont Department of Financial Regulation.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, Thomas Consulting obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to Thomas Consulting.

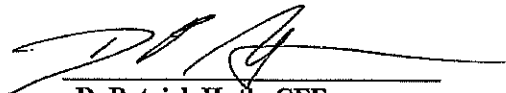
AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **Rock Ridge Insurance Company** as of **December 31, 2019**.

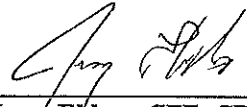
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2019 NAIC *Financial Condition Examiners Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of the **Rock Ridge Insurance Company** as of **December 31, 2019**, as determined by the undersigned.



D. Patrick Huth, CFE
The Thomas Consulting Group, Inc.



Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

State of:
County of:

On this 11th day of June, 2021, before me personally appeared, D. Patrick Huth and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires October 4, 2025



Notary Public

DARCY L. SHAWVER
NOTARY PUBLIC
SEAL
MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706063

