

REPORT ON EXAMINATION

OF

PREMIER MANAGEMENT INSURANCE, INC

AS OF

DECEMBER 31, 2012

DATE OF REPORT

MARCH 14, 2014

EXAMINER

WEI CAO

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York 12257

March 14, 2014

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31043 dated September 12, 2013, attached hereto, I have made an examination into the condition and affairs of Premier Management Insurance, Inc. as of December 31, 2012, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Premier Management Insurance, Inc. Wherever the designation “Parent” appears herein without qualification, it should be understood CA, 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, 2008 through December 31, 2012, and was limited in its scope to a review or audit of only those balance sheet items considered by this Department to require analysis, verification or description, including invested assets, and losses and loss adjustment expense reserves. The examination included a review of income, disbursements and 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.

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 New York Insurance Law.

The report utilized work performed by the Company's independent certified public accountants 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 December 23, 2003 and commenced business on December 31, 2003. The Company is a wholly-owned subsidiary of CA, Inc. ("CA"). CA is a Fortune 500 company and one of the largest independent software corporations in the world. CA creates systems software that runs in mainframe, distributed computing, virtual machine and cloud computing environments.

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 New York Insurance Law.

B. By-Laws

The examination revealed that the Company is 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 surplus as regards policyholders of not less than \$250,000 pursuant to the provisions of Section 7004(a)(1) of the New York Insurance Law.

As of December 31, 2012, the Company's paid in capital was \$100,000 consisting of 100,000 shares of \$1.00 par value per share common stock and its surplus as regards policyholders was \$1,075,401,000.

D. Corporate Records

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

E. Reinsurance

As of December 31, 2012, the Company did not cede nor assume any insurance.

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 the Article 21 of the New York Insurance Law, or any other person approved by the Superintendent.

During the examination period, the Company was managed by Marsh Management Services Inc. ("Marsh"), which is authorized to act as a manager for captive insurance companies by the New York Department of Financial Services.

Pursuant to the Management Agreement between the Company and Marsh, Marsh, under the direction and control of the Company, shall render certain management and administrative services related to the following services:

- Accounting and any regulatory reporting services deemed necessary
- Policy preparation
- Claims administration
- Actuarial services
- Advice on insurance programs
- Principal representative

(ii) Board of Directors

Pursuant to the Company's by-laws, management of the Company is vested in a board of directors consisting of at least three members, of which, at least two shall at all times be residents of New York State. At December 31, 2012, the board of directors was comprised of the following three members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
James H. Hodge Rye, NY	Treasurer CA, Inc
Kevin Speed Huntington Station, NY	Vice President, Assistant Corporate Controller CA, Inc
Jay H. Diamond Scarsdale, NY	Vice President and Associate General Counsel CA, Inc

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

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

(iii) Officers

As of December 31, 2012, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
James H. Hodge	President
Brain McNamara	Vice President
Frank Fantigrossi	Vice President
Kevin Speed	Vice President and Treasurer
Jay H. Diamond	Vice President and Secretary

G. Certified Public Accountant (“CPA”) and Actuarial Services

The Company was audited by the independent CPA firm Johnson Lambert & Co. for the years 2008-2012. The Company’s opining actuary as of December 31, 2012 was Marsh Management Services, Inc., 100 Bank Street, Suite 601, Burlington, VT 05401.

H. Growth of Company

The following schedule sets forth a summary of the Company’s significant financial information for the period covered by this examination:

<u>Year</u>	<u>Net Premiums Earned</u>	<u>Net Income</u>	<u>Assets</u>	<u>Shareholders’ Equity</u>
2008	\$1,805,000	\$290,720,000	\$1,492,885,000	\$1,443,960,000
2009	\$1,337,000	\$372,898,000	\$1,446,567,000	\$1,167,313,000
2010	\$1,165,000	\$362,322,000	\$1,343,726,000	\$ 814,944,000
2011	\$1,064,000	\$278,100,000	\$1,612,499,000	\$1,092,004,000
2012	\$1,005,000	\$305,160,000	\$1,340,794,000	\$1,075,401,000

3. FINANCIAL STATEMENTS

With the Department's permission, the Company's financial statements have been prepared in conformity with generally accepted accounting principles, which differ from statutory accounting principles prescribed or permitted by the Department for insurance companies. The Company's independent accounting firm concluded that the following financial statements, present fairly, in all material respects, the financial position Premier Management Insurance, Inc. as of December 31, 2012.

A Balance Sheet

Assets

Cash and cash equivalents	\$ 50,854,000	
Notes receivable from affiliate	547,500,000	
Deferred income tax	30,766,000	
Royal income receivable	<u>711,674,000</u>	
Total Assets		<u>\$1,340,794,000</u>

Liabilities

Unearned premiums	\$ 366,000	
Inter-company payable	182,000	
Deferred royalty income	141,409,000	
Income taxes payable	<u>123,436,000</u>	
Total liabilities		\$ 265,393,000

Capital and Surplus

Common stock	\$ 100,000	
Additional paid-in capital	309,827,000	
Accumulated other comprehensive loss	(4,954,000)	
Retained earnings	<u>770,428,000</u>	
Total capital and surplus		<u>1,075,401,000</u>
Total liabilities and capital surplus		<u>\$1,340,794,000</u>

B. Statement of Income

The Company's capital and surplus increased \$1,604,246,000 during the five-year period detailed as follows:

STATEMENT OF INCOME

Underwriting Income

Net premiums earned	\$ 6,376,000	
Royalty income	2,489,004,000	
Foreign exchange losses	<u>(110,238,000)</u>	
Total underwriting income		\$2,385,142,000
Deductions:		
Professional and management fees	\$ 551,000	
General and administrative expenses	<u>475,000</u>	
Total operating deductions		\$ <u>1,026,000</u>
Net underwriting gain or (loss)		2,384,116,000
Investment income		\$ <u>84,069,000</u>
Net income before tax		\$2,468,185,000
Federal income tax expenses		\$ <u>858,985,000</u>
Net income		<u>\$1,609,200,000</u>

C. Capital and Surplus Account

Capital and surplus as of January 1, 2008			\$1,203,840,000
	<u>Gains in surplus</u>	<u>Losses in surplus</u>	
Net income	\$1,609,200,000		
Shareholder dividend		\$1,732,685,000	
Other comprehensive loss	<u>0</u>	<u>4,954,000</u>	
Total gains and losses in surplus	\$1,609,200,000	\$1,737,639,000	
Net decrease in surplus			\$ <u>(128,439,000)</u>
Capital and surplus as of December 31, 2012			<u>\$1,075,401,000</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2012, the Company reported total loss and loss adjustment expense reserves of \$0. The Company's opining actuary stated the following in its Statement of Actuarial Opinion:

In my opinion, based on the foregoing procedures, the Company's December 31, 2012 reserves identified herein:

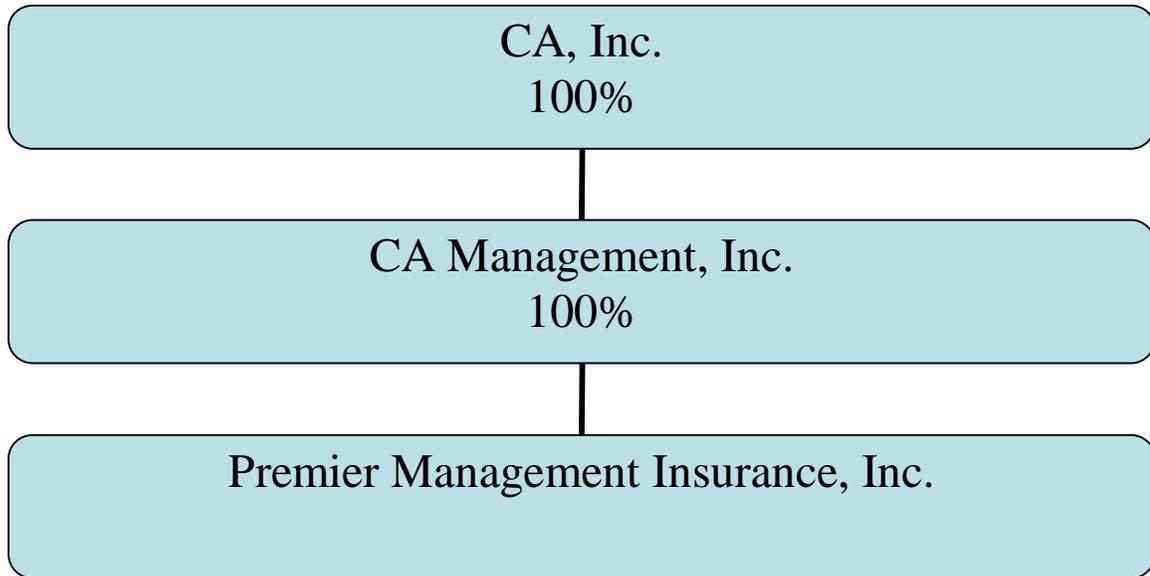
- Are computed in accordance with commonly accepted actuarial methods and are fairly stated in accordance with sound actuarial principles.
- Make reasonable provision in the aggregate for all unpaid losses and loss adjustment expenses under the term of the Company's policies. Under the terms of the claims made policy regarding Electronic Data Processing Errors & Omissions Excess Liability ("EDPEOEL"), the Company provides coverage to CA Technologies ("CA") if an "incident is communicated" during the corresponding policy period. Although no legal action has been filed, an incident has been communicated to the Company. At this stage, CA does not believe that it is responsible for any losses suffered by the other party involved in the incident. Furthermore, CA believes that, even if it were to be held responsible for some subset of losses, such losses cannot currently be reasonably estimated because of the early stage of this matter but they would, in any event, likely be low relative to the Company's attachment point. Additionally, the Company's exposure to loss regarding the EDPEOEL incident is significant, but the exposure is not material relative to the Company's Capital & Surplus. The Company's maximum exposure to loss regarding the EDPEOEL incident is less than 5% of the Company's Capital & Surplus.
- Are computed in the basis of similar general methods as used at December 31, 2011.
- Meet the relevant requirements of the insurance laws of New York.

5. ARTICLE 70 COMPLIANCE

Article 70 of the New York State 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 of the New York Insurance Law. No significant areas of non-compliance were found.

6. ORGANIZATIONAL STRUCTURE

The below is the organizational chart of Premier Management Insurance, Inc:



7. INSURANCE PROGRAM

As of December 31, 2012, the Company provided the following coverage to its parent as follows:

<u>Policy coverage</u>	<u>Limits</u>	<u>Policy period</u>
Aircraft Excess Liability	\$50,000,000 per occurrence and in the aggregate, in excess of \$200,000,000 per occurrence.	August 8, 2012-August 8, 2013
Automobile Excess Liability	\$50,000,000 per occurrence and in the aggregate in excess of \$125,000,000 per occurrence and in the aggregate.	April 1, 2012-April 1, 2013
Blanket Crime Policy	\$10,000,000 excess of underlying insurance of \$5,000,000 per loss and in the aggregate.	January 29, 2012-January 29, 2013

<u>Policy coverage</u>	<u>Limits</u>	<u>Policy period</u>
Commercial General Excess Liability	\$50,000,000 per occurrence and in the aggregate, excess of \$1,000,000 per occurrence/\$3,000,000 in the aggregate primary policy and \$125,000,000 per occurrence of the umbrella policy.	April 1, 2012-April 1, 2013
Director and Officers Excess Liability	\$50,000,000 aggregate with self-insured retention of \$15,000,000.	March 28, 2012-March 28, 2013
Electronic Data Processing Errors & Omissions Excess Liability	\$50,000,000 aggregate with self-insured retention of \$2,500,000.	April 1, 2012-April 1, 2013
Employment Practices Excess Liability	\$50,000,000 aggregate with self-insured retention of \$15,000,000.	March 28, 2012-March 28, 2013
Sexual Misconduct Excess Liability	\$50,000,000 aggregate with self-insured retention of \$250,000.	April 1, 2012-April 1, 2013

These coverages are in excess of various underlying coverages and self insured retention.

Premier Management Insurance, Inc. also provided Terrorism Risk Insurance as part of some of its policies to its parent, CA, Inc. during the examination period. The insurance policies covered losses resulting from acts of terrorism, as defined under the Terrorism Risk Insurance Program Reauthorization Act of 2007 (“TRIPRA 2007”). Under the TRIPRA 2007, the Company will be reimbursed 85% of terrorism losses exceeding the statutorily established deductible paid by the insurance company.

8. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

There were no comments or recommendations in the prior report.

9. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations in this report.

Respectfully submitted,

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.

Wei Cao

Subscribed and sworn to before me

this _____ day of _____, 2014.

APPOINTMENT NO. 31043

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **BENJAMIN M. LAWSKY**, 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

Premiere Management Insurance, Inc.

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

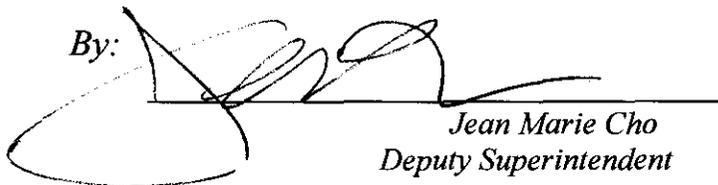
*In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York*

this 12th day of September, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services



By:



Jean Marie Cho
Deputy Superintendent