

REPORT ON EXAMINATION

OF THE

ECCLESIA ASSURANCE COMPANY

AS OF

DECEMBER 31, 2014

DATE OF REPORT

FEBRUARY 8, 2016

EXAMINER

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

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Honorable Maria T. Vullo  
Superintendent of Financial Services  
Albany, New York 12257

February 8, 2016

Madam:

Pursuant to the requirements of the New York Insurance Law and in compliance with the instructions contained in Appointment Number 31402 dated December 4, 2015, attached hereto, I have made an examination into the condition and affairs of Ecclesia Assurance Company as of December 31, 2014, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Ecclesia Assurance Company.

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, 2010 through December 31, 2014 and was limited in its scope to a review or audit of only those balance sheet items considered by this Department to require analysis or verification. Transactions occurring subsequent to this period were reviewed 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 Department, and was in compliance with Article 70 of the New York 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

The Company was incorporated under the laws of New York State as a captive insurance company on December 10, 2003 and commenced business on March 8, 2004. The Company is a wholly-owned subsidiary of the Roman Catholic Diocese of Rockville Centre (the Diocese) and provides various property and casualty insurance coverage to the Diocese and certain related entities. The Diocese comprises the territory of Nassau and Suffolk counties (regionally known as Long Island) in New York State. It is the sixth-largest Catholic diocese in the United States, currently serving approximately 1.5 million people in 134 parishes.

### 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, 2014, the Company's paid-in capital was \$3,000,000, consisting of 100,000 shares of common stock with a par value of \$1 per share and an additional paid-in-capital amount of \$2,900,000. The Company had accumulated earnings of \$18,506,488, for a total capital and surplus (stockholder's equity) of \$21,506,488.

D. Corporate Records

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

E. Operations

During the period covered by this examination, the Company provided the Diocese and certain related entities with primary property and excess property insurance protection. The primary property coverage provided limits of \$99,750,000 excess of \$250,000 per occurrence. The excess property coverage provided limits of \$200,000,000 excess of \$100,000,000 per occurrence from 2010 through 2011 and \$100,000,000 excess of \$100,000,000 per occurrence from 2012 through 2014. The coverage does not have an aggregate limit and was 100% reinsured.

The Company also provided primary liability and excess liability insurance coverage. Primary coverage limits were \$900,000 per loss and in the aggregate in excess of a \$100,000 self-insured retention for 2010 and \$750,000 per loss and in the aggregate in excess of a \$250,000 self-insured retention from 2011 through 2014. The overall excess liability coverage limits were \$9,000,000 per loss and in the aggregate in excess of \$1,000,000. Effective April 1, 2014, the Company offered a standalone crime policy with limits of \$500,000 per occurrence, with no aggregate limit, less a \$250,000 deductible. On November 1, 2014, the crime coverage was rolled into the primary liability policy with the same limits and

deductibles. The Company cedes 100% of this risk to an unaffiliated insurer except for auto personal injury protection from 2010-13, auto physical damage and sexual abuse coverages which are not reinsured.

The primary and excess liability policies and the primary property policy provided terrorism insurance protection to the Diocese. Terrorism coverage limits are the same for each respective policy as the existing property and liability limit. Terrorism coverage protects the insured against "acts of terrorism," which includes any act or acts that are certified by the Secretary of the Treasury or in consultation with the Secretary of Homeland Security, and the Attorney General of the United States or to be terrorist actions.

The Company's terrorism coverage is reinsured or backstopped by a temporary federal government program called the Terrorism Risk Insurance Program Reauthorization Act ("TRIPRA"). TRIPRA was signed into law in December 2007 and extended until December 31, 2014. It keeps in place the basic framework for the Terrorism Risk Insurance Act of 2002 ("TRIA"). TRIA was extended in 2005 as the Terrorism Risk Insurance Extension Act, which was in turn extended as TRIPRA. Under TRIPRA the Company is reimbursed by the federal government for 85% of any losses caused by a certified act of terrorism, the insurer would retain the remaining 15%. The Company cedes 100% of its 15% retention to unaffiliated insurers.

Subsequent to the examination date, on January 15, 2015, TRIPRA was extended through December 31, 2020.

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 Article 21 of the 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 Department.

Pursuant to a management agreement, effective May 1, 2012, Marsh has the responsibility for providing the Company with underwriting, policyholder service, claims, administrative and other general management and operational services for a fee. These responsibilities also 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.

(ii) Board of Directors

Pursuant to the Company's by-laws, management of the Company is vested in a board of directors consisting of not less than three members, of which at least two shall at all times be residents of New York State. At December 31, 2014, the board of directors was comprised of the following three members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Robert John Brennan Rockville Centre, NY	Vicar General, Roman Catholic Priest, Roman Catholic Diocese of Rockville Centre
Kevin Thomas Murphy Massapequa, NY	Chief Fiscal Officer, Roman Catholic Diocese of Rockville Centre
Richard John Joseph Sullivan Jr. Babylon, NY	President & CEO, CMF Group, Inc.

In accordance with its by-laws and Section 7003(b)(2) of the New York State Insurance Law, the board of directors met once annually. A review indicated that the meetings were well attended.

(iii) Officers

As of December 31, 2014, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Robert John Brennan	President
Kevin Thomas Murphy	Secretary & Treasurer
William Gerald Chapin	Vice President
Thomas Doodian	Vice President
Joseph Young	Vice President
Maureen Falanga	Assistant Treasurer

G. Certified Public Accountant (CPA)

Saslow Lufkin & Buggy, LLP was the Company's independent certified public accounting firm for the period covered by this examination. The CPA stated that the audited financial statement presented fairly, in all material respects, the Company's financial position as of December 31, 2014.



### 3. FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America.

#### A. Balance Sheet

##### Assets

Cash	8,116,652	
Investment	18,837,271	
Prepaid expenses	20,170	
Premiums receivable	2,073,980	
Reinsurance recoverable on unpaid losses and LAE	3,460,583	
Prepaid reinsurance	1,337,312	
Deferred policy acquisition costs	<u>11,438</u>	
Total assets		<u>\$33,857,406</u>

##### Liabilities

Unpaid losses and loss adjustment expenses	9,400,800	
Unearned premiums	2,859,451	
Accrued expenses	<u>90,667</u>	
Total liabilities		12,350,918

##### Capital and Surplus

Common stock	100,000	
Additional paid-in capital	2,900,000	
Surplus (retain earnings)	<u>18,506,488</u>	
Total capital and surplus		<u>\$21,506,488</u>
Total liabilities, capital and surplus		<u>\$33,857,406</u>

B. Statement of Income

The Company's net income for the examination period was \$13,061,730 as detailed below:

STATEMENT OF INCOMEUnderwriting Income

Net premiums earned	\$16,020,446	
Ceding commission earned	<u>355,644</u>	
Gross underwriting income		16,376,090
Deductions:		
Loss and loss adjustment expenses incurred	\$2,585,740	
General and administrative expenses	1,646,483	
Underwriting expenses	<u>375,827</u>	
Total underwriting deductions		<u>4,608,050</u>
Net underwriting gain or (loss)		\$11,768,040

Investment Income

Interest income	557,824	
Net investment income	<u>851,823</u>	
Investment income		<u>1,409,647</u>
Net income before tax		\$13,177,687
New York Tax expenses		115,957
Net income		<u>\$13,061,730</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$13,061,730 during the period covered by this examination, detailed as follows:

Capital and surplus as of January 1, 2010			\$8,444,758
	<u>Increase in surplus</u>	<u>Decrease in surplus</u>	
Net income	<u>\$13,061,730</u>	<u>\$0</u>	
Net increase in surplus			<u>13,061,730</u>
Capital and surplus as of December 31, 2014			<u>\$21,506,488</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2014, the Company reported total loss and loss adjustment expense reserves of \$9,400,800. The Company's opining actuarial firm, Actuarial & Technical Solutions, Inc., noted in its Statement of Actuarial Opinion that reserves met the requirements of the Law and were consistent with reserves computed by the Actuarial Standards Board. It also noted that reasonable provisions had been made for all unpaid loss and allocated loss expense obligations under the terms of its contracts and agreements.

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. No significant areas of non-compliance were found.

**6. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

There are no comments or recommendations in this report.

Respectfully submitted,

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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 \_\_\_\_\_, 2016.

**APPOINTMENT NO. 31402**

**NEW YORK STATE**

**DEPARTMENT OF FINANCIAL SERVICES**

I, **SHIRIN EMAMI**, 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

**Ecclesia Assurance Company**

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

**COMPANY**

with such other information as she shall deem requisite.

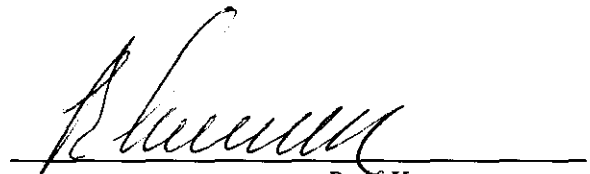
In Witness Whereof, I have hereunto subscribed by name  
and affixed the official Seal of the Department  
at the City of New York

this 4th day of December, 2015

Shirin Emami

Acting Superintendent of Financial Services

By:



Rolf Kaumann  
Deputy Chief Examiner

