

REPORT ON EXAMINATION

OF

RELSURE AMERICA, INC.

AS OF

DECEMBER 31, 2013

DATE OF REPORT

OCTOBER 21, 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

October 21, 2015

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31242 dated October 24, 2014, attached hereto, I have made an examination into the condition and affairs of RelSure America, 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 RelSure America, Inc. Wherever the designation “the Parent” appears herein without qualification, it should be understood to indicate The Related Companies L.P.

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 covered the period from when the Company was incorporated on December 19, 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 procedural recommendations, those items requiring financial adjustment, 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 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 and commenced business on December 31, 2008. The Company is a wholly-owned subsidiary of The Related Companies L.P.

The Related Companies, L.P. is a New York-based property development and management company. It specializes in the acquisition, development, financing, owning, operating, maintaining and the selling of multifamily residential and retail properties that are located in the United States and internationally.

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 as 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 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 \$13,708,842, consisting of 100,000 shares of \$1 par value per share common stock and an additional paid in capital amount of \$13,608,842. The Company had an accumulated deficit of \$(6,027,943) for a total capital and surplus of \$7,680,899.

D. Corporate Records

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

E. Operations

Effective December 15, 2008, RelSure America, Inc. entered into a loss portfolio transfer with The Related Companies, L.P. The Parent would be reimbursed for loss payments, including allocated loss adjustment expenses, made for deductibles for workers' compensation and general liability claims on any controlled insurance program arising from loss events between January 1, 2004 and December 31, 2008. Pursuant to the agreement, RelSure assumed workers' compensation limits of \$250,000 per occurrence and general liability limits of \$500,000 per occurrence.

Effective January 1, 2009, the Company provided deductible reimbursement workers' compensation and general liability coverage to the Parent. The limit of workers' compensation

coverage was \$250,000 per occurrence and general liability coverage was \$500,000 per occurrence. This coverage expired on December 31, 2011 and was not renewed.

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 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.

Since its inception, the Company has been managed by USA Risk Group of New York, Inc. (“USA Risk Group”), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, effective October 1, 2008, USA Risk Group has the responsibility of providing the Company with recordkeeping, underwriting, and other general management and operational services for a fee. These responsibilities also include providing assistance with the preparation of annual financial reports required by the Department.

(ii) Board of Directors

Pursuant to its by-laws and Section 7005(g) of the Law, management of the Company is vested in a board of directors consisting of not less than three members, with at least two of those board members being required to be residents of New York State. At December 31, 2013, the board of directors was comprised of the following four members, all of whom were residents of New York State:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael J. Brenner New York, NY	Executive Vice President and Chief Financial Officer, The Related Companies L.P.
Gene Angelo Somers, NY	Vice President, The Related Companies L.P.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Celia Seigerman-Levit New York, NY	Vice President & Director of Risk Management and Insurance, The Related Companies L.P.
Walter Harris New York, NY	President and Chief Executive Officer, FOJP Service Corporation

In accordance with its by-laws and Section 7003(b)(2) of the Law, the board of directors met once annually. A review of the meeting minutes indicated that all board 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>
Michael J. Brenner	President
Gene Angelo	Vice President & Treasurer
Joseph Mariniello	Vice President
Michael H. Orbison	Secretary

G. Certified Public Accountant (“CPA”)

The Company was audited by the independent CPA firm Johnson Lambert LLP for the entire period covered by this examination. In its audited financial statement at December 31, 2013, Johnson Lambert LLP stated that the financial statements of the Company 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 Sheet

##### Assets

Cash	\$8,429,089	
Certificate of deposit	7,226,638	
Deferred federal income tax asset	227,720	
Other assets	<u>52,469</u>	
Total assets		<u>\$15,935,916</u>

##### Liabilities

Losses and loss adjustment expenses	\$4,949,179	
Losses payable	3,039,978	
Payable to affiliate	160,093	
Accounts payable and accrued expenses	<u>105,767</u>	
Total liabilities		\$8,255,017

##### Capital and Surplus

Common stock	\$100,000	
Additional paid-in capital	13,608,842	
Accumulated deficit	<u>(6,027,943)</u>	
Total capital and surplus		<u>\$7,680,899</u>
Total liabilities and capital surplus		<u>\$15,935,916</u>

B. Statement of Income

The Company's net income for the examination period was \$(1,692,342) as detailed below:

STATEMENT OF INCOMEUnderwriting Income

Net premiums earned		\$27,980,214
Deductions:		
Loss and loss adjustment expenses incurred	\$25,742,568	
General and administrative expenses	2,052,898	
Policy acquisition expenses	<u>51,803</u>	
Total underwriting deductions		<u>27,847,269</u>
Net underwriting gain or (loss)		\$ 132,945

Investment Income

Net investment income	302,305	
Investment income		<u>302,305</u>
Net income before tax		\$ 435,250
Federal income tax expenses	<u>2,127,592</u>	
Net income		\$ <u>(1,692,342)</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$7,680,899 during the five-year and thirteen day period covered by this examination, detailed as follows:

Capital and surplus as of December 19, 2008			\$0
	Increase in <u>surplus</u>	Decrease in <u>surplus</u>	
Net income	\$0	\$(1,692,342)	
Issuance of common stock	100,000		
Additional paid in capital	13,608,842		
Prior year adjustment	<u>0</u>	<u>(4,335,601)</u>	
Total increases and decreases	<u>\$13,708,842</u>	<u>\$6,027,943</u>	
Net increase in surplus			<u>7,680,899</u>
Capital and surplus as of December 31, 2013			<u>\$7,680,899</u>

**4. LOSSES AND LOSS ADJUSTMENT EXPENSES**

As of December 31, 2013, the Company reported total loss and loss adjustment expense reserves of \$4,949,179. The Company's opining actuarial firm, SGRisk LLC, stated in its Statement of Actuarial Opinion that the carried reserves met the requirement of the Law, were consistent with reserves computed in accordance with accepted actuarial standards and principles and made a reasonable provision for all unpaid loss and loss expense obligation of the Company.

**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**

Below is the organizational chart of RelSure America, Inc. as of December 31, 2013:



**7. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

There are no comments or 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 \_\_\_\_\_, 2015.

APPOINTMENT NO. 31242

**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

**RelSure America, 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

