

REPORT ON EXAMINATION

OF

BELMONT INSURANCE COMPANY

AS OF

DECEMBER 31, 2016

DATE OF REPORT

JANUARY 19, 2018

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	3
	C. Capital structure	3
	D. Corporate records	3
	E. Operations	3
	F. Management and control	5
	G. Certified public accountant	6
3.	Financial statements	7
	A. Balance sheet	7
	B. Statement of income	8
	C. Capital and surplus account	9
4.	Losses and loss adjustment expenses	9
5.	Article 70 compliance	9
6.	Compliance with prior report on examination	10
7.	Summary of comments and recommendations	10



Department of Financial Services

KATHY HOCHUL
Governor

ADRIENNE A. HARRIS
Superintendent

February 1, 2022

Honorable Adrienne A. Harris
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 31679 dated October 17, 2017, attached hereto, I have made an examination into the condition and affairs of Belmont Insurance Company 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 Belmont Insurance Company. Wherever the designation “the Parent” appears herein without qualification, it should be understood to indicate SL Green Realty Corp., a Maryland corporation.

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 January 1, 2012 through December 31, 2016 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 review 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 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 July 31, 2006 and commenced business on October 31, 2006. Initially, the Company was directly owned by SL Green Operating Partnership, LP. (“SL Green”), a Delaware limit partnership. Effective March 31, 2009, SL Green transferred 100% of its interest in the Company to eEmerge, Inc, a wholly-owned subsidiary. SL Green became an intermediate parent between eEmerge Inc. and the Parent.

A. Article 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, 2016, the Company's paid-in capital was \$8,200,000 (consisting of 1,000 shares of common stock with a par value of \$100 per share and contributed surplus of \$8,100,000). Additionally, the Company had retained earnings of \$52,718,904, minus an "other comprehensive loss" amount of \$6,656, for a total capital and surplus (surplus as regards policyholders) of \$60,912,248.

D. Corporate Records

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

E. Operations

As of December 31, 2016, the Company did not assume any business from other insurers. The Company's ceded insurance program is as follows:

- Employment Practices Liability

Effective September 16, 2013, the Company provided a deductible reimbursement policy for Employment Practices Liability to the Parent and its subsidiaries. The limits of the coverage were \$150,000 per occurrence in excess of \$100,000 deductible with no annual aggregate.

- Errors & Omissions

Effective October 19, 2013, the Company began providing a deductible reimbursement policy for Errors & Omissions coverage. The limits of coverage were \$225,000 each claim in excess of \$25,000 deductible, each claim.

- Commercial General Liability

Effective October 31, 2013, the Company offered a Self-Insured Retention reimbursement policy for Commercial General Liability. The limits of coverage were \$125,000 bodily injury and property damage, each event, with a \$2,000,000 aggregate.

- Commercial Pollution Legal Liability

During the period covered by this examination, the Company provided a five-year deductible reimbursement policy for Commercial Pollution Legal Liability. The limits of coverage were \$975,000 in excess of a \$25,000 deductible.

- Terrorism

As of December 31, 2016, the Company provided terrorism coverage to the Parent and its subsidiaries for events designated as “certified acts of terrorism”, as defined in the Terrorism Risk Insurance Act of 2002 and its subsequent reauthorizations in 2007 and 2015 as the Terrorism Risk Insurance Program Reauthorization Act (“TRIPRA”). *

- i. Effective January 1, 2015, the Company provided nuclear, biological, chemical and radiological coverage, with a limit of \$500,000,000 per occurrence, in excess of \$250,000,000 per occurrence. The Company retained 100% of the risk not backstopped by TRIPRA.
- ii. As of June 21, 2016, the Company provided Builders Risk Terrorism coverage with a limit of \$1,899,008,765 per occurrence, in excess of \$200,000,000, subject to various deductibles. Coverage was also provided for “non-certified acts of terrorism”, with a limit of \$303,854,200 per occurrence, in excess of \$200,000,000. The Company cedes 100% of its non-certified acts of terrorism losses to various reinsurers.
- iii. As of December 31, 2016, the terrorism limit provided by the Company was \$950,000,000 per occurrence, in excess of \$120,000,000 per occurrence for certified acts of terrorism. The Company ceded 100% of its retained risk to a third-party reinsurer. Effective November 30, 2016, the Company amended the policy to include coverage for non-certified acts of terrorism with a limit of \$132,800,000 per occurrence, in excess of \$120,000,000. This risk was also 100% ceded to an unrelated reinsurer.

* - TRIPRA is a public/private risk-sharing program established by the federal government that backstops all eligible insurer’s losses caused by a certified act of terrorism. As of December 31, 2016, TRIPRA reimburses eligible insurers for 84% of a certified act of terrorism losses. Non-certified acts of terrorism losses are not backstopped by TRIPRA.

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 March 4, 2016, 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 the Company’s by-laws, management of the Company is vested in a board of directors consisting of at least three members and not more than ten, at least two of whom shall be residents of New York State. At December 31, 2016, the board of directors was comprised of the following three members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Andrew Falk Scarsdale, NY	Senior Director-Asset Management, SL Green Realty Corp.
Andrew S. Levine Mamaroneck, NY	General Counsel, SL Green Realty Corp.
Matthew J. DiLiberto Caldwell, NJ	Chief Financial Officer, SL Green Realty Corp.

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, 2016, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Marc Holliday	President
Andrew Mathias	Vice President
Matthew Diliberto	Treasury
Andrew Levine	Secretary

G. Certified Public Accountant (“CPA”)

Crowe Horwath, 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 statement, in their opinion, presented fairly, in all material respects, its financial position as of December 31, 2016.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America.

Assets

Cash	\$11,555,683	
Bonds	36,558,103	
Other investment assets	9,283,300	
Premium receivable	5,068,720	
Notes receivable from Parent	214,000,000	
Prepared reinsurance	2,236,732	
Intercompany receivable	269,530	
Other assets	<u>292,820</u>	
Total assets		<u>\$279,264,888</u>

Liabilities

Unearned premiums	\$ 5,867,150	
Unpaid losses and loss adjustment expenses	5,025,497	
Reinsurance payable	1,003,387	
Loans and notes payable	205,000,000	
Income tax payable	1,357,886	
Other liabilities	<u>98,720</u>	
Total liabilities		<u>\$218,352,640</u>

Capital and Surplus

Common stock	\$ 100,000	
Contributed surplus	8,100,000	
Accumulated other comprehensive loss	(6,656)	
Retained earnings	<u>52,718,904</u>	
Total capital and surplus		<u>\$ 60,912,248</u>
Total liabilities, capital, and surplus		<u>\$279,264,888</u>

B. Statement of Income

The Company's net income for the period covered by this examination was \$34,048,222, as detailed below:

Underwriting Income

Net premiums earned		\$31,910,522
---------------------	--	--------------

Deductions

Losses and loss adjustment expenses	\$2,319,285	
General and administrative expenses	2,104,519	
Premium tax expense	<u>382,663</u>	
Total underwriting deductions		<u>4,806,467</u>
Net underwriting income		\$27,104,055
Investment income		<u>7,951,077</u>
Net income before income taxes		35,055,132
Income taxes		<u>1,006,910</u>
Net income		<u>\$34,048,222</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$18,041,566 during the period covered by this examination, detailed as follows:

Capital and surplus as of January 1, 2012			\$42,870,682
	<u>Increase in surplus</u>	<u>Decrease in surplus</u>	
Net income	\$34,048,222		
Return of capital		\$16,000,000	
Other comprehensive loss	_____	<u>6,656</u>	
Total increases and decreases in surplus	<u>\$34,048,222</u>	<u>\$16,006,656</u>	
Net increase in surplus			<u>18,041,566</u>
Capital and surplus as of December 31, 2016			<u>\$60,912,248</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2016, the Company reported total losses and loss adjustment expense reserves of \$5,025,497. The Company's opining actuarial firm, Milliman Inc., stated in its Statement of Actuarial Opinion that the Company's carried reserves met the requirements of the captive insurance laws of the State of New York and were computed in accordance with Standards of Practice issued by the Actuarial Standards Board (including the Casualty Actuarial Society's Statement of Principles Regarding Property and Casualty Unpaid Claims Estimates). It was also noted that the carried reserves made a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts 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. No significant areas of non-compliance were found.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained one recommendation as follows (page number refers to the prior report):

<u>ITEM</u>		<u>PAGE NO.</u>
1.	It is recommended that board members who are unable to or unwilling to attend board meetings shall resign or be replaced.	5

The Company has complied with this recommendation.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations in this report.

Respectfully submitted,

_____/S/
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.

_____/S/
Wei Cao

Subscribed and sworn to before me

this _____ day of _____, 2022.

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

Belmont Insurance Company

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 17th day of October, 2017

MARIA T. VULLO
Superintendent of Financial Services



By: Joan P. Riddell

Joan Riddell
Deputy Bureau Chief