Report of Statutory Examination

As of December 31, 2020

of

Terrafirma Risk Retention Group LLC

NAIC Company Code #14395
License #00965

by the

Vermont Department of Financial Regulation
Captive Insurance Division
The attached report of examination made of the condition and affairs as of December 31, 2020 of:

**Terrafirma Risk Retention Group LLC**  
Colchester, 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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June 13, 2022

**Honorable Kevin J. Gaffney**  
Commissioner of Financial Regulation  
89 Main Street  
Montpelier, Vermont 05620-3101

Dear Commissioner Gaffney:

Pursuant to your instructions and in compliance with statutory requirements, an examination has been made for the examination period ended December 31, 2020 of the financial condition, business affairs, transactions, and accounts and records of:

**Terrafirma Risk Retention Group LLC**  
Statutory Home Office Location  
463 Mountain View Drive, Suite 301, Colchester, VT 05446

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

**Scope of Examination**

The Vermont Department of Financial Regulation (Department) has performed an examination of the Company for the period December 31, 2015, the date the Company was previously examined, to December 31, 2020.

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 the Company’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with 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 Company 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 organizers 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 LRRA and in Title 8 V.S.A., Chapter 141, Section 6001(16). The Company was organized for the benefit of not for profit I.R.C. 501(-c)(3) land trusts, 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 Sponsor, is the designated Manager of the Company. In 2012, the Company was granted status from the Internal Revenue Service as a qualified 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 Members. In addition, the Company received non-Member grants totaling
$4,197,500 from national foundations or entities which have expressed interest in conservation defense. During the period under examination, additional capital contributions from the Members totaled $8,600. Pursuant to 8 V.S.A., Chapter 141, Section 6004 (a)(4), the Company must maintain equity of not less than $1 million. Total equity as of December 31, 2020 was $7,262,302.

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 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 serve on the Members Committee for more than two consecutive terms. 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 conferences, 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 Committee had been elected as of December 31, 2020:

<table>
<thead>
<tr>
<th>Kathleen Ackley</th>
<th>Derek Schaefer</th>
</tr>
</thead>
<tbody>
<tr>
<td>William Hauserman</td>
<td>Michelle Smith</td>
</tr>
<tr>
<td>Mary Margaret Lowe</td>
<td>Deborah Stanley</td>
</tr>
<tr>
<td>Robert Owen</td>
<td>Jefferey Swinehart</td>
</tr>
<tr>
<td>James Rogers</td>
<td></td>
</tr>
</tbody>
</table>
Subcommittees

The Members Committee may designate one or more subcommittees. At December 31, 2020, the following subcommittees were reporting to the Members Committee: Advisory Subcommittee, Audit Subcommittee, and Risk Management Subcommittee. There is also a separate Claims Committee who determines the disposition of all insurance claims and to approve all settlements related to such insurance claims, and who reports to the Members Committee.

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, 2020:

<table>
<thead>
<tr>
<th>Title</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>President of ARMS as Manager of Terrafirma</td>
<td>Andrew Bowman</td>
</tr>
<tr>
<td>Secretary &amp; VP of ARMS as Manager of Terrafirma</td>
<td>Leslie Ratley-Beach</td>
</tr>
<tr>
<td>VP of ARMS as Manager of Terrafirma</td>
<td>Renee Kivikko</td>
</tr>
<tr>
<td>Treasurer of ARMS as Manager of Terrafirma</td>
<td>Chase Warden</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 Company and to perform any acts or services for the Company as the Manager may approve.

Service Agreements

The Company retains Marsh Management Services Inc., a Vermont approved management company, to provide accounting, financial reporting, records retention and related 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, 2020, the Company was licensed in Vermont and registered in forty-nine states and the District of Columbia. The one state the Company is not registered in is North Dakota. The Company was writing the following business for their Members:

Conservation Defense Liability, covering the cost of legal defense of conservation rights, 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 Company prepared the following financial statements in conformity with generally accepted accounting principles. There were no examination adjustments made to surplus as a result of the examination.
### Terrafirma Risk Retention Group LLC
#### Balance Sheet
**As of December 31, 2020**

<table>
<thead>
<tr>
<th>Admitted Assets</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 832,506</td>
</tr>
<tr>
<td>Fixed-maturity securities, at fair value</td>
<td>5,837,715</td>
</tr>
<tr>
<td>Common stock, at fair value</td>
<td>3,372,374</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>39,726</td>
</tr>
<tr>
<td>Deferred policy acquisition costs</td>
<td>6,968</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,721</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,148</td>
</tr>
</tbody>
</table>

**Total Assets** $10,094,158

<table>
<thead>
<tr>
<th>Liabilities and Total Equity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Losses and loss adjustment expenses</td>
<td>$ 2,379,448</td>
</tr>
<tr>
<td>Claims payable</td>
<td>89,711</td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>277,489</td>
</tr>
<tr>
<td>Advance premiums</td>
<td>50,218</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>34,990</td>
</tr>
</tbody>
</table>

**Total Liabilities** $2,831,856

<table>
<thead>
<tr>
<th><strong>Total Equity</strong></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital contributions</td>
<td>4,197,500</td>
</tr>
<tr>
<td>Member contributions</td>
<td>62,100</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>77,479</td>
</tr>
<tr>
<td>Accumulated earnings</td>
<td>2,925,223</td>
</tr>
</tbody>
</table>

**Total Equity** $7,262,302

**Total Liabilities and Equity** $10,094,158
Terrafirma Risk Retention Group LLC
Statement of Operations
For the year ended December 31, 2020

Revenues
Premiums earned $ 1,708,860
Net investment income 136,198
Net gains recognized on investments 488,074
Registration fee income 14,200

Total revenues 2,347,332

Expenses
Losses and loss adjustment expenses 459,262
Policy acquisition expenses 44,181
General and administrative expenses 515,950

Total expenses 1,019,393

Net Income $ 1,327,939

Statement of Changes in Equity
For the years ended December 31, 2020, 2019, 2018, 2017, and 2016

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total equity, beginning of year</td>
<td>$ 5,939,474</td>
<td>$ 4,920,352</td>
<td>$ 4,854,188</td>
<td>$ 4,645,752</td>
<td>$ 4,586,698</td>
</tr>
<tr>
<td>Net income</td>
<td>1,327,939</td>
<td>884,886</td>
<td>212,178</td>
<td>120,350</td>
<td>16,102</td>
</tr>
<tr>
<td>Capital contributions from members</td>
<td>2,000</td>
<td>1,700</td>
<td>800</td>
<td>2,500</td>
<td>1,600</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td>(7,111)</td>
<td>132,536</td>
<td>(146,814)</td>
<td>85,586</td>
<td>41,352</td>
</tr>
<tr>
<td>Total equity, end of year</td>
<td>$ 7,262,302</td>
<td>$ 5,939,474</td>
<td>$ 4,920,352</td>
<td>$ 4,854,188</td>
<td>$ 4,645,752</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, Jim DeVoe-Talluto, 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
Director of Examinations, Captive Insurance
Vermont Department of Financial Regulation