

REPORT ON EXAMINATION

OF

SUECIA INSURANCE COMPANY

AS OF

DECEMBER 31, 2019

DATE OF REPORT

FEBRUARY 12, 2021

EXAMINER

JUSTIN MATHEW

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Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

February 12, 2021

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 32126 dated August 26, 2020, attached hereto, I have made an examination into the condition and affairs of Suecia Insurance Company as of December 31, 2019, 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 State Department of Financial Services.

Due to the Governor’s Executive Order of New York State on PAUSE regarding the COVID-19 pandemic, the examination was conducted remotely.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2014. This examination covered the five-year period from January 1, 2015 through December 31, 2019. 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, which requires that we plan and perform the examination to evaluate the financial condition by obtaining information about the Company including corporate governance. This examination also includes evaluating the overall financial statement presentation, management’s compliance with New York laws 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

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.

The Company has been in run-off since October 1, 1993. Prior to placing itself in run-off, the Company reinsured property and casualty business.

The Company paid an ordinary dividend of \$650,000 and, with prior approval from the Department, an extraordinary dividend of \$3,200,000 to its shareholder on September 25, 2019.

A. Corporate Governance

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 seven nor more than twenty-one members. The Board meets at least twice during each calendar year. At December 31, 2019, the board of directors was comprised of the following eight members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Maria Rosqvist Croce Wayne, New Jersey	Assistant Vice President and Controller, Berkley Surety Group
Joseph Leo Daly Toronto, Ontario	Retired
Goran Dan Peter Faxner Danderyd, Sweden	Chairman, Suecia Holding Corporation Chairman, Suecia Insurance Company
Scott Eric Gottesman Cortlandt Manor, New York	President and Treasurer, G.F. Dobson & Company, LLC President and Treasurer, Suecia Insurance Company
William Hamilton Howell Kendall Park, New Jersey	Retired

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Josianne Leveille Fort Lee, New Jersey	Secretary, G.F. Dobson & Company, LLC Secretary, Suecia Insurance Company
Peter Niles Mazurek Ridgewood, New Jersey	Director, Napa River Insurance Services
Alan John Rein White Plains, New York	Retired

As of December 31, 2019, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Scott Eric Gottesman	President and Treasurer
Josianne Leveille	Secretary

B. Territory and Plan of Operation

As previously noted, the Company has been in run-off since 1993. As of December 31, 2019, the Company was licensed to write business in four states: California, Illinois, New York and Texas. Additionally, the Company was accredited as a reinsurer in seven states: Arizona, Connecticut, Delaware, Massachusetts, New Hampshire, Pennsylvania and Rhode Island.

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

<u>Paragraph</u>	<u>Line of Business</u>
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

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 \$2,200,000.

C. Reinsurance

Due to its run-off status, the Company had no reinsurance coverage in place at December 31, 2019. Effective July 1, 1999, the Company entered into a loss portfolio transfer agreement with Codan Insurance Company, Ltd., U.S. Branch ("Branch") in which 100% of the Branch's net outstanding loss and loss adjustment expense reserves were transferred to the Company. Additionally, the Company took on the risk of the collectability of the Branch's third-party reinsurance recoverables as part of this agreement. The transaction was approved by the Department.

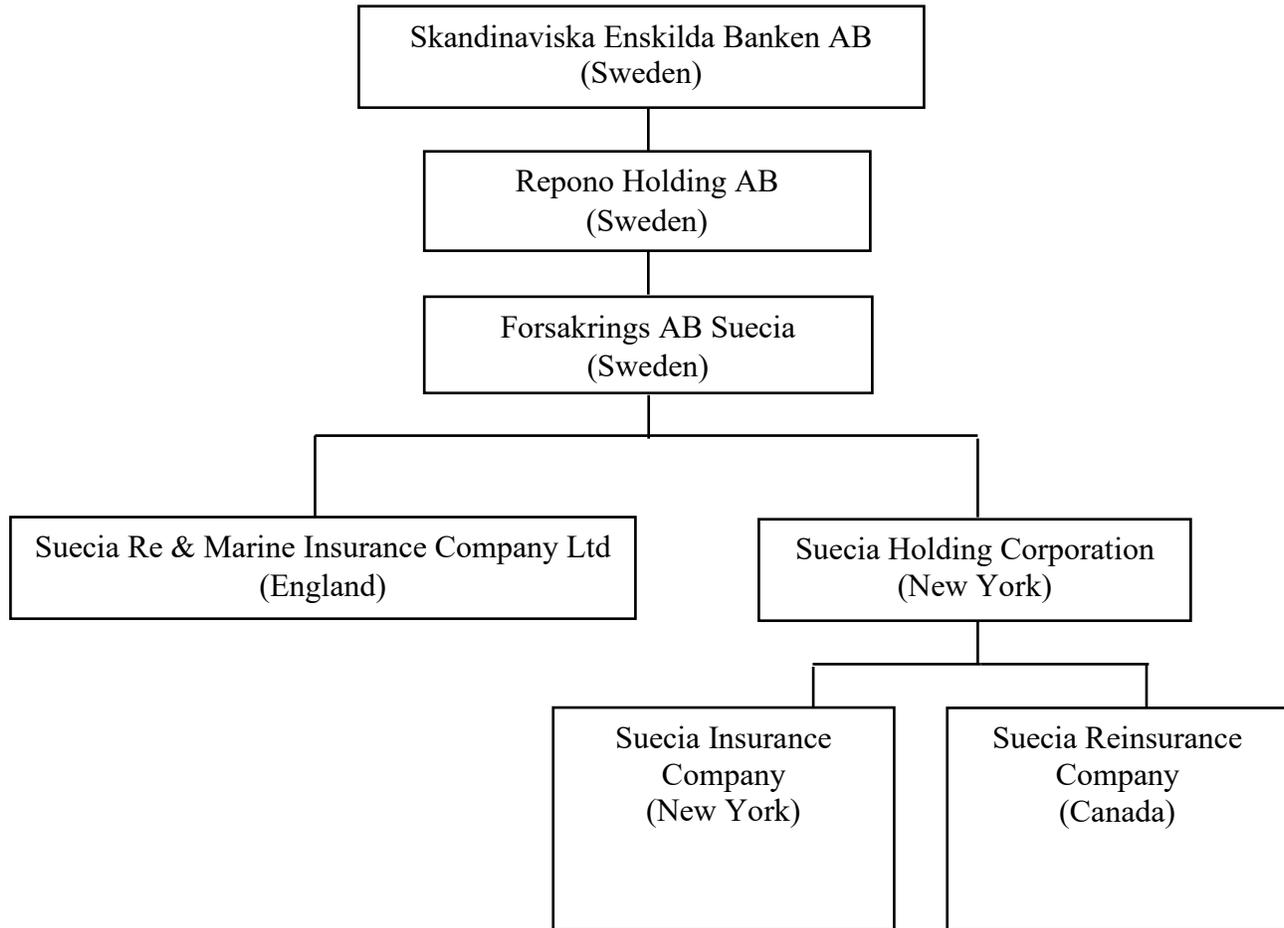
D. Holding Company System

The Company is a wholly-owned subsidiary of Suecia Holding Corporation, a New York corporation, which is ultimately controlled by Skandinaviska Enskilda Banken AB ("SEB") of Stockholm, Sweden.

The Company was established in 1980 by the Trygg-Hansa Group of Sweden. SEB acquired the Swedish insurance company Trygg-Hansa in 1997 and integrated the life insurance business. SEB later sold the on-going property and casualty insurance portion of Trygg-Hansa and held on to the remaining run-off reinsurance operations, which included 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, 2019:



At December 31, 2019, the Company was party to a tax allocation agreement with its parent, Suecia Holding Corporation. The agreement was effective October 1, 1982, and was further amended as of August 1, 2006. Per the terms of the agreement, the Company and its parent file a consolidated federal income tax return whereby the Company computes and pays its federal income tax liability as if computed on a stand-alone basis. This agreement was filed with the Department in accordance with Department Circular Letter No. 33 (1979).

E. Significant Ratios

The adjusted liabilities to liquid assets ratio of 33%, computed as of December 31, 2019, falls within the benchmark range set forth in the Insurance Regulatory Information System of the NAIC. All other operating and underwriting ratios were not computed because they are not meaningful due to the Company's run-off status.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2019, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$35,027,101	\$ 0	\$35,027,101
Cash	25,000	0	25,000
Cash equivalents	842,634	0	842,634
Investment income due and accrued	153,553	0	153,553
Funds held by or deposited with reinsured companies	18,660	0	18,660
Current federal and foreign income tax recoverable and interest thereon	15,000	0	15,000
Net deferred tax asset	6,103	139	5,964
Retroactive reinsurance – funds held	<u>(28,968)</u>	<u>0</u>	<u>(28,968)</u>
Total assets	<u>\$36,059,083</u>	<u>\$139</u>	<u>\$36,058,944</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 9,807,938
Reinsurance payable on paid losses and loss adjustment expenses	101,830
Commissions payable, contingent commissions and other similar charges	(733,762)
Other expenses (excluding taxes, licenses and fees)	92,000
Loss portfolio transfer	<u>2,622,746</u>
 Total liabilities	 \$11,890,752

Surplus and Other Funds

Common capital stock	\$ 3,520,000
Gross paid in and contributed surplus	16,695,777
Unassigned funds (surplus)	<u>3,952,415</u>
 Surplus as regards policyholders	 <u>24,168,192</u>
 Total liabilities, surplus and other funds	 <u>\$36,058,944</u>

Note: During the examination period, the Company was not subject to audit 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

The net income for the examination period as reported by the Company was \$9,582,135, as detailed below:

Underwriting Income

Premiums earned		\$	0
Deductions:			
Losses and loss adjustment expenses incurred	\$(5,085,493)		
Other underwriting expenses incurred	<u>638,464</u>		
Total underwriting deductions			<u>(4,447,029)</u>
Net underwriting gain or (loss)		\$	4,447,029

Investment Income

Net investment income earned	\$3,617,719		
Net realized capital gain	<u>253,179</u>		
Net investment gain or (loss)		\$	3,870,898

Other Income

Loss portfolio transfer – gain/loss	\$ (94,453)		
Retroactive reinsurance – gain/loss	<u>4,379,987</u>		
Total other income or (loss)			<u>4,285,534</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$	12,603,461
Federal and foreign income taxes incurred			<u>3,021,326</u>
Net income		\$	<u>9,582,135</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$3,654,516 during the five-year examination period January 1, 2015 through December 31, 2019, as reported by the Company, detailed as follows:

Surplus as regards policyholders, as reported by the Company as of December 31, 2014			\$20,513,676
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$9,582,135		
Net unrealized capital gains or losses	4,800		
Change in net deferred income tax		\$ 102,929	
Change in nonadmitted assets	70,510		
Dividends to stockholders	<u>0</u>	<u>5,900,000</u>	
Total gains and losses	<u>\$9,657,445</u>	<u>\$6,002,929</u>	
Net increase in surplus			<u>3,654,516</u>
Surplus as regards policyholders, as reported by the Company as of December 31, 2019			<u>\$24,168,192</u>

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

Capital paid in is \$3,520,000 consisting of 88 shares of \$40,000 par value per share common stock. Gross paid in and contributed surplus is \$16,695,777.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$9,807,938 is the same as reported by the Company as of December 31, 2019. 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 SSAP No. 55.

5. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus (“COVID-19”) pandemic. The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination’s review noted that there has not been a significant impact to the Company. The Department has been in communication with the Company regarding the impact of COVID-19 on its operations and financial position and will take necessary action if a solvency concern arises.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained no comments or recommendations.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination contains no comments or recommendations.

Respectfully submitted,

_____/S/_____
Justin Mathew
Senior Insurance Examiner

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

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

_____/S/_____
Justin Mathew

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:

Justin Mathew

as a proper person to examine the affairs of the

Suecia 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 26th day of August, 2020

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:

Joan Riddell

*Joan Riddell
Deputy Bureau Chief*

