

Report on Examination

of

**THE PROVIDENCE PLANTATIONS INSURANCE COMPANY**

Warwick, Rhode Island

as of

December 31, 2015



State of Rhode Island and Providence Plantations  
Department of Business Regulation  
Insurance Division



**State of Rhode Island and Providence Plantations  
DEPARTMENT OF BUSINESS REGULATION  
1511 Pontiac Avenue, Bldg. 69-2  
Cranston, Rhode Island 02920**

**Insurance Division**

**DIRECTOR'S ORDER**

The attached Report of Examination as of December 31, 2015, of the condition and affairs of PROVIDENCE PLANTATIONS INSURANCE COMPANY, was recently completed by duly qualified examiners, pursuant to the provisions of the Rhode Island General Laws.

Due consideration has been given to the comments of the examiners regarding the operation of the Company and its financial condition, as reflected in the report.

It is therefore ORDERED that said Report be, and it is hereby, adopted and filed and made an official record of this Department as of this date.

DEPARTMENT OF BUSINESS REGULATION

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Elizabeth Kelleher Dwyer  
Deputy Director and Superintendent of Banking  
and Insurance

DATED: April 5, 2017

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March 27, 2017

Ms. Elizabeth Kelleher Dwyer  
Deputy Director and Superintendent of Banking and Insurance  
State of Rhode Island and Providence Plantations  
Department of Business Regulation  
1511 Pontiac Ave., Bldg. 69-2  
Cranston, RI 02920

Dear Superintendent Dwyer:

In compliance with instructions and pursuant to Chapters 13.1 and 25 of Title 27 of the General Laws of the State of Rhode Island, an examination has been made as of December 31, 2015, of the financial condition and affairs of the

**THE PROVIDENCE PLANTATIONS INSURANCE COMPANY**

hereinafter referred to as the “Company” or as “Providence Plantations.” The Company is located at 340 East Avenue, Warwick, Rhode Island. Both the current and prior examinations have been conducted by the Insurance Division of the State of Rhode Island (“Insurance Division”).

## SCOPE OF EXAMINATION

The current examination covered the five-year period of January 1, 2011 through December 31, 2015 and was performed in compliance with the above mentioned sections of the General Laws of the State of Rhode Island, as amended. We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. The 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 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the company.

The Company's capital stock is 100% owned by The Providence Mutual Fire Insurance Company ("Providence Mutual"). A concurrent examination was also made of the Company's parent, and the report thereon is submitted under separate cover.

### **COMPANY HISTORY**

The Company was chartered by an Act of the Rhode Island General Assembly in 1986, and commenced business in 1988. Neither the Charter nor the By-laws have been amended since its incorporation. The Charter authorizes the Company to issue policies and conduct the business of all lines of insurance except life, annuities, title, and mortgage guaranty.

### **MANAGEMENT AND CONTROL**

The Charter provides that the management and affairs of the Company shall be vested in a Board of Directors, the number of which is fixed in the By-laws at nine persons. Directors shall hold office for one year and until their successors are elected and qualified. As of December 31, 2015, there were no vacancies on the Board of Directors.

The By-laws require the Board of Directors to meet at such times and places as they determine necessary by vote. A majority number of Board members at the time in office shall constitute a quorum. The Company's By-laws require the annual meeting to be held as soon as practicable after each annual election of directors, on the same day and at the same place at which such election of directors was held for the purposes of organization, the election of officers and the transaction of other business.

The By-laws require that the Board of Directors shall annually and whenever vacancies occur, elect a Chairman of the Board, President, one or more Vice Presidents, a Secretary, Treasurer and such other officers as they may deem necessary. All officers so elected shall hold office for one year and until others shall be elected in their places.

The members of the Board of Directors and the Company's officers at December 31, 2015 are as follows:

**Board of Directors**

Robert W. Parsons, Chair	John S. Lombardo
Mary L. Fazzano	Sandra G. Parrillo
Leslie A. Gardner	B. Michael Rauh, Jr.
David M. Gilden	Edwin J. Santos
Alan H. Litwin	

**Officers**

Sandra G. Parrillo	President and Chief Executive Officer
Earl F. Cottam, Jr.	Executive Vice President, Treasurer and Chief Financial Officer
Richard A. Sinnigen	Secretary and Assistant Treasurer

### **TERRITORY AND PLAN OF OPERATIONS**

The Company is licensed to conduct business only in the State of Rhode Island, and has been inactive since December 2002.

### **REINSURANCE**

The Company participated in an intercompany pooling agreement with its parent and Grange Mutual Insurance Company, from January 1995 through December 2002. The Providence Plantations and Grange Mutual each had a 2% participation in the subject premiums, losses and expenses based on the intercompany pooling agreement. The Providence Mutual Fire Insurance Company was responsible for the remaining 96% of premiums, losses and expenses ceded to the pool. This agreement was terminated in December 2002 and the Company has been inactive since that time.



## FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the company with the Insurance Division of the State of Rhode Island and present the financial condition of The Providence Plantations Insurance Company for the period ending December 31, 2015.

Comparative Statement of Assets, Liabilities and Surplus  
December 31, 2015 and December 31, 2010

Statement of Income  
Year ended December 31, 2015

Capital and Surplus Account  
December 31, 2014 to December 31, 2015

Reconciliation of Capital and Surplus  
December 31, 2010 to December 31, 2015

Analysis of Examination Adjustments  
December 31, 2015

**The Providence Plantations Insurance Company**  
**Comparative Statement of Assets, Liabilities and Surplus**  
**December 31, 2015 and December 31, 2010**

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2010</u>	<u>Increase</u> <u>(Decrease)</u>
Cash and cash equivalents	\$1,174,052	\$16,287	\$1,157,765
Short-term investments	0	1,265,236	(1,265,236)
Investment income due and accrued	0	713	(713)
Current federal and foreign income tax recoverable	0	3,458	(3,458)
Receivable from parent, subsidiaries and affiliates	40,241	0	40,241
Total Assets	<u>\$1,214,293</u>	<u>\$1,285,694</u>	<u>(\$71,401)</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Common capital stock	200,000	200,000	0
Gross paid in and contributed surplus	800,000	800,000	0
Unassigned funds	<u>214,293</u>	<u>285,694</u>	<u>(71,401)</u>
Surplus as Regards Policyholders	<u>1,214,293</u>	<u>1,285,694</u>	<u>(71,401)</u>
Total Liabilities and Surplus	<u>\$1,214,293</u>	<u>\$1,285,694</u>	<u>(\$71,401)</u>

**The Providence Plantations Insurance Company**  
**Statement of Income**  
**Year Ended December 31, 2015**

**UNDERWRITING INCOME**

Premiums earned	\$0
<b><u>DEDUCTIONS:</u></b>	
Other underwriting expenses incurred	<u>23,518</u>
Net underwriting gain or (loss)	(23,518)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(23,518)
Less: Federal and foreign income taxes incurred	<u>(7,996)</u>
Net Income	<u><u>(\$15,522)</u></u>

**The Providence Plantations Insurance Company**  
**Capital and Surplus Account**  
**December 31, 2014 to December 31, 2015**

Surplus as regards policyholders, December 31, 2014		\$1,229,815
	<u>Increase</u> <u>(Decrease)</u>	
Net Income (Loss)	<u>(15,522)</u>	
Net increase (decrease) in surplus as regards policyholders for the year 2015		<u>(15,522)</u>
Surplus as regards policyholders, December 31, 2015		<u><u>\$1,214,293</u></u>

**The Providence Plantations Insurance Company**  
**Reconciliation of Capital and Surplus**  
**December 31, 2010 December 31, 2015**

Surplus as regards policyholders, December 31, 2010		\$1,285,694
	<u>Increase</u> <u>(Decrease)</u>	
Net income	<u>(71,401)</u>	
Net increase (decrease) in surplus as regards policyholders for the years 2010 through 2015		<u>(71,401)</u>
Surplus as regards policyholders, December 31, 2015		<u><u>\$1,214,293</u></u>

**The Providence Plantations Insurance Company**  
**Analysis of Examination Adjustments**  
**December 31, 2015**

The examination of the Company, performed as of December 31, 2015, did not disclose any material misstatements to the financial statements contained in its 2015 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.

## COMMENTS ON THE FINANCIAL STATEMENTS

### ASSETS

Cash \$1,174,052

The above amount is the same as that reported by the Company in its 2015 Annual Statement. The balance as of December 31, 2015 was confirmed with the depository bank, Citizens Bank.

### POLICYHOLDERS' SURPLUS

Surplus as Regards Policyholders \$1,214,293

The above amount is the same as that reported by the Company in its 2015 Annual Statement and consists of the following:

Common capital stock	\$200,000
Gross paid in and contributed surplus	800,000
Unassigned funds (surplus)	<u>214,293</u>
	<u>\$1,214,293</u>

### **SUBSEQUENT EVENTS**

A review of the minutes of the Stockholders' and Board of Directors' meetings for the period subsequent to the examination period was performed to ascertain whether any events have occurred which would have a material impact on the Company's operations or financial statements. In addition, an inquiry was made of the Company's management regarding subsequent events. Based upon our review, there were no significant events that occurred subsequent to the period covered by this examination.

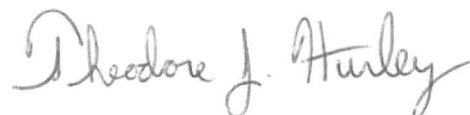


## CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques do not give complete assurance that all errors and irregularities will be detected, had any been detected during the course of this examination, such errors and/or irregularities would have been disclosed in this report. Other than what has been noted in the body of this report, we were not informed of, and did not become aware of any errors or irregularities that could have a material effect on the financial condition of the Company as presented in this report.

Acknowledgment is made of the services rendered by Risk & Regulatory Consulting, LLC (“RRC”), the Insurance Division’s Information Technology (“IT”) consultant.

Respectfully submitted,



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Theodore J. Hurley, CFE, CPA  
Insurance Examiner-In-Charge  
Rhode Island Insurance Division