

REPORT ON EXAMINATION

OF

SOMPO AMERICA INSURANCE COMPANY

AS OF

DECEMBER 31, 2017

DATE OF REPORT

MAY 1, 2019

EXAMINER

WAYNE LONGMORE

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Department of Financial Services

ANDREW M. CUOMO

Governor

LINDA A. LACEWELL

Acting Superintendent

May 1, 2019

Honorable Linda A. Lacewell,
Acting Superintendent
Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31801 dated August 9, 2018, attached hereto, I have made an examination into the condition and affairs of Sampo America Insurance Company as of December 31, 2017, and submit the following report thereon.

Wherever the designation “the Company” or “SAIC” appears herein, without qualification, it should be understood to indicate Sampo America Insurance Company.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company’s office located at 11405 North Community House Road, Suite 600, Charlotte, North Carolina, 28277. The Company’s statutory home office is located at 1221 Sixth Avenue, 19th Floor, New York, NY 10020.

1. SCOPE OF EXAMINATION

The Department has performed an examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2012. This examination covered the five-year period from January 1, 2013, through December 31, 2017. Transactions occurring subsequent to this period were reviewed when deemed appropriate by the examiner.

The examination of the Company was conducted concurrently with the examination of Sampo America Fire & Marine Insurance Company (“SAFM”).

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 current and 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 New York laws, statutory accounting principles and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Company history
- Management and control
- Territory and plan of operation
- Reinsurance
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Summary of recommendations

A review was also made to ascertain what action was taken by the Company regarding 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

Sompo America Insurance Company (“SAIC”), formerly known as Sompo Japan Insurance Company of America, was incorporated under the laws of the State of New York on August 9, 1962. It became licensed on January 1, 1963 and commenced business on the same date.

Effective January 1, 2017, the Company’s charter was amended to change its former name to its current name. SAIC and its affiliate, Sompo America Fire & Marine (“SAFM”), a New York domiciled insurer, became wholly owned subsidiaries of Sompo America Holdings, Inc. (“SAH”). On December 31, 2017, SAH merged with and into Endurance U.S. Holdings Corp. (“EUSH”), with EUSH as the surviving corporation. As of December 31, 2017, EUSH became the sole shareholder of both SAIC and SAFM.

A. Corporate Governance

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 seven nor more than 13 persons. In 2016, SAIC and SAFM began using unanimous written consents, in lieu of regular meetings of the board of directors, citing Business Corporate Law section 708 (b) as the statutory basis for this practice.

At December 31, 2017, the Company’s board of directors was comprised of the following eight members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Barbieri Davidson, NC	Vice President, Sompo America Insurance Services, LLC
John Gregory Calotta New York, NY	Senior Vice President, Secretary and General Counsel, Sompo America Insurance Company
Lisa Halliday Davis Charlotte, NC	Executive Vice President, Sompo America Insurance Company Chief Operating Officer and President, Sompo America Insurance Services, LLC
Harold Clark Jackson Charlotte, NC	Executive Vice President, Sompo America Insurance Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Christine Michals-Bucher Charlotte, NC	Executive Vice President, Sompo America Insurance Services, LLC
Atsushi Mizuguchi New York, NY	Chairman, Sompo America Insurance Company
Tetsuo Sugawara Charlotte, NC	Senior Vice President and Treasurer, Sompo America Insurance Company
Seiya Tsuruta Charlotte, NC	President and Chief Executive Officer, Sompo America Insurance Company

Due to the merger with EUSH, new board members were appointed in 2018. At December 31, 2018, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael Anthony Chang New York, NY	Chief Executive Officer - Global Risk Solutions, Endurance Services Limited
John Virgilio Del Col Bermuda	General Counsel, Sompo International Holdings Ltd.
Christopher Brian Gallagher Bermuda	Chief Risk Officer/Group Actuary, Sompo International Holdings Ltd.
Brian William Goshen Alpharetta, GA	Chief Administrative Officer, Endurance Services Limited
John Andrew Kuhn Bermuda	Chief Underwriting Officer and Chief Executive Officer - Global Insurance, Sompo International Holdings Ltd.
Michael James McGuire Bermuda	Chief Financial Officer, Sompo International Holdings Ltd.
Christopher Louis Sparro New York, NY	Executive Vice President and Chief Executive Officer - U.S. Insurance, Endurance Services Limited

As of December 31, 2017, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Seiya Tsuruta	President and Chief Executive Officer
Tetsuo Sugawara	Treasurer, Senior Vice President
John Gregory Calotta	Secretary, Senior Vice President and General Counsel
Lisa Halliday Davis	Executive Vice President
Harold Clark Jackson	Executive Vice President
Kevin Kimo Westervelt	Vice President, Chief Accounting Officer
Patrick Edward Bowes	Vice President, Chief Operating Officer - Claims
Mitsuya Kodama	Vice President, Claims
Yuji Shimamura	Vice President, Home Office Underwriting

As of December 31, 2018, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Seiya Tsuruta	President and Chief Executive Officer
John Gregory Calotta	Senior Vice President and Secretary
Kevin Kimo Westervelt	Vice President and Treasurer
Lisa Halliday Davis	Executive Vice President
Yuji Shimamura	Vice President

B. Territory and Plan of Operation

As of December 31, 2017, the Company was licensed to write business in all 50 states, the District of Columbia and Puerto Rico.

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>
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
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity
26	Gap
28	Service contract reimbursement

The Company is also licensed to write special risks pursuant to Article 63 of the New York Insurance Law and is authorized, pursuant to Section 4102(c)(i) and (ii) of the New York Insurance Law, to reinsure risks of every kind or description and insure property or risks of every kind or description located or resident outside of the United States, its territories and possessions.

Based upon 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 \$35,000,000. However, pursuant to Section 6302(c)(1) of the New York Insurance Law, to be licensed to write special risks, the Company is required to maintain surplus as regards policyholders of at least 200% of its authorized control level risk-based capital; therefore, the Company was required to maintain a minimum surplus to policyholders in the amount of \$116,035,266 as of December 31, 2017.

The following schedule shows the direct and assumed premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Direct Premiums</u>	<u>Assumed Premiums</u>	<u>Total Gross Premiums</u>
2013	\$300,639,695	\$74,994,604	\$375,634,299
2014	\$306,970,600	\$69,801,423	\$376,772,023
2015	\$312,065,423	\$53,237,008	\$365,302,431
2016	\$343,418,512	\$30,210,057	\$373,628,569
2017	\$360,298,964	\$33,543,161	\$393,842,125

As of December 31, 2017, the Company primarily insured the United States subsidiaries of Japanese companies.

During the period under examination, the Company's business was generated through independent agents and brokers. An affiliate, Sompo America Insurance Services, LLC, ("SAIS") on behalf of the Company contracted with 112 brokers throughout the United States. These brokers have 234 producer locations. A significant portion of the business is conducted through multi-office, national brokerages.

Effective October 1, 2004, the Company entered into a managing general agent agreement with Royal & Sun Alliance Insurance Agency, Inc. ("MGA"). Pursuant to the terms of this agreement, the MGA is authorized to perform various underwriting and claims services on the Company's behalf.

Also, effective October 1, 2004, the Company entered into a fronting agreement with Royal & Sun Alliance Insurance ("RSA") whereby the Company cedes 100% of the risk assumed from policies issued by the MGA.

Both the managing general agent and the fronting agreements were effective during the examination period. Termination notices were delivered to RSA and the MGA in 2017, and the fronting agreement went into post-termination transition and run-off as of December 31, 2017.

The Company's predominant lines of business are workers' compensation, allied lines, and other liability-occurrence, which accounted for 29%, 20% and 10%, respectively, of the 2017 direct written premiums. Other liability-occurrence consists of general liability and umbrella liability (excluding product liability).

Due to the Company's ceded reinsurance program (described in Section 2C of this report) the net exposure of the Company is lower than its direct and assumed exposure.

Assumed reinsurance

Assumed reinsurance accounted for 9% of the Company's gross premiums written at December 31, 2017. During the examination period, the Company's assumed reinsurance business decreased since the last examination. The Company's assumed reinsurance program consists mainly of property/casualty coverage assumed on a quota share and excess of loss basis, including assumptions from affiliates. Additionally, the Company's participation in various state mandated risk pools is reflected in its assumed reinsurance activity. The Company utilizes reinsurance accounting as defined in the Statement of Statutory Accounting Principles ("SSAP") No. 62R for all its assumed reinsurance business.

C. Reinsurance Ceded

As of December 31, 2017, the Company had the following property and casualty ceded reinsurance in place:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Property Quota Share</u> 100% Unauthorized (Sompo Japan Nipponkoa, Insurance, Inc., ("SJNKI"))	50% Quota Share of the maximum underwriting limit of \$517,000,000.
<u>Property Per Risk Excess of Loss</u> 50% of layers 1 and 2 placed (40% to SJNKI and 10% externally)	Layer 1- Property per risk: \$15,000,000 excess of \$5,000,000 ultimate net loss with respect to each risk, each loss occurrence, subject to a maximum recovery of \$45,000,000 for all losses occurring during the term of the contract. Layer 2- Property per risk: \$25,000,000 excess of \$20,000,000 ultimate net loss with respect to each risk, each loss occurrence, subject to a maximum recovery of \$75,000,000 for all losses occurring during the term of the contract.
50% placed	Layer 3- Property per risk: \$16,000,000 excess of \$45,000,000 ultimate net loss with respect to each loss, each risk, and further subject to \$16,000,000 limit each loss occurrence. If reinstatement occurs (as described in the agreement), maximum recovery is \$32,000,000 for all losses occurring during the term of the contract, representing one full reinstatement.

Type of TreatyCessionGlobal Property Excess of LossProperty per risk

33% Unauthorized/67%

Authorized or certified

Layer 1: \$91,087,000 excess of \$61,000,000 ultimate net loss, each and every loss, each and every risk.

30% Unauthorized/70% Authorized or certified

Layer 2: \$121,669,000 excess of \$152,087,000 ultimate net loss, each and every loss, each and every risk.

26% Unauthorized/74% Authorized or certified

Layer 3: \$243,339,000 excess of \$273,756,000 ultimate net loss, each and every loss, each and every risk.

Property Catastrophe

100% Unauthorized (SJNKI)

Layer 1: \$10,000,000 excess of \$5,000,000 ultimate net loss, each loss occurrence.

80% Authorized or certified

Layer 2: \$30,000,000 excess of \$15,000,000 ultimate net loss, each loss occurrence.

Blanket Casualty Excess of Loss

100% Unauthorized (SJNKI)

Layer 1: \$3,000,000 excess of \$3,000,000 ultimate net loss each occurrence, limit \$9,000,000 for all loss occurrences during the term of the contract.

100% Unauthorized (SJNKI)

Layer 2: \$5,000,000 excess of \$6,000,000 ultimate net loss each occurrence, limit \$15,000,000 for all loss occurrences during the term of the contract.

100% Unauthorized (SJNKI)

Layer 3: \$10,000,000 excess of \$11,000,000 ultimate net loss each occurrence, limit \$30,000,000 for all loss occurrences during the term of the contract.

100% Unauthorized (SJNKI)

Layer 4: \$5,000,000 excess of \$21,000,000 ultimate net loss each occurrence, limit \$15,000,000 for all loss occurrences during the term of the contract.

Workers' Compensation

70% Authorized or certified

Layer 1: \$5,000,000 excess of \$5,000,000 ultimate net loss, each event. Limit \$15,000,000 on all events during the term of the contract.

Layer 2: \$15,000,000 excess of \$10,000,000 ultimate net loss, each event. Limit \$30,000,000 on all events during the term of the contract.

Layer 3: \$25,000,000 excess of \$25,000,000 ultimate net loss, each event. Limit \$50,000,000 on all events during the term of the contract.

Property Terrorism Excess of Loss
100% Certified

Layer 1: \$55,000,000 excess of \$8,000,000 ultimate net loss, as respects loss or losses resulting from each act of terrorism occurring during the term of the contract.

Layer 2: 17% of 337,000,000 (\$57,290,000) excess of \$63,000,000 ultimate net loss, as respects loss or losses resulting from each act of terrorism occurring during the term of the contract. If the loss does not qualify for TRIA reimbursement, then 100% of \$57,290,000 excess of \$63,000,000.

Ocean Marine Excess of Loss
100% unauthorized (SJNKI)

Layer 1: \$8,000,000 excess of \$4,000,000 net loss each and every loss affecting any one risk or series of losses arising out of any one occurrence.

100% unauthorized (SJNKI)

Layer 2: \$18,000,000 excess of \$12,000,000 net loss each and every loss affecting any one risk or series of losses arising out of any one occurrence.

Bond/Surety Quota Share
100% unauthorized (SJNKI)

100% Quota share up to \$26,685,643, any one risk.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements reviewed were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

The Company ceded to authorized and unauthorized reinsurers during the period under examination. It is the Company's policy to obtain the appropriate collateral, where required, to take statutory financial statement credit for its cessions to unauthorized reinsurers.

Letters of credit and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. No exceptions were noted.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review of the Schedule F data, reported by the Company in its filed annual statement, was found to accurately reflect its material reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62R. Representations were supported by an attestation from the Company's President and Chief Financial Officer. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

D. Holding Company System

The Company is a member of the Sompo Holdings, Inc. (“Sompo Holdings”) holding company system. Sompo Holdings is an entity established under the laws of Japan and traded on the Tokyo Stock Exchange. The Company is a wholly-owned subsidiary of EUSH, which is ultimately controlled by Sompo Holdings.

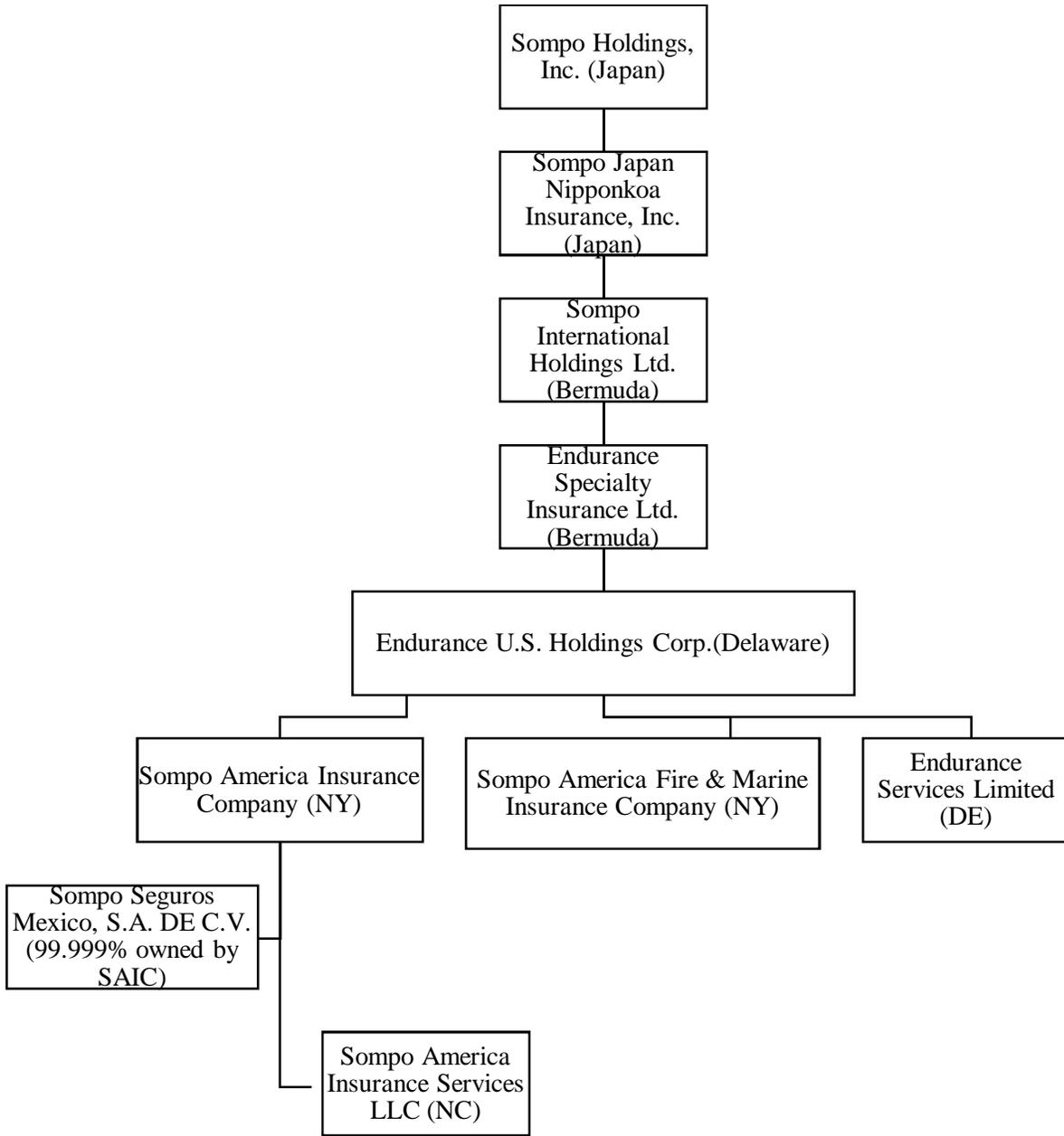
The largest concentration of 2017 gross premium written by state are California (19%), New York (12%), Tennessee (6%) and Texas (5%).

Sompo Holdings directly owns all the outstanding capital stock of Sompo Japan Nipponkoa Insurance, Inc. (“SJNKI”), domiciled in Japan. SJNKI directly owns all the issued and outstanding voting shares of Sompo International Holdings Ltd., a Bermuda corporation (“SIH”). Through its operating subsidiaries, including the Company, SIH is a global specialty provider of property and casualty insurance and reinsurance. SIH owns all the issued and outstanding voting shares of Endurance Specialty Insurance Ltd., a Bermuda corporation (“ESIL”).

On March 28, 2017, Sompo Holdings acquired all the issued and outstanding securities of Endurance Specialty Holdings Ltd. (“ESHL”), the former parent of ESIL. On September 29, 2017, SIH acquired the assets of ESHL, including ESIL and its subsidiaries. Subsequently, ESHL has been liquidated. ESIL owns all the issued and outstanding securities of EUSH. As noted previously, on December 31, 2017, SAH merged with and into EUSH with EUSH as the surviving corporation. As a result, EUSH owns all the issued and outstanding voting securities of the Company.

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, 2017 (ownership of subsidiaries is 100% unless otherwise noted):



Holding Company Agreements

At December 31, 2017, the Company was party to the following agreements with other members of the holding company system:

Salary Allocation Agreement

Effective December 10, 2013, the Company entered into a salary allocation agreement with Sompo Japan Insurance Inc. (since renamed SJNKI), SAH (since merged into EUSH with EUSH as the surviving entity), and various other affiliates, SJA Insurance Agency Inc. (since renamed SAIS and merged with and into Endurance Services Limited (“ESL”) with ESL as the surviving entity), SAFM, and Sompo Japan Nipponkoa Asset Management Co. Ltd. (“SNAM”). This agreement replaced the salary allocation agreement effective March 29, 2012.

This agreement stipulates that the annual compensation for a shared employee of any party who performs services for any other party to the agreement, shall be allocated and charged to all such parties based on the proportion of time such shared employee performs services for each of such parties. To the extent that there is any allocation of expenses or fees, then such allocation shall be in accordance with Department Regulation 30. The agreement was amended on December 31, 2014 to reflect changes to the parties to the agreement.

This agreement and amendment were filed with this Department pursuant to Section 1505 of the New York Insurance Law and were non-disapproved on October 15, 2013 and December 5, 2014, respectively.

Space Allocation Agreement

Effective December 10, 2013, the Company entered into a space allocation agreement with Sompo Japan Insurance Inc. (since renamed SJNKI), Sompo Japan Nipponkoa Holdings (Americas) Inc. (since renamed SAH and merged into EUSH with EUSH as the surviving entity), SJA Insurance Agency Inc. (since renamed SAIS and merged into ESL with ESL as the surviving entity), SAFM, SNAM, and TACT Asset Management Inc. (a subsidiary of SNAM). This agreement replaced the space allocation agreement effective March 29, 2012.

This agreement calls for the parties to share certain office space, including fixture, furniture, equipment and office services. The shared office space costs shall be allocated and charged based on the percentage of the office space used.

This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on October 15, 2013.

Tax Allocation Agreement

Effective December 10, 2013, the Company entered into a tax allocation agreement with various affiliates including SJA Insurance Agency, LLC (since renamed SAIS and merged into ESL with ESL as the surviving entity), and SAFM. This agreement replaced the tax allocation agreement effective July 1, 2003.

The Company filed this agreement with the Department in accordance with Department Circular Letter No. 33 (1979) and pursuant to Section 1505 of the New York Insurance Law. The Department non-disapproved this agreement on October 15, 2013.

Agency Services Agreement

Effective December 10, 2013, the Company entered into an agency services agreement with SJA Insurance Agency, LLC (since renamed SAIS and merged into ESL with ESL as the surviving entity), and SAFM. Through this agreement, each insurer appointed SAIS as the authorized underwriter for SAIC and SAFM. The agency provides to each insurer general management and administration services. Each insurer compensated the agency in accordance with the terms of the agreements and by paying a flat fee that is related to each insurer's equitable share of the cost of operating the agency. This agreement replaced the amended and restated agency services agreement effective October 1, 2006.

This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on October 15, 2013.

Administrative Services Agreement

Effective October 1, 2006, the Company entered into an administrative services agreement with SAFM and outlines certain management and administrative services SAIC will provide to SAFM. SAIC will be compensated for the actual cost incurred to provide the service. To the extent that any expenses are

allocated between the parties, the method used to allocate such expenses shall be in accordance with Department Regulation 30 (11 NYCRR 105-109).

This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on September 8, 2006.

As noted previously, effective January 1, 2019, SAIS merged with and into ESL, with ESL as the surviving entity. Following the merger, ESL will continue to administer the agency services agreement and the administrative services agreement.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2017, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	33%
Adjusted liabilities to liquid assets	58%
Two-year overall operating	79%

Underwriting Ratios

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

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$613,991,578	65.07%
Other underwriting expenses incurred	347,307,302	36.81
Net underwriting gain (loss)	<u>(17,779,249)</u>	<u>(1.88)</u>
Premiums earned	<u>\$943,519,631</u>	<u>100.00%</u>

The Company's reported risk-based capital (RBC) score was 919% as of December 31, 2017. The RBC is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC of 200 or below can result in regulatory action. There were no financial adjustments in this report that impacted the Company's RBC score.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2017, as reported by the Company.

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 831,202,239		\$ 831,202,239
Common stocks (stocks)	287,273,535		287,273,535
Cash, cash equivalents and short-term investments	21,897,502		21,897,502
Other invested assets	2,902,584	\$ 2,902,584	0
Investment income due and accrued	7,400,015	0	7,400,015
Uncollected premiums and agents' balances in the course of collection	38,540,186	3,304,928	35,235,258
Deferred premiums, agents' balances and installments booked but deferred and not yet due	62,403,429	0	62,403,429
Amounts recoverable from reinsurers	10,715,411	0	10,715,411
Funds held by or deposited with reinsured companies	85,112	8,134	76,978
Net deferred tax asset	12,310,896	4,833,009	7,477,887
Electronic data processing equipment and software	2,370,416	2,370,416	0
Receivables from parent, subsidiaries and affiliates	870,536	0	870,536
Amount receivable under high deductible policies	16,780,469	0	16,780,469
Miscellaneous receivables	3,708,985	0	3,708,985
Other Assets	20,146	0	20,146
Leasehold improvements	<u>766,903</u>	<u>766,903</u>	<u>0</u>
Total assets	<u>\$1,299,248,364</u>	<u>\$14,185,974</u>	<u>\$1,285,062,390</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and Loss Adjustment Expenses	\$448,493,598
Reinsurance payable on paid losses and loss adjustment expenses	225,862
Commissions payable, contingent commissions and other similar charges	47,947
Other expenses (excluding taxes, licenses and fees)	4,724,587
Taxes, licenses and fees (excluding federal and foreign income taxes)	2,329,300
Current federal and foreign income taxes	2,229,974
Unearned premiums	77,031,375
Ceded reinsurance premiums payable (net of ceding commissions)	23,659,340
Funds held by company under reinsurance treaties	1,318,363
Amounts withheld or retained by company for account of others	27,455,073
Provision for reinsurance	121,942,049
Drafts outstanding	2,299,566
Payable to parent, subsidiaries and affiliates	<u>1,359,032</u>
Total liabilities	\$713,116,066

Surplus and Other Funds

Common capital stock	\$ 13,742,750
Gross paid in and contributed surplus	395,957,250
Unassigned funds (surplus)	<u>162,246,324</u>
Surplus as regards policyholders	<u>571,946,324</u>
Total liabilities, surplus and other funds	<u>\$1,285,062,390</u>

NOTE: The Internal Revenue Service did not audit any of the Company's federal income tax returns during the period under examination. 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

The net income for the examination period as reported by the Company was \$110,755,484 as detailed below:

Underwriting Income

Premiums earned		\$943,519,631
Deductions:		
Losses and loss adjustment expenses incurred	\$613,991,578	
Other underwriting expenses incurred	<u>347,307,302</u>	
Total underwriting deductions		<u>961,298,880</u>
Net underwriting gain or (loss)		\$(17,779,249)

Investment Income

Net investment income earned	\$148,473,546	
Net realized capital gain	<u>21,458,568</u>	
Net investment gain or (loss)		169,932,114

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$(64,648)	
Finance and service charges not included in premiums	1,071,325	
Miscellaneous income	502,528	
TRIA service revenue	531,546	
Retroactive reinsurance income	<u>158,208</u>	
Total other income		<u>2,198,959</u>
Net income to policyholders and before federal income taxes		\$154,351,824
Federal income taxes incurred		<u>43,596,340</u>
Net income		<u>\$110,755,484</u>

C. Capital and Surplus Account

Surplus as regards policyholders decreased \$14,476,299 during the examination period January 1, 2013 through December 31, 2017 as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2012			\$586,422,623
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$110,755,484		
Net unrealized capital gains or (losses)		\$ 14,694,335	
Change in net deferred income tax		11,366,841	
Change in nonadmitted assets	4,275,834		
Change in provision for reinsurance		37,637,585	
Capital changes paid in	1,684,950		
Surplus adjustments paid in		1,684,950	
Dividends to stockholders		61,509,143	
Change in treasury stock			
Contribution of assets		1,709,206	
Prior year correction of an error	<u>0</u>	<u>2,590,507</u>	
Total gains and losses	<u>\$116,716,268</u>	<u>\$131,192,567</u>	
Net decrease in surplus			<u>(14,476,299)</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2017			<u>\$571,946,324</u>

No adjustments were made to surplus as a result of this examination.

As of December 31, 2017, the Company's capital paid in was \$13,742,750 consisting of 549,710 shares of common stock at \$25 par value per share. Gross paid in and contributed surplus at, December 31, 2017, is \$395,957,250.

Gross paid in and contributed surplus decreased by \$62,894,093 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2012	Beginning gross paid in and contributed surplus	\$458,851,343
2014	67,398 shares issued September 1, 2014**	\$(1,684,950)
2015	Dividends to stockholder	<u>(61,209,143)</u>
	Total surplus distributions	<u>(62,894,093)</u>
2017	Ending gross paid in and contributed surplus	<u>\$395,957,250</u>

** Shares issued and ultimately contributed to then parent SAH in conjunction with SAIC's acquisition of all assets and liabilities of the U.S. Branch of Nipponkoa Insurance Co., Ltd. on September 1, 2014 resulting from the domestication of such U.S. Branch pursuant to Article 72 of the New York Insurance Law.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$448,493,598 is the same as that reported by the Company as of December 31, 2017. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55 ("SSAP No. 55"). The reported reserves are concentrated in the workers' compensation line, which is consistent with the business written by the Company.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination contains no comments or recommendations.

Respectfully submitted,

_____/S/
Wayne Longmore
Associate Insurance Examiner

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

Wayne Longmore, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/S/
Wayne Longmore

Subscribed and sworn to before me

this _____ day of _____, 2019.

APPOINTMENT NO. 31801

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:

Wayne Longmore

as a proper person to examine the affairs of the

Sompo America 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 9th day of August, 2018

MARIA T. VULLO
Superintendent of Financial Services



By:

Joan P. Riddell

Joan Riddell
Deputy Bureau Chief