Report of Statutory Examination
As of December 31, 2015

of

Terrafirma Risk Retention Group LLC
NAIC Company Code #14395
License #00965

by the

Vermont Department of Financial Regulation
Captive Insurance Division
Terrafirma Risk Retention Group LLC  
Statutory Examination Report  
As of December 31, 2015

The attached report of examination made of the condition and affairs as of December 31, 2015 of:

Terrafirma Risk Retention Group LLC  
Burlington, Vermont

was recently completed by duly qualified examiners of the State of Vermont, Department of Financial Regulation.

Due consideration has been given to the comments of the examiners regarding the operations of Terrafirma Risk Retention Group LLC and its financial condition, as reflected in this report. This report is hereby, as of this date, approved, adopted, filed and made an official record of this Department.

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David F. Provost, CFE  
Deputy Commissioner, Captive Insurance
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December 14, 2016

Honorable Michael S. Pieciak  
Commissioner of Financial Regulation  
89 Main Street  
Montpelier, Vermont 05620-3101

Dear Commissioner Pieciak:

Pursuant to your instructions and in compliance with statutory requirements, an examination has been made for the examination period ended December 31, 2015 of the financial condition, business affairs, transactions, and accounts and records of:

Terrafirma Risk Retention Group LLC  
Statutory Home Office Location  
100 Bank Street, Suite 610, Burlington, Vermont 05401

hereinafter referred to as the “Company” and a report thereon is respectfully submitted as follows:

Scope of Examination

The Vermont Department of Financial Regulation, hereinafter referred to as the “Department,” has performed an examination of the Company for the period April 18, 2011 the date the Company was registered with the Vermont Secretary of State’s office, to December 31, 2015. An organizational examination was conducted through December 31, 2012.

The Company is a Risk Retention Group (RRG) chartered in the State of Vermont in accordance with the Liability Risk Retention Act of 1986 (LRRA), which indicates that the chartering state has primary regulatory responsibility for the RRG. Non-domiciliary states rely on the chartering state to exercise general oversight and responsibility in the areas of licensing, solvency, rates and marketing.

As the chartering state, the Department conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (FCEH). The FCEH requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.
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All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with prescribed accounting principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

The 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, are not included within the examination report but separately communicated to other regulators and/or the Company.

Summary of Significant Findings of Fact

No significant findings were noted during this examination.

Company History

General

The Sponsors of the Company petitioned the Commissioner of the Department for a Certificate of General Good, receiving the same on April 15, 2011. The Company was subsequently registered by the Secretary of State effective April 18, 2011. On July 11, 2012, the Company received its Certificate of Authority to transact the business of a “Risk Retention Group” as defined by the Federal Liability Risk Retention Act of 1986 and in Title 8 V.S.A., Chapter 141, Section 6001(15). The Company was organized for the benefit of not for profit 501(c)(3) land trusts throughout the United States, hereinafter referred to as the “Members”. Membership is exclusive to land trusts who are members of the Land Trust Alliance, Inc., hereinafter referred to as the “Sponsor”. The Company began writing business with an effective date of March 1, 2013.

The Members are limited liability parties to the “LLC Operating Agreement” by which the Company is formed. Pursuant to the LLC Operating Agreement, the Members have designated an entity to be the Manager of the LLC, authorized to act in its name and manage the business of the Company on behalf of its Members. Alliance Risk Management Services (ARMS), a Vermont LLC and a subsidiary of the Sponsor, is the designated Manager of the Company. In 2012, the Company was granted tax exempt status from the Internal Revenue Service as a charitable risk pool as described in section 501(n) of the Code.

Equity

The Company was originally capitalized with contributed surplus of $48,000 in the form of cash received from the Members. In addition, the Company received non-Member grants totaling $4,197,500 from national foundations or entities which have an interest in land conservation. During the period under examination, additional capital contributions from the Members totaled $5,500. Pursuant to 8 V.S.A., Chapter 141, Section 6004 (a)(4), the Company must maintain surplus of not less than $1 million. Total equity as of December 31, 2015 was $4,586,698.
Management and Control

Membership

The Company’s LLC Operating Agreement restricts Membership to organizations that have the purpose of conservation of land and activities that include the acquisition of fee interests or easements for conservation purposes, are determined to be § 501(c)(3) non-profit entities exempt from federal taxes and are a member in good standing with The Land Trust Alliance and state and federal regulators. The LLC Operating Agreement requires that all Members be insured by the LLC and all insureds must be Members of the LLC. Members need not hold an annual meeting due to their geographic spread of the Members, however, the Members Committee meets on an annual basis.

Members Committee

The LLC Operating Agreement of the Company states that the Members Committee shall be divided into nine regional classes; the precise states constituting each specified region to be determined by the Manager in its reasonable discretion from time-to-time. Class nine of the Members Committee shall have a Vermont resident for its representative. With the exception of class nine, each member of the Members Committee must be a member of the senior staff, board of trustees, or board of directors of a Member located in the relevant region. The term of a member of the Members Committee shall be three years. With the exception of the Vermont resident, no person shall be elected to the Members Committee within one year of the expiration of a prior term. Meetings of the Members Committee are to be held as required at the discretion of the Manager, but not less than three times a year. Meetings of the Members Committee may be held by telephone or web conference, but not less than once a year a physical meeting shall be held in Vermont. At least one-half of the incumbent members of the Members Committee shall constitute a quorum for meetings.

The following members of the Members Committee had been appointed or elected as of December 31, 2015:

<table>
<thead>
<tr>
<th>Name</th>
<th>Residence</th>
<th>Principal Business Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edward Cutter</td>
<td>Idaho</td>
<td>Woods River Land Trust</td>
</tr>
<tr>
<td>William Gebo</td>
<td>Michigan</td>
<td>Little Forks Conservancy</td>
</tr>
<tr>
<td>Keith Gerrard</td>
<td>Washington</td>
<td>San Juan Preservation Trust</td>
</tr>
<tr>
<td>William Hauserman</td>
<td>Vermont</td>
<td>Digital Risk Resources</td>
</tr>
<tr>
<td>Kevin Hicks</td>
<td>North Carolina</td>
<td>North Carolina Coastal Land Trust</td>
</tr>
<tr>
<td>Barbara Hopkins</td>
<td>Maryland</td>
<td>NeighborSpace of Baltimore County</td>
</tr>
<tr>
<td>Sopac Mulholland</td>
<td>California</td>
<td>Sequoia Riverlands Trust</td>
</tr>
<tr>
<td>Rebecca Thornton</td>
<td>Connecticut</td>
<td>Dutchess Land Conservancy</td>
</tr>
<tr>
<td>Angela Twitchell</td>
<td>Maine</td>
<td>Brunswick-Topsham Land Trust</td>
</tr>
</tbody>
</table>
Subcommittees
The Members Committee may designate one or more Subcommittees. At December 31, 2015, the Claims Committee (not a subcommittee) and Audit Committee were active and reporting to the Members Committee at each meeting.

Officers
The LLC Operating Agreement states that the Company shall have no officers. The Company operates through officers of ARMS pursuant to an operating agreement.

The following officers had been appointed to manage the Company as of December 31, 2015:

<table>
<thead>
<tr>
<th>Title</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>President of ARMS as Manager of Terrafirma</td>
<td>Rand Wentworth</td>
</tr>
<tr>
<td>Treasurer of ARMS as Manager of Terrafirma</td>
<td>Marilyn Ayres</td>
</tr>
<tr>
<td>Secretary and Vice President of ARMS as Manager of Terrafirma</td>
<td>Leslie Ratley-Beach</td>
</tr>
</tbody>
</table>

Manager
The activities of the Company are conducted through (ARMS) in accordance with the LLC Operating Agreement. ARMS has contracted with the Company to provide administrative, financial, underwriting, and general management and operational services. The manager may appoint, employ, contract or otherwise deal with any person for the transaction of business of the LLC and to perform any acts or services for the LLC as the manager may approve.

Service Agreements
The Company retains Marsh Management Services Inc., a Vermont approved management company, to provide accounting, and other services to the Company.

Governing Documents
At the time of the examination the Company’s operations were reviewed and found to be in compliance with the Company’s LLC Operating Agreement and Vermont laws and regulations.

Territory and Plan of Operation
As of December 31, 2015, the Company was licensed in Vermont and registered in forty-nine states and the District of Columbia. The Company was writing the following business for Subscribers in all states with the exception of Arkansas, Minnesota, North Dakota, and Oklahoma:

Conservation Defense Liability, covering the cost of legal defense of conservation easements and land and any award of damages against the Member, with limits of $500,000 per claim, inclusive of defense costs, and aggregate limits ranging from $500,000 to $1,000,000, excess of a $5,000 self-insured retention per claim. The Company has no reinsurance.
Financial Statements

The following financial statements, as reported and filed by the Company with the Department, were prepared in conformity with generally accepted accounting principles in the United States of America, a basis of accounting prescribed by Vermont Statute, except for the permitted practice of including non-Member contributions as capital contributions in equity. There were no examination adjustments made to the Company’s equity as a result of the examination.
Terrafirma Risk Retention Group LLC
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Balance Sheet
As of December 31, 2015

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$283,405</td>
</tr>
<tr>
<td>Fixed-maturity securities, at fair value</td>
<td>5,214,033</td>
</tr>
<tr>
<td>Common stock, at fair value</td>
<td>435,361</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>30,060</td>
</tr>
<tr>
<td>Deferred policy acquisition costs</td>
<td>6,252</td>
</tr>
<tr>
<td>Capitalized software costs, net of accumulated depreciation</td>
<td>25,022</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>935</td>
</tr>
</tbody>
</table>

Total Assets $5,995,068

<table>
<thead>
<tr>
<th>Liabilities and Equity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Losses and loss adjustment expenses</td>
<td>$1,119,646</td>
</tr>
<tr>
<td>Claims payable</td>
<td>22,438</td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>197,489</td>
</tr>
<tr>
<td>Advance premiums</td>
<td>25,196</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>43,601</td>
</tr>
</tbody>
</table>

Total Liabilities 1,408,370

<table>
<thead>
<tr>
<th>Equity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital contributions</td>
<td>4,197,500</td>
</tr>
<tr>
<td>Member contributions</td>
<td>53,500</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(19,520)</td>
</tr>
<tr>
<td>Accumulated earnings</td>
<td>355,218</td>
</tr>
</tbody>
</table>

Total Equity 4,586,698

Total Liabilities and Equity $5,995,068
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Income Statement
For the year ending December 31, 2015

Revenue
Premiums earned $ 1,186,767
Net investment income 36,181
Registration fee income 17,650
Total Revenue 1,240,598

Expenses
Loss and loss adjustment expenses 798,765
Policy acquisition expenses 37,704
General and administrative expenses 393,764
Total Expenses 1,230,233

Net Income $ 10,365

Statement of Changes in Equity
For the years ended December 31, 2015, 2014, and 2013

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity, beginning of year</td>
<td>$4,589,135</td>
<td>$4,379,894</td>
<td>$4,285,895</td>
</tr>
<tr>
<td>Net income</td>
<td>10,365</td>
<td>202,399</td>
<td>102,379</td>
</tr>
<tr>
<td>Capital contributions from members</td>
<td>2,300</td>
<td>800</td>
<td>2,400</td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td>(15,102)</td>
<td>6,042</td>
<td>(10,780)</td>
</tr>
<tr>
<td>Equity, end of year</td>
<td>$4,586,698</td>
<td>$4,589,135</td>
<td>$4,379,894</td>
</tr>
</tbody>
</table>

Comments and Recommendations

There are no comments or recommendations.

Subsequent Events

No items of significance were noted during our review.
Acknowledgment

In addition to the undersigned, Lance Tourville, Assistant Chief Examiner, John Johnston, Examiner-in-Charge, and Jenny Coates, Insurance Examiner, with the Department, also participated in this examination. We wish to express our appreciation to the officers and employees of the Company for the courteous cooperation extended during the course of the examination.

Respectfully submitted,

Dan L. Petterson, CFE, SPIR
Director of Examinations, Captive Insurance
Vermont Department of Financial Regulation