

REPORT ON EXAMINATION

OF

DMB&B USA INSURANCE, INC.

AS OF

DECEMBER 31, 2017

DATE OF REPORT

JUNE 12, 2019

EXAMINER

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Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

June 12, 2019

Honorable Linda A. Laceywell
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 31941 dated April 12, 2019 attached hereto, I have made an examination into the condition and affairs of DMB&B USA Insurance, 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 DMB&B USA Insurance, 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 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 New York State 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

DMB&B USA Insurance, Inc. was incorporated under the laws of New York State as a captive insurance company on December 5, 2007 and commenced business on December 20, 2007. The Company is a wholly owned subsidiary of MMS USA Holdings, Inc. MMS USA Holdings, Inc. is domiciled in the state of Delaware and serves as a holding company for the United States subsidiaries of Publicis Groupe S.A., the ultimate parent. Publicis Groupe S.A. is an international company which provides digital and traditional advertising, media, and marketing services to national and multinational clients.

A. Articles 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 \$20,014,001, consisting of 100,000 shares of common stock with a par value of \$1 per share and paid-in capital of \$19,914,001. The Company's retained earnings was \$358,576,218, for a total capital and surplus (surplus as regards policyholders) of \$378,590,219.

D. Corporate Records

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

E. Operations

From 2014 through 2017, the Company assumed Workers Compensation and Employers Liability for MMS USA Holdings, Inc. and all United States subsidiaries of the ultimate parent from AAAA Insurance Company Ltd. via a nine percent quota share agreement.

As of December 31, 2017, the Company provided its parent and subsidiaries with a Property-Certified Acts of Terrorism Policy. This policy insured against all risks of direct physical loss or direct physical damage to tangible insured property while on insured locations. Detailed coverage is as follows:

| <u>Coverage</u> | <u>Limit of Liability</u> | <u>Excess Limit</u> |
|---|---|---------------------|
| Terrorism excluding Nuclear, Biological Radiological and Chemical Events | \$350,000,000 per occurrence and in the aggregate | \$100,025,000 |
| Terrorism solely as respects Nuclear, Biological Radiological and Chemical Events | \$350,000,000 per occurrence and in the aggregate | - |

During the period covered by this examination, the following insurance policies were written by the Company:

Deductible Reimbursement:

Deductible buyback provided reimbursement coverage on a claims-made basis, for deductible and loss adjustment expense payments paid by the insured under the terms of the primary insurer's directors and officers liability, professional liability, employment practices liability, property and business interruption and crime policies issued to the insured. The detail of the deductible and self-insured retention reimbursement policy is as follows:

| <u>Coverage</u> | <u>Limit of Liability</u> |
|--|---|
| Directors and Officers | \$100,000 per occurrence for US entities or \$500,000 for US Security Claim |
| General Liability | \$500,000 per occurrence |
| Professional Liability | \$500,000 per occurrence |
| Professional Liability-Event Management | \$1,000,000 per occurrence |
| Employment Practices Liability | \$1,000,000 per occurrence |
| Employment Practices Liability-Class actions or multiples plaintiff claims | \$3,000,000 per occurrence |
| Property and Business Interruption | \$25,000 per occurrence |
| Crime | \$500,000 per occurrence |

Excess Policy:

Excess insurance provides coverage on a claims-made basis, for loss and loss adjustment expenses incurred above the primary insurer's directors and officer's liability, professional liability, employment

practices liability, fiduciary liability and crime coverages. Details of the Excess Insurance Policy is are follows:

| <u>Coverage</u> | <u>Limit of Liability</u> | <u>Underlying Insurance</u> |
|---|--|--|
| Directors and Officer's Liability | \$100,000,000 per occurrence and aggregate | Excess of \$170,000,000 |
| Professional Liability (Errors and Omissions) | \$70,000,000 per occurrence and aggregate | Excess of \$114,270,000 (includes a \$10,000,000 US sub-limit) |
| Employment Practices Liability | \$25,000,000 per occurrence and aggregate | Excess of \$25,000,000 |
| Fiduciary Liability | \$50,000,000 per occurrence and aggregate | Excess of \$20,000,000 |
| Crime | \$75,000,000 per occurrence and aggregate | Excess of \$40,000,000 |

Production Related Deductible Reimbursement:

The policy provides reimbursement coverage for deductible and loss adjustment expense payments made by the insured under the terms of the primary insurer's Production Package, Errors and Omissions and Non-Owned Aircraft policies issued to the insured. Details of the policy are as follows:

| <u>Coverage</u> | <u>Limit of Liability</u> |
|------------------------------|---|
| Production Package | \$50,000 per occurrence with an annual aggregate of \$250,000 |
| Errors and Omissions | \$25,000 per occurrence |
| Non-owned Aircraft Liability | \$2,500 occurrence for physical damage liability only |

Integrated Risk Policy:

The integrated risk policy provides reimbursement on a claims-made basis for self-insured retentions. The aggregate limit of liability for this policy is \$400,000,000 as of December 31, 2017. Details of the policy are as follows:

| <u>Coverage</u> | <u>Limit of Liability</u> | <u>Deductible</u> |
|---------------------------------|--|-------------------|
| Bad Debt/Credit Risks | \$100,000,000 per occurrence and aggregate | \$1,000,000 |
| Electromagnetic Radiation | \$100,000,000 per occurrence and aggregate | \$1,000,000 |
| Reputation Risk | \$50,000,000 per occurrence and \$100,000,000 in the aggregate | \$1,000,000 |
| Loss of Key Customers/Suppliers | \$50,000,000 per occurrence and \$100,000,000 in the aggregate | \$1,000,000 |
| Loss of Key Person/Term | \$50,000,000 per occurrence and \$100,000,000 in the aggregate | \$1,000,000 |
| Casting/Talent Contracts | \$50,000,000 per occurrence and \$100,000,000 in the aggregate | \$1,000,000 |
| Regulatory/Political | \$50,000,000 per occurrence and \$100,000,000 in the aggregate | \$1,000,000 |
| Intellectual Property | \$50,000,000 per occurrence and \$100,000,000 in the aggregate | \$1,000,000 |
| Travel Health Risks | \$50,000,000 per occurrence and \$100,000,000 in the aggregate | \$1,000,000 |

There is \$1,000,000 deductible per claim with a \$5,000,000 combined aggregate deductible for all lines.

The Company did not cede any business during the period covered by this examination.

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.

The Company was managed by Willis Management (“Willis”) which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, effective December 5, 2007, Willis 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 and 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 charter and by-laws, management of the Company is vested in a board of directors.

The board of directors meets once each calendar year and at December 31, 2017, was comprised of the following five members:

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|-------------------------------------|---|
| Thomas Caffrey Boston, MA | Chief Executive Officer, Lion Re: Sources, USA Inc. |
| Mark Clare Northport, NY | Vice President & Assistant Treasurer, Lion Re: Sources, USA Inc. |
| Rachel Guibert Suresnes, France | Group Insurance Director, Publicis Groupe S.A. |
| Richard Meehan Little Silver, NJ | Senior Vice President, Lion Re: Sources, USA Inc. |
| Thomas Trepanier Mamaroneck, NY | Senior Vice President, Lion Re: Sources, USA Inc. |

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

| <u>Name</u> | <u>Title</u> |
|------------------|----------------|
| Thomas Caffrey | President |
| Mark Clare | Vice President |
| David Guerino | Vice President |
| Thomas Trepanier | Secretary |
| Richard Meehan | Treasurer |

G. Certified Public Accountant

Saslow Lufkin & Buggy, LLP was the Company's independent public accounting firm for the years 2013 and 2014. Crowe Horwath LLP was the Company's independent public accounting firm for the years 2015 through 2017. At December 31, 2017, Crowe Horwath LLP stated that in its opinion, the Company's financial statements present fairly, in all material respects, the financial position of DMB&B USA Insurance, Inc.

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:

Assets

| | | |
|--|----------------|----------------------|
| Cash | \$561,160 | |
| Investment in and advances to affiliates | 442,835,172 | |
| Accrued interest | 883,178 | |
| Premium receivable | 220,290 | |
| Deferred acquisition costs | 176,631 | |
| Deferred tax asset | 2,778,629 | |
| Prepaid expenses | 10,062 | |
| Other assets | <u>144,480</u> | |
| Total assets | | <u>\$447,609,602</u> |

Liabilities

| | | |
|--|----------------|-------------------|
| Unpaid losses and loss adjustment expenses | \$1,584,268 | |
| Unearned premium | 66,421,060 | |
| Taxes payable | 795,844 | |
| Due to affiliate | 21,655 | |
| Claims payable | 37,621 | |
| Accrued expenses | <u>158,935</u> | |
| Total liabilities | | <u>69,019,383</u> |

Capital and Surplus

| | | |
|--|--------------------|----------------------|
| Common stock | \$100,000 | |
| Additional paid-in capital | 19,914,001 | |
| Retained earnings | <u>358,576,218</u> | |
| Total capital and surplus | | <u>\$378,590,219</u> |
| Total liabilities, capital and surplus | | <u>\$447,609,602</u> |

B. Statement of Income

The Company's net income for the period covered by the examination was \$211,249,648 as detailed below:

Underwriting Income

| | | |
|-------------------------------------|------------------|----------------------|
| Net premiums earned | | \$323,966,035 |
| Deductions: | | |
| Net Losses incurred | \$5,066,623 | |
| Premium taxes | 1,756,351 | |
| General and administrative expenses | <u>4,087,404</u> | |
| Total underwriting deductions | | <u>10,910,378</u> |
| Net underwriting income | | 313,055,657 |
| Investment income | | 11,798,205 |
| Miscellaneous income | | 2,996,116 |
| Income taxes | | 116,600,330 |
| Net income | | <u>\$211,249,648</u> |

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations 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

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Linda A. Lacewell, Acting 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

DMB&B USA 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 12th day of April, 2019

LINDA A. LACEWELL
Acting Superintendent of Financial Services

By:

Joan P. Riddell

Joan Riddell
Deputy Bureau Chief

