

REPORT ON EXAMINATION

OF

PREMIER MANAGEMENT INSURANCE, INC.

AS OF

DECEMBER 31, 2017

DATE OF REPORT

DECEMBER 3, 2018

EXAMINER

WEI CAO

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## Department of Financial Services

**ANDREW M. CUOMO**  
Governor

**LINDA A. LACEWELL**  
Superintendent

July 12, 2019

Honorable Linda Lacewell  
Superintendent of Financial Services  
New York State Department of Financial Services  
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law (“the Law”), and in compliance with the instructions contained in Appointment Number 31829 dated September 28, 2018, attached hereto, I have made an examination into the condition and affairs of Premier Management Company, Inc. as of December 31, 2017, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Premier Management Company, Inc. Wherever the designation “the Parent” appears herein without qualification, it should be understood to indicate CA, Inc.

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

## 1. SCOPE OF EXAMINATION

The examination covers the period from January 1, 2013 through December 31, 2017 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 review 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 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

Premier Management Insurance, Inc. was incorporated under the laws of New York State as a captive insurance company on December 23, 2003 and commenced business on December 31, 2003. The Company is a wholly-owned subsidiary of CA, Inc. (the Parent).

CA, Inc., doing business as CA technologies, develops, markets, delivers, and licenses software products and services in the United States and internationally.

### A. Article 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 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, 2017, the Company's paid-in capital was \$309,927,000, consisting of 100,000 shares of common stock with a par value of \$1 per share and paid-in capital of \$309,827,000. The Company had "Accumulated Other Comprehensive Losses" of \$5,180,000 due to foreign exchange losses. Its retained earnings was \$147,753,000 for a total capital and surplus (surplus as regards policyholders) of \$452,500,000.

D. Corporate Records

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

E. Operations

As of December 31, 2017, the Company provided coverage to the Parent, CA, Inc. Coverage is detailed as follows:

<u>Coverage type</u>	<u>Policy term</u>	<u>Limits</u>	<u>Excess of</u>	<u>Premium</u>
Automobile Excess Liability	4/1/17 - 4/1/18	\$50M aggregate	\$1M combined single limit primary policy, and \$125M Blank umbrella/excess policies that are shared with General Liability, Sexual Misconduct, and Foreign Liability.	\$2,500
Sexual Misconduct Excess Liability	4/1/17 - 4/1/18	\$50M annual aggregate	\$250K self- insured retention, \$5M aggregate primary policy and \$125M per occurrence/aggregate umbrella/excess policy that are shared with General Liability, Auto Excess and Foreign Liability.	\$10,000

<u>Coverage type</u>	<u>Policy term</u>	<u>Limits</u>	<u>Excess of</u>	<u>Premium</u>
Terrorism Insurance (Certified acts of Nuclear, Biological, Chemical and Radiological Terrorism)	9/30/17 - 9/30/18	\$750M for any one Certified Act of Terrorism	20% of TRIA subjected premiums written.	\$25,000
Employment Practices Excess Liability	3/28/17 - 3/28/18	\$50M annual aggregate	Various underlying coverages and self- insured retentions.	\$25,000
Director & Officers Excess Liability	3/28/17 - 3/28/18	\$50M annual aggregate	Various underlying coverages and self- insured retentions.	\$180,000
Blanket Crime Policy	1/29/17 - 1/29/18	\$10M	\$10M per loss and in the aggregate with \$250K deductible, except \$1K for money orders & counterfeit.	\$35,000
Aircraft Excess Liability	8/8/17 - 8/8/18	\$50M aggregate	\$250M per occurrence for Gulf Stream aircrafts.	\$42,500
Commercial General Excess Liability	4/1/17 - 4/1/18	\$50M annual aggregate	\$1M per occurrence/\$3M aggregate primary policy and \$125M Blanket umbrella/excess policies that are shared with Auto Excess, Sexual Misconduct, and Foreign Liability.	\$147,500
Electronic Data Processing Errors & Omissions Excess Liability	4/1/17 - 4/1/18	\$50M annual aggregate	\$2.5M self-insured retention excess of \$100M.	\$345,000
Workers Compensation Paid Deductible Reimbursement Liability	4/1/17 - 4/1/18	\$350,000 per occurrence	Not applicable.	<u>\$362,250</u>
Total Premiums				<u>\$1,174,750</u>

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

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

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

Pursuant to a management agreement, effective January 1, 2004, Marsh 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 maintaining true and complete books of account and records of 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 members, at least two of whom shall be residents of the State of New York State. At December 31, 2017, the board of directors was comprised of the following three members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Kristen Prohl Greenwich, CT	Corp Law & Assistant Corporate Secretary, CA, Inc.
Anthony Radesca West Islip, NY	Senior Vice President-Chief Accounting Officer, CA, Inc.
Charmian Uy New York, NY	Senior Vice President - Treasurer, CA, Inc.

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, 2017, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Charmian Uy	President
Brian McNamara	Vice President
Kristen Prohl	Vice President & Secretary
Anthony Radesca	Vice President & Treasurer
Lily Kang	Vice President
Kenneth Markowitz	Vice President
Jon Conway	Vice President

G. Certified Public Accountant (“CPA”)

Johnson Lambert LLP. was the Company’s independent public accounting firm for the entire period covered by this examination. The CPA stated that the audited financial statements presented fairly, in all material respects, the Company’s financial position at December 31, 2017.

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	\$ 1,181,000	
Royalty income receivable	747,517,000	
Deferred income tax	16,080,000	
Other assets	<u>131,000</u>	
Total assets		<u>\$764,909,000</u>

Liabilities

Unearned premiums	\$ 324,000	
Inter-company payable	4,000	
Deferred royalty income	157,777,000	
Income taxes payable	<u>154,304,000</u>	
Total liabilities		<u>\$312,409,000</u>

Capital and Surplus

Common stock	\$ 100,000	
Additional paid-in capital	309,827,000	
Accumulated other comprehensive loss	(5,180,000)	
Retained earnings	<u>147,753,000</u>	
Total capital and surplus		<u>\$452,500,000</u>
Total liabilities, capital and surplus		<u>\$764,909,000</u>

B. Statement of Income

The Company's net income for the period covered by the examination was \$1,369,725,000 as detailed below:

Underwriting Income

Net premiums earned	\$6,290,000	
Royalty income	2,113,982,000	
Foreign exchange loss	<u>(42,083,000)</u>	
Total revenues		\$2,078,189,000
Deductions:		
Losses and loss adjustment expenses incurred	1,503,000	
Interest expenses	2,349,000	
Professional and management fees	<u>663,000</u>	
Total underwriting deductions		<u>4,515,000</u>
Net underwriting income		\$2,073,674,000
<u>Investment Income</u>		
Investment income		<u>13,738,000</u>
Total income before taxes		2,087,412,000
Income tax		<u>717,687,000</u>
Net income		<u>\$1,369,725,000</u>



6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendation in this report.

Respectfully submitted,

\_\_\_\_\_/S/  
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.

\_\_\_\_\_/S/  
Wei Cao

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

*APPOINTMENT NO. 31829*

*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*

***Premier Management Insurance, 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 28th day of September, 2018*

*MARIA T. VULLO  
Superintendent of Financial Services*



*By:*

*Joan P. Riddell*  
\_\_\_\_\_  
*Joan Riddell  
Deputy Bureau Chief*