

REPORT ON EXAMINATION

OF

CEDAR INSURANCE COMPANY

AS OF

DECEMBER 31, 2019

DATE OF REPORT

APRIL 14, 2021

EXAMINER

JUSTIN MATHEW

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Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

April 14, 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 32025 dated January 3, 2020, attached hereto, I have made an examination into the condition and affairs of Cedar 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 Cedar 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 remotely due to the Governor’s Executive Order of New York State on PAUSE regarding the COVID-19 pandemic.

1. SCOPE OF EXAMINATION

The Department has performed a group examination of Cedar Insurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2017. This examination covered the two-year period from January 1, 2018 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 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
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Significant subsequent events
- 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

Cedar Insurance Company was incorporated under the laws of the State of New York on July 26, 1991 as Alliance Assurance Company of America, a stock company, to serve as the vehicle for the domestication of the United States Branch of the Alliance Assurance Company Limited, London, England (“Branch”). The Company assumed all of the assets and liabilities of the Branch and commenced business on January 1, 1992.

Effective July 1, 2000, the Company entered into a Reinsurance Assignment and Assumption Agreement with Globe Indemnity Company (“Globe”), an affiliate. As a result of the agreement, the Company transferred all of its liabilities arising from its operations prior to the effective date, along with an equal amount of assets to Globe. On January 23, 2001, the Company was acquired by Eastern Casualty Insurance Company, a Massachusetts insurer, as a clean shell.

On October 16, 2008, the Company was acquired by The Wright Insurance Group (“TWIG”), a Delaware corporation, and on October 23, 2008, adopted the name WRM America Indemnity Company, Inc. The Company began writing business in 2009.

On December 10, 2010, the Company formed a wholly owned subsidiary, RPG Management, LLC, which was later re-named Wright Program Insurance Agency, LLC (“WPIA”).

On November 7, 2011, the Company’s ultimate parent, TWIG, acquired 100% of the outstanding ownership interests of certain entities from Fidelity National Financial, Inc., the ultimate parent of Fidelity National Indemnity Insurance Company (“FNII”). As part of the transaction, TWIG assigned the Company the rights to acquire 100% of the issued and outstanding shares of the capital stock of FNII. Subsequent to the acquisition, FNII was re-named Wright National Flood Insurance Company (“WNFIC”).

On May 1, 2012, Catlin Insurance Company and Catlin Indemnity Company (collectively referred to as “Catlin”), began writing a majority of the business previously written by the Company. Beginning in July 2013, the Company ceased writing all direct business and assumed approximately 7 to 10% of the business written by Catlin. The Company’s affiliate, Wright Risk Management, LLC (“WRM LLC”) served as the management company.

On May 20, 2014, Brown & Brown, Inc. purchased TWIG. The purchase agreement included the Company’s two subsidiaries, WPIA and WNFIC, but did not include the Company. The sale resulted in the Company becoming a wholly-owned subsidiary of WRM America Indemnity Holding Company, LLC.

As of December 31, 2014, the Company had entered voluntary run-off and positioned itself for sale.

Effective January 1, 2015, the Company entered into a Termination and Recapture Agreement (“TRA”) with Catlin Specialty Insurance Company (“Catlin Specialty”). The TRA terminated, released and extinguished the Company’s past, present and future obligations and liabilities under the quota share

reinsurance contract effective November 11, 2011 through December 31, 2014, pursuant to which the Company assumed certain liabilities from Catlin Specialty.

In addition, effective January 1, 2015, the Company entered into a Retroactive Assumption Agreement with Catlin Specialty, in which the Company ceded 100% of its liability pertaining to all business written, renewed, or reinstated by it prior to November 15, 2012. Catlin Specialty then delegated the claims handling and administration to WRM LLC.

On August 16, 2018, the Company was acquired by Sirius America Insurance Company (“SAIC”), a New York domiciled company. SAIC is an indirect wholly owned subsidiary of Sirius International Insurance Group, Ltd. (“SIIG”). During the examination period, SIIG and the Company were ultimately controlled by China Minsheng Investment Group Corp., Ltd. Subsequent to the examination period, on February 26, 2021, SIIG and the Company were acquired by Third Point Reinsurance Ltd. (refer to section 5 of this report).

Effective January 29, 2019, the Company changed its name to its current title.

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 members. The board meets three times during each calendar year. At December 31, 2019, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Jeffrey Wayne Davis Miami, FL	Chief Actuary and Chief Risk Officer, Sirius America Insurance Company
Robert Peter Kuehn Manhasset, NY	General Counsel, Sirius America Insurance Company
Lori M. Powers West Hartford, CT	Vice President, Secretary and Compliance Officer, Sirius Global Solutions, Inc.
Andrew Jonathon Roth Farmington, CT	Senior Vice President, Sirius Global Solutions, Inc.
Peter Everett Sarne Forest Hills, NY	Senior Vice President and Group Controller, Sirius America Insurance Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael Raymond Terelmes Cheshire, CT	Senior Vice President, Chief Financial Officer and Treasurer, Sirius Global Solutions, Inc.
Walter Neal Wasserman West Hartford, CT	President, Sirius Global Solutions, Inc.

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

<u>Name</u>	<u>Title</u>
Walter Neal Wasserman	President and Chief Executive Officer
Michael Raymond Terelmes	Senior Vice President, Chief Financial Officer and Treasurer
Lori M. Powers	Vice President, Secretary and Compliance Officer

B. Territory and Plan of Operation

The Company is not actively writing business and is administering the run-off of its existing liabilities. As of December 31, 2019, the Company was licensed to write business in 38 states and in the District of Columbia. Historically, the Company specialized in commercial property and casualty insurance coverage to K-12 private independent schools, public schools (outside of New York State) and accredited colleges and universities, which included educators' legal liability, commercial general liability, commercial property, inland marine, auto liability and boiler and machinery.

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
24	Credit Unemployment
29	Legal services

The Company is also authorized to transact such workers' compensation insurance as may be incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et. seq. as amended).

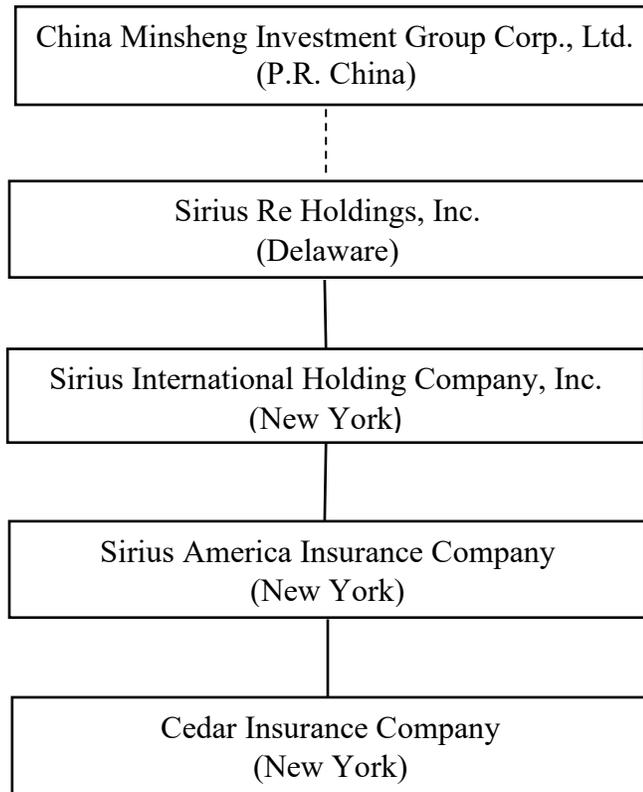
Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$4,800,000.

C. Holding Company System

As of December 31, 2019, the Company was a member of the China Minsheng Group. The Company is a wholly owned subsidiary of SAIC, which was ultimately controlled by China Minsheng Investment Group Corp., Ltd. ("CMIG"). CMIG is an international investment group based in China. It was founded in 2014 by 59 private companies. On February 26, 2021, the Company and SAIC were acquired by Third Point Reinsurance Ltd. (refer to section 5 of this report).

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:



Holding Company Agreements

As of December 31, 2019, the Company was party to the following agreements with other members of its holding company system:

Expense Allocation Agreement

The Company and various affiliates are parties to an Amended and Restated Expense Allocation Agreement, effective February 23, 2015, and subsequently amended multiple times. Pursuant to the terms of the agreement, SAIC provides human resources support, IT and network support, office space, and other services such as internal audit services to specified affiliates. Sirius Global Solutions, Inc. provides services such as bookkeeping, financial and regulatory reporting services, administrative, claims management, and actuarial services to specified affiliates. Pursuant to the terms of the agreement, reimbursement is made by the Company on a cost basis in accordance with the requirements of Department Regulation 30. As of

August 17, 2018, the Company was added to the agreement pursuant to Amendment Number Three. This agreement replaced the expense allocation agreement dated January 1, 1997.

Investment Management Agreement

Effective September 16, 2016, and amended as of August 17, 2018, the Company is party to an investment management agreement with Sirius Investment Advisors LLC (“SIA”). Per the terms of the agreement, SIA manages, on a discretionary basis, the Company’s portfolio. The Company pays SIA an investment management fee and is responsible for all costs and expenses directly incurred by SIA on behalf of the Company, including custodial fees, accounting and performance measurement service fees, brokerage commissions, and other expenses reasonably related to the research, purchase, monitoring, sale or transfer of assets. As of August 17, 2018, the Company was added to the agreement pursuant to Amendment Number One.

Tax Allocation Agreement

The Company and various affiliates are parties to a tax allocation agreement, effective December 1, 2004, and subsequently amended on numerous occasions. The parties to the agreement file with Sirius Re Holdings, Inc. a consolidated federal income tax return under the provisions of the Internal Revenue Code of 1986. The agreement stipulates that the Company’s tax liability on a consolidated basis would not exceed the liability had the Company filed its tax return on a stand-alone basis. As of August 17, 2018, the Company was added to the agreement pursuant to Amendment Number Twelve.

All agreements were filed with the Department pursuant to Section 1505 of the New York Insurance Law.

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	\$ 4,467,397	\$ 0	\$ 4,467,397
Cash	27,574	0	27,574
Cash equivalents	618,829	0	618,829
Short-term investments	9,059,045	0	9,059,045
Investment income due and accrued	13,382	0	13,382
Net deferred tax asset	<u>616,925</u>	<u>616,925</u>	<u>0</u>
 Total assets	 <u>\$14,803,152</u>	 <u>\$616,925</u>	 <u>\$14,186,227</u>
 <u>Liabilities, Surplus and Other Funds</u>			
 <u>Liabilities</u>			
Losses and loss adjustment expenses			\$ 324,921
Other expenses (excluding taxes, licenses and fees)			212,843
Payable to parent, subsidiaries and affiliates			44,589
Payable for securities			1,810
Retroactive reinsurance reserve			<u>(324,920)</u>
 Total liabilities			 \$ 259,243
 <u>Surplus and Other Funds</u>			
Common capital stock		\$ 4,210,000	
Gross paid in and contributed surplus		11,602,304	
Unassigned funds (surplus)		<u>(1,885,320)</u>	
 Surplus as regards policyholders			 <u>13,926,984</u>
 Total liabilities, surplus and other funds			 <u>\$14,186,227</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 loss for the examination period as reported by the Company was \$629,420, as detailed below:

Underwriting Income

Premiums earned		\$ 0
Deductions:		
Losses and loss adjustment expenses incurred	\$ (42,373)	
Other underwriting expenses incurred	<u>1,162,607</u>	
Total underwriting deductions		<u>1,120,234</u>
Net underwriting gain or (loss)		\$(1,120,234)

Investment Income

Net investment income earned	\$ 489,773	
Net realized capital gain	<u>1,059</u>	
Net investment gain or (loss)		490,832

Other Income

Miscellaneous expense	\$ <u>(18)</u>	
Total other income or (loss)		<u>(18)</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$ (629,420)
Federal and foreign income taxes incurred		<u>0</u>
Net income		\$ <u>(629,420)</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$629,420 during the examination period January 1, 2018 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, 2017			\$14,556,404
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income		\$ 629,420	
Net unrealized capital gains or losses		1,429	
Change in net deferred income tax	\$618,354		
Change in nonadmitted assets	<u>0</u>	<u>616,925</u>	
Total gains and losses	<u>\$618,354</u>	<u>\$1,247,774</u>	
Net decrease in surplus			<u>(629,420)</u>
Surplus as regards policyholders, as reported by the Company as of December 31, 2019			<u>\$13,926,984</u>

As of December 31, 2019, capital paid in is \$4,210,000 consisting of 10 shares of \$421,000 par value per share common stock. Gross paid in and contributed surplus is \$11,602,304. No adjustments were made to surplus as a result of this examination.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$324,921 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 the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles No. 55.

5. SUBSEQUENT EVENTS

On February 16, 2021, the Department approved the acquisition of control of the Company and its parent, SAIC, by Third Point Reinsurance Ltd. (“TPRE”). The acquisition closed on February 26, 2021. TPRE is a Bermuda exempted company, limited by shares that was launched in 2011 and began writing business in January 2012. TPRE completed an initial public offering in 2013, and its shares are listed on the New York Stock Exchange. Subsequent to the acquisition, TPRE is now known as SiriusPoint Ltd.

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 business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company 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

Cedar 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 3rd day of January, 2020

LINDA A. LACEWELL
Superintendent of Financial Services



By:

Joan P. Riddell

Joan Riddell
Deputy Bureau Chief