

REPORT ON EXAMINATION

OF THE

WALL AND BROAD INSURANCE COMPANY

AS OF

DECEMBER 31, 2013

DATE OF REPORT

APRIL 26, 2016

EXAMINER

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TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	2
	A. Articles of incorporation	3
	B. By-laws	3
	C. Capital structure	3
	D. Corporate records	3
	E. Operations	3
	F. Management and control	5
	G. Certified public accountant	7
3.	Financial statements	8
	A. Balance sheet	8
	B. Statement of income	9
	C. Capital and surplus account	10
4.	Losses and loss adjustment expenses	10
5.	Article 70 compliance	11
6.	Organizational structure	11
7.	Summary of comments and recommendations	13



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Acting Superintendent

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

April 26, 2016

Madam:

Pursuant to the requirements of the New York Insurance Law and in compliance with the instructions contained in Appointment Number 31238 dated October 24, 2014, attached hereto, I have made an examination into the condition and affairs of Wall and Broad Insurance Company as of December 31, 2013, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Wall and Broad Insurance Company.

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 the Company's commencement of business on June 1, 2008 through December 31, 2013, and was limited in its scope to a review or audit of only those balance sheet items considered by this Department to require analysis or verification. Transactions occurring subsequent to this period were reviewed where deemed appropriate. The examination included a review of 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 Department, and was in compliance with Article 70 of the New York Insurance Law ("the 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 Law.

The report utilized work performed by the Company's independent certified public accountant 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 May 28, 2008, and commenced business on June 1, 2008. The Company is a wholly-owned subsidiary of NYSE Euronext Holdings LLC. On November 13, 2013, Intercontinental Exchange Inc. ("ICE") acquired NYSE Euronext Holdings LLC for a combination of \$11.1 billion in cash and stock. After the acquisition, NYSE Euronext Holdings LLC became a wholly-owned subsidiary of ICE. Under the new corporate structure, the Company remained a wholly-owned subsidiary of NYSE Euronext Holdings LLC with ICE as its ultimate parent.

Subsequent to the examination period, on June 2, 2014, NYSE Euronext Holdings LLC changed its name to NYSE Holdings LLC.

Intercontinental Exchange, Inc. is a leading global network of exchanges and clearing houses that is publicly-traded on the New York Stock Exchange under the symbol "ICE."

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 Law.

B. By-Laws

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

C. Capital Structure

As a pure captive insurance company incorporated as a stock insurer, the Company is required to maintain a total surplus as regards policyholders of not less than \$250,000, of which \$100,000 shall represent paid-in capital pursuant to the provisions of Section 7004(a)(1) of the Law.

As of December 31, 2013, the Company's paid in capital was \$250,000, consisting of 100,000 shares of common stock with a par value of \$1 per share and an additional paid-in amount of \$150,000. The Company had accumulated earnings of \$2,389,525, for a total capital and surplus (surplus as regards policyholders) of \$2,639,525.

D. Corporate Records

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

E. Operations

The Company commenced operations on June 1, 2008 and provides property, errors and omissions, workers' compensation and general liability coverage to its immediate parent and its U.S. subsidiaries. Subsequent to the examination date, coverage was expanded to include the ultimate parent. The Company provides:

- Workers' compensation and employer's liability coverage. Policy limits of \$500,000 per occurrence with a \$2,000,000 annual aggregate;
- General liability coverage. Policy limits of \$500,000 per occurrence;

- Errors and omissions coverage related to the deductible portion of the immediate parent’s external reinsurance contract. Policy limits through July 15, 2013, were the lesser of \$2.4 million excess of \$100,000 per each wrongful act/each claim or the maximum deductible payment required under the applicable policy. Effective July 15, 2013, policy limits were increased to \$3.9 million excess of \$100,000;
- All risk global property policy, with an all risk property limit of \$700 million. The Company cedes 100% of the property program to unaffiliated reinsurers;
- Terrorism Coverage
 - Terrorism Risk Insurance Program Reauthorization Act (“TRIPRA”), “certified loss,” with a limit of \$700 million and a business interruption sublimit of \$200 million. In the event of a certified loss, the Company would be reimbursed for 85% of the loss by the federal government. The Company would cede the remaining 15% to unaffiliated reinsurers.
 - “Non-certified loss” terrorism with a limit of \$300 million. One hundred percent of a non-certified loss would be ceded to unaffiliated reinsurers.

TRIPRA was signed into law on December 2007. It kept in place the basic framework of the Terrorism Risk Insurance Act (“TRIA”) enacted in 2002, and extended in 2005 by the Terrorism Risk Insurance Extension Act (“TRIEA”), and extended the federal backdrop for terrorism exposure until December 2014. On January 12, 2015, after an 11 day lapse, the Terrorism Risk Insurance Program Reauthorization Act of 2015, which extends the federal backdrop program for an additional six years through December 31, 2020, was signed into law.

Under this federal program, property and casualty insurers can offer coverage for incidents of international and domestic terrorism. Coverage under the program is triggered once a loss from a “Certified Act of Terrorism” occurs. A certified act of terrorism is when the Treasury Secretary, in concurrence with the Secretary of State and the Attorney General, certify that an incident meets the definition of an act of terrorism.

Non-certified acts are those that are not certified under the TRIA.

The following chart details the Company's gross and ceded premiums:

Coverage	Policy Period	Premium		
		Direct	Ceded	Net
Workers' Compensation	6/1/13 – 6/1/14	\$700,000	\$0	\$700,000
General Liability	6/1/13 – 6/1/14	\$100,000	\$0	\$100,000
Errors and Omissions	7/15/12 – 7/1/13 7/1/13 – 7/1/14	\$303,800	\$0	\$303,800
All Risk Global Property	6/1/13 – 6/1/14	\$1,626,690	\$1,520,183	\$106,507

F. Management and Control

(i) Captive Manager

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

Since the Company's inception, it has been managed by Aon Insurance Managers (USA) Inc. ("Aon"), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, effective June 1, 2008, Aon has the responsibility for providing the Company with underwriting, administrative and other general management and operational services for a fee. These responsibilities include assisting the Company in complying with the rules, regulations and requirements of the Captive Act and the preparation of the annual financial report required by the Department.

(ii) Board of Directors

Pursuant to the Company's by-laws, management of the Company is vested in a board of directors consisting of not less than three members, of which at least two shall at all times be residents of New York State. At December 31, 2013, the board of directors was comprised of the following three members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Kevin McClear Hinsdale, IL	Chief Corporate Risk Officer, Intercontinental Exchange, Inc.
Thomas Farley New York, NY	Chief Operating Officer, Intercontinental Exchange Group Inc.
Audrey Hirschfield Scarsdale, NY	Senior Vice President & General Counsel, ICE Futures U.S., Inc.

In accordance with its by-laws and Section 7003(b)(2) of the Law, the board of directors met once annually. A review indicated that the meetings were well attended.

(iii) Officers

As of December 31, 2013, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Kevin McClear	President
Janet M. McGinness	Secretary
Patrick F. Boyle	Treasurer

Subsequent to the examination date, Janet M. McGinness and Patrick F. Boyle left the Company and were replaced in their respective positions by Elizabeth King and Martin Hunter.

G. Certified Public Accountant (“CPA”)

PricewaterhouseCoopers LLP completed an audit of the Company for each year from 2008 through 2011. For the years ending 2012 and 2013, audits of the Company were completed by the independent CPA firm Crowe Horwath, LLP, 105 Continental Place, Suite 200, Brentwood, TN 37024. In the Company’s audited financial statement at December 31, 2013, Crowe Horwath, LLP states the following:

“In our opinion, the financial statements... present fairly, in all material respects, the financial position of Wall and Broad Insurance Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.”

3. FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America.

A. Balance Sheet

Assets

Cash	\$5,289,830
Ceded reinsurance	628,898
Prepaid expenses	8,910
Accrued interest	257
Prepaid NY premium taxes	2,324
Deferred acquisition taxes	4,016
Federal income taxes receivable from parent	57,888
Deferred income taxes	<u>153,559</u>

Total Assets		<u>\$6,145,682</u>
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Liabilities

Reserve for loss and loss adjustment expenses	\$2,383,261
Unearned premium	1,003,918
Related party payable	70,874
Accounts payable and accrued expenses	<u>48,104</u>

Total liabilities		3,506,157
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Capital and Surplus

Common stock	\$100,000
Additional paid-in capital	150,000
Surplus (accumulated earnings)	<u>2,389,525</u>

Total capital and surplus		<u>2,639,525</u>
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Total liabilities and capital surplus		<u>\$6,145,682</u>
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B. Statement of Income

The Company's net income for the examination period was \$2,389,525 as detailed below:

Underwriting Income

Net premiums earned		\$11,182,313
Deductions:		
Loss and loss adjustment expenses incurred	\$6,696,880	
General and administrative expenses	761,242	
Policy acquisition expenses	<u>87,570</u>	
Total underwriting deductions		<u>7,545,692</u>
Net underwriting gain or (loss)		\$ 3,636,621

Investment Income

Net investment income	<u>39,570</u>	
Investment income		<u>39,570</u>
Net income before tax		3,676,191
Federal income tax expenses		<u>1,286,666</u>
Net income		\$ <u>2,389,525</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$2,639,525 during the period covered by this examination, detailed as follows:

Capital and surplus as of June 1, 2008			\$0
	<u>Gains in</u> <u>surplus</u>	<u>Losses in</u> <u>surplus</u>	
Net income	\$2,389,525	\$0	
Issuance of common stock	100,000		
Additional paid in capital	<u>150,000</u>		
Net increase in surplus			<u>2,639,525</u>
Capital and surplus as of December 31, 2013			<u>\$2,639,525</u>

4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

As of December 31, 2013, the Company reported total loss and loss adjustment expense reserves of \$2,383,261 (\$2,107,039 of the loss reserve related to the Workers' Compensation line of business). The Company's opening actuarial firm, Willis HRH Casualty Actuarial, 26 Century Blvd, Nashville, TN 37214, stated the following in its Statement of Actuarial Opinion:

"In my opinion, the total amount of \$2,383,261 carried for loss and loss adjustment expense on the December 31, 2013 Balance Sheet of Wall and Broad Insurance Company on account of the coverage identified above, resulting in a net reserve, after \$0 reinsurance recoverable, of \$2,383,261:

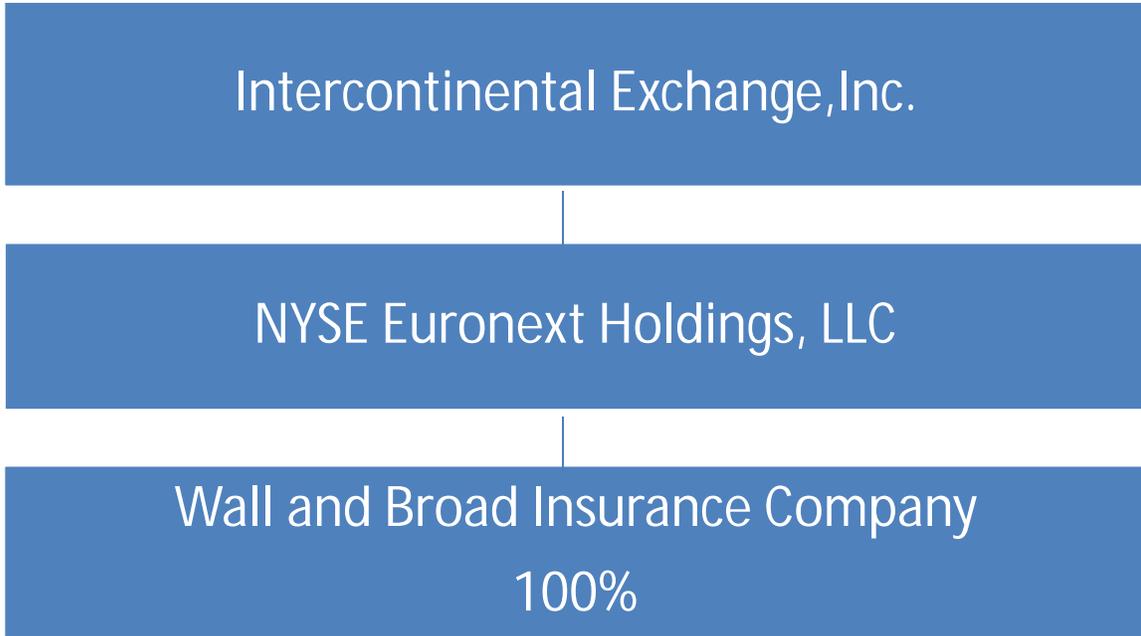
- Meet the requirements of the captive insurance laws of New York.
- Is computed in accordance with accepted loss reserving standards and practices.
- Is within a reasonable range of the actuarial central estimate to make provision for all unpaid loss and loss adjustment expense obligations of Wall and Broad Insurance Company for coverage defined within this opinion and under the terms of the policies and agreements provided to me for review."

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. No significant areas of non-compliance were found.

6. ORGANIZATIONAL STRUCTURE

The following is an abridged organizational chart of Wall and Broad Insurance Company's holding company system as of December 31, 2013:



7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations in this report.

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 _____, 2015.

APPOINTMENT NO. 31238

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

Wall and Broad 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 24th day of October, 2014

*BENJAMIN M. LAWSKY
Superintendent of Financial Services*

By:



*Rolf Kaumann
Deputy Chief Examiner*

