

ORGANIZATIONAL EXAMINATION
OF
CROSSROADS INSURANCE COMPANY
AS OF
JANUARY 17, 2023

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON ORGANIZATIONAL EXAMINATION
OF
CROSSROADS INSURANCE COMPANY
AS OF
JANUARY 17, 2023

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, which appears to read "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 7th day of February, 2023

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January 23, 2023

Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street, Suite 101
Dover, DE 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Examination Certification No. 22.926, dated November 23, 2022, an Organizational Examination has been conducted of

Crossroads Insurance Company

hereinafter referred to as CIC or the Company. The Company was incorporated under the laws of the State of Delaware as a stock property and casualty insurance company.

The Company's registered agent is The Corporation Trust Company with its registered office located at 1209 Orange Street, Wilmington, Delaware 19801. The Company's administrative office address is located at 2859 Paces Ferry Road, Suite 1400, Atlanta, Georgia, 30339.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with the Company's application for a property and casualty insurer Certificate of Authority in the State of Delaware.

The Company's corporate records, records applicable to and attendant with its application, as well as financial data as of January 17, 2023, have been reviewed.

HISTORY

The Company was incorporated on March 30, 2022, under the laws of the State of Delaware, as Vinings Insurance Company (VIC), and the incorporation documents were filed with the Delaware Secretary of State on March 30, 2022. The Company is authorized to issue ten thousand (10,000) common shares with a \$500 par value per share. On July 14, 2022, the Company's Articles of Incorporation were amended to change the name of the Company to Crossroads Insurance Company, and this amendment was filed with the Delaware Secretary of State on July 15, 2022.

The Company originally issued a capital stock certificate (#1) to Builders Insurance Group, Inc. (BIG), a Georgia holding company corporation, on April 12, 2022, for five thousand (5,000) common shares. The Company's capital accounts as of this organizational exam report date are as follows:

<u>Certificate</u>	<u>Shares</u>	<u>Date</u>	<u>Capital</u>	<u>Gross Paid In and Contributed Surplus</u>	<u>Total</u>
#1	5,000	April 12, 2022	\$2,500,000	\$7,500,000	\$10,000,000

MANAGEMENT AND CONTROL

Board of Directors

In accordance with its bylaws, adopted April 13, 2022, and filed with the Delaware Secretary of State on August 9, 2022, the business and affairs of the Company shall be managed by a Board of Directors (Board). The number of directors shall be not less than three and may be fixed or changed from time to time by resolution of the stockholder or Board. The directors are to

be elected at the annual meeting of the Company's stockholder and shall hold office until his successor shall be elected and qualified.

The directors serving as of the examination date were as follows:

Todd M. Campbell, Chairman of the Board
Mark Gromek, Vice Chairman of the Board
Shawn A. Stinson

In accordance with its bylaws, the Board shall elect a Chairman of the Board and a Vice Chairman of the Board.

Committees of the Board of Directors

No committees of the Board have been constituted as of the examination date.

Officers

In accordance with its bylaws, the officers of the Company shall be a Chief Executive Officer, President, Treasurer, Secretary and any such other officers as deemed necessary, who shall hold office until their successors are elected and qualified. The officers serving as of the examination date were as follows:

<u>Officer</u>	<u>Office</u>
Todd M. Campbell	Chief Executive Officer and President
J. Stephen Berry	Secretary, General Counsel and Senior Vice President
Matthew V. Burnett	Treasurer, Chief Financial Officer and Senior Vice President
Mark Gromek	Chief Marketing and Underwriting Officer
Shawn A. Stinson	Chief Claims Officer

The Company completed the National Association of Insurance Commissioners (NAIC) Form 11 - Biographical Affidavit for the director and officer noted above.

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective December 20, 2022.

A conflict of interest statement was completed by each of the directors and executive officers noted above. No potential conflicts of interest were noted.

HOLDING COMPANY SYSTEM

At formation, the Company became a member of an Insurance Holding Company System. 18 *Del. C.* §5001(3) states that “control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote or holds proxies representing 10% or more of the voting securities of any other person.”

The Company is a wholly-owned subsidiary of BIG, which is a wholly-owned subsidiary of Builders Insurance (BI), a Georgia mutual captive company. BI is the ultimate controlling entity of the Company.

FIDELITY BOND

The Company is covered on a financial institution bond through BIG and all of its subsidiaries effective September 1, 2022, with an aggregate liability limit of \$3,000,000 and a single loss deductible of \$30,000. Based on the Company’s pro forma information submitted by management, the minimum suggested coverage per the NAIC *Financial Condition Examiners Handbook – Exhibit R* is \$150,000 at December 31, 2023, \$250,000 at December 31, 2024 and \$250,000 at December 31, 2025.

AGREEMENTS

Affiliated

As of the examination date, the Company is a party to the following affiliated agreements: The Company filed a Form D with the Delaware Department of Insurance (Department), which was approved on November 1, 2022, to become a party to the Administrative Services Agreement with ultimate parent BI and its subsidiaries, through an amendment, to become effective October

1, 2022, and only becomes effective contingent upon the Company obtaining a license from the Department. BI will handle all staffing, underwriting, rate development, premium collection and accounting and claims administration on behalf of the Company.

The Company filed a Form D with the Department, which was approved on November 1, 2022, to become a party to the Tax Allocation Agreement with ultimate parent BI and its subsidiaries, through a 2nd Amendment, to become effective October 1, 2022, and only becomes effective contingent upon the Company obtaining a license from the Department.

Unaffiliated

As of the examination date, the Company is a party to a custodial agreement with Truist Bank effective December 20, 2022. The custodial agreement does not contain the required NAIC minimum safeguard clauses.

In addition, the Company is a party to an investment advisory agreement with Sun Life Capital Management (U.S.) LLC (SLC, formerly Prime Advisors, Inc.) by amendment effective January 17, 2023, in accordance with Delaware Law and the Company's Investment Policy as adopted by BI's Board. The original agreement between ultimate parent BI and SLC is effective June 1, 2004. SLC will manage the Company's fixed income portfolio.

PLAN OF OPERATION

Territory

Once licensed in Delaware, the Company will file an expansion UCAA application to expand its licensure to include all of the United States except Alaska and Hawaii.

Business

The Company will focus primarily on the home building industry in targeted markets. The Company will be in the General Liability market and will offer Commercial Package, Umbrella and Builders Risk policies for those in the home building industry.

BI will utilize a network of independent insurance agents for the retail distribution of its Workers' Compensation, General Liability, Commercial Package and Builders Risk business. Comprehensive insurance management services include claims administration, managed medical care, safety and loss control, underwriting and policy services, premium billing and audit, sales and marketing. BI will focus on providing key services to its niche market, including several pay plans with cash flow management benefits, toll-free and online claims reporting and professional loss prevention services. All services, including underwriting, premium accounting and claims handling are handled in-house. Available client services include medical management and loss prevention services intended to contain Workers' Compensation costs.

Marketing and Sales

BI seeks "best in class" business with a more generalized focus and an emphasis in attracting well managed businesses seeking a qualified Workers' Compensation product backed by dedicated client support.

BI will market Workers Compensation, General Liability, Commercial Package, and Umbrella insurance to small and mid-sized accounts. The Company's target market will include residential general contractors, trades and others involved in the home building industry. The Company will also write main street type businesses including wholesale, retail and light manufacturing risks. The Company will not write any trucking, logging, US longshore & harbor or high hazard business. No captive business will be written by the Company.

BI's marketing representatives and sales underwriters will provide sales training on a periodic, as needed, basis. The training will include education in the Company's products and procedures.

The Company will advertise in agency association publications and trade magazines. The Company will not advertise to the general public. Home office staff will approve all advertising.

Underwriting and Rate Development

BI will handle all underwriting and rate development.

Claims

BI will perform all claims functions. In a very limited number of instances, BI will use independent adjusters or private investigators in the case of suspected fraud. There is no plan to use third party administrators. Home office staff sets, review, and adjusts, as needed, all reserves.

REINSURANCE

The Company filed a Form D with the Department, which was approved on November 1, 2022, to become a party to the First Amended Reinsurance Agreement with ultimate parent BI and its subsidiaries, to become effective September 1, 2022, and only becomes effective upon the Company obtaining a license from the Department. The Company will become a party to the reinsurance pooling agreement with 0% participation. BI has three external reinsurance programs.

CAPITAL AND SURPLUS REQUIREMENTS

18 *Del. C.* §511(a) requires \$500,000 as the minimum common capital stock and \$250,000 as the minimum gross paid in and contributed surplus for a stock multi-line property and casualty insurance company. Consequently, the minimum required amounts for this examination are as follows:

Common Capital Stock	\$500,000
Gross Paid-in and Contributed Surplus	<u>250,000</u>
Capital and Surplus as Regards Policyholders	<u>\$750,000</u>

FINANCIAL DATA

The financial position of the Company as of January 17, 2023, as determined by this organizational examination, was as follows:

<u>Assets</u>		<u>Note</u>
Bonds	\$ 9,793,028	1
Cash, Cash Equivalents and Short-term Investments	<u>206,972</u>	2
Total Admitted Assets	<u>\$10,000,000</u>	
 <u>Liabilities, Capital and Surplus</u> 		
General Expenses Due and Accrued	\$ <u>0</u>	
Total Liabilities	<u>\$ 0</u>	
Common Capital Stock	\$2,500,000	
Gross Paid In and Contributed Surplus	7,500,000	
Unassigned Funds	<u>0</u>	
Capital and Surplus as Regards Policyholders	<u>\$10,000,000</u>	
Total Liabilities, Capital and Surplus	<u>\$10,000,000</u>	

NOTES TO FINANCIAL STATEMENTS

Note 1	Bonds	\$9,793,028
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The reported balance of \$9,793,028 consists of \$7,043,525 in bonds in a custodial account at Truist Bank and \$2,749,503 in bonds on special deposit for the State of Delaware at Wilmington Trust, which were confirmed directly with the financial institutions.

Note 2	Cash, Cash Equivalents and Short-term Investments	\$206,972
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The reported balance of \$206,972 consists of \$206,972 in cash in a custodial account at Truist Bank, which was confirmed directly with the financial institution.

RECOMMENDATIONS

The Company's custodial agreement with Truist Bank does not contain the required NAIC minimum safeguard clauses. It is recommended that the Company execute a custodial agreement that contains the required NAIC minimum safeguard wording.

CONCLUSION

Based on the organizational examination conducted as of January 17, 2023, the financial condition of the Company is as follows:

Assets	\$10,000,000
Liabilities	\$ 0
Capital and Surplus as Regards Policyholders	\$10,000,000

Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully submitted,



Andrew E. Chiodini, CFE
Examiner In-Charge
Delaware Department of Insurance



Anthony Cardone, CFE, CPA
Supervising Examiner
Delaware Department of Insurance

Crossroads Insurance Company

I, Andrew E. Chiodini, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 22.926.

A handwritten signature in black ink, appearing to read "Andrew E. Chiodini", is written over a horizontal line.

Andrew E. Chiodini, CFE