

EXAMINATION REPORT
OF
CROSSROADS INSURANCE COMPANY
AS OF
DECEMBER 31, 2023

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
CROSSROADS INSURANCE COMPANY
AS OF
DECEMBER 31, 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.

Trinidad Navarro
Insurance Commissioner

Dated this 26th day of June, 2025

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May 27, 2025

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

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 24.021, dated May 23, 2024, an examination has been made of the affairs, financial condition and management of

CROSSROADS INSURANCE COMPANY

hereinafter referred to as the Company or CIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1209 Orange Street, Wilmington, Delaware 19801. The administrative offices of the Company are located at 2859 Paces Ferry Road, Suite 1400, Atlanta, Georgia 30339.

SCOPE OF EXAMINATION

We have performed our multi-state examination of CIC. This examination was conducted by the Delaware Department of Insurance (Department) and covered the period from inception of the Company through December 31, 2023.

Our examination was performed as part of the multi-state coordinated examination of the Builders Insurance Group (Group) of regulated entities wherein Delaware is the lead state. The companies in the Group included in the examination are as follows:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
American Builders Insurance Company (ABIC)	11240	Delaware
National Builders Insurance Company (NBIC)	16632	Delaware
Crossroads Insurance Company (Company)	17446	Delaware
Georgia Builders Insurance Company (GBIC)	17448	Delaware
United Builders Insurance Company (UBIC)	17447	Delaware
Builders Insurance (An Association Captive Company) (BIACC)	10704	Georgia
Specialty Builders Insurance Company (SBIC)	16826	Georgia
Bondex Insurance Company (BIC)	12965	New Jersey
Virginia Builders Insurance Company (VBIC)	13060	Virginia

The examination was conducted concurrently with that of the Company's Delaware, Georgia, New Jersey and Virginia domiciled affiliates. To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

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, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, KPMG LLP (KPMG). Certain auditor work papers of the 2023 KPMG audit of the Company, and certain of its affiliates, have been incorporated into the work papers of the examiners. The work papers were utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in the financial statements as a result of this examination.

COMPANY HISTORY

The Company was created and incorporated as Vinings Insurance Company on March 30, 2022, under the laws of Delaware. The Company was created as a downstream affiliate of Builders Insurance Group, Inc. (BIGI). On July 15, 2022, the Company changed its name to Crossroads Insurance Company.

Effective January 31, 2023, the Group underwent a reorganization of the holding company structure. Under this reorganization, BIACC (formerly known as Builders Insurance (A Mutual Captive Company) (BIMCC) converted from a mutual association captive insurance company to a stock association captive insurance company. Under the reorganization, the membership interests of the policyholders of BIMCC were automatically converted into membership interests

in the new mutual holding company, Builders Insurance Mutual Holding Company (BIMHC), of which such policyholders became members. BIMHC became the sole owner of a new downstream intermediate holding company, Builders Insurance Intermediate Holding Company (BIIHC) and the BIIHC became the sole owner of BIACC. The policyholders of the former BIMCC control BIMHC and have with respect to BIMHC essentially the same rights they previously had as policyholders of BIMCC, such as the right to elect the directors of BIMHC and approve certain material transactions involving BIMHC, such as its merger, conversion or dissolution.

Capitalization

The Company's Certificate of Incorporation authorized the issue of 10,000 shares of common stock with a \$500 par value. As of December 31, 2023, the Company had 5,000 common shares issued and outstanding totaling \$2,500,000. All outstanding shares of the Company are owned by BIGI. As of December 31, 2023, the Company reported capital and surplus of \$10,261,882, including gross paid in and contributed surplus of \$7,568,216.

Dividends

The Company's Board of Directors (Board) did not approve or authorize any dividends during the examination period.

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the business and affairs of the Company shall be managed under the direction of the Board. The Company's bylaws require the Board consist of not less than three individuals. The precise number of directors shall be fixed by resolution of either the shareholders or the Board from time to time.

Further, the directors shall be elected at the annual meeting of the shareholders and hold office until successors are elected and qualified or until resignation or removal. Directors duly elected and serving as of December 31, 2023, together with their principal business occupation, were as follows:

<u>Name</u>	<u>Principal Business Occupation</u>
Todd Campbell	President and Chief Executive Officer Builders Insurance Mutual Holding Company
Mark Gromek	Chief Marketing & Underwriting Officer Builders Insurance Mutual Holding Company
Shawn Stinson	Chief Claims Officer Builders Insurance Mutual Holding Company

Officers

Officers were appointed in accordance with the Company's bylaws during the period under examination. The bylaws require appointment of a President and Chief Executive Officer, a Secretary and a Treasurer. Other officers may be appointed by the Board or by an appointed officer. The primary officers serving as of December 31, 2023, were as follows:

<u>Name</u>	<u>Title</u>
Todd Campbell	President and Chief Executive Officer
Stephen Berry ¹	Secretary, General Counsel & SVP
Matthew Burnett	Treasurer, Chief Financial Officer & SVP of Finance
Antonio Barner	Chief Operating Officer & SVP of Strategy
Andrew Dunn	Chief Information Officer & SVP of Information Technology
Mark Gromek	Chief Marketing & Underwriting Officer & SVP
Shawn Stinson	Chief Claims Officer & SVP

¹Subsequent to the examination period, effective September 30, 2024, Antonio Barner replaced Stephen Berry as Corporate Secretary and Stephen Berry is no longer with the Company.

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and

approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was properly submitted to the Department with regards to changes in officers and directors during the period under examination as required by 18 *Del. C.* § 4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system known as Builders Insurance Group as defined under 18 *Del. C.* § 5001 (7) of the Delaware Insurance Code. A complete organizational chart of the Builders Insurance Group holding company system as of December 31, 2023, is as follows (ownership of subsidiaries is 100% unless otherwise noted):

<u>Company</u>	<u>Domicile</u>
Builders Insurance Mutual Holding Company	Georgia
Builders Insurance Intermediate Holding Company	Georgia
Builders Insurance (An Association Captive Company)	Georgia
Builders Insurance Group, Inc.	Georgia
American Builders Insurance Company	Delaware
National Builders Insurance Company	Delaware
BGA Solutions, Inc.	Georgia
Specialty Builders Insurance Company	Georgia
Association Services, Inc.	Georgia
Virginia Builders Insurance Company	Virginia
Georgia Builders Insurance Company	Delaware
United Builders Insurance Company	Delaware
Crossroads Insurance Company	Delaware
Bondex Insurance Group	Delaware
Bondex Insurance Company	New Jersey

Agreements with Affiliates

The following affiliated agreements within Builders Insurance Group's organizational structure were identified and in effect as of December 31, 2023:

Administrative Service Agreement

Effective April 1, 2023, the Company entered into an Administrative Service Agreement with BIGI. The Company pays a pro-rata share of BIGI's operating costs based on net premiums

earned by the Company. BIGI performs all administrative functions for the Company including claims administration, loss control and safety services, underwriting and policy administrative services, and sales and marketing.

Tax Allocation Agreement

Effective December 30, 2005, as amended effective October 21, 2020, October 1, 2022 and April 1, 2023, the Company is a party to a consolidated Tax Allocation Agreement by and among all members of Builders Insurance Group. The consolidated tax liability is allocated in accordance with the agreement to the participants with the ratio which that portion of the consolidated taxable income attributable to each participant bears to the consolidated taxable income. Intercompany tax balances are settled quarterly.

TERRITORY AND PLAN OF OPERATIONS

As of December 31, 2023, the Company is licensed and/or authorized to transact business in seven states.

The Company plans to offer specialty property and casualty insurance not written by other admitted carriers. The Company plans to file Uniform Certificate of Authority Applications to expand its licensure to include all of the United States except Alaska and Hawaii. The Company utilizes a network of independent insurance agents and managing general agents for the retail distribution of its products. The Company had not written any business as of December 31, 2023.

REINSURANCE

The following is a description of the assumed and ceded reinsurance for the Company.

Assumed Reinsurance:

The Company did not have any assumed reinsurance as of December 31, 2023.

Ceded Reinsurance – Affiliates:

As of December 31, 2023, the Company was a participant in a pooling agreement with BIACC and certain other BIGI affiliates. Under the terms of the pooling agreement, the Company would cede 100% of written premiums, losses and loss adjustment expenses, net of unaffiliated reinsurance for all insurance issued or assumed to BIACC. The Company would not receive any net written premiums or net incurred losses back in the agreement. This agreement was terminated and replaced subsequent to the examination period effective January 1, 2025.

Ceded Reinsurance – Non-Affiliates:

The Company, through the Group, maintains casualty excess of loss reinsurance coverage in three layers above a \$2,000,000 per occurrence retention up to \$35,000,000 per occurrence. Additionally, the Group maintains an excess of loss reinsurance catastrophe cover for property exposures that provides coverage of \$4,500,000 excess of \$500,000 for loss occurrences involving only one risk and \$4,500,000 excess of \$1,000,000 for loss occurrences involving more than one risk. Finally, the Group reinsures its commercial umbrella product through a quota share treaty ceding 50% of the business.

The Group has indicated reinsurers are highly rated (A- or better by AM Best) with surplus of at least \$500,000,000 to limit its exposure to any single loss event. The Group has an agreement with Guy Carpenter to provide certain services such as catastrophe modeling, risk transfer, actuarial and financial services in connection with its reinsurance intermediary services related to the reinsurance program.

FINANCIAL STATEMENTS

The following financial statement, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2023
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2023
- Statement of Income for the Year Ended December 31, 2023
- Reconciliation of Capital and Surplus for the Period from the Inception Year End as of December 31, 2022 to December 31, 2023

Statement of Assets
As of December 31, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 9,116,134	\$ -	\$ 9,116,134
Cash	371,655		371,655
Cash equivalents	718,122		718,122
Subtotals, cash and invested assets	<u>\$ 10,205,911</u>	<u>\$ -</u>	<u>\$ 10,205,911</u>
Investment income due and accrued	80,522		80,522
Receivables from parent, subsidiaries and affiliates	561		561
Aggregate write-ins for other than invested assets	1,305	1,305	-
Total	<u><u>\$ 10,288,299</u></u>	<u><u>\$ 1,305</u></u>	<u><u>\$ 10,286,994</u></u>

Statement of Liabilities, Surplus and Other Funds
As of December 31, 2023

		<u>Notes</u>
Losses	\$ -	(1)
Loss adjustment expenses	-	(1)
Other expenses (excluding taxes, licenses and fees)	100	
Current federal and foreign income taxes	22,881	
Net deferred tax liability	1,757	
Payable to parent, subsidiaries and affiliates	374	
Total liabilities	<u>\$ 25,112</u>	
Common capital stock	\$ 2,500,000	
Gross paid in and contributed surplus	7,568,216	
Unassigned funds (surplus)	193,666	
Surplus as regards policyholders	<u>\$ 10,261,882</u>	
Totals	<u><u>\$ 10,286,994</u></u>	

Statement of Income
For the Year Ended December 31, 2023

Net investment income earned	\$ 284,807
Net realized capital gains (losses)	<u>(30,802)</u>
Net investment gain (loss)	\$ 254,005
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 254,005
Dividends to policyholders	<u>-</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 254,005
Federal and foreign income taxes incurred	<u>57,277</u>
Net Income	<u><u>\$ 196,728</u></u>

Reconciliation of Capital and Surplus
For the Period from Inception Year End
December 31, 2022 to December 31, 2023

	Common Capital Stock	Paid in & Contributed Surplus	Unassigned Funds (Surplus)	Total
Balance at December 31, 2022	\$ -	\$ -	\$ -	\$ -
2023 Net income	-	-	196,728	196,728
2023 Paid in Capital ²	2,500,000	-	-	2,500,000
2023 Paid in Surplus ²	-	7,568,216	-	7,568,216
2023 Other Changes ¹	-	-	(3,062)	(3,062)
Balance at December 31, 2023	<u>\$ 2,500,000</u>	<u>\$ 7,568,216</u>	<u>\$ 193,666</u>	<u>\$ 10,261,882</u>

(1) Other changes in unassigned funds for each year includes: changes in net deferred income tax, and changes in nonadmitted assets.

(2) Upon establishment of the Company, a total capital contribution of \$10,068,216 was made by CIC's parent Company BIACC. Of this amount, \$2,500,000 was contributed as Common Capital Stock.

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

There were no changes made to the financial statements as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$0
Loss Adjustment Expenses	\$0

The Company did not report any losses or loss adjustment expenses as of December 31, 2023. Additionally, the Company was provided with an exemption to filing a 2023 Statement of Actuarial Opinion by the Department dated December 12, 2023.

SUBSEQUENT EVENTS

Subsequent events were evaluated through the date that this examination report was available to be issued. Based on this evaluation, the following transactions were deemed material for disclosure in this examination report.

Significant Transactions

Effective January 1, 2024, the Company, along with certain insurance affiliates, entered into the Second Amended Reinsurance Agreement with BIACC. The original pooling agreement was amended in order to clarify the rights and obligations of the parties in the event that a third-party reinsurer defaults on its obligations.

Effective January 1, 2025, the Company, along with its insurance affiliates, entered into a 100% Quota Share Reinsurance Pooling Agreement with BIACC. This agreement replaced the previous reinsurance pooling agreements in place amongst certain of the Companies. Under the terms of the agreement, the Company and insurance affiliates cede to BIACC 100% of losses incurred and 100% of written premium with respect to the business reinsured less a ceding commission in the amount equal to the direct expenses each Company incurred to write the written premium ceded by it under the agreement. Neither the Company, nor its insurance affiliates, receive any net written premiums or net incurred losses back in the agreement.

Changes in Officer and Directors

Effective September 30, 2024, Antonio Barner replaced John Stephen Berry as the Corporate Secretary for BIMHC and all insurance subsidiaries including the Company.

SUMMARY OF RECOMMENDATIONS

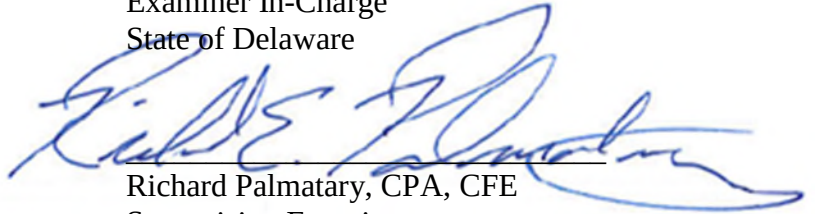
There were no recommendations as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, KPMG and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Nicholas O'Dell, CPA, CFE
Examiner In-Charge
State of Delaware



Richard Palmatary, CPA, CFE
Supervising Examiner
State of Delaware

I, Nicholas O'Dell, hereby verify and attest, under penalty of perjury, that the above is true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 24.021.

A handwritten signature in black ink, appearing to read "Nicholas R. O'Dell", written over a horizontal line.

Nicholas O'Dell, CPA, CFE