

REPORT ON EXAMINATION

OF THE

EDEN INSURANCE COMPANY, INC.

AS OF

DECEMBER 31, 2015

DATE OF REPORT

NOVEMBER 4, 2016

EXAMINER

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

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

November 4, 2016

Madam:

Pursuant to the requirements of the New York Insurance Law and in compliance with the instructions contained in Appointment Number 31529 dated September 9, 2016, attached hereto, I have made an examination into the condition and affairs of Eden Insurance Company, Inc. 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 Eden Insurance Company, Inc. Wherever the designation "the Parent" appears herein without qualification, it should be understood to indicate The Madison Square Garden 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 when the Company commenced business on February 9, 2010 to December 31, 2015 and was limited in its scope to a review or audit of only those balance sheet items considered by this Department to require analysis. 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 New York State Department of Financial Services and was in compliance with Article 70 of 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 February 1, 2010. The Company was a wholly-owned subsidiary of The Madison Square Garden Company (formerly Madison Square Garden, Inc.). On September 30, 2015, The Madison Square Garden Company transferred its sports and entertainment business entities, which included Eden Insurance Company, Inc., into MSG Spinco, Inc. On the same day, MSG Spinco, Inc. was renamed The Madison Square Garden Company (the Parent). Eden Insurance Company Inc., provides the Parent and its subsidiaries with property and liability terrorism and excess coverages.

A. Articles of Incorporation

The Company is organized to transact the kinds of insurance specified in Section 1113(a) of the 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, 2015, the Company's paid-in capital was \$1,666,667, consisting of 100,000 shares of common stock with a par value of \$1 per share and an additional paid-in capital amount of \$1,566,667. The Company had accumulated earnings of \$43,533,546, for a total capital and surplus of \$45,200,213.

D. Corporate Records

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

E. Operations

Property Terrorism Policy

During the period covered by this examination, the Company provided property coverage to the Parent and its affiliates via its Property Terrorism Policy (öPTPö). In 2015, the coverage was on an occurrence basis with a limit of \$1.8 billion per occurrence, in excess of a \$500,000 per occurrence deductible, with no annual aggregate limit for losses from a öcertified act of terrorism.ö A certified act of terrorism, as defined in the Terrorism Risk Insurance Program Reauthorization Act of 2015 (öTRIPRAö), is certified as such by the U. S. Secretary of the Treasury, in concurrence with the Secretary of Homeland Security and the U. S. Attorney General.

As an insurer providing terrorism coverage, the Company has access to TRIPRA, a federal terrorism insurance backstop that was initially enacted as the Terrorism Risk Insurance Act of 2002. It was established as a temporary public/private risk sharing plan to cover losses incurred from a terrorist act between the federal government and the insurance industry. TRIPRA stipulates that insurers will be reimbursed by the federal government for 85% of losses incurred due to certified acts of terrorism,

while the insurer retains the remaining 15% (the Company cedes its 15% retention to unaffiliated reinsurers).

The PTP also provides coverage for non-certified acts of terrorism with a limit of \$700 million per occurrence and in the annual aggregate. Non-certified acts of terrorism are not covered under TRIPRA and the Company cedes 100% of these risks to unaffiliated reinsurers.

Umbrella Policy

The Company provides coverage via an Umbrella Liability Policy. This policy provides coverage on an occurrence basis with a limit of \$200,000,000 for losses covered under TRIPRA, in excess of \$200,000,000, with no annual aggregate limit of liability. Like the PTP coverage, the Company cedes its 15% retention of losses incurred to unaffiliated reinsurers while the federal backstop covers the other 85%. Certified acts of terrorism solely involving a nuclear, biological, chemical or radiological event are retained by the Company under this coverage. The policy expires on November 16, 2017.

CBRN Liability Policy

The Company also provides coverage for bodily injury and/or property damage protection on a claims-made basis for losses related to a CRBN event. Coverage for this certified act of terrorism is provided with a limit of \$200,000,000 per occurrence. Coverage for losses related to all other acts of terrorism or sabotage are provided with a limit of \$100,000,000 per occurrence. A CRBN event means the actual release, discharge or dispersal of Chemical Biological or Biochemical, Radiological or Nuclear Material that is directly caused by a malicious act or series of acts by one or more persons. The deductible is \$250,000 each occurrence and 85% of the losses will be covered by the federal government under TRIPRA. The Company reinsured the remaining 15% of losses with third party reinsurers. This policy is effective from November 16, 2015 to November 16, 2020.

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

Coverage	Policy Period	Premium		
		Direct	Ceded	Net
Property Terrorism Policy	November 16, 2015- November 16, 2017	\$16,427,382	3,273,317	13,155,065
Umbrella Liability Policy	November 16, 2015- November 16, 2017	136,000	70,560	65,350
CBRN Liability Policy	November 16, 2015- November 16, 2020	20,072,655	8,150,000	11,922,655

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 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 Willis of New York, Inc. (δWillisö) which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, effective February 9, 2010, Willis has the responsibility for providing the Company with underwriting, policyholder, claims, 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 Law and maintaining true and complete books of account and records for all business conducted under this agreement.

(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 nor more than ten members, at least two of whom shall be residents of New York State. At December 31, 2015, the board of directors was comprised of the following four members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Robert Lynn Wilton, CT	Senior Vice President and Treasurer, The Madison Square Garden Company
John Fromholtz Leonias, NJ	Vice President Risk Management, The Madison Square Garden Company
Charles Groneman Smithtown, NY	Senior Vice President, Finance and Controller, The Madison Square Garden Company
Ari Danes New York, NY	Senior Vice President, Investor Relations, The Madison Square Garden Company

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, 2015, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Robert Lynn	President & Treasurer
John Fromholtz	Vice President & Secretary
Marc Schoenfeld	Assistant Secretary

G. Certified Public Accountant (öCPAö)

Crowe Horwath LLP was the Company's independent certified public accounting firm for the entire period covered by this examination. The CPA stated that the Company's audited financial statements presented fairly, in all material respects, its financial position as of December 31, 2015.

3. FINANCIAL STATEMENTSA. Balance Sheet

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

Assets

Cash	\$20,800,581	
Note receivable from parent	35,219,956	
Premium receivable	24,339,815	
Prepaid reinsurance	11,081,135	
Deferred tax asset	1,060	
Deferred policy acquisition costs	422,408	
Prepaid expenses and other assets	<u>7,892</u>	
Total assets		<u>\$91,872,847</u>

Liabilities

Reinsurance payable	\$10,743,877	
Unearned premiums	35,099,009	
Assessment tax payable	209,325	
Accrued expenses	21,495	
Premium tax payable	141,951	
Federal income taxes payable to Parent	<u>456,977</u>	
Total liabilities		<u>\$46,672,634</u>

Capital and Surplus

Common stock	\$100,000	
Additional paid-in capital	1,566,667	
Surplus (accumulated earnings)	<u>43,533,546</u>	
Total capital and surplus		<u>\$45,200,213</u>
Total liabilities, capital and surplus		<u>\$91,872,847</u>

B. Statement of Income

The Company's net income for the examination period was \$43,533,546 as detailed below:

STATEMENT OF INCOMEUnderwriting Income

Net premiums earned		\$41,968,617
Deductions:		
General and administrative expenses	\$473,150	
Underwriting expenses	<u>844,216</u>	
Total underwriting deductions		<u>1,317,366</u>
Net underwriting gain or (loss)		\$40,651,251

Investment Income

Net investment income	<u>\$3,724,951</u>	
Investment income		<u>3,724,951</u>
Net income before tax		\$44,376,202
Federal income tax benefit		<u>(842,656)</u>
Net income		<u>\$43,533,546</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$45,200,213 during the period covered by this examination, detailed as follows:

Capital and surplus as of February 9, 2010			\$0
	Increase in <u>surplus</u>	Decrease in <u>surplus</u>	
Net income	\$43,533,546	\$0	
Issuance of common stock	100,000		
Additional paid in capital	<u>1,566,667</u>	_____	
Total increases and decreases in surplus	\$45,200,213	\$0	
Net increase in surplus			<u>45,200,213</u>
Capital and surplus as of December 31, 2015			<u>\$45,200,213</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2015, the Company reported total loss and loss adjustment expense reserves of \$0. The Company's opining actuarial firm, Willis Towers Watson, stated in its Statement of Actuarial Opinion that Company's reserves met the requirements of the Law and were computed in accordance with accepted actuarial standards and principles. It was also noted that the carried reserves made a reasonable provision 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. No significant areas of non-compliance were found.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations in this report.

Respectfully submitted,

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.

Wei Cao

Subscribed and sworn to before me

this _____ day of _____, 2017.

APPOINTMENT NO. 31529

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Maria T. Vullo, 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

Eden Insurance Company, Inc.

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

COMPANY

with such other information as she 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 9th day of September, 2016

MARIA T. VULLO
Superintendent of Financial Services



By:

Joan P. Riddell

*Joan Riddell
Deputy Bureau Chief*