

REPORT ON EXAMINATION

OF

HIVERSINE INSURANCE COMPANY

AS OF

DECEMBER 31, 2017

DATE OF REPORT

OCTOBER 18, 2019

EXAMINER

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## Department of Financial Services

**KATHY HOCHUL**  
Governor

**ADRIENNE A. HARRIS**  
Superintendent

January 28, 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 31998 dated August 30, 2019, attached hereto, I have made an examination into the condition and affairs of Haversine Insurance Company as of December 31, 2017, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Haversine Insurance Company. Wherever the designation “the Parent” appears herein without qualification, it should be understood to indicate Omnicom Group 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 covers the period from January 1, 2013, through December 31, 2017, 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 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 October 3, 2003 and commenced business on October 17, 2003. The Company is a wholly owned subsidiary of Omnicom Group Inc. Omnicom Group Inc. is a leading global advertising and marketing communications services company. Haversine Insurance Company provides various types of insurance coverages to the Parent and its United States subsidiaries.

### 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, 2017, the Company's paid-in capital was \$1,005,654,880, consisting of 100,000 shares of common stock with a par value of \$1.00 per share and an additional paid-in capital amount of \$1,005,554,880. The Company had retained earnings of \$2,091,090,381 for a total capital and surplus (surplus as regards policyholders) of \$3,096,745,261.

D. Corporate Records

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

E. Operations

As of December 31, 2017, the Company provided the Parent and its United States subsidiaries with coverage for risks including, brand impairment, catastrophic bad debt, supplemental terrorism, patent infringement, and various liabilities coverages. It ceded various coverages, including terrorism, sabotage, and political violence, to various unaffiliate insurers.

It also assumed coverages from unaffiliated insurers for professional liability, crime, and physical damage losses.

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 Marsh Management Services Inc. ("Marsh"), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, effective January 1, 2014, Marsh has the responsibility for providing the Company with financial accounting, administrative and other insurance related services for a fee. These responsibilities include assisting the Company in complying with the rules, regulations, and requirements of the Law 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, the business and affairs of the Company shall be managed under the direction of the Board of Directors. The number of Directors shall not be fewer than three nor more than ten (two of whom shall be residents of New York State). At December 31, 2017, the board of directors was comprised of the following five members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Nicholas P. Bognon Old Greenwich, CT	President & CEO, Omnicom Group
Andrew L. Castellaneta Thornwood, NY	Assistant Controller, Omnicom Group
Dennis E. Hewitt Old Greenwich, CT	President & CEO, Omnicom Group
Michael J. O'Brien Greenwich, CT	Senior Vice President & General Counsel and Secretary, Omnicom Group
Maeve C. Robinson Douglaston, NY	Treasurer, Omnicom Group

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, 2017, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Nicholas P. Bognon	President
Michael J. O'Brien	Secretary
Andrew L. Castellaneta	Treasury
Andrea G. Berkley	Assistant Secretary
Anthony R. Neville	Assistant Treasurer

G. Certified Public Accountant ("CPA")

Saslow Lufkin & Buggy LLP was the Company's independent certified public accounting firm for 2013 and 2014. They were replaced by Crowe Horwath LLP for the years 2015 to 2017. As of 12/31/17, the CPA stated that the audited financial statements presented fairly, in all material respects, the financial position of the Company.

3. FINANCIAL STATEMENTSA. 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	\$ 250,000	
Other invested assets	1,295,336,087	
Notes receivable	1,939,999,046	
Due from Parent	1,000,000	
Deferred tax assets	4,946,218	
Deferred policy acquisition costs	200,685	
Prepaid reinsurance premium	739,692	
Premium receivable	<u>2,129,649</u>	
Total assets		<u>\$3,244,601,377</u>

Liabilities

Unearned premium	\$116,109,090	
Unpaid losses and loss adjustment expenses	13,750,558	
Accrued expenses and other liabilities	761,062	
Tax payable	16,325,739	
Losses payable	<u>909,667</u>	
Total liabilities		<u>\$147,856,116</u>

Capital and Surplus

Common stock	\$ 100,000	
Paid-in capital	1,005,554,880	
Retained earnings	<u>2,091,090,381</u>	
Total capital and surplus		<u>\$ 3,096,745,261</u>
Total liabilities, capital and surplus		<u>\$3,244,601,377</u>



B. Statement of Income

The Company's net income for the period covered by the examination was \$722,773,099, as detailed below:

Underwriting Income

Premiums earned		\$638,667,963
Deductions		
Loss and LAE expenses	\$75,768,736	
General and administrative expenses	7,577,256	
Premium deficiency recoveries	<u>(404,268)</u>	
Total underwriting deductions		<u>82,941,724</u>
Net underwriting income		\$555,726,239
Interest income		<u>560,913,455</u>
Net income before tax		\$1,116,639,694
Income taxes		<u>393,866,595</u>
Net income		<u>\$722,773,099</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$722,773,099 during the period covered by this examination, detailed as follows:

Capital and surplus as of January 1, 2013			\$2,373,972,162
	<u>Increase in surplus</u>	<u>Decrease in surplus</u>	
Net income	<u>\$722,773,099</u>	<u>\$0</u>	
Net increase in surplus			<u>722,773,099</u>
Capital and surplus as of December 31, 2017			<u>\$3,096,745,261</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2017, the Company reported total loss and loss adjustment expense reserves of \$13,750,558. The Company's opining actuarial firm, Marsh Management Services Inc., noted in its Statement of Actuarial Opinion that, in its opinion, reported reserves were consistent with reserves computed in accordance with accepted actuarial standards and principles. It was also noted that reasonable provisions in the aggregate had been made 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.

6. 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, Linda A. Lacewell, 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

**Haversine 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 30th day of August, 2019

LINDA A. LACEWELL  
Superintendent of Financial Services



By:

*Joan P. Riddell*

Joan Riddell  
Deputy Bureau Chief