

REPORT ON EXAMINATION

OF THE

SUECIA INSURANCE COMPANY

AS OF

DECEMBER 31, 2009

DATE OF REPORT

FEBRUARY 4, 2011

EXAMINER

KAREN GARD

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

February 4, 2011

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30602 dated October 6, 2010 attached hereto, I have made an examination into the condition and affairs of Suecia Insurance Company as of December 31, 2009, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Suecia Insurance Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the Company's home office located at 25 Smith Street, Nanuet, New York 10954.

1. SCOPE OF EXAMINATION

The Department has performed an examination of Suecia Insurance Company. The previous examination was conducted as of December 31, 2005. This examination covered the four-year period from January 1, 2006 through December 31, 2009. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examiners also relied upon audit work performed by the Company’s independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Financial Condition Examiners Handbook of the NAIC:

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Territory and plan of operation
- Loss experience
- Reinsurance
- Accounts and records
- Statutory deposits
- Financial statements
- Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was incorporated as the Hansa Reinsurance Company of America on May 29, 1980, under the laws of the State of New York and commenced business on October 31, 1980. The Company changed its name to Suecia Insurance Company on November 30, 1999.

At December 31, 2009, the Company had \$3,515,250 in common capital stock consisting of 109 shares of common stock with a par value of \$32,250 per share. The gross paid-in and contributed surplus totaled \$21,524,746, which remained constant during the examination period.

The Company placed itself in run-off on October 1, 1993.

A. Management

The Company is party to a management agreement with StellaRe Management Corporation (“StellaRe”), effective January 1, 1990. StellaRe was acquired by G.F. Dobson & Company, LLC on April 1, 1998. StellaRe continues to manage the daily operations of the Company. Pursuant to the management agreement, StellaRe was granted authority to collect premiums; adjust and pay losses; review and, where appropriate, recommend commutation of any included policies or other liabilities of the Company; and to invest all moneys received by the Company in compliance with the investment laws of New York and the Company’s investment guidelines. However, StellaRe is not authorized and shall not underwrite on the Company’s behalf any insurance or reinsurance of any kind or nature without the prior written consent of the Company.

Pursuant to the Company’s charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen nor more than twenty-one members. The board met twice a year during the examination period. At December 31, 2009, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Maria Rosqvist Croce Wayne, NJ	Assistant Vice President Finance, Risk Enterprise Management, Ltd.
Ernst Gunter Dahling Sleepy Hollow, NY	Retired
Joseph Leo Daly Toronto, Ontario	President, Suecia Reinsurance Company (Canada)
Gordon Frederick Dobson Spring, TX	President, G.F. Dobson & Company, LLC
Goran Dan Peter Faxner Danderyd, Sweden	President, Suecia Holding Corporation Vice Chairman, Suecia Insurance Company
Scott Eric Gottesman Cortlandt Manor, NY	Chief Financial Officer, G.F. Dobson & Company, LLC Secretary and Treasurer, Suecia Insurance Company
William Hamilton Howell Princeton, NJ	President, Specialty Claims Management, LLC
Josianne Leveille Fort Lee, NJ	Vice President G.F. Dobson & Company, LLC
Arne Erik Mark Essex, CT	Retired
Peter Niles Mazurek Northvale, NJ	Vice President of Operations, Specialty Claims Management, LLC
George William Murphy Rockville Center, NY	Retired
Zaid Owe Bailey Pedersen Djursholm, Sweden	Vice President, Skandinaviska Enskilda Banken AB Chairman, Suecia Holding Corporation Chairman, Suecia Insurance Company
Alan John Rein White Plains, NY	Attorney, Kurzman Eisenberg Corbin Lever & Goodman, LLP

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member has an acceptable record of attendance.

As of December 31, 2009, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Gordon Dobson	President
Scott Gottesman	Treasurer and Secretary

B. Territory and Plan of Operation

As of December 31, 2009, the Company was licensed to write business in twenty-one states, and accredited as a reinsurer in fourteen other states.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

In addition, the Company is licensed to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress, as amended; 33 USC Section 901 et seq. as amended).

On July 26, 2002, the Company deleted from its license all insurance and reinsurance powers as defined in Section 4102(c) of the New York Insurance Law.

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$2,200,000.

Prior to placing itself in run-off, the Company reinsured property and casualty business.

C. Reinsurance

As of December 31, 2009, the Company had no reinsurance coverage in effect.

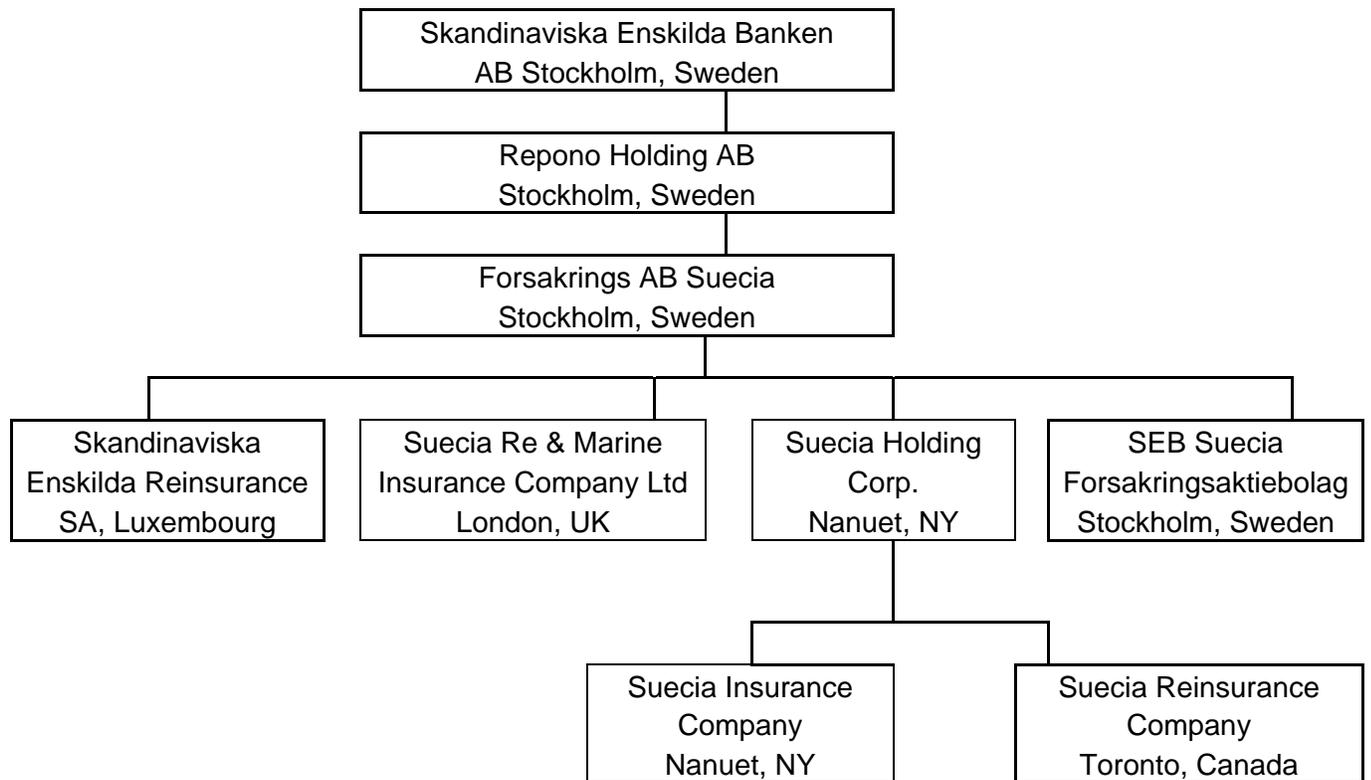
On July 1, 1999, the Company entered into a contract whereby it assumed 100% of all outstanding loss and loss adjustment expense reserves from the United States Branch of the Trygg-Hansa Insurance Company, Ltd. The transaction was approved by the Department.

D. Holding Company System

The Company is a wholly-owned subsidiary of Suecia Holding Corporation, a Delaware corporation, which is ultimately controlled by Skandinaviska Enskilda Banken AB, Stockholm, Sweden.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2009:



At December 31, 2009, the Company was party to a tax allocation agreement with its immediate parent, Suecia Holding Corporation. The agreement became effective October 1, 1982 and was non-objected to by the Department on December 14, 1982. The agreement was amended on August 1, 2006 to reflect the name change of both companies. A review of this agreement determined that it is in compliance with Department Circular Letter No. 33 (1979).

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2009, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	0%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	55%
Premiums in course of collection to surplus as regards policyholders	0%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the four-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$ 817,268	(6,546.00)%
Other underwriting expenses incurred	581,483	(4,657.45)
Net underwriting loss	<u>(1,411,236)</u>	<u>11,303.45</u>
Premiums earned	<u>\$ (12,485)</u>	<u>100.00 %</u>

The above underwriting ratios are exceptional due to the run-off status of the Company.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2009 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$54,421,693	\$ 0	\$54,421,693
Cash, cash equivalents and short-term investments	2,193,185	0	2,193,185
Investment income due and accrued	570,287	0	570,287
Funds held by or deposited with reinsured companies	60,332	0	60,332
Current federal and foreign income tax recoverable and interest thereon	35,000	0	35,000
Net deferred tax asset	215,444	177,308	38,136
Retroactive reinsurance – funds held	<u>(9,312)</u>	<u>0</u>	<u>(9,312)</u>
Total assets	<u>\$57,486,629</u>	<u>\$177,308</u>	<u>\$57,309,321</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$20,120,920
Reinsurance payable on paid losses and loss adjustment expenses	720,593
Commissions payable, contingent commissions and other similar charges	(767,368)
Other expenses (excluding taxes, licenses and fees)	109,000
Loss portfolio transfer	4,257,846
Retroactive reinsurance – reserves	6,465,810
Retroactive reinsurance – balances payable	<u>707,959</u>
Total liabilities	\$31,614,760

Surplus and Other Funds

Common capital stock	\$ 3,515,250
Gross paid in and contributed surplus	21,524,746
Unassigned funds (surplus)	<u>654,565</u>
Surplus as regards policyholders	<u>25,694,561</u>
Total liabilities, surplus and other funds	<u>\$57,309,321</u>

NOTE: During the period under examination, the Company has not been audited by the Internal Revenue Service. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

Surplus as regards policyholders decreased \$770,300 during the four-year examination period January 1, 2006 through December 31, 2009, detailed as follows:

Underwriting Income

Premiums earned		\$ (12,485)
Deductions:		
Losses and loss adjustment expenses incurred	\$ 817,268	
Other underwriting expenses incurred	<u>581,483</u>	
Total underwriting deductions		<u>1,398,751</u>
Net underwriting gain or (loss)		\$(1,411,236)

Investment Income

Net investment income earned	\$9,612,783	
Net realized capital gain	<u>(17,409)</u>	
Net investment gain or (loss)		9,595,374

Other Income

Aggregate write-ins for miscellaneous income	<u>\$(1,059,223)</u>	
Total other income		<u>(1,059,223)</u>
Net income before federal and foreign income taxes		\$ 7,124,915
Federal and foreign income taxes incurred		<u>804,052</u>
Net income		\$ <u>6,320,863</u>

Surplus as regards policyholders per report on examination as of December 31, 2005			\$26,464,861
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$6,320,863		
Net unrealized capital gains or (losses)		\$ 49,227	
Change in net deferred income tax		1,656,888	
Change in non-admitted assets	1,511,692		
Change in provision for reinsurance	3,260		
Dividends to stockholders	<u> </u>	<u>6,900,000</u>	
Total gains and losses	<u>\$7,835,815</u>	<u>\$8,606,115</u>	
Net increase (decrease) in surplus			<u>(770,300)</u>
Surplus as regards policyholders per report on examination as of December 31, 2009			<u>\$25,694,561</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$20,120,920 is the same as reported by the Company as of December 31, 2009. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained three recommendations, as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
i. It is recommended that the Company comply with Sections 1201(a)(5)(B)(v) and 1202(a)(2) of the New York Insurance Law and its charter and by-laws by maintaining a board of directors consisting of at least thirteen members.	3

The Company has complied with this recommendation.

<u>ITEM</u>		<u>PAGE NO.</u>
ii.	It is recommended that the Company comply with its charter and by-laws by electing a president as one of the officers of the Company.	5
	The Company has complied with this recommendation.	
B.	<u>Accounts and Records</u>	
	It is recommended that the Company ensure that the contract with the CPA for all future audits contain the provisions required by Department Regulation 118 and that such contracts be executed by both parties.	9
	The Company has complied with this recommendation.	

6. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report contains no comments or recommendations.

Respectfully submitted,

_____/s/_____
Karen Gard
Senior Insurance Examiner

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

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

_____/s/_____
Karen Gard

Subscribed and sworn to before me

this _____ day of _____, 2011.

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

*I, James J. Wrynn Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:*

Karen Gard

as proper person to examine into the affairs of the

SUECIA INSURANCE COMPANY

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

Company

with such other information as she shall deem requisite.

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

this 6th day of October, 2010



James J. Wrynn

JAMES J. WRYNN
Superintendent of Insurance