

EXAMINATION REPORT
OF
NATIONAL BUILDERS INSURANCE COMPANY
AS OF
DECEMBER 31, 2023

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
NATIONAL BUILDERS 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. 24.020, dated May 23, 2024, an examination has been made of the affairs, financial condition and management of

NATIONAL BUILDERS INSURANCE COMPANY

hereinafter referred to as the Company or NBIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 160 Greentree Drive, Suite 101, Dover, Delaware 19904. 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 NBIC. The last examination was conducted as of December 31, 2019, by the Delaware Department of Insurance (Department) and covered the period of January 1, 2015 through December 31, 2019. This examination covers the period of January 1, 2020 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 (Company)	16632	Delaware
Crossroads Insurance Company (CIC)	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 originally incorporated as Archdale Mutual Insurance Company on November 26, 1982, under the laws of the State of North Carolina. The Company's name was changed to Belk Stores Mutual Insurance Company on November 24, 1992 and its name was changed again to Tyvola Insurance Company in 2000. The Company was acquired by Builders Insurance Group, Inc. (BIGI) on May 31, 2003. On July 8, 2004, the Company was redomesticated to South Carolina and its name was changed to Vinings Insurance Company. On December 15,

2010, the Company was redomesticated to the State of Delaware. On January 20, 2015, the Company changed its name to National Builders 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 authorizes 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 \$41,845,926, including gross paid in and contributed surplus of \$5,000,000.

Dividends

The Company's Board of Directors (Board) approved and authorized policyholder dividends in the amounts of \$101,041, \$120,744, \$195,695 and \$192,127 for the years 2020, 2021, 2022 and 2023, respectively.

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, but not in a timely manner with regards to changes in officers and directors during the period under examination as required by 18 *Del. C.* § 4919. This has been communicated to the Company and they have implemented a formal process to notify the Commissioner in writing of any changes of personnel among its Directors and Principal Officers in a timely manner.

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 the 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 thirty-eight states and the District of Columbia.

The Company offers commercial property and casualty insurance, specializing in workers' compensation and general liability. The Company also offers commercial package policies. The Company utilizes a network of independent insurance agents and managing general agents for the retail distribution of its products.

REINSURANCE

The Company reported the following distribution of premiums written for the years ended December 31, 2023, and the prior examination date of December 31, 2019:

	<u>2023</u>	<u>2019</u>
Direct business	\$ 31,053,988	\$ 34,572,786
Reinsurance assumed (from affiliates)	21,268,578	20,887,043
Reinsurance assumed (from non-affiliates)	<u>337,869</u>	<u>117,391</u>
Gross direct and assumed business	\$ 52,660,435	\$ 55,577,220
Reinsurance ceded (to affiliates)	\$ 30,842,610	\$ 42,028,944
Reinsurance ceded (to non-affiliates)	<u>2,417,648</u>	<u>2,268,401</u>
Gross ceded business	\$ 33,260,258	\$ 44,297,345
Net premiums written	<u><u>\$ 19,400,176</u></u>	<u><u>\$ 11,279,875</u></u>

Assumed and Ceded Reinsurance – Affiliates:

As of December 31, 2023, the Company was a participant in an inter-company reinsurance pooling agreement with its affiliates BIACC and ABIC. The pooling agreement encompassed all insurance issued or assumed by each company net of unaffiliated reinsurance. Substantially all the net premiums earned and net losses incurred subsequent to the effective date were pooled into

BIACC. BIACC then ceded 10% of all net premiums earned (direct and assumed less excess) and net incurred losses (direct and assumed less excess) to NBIC. The pooling arrangement also provided for a ceding commission to be paid by the assuming company to the ceding company. Ceding commission on premiums ceded by BIACC to NBIC was 21% of the premiums ceded under the arrangement and commission expense of premiums assumed by BIACC from NBIC was 24%. This agreement was terminated and replaced subsequent to the examination period effective January 1, 2025.

Assumed Reinsurance – Non-Affiliates:

The Company does not assume any material reinsurance from non-affiliates.

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 statements, 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 Prior Examination as of December 31, 2019 to December 31, 2023

Statement of Assets
As of December 31, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 79,790,248	\$ -	\$ 79,790,248
Cash	2,782,662		2,782,662
Cash equivalents	14,238,906		14,238,906
Short-term investments	3,753,278		3,753,278
Subtotals, cash and invested assets	<u>\$ 100,565,094</u>	<u>\$ -</u>	<u>\$ 100,565,094</u>
Investment income due and accrued	510,175		510,175
Uncollected premiums and agents' balances in the course of collection	3,519,922	207,645	3,312,277
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,774,722		6,774,722
Amounts recoverable from reinsurers	2,483,836		2,483,836
Current federal and foreign income tax recoverable and interest thereon	261,056		261,056
Net deferred tax asset	1,491,006	315,558	1,175,448
Receivables from parent, subsidiaries and affiliates	411,387		411,387
Aggregate write-ins for other than invested assets	123,067	40,858	82,209
Total	<u><u>\$ 116,140,265</u></u>	<u><u>\$ 564,061</u></u>	<u><u>\$ 115,576,204</u></u>

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

		<u>Notes</u>
Losses	\$ 33,002,155	(1)
Reinsurance payable on paid losses and loss adjustment expenses	2,471,349	
Loss adjustment expenses	17,200,480	(1)
Commissions payable, contingent commissions and other similar charges	1,434,370	
Other expenses (excluding taxes, licenses and fees)	430,471	
Taxes, licenses and fees (excluding federal and foreign income taxes)	502,660	
Unearned premiums	12,135,959	
Advance premium	40,471	
Policyholders dividends declared and unpaid	215,055	
Ceded reinsurance premiums payable (net of ceding commissions)	2,137,779	
Payable to parent, subsidiaries and affiliates	916,383	
Payable for securities	2,944,221	
Aggregate write-ins for liabilities	298,925	
Total liabilities	<u>\$ 73,730,278</u>	
Common capital stock	\$ 2,500,000	
Gross paid in and contributed surplus	5,000,000	
Unassigned funds (surplus)	34,345,926	
Surplus as regards policyholders	<u>\$ 41,845,926</u>	
Totals	<u><u>\$ 115,576,204</u></u>	

Statement of Income
For the Year Ended December 31, 2023

Premiums earned	\$ 21,268,578
Losses incurred	\$ 9,252,025
Loss adjustment expenses incurred	4,551,361
Other underwriting expenses incurred	6,976,119
Total underwriting deductions	<u>\$ 20,779,505</u>
Net underwriting gain (loss)	<u>\$ 489,073</u>
Net investment income earned	\$ 2,894,669
Net realized capital gains (losses)	(629,922)
Net investment gain (loss)	<u>\$ 2,264,747</u>
Net gain (loss) from agents' or premium balances charged off	\$ (35,974)
Finance and service charges not included in premiums	23,567
Total other income	<u>\$ (12,407)</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 2,741,413
Dividends to policyholders	<u>192,127</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 2,549,286
Federal and foreign income taxes incurred	<u>288,542</u>
Net Income	<u><u>\$ 2,260,744</u></u>

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
December 31, 2019 to December 31, 2023

	Common Capital Stock	Paid in & Contributed Surplus	Unassigned Funds (Surplus)	Total
December 31, 2019	\$ 2,500,000	\$ 5,000,000	\$ 27,604,331	\$ 35,104,331
2020 Net income	-	-	1,171,217	1,171,217
2020 Other Changes ¹	-	-	(80,572)	(80,572)
Balance at December 31, 2020	<u>\$ 2,500,000</u>	<u>\$ 5,000,000</u>	<u>\$ 28,694,976</u>	<u>\$ 36,194,976</u>
2021 Net income	-	-	1,760,594	1,760,594
2021 Other Changes ¹	-	-	305,655	305,655
Balance at December 31, 2021	<u>\$ 2,500,000</u>	<u>\$ 5,000,000</u>	<u>\$ 30,761,225</u>	<u>\$ 38,261,225</u>
2022 Net income	-	-	1,489,546	1,489,546
2022 Other Changes ¹	-	-	32,671	32,671
Balance at December 31, 2022	<u>\$ 2,500,000</u>	<u>\$ 5,000,000</u>	<u>\$ 32,283,442</u>	<u>\$ 39,783,442</u>
2023 Net income	-	-	2,260,744	2,260,744
2023 Other Changes ¹	-	-	(198,260)	(198,260)
Balance at December 31, 2023	<u><u>\$ 2,500,000</u></u>	<u><u>\$ 5,000,000</u></u>	<u><u>\$ 34,345,926</u></u>	<u><u>\$ 41,845,926</u></u>

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

**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	\$33,002,155
Loss Adjustment Expenses	\$17,200,480

The examination liability for the aforementioned captioned items are the same as reported by the Company as of December 31, 2023. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Actuarial Principles and Standards of Practice and Statutory Accounting Principles, including NAIC Accounting Principles and Procedures

Manual, Statement of Statutory Account Principle No. 55 *Unpaid Claims, Losses and Loss Adjustment Expenses* (SSAP No. 55).

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, 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.

Effective January 1, 2025, ABIC and NBIC entered into a Loss Portfolio Transfer Reinsurance Agreement with BIACC. Under the terms of the agreement, ABIC and NBIC will cede all insurance liabilities as of December 31, 2024 to BIACC.

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

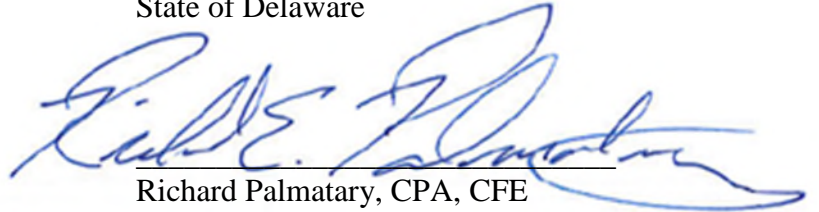
There were no recommendations as a result of this examination.

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,

A handwritten signature in black ink, appearing to read "Nicholas O'Dell".

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

A handwritten signature in blue ink, appearing to read "Richard E. Palmatary".

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. 24.020

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

Nicholas O'Dell, CPA, CFE