

REPORT ON EXAMINATION

OF

21CF INSURANCE SERVICES, INC.

AS OF

DECEMBER 31, 2013

DATE OF REPORT

APRIL 27, 2015

EXAMINER

WEI CAO

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

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

April 27, 2015

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31239 dated October 24, 2014, attached hereto, I have made an examination into the condition and affairs of 21CF Insurance Services, Inc. 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 21CF Insurance Services, Inc. Wherever the designation "the Parent" appears herein without qualification, it should be understood to refer to Twenty-First Century Fox, Inc., which owns 100% of the 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 commencement of business by the Company on June 26, 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 after 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 accountants 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 22, 2008, as News Corporation Insurance Company. The Company was a wholly-owned subsidiary of its then parent, News Corporation (New Corp.). On June 28, 2013, News Corp. separated its business into two independent publicly traded companies (News Corporation and Twenty-First Century Fox, Inc.). Twenty-First Century Fox, Inc. remained the ultimate parent of News Corporation Insurance Company, which was renamed to 21CF Insurance Services, Inc.

### A. Articles of Incorporation

The Company is organized to transact the kinds of insurance specified in Section 1113(a) and Section 1114 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 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 \$800,250,000, consisting of 100,000 shares of \$1 par value per share common stock and an additional paid-in amount of \$800,150,000. The Company had accumulated earnings of \$863,639,194, for a total capital and surplus of \$1,663,889,194.

D. Corporate Records

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

E. Operations

As of December 31, 2013, the Company provided the following insurance coverage to its Parent and all its subsidiaries:

<u>Policy coverage</u>	<u>Per Occurrence/Policy Limits</u>	<u>Policy period</u>
Political Risk Insurance	\$100,000,000 per occurrence	June 30, 2013-June 30, 2014
Excess Liability Insurance	\$300,000,000 in excess of \$200,000,000 per occurrence and in the aggregate	June 30, 2013-June 30, 2014
Excess business Interruption	\$900,000,000 in excess of \$100,000,000 per occurrence	June 30, 2013-June 30, 2014
Excess Earthquake	\$750,000,000 per occurrence, in excess of different limits which vary by location	June 30, 2013-June 30, 2014
Terrorism Insurance (NBCR)	\$1,000,000,000 per occurrence	June 30, 2013-June 30, 2014

During the period covered by this examination, the Company did not assume nor cede any business.

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 Article 21 of the Law, or any other person approved by the Superintendent.

During the period covered by this examination, the Company was managed by Marsh Management Services Inc. (Marsh), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a Management Agreement, Marsh has the responsibility for providing the Company with recordkeeping, policy services and other general management and operational services for a fee. These responsibilities also include assisting the Company in complying with the rules and regulations, the requirements of the Law and advising on insurance programs.

(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. As of December 31, 2013, the board of directors was comprised of the following five members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John M. Egan Harrison, NY	Vice President - Global Risk Management, Twenty-First Century Fox, Inc.
Paul Haggerty Chappaqua, NY	Executive Vice President - Finance, Twenty-First Century Fox, Inc.
Lauren Kanter Short Hills, NJ	Vice President & Associate General Counsel, Twenty-First Century Fox, Inc.
Paula Wardynski New York, NY	Senior Vice President - Finance, Twenty-First Century Fox, Inc.
Nisala Weerasooriya Lake Grove, NY	Senior Vice President, Marsh Management Services, Inc.

(iii) Officer

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

<u>Name</u>	<u>Title</u>
John M. Egan	President
Paul Haggerty	Vice President
Paula Wardynski	Treasurer
Lauren B. Kanter	Secretary
Nisala M. Weerasooriya	Assistant Secretary & Assistant Treasurer

G. Certified Public Accountant

The board of directors met at least once every year for the period covered by this examination. A review of the meeting minutes indicated that all meetings were well attended.

Ernst & Young LLP. (E&Y) was the Company's independent certified public accounting firm for the entire period covered by this examination. In its audited financial statement at December 31, 2013, E&Y states that the Company's statutory-basis financial statements presented fairly, in all material respects, the financial position of the Company.

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 SheetAssets

Letter of credit	\$250,000
Deferred premium tax	126,591
Prepaid expenses	15,209
Notes receivable from Parent	<u>1,785,495,710</u>

Total assets	<u>\$1,785,887,510</u>
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Liabilities

Unearned premium	\$79,528,425
Federal income tax payable to Parent	42,056,706
Accounts payable and accrued expenses	<u>413,185</u>

Total liabilities	<u>\$121,998,316</u>
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Capital and Surplus

Common stock	\$100,000
Paid-in surplus	800,150,000
Surplus (accumulated earnings)	<u>863,639,194</u>

Total capital and surplus	<u>\$1,663,889,194</u>
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Total liabilities, capital and surplus	<u>\$1,785,887,510</u>
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B. Statement of Income

The Company's net income for the five-year and one hundred and eighty-nine-day period covered by this examination was \$863,639,194, detailed as follows:

STATEMENT OF INCOME

Underwriting Income

Net premiums earned		\$909,450,742
Deductions:		
General and administrative expenses	\$646,223	
Underwriting expenses	<u>4,617,176</u>	
Total underwriting deductions		<u>5,263,399</u>
Net underwriting gain or (loss)		\$904,187,343

Investment Income

Net investment income		<u>424,488,339</u>
Net income before tax		\$1,328,675,682
Federal income tax expenses		<u>465,036,488</u>
Net income		<u>\$863,639,194</u>

C. Capital and Surplus Account

Capital and surplus as of June 26, 2008			\$0
	Increase in <u>surplus</u>	Decrease in <u>surplus</u>	
Net income	\$863,639,194	\$0	
Issuance of common stock	100,000		
Additional paid in capital	<u>800,150,000</u>	_____	
Net increase in surplus			<u>1,663,889,194</u>
Capital and surplus as of December 31, 2013			<u>\$1,663,889,194</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The Company did not establish a liability for losses and loss adjustment expenses as of the examination date.

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 compliance review was performed and no significant areas of non-compliance were found.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no recommendations in this report.

Respectfully submitted,

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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.

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Wei Cao

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

***APPOINTMENT NO. 31239***

***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*

***21 CF Insurance Services, Inc.***

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

***COMPANY***

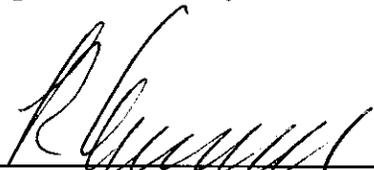
*with such other information as he shall deem requisite.*

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

*this 24th day of October, 2014*

***BENJAMIN M. LAWSKY***  
*Superintendent of Financial Services*

By:



***Rolf Kaumann***  
*Deputy Chief Examiner*

