

REPORT ON EXAMINATION

OF THE

SIRIUS AMERICA INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

DATE OF REPORT

MAY 9, 2016

EXAMINER

MARY MEANEY, AFE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

May 9, 2016

Honorable Maria T. Vullo
Superintendent
New York State
Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31374 dated August 5, 2015, attached hereto, I have made an examination into the condition and affairs of Sirius America Insurance Company as of December 31, 2014, and submit the following report thereon.

Wherever the designation “the Company” or “Sirius America” appears herein without qualification, it should be understood to indicate Sirius America Insurance Company.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company’s home office located at 140 Broadway, New York, NY 10005.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2009, when the Company operated under the name of White Mountains Reinsurance Company of America. This examination covered the five year period from January 1, 2010 through December 31, 2014. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management’s compliance with Statutory Accounting Principles and annual statement instructions.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation of the Company’s own control environment assessment and an evaluation based upon the Company’s Sarbanes Oxley documentation and testing. The examiners also relied upon audit work performed by the Company’s independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Handbook:

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records
- Statutory deposits
- Financial statements
- Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Sirius America Insurance Company was incorporated on September 13, 1979 under the laws of the State of New York and began writing business on January 9, 1980. The Company was formerly known as White Mountains Reinsurance Company of America (previously known as Folksamerica Reinsurance Company).

In 2011 the Company's ultimate parent, White Mountains Insurance Group, Ltd., completed a rebranding and reorganization of its reinsurance business segment. As part of the reorganization, the Company became a wholly owned subsidiary of Sirius International Holding Company, Inc. ("SIHC"), which is an indirect, wholly owned subsidiary of Sirius International Insurance Corporation ("Sirius International"). Sirius International is a Sweden based international insurance company that focuses on property and other short-tailed lines of reinsurance business.

Gross paid in and contributed surplus was \$434,372,169 at year end 2014 and decreased by \$332,838,762 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2009	Beginning gross paid in and contributed surplus	\$767,210,931
2010	Common stock redeemed	(149,965,446)
2011	Common stock redeemed	<u>(182,873,316)</u>
2014	Ending gross paid in and contributed surplus	<u>\$434,372,169</u>

On October 21, 2010, with the Department's permission, the Company redeemed 700 shares of common stock at a price of \$149,965,446. As a result, the Company's number of authorized and issued

shares was reduced from 3,817 to 3,117 and the par value per share was adjusted to \$1,604.11 resulting in common stock valued at \$5,000,011 as of December 31, 2010.

On October 11, 2011 Sirius America received approval from the Department to redeem 806 shares valued at \$182,873,316 held by SIHC, its immediate parent. These shares were then retired, and the par value of the remaining 2,311 authorized and issued shares was increased to \$2,163.57 per share. As of December 31, 2014 total capital paid in was \$5,000,010.

The Company paid dividends of \$67,126,684 on October 3, 2011 and \$55,000,000 on November 19, 2012 to its immediate parent. On December 10, 2013, the Company paid an extraordinary dividend of \$75,000,000 to its immediate parent, with the Department's approval.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven nor more than twenty one members. The board meets four times during each calendar year. As of December 31, 2014, the board of directors was comprised of the following ten members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Jeffrey W. Davis Miami, FL	Chief Actuary, Sirius International Insurance Group, Ltd.
Brian E. Kensil Celebration, FL	Chief Financial Officer, Sirius International Insurance Group, Ltd.
Goran Ake Thorstensson Sweden	President & Chief Executive Officer, Sirius International Insurance Corporation
Faith Pipitone Maspeth, NY	Senior Vice President and Chief Actuary, Sirius America Insurance Company
Ralph A. Salamone Ridgewood, NJ	Senior Vice President, Chief Financial Officer and Treasurer, Sirius America Insurance Company
Anthony A. Sasso Hillsborough, NJ	Senior Vice President and Chief Underwriting Officer, Sirius America Insurance Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Warren J. Trace St. Georges, Bermuda	President, Sirius Bermuda Insurance Company, Ltd.
Regina M. Villoman Kings Park, NY	Senior Vice President and Director of Human Resources, Sirius America Insurance Company
Daniel J. Wilson Manalapan, NJ	President & Chief Executive Officer, Sirius America Insurance Company
Allan L. Waters Hanover, NH	President, Sirius International Insurance Group, Ltd.

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member had an acceptable record of attendance.

There were three principal officers of the Company as of December 31, 2014 as follows:

<u>Name</u>	<u>Title</u>
Daniel J. Wilson	President and Chief Executive Officer
Ralph A. Salamone	Senior Vice President, Chief Financial Officer and Treasurer
Robert P. Kuehn	Senior Vice President, General Counsel and Secretary

B. Territory and Plan of Operation

As of December 31, 2014, the Company was licensed to write business in forty eight states, Puerto Rico, the District of Columbia and Canada. The Company was also an accredited reinsurer in Vermont and a qualified reinsurer (meets the credit for reinsurance statute) in Maine.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is authorized by Section 4102(c) of the New York Insurance Law to reinsure risks of every kind or description and to insure property or risks of every kind or description outside of the United States, its territories and possessions.

The Company may also write such workers' compensation insurance as may be incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law including insurance described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended.).

Based on the lines of business for which the Company is licensed, the current capital structure and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$35,000,000.

The Company was traditionally a broker market reinsurer writing both property and casualty business. On January 1, 2012, the Company discontinued its U.S. casualty business due to prolonged soft market conditions. Effective September 1, 2012, the Company commenced writing direct accident and health insurance in the United States through managing general agents/third party administrators. Sirius America currently underwrites property reinsurance primarily in the United States, Canada, Latin America and the Caribbean and direct accident and health insurance and reinsurance in the United States.

The following schedule shows the direct premiums written by the Company both in total and in New York for the period under examination:

<u>Calendar Year</u>	<u>New York State</u>	<u>Total Premiums</u>	<u>Premiums Written in New York State as a Percentage of Total Premium</u>
2010	\$ 0	\$ 0	0.00%
2011	0	0	0.00%
2012	0	12,602,001	0.00%
2013	0	29,961,769	0.00%
2014	\$1,848,519	\$65,363,020	2.83%

C. Reinsurance

Assumed Reinsurance

The Company wrote only reinsurance until 2012 when it commenced writing group accident and health business on a direct basis. During 2010 and 2011, a significant portion of reinsurance assumed came from its former affiliate, Esurance Insurance Company (“Esurance”) in the auto liability and physical damage lines. In October 2011, Esurance was sold to the Allstate Corporation. The reinsurance agreements between Esurance and Sirius America for the years 2007 through 2011 were commuted and the Company stopped assuming business from Esurance.

Assumed reinsurance accounted for 80% of the Company’s gross premiums written for the year ending December 31, 2014. During the period covered by this examination, the Company’s assumed reinsurance business decreased by more than 50% since the last examination and the concentration of business has changed. The Company’s current assumed reinsurance program consists mainly of property and group accident and health coverage. It is assumed on a quota share or excess of loss basis, pursuant to the terms of treaty agreements with both authorized and unauthorized cedants. Additionally, the Company’s participation in mandatory pools is reflected in its assumed reinsurance activity. The Company utilizes reinsurance accounting as defined in the NAIC Statement of Statutory Accounting Principle (“SSAP”) No. 62 for all of its assumed reinsurance business.

Ceded Reinsurance

The Company purchases reinsurance for two main areas: group accident and health and property catastrophe.

The Company has structured its group accident and health reinsurance program for the year ending December 31, 2014 as follows:

<u>Type of Treaty</u>	<u>Cession</u>
Medical Stop Loss Quota Share (on business written by International Medical Group)	76% quota share up to \$1,000,000 each loss, each and every risk. The maximum policy limits for aggregate stop loss is \$1,000,000 any one group; specific stop loss is \$1,000,000 any one person.
Trip Cancellation Quota Share (on business written by International Medical Group)	50% quota share up to the limit stated in the original policies written in the state of Florida. 76% quota share up to the limit stated in the original policies written in states other than Florida.
Self-Funded Medical Specific & Aggregate Quota Share (on business written by International Medical Group Stop Loss, Inc.)	Specific: 100% quota share of claims per covered person per policy year subject to limit of \$1,000,000 inclusive of employer's retention under policies Aggregate: 100% quota share of claims per covered employer per policy year excess of employer's aggregate self-funded retention under policies.
Medical Stop Loss Quota Share (on business assumed from Golden Security Insurance Company)	50% quota share of Company's net liability under the original treaty.
Medical Stop Loss Quota Share (on business written by International Assurance of Tennessee, Inc.)	75% quota share up to \$1,000,000 per person in respect of specific excess policies and up to \$1,000,000 per group in respect of aggregate stop loss policies. (No Brokerage) 50% quota share up to \$1,000,000 per person in respect of specific excess policies and up to \$1,000,000 per group in respect of aggregate stop loss policies. (Brokerage Only) 25% quota share up to \$1,000,000 per person in respect to specific excess policies and up to \$1,000,000 per group in respect of aggregate stop loss policies. (Main Treaty)

Employer Stop Loss Quota Share (on business written by J. Allan Hall & Associates, Inc.)	70% quota share up to \$2,000,000 per person annually less the specific deductible; \$2,000,000 per original policy per annum in excess of an attachment point of 120% of estimated claims.
Medical Stop Loss Quota Share (on business written by Sutton Special Risk America)	Layer 1: 50% quota share up to \$1,000,000 per covered person, per policy year for specific and aggregate medical stop loss. Layer 2: 50% quota share on \$1,000,000 excess of \$1,000,000 per covered person, per policy year for specific medical stop loss. Limit of liability shall not exceed \$10,000,000 in the aggregate during term of contract.
Group Accident Quota Share (on business written by Sutton Special Risk America)	75% quota share limited to ten times the annual salary for any one person to maximum \$5,000,000 for group basic and travel; \$25,000 for group voluntary. 75% quota share limited to \$30,000,000 any one accumulation any one insured for group basic and travel; \$10,000,000 any one aircraft any one insured to a maximum \$30,000,000 for aircraft in the aggregate.
Medical Benefits Stop Loss Quota Share (on business written by Excess Reinsurance Underwriters, Inc.)	Section A: 45% quota share up to \$1,000,000 per person in respect of specific excess policies; \$1,000,000 per group in respect of aggregate stop loss policies. Section B (CAP): 45% quota share up to \$5,000,000 per group in respect of aggregate stop loss policies. Section C: 11% quota share up to \$4,000,000 per person per annual period in excess of \$1,000,000 per person per annual period and 11% of up to \$4,000,000 per group in respect of aggregate stop loss policies.
Living Wage Stop Loss Quota Share (on business written by Excess Reinsurance Underwriters, Inc.)	90% quota share up to \$1,000,000 per person in respect of excess policies and \$1,000,000 per group in respect of aggregate policies.

Medical Stop Loss Excess of Loss	<p>First Layer: \$1,000,000 excess of \$1,000,000 per insured per policy year.</p> <p>Second Layer: \$1,000,000 excess of \$2,000,000 per insured per policy year.</p> <p>Third Layer: \$1,000,000 excess of \$3,000,000 per insured per policy year.</p> <p>Fourth Layer: \$1,000,000 excess of \$4,000,000 per insured per policy year.</p> <p>Fifth Layer: \$5,000,000 excess of \$5,000,000 per insured per policy year.</p> <p>Sixth Layer: more than \$10,000,000 per insured per policy year.</p>
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The Company has structured its property catastrophe reinsurance program for the year ending December 31, 2014 as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<p>Earthquake Catastrophe Excess of Loss (worldwide excluding US & Japan)</p> <p>(covers Canada, Chile, China, Colombia, Israel and Europe)</p>	<p>First Layer: \$40,000,000 excess of \$35,000,000 each and every loss occurrence.</p> <p>Second Layer: \$35,000,000 excess of \$75,000,000 each and every loss occurrence.</p>
<p>Insured Market Loss Warranty Earthquake Excess of Loss (Named Territories)</p>	<p>\$10,000,000 excess of \$10,000 each loss occurrence, when industry loss warranty exceeds \$20,000,000,000.</p>
<p>Catastrophe Excess of Loss (Natural Perils) Canada Only</p>	<p>CAD 50,000,000 excess of CAD 20,000,000 each and every loss occurrence.</p>
<p>Industry Loss Warranty Property Catastrophe Excess of Loss (Named Territories)</p>	<p>\$5,000,000 excess of \$25,000 any one loss, when industry loss warranty exceeds \$20,000,000,000; \$10,000,000 in the aggregate.</p>
<p>Industry Loss Warranty Catastrophe Excess of Loss (Named Territories) (United States, including District of Columbia, but excluding the following North East States: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont)</p>	<p>\$5,000,000 excess of \$10,000 each and every loss occurrence, when industry loss warranty exceeds \$20,000,000,000.</p>

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

In addition to the reinsurance coverage described above, the Company limits its aggregate exposure pursuant to the provisions of a whole account aggregate stop loss reinsurance agreement with Sirius International, an unauthorized, affiliated reinsurer. This agreement requires Sirius International to reimburse the Company for all losses and loss adjustment expenses exceeding a 70% loss ratio retention, subject to a limit of \$90 million. This agreement was approved by the Department in 2010. Sirius International was not required to reimburse the Company for any losses under this agreement during the exam period.

In May 2012, the Department approved the commutation of run off quota share reinsurance agreements ceded to Sirius International covering business written from 2005 to 2010. The commutation had no surplus impact, but resulted in a payment to Sirius International of approximately \$33 million.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. No exceptions were noted. The Company also reduces its provision for reinsurance pursuant to the provisions of Parts 125.4(e) or (f) of Department Regulation 20. Examination review indicated that the Company maintained the documentation required by the regulation.

All ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC Annual Statement Instructions.

The Company also had a retroactive reinsurance agreement in place which was entered into in 2006. This agreement was related to the acquisition of Stockbridge Insurance Company (“SIC”), whereby SIC transferred substantially all of its assets and liabilities to the Company under a transfer and assumption agreement. The Company transferred reserves totaling \$2,021,052 and paid no premium, resulting in a surplus gain of \$2,021,052. As of December 31, 2014, the Company reported a contra-liability in the amount of \$2,082,794 and segregated surplus in the same amount, as required under the provisions of SSAP No. 62.

D. Holding Company System

The Company is a member of the White Mountains Insurance Group, Ltd. The Company is a wholly owned subsidiary of Sirius International Holding Company, Inc., a New York Corporation, which is indirectly owned by Sirius International Insurance Corporation, a Swedish insurance company. They, in turn, are indirectly owned by Sirius International Insurance Group, Ltd., a Bermuda corporation and ultimately by White Mountains Insurance Group, Ltd., a publicly traded Bermuda corporation.

In 2011, White Mountains Insurance Group, Ltd. completed a rebranding and reorganization of its reinsurance business segment. As part of the reorganization, the Company, under its prior name of White Mountains Reinsurance Company of America, became an indirect wholly owned subsidiary of Sirius International.

A review of the Holding Company Registration Statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2014:

As of December 31, 2014, the Company was party to the following agreements with other members of its holding company system:

Capital Maintenance Agreement

The Company has a Capital Maintenance Agreement in effect with Sirius International since October 7, 2011. The agreement obligates Sirius International to make contributions to the Company's surplus if surplus goes below 125% of the company action level as defined in the NAIC Property/Casualty Risk Based Capital Report. The aggregate contributions that can be made over the life of this agreement is \$200 million. This agreement was approved by the Department on October 4, 2011.

Expense Allocation Agreements

The Company is a party to various expense allocation agreements with affiliates. The main agreement is dated January 1, 1997 and was amended numerous times to add or remove participating companies. In addition to Sirius America, the parties to the agreement as of December 31, 2014 were Sirius International Holding Company Inc., Oakwood Insurance Company, White Mountains Solutions, Inc., Empire Insurance Company, Woodbridge Insurance Company and Ashmere Insurance Company. The agreement provides for sharing of personnel, office space, equipment and other expenses to conduct business. The agreement and all amendments were submitted to the Department as required by Section 1505(d)(3) of the New York Insurance Law. Subsequent to this examination, an Amended and Restated Expense Allocation Agreement was put into effect on February 23, 2015. The new agreement was non disapproved by the Department on February 26, 2015.

The Company has several other expense sharing agreements with affiliates in place as of the examination date as follows:

<u>Agreement</u>	<u>Participants</u>
Services, Resources Support and Facilities Agreement, effective January 1, 2010.	Sirius Global Services LLC ("Sirius Global")
Transitional Services, Resources Support and Facilities Agreement, effective January 1, 2010.	Sirius International Insurance Corporation ("SIIC") and White Mountains Re Bermuda Ltd. ("WMRB")
Secondment, Resources Support and Facilities Agreement, effective February 1, 2013.	Sirius International Insurance Group, Ltd. ("SIIG") and HGR Patton Luxembourg - US Branch

Secondment, Resources Support and Facilities Agreement, effective February 1, 2013.	Sirius International Insurance Group, Ltd. ("SIIG") and HG Roosevelt Luxembourg - US Branch
Secondment, Resources Support and Facilities Agreement, effective February 1, 2013.	Sirius International Insurance Group, Ltd. ("SIIG") and TLP Holdings Luxembourg - US Branch
Services, Resources Support and Facilities Agreement, effective February 1, 2013.	Sirius International Insurance Group, Ltd. ("SIIG") and White Mountains Investments Luxembourg - US Branch

The above agreements were all submitted to the Department as required by Section 1505(d) of the New York Insurance Law.

Investment Management Agreement

The Company is a party to an investment management agreement with an affiliate, White Mountains Advisors LLC ("WMA"), whereby WMA manages the investment account of the Company on a continuous basis according to the Company's investment guidelines. The agreement was filed with the Department pursuant to Section 1505(d) of the New York Insurance Law.

Tax Allocation Agreement

As of December 31, 2014, the Company had a tax allocation agreement in place under which it filed a consolidated federal tax return with Sirius Re Holdings, Inc., Sirius International Holding Company, Inc., White Mountains Solutions, Inc., White Mountains Solutions Holding Company, Inc., Central National Insurance Company of Omaha, Oakwood Insurance Company, Woodbridge Insurance Company, Citation Insurance Company, Ashmere Insurance Company and Empire Insurance Company.

Subsequent to this examination, on November 16, 2015 the Tax Allocation Agreement was amended to remove Woodridge Insurance Company and Central National Insurance Company of Omaha.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2014, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	43.0%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	63.0%
Premiums in course of collection to surplus as regards policyholders	1.0%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$1,255,732,926	67.96%
Other underwriting expenses incurred	572,630,523	30.99
Net underwriting gain	<u>19,498,607</u>	<u>1.06</u>
Premiums earned	<u>\$1,847,862,056</u>	<u>100.00%</u>

F. Subsequent Events

Subsequent to this examination, on December 10, 2015, the Company paid an extraordinary dividend of \$85,000,000 to its immediate parent, SIHC. Simultaneously, the Company redeemed and retired 171 shares of common stock that resulted in a \$40,076,310 return of capital distribution to SIHC. As a result, the Company's authorized and issued shares were reduced from 2,311 to 2,140 and the par value per share was adjusted to \$2,336.46 resulting in common stock valued at \$5,000,024, post-stock repurchase and retirement. Concurrent with approval of the foregoing, the Company executed a stock split in order to increase the authorized and issued shares from 2,140 to 5,000 and adjusted the par value per share to \$1,000.00 resulting in common stock valued at \$5,000,000. These transactions were approved by the Department on October 16, 2015.

Subsequent to this examination, on August 31, 2015, China Minsheng Investment Co., Ltd., a private investment company incorporated under the laws of the People's Republic of China (“CMI”), its direct, wholly owned subsidiary, CM International Holding Pte. Ltd., a company with limited liability incorporated under the laws of Singapore (“CMIH”), and CMIH's direct, wholly owned subsidiary, CM Bermuda Limited, an exempted company with limited liability incorporated under the laws of Bermuda (“CMB,” and collectively with CMI and CMIH, the “Applicants”), submitted for approval from the Superintendent, pursuant to Section 1506 of the New York Insurance Law, an application to acquire control of Sirius America Insurance Company.

On April 15, 2016 the Department approved the Applicants’ request for acquisition of control of Sirius America, and on April 18, 2016, the Sirius International Insurance Group, Ltd. was sold to CM International Holding Pte., Ltd.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2014 as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 962,014,226	\$ 0	\$ 962,014,226
Common stocks (stocks)	251,133,520	0	251,133,520
Cash, cash equivalents and short-term investments	102,554,419	0	102,554,419
Other invested assets	59,359,875	2,350,048	57,009,827
Receivables for securities	11,470,392	32,275	11,438,117
Investment income due and accrued	5,977,551	0	5,977,551
Uncollected premiums and agents' balances in the course of collection	7,025,204	993,822	6,031,382
Deferred premiums, agents' balances and installments booked but deferred and not yet due	87,362,874	0	87,362,874
Accrued retrospective premiums	1,941,764	0	1,941,764
Amounts recoverable from reinsurers	7,330,187	0	7,330,187
Funds held by or deposited with reinsured companies	39,007,708	0	39,007,708
Net deferred tax asset	18,036,286	0	18,036,286
Electronic data processing equipment and software	625,774	0	625,774
Furniture and equipment, including health care delivery assets	535,455	535,455	0
Receivables from parent, subsidiaries and affiliates	10,000	0	10,000
Aggregate write-ins for other than invested assets	<u>1,643,094</u>	<u>1,643,094</u>	<u>0</u>
Totals	<u>\$1,556,028,329</u>	<u>\$5,554,694</u>	<u>\$1,550,473,635</u>

Liabilities, surplus and Other Funds

<u>Liabilities</u>	<u>Company</u>
Losses and loss adjustment expenses	\$ 741,233,545
Reinsurance payable on paid losses and loss adjustment expenses	10,177,006
Commissions payable, contingent commissions and other similar charges	5,457,520
Other expenses (excluding taxes, licenses and fees)	12,838,746
Current federal and foreign income taxes	5,252,063
Unearned premiums	82,800,430
Ceded reinsurance premiums payable (net of ceding commissions)	11,895,099
Funds held by company under reinsurance treaties	52,533,491
Amounts withheld or retained by company for account of others	15,165
Provision for reinsurance	1,958,655
Payable to parent, subsidiaries and affiliates	2,102,455
Payable for securities	144,554
Recoverable on ceded retroactive reinsurance contract	(2,082,794)
Allowance for uncollectible reinsurance receivables	988,737
Allowance for uncollectible reinsurance recoverables	4,327,002
Accounts payable	<u>244,233</u>
Total liabilities	\$ <u>929,885,908</u>
<u>Surplus and Other Funds</u>	
Surplus gain from retroactive reinsurance	\$2,082,794
Common capital stock	5,000,010
Gross paid in and contributed surplus	434,372,169
Unassigned funds (surplus)	<u>179,132,754</u>
Surplus as regards policyholders	\$ <u>620,587,727</u>
Totals	<u>\$1,550,473,635</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2010 through 2014. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

Net income for the five-year examination period, January 1, 2010 through December 31, 2014, was \$309,705,125 detailed as follows:

Underwriting Income

Premiums earned		\$1,847,862,056
Deductions:		
Losses and loss adjustment expenses incurred	\$1,255,732,926	
Other underwriting expenses incurred	<u>572,630,523</u>	
Total underwriting deductions		<u>1,828,363,449</u>
Net underwriting gain		19,498,607

Investment Income

Net investment income earned	\$188,006,817	
Net realized capital gain	<u>143,657,828</u>	
Net investment gain or (loss)		331,664,645

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ 40	
Foreign exchange gain / (loss)	(6,275,498)	
Surplus gain / (loss) from retroactive reinsurance	(61,741)	
Other income / (expenses)	(9,635,432)	
Interest on funds held for reinsurance agreements	<u>(3,831,961)</u>	
Total other income		<u>(19,804,592)</u>
Net income before dividends to policyholders and before federal and foreign income taxes		331,358,660
Federal and foreign income taxes incurred		<u>21,653,535</u>
Net Income		<u>\$309,705,125</u>

C. Capital and Surplus Account

Surplus as regards policyholders decreased \$211,433,351 during the five-year examination period, January 1, 2010 through December 31, 2014, detailed as follows:

Surplus as regards policyholders per report on examination as of December 31, 2009			\$832,021,079
	Gains in <u>Surplus</u>	Losses in <u>Surplus</u>	
Net income	\$309,705,125	\$ 0	
Net unrealized capital gains or (losses)	15,228,258		
Change in net unrealized foreign exchange capital gain (loss)		9,280,295	
Change in net deferred income tax		60,164,544	
Change in nonadmitted assets	46,348,138		
Change in provision for reinsurance	5,741,001		
Capital changes paid in	8		
Surplus adjustments paid in		332,838,762	
Dividends to stockholders		197,126,684	
Deferred tax adjustment	<u>10,954,404</u>	<u>0</u>	
Total gains /losses	<u>387,976,934</u>	<u>599,410,285</u>	
Net increase in surplus			<u>(211,433,351)</u>
Surplus as regards policyholders per report on examination as of December 31, 2014			<u>\$620,587,728</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$741,233,545 is the same as reported by the Company as of December 31, 2014. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55 (“SSAP No. 55”).

It was noted that the Actuarial Report underlying the Statement of Actuarial Opinion did not contain narrative and technical components relative to the Unallocated Loss Adjustment Expense (“ULAE”) reserves. Thus, it is recommended that the Company’s future actuarial reports contain both narrative and technical components in its entirety for the calculation of the ULAE reserves.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained five recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Holding Company</u>	
<u>Tax Allocation Agreement</u>	
It was recommended that the Company regularly update its tax allocation agreement as it adds and removes members.	13
The Company has complied with this recommendation.	
It was further recommended that the Company obtain the Department’s non-disapproval before amending the tax allocation agreement, as required pursuant to Section 1505(d)(3) of the New York Insurance Law and Department Circular Letter No. 33 (1979).	14
The Company has complied with this recommendation.	

ITEMPAGE NO.Expense Allocation Agreement

It was recommended that the Company submit to the Department for non-disapproval all agreements with other members of its holding company system involving the rendering of services on a regular or systematic basis, and any amendments thereto, at least thirty days prior to implementation, pursuant to the provisions of Section 1505(d) of the New York Insurance Law.

14

The Company has complied with this recommendation.

B. Accounts and RecordsCustodian Agreement

It is recommended that the Company establish custodial agreements that contain the safeguards and provisions suggested by the NAIC Financial Condition Examiner Handbook.

16

The Company has complied with this recommendation.

Deferred Tax Asset

It is recommended that the Company report the changes in the deferred tax asset in accordance with SSAP 10R, paragraph 10f.

17

The Company has complied with this recommendation.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS**ITEM****PAGE NO.****A. Losses and Loss Adjustment Expenses**

It is recommended that the Company's future actuarial reports contain both narrative and technical components in its entirety for the calculation of the unallocated loss adjustment expense (ULAE) reserves.

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Respectfully submitted,

Mary Meaney, AFE
Principal Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Mary Meaney, being duly sworn, deposes and says that the foregoing report, subscribed by her,
is true to the best of her knowledge and belief.

Mary Meaney

Subscribed and sworn to before me

this _____ day of _____, 2016.

APPOINTMENT NO. 31374

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **ANTHONY ALBANESE**, Acting Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Mary Meaney

as a proper person to examine the affairs of the

Sirius America Insurance Company

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York*

this 17th day of August, 2015

ANTHONY ALBANESE
Acting Superintendent of Financial Services

By:



Rolf Kaumann
Deputy Chief Examiner

