

REPORT ON EXAMINATION

OF THE

BARCLAYS INSURANCE U.S., INC

AS OF

DECEMBER 31, 2014

DATE OF REPORT

FEBRUARY 5, 2016

EXAMINER

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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

February 5, 2016

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31385 dated October 7, 2015, attached hereto, I have made an examination into the condition and affairs of Barclay Insurance U.S., Inc. 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 Barclay Insurance U.S., Inc. Wherever the designation "the Parent" appears herein without qualification, it should be understood to indicate Barclay Group US, 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 the Company's incorporation on October 2, 2009 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 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 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 and commenced business on November 3, 2009. The Company is a wholly-owned subsidiary of Barclays Group U.S., Inc. which is in turn a wholly-owned subsidiary of Barclays Bank PLC, an international financial institution.

Barclays Bank PLC, together with its subsidiaries, provides financial services throughout the Americas, Europe, Africa, Asia and the Middle East. They offer personal banking, mortgages, wealth and investment management, and corporate banking services. In addition, they provide wholesale, retail and business banking, investment banking and insurance services.

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 the Company to be 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, 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 1,000 shares of \$100 par value per share common stock and an additional paid-in capital amount of \$2,900,000. The Company had accumulated retained earnings of \$1,421,995 for a total capital and surplus of \$4,421,995.

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 terrorism insurance protection to the Parent and its affiliates. The Company is eligible for federal backstop protection through the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA). Under this program, property and casualty insurers providing coverage for incidents of international and domestic terrorism are effectively reinsured by the federal government. Coverage under TRIPRA is triggered once a loss has been incurred from a Certified Act of Terrorism (a terrorist act meeting a criteria described in TRIPRA and certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security and the U.S. Attorney General). As of the examination date, the federal

government reimburses the captive insurer for 85% of losses from a Certified Act of Terrorism, after aggregate insured losses across all impacted insurers exceed a stipulated threshold and insurers absorb a statutorily established deductible.

Non-Certified Acts of Terrorism are those that do not meet the criteria for a certified act and are not covered under TRIPRA.

TRIPRA, signed into law on December 26, 2007, extends the federal terrorism insurance backstop through December 31, 2014. It keeps in place the basic framework of the Terrorism Risk Insurance Act (TRIA) which was enacted in 2002. TRIA was extended in 2005 as the Terrorism Risk Insurance Extension Act before being reauthorized as TRIPRA. Subsequent to the examination date, on January 12, 2015, the Terrorism Risk Insurance Program Reauthorization Act of 2015, which extends the federal backstop program for an additional six years through December 31, 2020, was signed into law.

Effective November 8, 2014, with respect to physical loss or damages arising as a result of Certified Acts of Terrorism, the Company's maximum liability was \$2,143,530,680 per occurrence and in the aggregate, subject to a \$100,000 deductible. For Non-Certified Acts of Terrorism, the Company's maximum liability was \$321,529,629 in excess of \$250,000,000, per occurrence. The policy expires on November 8, 2016. The Company cedes 100% of losses resulting from Non-Certified Acts of Terrorism to unaffiliated reinsurers.

In addition to terrorism insurance the Company provides Excess Property Damage and Business Interruption coverage to the Parent and its affiliates with limits of \$477,000,000 in excess of \$1,273,000,000, per occurrence. The coverage does not have an aggregate limit. The Company cedes 100% of the risk to unaffiliated reinsurers. As of the examination date, the ceded reinsurance program was structured as follows:

Coverage	Reinsurer limits	Reinsurers
Excess Property	\$127,000,000 xs \$1,273,000,000	HDI Gerling(UK) (18%) Lloyds of London Syndicates (82%)
Excess Property	\$350,000,000 xs \$1,400,000,000	AIG Europe Limited London (100%)

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 a broker under the provisions of Article 21 of the Law, or any other person approved by the Superintendent.

Since the Company's inception, it has been 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 the management agreement, effective December 1, 2009, AON is responsible for providing the Company with recordkeeping, underwriting, claim, actuarial 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 advising on Insurance programs.

(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 nor more than ten members, at least two of whom shall be residents of this state and citizens of the United States. 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>
Farhad Jamooji Weybridge, UK	Group Insurance Director, Barclays PLC
Joseph Bova Staten Island, NY	Director, Barclays Capital
Robert Nebel Yorktown Heights, NY	Insurance Risk Director, Barclays Capital

During the period covered by this examination, the board of directors met once every year. A review of the meeting minutes indicated that all the board 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>
Farhad Jamooji	President
Joseph Bova	Vice President
Robert Nebel	Treasurer
Peter Snell	Secretary

G. Certified Public Accountant (CPA)

PricewaterhouseCoopers LLP was the Company's independent certified public accounting firm for the entire period covered by this examination. The CPA stated that the Company's financial statements 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	5,064,270
Deferred reinsurance premiums	2,483,596
Premiums receivable	1,993,495
Deferred policy acquisition costs	<u>14,769</u>

Total assets		<u>\$9,556,130</u>
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Liabilities

Unearned premiums	3,692,062
Reinsurance premiums payable	1,340,995
Other liabilities	42,849
Accounts payable	<u>58,229</u>

Total liabilities		\$5,134,135
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Capital and Surplus

Common stock	100,000
Additional paid-in capital	2,900,000
Retained earnings	<u>1,421,995</u>

Total capital and surplus		<u>\$4,421,995</u>
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Total liabilities, capital and surplus		<u>\$9,556,130</u>
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B. Statement of Income

The Company's net income for the period covered by this examination was \$1,421,995 as detailed below:

STATEMENT OF INCOMEUnderwriting Income

Net premiums earned		\$3,336,985
Deductions:		
General and administrative expenses	822,624	
Policy acquisition expenses	<u>326,675</u>	
Total underwriting deductions		<u>1,149,299</u>
Net income before tax		\$2,187,686
Federal income taxes		<u>765,691</u>
Net income		<u>\$1,421,995</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$4,421,995 during the five-year and ninety-one day period covered by this examination, detailed as follows:

Capital and surplus as of October 2, 2009			\$0
	Increase in <u>Surplus</u>	Decrease in <u>Surplus</u>	
Net income	\$1,421,995		\$0
Issuance of common stock	100,000		
Additional paid in capital	<u>2,900,000</u>	_____	
Total increases and decreases	<u>\$4,421,995</u>		<u>\$0</u>
Net increase in surplus			<u>4,421,995</u>
Capital and surplus as of December 31, 2014			<u>\$4,421,995</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2014, the Company reported total loss and loss adjustment expense reserves of \$0. The Company's opening actuarial firm, Aon Global Risk Consultants, noted that the reserves met the requirements of the New York Insurance Law and were calculated using accepted loss reserving standards and principles. It was also noted that a reasonable provision was made for all unpaid losses and loss adjustment expenses under the terms of the Company's policies 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 of the New York Insurance Law. 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 _____, 2016.

APPOINTMENT NO. 31384

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **ANTHONY ALBANESE**, 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

Barclays Insurance U.S., 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.

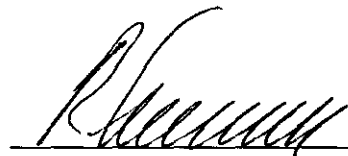
In Witness Whereof, I have hereunto subscribed by name and affixed the official Seal of the Department at the City of New York

this 7th day of October, 2015

ANTHONY ALBANESE
Acting Superintendent of Financial Services



By:



Rolf Kaumann
Deputy Chief Examiner