

REPORT ON EXAMINATION

OF

SAMMARNICK INSURANCE CORPORATION

AS OF

DECEMBER 31, 2017

DATE OF REPORT

JULY 22, 2019

EXAMINER

ROBERT BAIRD

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## Department of Financial Services

**ANDREW M. CUOMO**  
Governor

**LINDA A. LACEWELL**  
Superintendent

July 22, 2019

Honorable Linda A. Lacewell  
Superintendent  
New York State 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 31960 dated June 26, 2019, attached hereto, I have made an examination into the condition and affairs of Sammarnick Insurance Corporation 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 Sammarnick Insurance Corporation. Wherever the designation “Parent” appears herein without qualification, it should be understood to indicate Viacom Inc.

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 January 1, 2013 through December 31, 2017, and was limited in 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 the 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 July 1, 2003 and commenced business on the same day. The Company is a wholly owned subsidiary of Viacom Inc. (“Viacom”). Viacom is home to premier global media brands that create compelling entertainment content – including television programs, motion pictures, short-form content, games, consumer products, podcasts, live events and social media experiences – for audiences in 183 countries on various platforms and devices.

### **A. Articles of Incorporation**

The Company is organized to transact the kinds of insurance specified in Section 1113(a) and Section 1114 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 New York Insurance Law.

B. By-Laws

The examination found that the Company was in compliance with its by-laws in all material respects.

C. Capital Structure

Pursuant to Section 7004(a)(2) of the Law, a pure captive insurance company, incorporated as a mutual insurer, is required to possess and maintain a total surplus as regards policyholders of not less than \$250,000 in order to be issued a license to do a captive insurance business in this State. As of December 31, 2017, the Company's surplus as regards policyholders was \$1,466,357,665. Paid-in and contributed surplus increased by \$109,332,883 during the period covered by the examination, as follows:

<u>Year</u>	<u>Description</u>		<u>Amount</u>
1/1/13	Beginning paid-in and contributed surplus		\$187,120,337
2013	Capital contribution from Parent	\$23,559,141	
2014	Capital contribution from Parent	6,177,304	
2015	Capital contribution from Parent	19,328,437	
2016	Capital contribution from Parent	29,512,650	
2017	Capital contribution from Parent	<u>30,755,351</u>	
	Total increase to paid-in and contributed surplus		<u>109,332,883</u>
12/31/17	Ending paid-in and contributed surplus		<u>\$296,453,220</u>

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 the following coverages to Viacom and its subsidiaries:

### Global Property Insurance Policy

The policy provides property insurance, including terrorism coverage, of up to \$1.2 billion in excess of a self-insured retention of \$2 million per occurrence and in the aggregate, with various sub-limits by coverage. The Company cedes 100% of its retention to various reinsurers.

### Integrated Risk Policy (“IRP”)

The IRP provides various other coverages, including the self-insured retention layer, on the following coverages: motion picture portfolio policy, directors’ and officers’ liability, errors and omissions including cyber liability, employment practices liability; as well as excess layers on the following: directors’ and officers’ liability, errors and omissions, employment practices liability and fiduciary liability. In addition, the Company directly insures other risks, including Viacom Media Network productions, intellectual property insurance, reputation risk and loss of feed from satellite. The per occurrence limits over the entire policy range from \$5 million to \$250 million in excess of deductible amounts which vary by coverage. The IRP has an annual policy aggregate limit of \$500 million. The Company fully retains the risks on all these coverages.

### Casualty Deductible Buyback Policy

The Company also provides insurance covering the deductible portion of automobile liability, general liability and workers’ compensation policies written by an outside insurer, with limits of \$3 million, \$5 million and \$2 million, respectively.

## F. Management and Control

### (i) Captive Manager

Section 7003(b)(4) of the New York Insurance 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 New York Insurance Law, or any other person approved by the Superintendent.

Effective May 15, 2002, the Company is managed by Amethyst Captive Insurance Solutions, Inc. (“Amethyst”), which is authorized to act as a manager for captive insurance companies by the New York State Department of Financial Services.

Pursuant to a management agreement, Amethyst shall provide expertise in the insurance and business transactions of the Company and provide such management services as specified in the Agreement.

(ii) Board of Directors

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 three members, of which at least two shall at all times be residents of New York State. At December 31, 2017, the board of directors was comprised of the following five members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Christa A. D'Alimonte Glen Cove, NY	Executive Vice President & General Counsel, Viacom Inc.
Katherine Gill-Charest Thornwood, NY	Senior Vice President, Controller & Chief Accounting Officer, Viacom Inc.
Michelena Hallie Sleepy Hollow, NY	Senior Vice President, Deputy General Counsel, Viacom Inc.
Jay M. Kushner Armonk, NY	Senior Vice President, Global Taxation & Treasury, Viacom Inc.
Barrie C. Wexler Plainsboro, NJ	Senior Vice President, Risk Management, Viacom Inc.

During the period covered by this examination, the board held one meeting each year. A review of the meeting minutes indicated that all board meetings were well attended.

The Company was in compliance with its charter and by-laws and Sections 7003(b)(2) and 7005(g) of the New York Insurance Law.

(iii) Officers

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

<u>Name</u>	<u>Title</u>
Christa A. D'Alimonte	President
Michelena Hallie	Vice President and Secretary
James Bombassei	Vice President and Treasurer
Jay M. Kushner	Vice President
Barrie C. Wexler	Vice President and Assistant Secretary
Katherine Gill-Charest	Vice President and Assistant Treasurer

G. Certified Public Accountant ("CPA")

During the period covered by this examination, annual audits of the Company were completed by its independent certified public accounting firm, PricewaterhouseCoopers LLP. The CPA stated that the Company's audited financial statements presented fairly, in all material respects, its financial position at December 31, 2017.



### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America, as of December 31, 2017:

##### Assets

Cash and cash equivalents	\$ 23,238,730	
Funds held in escrow	205,000	
Notes receivable from Parent	1,587,672,286	
Accrued interest receivable	10,959,138	
Premiums receivable	2,375,000	
Reinsurance recoverable on unpaid losses	13,253	
Reinsurance recoverable on paid losses	64,592	
Deferred policy acquisition and brokerage costs	257,255	
Prepaid reinsurance premiums	779,183	
Advanced reinsurance premiums	1,595,000	
Deferred federal income tax asset, net	4,120,154	
Other assets	<u>232,414</u>	
Total assets		<u>\$1,631,512,005</u>

##### Liabilities

Reserves for loss and loss adjustment expenses	\$ 16,772,399	
Unearned premiums	94,953,037	
Advanced premium liability	1,595,000	
Accounts payable and accrued expenses	93,500	
Federal income tax payable to Parent	51,261,522	
Unearned ceding commission	111,606	
Claims payable	<u>367,276</u>	
Total liabilities		\$ 165,154,340

##### Capital and Surplus

Common stock	\$ 100,000	
Additional paid-in capital	296,453,220	
Retained earnings	<u>1,169,804,445</u>	
Total capital and surplus		<u>\$1,466,357,665</u>
Total liabilities, capital and surplus		<u>\$1,631,512,005</u>

B. Statement of Income

The Company's net income for the period covered by this examination was \$464,977,436 as detailed below:

Revenue

Net premiums earned	\$661,549,671	
Commissions earned on ceded premiums	4,860,344	
Net investment income	<u>95,988,447</u>	
Total revenues		\$762,398,462

Expenses incurred

Loss and loss adjustment expenses	\$33,844,770	
Policy acquisition costs	3,176,016	
General and administrative expenses	941,631	
Brokerage fees	<u>4,860,344</u>	
Total expenses incurred		<u>42,822,761</u>
Income before federal income taxes		719,575,701
Federal income tax expense		<u>254,598,265</u>
Net income		<u>\$464,977,436</u>

C. Capital and Surplus Account

The Company's capital and surplus increased by \$574,310,319 during the period covered by this examination, detailed as follows:

Capital and surplus as of December 31, 2012			\$ 892,047,346
	<u>Increases in</u> <u>Surplus</u>	<u>Decreases in</u> <u>Surplus</u>	
Net income	\$464,977,436	\$0	
Capital contribution from Parent	<u>109,332,883</u>	—	
Total increases and decreases in surplus	<u>\$574,310,319</u>	<u>\$0</u>	
Net increase in surplus			<u>574,310,319</u>
Capital and surplus as of December 31, 2017			<u>\$1,466,357,665</u>

**4. LOSSES AND LOSS ADJUSTMENT EXPENSES**

As of December 31, 2017, the Company reported total loss and loss adjustment expense reserves of \$16,772,399. The Company's opining actuary stated in its Statement of Actuarial Opinion that, in its opinion, the reported unpaid losses and loss adjustment expenses were consistent with amounts computed in accordance with the Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves and relevant standards of practice promulgated by the Actuarial Standards Board. It was also noted that the reported reserves met the relevant requirements of the insurance laws of New York and 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 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**

This report contains no comments or recommendations.

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Robert Baird  
Senior Insurance Examiner

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

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

\_\_\_\_\_/S/\_\_\_\_\_  
Robert Baird

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Linda A. Lacewell, 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:

**Robert Baird**

as a proper person to examine the affairs of the

**Samarnick Insurance Corporation**

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 26th day of June, 2019

LINDA A. LACEWELL  
Superintendent of Financial Services



By:

*Joan P. Riddell*

Joan Riddell  
Deputy Bureau Chief