

REPORT ON EXAMINATION

OF

GLOBAL REINSURANCE CORPORATION OF AMERICA

AS OF

DECEMBER 31, 2019

DATE OF REPORT

MAY 28, 2021

EXAMINER

SABU CHERIAN

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## Department of Financial Services

**ANDREW M. CUOMO**  
Governor

**LINDA A. LACEWELL**  
Superintendent

May 28, 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 32089 dated May 19, 2020, attached hereto, I have made an examination into the condition and affairs of GLOBAL Reinsurance Corporation of America 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 GLOBAL Reinsurance Corporation of America.

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 an examination of GLOBAL Reinsurance Corporation of America, 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.

The examination was conducted in conjunction with the state of Florida, which was the lead state of the Randall & Quilter Investment Group. The examination was performed concurrently with the examinations of the following insurers:

<u>Company</u>	<u>State of Domicile</u>
Accredited Surety and Casualty Company, Inc.	Florida
GLOBAL Reinsurance Corporation of America	New York
R&Q Reinsurance Company	Pennsylvania
Transport Insurance Company	Ohio
R&Q RI Insurance Company	Rhode Island
National Legacy Insurance Company	Oklahoma

Other states participating in this examination were Ohio, Oklahoma, Pennsylvania, and Rhode Island.

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
- Reinsurance
- 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**

The Company was incorporated under the laws of the State of New York on August 7, 1940 and commenced business on September 5, 1940. Pursuant to Department records, on March 26, 1951, it changed its name to Constitution Reinsurance Corporation. On March 12, 1970, it changed its name to Constitution Insurance Corporation. On July 13, 1999, the Company's name reverted to Constitution Reinsurance Corporation.

Effective October 27, 1998, the Company's ultimate parent was acquired by Gerling Global U.S. Investments, Inc., a Delaware investment holding company, which was ultimately controlled by Gerling - Konzern Rueckversicherungs Aktiengesellschaft ("GKG"), of Cologne, Germany. Effective May 1, 1999, the Company changed its name to Gerling Global Reinsurance Company of America. Effective August 5, 2002, GKG announced its voluntary withdrawal from the United States property/casualty reinsurance market. As a result, the Company stopped writing new business and placed itself into voluntary run-off. On November 9, 2005, the Company adopted its current name, GLOBAL Reinsurance Corporation of America. Effective December 28, 2007, the Company was acquired by GLOBALE Management, GmbH ("GMG"), and its parent company GLOBALE Beteiligungs.

Effective January 1, 2008, the Company entered into an assumption agreement whereby all direct policy obligations of Constitution Insurance Company ("CIC"), its wholly owned subsidiary, were transferred to the Company. On May 6, 2009, the Company sold CIC as a "shell" company to an unaffiliated third party.

Effective July 12, 2012, the Department approved the domestication of the United States Branch of Global Reinsurance Corporation ("the Branch"), an affiliate of the Company. The Branch was originally licensed in the State of New York on January 29, 1963, as the United States Branch of Gerling-Konzern Ruckversicherungs Aktiengesellschaft (now known as Globale Germany). Globale Germany, as was the Company, was ultimately owned by GLOBALE Beteiligungs. The Branch had been in run-off since 1997.

Under the domestication of the Branch, its surplus was returned to its parent and the assets and liabilities were transferred into the Company with no net surplus contribution. The merger resulted in an increase in the Company's surplus in the amount of \$12,932,742, which was reflected as a paid in surplus adjustment. This adjustment was not an actual asset contribution but rather an accounting entry associated with certain liabilities associated with the merger with the United States Branch of Global Reinsurance Company, including the provision for reinsurance, unrealized losses, and non-admitted assets.

In 2014, the Department approved the re-statement of the Company's negative unassigned surplus of \$(168,116,349) to \$0 by reducing its gross paid-in and contributed surplus in accordance with SSAP No. 72 under a quasi-reorganization.

Effective June 12, 2014, the Department approved the acquisition of the Company and its parent Global U.S. Holding, Inc. ("GUSHI") by AXA DBIO S.C.A., an insurance holding company located in Luxembourg.

Effective April 22, 2019, the Department approved the acquisition of the Company and its parent, GUSHI, by Randall & Quilter America Holdings, Inc.

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 nor more than 13 members. During the examination period, the board met 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>
John Frederic Chaskey Peru, New York	Non-Executive Director, GLOBAL Reinsurance Corporation of America
John William Fischer Portland, Maine	Non-Executive Director, GLOBAL Reinsurance Corporation of America
Mark Andrew Langridge Kent, United Kingdom	Director and President, GLOBAL Reinsurance Corporation of America
Alan Kevin Quilter Essex, United Kingdom	Director and Vice President, GLOBAL Reinsurance Corporation of America

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Kenneth Edward Randall Canterbury, United Kingdom	Director and Chairman, GLOBAL Reinsurance Corporation of America
Christopher William Reichow Gladwyne, Pennsylvania	Director and Vice President, GLOBAL Reinsurance Corporation of America
Pamela Susan Sellers-Hoelsken Philadelphia, Pennsylvania	Director and Treasurer, GLOBAL Reinsurance Corporation of America

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

<u>Name</u>	<u>Title</u>
Mark Andrew Langridge	President
Michael Logan Glover	Secretary
Alan Kevin Quilter	Vice President
Christopher William Reichow	Vice President
Pamela Susan Sellers-Hoelsken	Treasurer

B. Territory and Plan of Operation

As of December 31, 2019, the Company was licensed to write business in 32 states and in the District of Columbia. The Company also maintains accredited reinsurer or qualified status in 14 other states. During the examination period, the Company continued to administer the run-off of its business.

A review of the 2019 Annual Statement - Schedule T revealed that the Company misstated its active status in Missouri and Ohio, indicating that it was licensed in Missouri and maintained a qualified status or accredited reinsurer status in Ohio. It is recommended that the Company take due care in completion of its Annual Statement Schedule T. The Company subsequently corrected the misstatement in its 2020 Annual Statement.

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
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
22	Residual value
24	Credit unemployment
26	Gap
27	Prize indemnification
28	Service contract reimbursement
29	Legal services

The Company was 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, 69<sup>th</sup> Congress as amended; 33 USC Section 901 et seq. as amended).

The Company was also authorized by Section 4102(c) of the New York Insurance Law to (i) reinsure risks of every kind or description and (ii) insure property or risks of every kind or description located or resident outside of the United States, its territories and possessions.

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 \$35,000,000.



C. Reinsurance Ceded

The Company has been in run-off since 2002. Consequently, its ceded reinsurance program then in place was not renewed and was terminated on a run-off basis.

D. Holding Company System

The Company is a member of the Randall and Quilter Investment Group. The Company is a wholly owned subsidiary of GLOBAL U.S. Holdings, Incorporated, a New York corporation, which is ultimately controlled by Randall & Quilter Investment Holdings Ltd.

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

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

### Shared Services & Joint Cost Allocation Agreement

Effective May 2, 2019, the Company entered a Shared Services & Joint Cost Allocation Agreement into by and between the affiliated companies: R&Q Reinsurance Company, Transport Insurance Company, and Accredited Surety and Casualty Company, Inc. The services provided among the companies are accounting, functional support services, payroll and human resources services, compliance and corporate secretarial services, and other services such as claims and reinsurance management services. The agreement was filed and approved by the Department.

### Tax Allocation Agreement

Effective May 2, 2019, the Company entered into a tax sharing agreement, which covers filing a consolidated income tax return, by and between the affiliated companies: Randall & Quilter America Holdings, Inc. and R&Q Reinsurance Company, Transport Insurance Company, and Accredited Surety and Casualty Company, Inc.

Both agreements were filed with this 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:

#### Assets

	<u>Assets</u>	<u>Nonadmitted</u> <u>Assets</u>	<u>Net Admitted</u> <u>Assets</u>
Bonds	\$182,318,797	\$ 0	\$182,318,797
Preferred stocks (stocks)	471,240		471,240
Cash, cash equivalents and short-term investments	13,286,035		13,286,035
Other invested assets	288,744		288,744
Investment income due and accrued	1,032,230		1,032,230
Uncollected premiums and agents' balances in the course of collection	77,556		77,556
Deferred premiums, agents' balances and installments booked but deferred and not yet due	119,200		119,200
Accrued retrospective premiums	110,566		110,566
Amounts recoverable from reinsurers	4,770,354		4,770,354
Funds held by or deposited with reinsured companies	1,116,925		1,116,925
Receivables from parent, subsidiaries, and affiliates	<u>1,894</u>	<u>0</u>	<u>1,894</u>
Total assets	<u>\$203,593,540</u>	<u>\$0</u>	<u>\$203,593,540</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and Loss Adjustment Expenses	\$ 99,789,228
Reinsurance payable on paid losses and loss adjustment Expenses	1,559,862
Commissions payable, contingent commissions and other similar charges	(7,020)
Other expenses (excluding taxes, licenses and fees)	770,972
Taxes, licenses and fees (excluding federal and foreign income taxes)	450,000
Current federal and foreign income taxes	1,973,717
Funds held by company under reinsurance treaties	191,979
Remittances and items not allocated	12,381
Provision for reinsurance	1,799,740
Payable to parent, subsidiaries and affiliates	6,073,076
Payable for securities	<u>106,006</u>
Total liabilities	\$112,719,941

Surplus and other funds

Common capital stock	\$14,196,320
Gross paid in and contributed surplus	67,974,742
Unassigned funds (surplus)	<u>8,702,537</u>
Surplus as regards policyholders	<u>90,873,598</u>
Total liabilities, surplus and other funds	<u>\$203,593,540</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2014 through 2019. 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 \$19,199,258, as detailed below:

Underwriting Income

Premiums earned		\$ (161,054)
Deductions:		
Losses and loss adjustment expenses incurred	\$(20,945,340)	
Other underwriting expenses incurred	<u>36,819,864</u>	
Total underwriting deductions		<u>15,874,524</u>
Net underwriting gain or (loss)		\$(16,035,578)

Investment Income

Net investment income earned	\$ 29,562,568	
Net realized capital gain	<u>7,733,628</u>	
Net investment gain or (loss)		\$ 37,296,196

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ 188,101	
Miscellaneous expense	<u>(433,894)</u>	
Total other income		\$ <u>(245,793)</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$21,014,825
Federal and foreign taxes incurred		<u>1,815,569</u>
Net income		\$ <u>19,199,258*</u>

\*Rounding difference of \$2

C. Capital and Surplus

Surplus as regards policyholders decreased \$42,829,572 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			\$133,703,170
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$19,199,258		
Net unrealized capital gains or (losses)		\$ 168,597	
Change in net deferred income tax		91,186	
Change in nonadmitted assets	1,225,604		
Change in provision for reinsurance	4,020,547		
Capital changes paid in	0	13,699,062	
Surplus adjustments paid in	<u>0</u>	<u>53,316,136</u>	
Total gains and losses	\$24,445,409	\$67,274,981	
Net increase (decrease) in surplus			<u>(42,829,572)</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2019			<u>\$ 90,873,598</u>

#### **4. LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$99,789,228 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.

The Company has significant exposure to Asbestos and Environmental (“A&E”) claims with net A&E reserves of \$40.778 million, which comprises approximately 41% of the Company’s total net reserves. The Company also has exposure to general and product liability claims associated with high limit excess-of-loss and umbrella policies.

In the actuarial review, it was noted that the Company did not document either the approvals of the actuarial filings or how the filings were made available. Also, there was no formal documented process for internal review and approval of the Schedule P reconciliation. It is recommended that the Company develop a process for making actuarial filings available to the board of directors and documenting this in their minutes. It is recommended that the Company implement their proposal to create and document a process for internal peer-review and approval of the Schedule P reconciliation.

#### **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 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 recommendations.

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Territory and Plan of Operation</u> It is recommended that the Company take due care in completion of Annual Statement Schedule T.	5
The Company subsequently corrected the misstatements in its 2020 annual statement	
B. <u>Losses and Loss Adjustment Expenses</u>	
i. It is recommended that the Company develop a process for making actuarial filings available to the board of directors and documenting it in the minutes.	13
ii. It is recommended that the Company implement its proposal to create and document a process for internal peer-review and approval of the Schedule P reconciliation.	13



Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Sabu Cherian  
Senior Insurance Examiner

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

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

\_\_\_\_\_/S/\_\_\_\_\_  
Sabu Cherian

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:*

***Sabu Cherian***

*as a proper person to examine the affairs of the*

***Global Reinsurance Corporation of America***

*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 19th day of May, 2020*

***LINDA A. LACEWELL***  
*Superintendent of Financial Services*

*By:*

*Joan L. Riddell*

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

