

REPORT ON EXAMINATION

OF

SUECIA INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

DATE OF REPORT

AUGUST 18, 2015

EXAMINER

JOSEPH REVERS, CFE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Shirin Emami
Acting Superintendent

August 18, 2015

Honorable Shirin Emami
Superintendent 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 31266 dated January 6, 2015, attached hereto, I have made an examination into the condition and affairs of Suecia Insurance 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 Suecia Insurance Company.

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 administrative office located at 220 White Plains Road, Tarrytown, NY 10591.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2009. This examination covered the five-year period from January 1, 2010 through December 31, 2014. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

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 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 Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examiners also relied upon audit work performed by the Company’s independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Handbook:

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Pensions, stock ownership and insurance plans
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records
- Statutory deposits
- Financial statements
- 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 as the Hansa Reinsurance Company of America on May 29, 1980, under the laws of the State of New York and commenced business on October 31, 1980. The Company changed its name to Suecia Insurance Company on November 30, 1999.

The Company has been in run-off since October 1, 1993. Prior to placing itself in run-off, the Company reinsured property and casualty business. Suecia assumed all of the net outstanding loss and loss adjustment expenses, as of July 1, 1999, from the Trygg-Hansa Insurance Company, Ltd.-US Branch ('Trygg-Hansa'). Additionally, the Company took on the credit risk of Trygg-Hansa's reinsurance recoverables.

Capital paid-in is \$3,520,000 consisting of 88 shares of \$40,000 par value per share common stock. Gross paid-in and contributed surplus is \$16,695,777. Gross paid-in and contributed surplus decreased by \$4,828,969 during the examination period, as follows:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
2010	Beginning gross paid-in and contributed surplus	\$21,524,746
2010	Stock repurchase and retirement plan	\$3,984,219
2012	Surplus adjustments transferred to capital (Stock dividend)	<u>844,750</u>
	Total decrease in gross paid-in and contributed surplus	<u>\$ 4,828,969</u>
2014	Ending balance	<u>\$16,695,777</u>

As illustrated above, on August 26, 2010, the Company entered into a Stock Repurchase and Retirement Plan ("the Plan"). The Plan provided that the Company will purchase 21 of its own 109 shares from its parent, Suecia Holding Corp, for \$4,824,219 with an allocation of \$840,000 to common capital stock and \$3,984,219 as a reduction in gross paid-in and contributed surplus. Additionally, in 2010, \$844,750 was reclassified from gross paid-in and contributed surplus to common capital stock thereby retaining the \$40,000 par value on the remaining 88 outstanding shares. The Plan was submitted and non-objected to by the Department on August 26, 2010.

A. Management

The Company is party to a management agreement with StellaRe Management Corporation (“StellaRe”), effective January 1, 1990. StellaRe was acquired by G.F. Dobson & Company, LLC on April 1, 1998. StellaRe continues to manage the daily operations of the Company. Pursuant to the management agreement, StellaRe was granted authority to collect premiums; adjust and pay losses; review and, where appropriate, recommend commutation of any included policies or other liabilities of the Company; and to invest all moneys received by the Company in compliance with the investment laws of New York and the Company’s investment guidelines. However, StellaRe is not authorized and shall not underwrite on the Company’s behalf any insurance or reinsurance of any kind or nature without the prior written consent of the Company.

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 at least twice during each calendar year. At December 31, 2014, the board of directors was comprised of the following ten members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Maria Rosqvist Croce Wayne, NJ	Assistant Vice President & Controller, Berkley Surety Group
Joseph Leo Daly Toronto, Ontario	President, Suecia Reinsurance Company (Canada)
Gordon Frederick Dobson Columbia, SC	President, Suecia Insurance Company
Goran Dan Peter Faxner Danderyd, Sweden	Chairman, Suecia Holding Corporation Chairman, Suecia Insurance Company
Scott Eric Gottesman Cortlandt Manor, NY	President and Treasurer G.F. Dobson & Company, LLC Secretary and Treasurer, Suecia Insurance Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
William Hamilton Howell Kendall Park, NJ	Retired
Josianne Leveille Fort Lee, NJ	Secretary G.F. Dobson & Company, LLC
Peter Niles Mazurek Norwood, NJ	Vice President of Operations, Specialty Claims Management, LLC
George William Murphy Rockville Centre, NY	Retired
Alan John Rein White Plains, NY	Retired

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member had an acceptable record of attendance.

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

<u>Name</u>	<u>Title</u>
Gordon Frederick Dobson	President
Scott Eric Gottesman	Secretary & Treasurer

B. Territory and Plan of Operation

As of December 31, 2014, the Company was licensed to write business in twenty-one states and accredited as a reinsurer in fourteen other states.

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

Based on 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 \$2,200,000.

C. Reinsurance

As of December 31, 2014, the Company had no reinsurance coverage in effect.

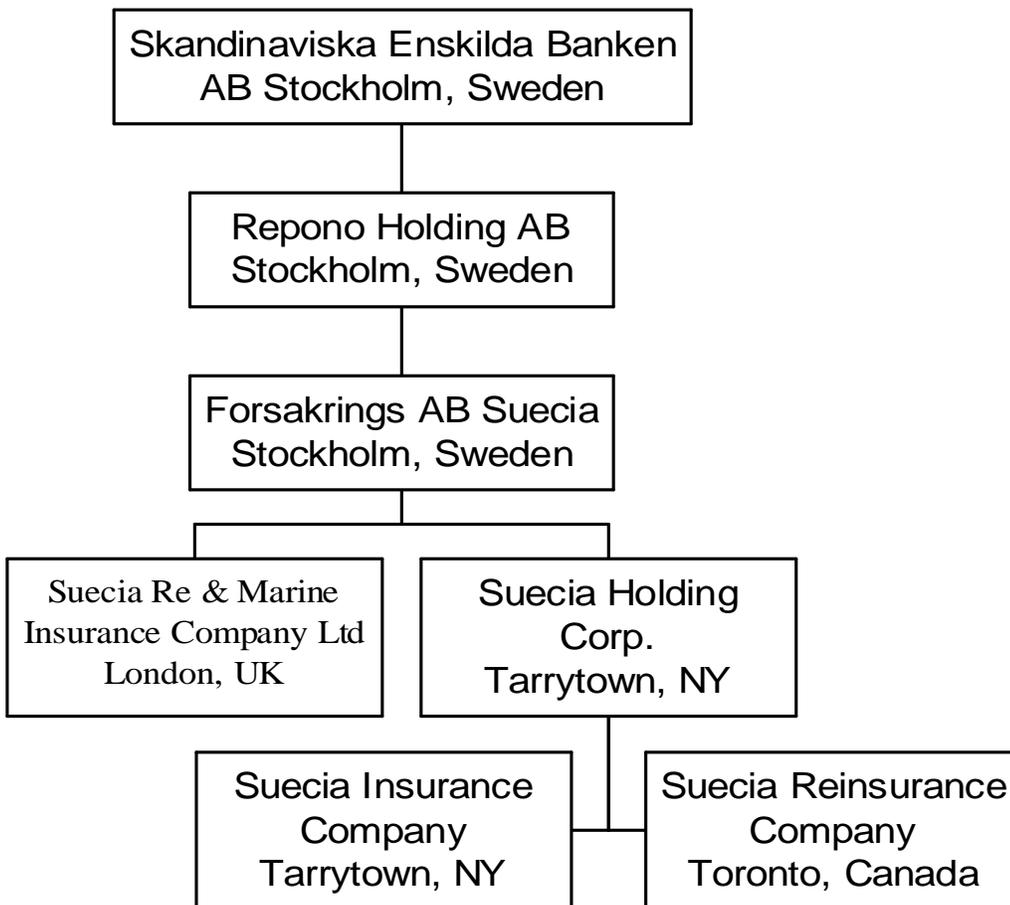
On July 1, 1999, the Company entered into a contract whereby it assumed 100% of all outstanding loss and loss adjustment expense reserves from the United States Branch of the Trygg-Hansa Insurance Company, Ltd. The transaction was approved by the Department.

D. Holding Company System

The Company is a wholly-owned subsidiary of Suecia Holding Corporation, a Delaware corporation, which is ultimately controlled by Skandinaviska Enskilda Banken AB, Stockholm, Sweden.

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, 2014:



Tax Allocation Agreement

At December 31, 2014, the Company was party to a tax allocation agreement with its immediate parent, Suecia Holding Corporation. The agreement became effective October 1, 1982 and was non-

objected to by the Department on December 14, 1982. The agreement was amended on August 1, 2006 to reflect the name change of both companies. A review of this agreement determined that it is in compliance with Department Circular Letter No. 33 (1979).

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2014, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	0%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	56%
Premiums in course of collection to surplus as regards policyholders	0%

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

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2014, as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$44,774,017	\$ 0	\$44,774,017
Cash, cash equivalents and short-term investments	1,702,871		1,702,871
Investment income due and accrued	270,302		270,302
Funds held by or deposited with reinsured companies	27,352		27,352
Net deferred tax asset	111,316	70,649	40,667
Retroactive reinsurance – funds held	<u>(18,276)</u>	<u>0</u>	<u>(18,276)</u>
Total assets	<u>\$46,867,582</u>	<u>\$70,649</u>	<u>\$46,796,933</u>

Liabilities, surplus and other fundsLiabilities

Losses and loss adjustment expenses	\$17,639,473
Reinsurance payable on paid losses and loss adjustment expenses	210,198
Commissions payable, contingent commissions and other similar charges	(742,176)
Other expenses (excluding taxes, licenses and fees)	98,000
Current federal and foreign income taxes	(52,333)
Loss portfolio transfer	3,310,835
Retroactive reinsurance - reserves	5,381,252
Retroactive reinsurance - balance payable	<u>438,008</u>
Total liabilities	\$26,283,257

Surplus and Other Funds

Common capital stock	\$ 3,520,000
Gross paid in and contributed surplus	16,695,777
Unassigned funds (surplus)	<u>297,899</u>
Surplus as regards policyholders	<u>20,513,676</u>
Total liabilities, surplus and other funds	<u>\$46,796,933</u>

Note: During the period under examination, the Company has not been audited by the Internal Revenue Service. 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

The net income for the five-year examination period was \$4,180,242 as detailed below:

Underwriting Income

Premiums earned		\$ 13,203
Deductions:		
Losses and loss adjustment expenses incurred	\$ 956,202	
Other underwriting expenses incurred	<u>617,531</u>	
Total underwriting deductions		<u>1,573,733</u>
Net underwriting gain or (loss)		\$(1,560,530)

Investment Income

Net investment income earned	\$6,794,821	
Net realized capital gain	<u>1,578,042</u>	
Net investment gain or (loss)		\$8,372,863

Other Income

Aggregate write-ins for miscellaneous income	<u>(669,662)</u>	
Total other income		\$ <u>(669,662)</u>
Net income before federal and foreign income taxes		\$ 6,142,671
Federal and foreign income taxes incurred		<u>1,962,429</u>
Net income		\$ <u>4,180,242</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$5,180,885 during the five-year examination period January 1, 2010 through December 31, 2014, detailed as follows:

Surplus as regards policyholders per report on examination as of December 31, 2009			\$25,694,561
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$4,180,242		
Net unrealized capital gains or (losses)	39,970		
Change in net deferred income tax		144,161	
Change in non-admitted assets	106,660		
Cumulative effect of changes in accounting principles	60,623		
Stock repurchase and retirement plan		4,824,219	
Dividends to stockholders	<u>0</u>	<u>4,600,000</u>	
Total gains and losses in surplus	<u>\$4,387,495</u>	<u>\$9,568,380</u>	
Net increase (decrease) in surplus			<u>\$(5,180,885)</u>
Surplus as regards policyholders per report on examination as of December 31, 2014			<u>\$ 20,513,676</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$26,331,560 is the same as reported by the Company as of December 31, 2014. The examination's analysis of the loss and loss adjustment expense reserves includes the assumed retroactive reinsurance and the loss portfolio transfer from Trygg-Hansa Insurance Company, Ltd. US Branch transactions. The analysis was also 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 on examination contains no comments or recommendations.

APPOINTMENT NO. 31266

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **BENJAMIN M. LAWSKY**, 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:

Joseph Revers

as a proper person to examine the affairs of the

Suecia Insurance Company

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 6th day of January, 2015

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



Rolf Kaumann
Deputy Chief Examiner

