

Report on Examination

of

THE BEACON MUTUAL INSURANCE COMPANY
Warwick, Rhode Island

as of

December 31, 2024



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, 2024, of the condition and affairs of

THE BEACON MUTUAL 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 Companies and their 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

A handwritten signature in cursive script, reading "Elizabeth Kelleher Dwyer".

Dated: August 4, 2025

Elizabeth Kelleher Dwyer
Superintendent of Insurance

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SALUTATION

July 9, 2025

Ms. Elizabeth Kelleher Dwyer, Esq.
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, 2024, of the financial condition and affairs of

THE BEACON MUTUAL INSURANCE COMPANY

located at One Beacon Centre, Warwick, Rhode Island. The report of such examination is herewith submitted.

The Beacon Mutual Insurance Company (also referred to as the “Company,” or “BMIC”) was previously examined as of December 31, 2019, and both the current and prior examinations were conducted by the Insurance Division of the State of Rhode Island (“Insurance Division”).

SCOPE OF EXAMINATION

The last examination of the Company covered the five-year period of January 1, 2015, through December 31, 2019. The current examination covered the five-year period of January 1, 2020 through December 31, 2024 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 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 Company 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.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse or significant non-compliance findings noted during the examination conducted as of December 31, 2024.

COMPANY HISTORY

The Beacon Mutual Insurance Company was created on July 11, 1990, by the legislature as the State Compensation Insurance Fund, by the enactment of Rhode Island General Laws, Title 27, Chapter 7.2, hereinafter referred to as the “enabling act” or “charter.” The name of the Company was changed to The Beacon Mutual Insurance Company in July 1992. In 2003, the enabling act was moved to Rhode Island Public Law 2003, Chapter 410. On November 1, 2024, the Director of the Rhode Island Department of Business Regulation (“Director”) approved amendment of the Company’s charter effective as of January 1, 2025.

The Company is organized and operates as a domestic mutual insurance company for the purpose of insuring employers against liability for injuries for which their employees may be entitled to workers’ compensation benefits. The Company writes insurance on a voluntary basis and serves as the insurer of last resort for Rhode Island employers. The Company is also licensed to write workers’ compensation insurance in Massachusetts and Connecticut. Pursuant to the recent amendment of the Company’s charter, the Company was authorized to become licensed in any jurisdiction. Throughout the examination period, the Company provided out of state workers’ compensation coverage through an assumed reinsurance agreement. See “Other States Coverage” within the “Territory and Plan of Operation” section for further details.

Previously under the enabling act, capitalization needed to support the Company’s mandate to write involuntary workers’ compensation insurance in Rhode Island was provided in part by the

Rhode Island Department of Labor and Training through a capital assessment levied on all insurance carriers that wrote workers' compensation and employers' liability insurance in the State of Rhode Island. The assessment, through December 31, 1994, equaled three percent (3%) of gross premiums received from workers' compensation insurance and employers' liability insurance written or renewed on risks within the State of Rhode Island. As a result of the adequacy of the Company's surplus to support residual market writings, these assessments were suspended by the Director as of January 1, 1995.

Effective until the recent amendment of the Company's charter, the Director had the authority to determine, on an ongoing basis, the future rate of such assessment at levels appropriate to ensure the Company's solvency to adequately provide the Company with the surplus necessary to service the residual risk market and satisfy the reserve and surplus requirements of the Company, in furtherance of its public purpose to provide such coverage. Upon amendment of the Company's charter, the Company became a member of the Rhode Island Property & Casualty Guaranty Association.

Policyholder and Stockholder Dividends

During the period covered by this examination, the following dividends were paid by the Company under examination to the policyholders:

Year	Amount
2020	\$8,000,000
2021	\$3,500,000
2022	\$5,600,000
2023	\$6,008,000
2024	\$6,000,000

MANAGEMENT AND CONTROL

Members

Every policyholder insured by the Company shall be a member (individually, the “Member”; collectively, the “Members”) during the term of such policyholder’s policy.

The bylaws, as amended, provide that the annual meeting of the Members at which Members of the Board of Directors (“Board”) are elected, shall be held biennially in June. In those years in which directors are not elected by the Members, a meeting of the Members shall be held annually in June, to be determined annually by the Board, for the purpose of providing the Members with a report of the Board of Directors and such other business that may properly come before the meeting.

Special meetings of the Members may be called by the Chairperson of the Board and shall be called by the Secretary or Assistant Secretary upon request of the Chairperson or three Members of the Board or upon written request executed by not less than one hundred (100) Members. The presence in person or by proxy of fifty (50) Members shall constitute a quorum for such meeting.

Board of Directors

The enabling act provides that the Board of Directors is vested with full power, authority, and jurisdiction over the Company. Prior to the recent amendment of the Company's charter, the Board of Directors consisted of nine (9) Members, including five (5) individuals appointed by the Governor of the State of Rhode Island, three (3) individuals elected by the Members, and the Chief Executive Officer of the Company, an ex officio Member. Following the Company's charter amendment, the Board consists of five (5) individuals appointed by the Governor of the State of Rhode Island, five (5) individuals elected by the Members, and ex officio Member Chief Executive Officer of the Company, for a total of eleven (11) Members. Each director, except for the ex officio Member, shall be a Member or an officer, director or employee of a Member. At least three (3) Members of the Board shall be Members or an officer or employee of a Member which is a for profit entity. Effective January 1, 2025, no more than two (2) directors may be an elected or appointed official of state or municipal government, and no more than one (1) of such two members may be an elected official. Except for the ex officio director, each director shall serve a term of four (4) years.

The Governor shall appoint directors biennially for four-year terms at the conclusion of the term of each appointed director to maintain staggered director terms. Members shall elect directors biennially for four-year terms at the conclusion of the term of each elected director. In the event that any vacancy occurs in the Board, a director shall be selected to fill such vacancy in the same manner in which his or her predecessor was selected; provided, however, that where the former director was elected by the Members, the remaining director or directors appointed by the Members may select the successor director. A director selected to fill such vacancy shall serve for the unexpired term of such director's predecessor in office.

The annual meeting of the Board shall be held without further notice upon conclusion of the annual meeting of the Members, or on such other date designated by the Board, for the purposes of electing officers and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting of the Board is a legal holiday in the State of Rhode Island, such meeting shall be held on the next succeeding business day. The Board may provide by resolution the time and place for the holding of additional regular meetings without notice other than by such resolution.

Special meetings of the Board may be called by the Secretary or Assistant Secretary at the request of the Chairperson or any three (3) directors. The person or persons authorized to call special meetings of the Board may fix the manner and the place for holding any special meetings of the Board called by them.

A majority of the number of directors constituting the full Board shall constitute a quorum for the transaction of business at any meeting of the Board.

The act or decision made by the majority of the directors present at a meeting duly held at which a quorum is present shall be the act of the Board, unless a greater number of directors is required by law. Meetings of directors may be held by means of a telephone conference, and connection to such conference shall constitute presence at such meeting.

Any action that may be taken by the Board at a meeting may be taken without a meeting if a consent or consents in writing setting forth the action to be taken shall be signed before or after such action by all of the Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board.

The Members of the Board of Directors serving at December 31, 2024, are as follows:

Name¹	Business Affiliation	Term Expires
Raymond Christopher Coia, <i>Chair</i>	New England Laborers' Health & Safety Fund Administrator	2026
Harry Robert Bacon	Gregg's Restaurant, Inc. Owner	2027
Timothy Ludger Byrne	UA Local 51, Plumbers, Pipefitters & HVAC Legislative Director	2025
Kate Coyne-McCoy	KCM Consulting LLC Consultant	2027
Brad Alan Dean	Dean Warehousing Inc Chief Executive Officer	2025
Steven Issa	Customers Bank Executive Vice President, Retired	2027
Jerry A. Sahagian	Bonnet Spirits Inc. President	2026
Brian Spero (<i>Ex-Officio</i>)	Beacon Mutual Insurance Company President & Chief Executive Officer	n/a
Robert A. Walsh (replacing Linda D'Amario Rossi)	National Education Association of RI Executive Director, Retired	2028

¹ Effective January 1, 2025, the size of the Board increased to eleven (11) members, with the addition of Michele A. Doherty and Laura H. Yalanis.

Committees

The bylaws provide that, except as set forth in Section 5.03 (*Nominating Committee*) of the bylaws, the Board may, by resolution adopted by a majority of the directors, appoint from the Members thereof such committees as it deems appropriate, with such designations and duties as it may determine. All committees apart from the Nominating Committee shall consist of three (3) or more directors. The Nominating Committee shall consist of five (5) directors. The standing committees consisted of the following Members at December 31, 2024:

Finance Committee

Kate Coyne-McCoy, *Chair*
Harry Robert Bacon
Timothy Ludger Byrne
Raymond Christopher Coia
Bradford Alan Dean
Jerry A. Sahagian
Brian Joseph Spero

Audit Committee

Steven Issa, *Chair*
Raymond Christopher Coia
Kate Coyne-McCoy
Linda D'Amario Rossi
Jerry A. Sahagian

Nominating Committee

Bradford Alan Dean, *Chair*
Harry Robert Bacon
Raymond Christopher Coia
Steven Issa
Linda D'Amario Rossi

Corporate Governance Committee

Linda D'Amario Rossi, *Chair*
Timothy Ludger Byrne
Raymond Christopher Coia
Kate Coyne-McCoy
Bradford Alan Dean
Jerry A. Sahagian
Brian Joseph Spero

Compensation & Benefit Committee

Harry Robert Bacon, *Chair*
Timothy Ludger Byrne
Raymond Christopher Coia
Steven Issa
Linda D'Amario Rossi

Officers

The bylaws provide that the Board of Directors shall elect a Chief Executive Officer who shall be in charge of the day-to-day operations of the Company. The bylaws also stipulate that the other officers of the Company shall be the Chairperson, the Vice-Chairperson, a Chief Financial Officer, a Secretary, and such other officers and agents as may be deemed necessary by the Board. The officers shall be elected annually by the Board and shall hold office until his or her successor has been duly elected or until such officer's death, resignation or removal. A vacancy in any office may be filled in the manner prescribed in the bylaws for election or appointment to the office and any such vacancy shall be filled for the unexpired portion of the term.

The officers serving at December 31, 2024 and their respective titles are as follows:

Name	Title
Raymond Christopher Coia	Chairperson
Harry Robert Bacon	Vice Chairperson
Brian Joseph Spero	President and Chief Executive Officer
Gregg Christopher Tumeinski	Chief Financial Officer
Linda D'Amario Rossi	Secretary
Rajani Mahadevan	Executive Vice President and Chief Operations & Strategy Officer
Amy Clark Vitale	Executive Vice President, Chief Legal Officer and Assistant Secretary
Shannon L. Broadbent	Vice President, Human Resources
William F. Gross	Vice President, Underwriting, Agency Distribution & Premium Audit
Theresa J. Keegan	Vice President, Business Solutions & Product Development
David M. Blair	Vice President, Claims & Loss Prevention
James W. Moody, Jr.	Vice President, Information Systems & Shared Services
Tricia C. Marlar	Assistant Vice President and General Counsel
Michelle N. Pelletier	Assistant Vice President, Marketing & Communications
Kevin O. Flood	Assistant Vice President, Claims Legal

Organizational Structure

BMIC is the ultimate parent in the Beacon Mutual Group insurance holding company system. At December 31, 2024, the Company owns 100% of the outstanding capital stock of Castle Hill Insurance Company (“Castle Hill”) and BMIC Service Corp (“BMIC Service”). The Company is a mutual insurer and is not directly or indirectly owned or controlled by any other company.

Castle Hill was incorporated on October 17, 2003, to provide workers’ compensation and employers’ liability coverage to Rhode Island employers who maintain a workforce outside Rhode Island. Castle Hill is a domestic stock insurance company, authorized to write workers’ compensation and employers’ liability insurance in Rhode Island.

On November 5, 2003, the Company purchased 100% of the issued and outstanding capital stock of Castle Hill for a total initial investment of \$20,000,000 consisting of five thousand (5,000) shares of common stock with a one-thousand-dollar (\$1,000) par value and fifteen thousand (15,000) shares of preferred stock with a one-thousand-dollar (\$1,000) par value. Castle Hill has not written any business since its inception. Castle Hill is dormant and exempt from filing NAIC reports, as well as from financial examinations, per formal exemption by the Insurance Division. In 2012, BMIC solicited approval from the Insurance Division to reduce capital requirements and other administrative requirements of Castle Hill. The Insurance Division granted permission to reduce the capital of Castle Hill to not less than \$1,000,000 and to restructure the capital stock for such reduction. The preferred stock was redeemed on December 10, 2012, along with four

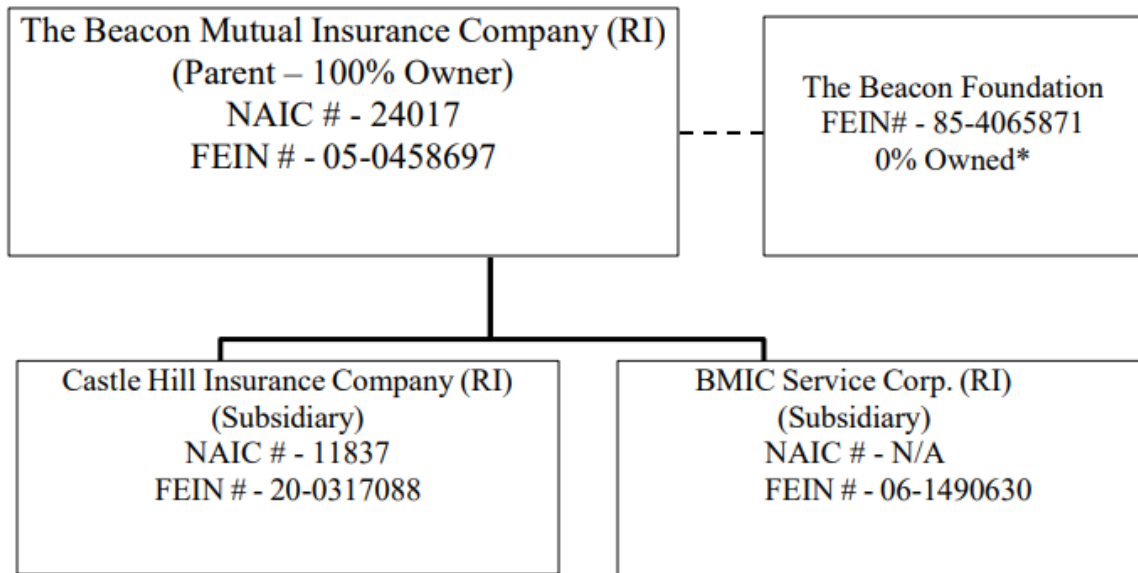
thousand (4,000) shares of common stock, leaving the Company with one thousand (1,000) shares of common stock which represents 100% of the outstanding stock. Castle Hill has neither commenced nor conducted any insurance operations since its inception.

On July 24, 1997, the Company formed BMIC Service, a Rhode Island corporation, as a wholly owned subsidiary. BMIC Service was organized to act as a producer for the purposes of the sale of workers' compensation insurance, employer indemnity insurance and related insurances covering risk for employers with employees within and outside Rhode Island on behalf of BMIC. BMIC Service does not, however; currently act as a purchaser for the Company's policies. BMIC provided certain loss prevention and claims administration services, through BMIC Service, for employers that elected to assume the full financial risk of workers' compensation injuries incurred by their employees. BMIC Service holds an entity-level claims adjusting license in Rhode Island and entered into TPA contracts directly with third parties. Beginning with the Rhode Island TPA contract in 2019, BMIC transitioned to providing TPA services directly. One existing TPA contract remained open with BMIC Service during the previous examination, and upon renewal in 2021, it was entered directly with BMIC.

On November 30, 2020, the Beacon Foundation (the "Foundation") was incorporated as a Rhode Island non-profit corporation, with a home office and principal executive offices located at One Beacon Centre, Warwick, Rhode Island, 02886. BMIC is the Foundation's sole, controlling Member, and appoints the Board of Directors of the Foundation. The Foundation was formed for

the purpose of making grants to 501(c)(3) charitable organizations and serves as the primary vehicle of BMIC’s charitable giving program. BMIC funded the Foundation with a \$2.5 million charitable contribution and thus, based on SSAP #25 exerts control over the Foundation. Thus, the Foundation qualifies as an affiliate of BMIC.

The following represents an abbreviated organizational chart as of December 31, 2024:



**Beacon Mutual Insurance Company formed the Beacon Foundation in November 2020. Beacon Mutual Insurance Company is the sole member of The Beacon Foundation.*

Intercompany Agreements

Services Agreement with BMIC Service Corp.

Effective March 1, 1998, BMIC entered into a Services Agreement with BMIC Service to provide appropriate personnel to perform administrative services, policy issuance, and claims services, as required to fulfill the obligations of BMIC pursuant to its agreements with Argonaut Insurance Company. As compensation for the services provided, BMIC receives 10% of the net premium written associated with each policy produced by BMIC Service and on each renewal policy.

Intercompany Service Agreement with BMIC Service Corp.

Effective September 1, 2004, BMIC entered into an Intercompany Service Agreement with BMIC Service to provide certain administrative and other services on behalf of BMIC Service, as well as the use of BMIC's equipment and facilities, with respect to BMIC's Third Party Administration Program agreements. Effective April 28, 2014, BMIC and BMIC Service executed an Amended and Restated Intercompany Service Agreement in order to update the method of calculation of charges for services and use of property. For the years ended December 31, 2024, and 2023, charges to BMIC Service amounted to \$5,310 and \$5,586, respectively.

Intercompany Service Agreement with Castle Hill

Effective October 22, 2003, BMIC entered into an Intercompany Service Agreement with Castle Hill under which BMIC will provide underwriting, claims, investment, and functional support services to Castle Hill, as well the use of their equipment and facilities. Under the terms of the Agreement, Castle Hill will reimburse BMIC for all direct and directly allocable expenses attributable to Castle Hill, plus a charge for direct overhead. The basis for calculating these charges shall be those used by BMIC for internal cost distribution including, time records where appropriate, designed to reflect fairly and equitably actual costs incurred by BMIC on behalf of Castle Hill. As of December 6, 2012, the agreement was amended to allow Castle Hill to be capitalized with no less than \$1 million. Since Castle Hill is currently inactive, no expenses have been allocated to Castle Hill from BMIC. During the current exam period there were no charges to Castle Hill.

TERRITORY AND PLAN OF OPERATION

Mission

The Company was created by the Rhode Island legislature in 1990 for the purpose of stabilizing the workers' compensation system in the State of Rhode Island. The Company was originally formed to be a competitive insurer and write only voluntary workers' compensation insurance. BMIC wrote its first policy in August 1992 and in 1993, BMIC's charter was amended, and the Company assumed responsibility for the involuntary market, as other carriers discontinued writing workers' compensation coverage in the State of Rhode Island (See "Company History" section for further details).

Underwriting Programs

BMIC operates as a competitive insurer and serves as the carrier of last resort in the State of Rhode Island. Premiums are charged utilizing National Council on Compensation Insurance ("NCCI") loss costs modified by BMIC's loss cost multipliers.

Claims Program

The Company has developed and implemented a comprehensive claims management approach. This approach includes medical, disability, and legal management of claims from the first day of disability. This early intervention attempts to assure better quality medical care to the injured worker, a quicker return to work, and overall earlier resolution of the claim.

Marketing Distribution

Product distribution is conducted through the Independent Agency System. As the carrier of last resort, the Company writes business for all Rhode Island licensed agents. As of December 31, 2024, the Company had sixty-five (65) contract agents.

Third Party Administration Services

The Company provides certain loss prevention and claims administration services for employers that elect to assume the full financial risk of workers' compensation injuries incurred by their employees.

Massachusetts and Connecticut Licenses

Effective March 29, 1999, the Company was granted a limited license to conduct business in the Commonwealth of Massachusetts, allowing it to adjudicate claims for BMIC policyholders whose employees' pursued claims in Massachusetts. Effective November 15, 2021, Massachusetts recognized the Company's authority to write workers' compensation and employer liability insurance without restrictions. Effective June 20, 2023, the State of Connecticut issued a Certificate of Authority to allow the Company to write Workers' Compensation insurance. As of December 31, 2024, the Company issues out of state coverage to employers through its fronting partner, while preparing to directly write coverage in the states where it is licensed.

REINSURANCE

Ceded

At December 31, 2024, the Company's ceded reinsurance program consisted of per occurrence Excess of Loss coverage provided in three (3) layers for up to \$20,000,000 in excess of a \$3,000,000 retention. A second agreement with various property and casualty reinsurers provides \$80,000,000 of coverage in two (2) layers up to \$100,000,000. All excess of loss coverage above \$20,000,000 contains a maximum on any one life of \$20,000,000 per employee. A summary of the ceded reinsurance program is provided in the following table:

Layer	Limit and Retention
BMIC Retention	\$3,000,000
First Excess Layer	\$2,000,000 in excess of \$3,000,000
Second Excess Layer	\$5,000,000 in excess of \$5,000,000
Third Excess Layer	\$10,000,000 in excess of \$10,000,000 per occurrence
Fourth Excess Layer	\$20,000,000 in excess of \$20,000,000 for catastrophe claims
Fifth Excess Layer	\$60,000,000 in excess of \$40,000,000 for catastrophe claims

Assumed

To cover out-of-state workers' compensation risks for Rhode Island employers, BMIC established a fronting arrangement whereby a Rhode Island licensed insurer underwrites the risks and BMIC reinsures them on a 100% quota share basis through an Agreement of Reinsurance. This fronting arrangement was originally effective February 15, 2005, through December 31, 2007, was renewed through December 31, 2010, and is currently renewed by amendment with automatic renewal of

successive twelve (12) month periods. The original agreement also provided for the use of an intermediary, and a separate Administrative Services Agreement was executed between BMIC and a third party to provide agency services related to the assumed business. A new agreement became effective April 1, 2011 and remains in effect through the date of termination of the Agreement of Reinsurance.

Commutation of Ceded Reinsurance

By endorsement to the Company's reinsurance contract in 2002, the Company had separately reinsured twenty-five (25) risks with General Reinsurance Corporation ("GenRe") that have been capped at \$5,532,533 in the aggregate. Of these twenty-five (25) claims, twenty-four (24) are closed and will not have an impact on future losses. The remaining open claim is expected to close within the capped limit. Additionally, reinsurance claims with GenRe for the policy years July 1, 2003 to June 30, 2013 have been commuted. The Company recognized amounts received from the reinsurer for commuted claims on the Final Covered Claims Lists, for this period, as a reduction to paid losses and loss adjustment expenses. The net effect of the commutations was a decrease to losses and loss adjustment expenses of \$3,692,759 as of December 31, 2023.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Rhode Island Insurance Division and present the financial condition of the Company for the period ending December 31, 2024. The accompanying comments on financial statements reflect any 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, 2024 and December 31, 2019

Comparative Statement of Liabilities, Surplus and Other Funds
December 31, 2024 and December 31, 2019

Statement of Income
Year Ended December 31, 2024

Reconciliation of Capital and Surplus
December 31, 2019 to December 31, 2024

Analysis of Examination Adjustments
December 31, 2024

THE BEACON MUTUAL INSURANCE COMPANY

Comparative Statement of Assets

December 31, 2024 and December 31, 2019

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2020</u>	<u>Increase</u> <u>(Decrease)</u>
Bonds	\$301,772,721	\$303,724,231	\$(1,951,510)
Preferred stocks	5,209,806	10,454,331	(5,244,525)
Common stocks	65,352,190	51,267,111	14,085,079
Real estate: Properties occupied by the company	9,394,255	9,624,959	(230,704)
Cash, cash equivalents and short-term investments	23,380,253	13,167,299	10,212,954
Other invested assets	18,868	18,466	402
Receivables for securities	-	678,405	(678,405)
Investment income due and accrued	2,377,982	2,428,074	(50,092)
Uncollected premiums and agents' balances in the course of collection	1,156,842	1,911,866	(755,024)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	38,117,118	32,396,721	5,720,397
Amounts recoverable from reinsurers	113,907	474,754	(360,847)
Amounts receivable relating to unisured plans	315,409	382,375	(66,966)
Electronic data processing equipment and software	465,503	150,784	314,719
Receivables from parent, subsidiaries, and affiliates	5,310	98,400	(93,090)
Transferable state tax credits	-	4,160,745	(4,160,745)
SERP Account	1,131,265	354,321	776,944
Miscellaneous receivable	5,927	13,699	(7,772)
Total Assets	<u>\$448,817,356</u>	<u>\$431,306,541</u>	<u>\$19,462,325</u>

THE BEACON MUTUAL INSURANCE COMPANY
Comparative Statement of Liabilities, Surplus and Other Funds
December 31, 2024 and December 31, 2019

	December 31, 2024	December 31, 2020	Increase (Decrease)
Losses	\$129,281,287	\$153,437,504	\$(24,156,217)
Reinsurance payable on paid losses and loss adjustment expenses	-	29,431	(29,431)
Loss adjustment expenses	18,949,426	22,117,225	(3,167,799)
Commissions payable, contingent commissions and other similar charges	5,698,661	5,946,383	(247,722)
Other expenses	8,369,556	6,093,538	2,276,018
Taxes, licenses and fees	7,786,066	6,072,292	1,713,774
Unearned premiums	57,444,689	54,454,701	2,989,988
Advance premium	2,896,420	1,960,548	935,872
Dividends declared and unpaid: Policyholders	6,000,000	8,000,000	(2,000,000)
Ceded reinsurance premiums payable	145,147	309,060	(163,913)
Amounts withheld or retained by company for account of others	1,124,752	1,072,950	51,802
Remittances and items not allocated	139,386	107,543	31,843
Deferred gain - CH Investments	103,403	234,948	(131,545)
Miscellaneous liabilities	156,005	10,165	145,840
Total Liabilities	238,094,798	259,846,288	(21,751,490)
Capital assessment by Rhode Island Department of Labor to provide for residual market	20,758,685	20,758,685	-
Unassigned funds (surplus)	189,963,873	150,701,568	39,262,305
Surplus as regards policyholders	210,722,558	171,460,253	39,262,305
Total Liabilities, Surplus and Other Funds	\$448,817,356	\$431,306,541	\$17,510,815

THE BEACON MUTUAL INSURANCE COMPANY

Statement of Income

Year Ended December 31, 2024

Underwriting Income:

Premiums earned \$115,628,833

Deductions:

Losses incurred 53,715,196

Loss adjustment expenses incurred 14,478,123

Other underwriting expenses incurred 49,330,157

Total underwriting deductions 117,523,476

Net underwriting gain (loss) (1,894,643)

Investment Income:

Net investment income earned 14,313,539

Net realized capital gains (losses) less capital gains tax 9,522,839

Net investment gain (loss) 23,836,378

Other Income:

Net gain or (loss) from agents' or premium balances
charged off (694,570)

Finance and Service charges not included in premiums 76,300

Aggregate write-ins for miscellaneous income 101,460

Total other income (516,810)

Net income before dividends to policy holder, after
capital gains tax, and before all other federal
and foreign income taxes 21,424,925

Dividends to policyholders 6,000,000

Net income, after dividends to policyholders, after
capital gains tax, and before all other federal
and foreign income taxes 15,424,925

Federal and foreign income taxes incurred -

Net income \$15,424,925

THE BEACON MUTUAL INSURANCE COMPANY

Reconciliation of Capital and Surplus
December 31, 2019 to December 31, 2024

Capital and Surplus, December 31, 2019			<u><u>\$164,247,244</u></u>
	<u>Gains</u>	<u>Losses</u>	
Net Income	\$ 56,568,696		
Change in net unrealized capital gains		(7,077,379)	
Change in net deferred income tax			
Change in nonadmitted assets		(3,016,003)	
Change in provision for reinsurance			
Surplus adjustments			
Aggregate write-in for surplus gains or (losses)	_____	_____	
Total Gains and Losses	<u>56,568,696</u>	<u>(10,093,382)</u>	
Net change in Capital and Surplus for the period			<u>46,475,314</u>
Capital and Surplus, December 31, 2024			<u><u>\$210,722,558</u></u>

THE BEACON MUTUAL INSURANCE COMPANY

Analysis of Examination Adjustments

December 31, 2024

The examination of the Company, performed as of December 31, 2024, did not disclose any material misstatements to the financial statements contained in its 2024 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.

COMMENTS ON FINANCIAL STATEMENTS

Bonds

\$301,772,721

The above amount is the net admitted value of bonds held by the Company at December 31, 2024 and is the same amount reported by the Company in its 2024 Annual Statement. All the bonds are held in accordance with the terms of custodial agreements with third parties.

The quality designations of all securities included in the Company’s bond portfolio were reviewed based upon criteria established by the National Association of Insurance Commissioners (“NAIC”). It was noted that 83.3% of the bond portfolio represents NAIC Class 1 which are bonds of the “highest” quality according to the NAIC rating system, while 15.8% were NAIC Class 2 (“high” quality).

The book/adjusted carrying value, fair value, actual cost, and par value of the bond portfolio at December 31, 2024 are as follows:

Book/Adjusted Carrying Value	Fair Value	Actual cost	Par Value
\$301,772,722	\$281,074,647	\$303,604,408	\$303,575,519

Losses and Loss Adjustment Expenses**\$148,230,713**

Losses	\$129,281,287
Loss Adjustment Expenses	<u>\$ 18,949,426</u>
Total	<u>\$148,230,713</u>

The reserves for losses and loss adjustment expenses reflected above are the amount as reported by BMIC in its 2024 Annual Statement. BMIC's reported reserves were reviewed for reasonableness by INS Regulatory Insurance Services, Inc. ("INS"), consulting actuaries for the Rhode Island Insurance Division. INS relied upon the underlying data reported by the Company, which was tested by the examiners without exception. INS' analyses included a review of the actuarial assumptions and methods utilized in determining the reserves, and such tests of actuarial calculations as deemed necessary.

Based upon the review performed by INS, BMIC's reported reserves were found to be calculated in accordance with commonly accepted reserving methods and are based on appropriate actuarial factors given the risk exposures under the policy provisions. INS also concluded that the reported reserves make reasonable provision for all unpaid loss and loss adjustment expense obligations of BMIC, under the terms of their policies and agreements.

Policyholders' Surplus

\$210,722,558

Aggregate write-ins for other than special surplus funds	\$ 20,758,685
Unassigned funds (surplus)	<u>189,963,873</u>
Surplus as Regards Policyholders	<u>\$210,722,558</u>

Aggregate write-ins for other than special surplus funds consist entirely of a capital assessment levied on all insurance carriers that wrote workers' compensation and employers' liability insurance in the State of Rhode Island. This capitalization was provided pursuant to Public Law 2003, Chapter 410, §19, and was necessary in order for the Company to fulfill its statutory mandate to write involuntary workers' compensation insurance in the State of Rhode Island. This assessment amounted to 3% of gross premiums received from workers' compensation insurance and employer's liability insurance written or renewed on risks within the State of Rhode Island during the period January 1, 1991 to December 31, 1994. Effective January 1, 1995, this assessment was suspended.

Subsequent to the assessment period described above, the Director of the Rhode Island Department of Business Regulation has the authority to determine, on an ongoing basis, the future rate of such assessments at levels appropriate to ensure the Company's solvency, and that is adequate to provide the Company with the surplus necessary to service the residual risk market and satisfy the reserve and surplus requirements of the Company.

SUBSEQUENT EVENTS

A review of financial information, Company records, and the minutes to the Board of Directors' meetings and its various committees 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 was one significant event that occurred subsequent to December 31, 2024, as follows:

- As detailed in the "Company History" section above, the Company's charter has been amended to allow the Company to write workers' compensation insurance in jurisdictions outside of Rhode Island. The Amended and Restated Articles of Incorporation were approved by the Rhode Island Department of Business Regulation on November 1, 2024, and took effect as of January 1, 2025. As of the date of this exam report, the Company had no direct written premiums in Massachusetts or Connecticut. The Company has also not applied for any additional licenses.

- In addition, provisions for the Capital Assessment as set forth in 2003 RI General Assembly Act Chapter 410, Section 19 were deleted from the Company's charter and are no longer applicable. Furthermore, the Company was tax-exempt under Section 501(C)(27) of the Internal Revenue Code for the year ending December 31, 2024; such exemption is no longer applicable.

The amended charter also modifies the composition of the Board of Directors to comprise of five (5) directors appointed by the Governor of the State of Rhode Island, five (5) directors elected by the policyholder Members, as well as the Company's Chief Executive Officer, who acts as an ex officio director.

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 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.

Participating in the examination with the undersigned were various 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 actuaries and information technology specialists.

Respectfully submitted,



Nicholas J. Illuzzi, CFE
Associate Insurance Examiner-in-Charge
Rhode Island Insurance Division



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