



NC DEPARTMENT
of **INSURANCE**
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused the Report on Examination of the Builders Mutual Insurance Group as of December 31, 2023 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 30th day of April, 2025.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
Financial Examination Division

Builders Mutual Insurance Group

Raleigh, North Carolina

Multi-Entity Report on Examination

As of December 31, 2023

TABLE OF CONTENTS

SCOPE OF THE EXAMINATION	2
REPORT ABBREVIATIONS	4
SUMMARY OF SIGNIFICANT FINDINGS	4
Comments, Recommendations and Directives.....	4
ORGANIZATIONAL STRUCTURE	5
Organizational Chart	5
INDIVIDUAL COMPANY HISTORY	6
Capital Stock	7
Dividends to policyholder	7
MANAGEMENT AND CONTROL	8
Corporate Governance.....	8
Code of Conduct and Conflict of Interest.....	10
Corporate Records	10
Statutory Deposits	11
Accounts and Records	11
Information Technology Controls	11
Fidelity Bonds and Other Insurance	12
Employee Benefits and Pension Plans	12
Third-Party Administrator	12
Related Party Agreements	12
TERRITORY AND PLAN OF OPERATION	13
Growth of the Companies.....	14
Actuarial Opinion	15
REINSURANCE PROGRAM OVERVIEW	15
Internal Reinsurance Ceded and Assumed	16
External Reinsurance Assumed.....	16
External Reinsurance Ceded.....	17
FINANCIAL STATEMENTS	18
COMMENTS ON FINANCIAL STATEMENTS	19
SUBSEQUENT EVENTS	23
DISTRIBUTION OF REPORT ON EXAMINATION	24
CONCLUSION	25
APPENDIX A	27

March 31, 2025

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

Builders Mutual Insurance Company (“BMIC”)

Builders Premier Insurance Company (“BPIC”)

Builders Alliance Insurance Company (“BAIC”)

(hereinafter referred to as the “Builders Mutual Insurance Group”), acknowledging that its main administrative and statutory home office is located at 5580 Centerview Drive, Raleigh, North Carolina 27606.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of each company within the Builders Mutual Insurance Group. This examination covers the period from January 1, 2019, to December 31, 2023, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Builders Mutual Insurance Group was as of December 31, 2018.

The purpose of this examination is to review and evaluate the Builders Mutual Insurance Group’s business processes and controls to assist in assessing and monitoring its current financial condition and prospective solvency. Pursuant to GS §58-2-132, this Report on Examination comprises only facts appearing in the books, records, or other documents of the Builders Mutual Insurance Group (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“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 Builders Mutual Insurance Group, 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 Builders Mutual Insurance Group were considered in accordance with the Handbook risk-focused surveillance process and the following key functional activities were identified:

Capital and Surplus Management
Claims Handling and Reserves
Investments
Premiums and Underwriting
Reinsurance Assuming
Reinsurance Ceding
Related Party

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This 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 presented separately from the Builders Mutual Insurance Group'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 are separately communicated to the Builders Mutual Insurance Group.

Builders Mutual Insurance Group's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. Trial balance reconciliations of the Annual Statements were performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Builders Mutual Insurance Group's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from the Builders Mutual Insurance Group's management.

The books and records of the Builders Mutual Insurance Group are audited annually by independent certified public accountants in accordance with GS §58-10-185(a). Johnson Lambert, LLP of Raleigh, North Carolina, the designated independent public accountant, issued unmodified opinions for BMIC and BPIC for each year since the Department's last examination. Johnson Lambert, LLP issued unmodified opinions for BAIC for 2021 through 2023. BKD, LLP of Kansas City, Missouri was BAIC's designated independent public accountant prior to 2021 and issued unmodified opinions for BAIC for 2020 and 2019.

REPORT ABBREVIATIONS

Annual Statement	“AS”
BMIC Real Estate LLC	“BMICRE”
Board of Directors	“Board”
Builders First LLC	“BFLLC”
Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
Information Technology General Controls	“ITGCs”
Information Technology Planning Questionnaire	“ITPQ”
Mutual Markets Insurance Solutions, Inc.	“MMIS”
National Association of Insurance Commissioners	“NAIC”
National Council on Compensation Insurance, Inc.	“NCCI”
National Workers’ Compensation Reinsurance Pool	“Pool”
North Carolina Administrative Code	“NCAC”
North Carolina Department of Insurance	“Department”
North Carolina Home Builders Association	“Association”
North Carolina Home Builders Self Insurers Fund, Inc.	“Fund”
Third Party Administrator	“TPA”
<u>Builders Mutual Insurance Group</u>	
Builders Alliance Insurance Company	“BAIC”
Builders Mutual Insurance Company	“BMIC”
Builders Premier Insurance Company	“BPIC”

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

- a. The Builders Mutual Insurance Group did not execute conflict of interest statements for several directors and officers for the years 2019 through 2023 and is directed to comply with Title 11 of the North Carolina Administrative Code (“NCAC”) Chapter 11C.0117.
- b. BMIC has federal tax allocation agreements with BAIC and BPIC, which state that the amount of federal income tax charged shall accrue as of December 31 of the subject tax year and be paid by no later than December 15 of the subsequent year by intercompany transfer of funds. The Builders Mutual Insurance Group did not comply with the terms of its executed agreements, as payments for the 2022 tax year were not properly settled by December 15, 2023. The Builders Mutual Insurance Group is directed to comply with the terms of its related party tax agreements.
- c. BMIC has a cost sharing agreement with Builders First, LLC (“BFLLC”), which states that BMIC shall provide BFLLC with a statement of its allocated share of personnel costs on a quarterly basis. BMIC did not comply with the terms of its executed agreement, as no quarterly statements were provided to BFLLC in 2023. BMIC is directed to comply with the terms of its related party cost sharing agreement.

- d. BMIC did not properly retain a copy of its executed Property Facultative Pro Reinsurance Agreement effective in 2023. Title 11 of the NCAC Chapter 11C.0105 states, “All records of domestic insurance companies shall be maintained by the company for the years for which a statutory examination has not yet been completed. All books of original entry and corporate records shall be retained by the company or its successor for a period of 25 years after the company ceases to exist.” The Company is directed to comply with 11 NCAC 11C.0105.

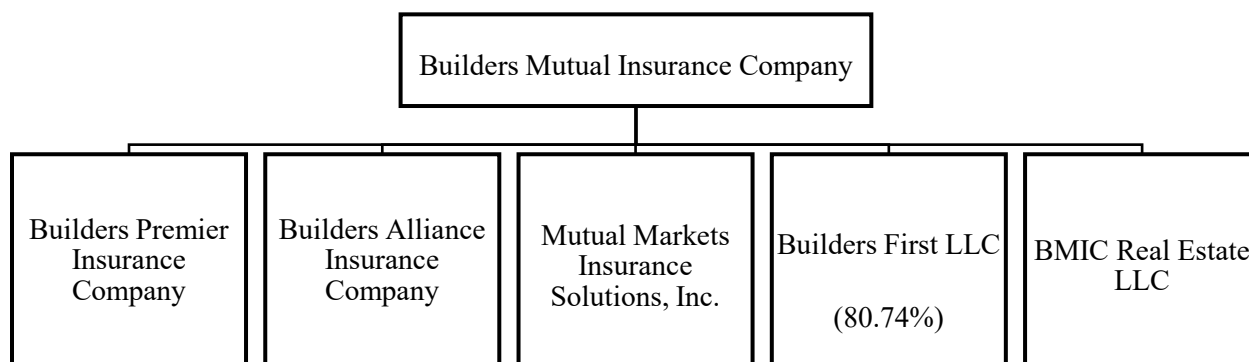
ORGANIZATIONAL STRUCTURE

The companies within the Builders Mutual Insurance Group are part of an insurance holding company system as defined in GS §58-19. BMIC wholly owns BPIC; BAIC; Mutual Markets Insurance Solutions, Inc. (“MMIS”); and BMIC Real Estate LLC (“BMICRE”). MMIS is a North Carolina insurance agency and BMICRE is a North Carolina limited liability company established for the sole purpose of acquiring property held for the production of income.

BMIC owns 80.74% of BFLLC, a North Carolina limited liability company established to own an office building located at 5580 Centerview Drive, Raleigh, North Carolina, a portion of which is leased by BMIC as its headquarters. The remaining 19.26% interest in BFLLC is owned by the North Carolina Home Builders Association, Inc. (“Association”) and the Home Builders Association of Raleigh Wake County, Inc.

ORGANIZATIONAL CHART

The following is an organizational chart of the companies within the Builders Mutual Insurance Group holding company system as of December 31, 2023:



INDIVIDUAL COMPANY HISTORY

BMIC

BMIC was incorporated on September 4, 1997, under the laws of the State of North Carolina as a non-assessable multiple line mutual insurance company. All North Carolina policyholders insured shall be members of the Association. For certain other policies, the Board may require that a person or entity must be a member in good standing of a state or local affiliate of the National Association of Home Builders in order to be eligible for membership and become a policyholder of BMIC. On September 10, 1997, BMIC received \$18,000,000 in guaranty capital from the North Carolina Home Builders Self Insurers Fund, Inc. (“Fund”). The Fund was established on May 1, 1984, as a self-insured workers’ compensation group fund to provide workers’ compensation insurance to members of the Association. Effective January 1, 1998, BMIC merged with the Fund.

At its inception, BMIC offered only workers’ compensation insurance in North Carolina. In 1999, BMIC added additional coverage for policyholders such as business owner’s policies, commercial package, general liability, property, inland marine, commercial auto, builder’s risk, and umbrella policies.

BPIC

BPIC, a stock insurance company, was incorporated on September 10, 2007, under the laws of the State of North Carolina. With 10,000,000 shares of \$1.00 par value capital common stock authorized, the Company began business by issuing 5,000,000 shares of common stock to BMIC in exchange for \$10,000,000, which provided the Company an initial capital totaling \$5,000,000 and gross paid-in and contributed surplus totaling \$5,000,000.

On March 19, 2009, BMIC surrendered its 5,000,000 shares of \$1.00 par value common stock to BPIC in exchange for 2,500 shares of \$2,000 par value common stock. This exchange had no effect on BPIC’s stated capital.

BAIC

BAIC, a stock insurance company, formerly known as Georgia Casualty and Surety Company (“GCSC”), was incorporated on December 15, 1947, in the state of Georgia and commenced business on February 20, 1948. On November 20, 2020, BMIC signed a Stock Purchase and Sale Agreement with Columbia Mutual Insurance Company to acquire GCSC. On February 1, 2021, BMIC completed the purchase of GCSC as a wholly owned subsidiary and received approval on March 29, 2021, from the Department to re-domesticate the company to North Carolina and rename it as Builders Alliance Insurance Company. All remaining direct business as of the date of the purchase is ceded back to Columbia Mutual Insurance Company.

BAIC was acquired to offer property and casualty coverages for residential and commercial general contractors and artisan contractors; however, BAIC’s North Carolina Certificate of Authority is restricted to no new direct or assumed business.

CAPITAL STOCK

As of December 31, 2023, capitalization of the individual companies consisted of the following:

BPIC

Description	Value
Number of authorized common capital shares	2,500
Number of shares issued and outstanding	2,500
Total common capital stock	\$5,000,000
Par value per share	\$2,000

No additional shares of BPIC were issued during the examination period. On December 31, 2023, BPIC reported \$5,000,000 in gross paid-in and contributed surplus and unassigned funds totaling \$3,341,971.

BAIC

Description	Value
Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	2,500,000
Total common capital stock	\$2,500,000
Par value per share	\$1

BAIC received additional paid in surplus from BMIC totaling \$1,000,000 and \$1,259,243 in 2022 and 2021, respectively. On December 31, 2023, BAIC reported \$4,750,000 in gross paid-in and contributed surplus and unassigned funds totaling \$265,227.

DIVIDENDS TO POLICYHOLDER

Dividends are paid as declared by the Board of the Builders Mutual Insurance Group. Under the insurance regulations of North Carolina, the Builders Mutual Insurance Group may pay dividends from its unassigned surplus that are in excess of any required minimum surplus.

BMIC paid the following dividends to its policyholders during the period under examination:

<u>Year</u>	<u>Amount</u>
2023	\$7,934,988
2022	\$8,250,751
2021	\$8,179,585
2020	\$6,328,925
2019	\$6,450,859

No dividends were paid by BPIC and BAIC during the period under examination.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

The companies within the Builders Mutual Insurance Group have the same directors and principal officers. The companies occupy the same home office space and share accounting systems and personnel. All personnel are employees of BMIC.

Members

The bylaws of BMIC provide that any person or entity that is a policyholder of BMIC shall be a member of BMIC. An annual meeting of the members shall be held at such time and on such date during the month of December in each year as the Board shall determine. Special meetings of the members may be called at any time by the President after receiving a written request from a majority of directors or within 30 days after the Secretary receives a written request from at least 10% or more of the members entitled to a vote.

Shareholder

The bylaws of BPIC and BAIC provide that an annual meeting of the shareholder be held immediately following the annual meeting of the members of BMIC at such time and on such date in each year as the Board of BMIC determines. Special meetings of the shareholder may be called at any time by the chairman of the Board, the shareholder, or by a majority of the directors, who shall request in writing to transact any business which requires shareholder approval.

Board of Directors

The business of the Builders Mutual Insurance Group is conducted by its management team and is subject to review by the Board. The bylaws for BMIC, BPIC, and BAIC specify that the number of directors shall be no fewer than eleven (11) or more than twelve (12) persons. Directors are elected at the annual meeting of the members and shareholders or by their written consent, and each director elected shall hold office for a three-year term. All directors are not eligible for election or reelection upon reaching the age of 73.

The following individuals served as directors as of December 31, 2023:

Name	Location	Principal Occupation
David Stormont	Kitty Hawk, NC	Owner, Storm Coast Homes, LLC & Board Chairman
Erik Anderson	Winston Salem, NC	President and Co-Owner, Anderson-Moore Builders & Board Vice Chairman
Mark Martin	Kitty Hawk, NC	President, Sandmark Custom Homes, Inc. & Board Secretary
James Betts	Raleigh, NC	Self Employed Consultant
James Carpenter	Raleigh, NC	General Counsel, North Carolina Home Builders Association
Michael Enscore	Kernersville, NC	The Veritas Group, Inc.
Gary Embler	Concord, NC	Vice President of Operations, Niblock Development Corporation
Willard Hughes	Lexington, NC	Sales Representative, Insulated Concrete, Inc.
Brian Pace	Charlotte, NC	Principal Manager, Pace Development Group

Name	Location	Principal Occupation
Randall Screen	Raleigh, NC	Business Consultant
Jennifer Taylor	Raleigh, NC	Retired

The Board of BMIC has established committees including an executive committee, governance committee, finance and audit committee, compensation and succession committee, marketing committee, and nominating committee. BMIC's Board may create additional committees and task forces of the Board. The Boards of BPIC and BAIC have the authority to establish any necessary committees, though no committees have been established by BPIC and BAIC.

The following individuals served on Board committees at December 31, 2023:

Compensation & Succession

David Stormont - Chair
Erik Anderson
Mark Martin
Gary Embler
Brian Pace

Executive

David Stormont - Chair
Erik Anderson
Mark Martin

Finance & Audit

Gary Embler - Chair
James Betts
Michael Enscoe
Willard Hughes
Randall Screen

Governance

Brian Pace - Chair
James Betts
Jennifer Taylor
James Carpenter

Marketing

James Carpenter - Chair
Randall Screen
Jennifer Taylor
Willard Hughes
Michael Enscoe

Nominating

James Betts - Chair
Brian Pace
Jennifer Taylor

Officers

The bylaws provide that the Board will elect officers, which may include but are not necessarily limited to President/Chief Executive Officer, Executive Vice-President(s), Senior Vice-President(s), Vice President(s), and Assistant Vice-President(s), Secretary(ies), Assistant Secretaries and any other officers as the Board may create from time to time. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any two offices may be held by the same person, except the offices of President/Chief Executive Officer and Secretary.

The following individuals served as officers as of December 31, 2023:

Name	Title
Michael Gerber	President, Chief Executive Officer
Keith Goad	Vice President, Chief Financial Officer
Bradley Moock	Vice President, Business Development
Ross Fowler	Vice President, Underwriting
Kenneth Bunn	Vice President, Claims
Michele Hemric	Assistant Vice President, Human Resources
Jodi Vedelli	Assistant Vice President, Strategy
Melissa Willard	Assistant Vice President, Underwriting
Jesus Unzueta	Assistant Vice President, Information Technology

Name	Title
Sherman McCoy	Assistant Vice President, Business Operations
Christopher Wetzel	Assistant Vice President, Actuarial Services
Susan Lenhart	Assistant Secretary

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Builders Mutual Insurance Group has established policies and procedures to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Builders Mutual Insurance Group requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the Builders Mutual Insurance Group did not act in accordance with its policy and procedures for disclosure of conflicts of interest for years 2019 through 2023. (Refer to Summary of Significant Findings)

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the significant transactions and events related to the Builders Mutual Insurance Group and that the directors approved these transactions and events.

BMIC

The articles of incorporation and bylaws of BMIC were reviewed for any changes during the period under examination. On December 4, 2020, BMIC amended its bylaws for the following changes: added a statement that every member in attendance at the annual meeting may present an issue or a proposed action for consideration but no action on the issue will be taken at the annual meeting, added statements that special meetings may be called only for matters required to be approved by a vote of members and a notice of special meeting must set forth the proposed action requiring approval, and added a section outlining the role of the Nominating Committee.

On March 7, 2023, BMIC updated the Nominating Committee section to denote that other duties may be assigned by the Board and removed its ability to nominate an additional number of nominees than the number of director terms expiring.

BPIC

The articles of incorporation and bylaws of BPIC were reviewed for any changes during the period under examination. On March 8 and June 21, 2021, BPIC amended its bylaws for the following changes: annual meeting updated to being solely for the election of directors; special meetings updated to include who can call a meeting and notice of meetings being in writing; revisions to the approval process for amendments of the Articles of Incorporation; the number, class, term, and age limits of Board of Directors; BPIC's officers; and amendments to the bylaws to be consistent with the bylaws of the other companies within the Builders Mutual Insurance Group.

BAIC

The articles of incorporation and bylaws of BAIC were reviewed for any changes during the period under examination and there were no changes or amendments.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The 2023 Annual Statement Schedule E, Part 3 for each company in the Builders Mutual Insurance Group contains a complete description and listing of the statutory deposits by state.

ACCOUNTS AND RECORDS

The Builders Mutual Insurance Group's books and records are maintained at the main administrative office at 5580 Centerview Drive, Raleigh, North Carolina 27606.

The Builders Mutual Insurance Group utilizes information systems to sell products to customers, to establish service and maintain customer policies, as well as to gather and report financial data. The environment for internal controls over financial reporting is highly automated and includes application controls and system generated reports supporting its financial reporting functions. Significant applications are hosted on multiple servers at the data center located in Raleigh, North Carolina. The majority of the Builders Mutual Insurance Group's financially significant applications were purchased from external vendors.

INFORMATION TECHNOLOGY CONTROLS

The Department performed a risk-based assessment and review of the Builders Mutual Insurance Group's Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Builders Mutual Insurance Group's ITGCs were derived from Exhibit C Part 1 - Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 - Information Technology Work Program (collectively, "Exhibit C").

The Builders Mutual Insurance Group's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

1. The Builders Mutual Insurance Group had a process in place to effectively identify, mitigate, and manage its IT risks;
2. The Builders Mutual Insurance Group's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
3. The Builders Mutual Insurance Group was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing the Builders Mutual Insurance Group's policies and procedures, testing in key areas related to Exhibit C, interviewing the Builders Mutual Insurance Group's IT management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by Johnson Lambert, LLP.

Based upon the risk-based assessment and review, the Builders Mutual Insurance Group's ITGCs were determined to be effective.

FIDELITY BONDS AND OTHER INSURANCE

The companies in the Builders Mutual Insurance Group are named insureds under a fidelity bond, which provides the Builders Mutual Insurance Group and its affiliates with aggregate coverage totaling \$5,000,000. This coverage exceeded the minimum amount of fidelity bond coverage recommended by the Handbook for the Builders Mutual Insurance Group on a consolidated basis.

In addition, the Builders Mutual Insurance Group is covered by various corporate property and liability policies issued to BMIC, which appeared to be adequate to cover risks in the ordinary course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

All employees of the Builders Mutual Insurance Group are employees of BMIC. All eligible employees are covered by a qualified defined contribution pension plan sponsored by BMIC. BMIC provides matching contributions to the plan equal to 100% of employee salary deferrals that do not exceed 5% of an employee's compensation each year. BMIC's matching contributions totaled \$1,735,006 and \$1,556,625 in 2023 and 2022, respectively. Additionally, a year-end non-elective discretionary contribution may be made for all eligible employees. BMIC's discretionary contributions were 3%, which totaled \$1,132,645 and \$1,034,345 in 2023 and 2022, respectively.

THIRD-PARTY ADMINISTRATOR

BMIC utilizes Travelers Indemnity Company, a Third-Party Administrator ("TPA"), to provide services to BMIC insureds in the workers' compensation residual market plans in the states where BMIC writes workers' compensation coverage. The TPA services and responsibilities include underwriting, premium auditing, engineering, claims handling, reporting, actuarial services, premium or claim fraud, 1099 filings, and regulatory complaints and inquiries. BMIC incurred service fees totaling \$333,929 and \$1,035,535 in 2023 and 2022, respectively,

RELATED PARTY AGREEMENTS

Pursuant to various agreements, services such as financial management, operational management, accounting, payroll, human resources management, investment advisory, and data processing are provided for or by Builders Mutual Insurance Group and its affiliates as follows:

- a. BMIC has a reinsurance contract with BPIC, effective March 1, 2008, and BAIC, effective March 29, 2021, under which BMIC assumes 100% of the premiums written by BPIC and BAIC. In lieu of ceding commission, BMIC pays all expenses associated with the servicing of the insurance contracts reinsured under the agreement. (Refer to Reinsurance Program Overview)
- b. BMIC has a management agreement with BPIC, effective September 11, 2007, and BAIC, effective March 29, 2021, under which BMIC provides all personnel, materials, facilities, and services to BPIC and BAIC. Premium cessions under the reinsurance agreements with BPIC and BAIC described above, constitute full reimbursement for all such services provided by BMIC. (Refer to the Reinsurance Program Overview)

- c. BMIC is included in a consolidated income tax return in accordance with a tax sharing agreement with BPIC, effective September 11, 2007, and BAIC, effective April 30, 2021. The provisions for federal income tax are computed as if BMIC, BPIC, and BAIC were filing separate income tax returns. Benefits, which arise from tax credits and net operating losses, are allocated to the companies producing such results to the extent they are utilized in the consolidated income tax provisions. Per the agreement, intercompany tax balances are to be settled no later than December 15th of the subsequent year. (Refer to Summary of Significant Findings)
- d. BMIC has an agency and management agreement with MMIS, effective September 13, 2000, under which BMIC appoints MMIS as its exclusive representative to solicit, through Nationwide Agents, appropriate home builders and related businesses to become policyholders of BMIC. BMIC will provide check writing and accounting services to MMIS to allow MMIS to receive and pay commissions to the Nationwide Agents. BMIC incurred expenses totaling \$293,485 and \$1,274,029 in 2023 and 2022, respectively under this agreement.
- e. BMIC has a cost sharing agreement with BFLLC, effective October 18, 2019, under which BMIC loans certain personnel to perform property management services for BFLLC. On a quarterly basis, BFLLC will remit payment to BMIC for the services of BMIC personnel. BMIC charged BFLLC fees totaling \$185,844 and \$185,848 in 2023 and 2022, respectively, under this agreement. (Refer to Summary of Significant Findings)
- f. BMIC has a lease agreement with BFLLC, effective January 1, 2009, and amended November 17, 2017, under which BMIC leases approximately 76,000 square feet of office space at 5580 Centerview Drive, Raleigh, North Carolina from BFLLC for its headquarters. BMIC incurred leasing expenses totaling \$1,373,863 and \$1,309,034 in 2023 and 2022, respectively, under this agreement.

TERRITORY AND PLAN OF OPERATION

The Builders Mutual Insurance Group primarily writes workers' compensation policies, which provide coverage to residential and commercial construction builders. The Builders Mutual Insurance Group also writes the following lines of business: commercial multiple peril, business owners' policies, commercial package policies, general liability, property, auto, builders' risk and umbrella policies. Independent agents are utilized for the distribution of its product and solicitation of business. All policies are issued annually, and insureds may elect to pay on an installment basis.

As of December 31, 2023, BMIC was licensed in nine (9) states and the District of Columbia:

Florida	Georgia	Maryland	Mississippi	North Carolina
South Carolina	Tennessee	Virginia	Wisconsin	

As of December 31, 2023, BPIC was licensed in eight (8) states and the District of Columbia:

Florida	Georgia	Maryland	Mississippi	North Carolina
South Carolina	Tennessee	Virginia		

As of December 31, 2023, BAIC was licensed in fourteen (14) states and the District of Columbia:

Alabama	Arkansas	Florida	Georgia	Kentucky
Missouri	Mississippi	North Carolina	Oklahoma	Oregon
South Carolina	Tennessee	Texas	Virginia	

GROWTH OF THE COMPANIES

The following data, obtained from annual statements filed with the Department, illustrates the trends of each company for the five-year period ended December 31, 2023:

BMIC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2023	\$1,452,802,123	\$565,887,409	\$544,779,471	\$477,463,662	\$(7,492,816)
2022	\$1,357,037,628	\$561,174,796	\$474,773,746	\$420,318,462	\$25,308,463
2021	\$1,290,745,447	\$574,399,484	\$441,377,424	\$393,738,458	\$42,765,716
2020	\$1,168,774,359	\$506,563,073	\$408,156,293	\$362,648,394	\$38,997,844
2019	\$1,059,954,733	\$458,866,624	\$385,268,649	\$342,208,654	\$46,635,229

BPIC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income
2023	\$13,824,849	\$13,341,971	\$112,433,116	\$-	\$310,495
2022	\$13,404,401	\$13,032,154	\$99,734,236	\$-	\$371,611
2021	\$13,301,691	\$12,751,698	\$94,917,907	\$-	\$237,518
2020	\$12,970,493	\$12,648,488	\$86,251,037	\$-	\$202,050
2019	\$12,661,954	\$12,464,935	\$77,874,257	\$-	\$314,442

BAIC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2023	\$7,699,456	\$7,515,227	\$-	\$-	\$32,655
2022	\$7,496,927	\$7,482,572	\$-	\$-	\$18,968
2021	\$6,492,477	\$6,463,604	\$(12,506)	\$-	\$34,804
2020	\$5,178,536	\$5,204,361	\$12,884,755	\$13,168,453	\$1,696,191
2019	\$40,942,175	\$19,207,555	\$15,338,678	\$14,525,009	\$(581,042)

ACTUARIAL OPINION

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS §58-10-150 and GS §58-10-155.

The statutory reserves and related items for 2023 were reviewed and certified by the Builders Mutual Insurance Group's Appointed Actuary, Richard Engelhuber, FCAS, MAAA of Oliver Wyman Actuarial Consulting, Inc. Actuarial opinions regarding the reserves for losses and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Builders Mutual Insurance Group for reasonableness and consistency of the losses and loss adjustment expense reserve. According to the actuarial opinions, the reserves on the losses and loss adjustment expense met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid losses and loss expense obligations of the Builders Mutual Insurance Group.

REINSURANCE PROGRAM OVERVIEW

The following table provides a summarized overview of each company and the reinsurance contracts in effect as of December 31, 2023:

BMIC	
Ceded Contracts:	Assumed Contracts:
<ol style="list-style-type: none">1. Workers' Compensation – various reinsurers for 1st – 3rd layers2. Casualty (Non-Workers' Compensation) – various reinsurers for 1st & 2nd Layers3. Property Per Risk – various reinsurers4. Property Facultative Pro Rata – various reinsurers5. Property Catastrophe – various reinsurers for 1st – 3rd Layers6. Umbrella Liability Quota Share and XOL – various reinsurers7. Equipment Breakdown – Factory Mutual Insurance Company8. Workers' Compensation and Casualty Basket Retention – various reinsurers	<ol style="list-style-type: none">1. Intercompany Reinsurance with BPIC and BAIC, BMIC Assumes 100% of business2. Workers' Compensation Pool – NCCI3. Argonaut Insurance Company

BPIC	
Ceded Contracts:	Assumed Contracts:
1. Intercompany Reinsurance – Cedes 100% of business to BMIC	None
BAIC	
Ceded Contracts:	Assumed Contracts:
1. Intercompany Reinsurance – Cedes 100% of current business to BMIC	None
2. Legacy Business Reinsurance – Cedes 100% of its business written prior to its acquisition by BMIC to Columbia Mutual Insurance Company, its former parent	

INTERNAL REINSURANCE CEDED AND ASSUMED

BMIC has an intercompany reinsurance agreement, effective March 1, 2008, and March 29, 2021, whereby BMIC assumes 100% of all premiums and liabilities written by BPIC and BAIC, respectively. BMIC assumed premiums from BPIC totaling approximately \$112,000,000 in 2023 under this contract. BAIC did not write business in 2023; therefore, there was no activity under this agreement.

EXTERNAL REINSURANCE ASSUMED

Workers' Compensation Pool

BMIC participates in the National Workers' Compensation Reinsurance Pool ("Pool"), a residual market reinsurance mechanism for servicing carriers of workers' compensation assigned risk plans administered by the National Council on Compensation Insurance, Inc. ("NCCI"). As a participant, BMIC assumes premiums, losses, costs, and other expenses arising from the coverage provided under authorized insurance plans written through a servicing carrier. The business assumed from the Pool is BMIC's proportionate share of the total voluntary market for workers' compensation in the State. BMIC assumed premiums totaling approximately \$85,000 in 2023 from the Pool.

BMIC cedes these assumed premiums to a group of subscribing reinsurers. In 2023, BMIC ceded pooled premiums totaling \$81,000 to the subscribing reinsurers.

Argonaut

BMIC has a Workers' Compensation and Employer's Liability policy with Argonaut Insurance Company ("Argonaut"), effective January 1, 2012, whereby BMIC assumes business written by Argonaut on behalf of BMIC in states where BMIC is not authorized. BMIC assumed premiums totaling approximately \$609,000 in 2023 from Argonaut.

EXTERNAL REINSURANCE CEDED

Excess of Loss Coverage - Workers' Compensation

BMIC has an excess of loss contract with multiple subscribing reinsurers, effective January 1, 2023, which provides coverage up to \$2,500,000 per occurrence and \$7,000,000 in aggregate in excess of \$2,500,000 on its workers' compensation and employer's liability insurance policies. BMIC ceded premiums totaling approximately \$3,579,000 in 2023 to the subscribing reinsurers under this contract.

BMIC has a second excess of loss contract with multiple subscribing reinsurers, effective January 1, 2023, which provides coverage up to \$7,500,000 per occurrence and \$15,000,000 in aggregate in excess of \$5,000,000 on its workers' compensation and employer's liability insurance policies. BMIC ceded premiums totaling approximately \$2,096,000 in 2023 to the subscribing reinsurers under this contract.

BMIC has a third excess of loss contract with multiple subscribing reinsurers, effective January 1, 2023, which provides up to \$15,000,000 of coverage in excess of \$12,500,000 on its workers' compensation and employer's liability insurance policies. BMIC ceded premiums totaling \$366,000 in 2023 to the subscribing reinsurers under this contract.

Excess of Loss Coverage - Casualty

BMIC has an excess of loss contract with multiple subscribing reinsurers, effective January 1, 2023, which provides coverage up to \$750,000 per occurrence in excess of \$750,000 on its casualty insurance policies. BMIC ceded premiums totaling approximately \$6,053,000 in 2023 to the subscribing reinsurers under this contract.

BMIC has a second excess of loss contract with multiple subscribing reinsurers, effective January 1, 2023, which provides coverage up to \$4,000,000 per occurrence in excess of \$1,500,000 on its casualty insurance policies. BMIC ceded premiums totaling approximately \$1,859,000 in 2023 to the subscribing reinsurers under this contract.

Excess of Loss Coverage - Property

BMIC has an excess of loss contract with multiple subscribing reinsurers, effective January 1, 2023, which provides coverage up to \$750,000 per occurrence in excess of \$750,000 on its property insurance policies. BMIC ceded premiums totaling approximately \$703,000 in 2023 to the subscribing reinsurers under this contract.

BMIC has a second excess of loss contract with multiple subscribing reinsurers, effective January 1, 2023, which provides coverage up to \$1,500,000 per occurrence in excess of \$1,500,000 on its property insurance policies. BMIC ceded premiums totaling approximately \$425,000 in 2023 to the subscribing reinsurers under this contract.

BMIC has a third excess of loss contract with multiple subscribing reinsurers, effective January 1, 2023, which provides coverage up to \$3,000,000 per occurrence in excess of \$7,000,000 on its casualty insurance policies. BMIC ceded premiums totaling approximately \$386,000 in 2023 to the subscribing reinsurers under this contract.

Property Catastrophe Coverage

BMIC has an excess of loss catastrophe contract with multiple subscribing reinsurers, effective January 1, 2023, which provides two layers of catastrophe coverage for its property insurance policies. The first layer provides coverage of up to \$4,000,000 of BMIC's net loss in excess of \$6,000,000 per occurrence. The second layer provides coverage of up to \$10,000,000 of BMIC's net loss in excess of \$25,000,000 per occurrence. BMIC pays deposit premiums quarterly, which are adjusted to no less than \$1,965,520 at the contract expiration based on a percentage of net earned premiums. BMIC ceded premiums totaling approximately \$2,384,000 in 2023 to the subscribing reinsurers under this contract.

Workers' Compensation and Casualty Basket Retention

BMIC has a Workers' Compensation and Casualty Basket Retention contract with multiple subscribing reinsurers, effective January 1, 2023, which provides coverage up to \$750,000 per occurrence in excess of \$2,500,000 on its casualty excess and workers' compensation excess original contracts. BMIC ceded premiums totaling approximately \$60,000 in 2023 to the subscribing reinsurers under this contract.

Umbrella Coverage

BMIC has an Umbrella Liability Quota Share and Excess of Loss contract with multiple subscribing reinsurers, effective January 1, 2023, whereby BMIC cedes 50% quota share of losses up to \$1,000,000 each loss, each policy in excess of \$1,000,000 on its umbrella liability insurance policies. BMIC ceded premiums approximately totaling \$18,578,000 in 2023 to the subscribing reinsurers under this contract.

Quota Share - Equipment Breakdown

BMIC has an Equipment Breakdown Quota Share contract with Factory Mutual Insurance Company, effective January 1, 2023, which provides 100% of coverage for its equipment breakdown insurance policies. BMIC ceded premiums totaling approximately \$84,000 in 2023 under this contract.

Travelers Indemnity Company

BMIC has a Direct Assignment Service Agreement with The Travelers Indemnity Company ("Travelers"), effective January 1, 2016. Under this agreement Travelers underwrites and administers the policy for a service carrier allowance fee. BMIC cedes 100% of this business with a third-party quota share reinsurance agreement in return for a ceding commission. BMIC ceded premiums totaling approximately \$10,026,000 in 2023 under this agreement.

Legacy Business Reinsurance

BAIC has a reinsurance contract with its former Parent, Columbia Mutual Insurance Company, under which all current direct business as of the date of purchase is 100% ceded to Columbia Mutual Insurance Company, per the Reinsurance Commutation Agreement included at the time of acquisition by BMIC. BAIC ceded losses totaling approximately \$965,000 in 2023 under this agreement.

FINANCIAL STATEMENTS

The financial statements in the Appendix A are based on the statutory financial statements filed with the Department and present the financial condition of each company in the Builders Mutual Insurance Group for the period ending December 31, 2023. The supporting tables and exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial

statements and supporting schedules related to prior years are unexamined and are presented for comparative purposes only.

COMMENTS ON FINANCIAL STATEMENTS

Basis of Presentation and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Builders Mutual Insurance Group are as follows:

Bonds: Carried at amortized cost using the scientific interest method, including anticipated prepayments at the purchase date. Bonds with lower credit ratings are carried at the lower of amortized cost or fair value.

Cash, cash equivalents and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Common stocks: Unaffiliated common stocks are reported at fair value. Affiliated common stocks are valued using the statutory equity method.

Other invested assets: BMIC accounts for the investment in BFLLC using the audited GAAP equity method, adjusted for statutory basis. Direct lending funds are valued based on the underlying audited GAAP equity, adjusted for certain provisions as described by SSAP No. 48 – Joint Ventures, Partnerships and Limited Liability Companies. The Eaton Vance Institutional Fund uses net asset value per share as a practical expedient to fair value when specific conditions exist.

Premiums: Premiums written directly and assumed, net of premiums ceded pursuant to reinsurance agreements, are earned ratably over the terms of the policy. Premiums for policies that vary based upon activities of the insured are recorded and earned on an installment basis to match the billing to the policyholder. Premiums written, net of reinsurance ceded, relating to the unexpired portion of policies in force at the balance sheet date are recorded as unearned premiums.

Real estate held for the production of income: BMIC accounts for the investment in BMICRE in accordance with statutory-basis methods with the real estate investment carried at fair value.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are accounted for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported net of balances ceded to reinsurers. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

Non-admitted assets: Certain assets, such as uncollected premiums and agents' balances and deferred premiums and installments that are over 90 days past due, furniture, equipment, prepaid expenses, electronic data processing equipment and software, are "non-admitted" and are charged against surplus.

Unpaid loss & loss adjustment expense: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets

BMIC reported the following assets as non-admitted at December 31, 2023: Common stock totaling \$362,619; Uncollected premiums and agent's balances totaling \$13,780,591; Deferred premiums and installments totaling \$7,930,003; Electronic data processing equipment and software totaling \$294,841; Furniture and equipment totaling \$2,179,404; and Prepaid expenses totaling \$774,867.

BPIC did not report any assets as non-admitted at December 31, 2023.

BAIC reported net deferred tax assets totaling \$69,975 as non-admitted at December 31, 2023.

Reinsurance Activity

The companies in the Builders Mutual Insurance Group have excess of loss, property facultative, and quota share contracts to minimize their exposure to losses. Reinsurance contracts do not relieve the companies of their primary obligation to policyholders, and failure of the reinsurers to discharge their obligations could result in losses to the companies. The Builders Mutual Insurance Group utilizes Guy Carpenter as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct, assumed, and ceded premiums written and earned were as follows:

BMIC	2023	2022
Direct and assumed written	\$544,779,472	\$474,773,747
Ceded written	47,693,927	46,042,698
Net written	497,085,545	428,731,049
Direct and assumed earned	525,838,521	464,614,028
Ceded earned	48,374,859	44,295,566
Net earned	\$477,463,662	\$420,318,462

BPIC	2023	2022
Direct and assumed written	\$112,433,116	\$99,734,236
Ceded written	112,433,116	99,734,236
Net written	-	-
Direct and assumed earned	109,920,972	98,882,699
Ceded earned	109,920,972	98,882,699
Net earned	\$-	\$-

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described in the Reinsurance Program Overview.

BAIC did not write business in 2022 or 2023; therefore, there was no direct and assumed or ceded activity during the period.

Summary of Reserves

The following provides a reconciliation of the reserves for losses and loss adjustment expenses:

BMIC	2023	2022
Reserves for losses and loss adjustment expenses, beginning of year	\$587,096,710	\$525,779,697
Add:		
Provision for losses and loss adjustment expenses, current year	331,156,000	283,693,000
Change in estimated losses and loss adjustment expenses, prior years	(3,119,919)	(19,325,313)
Total incurred	328,036,081	264,367,687
Deduct:		
Losses and loss adjustment expenses paid, current year	91,457,000	78,466,000
Losses and loss adjustment expenses paid, prior year	166,485,580	124,584,674
Total paid	257,942,580	203,050,674
Reserves for losses and loss adjustment expenses, end of year	657,190,211	587,096,710
Increase in reserves for losses and loss adjustment expenses	\$70,093,501	\$61,317,013

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under BMIC's reinsurance contracts. At December 31, 2023, the liability for losses and loss adjustment expenses was reduced by approximately \$70,245,814 for amounts to be recovered from reinsurers.

Capital and Surplus

The following, in conjunction with the Statutory Statement of Capital and Surplus in Appendix A, represents the changes in capital and surplus since the Department's last examination as of December 31, 2018:

BMIC	2021	2020	2019
Surplus, beginning of year	\$506,563,073	\$458,866,624	\$390,767,869
Surplus increases (decreases):			
Net income	42,765,716	38,997,844	46,635,229
Change in net unrealized capital gain	22,965,547	9,724,414	21,337,232
Change in net deferred income tax	3,373,136	1,873,174	537,343
Change in non-admitted assets	(1,772,165)	2,163,831	364,199
Change in provision for reinsurance	(23,538)	(230,666)	(775,248)
Solar investment premium tax credit	527,715	(4,832,148)	-
Change in surplus as regards policyholders for the year	67,836,411	47,696,449	68,098,755
Surplus, end of year	\$574,399,484	\$506,563,073	\$458,866,624

BPIC	2021	2020	2019
Capital and surplus, beginning of year	\$12,648,488	\$12,464,935	\$12,247,284
Capital and surplus increases (decreases):			
Net income	237,518	202,050	314,442
Change in net unrealized capital gain (loss)	(124,154)	(20,147)	(91,942)
Change in net deferred income tax	(10,154)	1,651	(4,850)
Change in surplus as regards policyholders for the year	103,210	183,554	217,650
Capital and surplus, end of year	\$12,751,698	\$12,648,488	\$12,464,935

BAIC	2021	2020	2019
Capital and surplus, beginning of year	\$5,204,361	\$19,207,555	\$19,379,112
Capital and surplus increases (decreases):			
Net income (loss)	34,804	1,696,191	(581,042)
Change in unrealized capital gains or (losses)	-	(520,107)	267,804
Change in net deferred income tax	107,800	(754,568)	146,497
Change in nonadmitted assets	(84,700)	34,936	(4,616)
Surplus adjustments to paid-in capital	1,250,000	-	-
Change in provision for reinsurance	-	200	(200)
Aggregate write-in for gains and losses in surplus	(57,904)	(14,459,846)	-
Change in surplus as regards policyholders for the year	1,259,243	(14,003,194)	(171,557)
Capital and surplus, end of year	\$6,463,604	\$5,204,361	\$19,207,555

Lease Commitments

BMIC has various non-cancelable operating leases for office space, automobiles, software, and equipment, which expire over the next twenty-one years. BMIC incurred rental expenses totaling \$1,373,863 and \$1,309,034 for the years ended December 31, 2023, and 2022, respectively. Future minimum annual lease payments under the non-cancelable operating leases subsequent to December 31, 2023, are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$5,975,215
2025	\$5,975,215
2026	\$5,975,215
2027	\$5,975,215
<u>2028</u>	<u>\$5,975,215</u>
Total	\$34,703,743

Contingencies

BMIC has accrued liabilities for state specific injury funds and guaranty fund assessments totaling \$2,722,004 and \$2,413,005 as of December 31, 2023, and 2022, respectively. BMIC is contingently liable for structured settlements in the amounts of \$136,858 and \$182,699 as of December 31, 2023, and 2022, respectively.

SUBSEQUENT EVENTS

On August 19, 2024, the Builders Mutual Insurance Group requested approval to report consolidated audited financials as of December 31, 2024. This request was approved by the Department on April 19, 2024.

On June 21, 2024, BMIC changed its bylaws to establish the Risk and Strategy Committee as a formal Board committee. This request was approved by the Department on September 19, 2024.

On October 10, 2024, BMIC changed its bylaws to describe who can serve as the Secretary of the corporation. This request was approved by the Department on November 20, 2024.

Builders Mutual Insurance Group
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2023

Michael Gerber
President and Chief Executive Officer
5580 Centerview Drive
Raleigh, North Carolina 27606

Kenneth Allen Goad
Vice President and Chief Financial Officer
5580 Centerview Drive
Raleigh, North Carolina 27606

CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the companies within the Builders Mutual Insurance Group are in compliance with the minimum capital and surplus requirements of GS § 58-7-75 for the kind of insurance that they have been authorized to write. The minimum capital and surplus requirements pursuant to GS § 58-7-75 are \$1,800,000 for BMIC and \$2,250,000 for both BPIC and BAIC.

The courteous cooperation and assistance extended by the officers and employees of the companies during the examination is hereby acknowledged.

Respectfully submitted,



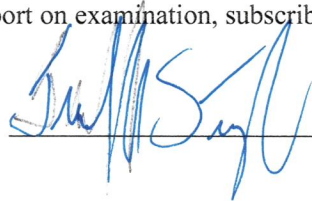
Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
North Carolina Department of Insurance

March 31, 2025

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Jeffrey Streyle, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this multi-entity report on examination, subscribed by him is true and correct to the best of his knowledge and belief.

Signature:  Date: 3/31/2025

Sworn and subscribed before me this 31 day of March, 2025.

Notary Public Signature:  Notary Public Seal:

