

REPORT ON EXAMINATION

OF THE

DMB&B USA INSURANCE, INC.

AS OF

DECEMBER 31, 2012

DATE OF REPORT

JANUARY 3, 2014

EXAMINER

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawskey
Superintendent

Honorable Benjamin M. Lawskey
Superintendent of Financial Services
Albany, New York 12257

January 3, 2014

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31051 dated September 13, 2013, attached hereto, I have made an examination into the condition and affairs of DMB&B USA Insurance, Inc. as of December 31, 2012, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate DMB&B USA Insurance, Inc. Wherever the designation “Parent” appears herein without qualification, it should be understood MMS USA Holdings, Inc. Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

1. SCOPE OF EXAMINATION

The examination covers the period from its inception, December 20, 2007 through December 31, 2012, and was limited in its scope to a review or audit of only those balance sheet items considered by this Department to require analysis, verification or description, including invested assets, and losses and loss adjustment expense reserves. The examination included a review of income, disbursements and Company records deemed necessary to accomplish such analysis or verification. Additionally, a review was performed to determine whether the captive insurer was operating within its by-laws, conforming with its plan of operation, as submitted to the New York State Department of Financial Services, and was in compliance with Article 70 of the New York Insurance Law.

Comments and recommendations are limited to those items requiring financial adjustment, procedural recommendations, or instances where the Company was not conforming to the application submitted to the Department or Article 70 of the New York Insurance Law.

The report utilized work performed by the Company's independent certified public accountants and its opining actuary to the extent considered appropriate.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of New York State as a captive insurance company on December 5, 2007 and commenced business on December 20, 2007. The Company is a wholly-owned subsidiary of MMS USA Holdings, Inc., a holding company for the US subsidiaries of Publicis Groupe S.A. (the Ultimate Parent Company). Publicis Groupe S.A. is a French société anonyme.

A. Articles of Incorporation

The Company is organized to transact the kinds of insurance specified in Section 1113(a) of the New York Insurance Law, subject at all times to the limitations on the business of pure captive insurance companies set forth in Article 70 of the New York Insurance Law.

B. By-Laws

The examination revealed that the Company is in compliance with its by-laws in all material respects.

C. Capital Structure

As a pure captive insurance company incorporated as a mutual insurer, the Company is required to maintain surplus as regards policyholders of not less than \$250,000 pursuant to the provisions of Section 7004(a) (2) of the New York Insurance Law.

As of December 31, 2012, the Company's paid in capital was \$100,000 consisting of 100,000 shares of \$1.00 par value per share common stock and its surplus as regards policyholders was \$217,340,571.

D. Corporate Records

The corporate records reviewed appear to be substantially accurate and complete in all material respects.

E. Reinsurance

As of December 31, 2012, the Company did not cede any reinsurance nor assume reinsurance.

F. Management and Control

(i) Captive Manager

Section 7003(b)(4) of the New York Insurance Law provides that no captive insurer shall do any captive insurance business in this state unless it utilizes a captive manager resident in the State of New York that is licensed as an agent or broker under the provisions of the Article 21 of the New York Insurance Law, or any other person approved by the Superintendent.

Effective December 17, 2007, the Company is managed by Willis of New York, Inc. ("Willis"), which is licensed as a broker by the New York Department of Financial Services.

Pursuant to the Management Agreement between the Company and Willis, Willis shall render the following services to the Company:

- Provide the Company with such services in connection with all business transactions relating to insurance operations and activities undertaken by the Company;
- Act as liaison between the Board and the State of New York for any Business Plan changes and any other items that require State of New York notification or approval;
- Arrange for the investment of the Company's funds in accordance with guidelines issued to the Manager from time to time by the Board;
- Maintain and operate bank accounts for the proper conduct of the insurance operations of the Company;
- Ensure that there are established such books of account and records as are necessary to conform with the laws of New York relating to insurance companies;
- Carry out all duties and obligations imposed by the laws of New York;
- Act as liaison with Company tax consultants to ensure that overall goals and strategies of the program are being satisfied.

(ii) Board of Directors

Pursuant to the Company's charter, management of the Company is vested in a board of directors consisting of not less than three members nor more than ten. At December 31, 2012, the board of directors was comprised of the following four members, two of whom are residents of New York State:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Louis Antonucci, Jr. Nesconset, NY	Chief Executive Officer, ReSources, USA Inc.
Richard W. Meehan Little Silver, NJ	Senior Vice President ReSources, USA Inc.
Frederic Lucas Rueil, France	Risk and Insurance Manager Publicis Groupe
Bob Bastian Baldwin, NY	Vice President ReSources, USA Inc.

During the period covered by this examination, the board held one meeting each year. A review of the meeting minutes during the examination period indicated that all the board meetings were generally well attended.

The Company was in compliance with its By-laws and Section 7003(b) (2) and 7005(g) of the New York Insurance Law.

(iii) Officers

As of December 31, 2012, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Louis Antonucci	President
David Guerino	Vice President
Bob Bastian	Secretary
Karen Kennedy	Assistant Secretary
Richard W. Meehan	Treasurer
Raymond Salort	Assistant Treasurer

G. Certified Public Accountant (“CPA”) and Actuarial Services

The Company was audited by the independent CPA firm Ernst & Young, LLP for the years 2008-2012. The Company’s opining actuary as of December 31, 2012 was Willis Casualty Actuarial Practice, One World Financial Center, 7th Floor New York, NY 10281.

H. Growth of Company

The following schedule sets forth a summary of the Company’s significant financial information for the period covered by this examination:

<u>Year</u>	<u>Net Premiums Earned</u>	<u>Net Income</u>	<u>Assets</u>	<u>Shareholders’ Equity</u>
2008	\$64,141,644	\$42,613,546	\$150,707,128	\$ 62,627,547
2009	62,100,000	40,258,483	191,254,066	102,886,030
2010	67,355,715	44,307,479	259,558,896	147,193,509
2011	62,556,145	39,574,687	262,315,903	186,768,196
2012	51,781,489	30,572,375	309,665,879	217,340,571

3. FINANCIAL STATEMENTS

With the Department's permission, the Company's financial statements have been prepared in conformity with generally accepted accounting principles, which differ from statutory accounting principles prescribed or permitted by the Department for insurance companies. The Company's independent CPA firm concluded that the following financial statements present fairly, in all material respects, the Company's financial position as of December 31, 2012.

A Balance Sheet

Assets

Cash and cash equivalents	\$ 975,280	
Loans to affiliate	304,681,710	
Accrued interest-affiliate	25,002	
Premium receivable-affiliate	302,820	
Deferred policy acquisition costs	157,670	
Deferred tax assets	3,516,022	
Miscellaneous receivable	<u>7,375</u>	
Total Assets		<u>\$309,665,879</u>

Liabilities

Losses and loss adjustment expenses	\$ 2,250,034	
Unearned premiums	50,059,335	
Federal income tax payable	37,113,218	
Due to parent company	2,846,931	
Accrued expenses	<u>55,790</u>	
Total liabilities		92,325,308

Capital and Surplus

Common stock	\$ 100,000	
Additional paid in capital	19,914,001	
Surplus (Accumulated earnings)	<u>197,326,570</u>	
Total capital and surplus		<u>217,340,571</u>
Total liabilities and capital surplus		<u>\$309,665,879</u>

B. Statement of Income

The Company's capital and surplus increased \$217,340,571 during the five-year and twelve day examination period detailed as follows:

STATEMENT OF INCOME

Revenues:

Net premiums earned	\$307,934,993	
Net investment income	5,696,686	
Miscellaneous income	<u>1,255,369</u>	
Total revenues		\$314,887,048

Expenses:

Net losses and net loss adjustment expenses	\$ 8,639,791	
Premium taxes	1,974,705	
Management fees	350,000	
Audit fees	45,000	
Professional fees	295,093	
Other expenses	<u>3,122</u>	
Total expenses		<u>11,307,711</u>

Net income before tax		\$303,579,337
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Federal income tax (current)	\$109,768,789	
Federal income tax (deferred)	<u>(3,516,022)</u>	
Total income tax expense		<u>106,252,767</u>

Net income		<u>\$197,326,570</u>
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C. Capital and Surplus Account

Capital and surplus as of December 20, 2007		\$ 0
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	<u>Gains in surplus</u>	
Net income	\$197,326,570	
Issuance of common stock	100,000	
Capital contribution	<u>19,914,001</u>	
Net increase in surplus		<u>\$217,340,571</u>
Capital and surplus as of December 31, 2012		<u>\$217,340,571</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2012, the Company reported total loss and loss adjustment expense reserves of \$2,250,034. The Company's opining actuary stated the following in its Statement of Actuarial Opinion:

In my opinion, based on the formal actuarial analysis and information provided by Willis Captive Management and DMB&B USA Insurance, Inc. and/or the authorized agents of DMB&B USA Insurance Inc., the \$2,250,034 loss and loss expense reserve amount carried on the balance sheet as of December 31, 2012 make reasonable provision for all unpaid loss and loss expense obligations for exposure insured by DMB&B USA Insurance, Inc.

Totally, in my opinion, the amounts carried in Exhibit A: Scope on account of the items identified:

- Meet the relevant requirements of the insurance laws of New York.
- Are computed in accordance with accepted actuarial standards and principles.
- Make a reasonable provision in the aggregate for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

5. ARTICLE 70 COMPLIANCE

Article 70 of the New York State Insurance Law is the governing section of the law for the formation and continued operation of captive insurers in New York State. A review was performed to test the Company's compliance with all applicable parts of Article 70 of the New York Insurance Law. No significant areas of non-compliance were found.

6. ORGANIZATIONAL STRUCTURE

The Company is wholly owned subsidiary of MMS USA Holdings, Inc which is a holding company for the US subsidiaries of Publicis Groupe S.A., a French société anonyme. Publicis Groupe S.A. is the third largest communications group in the world. It offers a full range of services and skills including digital, creative services, public affairs, corporate communications and events, media strategy and healthcare communications with Publicis Healthcare Communications Group.

7. INSURANCE PROGRAM

The Company provides property coverage related to exposures under the Terrorism Risk Insurance Program Reauthorization Act (“TRIPRA”) and related Nuclear, Biological, Chemical and Radiological acts of Terrorism (“NBCR”) to its parent company and affiliates on a direct basis. The Company also provides directors and officers liability, professional liability, employment practices liability, property and business interruption and crime coverages to its parent company and affiliates. Additionally, the Company also provides production wrap up coverage, which provides reimbursement of the deductible and loss adjustment expense payments paid by the insured under the terms of the primary insurer’s production package, errors and omissions and non-owned aircraft policies issued to the affiliates of ReSources USA, Inc. The following insurance policies were written by the Company during the examination period and were renewed under the same terms for the period of December 20, 2012 to December 20, 2013.

Integrated Risk Policy

Integrated Risk provides reimbursement for self-insured retentions as listed below. The aggregate limit of liability for this policy is \$400,000,000:

Coverage	Limit of liability Per occurrence	Limit of liability Aggregate	Deductible
Bad debt/credit risks	\$100,000,000	\$100,000,000	\$1,000,000
Electromagnetic radiation	\$100,000,000	\$100,000,000	\$1,000,000
Reputation risk	\$50,000,000	\$100,000,000	\$1,000,000
Loss of key customers/suppliers	\$50,000,000	\$100,000,000	\$1,000,000
Loss of key person/team	\$50,000,000	\$100,000,000	\$1,000,000
Casting/Talent contracts	\$50,000,000	\$100,000,000	\$1,000,000
Regulatory/political risks	\$50,000,000	\$100,000,000	\$1,000,000
Intellectual Property	\$50,000,000	\$100,000,000	\$1,000,000
Travel health risks	\$50,000,000	\$100,000,000	\$1,000,000

Production Related Deductible Reimbursement policy

In April 2012, the Company began to write Production Related Deductible Reimbursement policy which provides insurance covering the deductible portion of errors and omission and non-owned aircraft liability as well as production policies written by an outside insurer, with limits of \$25,000 and \$5,000 respectively. The limits of the production policies vary.

Deductible Buy Back Policy

The Company provides insurance covering the deductible and loss adjustment expense payment portion of directors and officers liability, professional liability, employment practices liability, property and business interruption, and crime policies written by an outside insurer, with limits of \$100,000, \$500,000, \$600,000, \$25,000 and \$500,000 , respectively.

Excess Policy

The Company provides coverage for loss and loss adjustment expenses for loss incurred above the primary director and officers' liability, professional liability, employment practices liability, fiduciary liability and crime policies written by outside insurers. Details of the policy are as follows:

<u>Coverage</u>	<u>Limit of liability</u>
Directors and officers	\$100,000,000 per Occurrence/Aggregate in excess of \$90,000,000
Professional liability	\$70,000,000 per Occurrence/Aggregate in excess of \$30,000,000
Employment practices liability	\$25,000,000 per Occurrence/Aggregate in excess of \$25,000,000
Fiduciary liability	\$50,000,000 per Occurrence/Aggregate in excess of \$20,000,000
Crime	\$75,000,000 per Occurrence/Aggregate in excess of \$25,000,000

Terrorism Risk and Nuclear, Biological, Chemical and Radiological acts of Terrorism

The Company insures against all risks of direct physical loss or direct physical damage to tangible insured property on the insured locations. The limit for Terrorism excluding Nuclear, Biological Radiology and Chemical (“NBCR”) events is \$350,000,000 per occurrence and in the aggregate, in excess of \$100,000,000. The Limit for Terrorism solely on NBCR is \$350,000,000 per occurrence and in the aggregate.

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report contains no comments or recommendations.

Respectfully submitted,

_____/s/
Wei Cao
Senior Insurance Examiner

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

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

_____/s/
Wei Cao

Subscribed and sworn to before me
this _____ day of _____, 2013.

APPOINTMENT NO. 31051

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, 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:

Wei Cao

as a proper person to examine the affairs of the

DMB&B USA Insurance, Inc.

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

COMPANY

with such other information as he shall deem requisite.

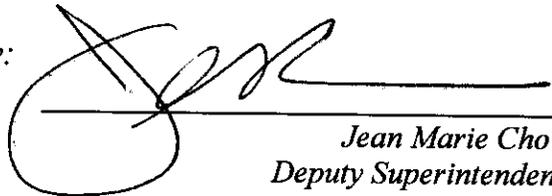
In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 13th day of September, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services



By:



Jean Marie Cho
Deputy Superintendent