

REPORT ON EXAMINATION

OF

SWISS REINSURANCE AMERICA CORPORATION

AS OF

DECEMBER 31, 2016

DATE OF REPORT

FEBRUARY 23, 2018

EXAMINER

MARIBEL C. NUNEZ, CPCU

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

February 23, 2018

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

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31583 dated March 28, 2017, attached hereto, I have made an examination into the condition and affairs of Swiss Reinsurance America Corporation as of December 31, 2016, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Swiss Reinsurance America Corporation.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company’s home office located at 175 King Street, Armonk, New York 10504.

1. SCOPE OF EXAMINATION

The Department has performed a coordinated group examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2011. This examination covered the five-year period from January 1, 2012 through December 31, 2016. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with the state of Missouri, which is the lead state of the Swiss Re Group. Other states participating in this examination were New Hampshire, Vermont, and Texas. The examination was performed concurrently with the examinations of the following insurers, domiciled as indicated:

Westport Insurance Corporation (“WIC”), (MO);
First Specialty Insurance Corporation (“FSIC”), (MO);
Swiss Re Life & Health America, Inc. (“SRLHA”), (MO);
Generation Life Insurance Company (“GLIC”), (MO);
North American Capacity Insurance Company (“NAC”), (NH);
North American Elite Insurance Company (“NAE”), (NH);
North American Specialty Insurance Company (“NAS”), (NH);
Washington International Insurance Company (“WIIC”), (NH);
Pecan Re, Inc. (“Pecan”), (VT);
Sterling Re, Inc. (“Sterling”), (VT);
Claret Re, Inc. (“Claret”), (VT);
Facility Insurance Corporation (“FIC”), (TX)

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Company history
- Management and control
- Territory and plan of operation
- Holding company description
- Reinsurance
- Loss review and analysis
- Financial statement presentation
- Summary of recommendations

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. **DESCRIPTION OF COMPANY**

The Company was incorporated under the laws of the State of New York on July 26, 1940 as the North American Casualty and Surety Reinsurance Company and commenced business on September 18 of that year. The name of the Company changed on November 28, 1956 to North American Reinsurance Corporation. On May 11, 1995, the Company adopted its current name.

In June 2006, Swiss Reinsurance Company Ltd. (“SRZ”) and Swiss Re Funding (“SRF”) acquired GE Insurance Solutions (renamed Swiss Re Solutions Holding Corporation (“SRSHC”). SRZ transferred 61% of the common stock of SRSHC to Swiss Re America Holding Corporation (“SRAHC”); SRF retained the remaining 39%. SRF subsequently merged with SRAHC, with SRAHC being the surviving entity. On December 29, 2006, SRAHC transferred all the outstanding shares of the Company to SRSHC.

In January 2007, GE Reinsurance Corporation (“GE Re”), an affiliated Illinois-domiciled reinsurer, was merged with and into the Company, with the Company being the surviving entity.

In February 2011, Swiss Re Ltd. (“SRL”) was formed. It was originally established as a subsidiary of SRZ; however, via a 1:1 exchange offer with SRZ, SRL became the ultimate parent of the Swiss Re Group.

On December 31, 2015, the Company’s prior sole shareholder, SRSHC, merged into SRAHC, with SRAHC as the surviving entity.

A. Corporate Governance

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven nor more than twenty-one members. The board meets four times during each calendar year. At December 31, 2016, the board of directors was comprised of the following eleven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Melissa Anne Babbage Washington, District of Columbia	Retired
David Alan Cole Zurich, Switzerland	Group Executive Committee and Chief Financial Officer, Swiss Re Ltd.
Karen Lynn Gavan Toronto, Canada	Retired
David Leonard Jahnke Minneapolis, Minnesota	Retired
Carol Ann Petren Scottsdale, Arizona	Retired
Patrick Raaflaub Zurich, Switzerland	Group Executive Committee and Chief Risk Officer, Swiss Re Ltd.
Carlos Eduardo Represas Lomas Altas, Mexico	Retired
George Edward Ruebenson Lincolnshire, Illinois	Retired
Philip Keebler Ryan New York, New York	Retired
John Eric Smith New Canaan, Connecticut	Group Executive Committee and Chief Executive Officer Americas, Swiss Re Ltd.
William John Toppeta New York, New York	Independent Consultant.

As of December 31, 2016, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
John Eric Smith	Chief Executive Officer
Keith Joseph Wolfe	President
Craig Clemmons Zahnd	Secretary, Managing Director
John Vincent Regan	Chief Financial Officer, Managing Director

B. Territory and Plan of Operation

As of December 31, 2016, the Company was licensed to write business in all 50 states, as well as the District of Columbia, Guam and Puerto Rico.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also licensed to transact such workers' compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) including insurances described in the Longshore and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended), and the kinds of insurance and reinsurance as defined in Section 4102(c) of the New York Insurance Law.

In addition, the Company is licensed to do within this State the business of special risk insurance pursuant to Article 63 of the New York Insurance Law.

Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$35,000,000. However, pursuant to Section 6302(c)(1) of the New York Insurance Law, to be licensed to write special risks, the Company is required to maintain surplus as regards policyholders of at least 200% of its authorized control level risk based capital; therefore, the Company was required to maintain a minimum surplus to policyholders in the amount of \$1,757,029,882.

The Company's current reinsurance business mix is approximately 36% property, 49% casualty, and 15% other (including marine, aviation, surety, engineering, nuclear, and multi-lines). The largest lines of business in 2016 were reinsurance property (22.6%), other liabilities occurrence (general liability, umbrella and excess liability) (17.4%), allied lines (12.6%), homeowners (9.4%), and reinsurance casualty (26.2%). Approximately 66% of the business is written on a proportional basis, and 24% on a non-proportional basis. Approximately 10% of business is written on a facultative basis. The risks assumed by the Company are not concentrated in any geographic area. Most of the business is traditional reinsurance. The Company obtains its business through direct channels and through affiliated and non-affiliated reinsurance intermediaries.

The Company does not write any direct business. It operates as a professional reinsurer; therefore, all the Company's business is assumed reinsurance.

C. Reinsurance Ceded

The Company's reinsurance program has been structured to limit its maximum exposure to losses on business assumed. Reinsurance protection is primarily provided by Swiss Reinsurance Company Ltd. ("SRZ"), a Swiss reinsurer certified in New York, through the Intra Group Retrocessions program ("IGR"), which includes quota share, catastrophe excess of loss, and stop loss agreements. The Company's IGR aims to limit its losses from large events to less than 5% of surplus.

As of December 31, 2016, the Company had the following reinsurance contracts in effect:

The following ceded reinsurance agreements have been entered with SRZ as part of the intra-group retrocession program:

Retrospective/Alternative Multiple Line Non-Obligatory Quota Share Reinsurance Agreement

Effective March 1, 2016, the Company entered into a retrospective/alternative multiple line non-obligatory quota share reinsurance agreement with SRZ, whereby the Company has the option to cede a variable cession rate of not less than 10% of the ultimate net liability for all new and renewal policies becoming effective on or after March 1, 2016 on retrospective and alternative business, less specifically excluded risks, and SRZ obligates itself to accept such cessions. This agreement excludes business ceded by the Company under the special account multiple line non-obligatory quota share reinsurance agreement between the Company and Swiss Re Corporate Solutions Ltd. (“SRCS”).

Special Account Multiple-Line Non-Obligatory Quota Share Reinsurance Agreement

Effective January 1, 2012, the Company entered into a special account multiple-line non-obligatory quota share agreement with SRZ, whereby the Company has the option to cede a variable cession rate of not less than 10% of the ultimate net liability on program, line of business, special account, or individual risk in force as of January 1, 2012. Under the agreement, the Company elected to cede 100% of its ultimate net liability as respect to accounts, with WIC/FSIC Corporate Solutions Business and Corporate Solutions Reinsurance Business, in force on January 1, 2012, and new and renewal accounts becoming effective as of that date.

On January 1, 2016, the agreement was amended to revise the definition of ultimate net liability to exclude reinsurance recoveries under the multiple-line non-obligatory quota share reinsurance agreement, catastrophe excess of loss retrocession contract, and the accident year all lines aggregate stop loss agreement between the Company and SRZ. The amendment also excluded the special account multiple line non-obligatory quota share reinsurance agreement with SRCS.

Multiple Line Non-Obligatory Quota Share Reinsurance Agreement

This agreement originated in 2001 and has been subsequently amended numerous times. Under the terms of the agreement, the Company has the option to cede a variable cession rate of not less than 10% of the ultimate net liability on any lines of business assumed by the Company, less specifically excluded risks, and SRZ obligates itself to accept such cessions. The cession percentage is documented in a separate executed cession letter agreed to by both parties. Effective January 1, 2015, Swiss Reinsurance America Corporation (“SRAC”) changed its ceding percentage of 50% for all lines of business written to 75% cession as respects to casualty business and 25% cession as respect to property business. The agreement was amended effective January 1, 2014 to permit SRZ to collateralize its obligations to the Company as respect to business effective prior to January 1, 2013 on a funds withheld basis as well as by a cash advance, letter of credit and/or trust fund or any combination thereof.

Catastrophe Excess of Loss Retrocession Agreement

Effective January 1, 2015, the Company entered into a catastrophe excess of loss agreement with SRZ. The agreement provides catastrophe protection for covered losses related to natural perils, man-made perils, and workers’ compensation. The Company retains the first \$400 million of ultimate net loss in respect of each and every loss occurrence and SRZ is liable for the amount by which the ultimate net loss exceeds the Company’s retention with a maximum limit of \$2.85 billion (i.e. 95% of 100% of \$3,000,000,000). The agreement provides for three free reinstatements. Subsequent to the examination date, effective January 1, 2017, the agreement was amended to reduce the Company’s retention under the first reinstatement to \$75 million. As a result, the Company will have a retention of \$75 million under all three reinstatements.

Aggregate Stop Loss Reinsurance Agreement

In addition to the coverage described above, the Company limits its aggregate exposure pursuant to the provisions of the accident year all lines stop loss reinsurance agreement. This agreement is a continuation of the previous stop loss cover that the Company had in place with SRZ but has been modified to comply with the Tenth Amendment to Regulation 17, and Regulations 20 and 20-A. This agreement applies to business in force at January 1, 2016, as well as new and renewal business effective on or after January 1, 2016. Covered losses under this agreement represent the product of the Company’s loss ratio in excess of 66.5% and the subject net premium. Coverage is subject to an aggregate limit of 40% of the subject net earned premium.

In addition, the Company is party to the following reinsurance agreements:

Adverse Development Covers

Effective June 30, 2009, the Company entered into a reinsurance agreement, whereby SRZ agreed to assume 100% of the Company's loss and allocated loss adjustment expense reserves outstanding as of June 30, 2009 relating to accident years 1987 through 2008, and any future development thereon. The agreement provides that the reinsurer will pay the ultimate net loss up to a maximum aggregate amount of \$1 billion. The agreement is accounted for prospectively by the Company pursuant to the provisions of paragraphs 28 through 34 of Statement of Statutory Accounting Principle ("SSAP") No. 62R.

Effective January 1, 2005, the Company entered into a retroactive reinsurance agreement with SRZ. This agreement covers adverse loss development up to \$1.5 billion on reserves outstanding as of December 31, 2004 for all business assumed and earned prior to January 1, 2005, excluding GE Re business. The limit of this cover has been fully exhausted. As of the examination date, there is a contra-liability in the amount of \$590,947,608 related to this agreement. The agreement was accounted for as retroactive reinsurance pursuant to the provisions of paragraph 28 of SSAP No. 62R.

Loss Portfolio Transfer Reinsurance Agreement

Effective December 31, 2008, the Company entered into a loss portfolio transfer agreement, whereby SRZ accepts a 100% quota share participation of the ultimate net loss incurred by the Company on 1986 and prior accident year reserves, and any future development thereon. The agreement was accounted for prospectively by the Company pursuant to paragraphs 31 through 32 of SSAP No. 62R.

Special Account Multiple Line Non-Obligatory Quota Share Reinsurance Agreement

Effective January 1, 2016, the Company entered into a special account multiple line non-obligatory quota share reinsurance agreement with SRCS. Under this agreement, the Company has the option to cede a variable cession rate of not less than 10% of the ultimate net liability on any lines of business assumed by the Company, less specifically excluded risks, and SRCS obligates itself to accept such cessions. The cession percentage is documented in a separate executed cession letter agreed to by both parties. The Company has not taken credit for reinsurance under this treaty due to favorable loss development.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. No exceptions were noted.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

The examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62R with the exception of those treaties that were accounted for as deposit accounting in accordance with paragraph of SSAP No. 75. Representations were supported by appropriate risk transfer analyses, and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC Annual Statement Instructions. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

During the period covered by this examination, the Company commuted various reinsurance agreements where it was a ceding/assuming reinsurer. These commutations resulted in a net gain of \$116,574,589 to the Company's surplus position.

Novation and Release Agreement

Effective January 15, 2016, the Company entered into a multi-party novation and release agreement for several casualty reinsurance agreements from 1995 to the present, with SRZ and National Union Fire Insurance Company of Pittsburgh, PA, and other members of the American International Group ("AIG"). At the same time, the Company entered into a transfer and assumption agreement with SRZ.

Under the terms of the novation agreement, (i) SRZ assumed all the rights, titles, interests, and liabilities of the Company to AIG under the reinsurance agreements. SRZ provided \$191,000,000, (subject to an adjustment in an amount for payments received by AIG after June 30, 2015 and prior to December 1,

2015), in collateral to secure SRZ's obligations to AIG under the reinsurance agreements, and (ii) the Company was discharged and released from its obligations to AIG under the reinsurance agreements.

Under the terms of the transfer agreement, the Company paid SRZ \$103,500,000 in consideration of SRZ assuming the Company's net retained liability under the reinsurance agreements. This agreement was approved by the Department pursuant to Section 1505 of the Insurance Law.

D. Holding Company System

The Company is a member of the Swiss Reinsurance Group. The Company is a wholly-owned subsidiary of SRAHC, a Delaware corporation. SRAHC is ultimately controlled by SRL, a publicly-traded company based in Zurich, Switzerland. The Company provides reinsurance to insurers of property and casualty risks primarily in the United States for the group.

A review of the Holding Company Registration Statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2016:

Swiss Re Ltd (Switzerland)

Swiss Re Corporate Solutions Ltd.	100%
SR Corporate Solutions America Holding Corporation	100%
Westport Insurance Corporation (Missouri)	100%
Swiss Brokers Mexico, Intermediario de Reaseguros, S.A. de C.V.	100%
Swiss Reinsurance Company Ltd. (Switzerland)	100%
Swiss Re Holding Company Ltd. (Switzerland)	100%
Swiss Re America Holding Corporation (Delaware)	100%
Swiss Re Life & Health America Holding Company	100%
Swiss Re Life & Health America Inc.	100%
Pillar Re Holdings LLC (Delaware)	50%
Swiss Re Underwriting Agency Inc.	100%
Swiss Reinsurance America Corporation (New York)	100%
Pillar Re Holdings LLC (Delaware)	50%
Swiss Re America Corp Escritorio de Representacao No Brazil Ltda (Brazil)	80%

Holding Company Agreements

At December 31, 2016, the Company was party to the following agreements with other members of its holding company system:

Service Agreement - SRAHC

Effective July 1, 2009, the Company entered into a service agreement with SRAHC, whereby SRAHC provides the Company general management and administrative services, including legal and government relations, personnel and payroll, information systems and technology, tax, corporate accounting and auditing, claims advisory, office administration, property management and supply services. SHAC may use other providers, including affiliates to provide these services. The agreement was amended effective September 1, 2010, to update the description of services currently provided as well as to provide for the provision of additional services. The agreement and amendment were filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved. The cost of these services was \$247.5 million in 2016.

Service Agreement - WIC

Effective April 1, 2010, the Company entered into a service agreement with WIC. In order to achieve operating efficiencies and improve joint services for the benefit of both parties, each party provides to the other party general management and administrative services, including legal and government relation, auditing, financial, actuarial, risk management, underwriting, claims advisory and related claims services, and other services requested. The parties may utilize other providers, including affiliates, to provide these services. The cost of these services was \$8.7 million in 2016. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved.

Service Agreement - Mexico

Effective May 1, 2014, the Company entered into a service agreement with Swiss Brokers Mexico Intermediario de Reaseguro, S.A. De C.V (“SBM”), whereby SBM provides claims advisory and related claims services, technical and accounting services, and such other related services as may be reasonably requested by the Company. The cost of these services was \$1.2 million in 2016. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved.

Reinsurance Coordination Agreement - SRZ

Effective September 30, 2008, the Company entered into a reinsurance coordination agreement with SRZ, whereby SRZ provides reinsurance coordination services to the Company and other affiliated companies in connection with the whole account property and casualty retrocession placed under the aforementioned quota share retrocession agreement with NIC. Services include accumulation of historic premium and loss data, aggregating, collating, and presenting historic data, structuring and pricing alternative reinsurance programs, and reporting of quarterly premium, loss and commissions. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved.

Representation Office Service Agreement – Brazil

Effective May 26, 2008, the Company entered into a representation office services agreement with Swiss Re America Escritório de Representação No Brasil Ltda. (“SRABR”). The Company has an 80% interest in SRABR and SRZ has 20%. Pursuant to the terms of the agreement, SRABR provides services and assists the Company in the analysis and evaluation of insurance and reinsurance programs underwritten or renewed by the Company with respect to business underwritten by insurers and reinsurers domiciled or licensed in Brazil, and assists in the revision and monitoring of claims arising under such business. The cost of these services was \$2.5 million in 2016. This agreement has been filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved.

Underwriting Management Agreement

Effective January 1, 2001, the Company entered into an underwriting management agreement with Swiss Re Underwriters Agency, Inc. (“SRU”). Under the terms of the agreement, SRU has the authority to procure, negotiate, underwrite and bind the Company on contracts of reinsurance, and to renegotiate, cancel and commute contracts of reinsurance. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved.

Tax Allocation Agreement

SRAHC entered into a tax allocation agreement with the Company and other members of its holding company group to jointly file consolidated federal income tax returns. This agreement was amended effective January 1, 2005 to include other affiliates and to replace the prior agreement. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved.

Limited Liability Company Agreement of Pillar Re Holdings

Effective August 15, 2014, the Company and SRLHA entered into an investment in a 50% owned real estate joint venture interest, Pillar Re Holdings LLC, an affiliate. At the same time, the Company, SRLHA, and Swiss Re Financial Services Corporation (“SRFSC”) entered into a management service agreement, whereby SRFSC would have full power, discretion, and authority to make all decisions affecting the business, affairs, and properties of the Company and its subsidiaries, to manage and carry out the day-to-day operations of the Company and its subsidiaries and to take all actions as it deems necessary. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved.

In-House Cash Pooling Agreement

Effective October 1, 2015, the Company entered into an in-house cash pooling arrangement (the “Pool”) administered by SRZ” or the “Pool Operator”. In accordance with the terms of a Global Cash Pooling Agreement, various non-US domiciled member companies of the Swiss Re Group participate in the Pool. Under the terms of this agreement, the Company will transfer some or all its excess cash into an account maintained by SRZ, as the pool operator. The pooling is done on an overnight basis only (i.e. the cash is transferred to the pool operator in the late morning/early afternoon and returned to the pool participant the next morning). The amount of cash to be transferred to the Pool will be determined by the Company from time to time as its sole discretion. However, the Company estimates that it will maintain a balance of not more than \$150 million in the Pool. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved.

Investment Advisory Agreement

Effective January 1, 2000, and subsequently amended on numerous occasions, the Company entered into an investment advisory agreement with Swiss Reinsurance Financial Services Corporation (“SRFSC”). SRFSC was merged into SRAHC, with SRAHC as the surviving company. As a result of the merger, SRAHC is the current investment advisor under the investment advisory agreement. Pursuant to the terms of the agreement, SRAHC, along with authorized sub-advisors, manages the Company’s portfolio of investments within the parameters established by the Company. SRAHC also provides investment accounting and related services. The agreement and amendments were filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved. The cost of these services was \$13.3 million in 2016.

Collateralized Securities Lending Agreement

Effective September 5, 2012, the Company entered into a master securities loan agreement with SRZ. Pursuant to the terms of the agreement, the Company may lend securities to SRZ against a transfer of collateral for a fee. Such fees paid by the Company to SRZ are based on securities lending income earned by the Company on subject transactions. This agreement replaced the securities lending agreement previously in place with SRFSC.

The Company also has the following agreements in place:

- a brokerage agreement with Swiss Re Atrium;
- a broker service agreement with SBM;
- a service agreement with Swiss Reinsurance Company Ltd. Colombia Office.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2016, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	56%
Adjusted liabilities to liquid assets	83%
Two-year overall operating ratio	78%

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$4,330,761,678	48.07%
Other underwriting expenses incurred	3,070,585,720	34.08
Net underwriting loss	<u>1,607,859,061</u>	<u>17.85</u>
Premiums earned	<u>\$9,009,206,459</u>	<u>100%</u>

All the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The Company's reported risk based capital score (RBC) was 363.4% at 12/31/2016. The RBC is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC of 200 or below can result in regulatory action. There were no financial adjustments in this report that impacted the company's RBC score.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2016 as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 8,996,944,047		\$ 8,996,944,047
Common stocks (stocks)	551,539,615	\$ 1,275,456	550,264,159
Cash, cash equivalents and short-term investments	405,622,111		405,622,111
Other invested assets	782,578,069		782,578,069
Receivables for securities	11,578,341		11,578,341
Investment income due and accrued	76,464,277		76,464,277
Uncollected premiums and agents' balances in the course of collection	192,937,007	21,947,834	170,989,173
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,262,695,516		1,262,695,516
Amounts recoverable from reinsurers	277,156,873		277,156,873
Funds held by or deposited with reinsured companies	221,114,552	21,759,674	199,354,878
Net deferred tax asset	134,650,743	39,115,347	95,535,396
Paid losses recoverable on retroactive reinsurance contract	<u>98,058,447</u>	<u>0</u>	<u>98,058,447</u>
Totals assets	<u>\$13,011,339,598</u>	<u>\$84,098,311</u>	<u>\$12,927,241,287</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 4,284,133,809
Reinsurance payable on paid losses and loss adjustment expenses	127,366,182
Commissions payable, contingent commissions and other similar charges	14,199,866
Current federal and foreign income taxes	117,278,603
Unearned premiums	899,010,123
Ceded reinsurance premiums payable (net of ceding commissions)	923,159,321
Funds held by company under reinsurance treaties	3,522,784,977
Amounts withheld or retained by company for account of others	199,887
Remittances and items not allocated	(4,174,520)
Provision for reinsurance	21,437,708
Payable to parent, subsidiaries and affiliates	74,614,415
Payable for securities	13,152,773
Liability for deposit accounting, assumed retroactive reinsurance and other	122,285,534
Recoverable on retroactive reinsurance contract	(590,947,608)
Excess ceding commission liabilities	49,027,192
Other liability	<u>1,417,131</u>
Total liabilities	\$ 9,574,945,393

Surplus and Other Funds

Cumulative effect of retroactive reinsurance contract	\$ 590,947,608
Common capital stock	10,432,000
Gross paid in and contributed surplus	2,094,130,611
Unassigned funds (surplus)	<u>656,785,675</u>
Surplus as regards policyholders	<u>3,352,295,894</u>
Total liabilities, surplus and other funds	<u>\$12,927,241,287</u>

Note: The Internal Revenue Service is currently conducting audits covering tax years 2011 through 2013. No adjustments arising from the audits have been identified to date. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

Net income for the examination period as reported by the Company was \$2,370,931,347 as detailed below:

Underwriting Income

Premiums earned		\$9,009,206,459
Deductions:		
Losses and loss adjustment expenses incurred	\$4,330,761,678	
Other underwriting expenses incurred	3,125,695,909	
Change in accrued excess ceding commission	<u>(55,110,189)</u>	
Total underwriting deductions		<u>7,401,347,398</u>
Net underwriting gain or (loss)		\$1,607,859,061

Investment Income

Net investment income earned	\$1,075,933,235	
Net realized capital gain	<u>441,824,128</u>	
Net investment gain or (loss)		1,517,757,363

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$(19,311,591)	
Interest on funds held	(24,859,339)	
Deposit accounting contracts	1,687,157	
Other (expense) income	(6,379,056)	
Ceded retroactive reinsurance contract	9,435,626	
Foreign exchange	(12,263,486)	
Loss on novated business	<u>(5,107,801)</u>	
Total other income		<u>(56,798,490)</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$3,068,817,934
Federal and foreign income taxes incurred		<u>697,886,587</u>
Net income		<u>\$2,370,931,347</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$1,608,647,384 during the five-year examination period January 1, 2012 through December 31, 2016 as reported by the Company, detailed as follows:

Surplus as regards policyholders per report on examination as of December 31, 2011			\$ 4,960,943,278
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$2,370,931,347		
Net unrealized capital gains or (losses)	20,465,213		
Change in net unrealized foreign exchange capital gain (loss)	16,321,766		
Change in net deferred income tax		\$ 118,893,773	
Change in non-admitted assets	28,291,849		
Change in provision for reinsurance	18,236,214		
Capital changes paid in	4,429,150		
Surplus adjustments paid in		1,129,429,150	
Dividends to stockholders	<u>0</u>	<u>2,819,000,000</u>	
Net increase (decrease) in surplus	<u>\$2,458,675,539</u>	<u>\$4,067,322,923</u>	<u>(1,608,647,384)</u>
Surplus as regards policyholders per report on examination as of December 31, 2016			\$ <u>3,352,295,894</u>

No adjustments were made to surplus as a result of this examination.

At December 31, 2016, capital paid in was \$10,432,000 consisting of 26,080 shares of common stock at \$400 par value per share. Gross paid in and contributed surplus was \$2,094,130,611. Gross paid in and contributed surplus decreased by \$1,129,429,150 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2011	Beginning gross paid-in and contributed surplus	\$ 3,223,559,761
2013*	Surplus adjustment paid-in	\$(1,129,429,150)
	Total surplus adjustment	<u>(1,129,429,150)</u>
2016	Ending gross paid-in and contributed surplus	\$ <u>2,094,130,611</u>

* In August 2013, the Company executed a stock redemption and retirement plan to purchase and retire 13,939 of 40,019 issued and outstanding shares from its immediate parent and sole shareholder, SRAHC for a purchase price of \$1.125 million. Additionally, the Company's charter was amended to reduce the number of authorized shares from 60,019 to 46,080, and to increase the per share par value from \$150 to \$400. These transactions resulted in an increase to common capital stock and a decrease to paid-in surplus.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of net reserves of \$4,284,133,809 is the same as reported by the Company as of December 31, 2016. Reserves are concentrated mostly in workers' compensation, other liability, non-proportional assumed property and non-proportional assumed liability. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55 ("SSAP No. 55").

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained no comments or recommendations.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report contains no comments or recommendations.

Respectfully submitted,

Maribel C. Nunez, CPCU
Associate Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Maribel C. Nunez, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

Maribel C. Nunez, CPCU

Subscribed and sworn to before me

this _____ day of _____, 2018.

APPOINTMENT NO. 31583

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:

Maribel Nuñez

as a proper person to examine the affairs of the

Swiss Reinsurance America 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 28th day of March, 2017

*MARIA T. VULLO
Superintendent of Financial Services*



By:

Joan P. Riddell

*Joan Riddell
Deputy Bureau Chief*