

Report on Limited-Scope Examination  
of  
**NARRAGANSETT BAY INSURANCE COMPANY**  
Johnston, Rhode Island  
as of  
December 31, 2020



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 Limited-Scope Report of Examination as of December 31, 2020, of the condition and affairs of

**NARRAGANSETT BAY 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 black ink that reads "Elizabeth Kelleher Dwyer".

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Elizabeth Kelleher Dwyer  
Superintendent of Insurance

Dated: May 25, 2021

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May 7, 2021

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, a limited-scope examination has been made as of December 31, 2020, of

**NARRAGANSETT BAY INSURANCE COMPANY**

hereinafter referred to in this report as “NBIC,” or the “Company,” and the following report is respectfully submitted.

**SCOPE OF EXAMINATION**

The last full-scope examination of the Company was performed as of December 31, 2018. This limited-scope examination as of December 31, 2020 was performed by the Rhode Island Insurance Division (“Division”) to address concerns related to the aging of the Company’s reinsurance recoverable and the proper recording of the Provision for Reinsurance in accordance with the NAIC Accounting Practices & Procedures Manual, SSAP 62R (*Property & Casualty Reinsurance*); the implementation of a contract management and approval process, and implementation of a standardized vendor due diligence and risk management program.

As this examination is limited in scope, this examination report is not intended to communicate all matters of importance for an understanding of the Company's financial condition. The format of this report is consistent with the current practices of the Division and the examination format prescribed by the National Association of Insurance Commissioners.

### **COMPANY HISTORY**

The Company was established in 1981 by the Rhode Island General Assembly as a wholly owned subsidiary of Pawtucket Mutual Insurance Company ("PMIC") and it commenced business on April 1, 1982. NBIC, in conjunction with PMIC, wrote personal lines of insurance in New England and certain Mid-Atlantic States.

Effective January 1, 2006, the Company commenced writing homeowners and fire insurance policies in Rhode Island, and in early 2007, the Company expanded its direct writings to Massachusetts and in September 2007, to New York. In 2009, the Company received approval to write business in New Jersey and Pennsylvania. In 2018, the Company received approval to write business in Virginia and has applications pending in Maryland and Delaware and to write water-only policies in Florida on an Excess & Surplus lines basis. As of the end of 2018 Pennsylvania is the only state listed above in which the Company is not actively writing.

On November 30, 2017, Heritage Insurance Holdings, Inc., a Delaware insurance holdings company, acquired NBIC Holdings, Inc., the parent company of NBIC. Heritage Insurance Holdings, Inc. acquired NBIC Holdings, Inc. for \$250,000,000. The acquisition was

financed with \$210,000,000 in cash and \$40,000,000 of the Company's common stock.

### **PROCEDURES PERFORMED**

The Division requested and received support for a sample of reinsurance recoverable balances as of December 31, 2020. The reinsurance recoverable balances were listed by reinsurance treaty cessions. The Company then provided support for four (4) settlements from the reinsurance brokers that were received in January 2021 and February 2021. These settlements were then agreed to the reported reinsurance recoverable balance listed for the applicable reinsurer, and the total settlement balance was agreed to the bank statement daily deposits. A review was also performed of the Provision for Reinsurance as reported by NBIC in its 2020 Annual Statement, Schedule F – Part 3.

In relation to the Company's Information Technology (IT) environment, the Division requested documentation of the contract management and vendor risk management processes in place as of December 31, 2020. The Division received and reviewed various signed contracts, request for proposals (RFPs), and screenshots evidencing a central repository for significant contracts and vendor due diligence and risk management process.

### **SUMMARY OF FINDINGS AND RECOMMENDATIONS**

The Division was satisfied that NBIC was able to document its reinsurance recoverable balance by reinsurer, and that the reinsurance recoverable balances were properly aged. Also, based on the review of the reinsurance recoverable aging, the Division was satisfied that the Provision for Reinsurance was properly calculated at December 31, 2020. The Division also confirmed that

NBIC has implemented a contract management system and is in the process of implementing a standardized vendor due diligence and risk management process, but was delayed due to the Covid-19 pandemic.

**SIGNATURE**

In addition to the undersigned, Nicholas Illuzzi, AFE, Senior Insurance Examiner from the Rhode Island Insurance Division participated in this examination.

The next regularly scheduled examination of the Company will encompass the five-year period ending December 31, 2023.

Respectfully submitted,

Handwritten signature of Louis A. Gabriele Jr. in cursive script, followed by the text "CFE, CPA".

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Louis A Gabriele Jr, CPA, CFE  
Insurance Examiner-In-Charge  
Rhode Island Insurance Division