

Report on Examination
of
PROTUCKET INSURANCE COMPANY

Providence, Rhode Island

as of

December 31, 2021



State of Rhode Island
Department of Business Regulation
Insurance Division



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

Insurance Division

ADOPTION ORDER

The attached Report of Examination as of December 31, 2021, of the condition and affairs of

PROTUCKET 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

Dated: June 30, 2022

Elizabeth Kelleher Dwyer
Superintendent of Insurance

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April 19, 2022

Ms. Elizabeth Kelleher Dwyer
Superintendent of Insurance
State of Rhode Island
Department of Business Regulation
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

Dear Superintendent Dwyer:

In accordance with your instructions and pursuant to Chapters 13.1 and 35 of Title 27 of the General Laws of the State of Rhode Island, an examination has been made as of December 31, 2021, of the financial condition and affairs of

PROTUCKET INSURANCE COMPANY

located at One Financial Plaza, Suite 2800, Westminster Street, Providence, Rhode Island. The report of such examination is herewith submitted.

ProTucket Insurance Company (the “Company” or “ProTucket”) was incorporated under the laws of the State of Rhode Island on February 24, 2017 and was granted a Certificate of Authority by the Insurance Division of the State of Rhode Island (“Insurance Division”) on March 15, 2017. This is the first financial examination of ProTucket conducted by the Insurance Division.

SCOPE OF EXAMINATION

The current examination covered the period from February 24, 2017, through December 31, 2021 and was performed in compliance with the above-mentioned sections of the General Laws of the State of Rhode Island, as amended. The current examination was conducted as a single-state full scope risk-focused examination in accordance with the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”), risk-focused examination process.

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 insurers and their 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.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse or significant non-compliance findings noted during the examination conducted as of December 31, 2021.

COMPANY HISTORY

As stated above, ProTucket was incorporated in the State of Rhode Island on February 24, 2017 and received its Certificate of Authority from the Insurance Division on March 15, 2017. The Company was formed pursuant to Rhode Island's Voluntary Restructuring of Solvent Insurer's law, under R.I. Regulation 230-RICR-20-45-6 (formerly Regulation 68) for the purpose of transacting Insurance Business Transfers ("IBT").

The Company was initially capitalized with \$3,002,000 from its parent, Pro US Holdings, Inc., in exchange for 1,000,000 shares of the Company's common stock, to meet the statutory minimum capital and surplus requirements. \$1,000,000 is reflected as common capital stock and \$2,002,000 is reflected as gross paid in and contributed surplus in ProTucket's financial statements. ProTucket is a wholly owned subsidiary of Pro US Holdings Inc., an insurance holding company domiciled in the State of Delaware.

On June 30, 2018, Pro US Holdings, Inc., contributed \$35,200,000 in additional paid-in capital to

the Company. ProTucket subsequently attributed \$35,000,000 of the additional paid-in capital to its first protected cell; Protected Cell Enterprise, with the \$200,000 balance of the contribution being attributed to gross paid in and contributed surplus, with the approval of the Insurance Division.

Effective September 30, 2019 and following approval of the “Plan of Closure” by the Insurance Division, the Company closed Protected Cell Enterprise. As a result of the closeout of Protected Cell Enterprise, all the assets and liabilities attributed to Protected Cell Enterprise prior to the closure of the protected cell were reflected by the Company in its financial statements. The closure of Protected Cell Enterprise resulted in a \$35,564,528 transfer to ProTucket.

On June 26, 2020 the Division approved an Amended Articles of Incorporation. The amendment increased the number of authorized shares of common stock from 1,000,000 to 100,000,000 and increased the par value of the Company’s common stock from \$1.00 per share to \$2.50 per share. The effect of the amendment was to increase the Company’s common capital stock from \$1,000,000 to \$2,500,000 and decrease gross paid in and contributed surplus by \$1,500,000.

Stockholder Dividends

Dividends were neither declared nor paid during the period under examination.

MANAGEMENT AND CONTROL

Shareholders

The Company's bylaws provide that meetings of the shareholders shall be held from time to time as selected by the Secretary. A majority of the shares entitled to vote, represented in person or by proxy, constitutes a quorum at a meeting of shareholders.

Board of Directors

The bylaws provide that the business of the Company shall be managed by its Board of Directors ("Board"), the number of which shall be determined from time to time by resolution of the Board. The existing bylaws require that the Board be comprised of no less than five (5) and no more than twenty-one (21) persons. At the annual meeting, the shareholders shall elect Directors to hold office until the next succeeding annual meeting. A majority of the number of Directors prescribed in the bylaws, or by the Shareholders, constitutes a quorum for the transaction of business.

The members of the Board of Directors serving at December 31, 2021, are as follows:

Name	Business Affiliation	Term Expires
Andrew James Donnelly	Pro Insurance Solutions Ltd., Chief Financial Officer	Annual
Julie Lyn Osborn	PRO IS, Inc., Vice President	Annual
Richard Frederick Lawson	Pro Insurance Solutions Ltd., Head of Claims	Annual
Susan Sui Chui Lee	PRO IS, Inc., Vice President	Annual
Marvin David Mohn	Pro Insurance Solutions Ltd., General Counsel	Annual

Committees

The bylaws provide that the Board, by resolution adopted by a majority of the full Board, may designate from among its members an executive committee and one or more other committees, each of which, to the extent provided in the resolution, may exercise all the authority of the Board, except as stipulated in the bylaws. Committees of the Board shall consist of at least three (3) members, or the Board as a whole, as specified in the applicable resolution creating the committee, and, subject to applicable law, the Articles of Incorporation and the bylaws.

The standing committees consisted of the following members at December 31, 2021:

Audit Committee
Andrew James Donnelly
Julie Lyn Osborn
Richard Frederick Lawson
Susan Sui Chui Lee
Marvin David Mohn

Nominating Committee
Andrew James Donnelly
Richard Frederick Lawson
Susan Sui Chui Lee

Officers

The bylaws provide that the executive officers of the Company shall be chosen by the Board or by the shareholders, and shall consist of a chief executive officer, a president, a secretary, and a treasurer. The Board may also choose a vice president and such other assistant officers and agents as it shall deem necessary. The officers shall hold office until a successor has been duly elected and qualified, or until such officer’s death, resignation or removal. A vacancy in any office may be filled at any meeting of the Board.

The officers serving and their respective titles at December 31, 2021 are as follows:

Name	Title
Marvin David Mohn	President & Chief Executive Officer
Susan Lee	Treasurer
Albert Miller	Secretary
Richard Lawson	Vice President - Claims Origination
Keith Kaplan	Vice President - Run-off and IBT
Aaron Levine	Assistant Vice President - Actuary
Richard Robertson	Assistant Vice President - Information Security

Organizational Structure

ProTucket is part of a holding company system. As of December 31, 2021, ProTucket is a wholly owned subsidiary of Pro US Holdings Inc., a Delaware corporation, which in turn is wholly owned by Pro Global Holdings Limited, an English Private Limited Company.

Intercompany Agreement

On June 24, 2019 the Company entered into an Administrative Services Agreement (“agreement”) with an affiliate, PRO IS, Inc., a Delaware company. The agreement provides for the terms of the administrative services for day-to-day operations, independent of any services required for protected cells, including but not limited to: legal and compliance, human resources, general management, controller, investment management, actuarial, treasury, benefits management, and systems and technology. PRO IS, Inc., also will provide staff who will service as officers and directors of the Company.

TERRITORY AND PLAN OF OPERATION

ProTucket was formed to assume Insurance Business Transfers (“IBT’s”) under R.I. Regulation 230-RICR-20-45-6 (formerly Regulation 68). Under said regulation, only commercial property and casualty books of business that have been closed for at least five (5) years are eligible for Insurance Business Transfers. Thus, the Company’s sole purpose is to manage runoff business. ProTucket does not write new business. It seeks to transfer legacy books of insurance into its portfolio.

As of December 31, 2021, the Company has a Certificate of Authority (“COA”) in eleven states: Arizona, Indiana, Louisiana, Michigan, Montana, Nevada, Ohio, Oklahoma, Rhode Island, Texas, and West Virginia. The Company has obtained Accredited Reinsurer status in twenty-four jurisdictions. The Company continues to apply for COA’s in additional states.

The Company completed a Loss Portfolio Transfer (“LPT”) transaction with various subsidiaries of the Zurich Group (“Zurich”) at the end of 2020 involving a mature book of assumed workers compensation reinsurance, which is 100% ceded as discussed below in the “Reinsurance” section of this report. Swiss Reinsurance Company Limited (“Swiss Re”) will process claims adjusting for this portfolio to the extent that it is needed, unless Swiss Re and ProTucket agree otherwise.

REINSURANCE

Ceded Reinsurance

As of December 31, 2021, the Company had one reinsurance contract in effect. On December 22, 2020, ProTucket entered into a LPT reinsurance agreement with Swiss Re to cede 100% of all

reinsured liabilities assumed under the novation agreement between itself and various subsidiaries of Zurich with Swiss Re as the ultimate reinsurer. The LPT contains a “Cut-Through” provision, allowing the ceding company to claim directly against Swiss Re in the event of ProTucket’s insolvency. There is no limit of liability to the reinsurer.

Pursuant to SSAP 62R, the novation and LPT are accounted for as a retroactive reinsurance agreement, as the pre-novation treatment of such assumed reinsurance contracts by the Company was also accounted for as retroactive reinsurance.

Assumed Reinsurance

On December 22, 2020, the Company entered into a reinsurance novation agreement to assume reinsurance contracts totaling \$19,000,194 in reserves from various subsidiaries of Zurich. ProTucket collateralizes its obligations through the utilization of two (2) separate trusts and a funds held account. At the inception date of the policy, initial collateral totaled \$24,602,478.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by ProTucket with the State of Rhode Island Department of Business Regulation and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements:

Comparative Statement of Assets
December 31, 2021 and February 24, 2017

Comparative Statement of Liabilities, Surplus and Other Funds
December 31, 2021 and February 24, 2017

Statement of Income
Year ended December 31, 2021

Reconciliation of Capital and Surplus
February 24, 2017 to December 31, 2021

Analysis of Examination Adjustments
December 31, 2021

PROTUCKET INSURANCE COMPANY
Comparative Statement of Assets
December 31, 2021 and February 24, 2017 (inception)

	December 31, 2021	February 24, 2017	Increase (Decrease)
Bonds	\$303,595	\$0	\$303,595
Cash, cash equivalents and short-term investments	58,119,390	0	58,119,390
Investment income due and accrued	2,111	0	2,111
Other amounts recoverable under reinsurance contracts	200,000	0	200,000
Current federal and foreign income tax recoverable	47,631	0	47,631
Net deferred tax asset	13	0	13
Aggregate write-ins for other-than-invested assets	159,540	0	159,540
Total Assets	<u>\$58,832,280</u>	<u>\$0</u>	<u>\$58,832,280</u>

PROTUCKET INSURANCE COMPANY
Comparative Statement of Liabilities, Surplus and Other Funds
December 31, 2021 and February 24, 2017 (inception)

	December 31, 2021	February 24, 2017	Increase (Decrease)
Other expenses	\$4,450	\$0	\$4,450
Aggregate write-ins for liabilities:			
Funds held under retroactive reinsurance treaties	19,602,404	0	19,602,404
Other write-ins	177,299	0	177,299
Total liabilities	<u>19,784,153</u>	<u>0</u>	<u>19,784,153</u>
Common capital stock	2,500,000	0	
Gross paid in and contributed surplus	35,702,000	0	
Unassigned funds (surplus)	<u>846,127</u>	<u>0</u>	<u>846,127</u>
Total surplus as regards policyholders	<u>39,048,127</u>	<u>0</u>	<u>39,048,127</u>
Total liabilities and surplus as regards policyholders	<u><u>\$58,832,280</u></u>	<u><u>\$0</u></u>	<u><u>\$58,832,280</u></u>

PROTUCKET INSURANCE COMPANY
Statement of Income
Year Ended December 31, 2021

UNDERWRITING INCOME

Premiums earned	\$0
Other underwriting expenses incurred	233,532
Aggregate write-ins for underwriting deductions	<u>(233,532)</u>
Total underwriting deductions	<u>0</u>
Net underwriting gain or (loss)	<u>0</u>

INVESTMENT INCOME

Net investment income earned	<u>1,988</u>
Net investment gain or (loss)	<u>1,988</u>

Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,988
Federal and foreign income taxes incurred	<u>430</u>
Net income (loss)	<u><u>\$1,558</u></u>

PROTUCKET INSURANCE COMPANY
Reconciliation of Capital and Surplus
February 24, 2017 (inception) to December 31, 2021

Surplus as regards policyholders, February 24, 2017 (inception) \$ -0-

	<u>Increases</u>	<u>Decreases</u>	
Net income	846,114		
Net transfers (to) from Protected Cell accounts	35,564,528		
Change in net deferred income tax	13		
Capital changes: paid In	2,500,000		
Surplus adjustments: paid In	35,702,000		
Aggregate write-ins for gains and losses in surplus: transferred from Protected Cell Enterprise		35,564,528	
Total gains and losses	<u>74,612,655</u>	<u>35,564,528</u>	
Change in surplus as regards policyholders			<u>39,048,127</u>
Surplus as regards policyholders, December 31, 2021			<u><u>\$39,048,127</u></u>

PROTUCKET INSURANCE COMPANY
Analysis of Examination Adjustments
December 31, 2021

The examination of ProTucket, performed as of December 31, 2021, did not disclose any material misstatements to the financial statements contained in its 2021 Annual Statement filing. Accordingly, the amounts reported by ProTucket have been accepted for purposes of this report.

COMMENTS ON FINANCIAL STATEMENTS

Surplus as Regards Policyholders

\$39,048,127

The above amount is the same as that reported by the Company in its December 31, 2021 Annual Statement and consists of \$2,500,000 of common capital stock, \$35,702,000 in gross paid-in and contributed surplus, and \$846,127 in unassigned funds,

SUBSEQUENT EVENTS

A review of financial information, the Company's records, and the minutes to the meetings of the Board of Directors for the period subsequent to the examination period was performed to ascertain whether any subsequent 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 identified subsequent to December 31, 2021, and through the date of this report.

CONCLUSION

We have applied verification procedures to the data and information contained in this report using sampling techniques and other examination procedures as deemed appropriate. While sampling and other examination procedures 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 may have 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.

Participating in the examination with the undersigned were various staff insurance examiners from the Rhode Island Insurance Division. In addition, acknowledgment is made of INS Regulatory Insurance Services, Inc., and its related companies, INS Consultants, Inc., and INS Services, Inc., for the services rendered to assist with the examination by providing consulting financial examiners, actuaries and information technology specialists.

Respectfully submitted,



Kelly M. Willison, CPA, CFE, CFE (Fraud)
Insurance Examiner-In-Charge
INS Regulatory Insurance Services, Inc., on behalf of
Rhode Island Insurance Division



John Tudino Jr., CFE, CIE, CFSA
Chief Insurance Examiner
Rhode Island Insurance Division