

REPORT ON EXAMINATION

OF

PARTNERRE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2015

DATE OF REPORT

MAY 24, 2017

EXAMINER

KAREN GARD, CFE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

May 24, 2017

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 31433 dated September 29, 2016, attached hereto, I have made an examination into the condition and affairs of PartnerRe Insurance Company of New York as of December 31, 2015, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate PartnerRe Insurance Company of New York.

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 administrative office located at One Greenwich Plaza, Greenwich, Connecticut 06830.

1. SCOPE OF EXAMINATION

The Department has performed a coordinated group examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2010. This examination covered the five-year period from January 1, 2011 through December 31, 2015. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

New York is the lead state of the PartnerRe Group. The examination was performed concurrently with the examinations of the following insurers: Partner Reinsurance Company of the U.S. (“PRUS”), a New York-domiciled company, and PartnerRe America Insurance Company (“PRAIC”), a Delaware-domiciled company. The State of Delaware participated in this examination.

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 current and 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, management’s compliance with New York Laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Company history
- Management and control
- Territory and plan of operation
- Holding company description
- Reinsurance
- Loss review and analysis
- Financial statement presentation
- Significant subsequent events
- Summary of recommendations

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

The Company originally entered the United States in 1936 as the United States Branch (“Branch”) of the Winterthur Swiss Insurance Company of Winterthur, Switzerland (“Winterthur”). Winterthur, founded in 1875, was one of the largest insurance companies in Switzerland. On September 8, 1989, the Branch was domesticated under the laws of New York with the transfer of all assets and liabilities of the former Branch to the newly formed insurer, Winterthur Reinsurance Corporation of America. In 1997, Winterthur and its worldwide affiliates were acquired by the Credit Suisse Group.

In October 1998, the Company’s common stock was acquired by PartnerRe U.S. Corporation (“PRUSC”), a Delaware domiciled holding company, which was ultimately owned by PartnerRe Ltd. (“PreLtd”). Subsequent to the acquisition, PRUSC contributed the capital stock of the Company to Partner Reinsurance Company of the U.S. (“PRUS”). Effective March 1, 1999, the name of the Company was changed to PartnerRe Insurance Company of New York.

In January 2012, PRUSC was contributed to PartnerRe Holding Europe Limited (“PreHEuro”) by PReLtd. As a result, the Company became an indirect, wholly-owned subsidiary of PReHEuro.

In April 2015, PReLtd announced the receipt of an unsolicited proposal from Exor N.V. and its controlling persons to acquire 100% of the outstanding common stock of PReLtd. After further negotiations, effective March 18, 2016, the Company became an indirect wholly-owned subsidiary of Exor N.V. and its controlling persons (for further detail, refer to section 5 of this report).

A. Corporate Governance

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. At December 31, 2015, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
William Ronald Babcock Annandale, NJ	Chairman, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
John Daniel Hickey New Canaan, CT	Executive Vice President, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Theodore Cuyler Walker Greenwich, CT	President and Chief Executive Officer, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Laurie Ann Desmet Guilford, CT	Executive Vice President and Chief Operations Officer, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
John Spencer Peppard Huntington, NY	Senior Vice President, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Thomas Lester Forsyth Wilton, CT	Executive Vice President, General Counsel and Corporate Secretary, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Richard Newell Sanford Wilton, CT	Executive Vice President, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.

As of December 31, 2015, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Theodore Cuyler Walker	President and Chief Executive Officer
Thomas Lester Forsyth	Executive Vice President, General Counsel and Corporate Secretary
Marta Juliana Shevchik	Senior Vice President, Chief Financial Officer and Treasurer
Laurie Ann Desmet	Executive Vice President and Chief Operations Officer

B. Territory and Plan of Operation

As of December 31, 2015, the Company was licensed to write business in 41 states and the District of Columbia. It is a qualified or accredited reinsurer in an additional nine states.

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 also authorized to transact workers' compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshore and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress, as amended; 33 USC Section 901 et seq. as amended) and as authorized by Section 4102(c) of the New York Insurance Law to reinsurance risks of every kind or description. In addition, the Company is licensed to do within this State the business of special risk insurance pursuant to Article 63 of the New York Insurance Law.

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13, 41 and 63 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$35,000,000.

From 1999 through 2003, the Company's operations consisted mainly of a small volume of assumed property and casualty reinsurance, which was ceded 100% to PRUS. From 2004 through 2009, the Company did not write any new business. In 2010, the Company began writing satellite (aircraft – all perils) business on a direct basis, which had previously been written by affiliate PARIS RE America Insurance Company (now known as PRAIC). Satellite coverage provides protection for large commercial satellites from ground to orbit and during the first year in orbit. During the examination period, the Company expanded its writings as an insurer and reinsurer of satellite business. All satellite risk premiums are from non-US territories.

The following schedule shows the direct and assumed premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Direct Premiums Written</u>	<u>Assumed from Non-Affiliates</u>	<u>Gross Premiums</u>
2011	\$4,415,808	\$4,980,566	\$ 9,396,374
2012	\$7,457,440	\$7,122,527	\$14,579,967
2013	\$8,432,719	\$2,819,654	\$11,252,373
2014	\$9,273,607	\$4,595,589	\$13,869,196
2015	\$7,645,220	\$1,865,925	\$ 9,511,145

Due to the large reinsurance program that was in place as of December 31, 2015 (described in section 2C of this report), the net exposure of the Company is significantly different than its direct and assumed exposure.

Assumed reinsurance accounted for approximately 20% of the Company's gross premium written at December 31, 2015. As noted above, during the period covered by this examination, the Company's assumed reinsurance business has increased since the last examination. The Company's assumed reinsurance consists of satellite coverage.

C. Reinsurance Ceded

The Company cedes 100% of all new and renewal business for underwriting years 1999 and subsequent to its parent, PRUS.

The Company limits its aggregate exposure pursuant to the provisions of a stop loss reinsurance agreement with Partner Reinsurance Company Ltd. ("PartnerRe Bermuda"). This agreement provides coverage for business written during the period from January 1, 2000 to December 31, 2005.

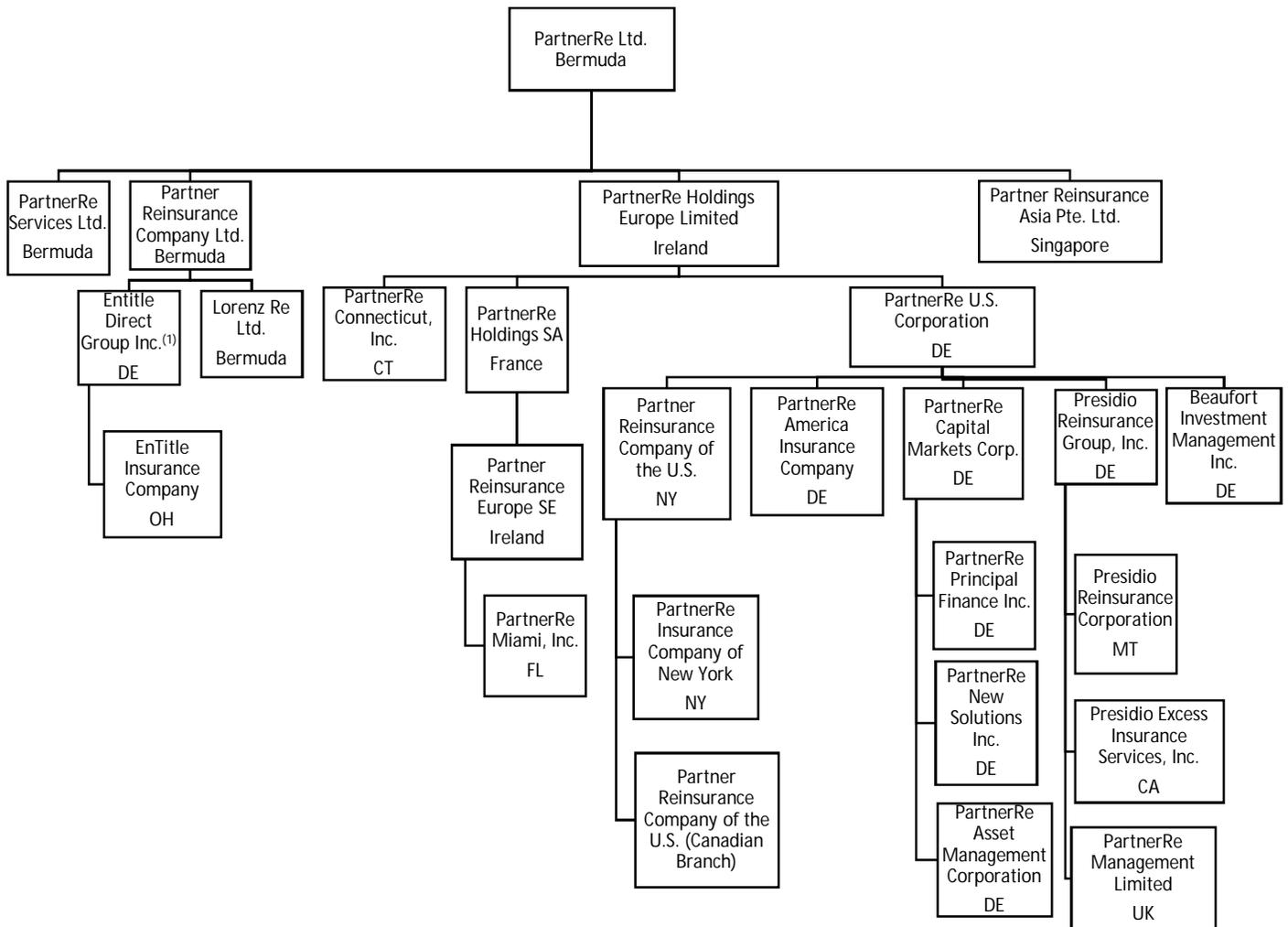
On December 31, 1998, the Company entered into a ceded loss portfolio transfer agreement with PartnerRe Bermuda, whereby the reinsurer agreed to assume 100% of the Company's loss and allocated loss adjustment expense reserves outstanding as of December 31, 1998 and relating to accident years 1998 and prior, excluding the business written by its then Canadian branch. The agreement transferred initial reserves in the amount of \$259,309,841, for which the Company paid \$259,309,841; therefore, there was no gain on this contract at inception. As of the examination date, the adjusted reserves transferred as reported by the Company were \$308,578,045, which resulted in a surplus gain to the Company in the amount of \$49,268,204, which is reported as a segregated surplus item. As of the examination date, there is a contra-liability in the amount of \$56,185,263 related to outstanding losses and loss adjustment expenses transferred under this agreement. This agreement was approved by the Department.

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 the material ceded reinsurance agreement transfers both underwriting and timing risk as set forth in SSAP No. 62R. Representations were supported by an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC Annual Statement Instructions.

D. Holding Company System

The Company is a member of the PartnerRe Group (“the Group”). The Company is a wholly-owned subsidiary of PRUS, a New York corporation. As of December 31, 2015, PRUS was ultimately controlled by PReLtd.

The following is an abridged chart of the holding company system at December 31, 2015:



⁽¹⁾ Partner Reinsurance Company Ltd. holds 36% of Entitle Direct Group Inc.

PReLtd was incorporated in Bermuda in August 1993, and is the ultimate holding company for the Group. PReLtd provides reinsurance and certain specialty insurance products on worldwide basis (approximately 150 countries) through its principal wholly-owned subsidiaries, including:

- PRUS,
- PRAIC,
- PartnerRe Bermuda,
- Partner Reinsurance Europe SE, and,
- Partner Reinsurance Asia Pte. Ltd.

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.

Holding Company Agreements

As of December 31, 2015, the Company was party to the following agreements with other members of its holding company system:

Service Agreements

Effective January 1, 2005, and as amended on March 5, 2010, the Company entered into a service agreement with PRUS. Pursuant to the terms of the agreement, PRUS provides the Company certain executive and administrative support services and other resources as required to conduct its corporate insurance and reinsurance business including, but not limited to, personnel, tax, administrative and office functions, legal, internal audit, claims, underwriting, accounting, information technology, and overall corporate management as needed and required by the Company.

The Company was also party to a Consulting Services Agreement, effective December 1, 2002 and amended on April 15, 2004, with PartnerRe New Solutions Inc.

Amended and Restated Advisement and Investment Agreement

Effective March 1, 2012, the Company, PRUS, and the Canadian branch of PRUS (collectively, “PRUS Group”) appointed PartnerRe Asset Management Corporation (“PRAM”) as their investment manager and attorney-in-fact to provide investment management, investment advice and recommendations with respect to those assets which comprise PRUS Group’s investment portfolios and externally managed fund investments, or similar assets (“PRUS Group Assets”). PRAM was granted full discretionary authority with respect to the investment and reinvestment of PRUS Group Assets, subject to specified terms and conditions and in accordance with the respective investment guidelines.

Tax Allocation Agreement

Effective March 25, 1988, and subsequently amended on numerous occasions, the Company is party to a tax allocation agreement with PRUSC and PRUSC's subsidiaries. The agreement was submitted to the Department pursuant to the provisions of Department Circular Letter No. 33 (1979).

Other

The Company was also party to the following agreement:

- Members of the PartnerRe Group International Data Transfer Agreement effective December 7, 2011 and amended on December 14, 2011, on June 14, 2012, and on November 26, 2014 with PReLtd.

All agreements subject to Section 1505(d) of the New York Insurance Law were filed with the Department as required.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2015 as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$110,880,620	\$ 0	\$110,880,620
Cash, cash equivalents and short-term investments	8,940,814	0	8,940,814
Investment income due and accrued	921,332	0	921,332
Uncollected premiums and agents' balances in the course of collection	455,693	0	455,693
Deferred premiums, agents' balances and installments booked but deferred and not yet due	183,917	0	183,917
Amounts recoverable from reinsurers	394,320	0	394,320
Funds held by or deposited with reinsured companies	5,570,783	0	5,570,783
Current federal and foreign income tax recoverable and interest thereon	32,780	0	32,780
Net deferred tax asset	630,800	305,930	324,870
Receivables from parent, subsidiaries and affiliates	149,850	0	149,850
Paid loss recoverable from loss portfolio transfer	652,901	0	652,901
Other assets	<u>1,988</u>	<u>0</u>	<u>1,988</u>
Total assets	<u>\$128,815,798</u>	<u>\$305,930</u>	<u>\$128,509,868</u>

Liabilities, Capital, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 61,728,516
Reinsurance payable on paid losses and loss adjustment expenses	370,449
Taxes, licenses and fees (excluding federal and foreign income taxes)	9,198
Advance premium	959,357
Ceded reinsurance premiums payable (net of ceding commissions)	4,693,027
Funds held by company under reinsurance treaties	(91,541)
Remittances and items not allocated	990,884
Provision for reinsurance	2,223,059
Payable for securities	4,266,285
Loss portfolio transfer	(56,185,263)
Assumed bad debt allowance	<u>173,000</u>
 Total liabilities	 \$ <u>19,136,971</u>

Capital, surplus and other funds

Loss portfolio transfer account	\$ 49,268,204
Common capital stock	6,000,000
Gross paid in and contributed surplus	13,000,000
Unassigned funds (surplus)	<u>41,104,693</u>
 Surplus as regards policyholders	 \$ <u>109,372,897</u>
 Total liabilities, capital, surplus and other funds	 \$ <u>128,509,868</u>

Note: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through tax year 2008. 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

The net income for the examination period as reported by the Company was \$8,499,127 as detailed below:

Underwriting Income

Premiums earned		\$ 429,163
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Deductions:

Losses and loss adjustment expenses incurred	\$ 4,948,714	
Other underwriting expenses incurred	<u>383,577</u>	

Total underwriting deductions		<u>5,332,291</u>
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Net underwriting gain or (loss)		(\$4,903,128)
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Investment Income

Net investment income earned	\$16,909,135	
Net realized capital gain	<u>2,543,235</u>	

Net investment gain or (loss)		\$19,452,370
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Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$2,629,615)	
Miscellaneous income	<u>39,927</u>	

Total other income		<u>(2,589,688)</u>
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Net income before foreign income taxes		\$11,959,554
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Federal and foreign income taxes incurred		<u>3,460,427</u>
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Net Income		\$ <u>8,499,127</u>
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C. Capital and Surplus

Surplus as regards policyholders decreased \$499,903 during the five year examination period January 1, 2011 through December 31, 2015 as reported by the Company, detailed as follows:

Surplus as regards policyholders per company as of December 31, 2010			\$109,872,800
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$8,499,127		
Net unrealized capital gains or losses		\$ 46,929	
Change in net deferred income tax	129,500		
Change in nonadmitted assets	486,235		
Change in provision for reinsurance		137,315	
Cumulative effect of changes in accounting principles	69,479		
Dividends to stockholders	<u>0</u>	<u>9,500,000</u>	
Total gains / losses	\$9,184,341	\$9,684,244	
Net increase (decrease) in surplus			<u>(\$499,903)</u>
Surplus as regards policyholders per company as of December 31, 2015			<u>\$109,372,897</u>

No adjustments were made to surplus as a result of this examination.

As of December 31, 2015, capital paid in was \$6,000,000 consisting of 300,000 shares of \$20 par value per share common stock. Gross paid in and contributed surplus was \$13,000,000. Gross paid in and contributed surplus remained the same during the examination period.

4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

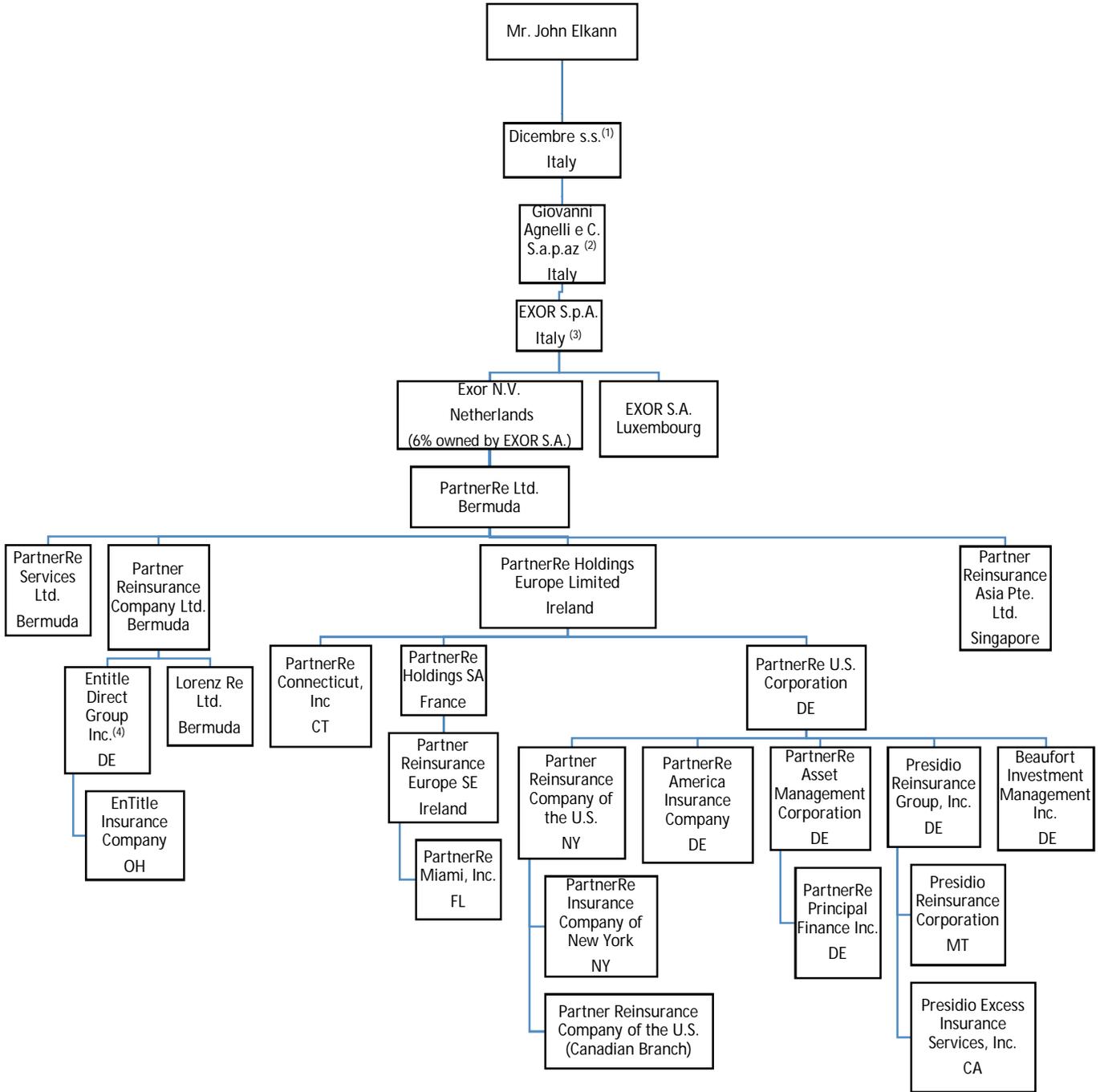
The examination liability for the captioned items of \$61,728,516 is the same as reported by the Company as of December 31, 2015. As described in section 2C of this report, the Company took credit for \$56,185,263 related to the ceded loss portfolio transfer agreement. The examination analysis of the 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”).

5. **SUBSEQUENT EVENTS**

Acquisition of Control

Effective March 18, 2016, the Company was acquired by Exor N.V. (f/k/a EXOR S.p.A.) and its controlling persons (“EXOR Group”). Exor N.V. is a European investment company that is publicly-traded in Italy. Its shares are majority-held by the Agnelli family. The ultimate controlling party of the EXOR Group is Mr. John Elkann.

The following is an abridged chart of the holding company system as of March 31, 2016:



(1) Owns 32.25% of downstream affiliate
 (2) Owns 51.87% of downstream affiliate
 (3) Owns 94% of Exor N.V.
 (4) Is 36% owned by upstream affiliate

Background

On January 25, 2015, PReLtd entered into an Agreement and Plan of Amalgamation (“Amalgamation Agreement”) with Axis Capital Holdings Limited, a Bermuda exempted company (“AXIS”), pursuant to which, upon the consummation of the transactions contemplated by the Amalgamation Agreement, the two companies were expected to amalgamate and continue as a single Bermuda exempted company.

On April 14, 2015, PReLtd announced the receipt of an unsolicited written proposal from the EXOR Group to acquire 100% of the outstanding common shares of PReLtd for \$130 per share in cash. On August 2, 2015, after subsequent negotiations with the EXOR Group, PReLtd entered into an Agreement and Plan of Merger with Exor N.V., Pillar Ltd. (a wholly owned subsidiary of Exor N.V.), and EXOR S.p.A. The transaction transpired with a merger (“the Merger”) of Pillar Ltd. with and into PReLtd, with PReLtd continuing as the surviving company and a wholly owned subsidiary of Exor N.V. Pursuant to the terms of the Merger, each PReLtd common share issued and outstanding immediately prior to the effective time of the Merger was automatically canceled and converted into the right to receive (i) \$137.50 in cash per share and (ii) a one-time special pre-closing cash dividend in the amount of \$3.00 per common share.

In connection with the execution of the Merger with the EXOR Group, the Amalgamation Agreement was terminated. On August 3, 2015, PReLtd paid AXIS a termination fee and reimbursement of expenses of \$315 million.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination did not contain any comments or recommendations.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

Karen Gard, CFE
Associate Insurance Examiner

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

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

Karen Gard

Subscribed and sworn to before me
this _____ day of _____, 2017.

APPOINTMENT NO. 31433

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, SHIRIN EMAMI, 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:

Moses Egbon

as a proper person to examine the affairs of the

Partner Re Insurance Company of New York

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 February, 2016

Shirin Emami

Acting Superintendent of Financial Services



By:



Rolf Kaumann
Deputy Chief Examiner