

REPORT ON EXAMINATION

OF THE

IMPERIAL ASSURANCE COMPANY, INC.

AS OF

DECEMBER 31, 2013

DATE OF REPORT

DATE: JULY 3, 2015

EXAMINER

WEI CAO

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	2
	C. Capital structure	3
	D. Corporate records	3
	E. Operations	3
	F. Management and control	4
	G. Certified public accountant	5
3.	Financial statements	6
	A. Balance sheet	6
	B. Statement of income	7
	C. Capital and surplus account	8
4.	Losses and loss adjustment expenses	8
5.	Article 70 compliance	8
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

July 3, 2015

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31240 dated October 24, 2014, attached hereto, I have made an examination into the condition and affairs of Imperial Assurance Company, Inc. as of December 31, 2013, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Imperial Assurance Company, Inc. Wherever the designation "the Parent" appears herein without qualification, it should be understood to refer to Pamela Equities Corporation 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 covered the period from the Company's inception through December 31, 2013, 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 Department, and was in compliance with Article 70 of the New York Insurance Law (the Law).

Comments and recommendations are limited to procedural recommendations, those items requiring financial adjustment 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 on May 22, 2008 and commenced business on July 18, 2008. The Company is a wholly-owned subsidiary of Pamela Equities Corporation Inc., a small apartment building operator in New York.

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 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, 2013, the Company's paid-in capital was \$15,327,894, consisting of 100,000 shares of common stock with a par value of \$1 per share and an additional paid-in amount of \$15,227,894. The Company had accumulated earnings of \$3,011,151, for a total capital and surplus of \$18,339,045.

D. Corporate Records

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

E. Operations

As of December 31, 2013, the Company provided the following insurance coverage to the Parent and all of its subsidiaries:

<u>Policy coverage</u>	<u>Per Occurrence/Policy Limits</u>	<u>Policy period</u>
Terrorism Insurance (NBCR)	\$100,000,000 per occurrence	July 18, 2012 - July 18, 2013 July 18, 2013 ó July 18, 2014
Directorsø & Officersø Liability Insurance-Deductible Reimbursement	\$40,000 per occurrence, excess of \$10,000 per occurrence	March 6, 2012 to March 6, 2013 March 6, 2013 to March 6, 2014
Employment Practices Liability Insurance ó Deductible reimbursement	\$65,000 per occurrence excess of \$10,000 per occurrence	March 6, 2012 to March 6, 2013 March 6, 2013 to March 6, 2014
Commercial Crime Insurance - Deductible Reimbursement	\$40,000 per occurrence in excess of \$10,000 per occurrence	January 1, 2013-January 1, 2014
Property Liability - Deductible Reimbursement	\$75,000 per occurrence in excess of \$25,000 per occurrence	June 30, 2013-June 30, 2014
High Hazard Flood only	\$1,000,000 per occurrence in excess of \$500,000 per occurrence	

During the examination period, the Company did not assume nor cede any business.

F. Management and Control

(i) Captive Manager

Section 7003(b)(4) of the New York Insurance Law provides that no captive insurer shall do any captive insurance business in this state unless it utilizes a captive manager resident in the State of New York 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 the examination, the Company was managed by Willis of New York, Inc. (öWillisö), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, Willis shall act as the Company's principal representative and provide underwriting, administrative and management services for a fee.

(ii) Board of Directors

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 three and no more than ten members, of which at least two shall at all times be residents of New York State. As of December 31, 2013, the board of directors was comprised of the following three members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Scott Solomon Scarsdale, NY	President, Pan Am Equities, Inc.
Edward Ackerman New Rochelle, NY	Vice President, Pan Am Equities, Inc.
David Iwainer Bardonia, NY	Vice President, Pan Am Equities, Inc.

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

(iii) Officers

As of December 31, 2013, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Scott Solomon	President
Edward Ackerman	Treasurer & Secretary
David Iwainer	Assistant Secretary

G. Certified Public Accountant (CPA)

Saslow, Lufkin & Buggy 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 audited financial statements presented fairly, in all material respects, the financial position of Imperial Assurance Company, Inc. as of December 31, 2013.

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	\$2,315,717	
Investment	16,321,341	
Accrued interest income	183,827	
Premiums receivable	16,250	
Prepaid expenses	6,956	
Deferred tax asset	19,559	
Federal income taxes recoverable	<u>78</u>	
Total assets		<u>\$18,863,728</u>

Liabilities

Unpaid losses and LAE	\$23,940	
Unearned premium	484,249	
Accrued expenses	<u>16,494</u>	
Total liabilities		<u>\$524,683</u>

Capital and Surplus

Common stock	\$100,000	
Paid-in surplus	15,227,894	
Surplus (accumulated earnings)	<u>3,011,151</u>	
Total capital and surplus		<u>\$18,339,045</u>
Total liabilities, capital and surplus		<u>\$18,863,728</u>

B. Statement of Income

The Company's net income for the period covered by this examination was \$5,911,151, as detailed below:

STATEMENT OF INCOMEUnderwriting Income

Net premiums earned		\$3,754,951
Deductions:		
General and administrative expenses	\$803,401	
Loss and LAE	207,085	
Premium taxes	<u>30,237</u>	
Total underwriting deductions		<u>1,040,723</u>
Net underwriting gain or (loss)		\$2,714,228

Investment Income

Net investment income	\$3,255,231	
Net unrealized gains on investment	<u>(77,645)</u>	
Investment income		<u>\$3,177,586</u>
Net income before tax		\$5,891,814
Income tax expenses		<u>(19,337)</u>
Net income		<u>\$5,911,151</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$18,339,045 during the five-year and one hundred sixty seven day period covered by this examination, as detailed below:

Capital and surplus as of July 18, 2008			\$0
	<u>Increase in surplus</u>	<u>Decrease in surplus</u>	
Net income	\$5,911,151	\$0	
Issuance of common stock	100,000		
Additional paid in capital	15,227,894		
Shareholder Dividends	_____	<u>2,900,000</u>	
Total increases and decreases	\$21,239,045	\$2,900,000	
Net increase in surplus			<u>18,339,045</u>
Capital and surplus as of December 31, 2013			<u>\$18,339,045</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2013, the Company reported total unpaid losses and loss adjustment expense reserves of \$23,940. 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 current reserve amount carried on the balance sheet as of December 31, 2013 related to one open claim. 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 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 were no comments or recommendations made 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. 31240

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:*

Wei Cao

as a proper person to examine the affairs of the

Imperial Assurance Company, 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 24th day of October, 2014

*BENJAMIN M. LAWSKY
Superintendent of Financial Services*

By:



*Rolf Kaumann
Deputy Chief Examiner*

