EXAMINATION REPORT
of
BUILDING INDUSTRY INSURANCE ASSOCIATION, INC.
Norfolk, Virginia
as of
December 31, 2016

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

COMMONWEALTH OF VIRGINIA

SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

P.O. BOX 1157
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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Building Industry Insurance Association as of December 31, 2016, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed to the original the seal of the Bureau at the City of Richmond, Virginia this 18th day of April 2018

Scott A. White
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
February 28, 2018

Honorable Scott A. White
Commissioner of Insurance
Commonwealth of Virginia
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by authority of § 38.2-1317 of the Code of Virginia, a financial condition examination of the records and affairs of the

BUILDING INDUSTRY INSURANCE ASSOCIATION, INC.

Norfolk, Virginia,

hereinafter referred to as the Association, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The Association was last examined by representatives of the State Corporation Commission Bureau of Insurance (Bureau) as of December 31, 2013. This examination covers the period from December 1, 2014 through December 31, 2016.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Association's financial condition, assess corporate governance, identify current and prospective risks of the Association, 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 Association 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.

The services of Oliver Wyman Actuarial Consulting, Inc. were employed to provide an actuarial report as to the reasonableness of the Association's loss and loss adjustment expense reserves as of December 31, 2016.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Association is a stock property and casualty insurer and is licensed under and subject to the general insurance laws contained in Title 38.2 of the Code of Virginia. The Association was incorporated on November 13, 2007 and licensed in Virginia on November 30, 2007. On the same date, Mid-Atlantic Insurance Corporation, a home protection company, merged with the Association. The Association commenced business on December 1, 2007.

On January 7, 2009, Builders Insurance Association, Inc. (BIAI), a risk retention group domiciled in South Carolina, merged with the Association. On September 21, 2009, Insurance Services Agency, Inc., a non-insurer wholly owned by TBA, was merged into the Association. On October 21, 2009, Building Insurance Association, Inc. (BIA), a Virginia group self-insurance association, was merged into the Association.

On March 8, 2013, the Association was acquired from TBA by Altorva, Inc. (Altorva), a Virginia corporation. Altorva acquired all of the outstanding shares of the Company for $2,500,000. Altorva authorized 1,000 shares of capital stock. The Company issued 500 shares of common stock with no par value. In February 2014, Altorva made a capital contribution of $1,308,069. The capital contribution was satisfied by receipt of cash prior to the filing of the 2013 Annual Statement and was therefore included as part of the Association's 2013 year-end capital and surplus.

MANAGEMENT AND CONTROL

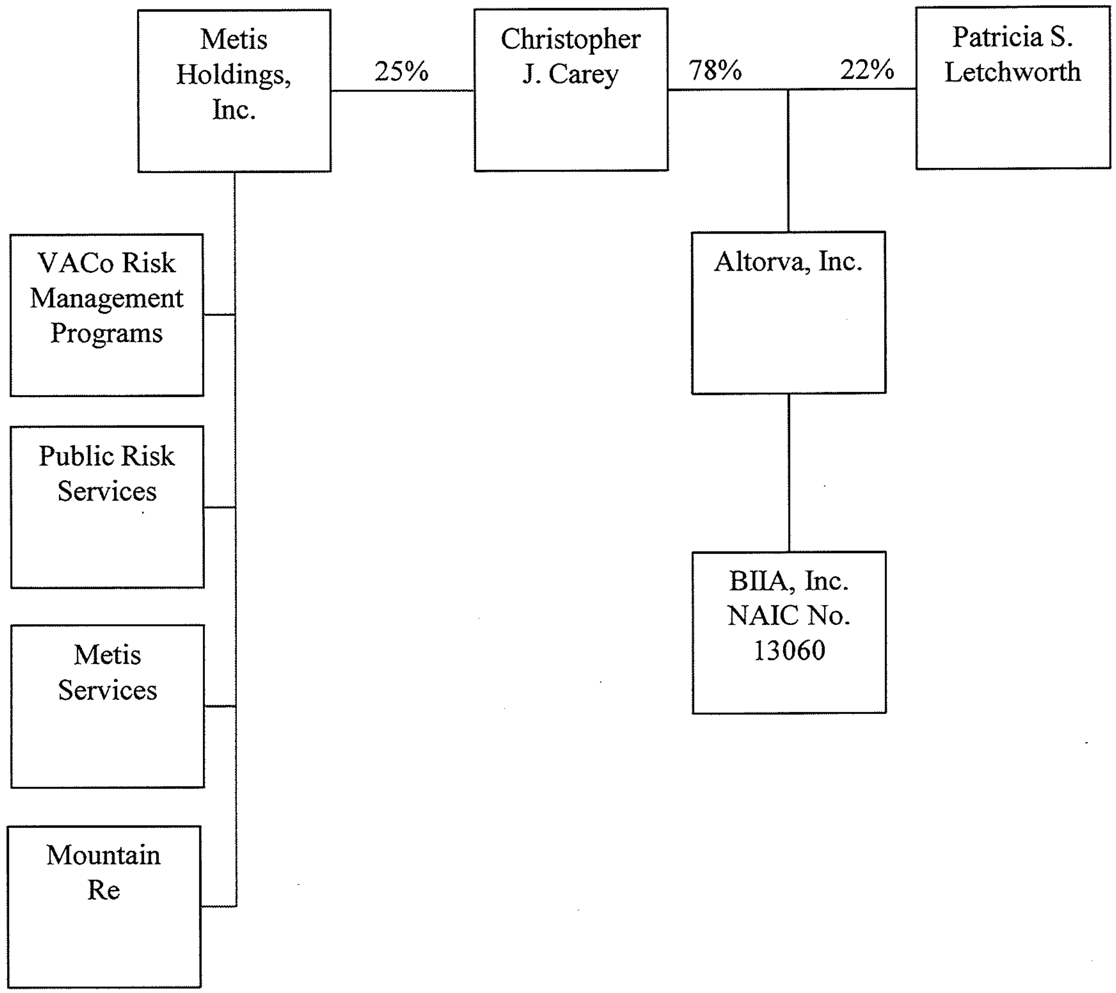
The bylaws provide that management be vested in a board of directors consisting of not more than nine members. Directors need not be shareholders of the Association. At any meeting, a majority of the members of the board constitutes a quorum for the transaction of business.

The bylaws further provide that officers of the Association shall be a president, one or more vice presidents, a secretary and a treasurer. Directors and officers of the Association as of December 31, 2016, were as follows:

Directors	Principal Occupation
Christopher J. Carey	President of the Association Roanoke, Virginia
Patricia S. Letchworth	Vice President and Chief Operating Officer of the Association Norfolk, Virginia

Officers	
Christopher J. Carey	President
Patricia S. Letchworth	Vice President and Chief Operating Officer

All of the Association's outstanding shares are held by Altorva. The following chart shows the Association's relationship to its parent as of December 31, 2016:


Metis Holdings, Inc.
25%
Christopher J. Carey
78%
22%
Patricia S. Letchworth
VACo Risk Management Programs
Public Risk Services
Metis Services
Mountain Re
Altorva, Inc.
BIIA, Inc. NAIC No. 13060

RELATED PARTY TRANSACTIONS

Management Agreements

The Association entered into a revised management agreement with Altorva on January 1, 2015. Pursuant to this agreement, Altorva provides transaction, advisory, insurance, financial, management, consulting, and administrative services to the Association. As compensation for services, the Association agrees to pay Altorva rates which approximate cost on a quarterly basis. During 2016, approximately $240,000 of expenses were incurred under this agreement. This agreement is in effect for an initial term of five years and will be renewed automatically thereafter on a year-to-year basis unless terminated by either party.

The Association entered into an administrative and other services agreement with Metis Risk Services, Inc. (Metis), an affiliate of Altorva, on March 8, 2013. Pursuant to this agreement, Metis provides claim servicing, bill review services and other administrative services to the Association. The Association paid service fees of approximately $225,417 to Metis during 2016. The initial term of this agreement expires January 31, 2018, and shall be renewed for successive three year periods thereafter.

TERRITORY AND PLAN OF OPERATION

The Association is licensed in Virginia as a property and casualty insurer under Chapter 10 of Title 38.2 of the Code of Virginia. As of December 31, 2016, the Association is licensed to write the following lines of business:

Auto Liability	Home Protection
Auto Physical Damage	Inland Marine
Boiler & Machinery	Liability Other Than Automobile
Burglary & Theft	Miscellaneous Property & Casualty
Commercial Multi-Peril	Ocean Marine
Fidelity	Surety
Fire	Workers Compensation and Employers Liability
Glass	

The Association currently issues workers compensation, commercial auto liability, inland marine, and other liability policies. The Association ceased writing new home protection policies on October 15, 2009. During 2012, the Association entered into a loss portfolio transfer agreement with Bankers Insurance Company (Bankers) where Bankers agreed to assume all claim liabilities relating to the Association's home warranty line of coverage. This resulted in a $762,164 net income effect and was reported in the 2012 Annual Statement.

General liability policy rules, forms and loss costs are filed by the Insurance Services Office (ISO) on behalf of the Association. Loss cost factors and exceptions to rules and forms are filed by the Association and approved by the Bureau. The Association charges a minimum policy premium of $500 which includes a policy fee of $150 charged to all policies.

Likewise, forms and loss costs for workers compensation and employers liability are filed by the National Council on Compensation Insurance (NCCI) on behalf of the Association and loss cost factors and exceptions to rules and forms are filed by the Association and approved by the Bureau. The Association charges an expense constant of $240 and a minimum premium of $1,500 inclusive of the expense constant.

GROWTH OF THE ASSOCIATION

The following data, obtained from Annual Statements filed with the Bureau and from examination reports, indicates the growth of the Association since its inception through December 31, 2016:

Year	Admitted Assets	Liabilities	Capital Paid Up	Gross Paid In and Contributed Surplus	Unassigned Funds (Surplus)
2007	$9,146,537	$4,246,891	$1,000,000	$1,650,000	$2,249,646
2008*	19,929,926	13,152,965	1,000,000	2,150,000	3,626,961
2009	18,203,232	9,059,063	1,000,000	7,666,449	477,720
2010	15,996,594	9,115,467	1,000,000	6,410,700	(529,573)
2011	13,852,090	8,206,727	1,000,000	6,410,700	(1,765,337)
2012	14,433,784	12,211,684	1,000,000	6,406,091	(5,183,991)
2013	18,280,071	16,665,880	1,000,000	7,714,160	(7,099,969)
2014	18,556,054	13,682,129	1,000,000	7,714,160	(3,840,235)
2015	17,773,587	13,169,111	1,000,000	7,714,160	(4,109,684)
2016	20,292,661	18,739,447	1,000,000	7,714,160	(7,160,946)

Year	Premiums Earned	Loss and Loss Adjustment Expenses Incurred	Other Underwriting Expenses	Net Underwriting Gains or (Loss)
2007	$674,554	$140,972	$495,276	$38,306
2008*	4,605,324	2,549,171	2,713,723	(657,570)
2009	4,041,704	725,419	1,449,339	1,866,946
2010	3,377,606	3,080,601	2,274,501	(1,977,496)
2011	3,322,123	2,151,896	2,277,554	(1,107,327)
2012	4,962,305	6,382,750	3,344,998	(4,765,443)
2013	7,016,255	8,034,930	3,923,314	(4,941,989)
2014	11,455,484	8,650,889	4,147,949	(1,343,354)
2015	10,868,596	6,883,555	4,379,290	(394,249)
2016	12,781,744	10,287,818	5,903,016	(3,409,090)

*As a result of the merger of BIA into the Association, the 2009 Annual Statement prior year columns for 2008 were adjusted to include the merged amounts.

REINSURANCE

At December 31, 2016, the Association had the following reinsurance coverage in force. All reinsurance coverage is placed with nonaffiliated reinsurers:

Type of Agreement	Line of Business	Association's Retention	Reinsurers' Limits
Excess of Loss	Workers Compensation and Employers' Liability	First Layer: $500,000 each and every loss occurrence	$500,000 excess of $500,000 each and every loss occurrence; maximum any one life is $10,000,000
		Second Layer: $1,000,000 each and every loss occurrence	$1,000,000 excess of $1,000,000 each and every loss occurrence; maximum any one life is $10,000,000
		Third Layer: $2,000,000 each and every loss occurrence	$3,000,000 excess of $2,000,000 each and every loss occurrence; maximum any one life is $10,000,000
		Fourth Layer: $5,000,000 each and every loss occurrence	$5,000,000 excess of $5,000,000 each and every loss occurrence; maximum any one life is $10,000,000

Type of Agreement	Line of Business	Association's Retention	Reinsurers' Limits
Excess of Loss	General Liability	First Layer: $200,000 ultimate net loss, each insured, each loss occurrence	100% of the ultimate net loss in excess of $200,000, each insured, each loss occurrence; reinsurers' liability shall never exceed $800,000 ultimate net loss, each insured, each loss occurrence
		Second Layer $1,000,000 ultimate net loss, each insured, each loss occurrence	100% of the ultimate net loss in excess of $1,000,000, each insured, each loss occurrence; reinsurers' liability shall never exceed $1,000,000 ultimate net loss, each insured, each loss occurrence

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the Association for the period ending December 31, 2016. Examination adjustments made to the statutory financial statements filed by the Association with the Bureau for the period ending December 31, 2016 have been incorporated into these financial statements and are noted in the Examiners' Changes in Surplus statement. Descriptions of the examination adjustments are included in the Recommendations for Corrective Actions section of the report.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$7,925,201		$7,925,201
Common stocks	902,614		902,614
Cash and short-term investments	3,143,910		3,143,910
Investment income due and accrued	96,610		96,610
Uncollected premiums and agents' balances in the course of collection	6,559,220	1,071,796	5,487,424
Amounts recoverable from reinsurers	1,969,178		1,969,178
Net deferred tax asset	2,008,000	1,544,179	463,821
Electronic data processing equipment and software	3,200		3,200
Receivables from parent, subsidiaries and affiliates	200,000		200,000
Aggregate write-ins for other than invested assets	100,703		100,703
Totals	$22,908,636	$2,615,975	$20,292,661

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses		$10,121,726
Loss adjustment expenses		558,310
Commissions payable, contingent commissions and other similar charges		142,431
Other expenses		96,341
Taxes, licenses and fees		440,540
Unearned premiums		6,174,939
Advance premium		188,375
Ceded reinsurance premiums payable		197,073
Amounts withheld or retained by company for account of others		230,519
Aggregate write-ins for liabilities		589,193
Total liabilities		$18,739,447
Common capital stock	$1,000,000	
Gross paid in and contributed surplus	7,714,160	
Unassigned funds (surplus)	(7,160,946)	
Surplus as regards policyholders		1,553,214
Totals		$20,292,661

UNDERWRITING AND INVESTMENT EXHIBIT
STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned	$12,781,744
Deductions:	
Losses incurred	$9,544,282
Loss expenses incurred	743,536
Other underwriting expenses incurred	5,903,016
Total underwriting deductions	$16,190,834
Net underwriting gain	($3,409,090)

INVESTMENT INCOME

Net investment income earned	$162,842
Net realized capital losses	(2,425)
Net investment gain	$160,417

OTHER INCOME

Aggregate write-ins for miscellaneous income	$456,485
Total other income	$456,485
Net income	($2,792,188)

RECONCILIATION OF CAPITAL AND SURPLUS FOR PERIOD UNDER REVIEW

	2014	2015	2016
Surplus as regards policyholders, December 31, previous year	$1,614,191	$4,873,925	$4,604,476
Adjustment for previous examination changes	$3,403,481		
Net income	(52,070)	482,639	(2,792,188)
Change in net unrealized capital gains or (losses)	(10,552)	(44,943)	11,173
Change in nonadmitted assets	52,365	(707,145)	504,753
Aggregate write-ins for gains or losses in surplus	(133,490)		(775,000)
Change in surplus as regards policyholders for the year	$3,259,734	($269,449)	($3,051,262)
Surplus as regards policyholders, December 31, current year	$4,873,925	$4,604,476	$1,553,214

CASH FLOW

Cash From Operations

Premiums collected net of reinsurance	$13,379,899
Net investment income	261,216
Miscellaneous income	478,985
Total	$14,120,100
Benefit and loss related payments	$7,028,904
Commissions, expenses paid and aggregate write-ins for for deductions	5,388,330
Total	$12,417,234
Net cash from operations	$1,702,866

Cash From Investments

Proceeds from investments sold, matured or repaid:	
Bonds	$2,754,566
Stocks	113,706
Total investment proceeds	$2,868,272
Cost of investments acquired (long-term only):	
Bonds	$3,473,279
Other invested assets	483,501
Total investments acquired	$3,956,780
Net cash from investments	($1,088,508)
Net change in cash and short-term investments	$614,358

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments:	
Beginning of year	$2,529,552
End of year	3,143,910
Net change in cash and short-term investments	$614,358

EXAMINERS' CHANGES IN SURPLUS

	Amount Per Company	Amount Per Examiner	Increase (Decrease) Surplus
Assets:			
Cash and cash equivalents	$3,418,910	$3,143,910	($275,000)
Uncollected premiums and agents' balances in the course of collection*	$5,487,424	$5,487,424	$0
Liabilities:			
Losses	$7,470,230	$10,121,726	($2,651,496)
Loss adjustment expenses	435,986	558,310	(122,324)
Aggregate write-ins for liabilities (Loan payable)	89,193	589,193	(500,000)
Examiners changes in members' equity			($3,548,820)
Surplus per Company			$5,102,034
Surplus per Examiners			1,553,214
Decrease in Surplus			($3,548,820)

* Although the admitted value of uncollected premiums remains unchanged, the amount of the asset and the amount of nonadmitted assets increased by $275,000:

	Assets	Nonadmitted Assets	Admitted Assets
Company:			
Uncollected premiums	$6,284,220	$796,796	$5,487,424
Examiners:			
Uncollected premiums	$6,559,220	$1,071,796	$5,487,424

RECOMMENDATIONS FOR CORRECTIVE ACTION

1. The Association's bylaws require that the officers shall consist of a president, one or more vice presidents, a secretary and a treasurer. At the time of this examination, the Association had only two officers, a president and a vice president. The Association should amend its bylaws or add additional officers to be in compliance with the bylaws. This is the second examination that this recommendation has been made.

2. Cash and Cash Equivalents $3,143,910

   The above asset is $275,000 less than the amount reported by the Association in its 2016 Annual Statement. On December 29, 2016, the Association entered into a Purchase and Assignment Agreement with Mountain Reinsurance Company Limited (Mountain Re), a related party due to common ownership. Pursuant to the agreement, the Association sold $275,000 in nonadmitted uncollected premiums to Mountain Re for $275,000 in cash. According to Paragraph 12 of SSAP No. 25, a transaction between related parties involving the exchange of assets or liabilities shall be designated as either an economic or non-economic transaction. An economic transaction must be an arms-length transaction, defined as a transaction in which willing parties, each being reasonably aware of all relevant facts and neither under compulsion to buy, sell, or loan, would be willing to participate. A transaction which results in the mere inflation of surplus without any other demonstrable and measurable betterment is not an economic transaction. Further, Paragraph 16d states that "Transactions which are designed to avoid statutory accounting practices shall be reported as if the reporting entity continued to own the assets or be obligated for a liability directly instead of through a subsidiary." The Examiners determined that the transaction with Mountain Re was a non-economic transaction designed to increase the Association's surplus by avoiding statutory accounting practices applicable to nonadmitted uncollected premiums. Therefore, the Examiners reversed the transaction by decreasing Cash and cash equivalents by $275,000 and increasing the balance of nonadmitted Uncollected Premiums by the same amount. The Examiners recommend that the Association refrain from entering into transactions that appear to be designed to avoid statutory accounting practices.

3. Losses $10,121,726

   The above liability is $2,651,496 more than the amount reported by the Association in its 2016 Annual Statement. The increase is the result of an analysis of the Association's case reserves as of December 31, 2016 and adverse loss development in 2017 for losses incurred in 2016 and prior. The Examiners recommend that the Association appropriately establish its loss reserves in future filings.

4. Loss Adjustment Expenses $558,310

The above liability is $122,324 more than the amount reported by the Association in its 2016 Annual Statement. The increase is the result of the Association not establishing a reserve for the cost of all other expenses associated with administering claims with dates of loss on or before December 31, 2016 until all claims are reported and closed. The Examiners recommend that the Association establish a reserve for these expenses in future filings.

5. Loan Payable $500,000

The above liability was established by the Examiners and was added to the amounts reported as Aggregate Write-ins for Liabilities in the financial statements. On December 14, 2016, the Association entered into a sales-leaseback transaction with TCS Equipment Finance (TCS) in which the Association sold nonadmitted uncollected premiums to TCS and is leasing them back over a two-year period. The proceeds of the sale were $500,000, which was invested in a certificate of deposit (CD) at Prime Alliance Bank. The CD serves as collateral to secure the Association's payment and performance of all of its obligations under the lease. Payments under the lease equal to $265,920 annually for the two-year lease period (paid in quarterly installments of $66,480). At the end of the two-year leasing period, there is an option for the Association to repurchase the nonadmitted uncollected premiums from TCS for $1, after which all rights, title and interest transfer back to the Association. The Examiners have determined that the sales leaseback transaction is not allowed pursuant to SSAP No. 22, which states, "A lease is defined as an agreement conveying the right to use property, plant, or equipment (land and/or depreciable assets) usually for a stated period of time." Uncollected premiums are not depreciable assets, and therefore, this particular lease is not considered to be a lease for statutory accounting purposes. The Examiners reviewed the overall impact of the entire transaction and have determined that the transaction should be treated as a loan. Therefore, the Examiners have established a liability for a Loan Payable of $500,000 at December 31, 2016. The balance of the Loan Payable can be reduced by $62,500 as each quarterly payment is made.

6. During a review of the premiums receivable balances at December 31, 2016 (and September 30, 2017), the Examiners noted the following:

   a) The Association is not accurately reporting its premium receivable balances in accordance with the NAIC *Annual Statement Instructions – Property/Casualty.* The Association reported its entire balance as Uncollected Premiums. Only those amounts that have already been billed and remain uncollected should be reported as Uncollected Premiums. Future installment payments that are not yet due should be reported as Deferred Premiums, Agents' Balances and Installments Booked but

Deferred and Not Yet Due. The future installment payments should also be offset by the corresponding unearned premiums.

b) During the review of the September 30, 2017 premium receivable balance, the Examiners noted that the Association does not appear to age all its premium receivable balances on a quarterly basis. Rather, the Association estimates a portion of its non-admitted balance for the current quarter (identified as an allowance) and will subsequently reconcile the aging schedule at year-end. SSAP No. 6 of the NAIC's *Accounting Practices and Procedures Manual* states that any uncollected premium balances over 90 days due shall be non-admitted and if any installment premium is over 90 days due, the amount over 90 days due, plus all future installments that have been recorded on that policy, shall be nonadmitted. It is critical that the Association properly ages all premium receivable balances in order to determine the accurate amount of nonadmitted assets to be reported in any filings submitted to the Bureau.

c) In the September 30, 2017 Quarterly Statement, the Association represented to the Examiners that a credit amount reported as a component of Other Receivables within the Aggregate Write-ins for Other-Than-Invested Assets line item and identified as "Addl AR Allowance" was actually an allowance for uncollected premiums. The Examiners recommend that the Association reports any interrelated amounts in a manner that prevents potential confusion in the valuation of premium receivables reported in the Association's financial statements.

7. As noted above, the Association entered into a transaction in which it received $500,000 for the sale of nonadmitted uncollected premiums. The proceeds were invested in a CD which serves as the collateral to secure the Association's payment and performance of all of its obligations under the agreement. Although the CD was included in the 2016 § 38.2-1446 Report (Assets Pledged, Hypothecated, or Encumbered), the Association did not report in writing to the Commission within ten days the amount and identity of the assets so pledged, hypothecated or encumbered and the terms and conditions of such transaction, as is required by § 38.2-1446 B of the Code of Virginia. The Association should adhere to the requirements of the Code regarding assets pledged, hypothecated or encumbered and report such transactions in a timely manner.

8. Code of Virginia § 38.2-1035 requires that each domestic stock insurer maintain at all times the minimum capital and surplus required by § 38.2-1028, which states that no stock insurer shall be licensed to transact the business of insurance unless it has fully paid in capital stock of at least $1,000,000 and surplus of at least $3,000,000.

   As a result of the December 31, 2016 examination, the Association has common stock of $1,000,000, gross paid in and contributed surplus of $7,714,160 and unassigned funds of ($7,160,946), resulting in total surplus of $1,553,214. While the Association has capital stock of $1,000,000, its surplus position is $553,214, or $2,446,786 below the required minimum.

SUBSEQUENT EVENTS

Based on the reserve analysis performed by the Bureau's consulting actuary of the loss and loss adjustment expense as of December 31, 2016 and other examination adjustments to the amounts reported in the 2016 Annual Statement, additional examination procedures were performed as of September 30, 2017. As a result of the additional procedures, the Examiners note the following:

1. Losses $11,025,461

   The above liability is $2,717,539 more than the amount reported by the Association in its September 30, 2017 Quarterly Statement. The increase is the result of an analysis of the Association's adverse development in 2017 for losses incurred September 30, 2017 and prior. The Examiners recommend that the Association appropriately establish its loss reserves in future filings.

2. Loss Adjustment Expenses $348,849

   The above liability is $112,617 more than the amount reported by the Association in its September 30, 2017 Quarterly Statement. The increase is the result of the Association not establishing a reserve for the cost of all other expenses associated with administering claims with dates of loss on or before December 31, 2016 until all claims are reported and closed. The Examiners recommend that the Association establish a reserve for these expenses in future filings.

3. In its September 30, 2017 Quarterly Statement, the Association continued to report the impact of the Mountain Re transaction (as described in Recommendation for Corrective Action #2) and the TCS transaction (as described in Recommendation for Corrective Action #5). The remaining balance of these transactions was $47,951 associated with the Mountain Re transaction and $293,491 associated with the TCS transaction. Therefore, at September 30, 2017, the Examiners decreased Cash and Cash Equivalents by $47,951 and established a liability for Loans Payable in the amount of $293,491, thereby decreasing the Association's surplus by $341,442.

4. As noted above, Code of Virginia § 38.2-1035 requires that each domestic stock insurer maintain at all times the minimum capital and surplus required by § 38.2-1028, which states that no stock insurer shall be licensed to transact the business of insurance unless it has fully paid in capital stock of at least $1,000,000 and surplus of at least $3,000,000. Code of Virginia § 38.2-1035 further requires that if the Commission finds that the minimum capital and surplus of a domestic stock insurer is impaired, the Commission

shall issue an order requiring the insurer to eliminate the impairment within a period not exceeding 90 days. In addition, the Commission may by order served upon the insurer prohibit the insurer from issuing any new policies while the impairment exists.

In its September 30. 2017 Quarterly Statement, the Association reported common stock of $1,000,000, gross paid in and contributed capital of $7,714,160 and unassigned funds of ($3,649,190), resulting in total surplus of $5,064,970. As a result of the additional procedures performed as of September 30, 2017, the Association has common stock of $1,000,000, gross paid in and contributed surplus of $7,714,160 and unassigned funds of ($6,820,788), resulting in total surplus of $1,893,372. While the Corporation has capital stock of $1,000,000, its surplus position is $893,372, or $2,106,628 below the required minimum.

The Examiners recommend that the Commission issue an order requiring the Association to eliminate the impairment within a period not exceeding 90 days and prohibit the Association from issuing any new policies while the impairment exists.

ACKNOWLEDGMENT

The courteous cooperation extended by the Association's officers and employees during the course of the examination is hereby gratefully acknowledged.

In addition to the undersigned, Jennifer K. Blizzard, CFE, Mario A. Cuellar, CFE, and Benjamin B. MacKercher, of the Bureau participated in the work of the examination.

Respectfully submitted,

T. Bradford Earley, Jr., AIAF, CFE, CPCU
BOI Manager

BIIA INSURANCE

April 12, 2018

Mr. David H. Smith, CFE, CPA, CPCU
Chief Examiner
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Re: Building Industry Insurance Association, Inc.
Examination Report as of December 31, 2016 and September 30, 2017

Dear Mr. Smith:

I am in receipt of the examination report as of December 31, 2016 for Building Industry Insurance Association, Inc.:

> We have reviewed the recommendations for corrective action. The recommendations are duly noted. All recommendations have already or are in the process of being remedied. BIIA has submitted a Form A for approval to inject additional capital into the company.

We are also in receipt of the report of Subsequent Events as of September 30, 2017:

> We have reviewed the recommendations for corrective action. The recommendations are duly noted. All recommendations have already or are in the process of being remedied. BIIA has submitted a Form A for approval to inject additional capital into the company.

I hope this addresses all of the issues associated with the examination. If I can be of further assistance, please let me know.

Sincerely,

Chris Carey
President