

REPORT ON EXAMINATION

OF THE

GREENWICH STREET INSURANCE. CO. INC.

AS OF

DECEMBER 31, 2015

DATE OF REPORT

APRIL 5, 2017

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

April 5, 2017

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31565 dated January 12, 2017, attached hereto, I have made an examination into the condition and affairs of Greenwich Street Insurance Co., Inc. as of December 31, 2015, and submit the following report thereon.

Wherever the designations "the Company" or "Greenwich Street" appear herein without qualification, they should be understood to indicate Greenwich Street Insurance Co., Inc. Wherever the designation "the Parent" appears herein without qualification, it should be understood to indicate World Trade Center Properties, LLC.

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 when the Company commenced operations 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 on November 12, 2010 and commenced operations on December 29, 2010. The Company, formerly known as 150 Greenwich Street Insurance Co., Inc., changed to its current name on March 23, 2012. It is wholly-owned by World Trade Center Properties, LLC, which is in turn 50% owned by Silverstein WTC Properties LLC and 50% owned by WTC Investors LLC.

The Company provides terrorism property coverage for properties located at 150 Greenwich Street, 175 Greenwich Street and 200 Greenwich Street, all of which are located in New York City, and owned by the Parent.

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 \$1,043,404, consisting of 100,000 shares of common stock with a par value of \$1 per share and an additional paid-in capital amount of \$943,404. The Company had retained earnings of \$1,100,840, for a total capital and surplus of \$2,144,244.

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 for three properties owned by the Parent (200 Greenwich Street, 175 Greenwich Street and 150 Greenwich Street). The Company participates in the federal backstop protection program, the Terrorism Risk Insurance Program Reauthorization Act ("TRIPRA"), which was reauthorized in both 2007 and 2015. Under this program, property and casualty insurers providing coverage for "certified acts of terrorism," (an act of terrorism meeting the criterion 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) are reimbursed for 85% of these losses. Insurers are essentially reinsured by the

federal government once TRIPRA is triggered. The federal government reimburses the captive insurer after aggregated losses across all impacted insurers have exceeded a stipulated threshold and insurers have absorbed a statutorily established deductible. The insurer maintains the remaining 15% of the coverage. Greenwich Street cedes its retained 15% to unaffiliated reinsurers.

The Company also provides coverage for losses related to non-certified acts of terrorism for each of the properties. Non-certified acts of terrorism are not covered under TRIPRA and receive no federal backstop protection. Greenwich Street cedes 100% of this risk to unaffiliated reinsurers.

Coverage for each individual property is as follows:

200 Greenwich Street

200 Greenwich Street was covered on an occurrence basis with a policy limit of \$250,000,000 per occurrence and in the aggregate for losses due to a certified act of terrorism. Coverage was in excess of a policy deductible of \$100,000 per occurrence and in the aggregate and excluded Nuclear, Biological, Chemical or Radiological (NBCR) risks.

The Company's coverage for non-certified acts of terrorism provide a limit of \$100,000,000 per occurrence in excess of a policy deductible of \$100,000 per occurrence and in the aggregate. Greenwich Street cedes 100% of this risk, in excess of its deductible, to unaffiliated reinsurers.

175 Greenwich Street

The coverage for the 175 Greenwich Street property was on an occurrence basis with a limit of \$1,833,445,222 per occurrence and in the aggregate for losses due to certified acts of terrorism. Coverage was in excess of a policy deductible of \$250,000 per occurrence and in the aggregate and excluded NBCR risks.

The Company's coverage for non-certified acts of terrorism provides a limit of \$275,567,724 per occurrence, in excess of a policy deductible of \$250,000 per occurrence and in the aggregate. Greenwich Street cedes 100% of this risk, in excess of its deductible, to unaffiliated reinsurers.

### 150 Greenwich Street

The 150 Greenwich Street property was covered on an occurrence basis with a limit of \$1,559,262,132 per occurrence and in the aggregate for losses due to certified acts of terrorism. Coverage was in excess of a policy deductible of \$100,000 per occurrence and in the aggregate and excluded NBCR risks.

The Company's coverage for non-certified acts of terrorism provides a limit of \$233,889,320 per occurrence, in excess of the policy deductible of \$100,000 per occurrence and in the aggregate. Greenwich Street cedes 100% of this risk, in excess of its deductible to unaffiliated reinsurers.

### TRIPRA 2015

The Terrorism Risk Insurance Program Reauthorization Act of 2015 was signed into law on January 12, 2015. It extended the federal terrorism insurance backstop created in 2002 as the Terrorism Risk Insurance Act of 2002 (TRIA), through December 31, 2020. TRIA was enacted to provide a backstop by having the federal government reimburse insurers for 85% of all losses due to a certified act of terrorism. TRIA was extended in 2005 and 2007 before being reauthorized as TRIPRA 2015. Under TRIPRA 2015, starting January 1, 2016, the program begins the process of decreasing the federal government's participation in the program from 85% to 80%. The decrease will be in 1% annual increments, 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 Willis of New York, Inc. (Willis), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, effective December 1, 2010, Willis has the responsibility for providing the Company with underwriting, policyholder, 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.

(ii) Board of Directors

Pursuant to its 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 New York State. 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>
John N. Lieber New York, NY	President, World Trade Center Properties
Michael Levy Melville, NY	Senior Vice President, Silverstein Properties, Inc.
Shari Natovitz New York, NY	Vice President & Risk Manager, World Trade Center Properties
Larry A. Silverstein New York, NY	President, Silverstein Properties, Inc.

In accordance with its by-laws and Section 7003(b)(2) of the Law, the board of directors met 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>
Larry A. Silverstein	President
Michael Levy	Vice President
Shari Natovitz	Secretary & Vice President
John N. Lieber	Treasurer



G. Certified Public Accountant (öCPAö)

WeiserMazars, LLP was the Company's independent certified public accounting firm for the period covered by this examination. The CPA states that the Company's audited financial statement presented fairly, in all material respects, the financial position of the Company 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	\$1,052,878	
Premium receivable	2,502,154	
Accounts receivable	7,162	
Income taxes receivable	96,423	
Prepaid reinsurance premiums	2,589,010	
Prepaid expense	6,833	
Deferred policy acquisition costs	<u>54,558</u>	
Total assets		<u>\$6,309,018</u>

Liabilities

Unearned premium	\$3,958,092	
Accounts payable and accrued expenses	62,149	
Deferred tax liability	<u>144,533</u>	
Total liabilities		<u>\$4,164,774</u>

Capital and Surplus

Common stock	\$100,000	
Additional paid-in capital	943,404	
Surplus (Retained earnings)	<u>1,100,840</u>	
Total capital and surplus		<u>\$2,144,244</u>
Total liabilities, capital and surplus		<u>\$6,309,018</u>

**B. Statement of Income**

The Company's net income for the examination period was \$4,673,549 as detailed below:

**STATEMENT OF INCOME****Underwriting Income**

Net premiums earned		\$7,794,232
Deductions:		
Policy acquisition expenses	<u>\$704,990</u>	
Total underwriting deductions		<u>704,990</u>
Net underwriting income		\$7,089,242
Federal income tax benefit		<u>(2,415,693)</u>
Net income		<u>\$4,673,549</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$2,144,244 during the period covered by this examination, detailed as follows:

Capital and surplus as of December 29, 2010			\$0
	Increase in <u>surplus</u>	Decrease in <u>surplus</u>	
Net income	\$4,673,549	\$0	
Common stock	100,000		
Additional paid in capital	943,404		
Dividends paid	<u>0</u>	<u>3,572,709</u>	
Total increase and decrease in surplus	<u>\$5,716,953</u>	<u>\$3,572,709</u>	
Net increase in surplus			<u>2,144,244</u>
Capital and surplus as of December 31, 2015			<u>\$2,144,244</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The Company stated that it did not obtain an actuarial opinion for the year ending December 31, 2015, as it would continue to reflect \$0 reserves as shown at year-end 2014. With coverage on a claims-made basis and no terrorist events occurring during the year, it was not necessary to engage an actuary for these services.

As of December 31, 2014, the Company reported total unpaid losses and loss adjustment expense reserves of \$0. The Company's opining actuarial firm, Willis Casualty Actuarial Practice, stated in its Statement of Actuarial Opinion that the reserves met the requirements of the Law and were computed in accordance with accepted actuarial standards and principles. The actuary also found that reasonable provisions were made for all unpaid losses and loss adjustment expenses under the terms of the Company's policies.

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 compliance review was performed and 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.

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Wei Cao

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

APPOINTMENT NO. 31565

**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

**Greenwich Street Insurance Company, Inc.**

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 12th day of January, 2017

**MARIA T. VULLO**  
Superintendent of Financial Services



By:

*Joan P. Riddell*

Joan Riddell  
Deputy Bureau Chief