

REPORT ON EXAMINATION

OF THE

BLACKROCK INSURANCE CORPORATION

AS OF

DECEMBER 31, 2015

DATE OF REPORT

JUNE 23, 2017

EXAMINER

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TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	2
	A. Articles of incorporation	2
	B. By-laws	3
	C. Capital structure	3
	D. Corporate records	3
	E. Operations	3
	F. Management and control	4
	G. Certified public accountant	6
3.	Financial statements	7
	A. Balance sheet	7
	B. Statement of income	8
	C. Capital and surplus account	9
4.	Losses and loss adjustment expenses	9
5.	Article 70 compliance	9
6.	Summary of comments and recommendations	9



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

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

June 23, 2017

Madam:

Pursuant to the requirements of the New York Insurance Law and in compliance with the instructions contained in Appointment Number 31581 dated March 24, 2017, attached hereto, I have made an examination into the condition and affairs of Blackrock Insurance Corporation as of December 31, 2015, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Blackrock Insurance Corporation. Wherever the designation "the Parent" appears herein without qualification, it should be understood to indicate CBS Corporation.

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, 2011 through December 31, 2015, 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 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 New York State Department of Financial Services, 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 and commenced business on December 2, 2005. The Company is a wholly-owned subsidiary of CBS Corporation. CBS Corporation is an American mass media corporation focused on commercial broadcasting, publishing, and television production, with most of its operations in the United States. During the period covered by this examination, the Company provided property insurance coverage, which included terrorism insurance coverage, to the Parent and its affiliates.

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, 2015, the Company's paid-in capital was \$250,000, consisting of 100,000 shares of common stock with a par value of \$1 per share and an additional paid-in capital amount of \$150,000. The Company had accumulated earnings of \$784,966, for a total capital and surplus (surplus as regards policyholders) of \$1,034,966.

D. Corporate Records

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

E. Operations

(i) Property Insurance Coverage

During the period covered by this examination, Blackrock Insurance Corporation provided property insurance coverage to the Parent and its affiliates. The policy provided coverage of \$1.5 billion per occurrence and in the aggregate, in excess of a \$10 million retention, with an effective date of August 1, 2014. For the period prior to August 1, 2014, the policy provided coverage of \$1.5 billion per occurrence and in the aggregate, in excess of a \$15 million retention. The Company cedes 100% of this property risk to unrelated reinsurers.

(ii) Terrorism Insurance Coverage

The Company provides terrorism insurance coverage to the Parent and its affiliates with limits of \$1.5 billion and \$225 million per occurrence, for certified and non-certified acts of terrorism, respectively. Under the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA),

the Company retains 15% of the risk from certified acts of terrorism exposure and 100% from non-certified. It then cedes 100% of its entire retained exposure to unaffiliated reinsurers.

The following chart details the Company's gross and ceded premiums:

Coverage	Policy Period	Premium		
		Direct	Ceded	Net
Property	August 1, 2014 to August 1, 2015	\$4,224,150	\$4,202,724	\$21,426
Terrorism	August 1, 2014 to August 1, 2015	1,389,710	1,081,210	308,500

(iii) TRIPRA

As an insurer providing terrorism coverage, the Company is eligible to participate in the TRIPRA. Initially enacted as the Terrorism Risk Insurance Act of 2002, the program has been extended and reauthorized in 2005 and 2007, respectively, before taking its current iteration. TRIPRA was established as a temporary public/private risk-sharing plan from the federal government to reimburse insurers for losses resulting from "certified acts of terrorism" (a terrorist act designated as such by the U.S. Treasury Secretary, in consultation with the Secretary of Homeland Security and the U.S. Attorney General). The program reimburses insurers for 85% of these losses while the insurer retains the remaining 15% of coverage.

The insurer is responsible for 100% of losses from non-certified acts of terrorism, which are not covered under TRIPRA.

Effective January 1, 2016, TRIPRA begins the process of decreasing the federal government's participation in the program from reimbursing 85% of eligible losses to 80%. The decrease occurs in 1% annual reductions, ending on January 1, 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 period covered by this examination, the Company was managed by Aon Insurance Managers (USA) Inc. (Aon), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, Aon has the responsibility for providing the Company with underwriting, finance, 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. The management agreement has been updated effective January 1, 2017.

(ii) Board of Directors

Pursuant to the Company's by-laws, the number of directors constituting the entire Board of Directors shall be at least three, but no more than ten. At December 31, 2015, the board of directors was comprised of the following four members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Richard M. Jones Bedford Corners, NY	Executive Vice President and General Tax Counsel, CBS Corporation
Kenneth F. Koen New York, NY	Senior Vice President and Deputy General Tax Counsel, CBS Corporation
Eugene Mellevoid Darien, CT	Vice President of Risk Management and Insurance, CBS Corporation
Bryon Rubin Short Hills, NJ	Executive Vice President, CBS Corporation

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

(iii) Officers

As of December 31, 2015, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Eugene Mellevoid	President
Richard M. Jones	Vice President
Bryon Rubin	Vice President & Treasurer
Kenneth F. Koen	Vice President
Jonathan H. Anschell	Secretary
Matthew Morgenson	Assistant Secretary

G. Certified Public Accountant (CPA)

Johnson Lambert LLP was the Company's independent certified public accounting firm for the entire period covered by this examination. The CPA stated that the audited financial statements presented fairly, in all material respects, Blackrock Insurance Corporation's financial position as of December 31, 2015.

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 SheetAssets

Cash	\$1,392,644
Prepaid reinsurance premium	3,034,922
Accrued interest receivable	30
Deferred tax	7,033
Deferred policy acquisition costs	<u>20,747</u>

Total assets		<u>\$4,455,376</u>
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Liabilities

Unearned premiums	\$3,228,104
Accounts payable and accrued interest	14,700
Premium tax payable	<u>177,606</u>

Total liabilities		<u>\$3,420,410</u>
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Capital and Surplus

Common stock	\$100,000
Additional paid-in capital	150,000
Surplus (accumulated earnings)	<u>784,966</u>

Total capital and surplus (surplus as regards policyholders)		<u>\$1,034,966</u>
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Total liabilities, capital and surplus		<u>\$4,455,376</u>
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B. Statement of Income

The Company's net income for the period covered by this examination was \$921,410, as detailed below:

STATEMENT OF INCOMEUnderwriting Income

Net premiums earned		\$1,992,060
Deductions:		
General and administrative expenses	\$327,202	
Policy acquisition cost	<u>250,566</u>	
Total underwriting deductions		<u>577,768</u>
Net underwriting gain		\$1,414,292

Investment Income

Interest income	<u>\$3,262</u>	
Investment income		<u>3,262</u>
Net income before tax		\$1,417,554
Federal income tax		<u>496,144</u>
Net income		<u>\$921,410</u>

C. Capital and Surplus Account

The Company's net income for the period covered by this examination was \$921,410, as detailed as follows:

Capital and surplus as of January 1, 2011			\$1,513,556
	<u>Increase in surplus</u>	<u>Decrease in surplus</u>	
Net income	\$921,410	\$0	
Dividends paid	<u> </u>	<u>1,400,000</u>	
Total increase/decrease in surplus	<u>\$921,410</u>	<u>\$1,400,000</u>	
Net decrease in surplus			<u>478,590</u>
Capital and surplus as of December 31, 2015			<u>\$1,034,966</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The Company did not report any loss and loss adjustment expenses during the period covered by this examination since there have been no reported losses. No actuarial report has been issued as of December 31, 2015.

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,

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 _____, 2017.

APPOINTMENT NO. 31581

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Maria T. Vullo, 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

Blackrock Insurance Corporation

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 24th day of March, 2017

MARIA T. VULLO
Superintendent of Financial Services



By:

Joan P. Riddell

Joan Riddell
Deputy Bureau Chief