

REPORT ON EXAMINATION

OF

AXIS REINSURANCE COMPANY

AS OF

DECEMBER 31, 2020

DATE OF REPORT

JANUARY 7, 2022

EXAMINER

SUSAN WEIJOLA

## TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	3
	A. Corporate governance	3
	B. Territory and plan of operation	4
	C. Reinsurance ceded	6
	D. Holding company system	10
	E. Significant ratios	14
3.	Financial statements	15
	A. Balance sheet	15
	B. Statement of income	17
	C. Capital and surplus	18
4.	Losses and loss adjustment expenses	19
5.	Subsequent events	19
6.	Compliance with prior report on examination	19
7.	Summary of comments and recommendations	19



## Department of Financial Services

**KATHY HOCHUL**  
Governor

**ADRIENNE A. HARRIS**  
Superintendent

January 25, 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 32159 dated November 23, 2020, attached hereto, I have made an examination into the condition and affairs of AXIS Reinsurance Company as of December 31, 2020, and submit the following report thereon.

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

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

Due to the COVID-19 pandemic, this examination was conducted remotely.

## 1. SCOPE OF EXAMINATION

The Department has performed an examination of AXIS Reinsurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2015. This examination covered the five-year period from January 1, 2016, through December 31, 2020. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with the state of Illinois, which was the lead state of the AXIS Capital Group. Connecticut also participated in the examination.

The examination was performed concurrently with the examinations of the following insurers:

<u>Insurer</u>	<u>Domicile</u>	<u>NAIC #</u>
AXIS Insurance Company	Illinois	37273
AXIS Surplus Insurance Company	Illinois	26620
AXIS Specialty Insurance Company	Connecticut	15610

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners 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
- Reinsurance
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Significant subsequent events
- 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

AXIS Reinsurance Company was incorporated under the laws of the State of New York on July 25, 1991, as the Sun Insurance Office of America Inc., the domesticated successor to Sun Insurance Office Limited (United States Branch), and commenced business on January 1, 1992.

Effective January 1, 1994, ownership of the Company was transferred, via a stock exchange, to Sun Alliance USA Inc., a wholly-owned subsidiary of Sun Alliance Group PLC.

On July 19, 1996, Sun Alliance Group PLC merged with Royal Insurance Holdings PLC, forming a new holding company called Royal & Sun Alliance Insurance Group PLC. Effective January 1, 1999, the Company changed its name to Royal & Sun Alliance Personal Insurance Company. Effective December 8, 1999, ownership of the Company was transferred, via a stock exchange, to Royal Group Inc. Subsequently, on August 21, 2000, Royal Group Inc. transferred ownership of the Company, via a stock exchange, to Royal Insurance Company of America.

On November 27, 2002, AXIS Specialty U.S. Holdings, Inc., a Delaware holding company, acquired the Company from Royal Insurance Company of America and subsequently changed its name to AXIS Reinsurance Company.

On September 23, 2008, the Company established a branch in Ontario, Canada (“Canadian Branch”).

### 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 21 members. The Company’s by-laws allow the board to take action by unanimous written consents in lieu of formal meetings. During the examination period, the Board acted without meetings and took action by unanimous written consents. At December 31, 2020, the board of directors was comprised of the following seven members:

#### Name and Residence

Robert John Looney, Jr.  
Summit, NJ

#### Principal Business Affiliation

Chief Operations Officer and Chief Financial  
Officer for AXIS Reinsurance Segment,  
AXIS Specialty U.S. Services, Inc.

Robert Thomas Lupo Freehold, NJ	Chief Operations Officer, Finance, AXIS Specialty U.S. Services, Inc.
Carlton Wendell Maner Atlanta, GA	Head of U.S. P&C Division for AXIS Insurance Segment, AXIS Specialty U.S. Services, Inc.
Denise Cristina Pagliarulo Alpharetta, GA	Head of Finance, North America, AXIS Specialty U.S. Services, Inc.
John Henry Van Decker Mantoloking, NJ	Head of U.S. Professional Lines Division for AXIS Insurance Segment, AXIS Specialty U.S. Services, Inc.
Linda Ventresca New York, NY	Chief Strategy Officer, AXIS Specialty U.S. Services, Inc.
Andrew Martin Weissert Marietta, GA	Chief Legal Counsel, AXIS Specialty U.S. Services, Inc.

As of December 31, 2020, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Robert John Looney, Jr. Andrew Martin Weissert	President and Chief Executive Officer Senior Vice President, General Counsel, and Secretary
Denise Cristina Pagliarulo	Senior Vice President and Treasurer
Carlton Wendell Maner	Senior Vice President
Martin Joseph McCarty	Senior Vice President
John Henry Van Decker	Senior Vice President

B. Territory and Plan of Operation

As of December 31, 2020, the Company was licensed to write business in all 50 states, the District of Columbia, Puerto Rico, and Canada.

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

<u>Paragraph</u>	<u>Line of Business</u>
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
22	Residual value
24	Credit unemployment
29	Legal services

In addition, the Company is 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 Longshoremen's 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.

As of the examination date, the Company is also licensed to write special risk insurance (free trade zone license) pursuant to Article 63 of the New York Insurance Law. Additionally, the Company is authorized by Section 4102(c) to insure property or risks of every kind or description outside of the United States and reinsurance of every kind or description.

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 \$35,000,000. However, pursuant to Section 6302(c)(1) of the New York Insurance Law, in order to be licensed to write special risks, the Company is required to maintain surplus as regards policyholders of at least 250% of its authorized control level risk-based capital. As such, the Company was required to maintain a minimum surplus to policyholders in the amount of \$706,946,490 as of December 31, 2020.

The following schedule shows the direct and assumed premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Direct Premiums</u>	<u>Assumed Premiums</u>	<u>Total Gross Premiums</u>
2016	\$58,161,354	\$1,267,469,499	\$1,325,630,853
2017	\$63,317,580	\$1,451,590,719	\$1,514,908,299
2018	\$78,837,312	\$1,102,614,622	\$1,181,451,934
2019	\$83,610,874	\$1,041,512,260	\$1,125,123,134
2020	\$99,190,816	\$955,510,514	\$1,054,701,330

The Company's direct insurance products principally consist of property and casualty business sourced and covering exposures in the U.S. and Canada. The Company principally writes commercial property, liability, professional lines, and other specialty program insurance. The Company's direct insurance business is predominately written in the Canada Branch. The product lines are offered through wholesale brokers.

The Company's assumed reinsurance business from non-affiliates accounted for 91% of its gross premium written at December 31, 2020. Its assumed reinsurance consists principally of treaty reinsurance business sourced and covers U.S. exposures, including professional lines, liability, property, agriculture, surety, marine and aviation, catastrophe exposed workers' compensation, and accident & health reinsurance. Treaty placements are predominantly transacted via reinsurance intermediaries and brokers. The Company also assumes insurance writings via third-party insurance intermediaries in locations where the Company does not have a license.

Effective January 1, 2013, the Company entered into a 100% quota share reinsurance treaty with AXIS Surplus Insurance Company, a U.S. affiliate, whereby the Company assumes 100% of AXIS Surplus Insurance Company's risk on excess casualty wholesale and retail business after third party facultative reinsurance. Effective December 31, 2019, the Company terminated this agreement. As a result of the termination, the Company returned \$129.1 million of unearned premium reserves less \$41.4 million of related commissions at December 31, 2019. The termination of the agreement was approved by the Department on December 12, 2019.

#### C. Reinsurance Ceded

The Company has structured its ceded reinsurance program as follows:



<u>Type of Treaty</u>	<u>Cession</u>
<u>Property</u>	
<u>Per Risk</u> Excess of Loss – Four layers	\$2,500,000 xs \$2,500,000 placed at 70%, excluding critical CAT, including domestic terrorism in the U.S. Covers only global property, onshore renewable energy, and various international MGA programs; \$5,000,000 xs \$5,000,000 placed at 90% includes international critical CAT & excludes NA critical CAT. Covers domestic terror in the U.S.; \$10,000,000 xs \$10,000,000 placed at 95% includes international critical CAT & excludes NA critical CAT. Covers domestic terror in the U.S.; \$30,000,000 xs \$20,000,000, placed at 100%, all perils covered. Covers all terror in the U.S.
<u>Catastrophe Excess of Loss</u>	\$150,000,000 xs \$125,000,000 (North America) \$150,000,000 xs \$75,000,000 (International), Wind Earthquake & Fire Following, covers U.S. (including AK, HI, possessions, and territories), Bermuda, Caribbean, and Canada, placed at 100%.  \$50,000,000 xs \$50,000,000 (Property Per Risk placed at 19.5%) xs \$125,000,000 (North American CAT) xs \$75,000,000 (international CAT), placed at 80.50%.
<u>Catastrophe Aggregate Excess of Loss</u>	\$150,000,000 xs of \$125,000,000, placed at 70%
<u>Side Car Quota Share</u>	13.533% quota share (Alturas Re Ltd. Class A&B) and 1.923413% quota share (Alturas Re Ltd. Trust) of net losses for policies written and classified as E&S property; global property; and UK and European property facilities.
<u>Casualty</u>	
<u>Primary Casualty, Umbrella Liability, and Excess Casualty</u> Quota Share	75% quota share up to \$25,000,000 ultimate net loss, each insured, each occurrence, occurrence reported and/or claim made, each policy, covers business underwritten by the Canadian Branch.
<u>Professional Lines</u>	
<u>Global Professional Lines Quota Share</u>	Section A, 45% quota share up to \$25,000,000 each loss, each insured; Section B, 75% quota share Additional Side A -D&O when combined policy limits per insured stack to greater than \$25,000,000, will apply when overall combined limits equaled \$50,000,000;

<u>Type of Treaty</u>	<u>Cession</u>
	Section C, 80% quota share for UK PI Solicitors policies, up to \$25,000,000 each loss, each insured.
<u>Environmental and Professional Liability Quota Share</u>	Variable quota share placed at 71.50% as follows: \$5,000,000 or less policy limit - 25% cession to reinsurers; \$5,000,001 to \$10,000,000 policy limit – 50% cession to reinsurers; Greater than \$10,000,000 policy limit – 75% cession to reinsurers.
<u>Captive Quota Share</u>	100% quota share of the first \$1,000,000 of the Company’s ultimate net loss, \$3.900,000 annual aggregate limit on business classified as the World Financial Group Canada Errors and Omissions Insurance Program.
<u>Cyber</u>	
<u>Global Cyber Quota Share</u>	55% quota share up to 50,000,000 each policy, each insured.
<u>Global Cyber Excess of Loss</u>	\$210,000,000 (or 125% loss ratio) excess \$186,000,000 (or 150% loss ratio), placed at 62.7%; \$105,000,000 (or 62.5% loss ratio) excess \$264,000,000 (or 212.5% loss ratio), placed at 27.3%; \$105,000,000 (or 62.5% loss ratio) excess \$186,000,000 (or 150% loss ratio), placed at 27.3%.

A majority of the business was ceded to unauthorized reinsurers. Approximately 46% of the Company’s recoverables are due from AXIS Specialty Limited, an unauthorized affiliated reinsurer that is rated A by A.M. Best.

Effective January 1, 2020, the Company entered into two accident year stop loss reinsurance agreements with its affiliate, AXIS Specialty Limited. The Company, excluding the Canadian Branch, cedes accident year loss and loss adjustment expenses incurred in excess of 70% of premiums earned subject to a limit of 110% premiums earned. The Company’s Canadian Branch cedes accident year loss and LAE incurred in excess of 75% of premiums earned subject to a limit of 110%. This agreement was approved by the Department on March 30, 2020.

Effective December 31, 2019, the Company entered into an adverse development reinsurance agreement with its affiliate, AXIS Specialty Limited. The agreement provides \$100,000,000 adverse development cover with respect to 2019 and prior years insurance business written or assumed by the Company and attaches if the Company's net loss exceeds the sum of its loss reserves for the business covered plus \$30,000,000. The Company remitted a premium of \$24,000,000 for this cover. This agreement was approved by the Department on December 12, 2019.

Effective January 1, 2016, the Company entered into an Intercompany Master Facultative Reinsurance Agreement with AXIS Insurance Company whereby the Company cedes on a facultative basis certain policies to AXIS Insurance Company. The Company pays the reinsurer a fair market value of the premiums received for each policy written pursuant to the terms and conditions of the agreement after deducting return premiums payable by the Company and applicable taxes and commissions. This agreement was approved by the Department on October 6, 2015.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It is 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.

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 the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles ("SSAP") No. 62R. 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. Additionally, examination review indicated that the Company was not a party to

any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

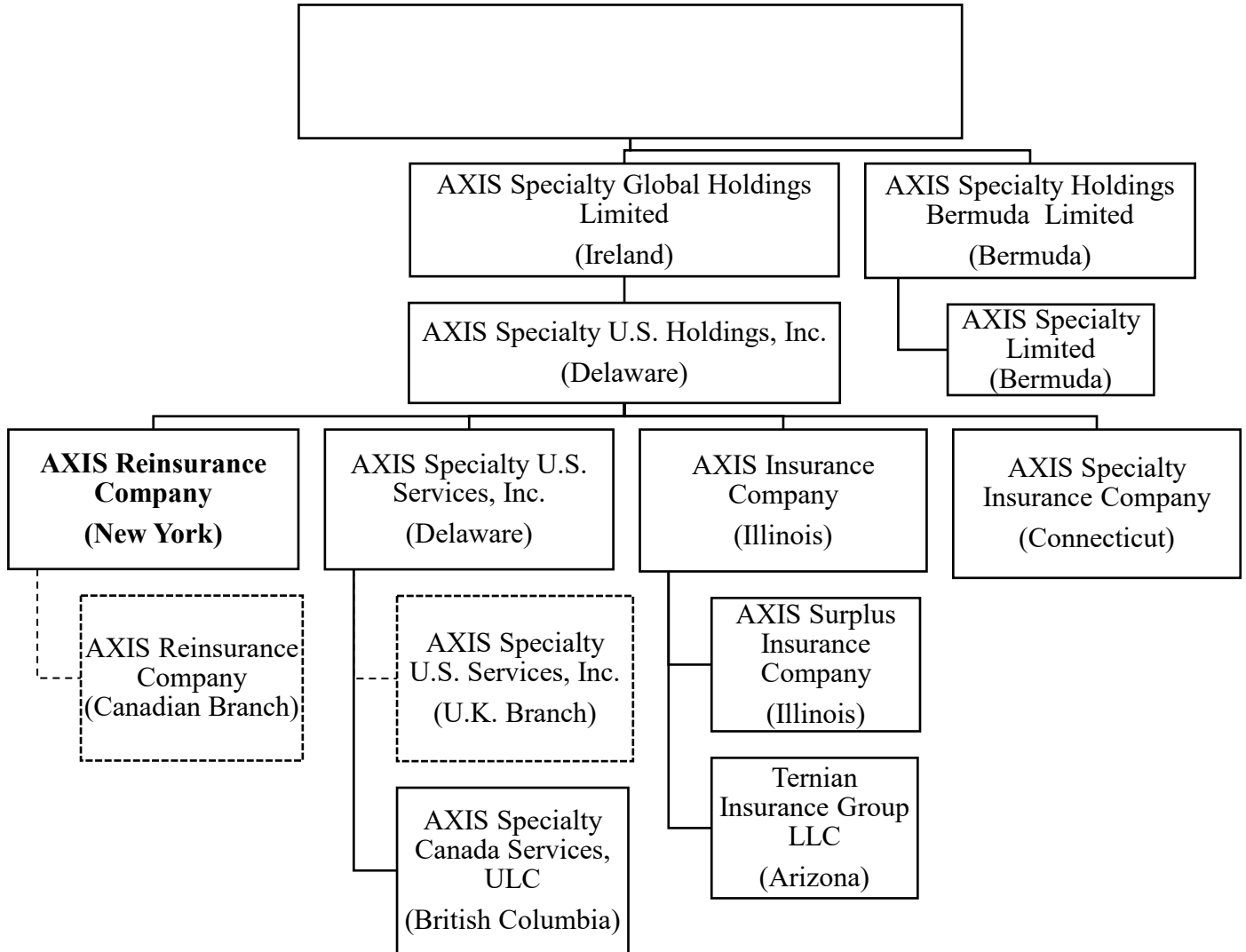
D. Holding Company System

The Company is a member of the AXIS Capital Group (the “Group”). The Company is a wholly-owned subsidiary of AXIS Specialty U.S. Holdings, Inc., a Delaware corporation, which is ultimately owned by AXIS Capital Holdings Limited, a publicly-traded holding company organized under the laws of Bermuda.

AXIS Reinsurance Company represents the majority of the reinsurance segment of the U.S. holding company group and writes business on an excess of loss and proportional basis. On an excess of loss basis, the Company typically provides indemnification to the reinsured entity for a portion of losses, both individually and in the aggregate, in excess of a specified individual or aggregate loss deductible. On a proportional basis, the Company receives an agreed percentage of the underlying premium and accepts liability for the same percentage of incurred losses. The Company provides non-life reinsurance to insurance companies on a worldwide basis.

The holding company registration statements filed with this Department 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, 2020:



### Holding Company Agreements

At December 31, 2020, the Company was party to the following agreements with other members of its holding company system:

#### Capital Maintenance Agreement

Effective January 1, 2018, the Company and AXIS Capital Holdings Limited (“AXIS Capital”) entered into a capital maintenance agreement to mitigate the capital strain caused by the U.S. Government’s tax plan. Pursuant to the agreement, AXIS Capital is required to maintain a surplus in the Company so that the Company has a capital threshold level of 300% of its projected authorized control level risk bask capital at calendar year-end. This agreement was filed with the Department pursuant to Section 1505(d) of the

New York Insurance Law. The termination date of the agreement was January 1, 2021, but it was extended for an additional three years.

#### Tax Allocation Agreement

Effective December 1, 2002, the Company and other select members of the Group entered into an income tax sharing agreement, whereby the parties file a consolidated federal income tax return with AXIS Specialty U.S. Holdings, Inc. to provide for the payment of federal tax liabilities or refunds of members of the Group. This agreement was filed with the Department pursuant to Section 1505(d) of the New York Insurance Law.

#### Expense Allocation Agreement

Effective November 27, 2002, the Company entered into an expense allocation agreement with AXIS Specialty U.S. Services Inc. (“ServiceCo”), an affiliated Delaware corporation. Pursuant to the terms of the agreement, ServiceCo will provide the services of personnel, office space, and use of office equipment. Costs and expenses will be determined and allocated pursuant to the provisions of Department Regulation 30. Effective January 10, 2012, an addendum was made for AXIS Specialty Canada Services, ULC to provide services to the Canadian Branch. The agreement and addendum were filed with the Department pursuant to Section 1505(d) of New York Insurance Law.

#### Collateral Fee Agreement

Effective May 14, 2010, the Company is a party to a committed secured letter of credit facility with Citibank Europe, PLC (“letter of credit facility”). Under the letter of credit facility, the Company and select insurer affiliates (the “Borrowers”) are able to issue letters of credit up to a specified aggregate amount. In connection with the letter of credit facility, pursuant to a pledge agreement between Citibank Europe PLC and AXIS Specialty Limited, AXIS Specialty Limited pledges assets to secure the letters of credit issued under the letter of credit facility. The Company and select insurer affiliates entered into a collateral fee agreement with AXIS Specialty Limited wherein, in consideration of the pledge, and as long as a Borrower has an outstanding letter of credit, the Borrower agrees to pay an annual fee to AXIS Specialty Limited. The collateral fee agreement was filed with the Department pursuant to Section 1505(d) of New York Insurance Law. On August 4, 2011, the Department approved an amendment to the collateral fee agreement to clarify applicable pricing in the event of a split in debt ratings. Effective January 27, 2012, AXIS Specialty Insurance Company was removed as a party to the agreement.

### Reinsurance Recoverable Transfer Agreement

Effective November 16, 2011, the Company and other members of the holding company entered into a reinsurance recoverable transfer agreement. Pursuant to the agreement, AXIS Surplus Insurance Company (“AXIS Surplus”), will act as the lock box company and will receive and transfer reinsurance recoverable payments to the Company and other affiliates. AXIS Surplus will receive the interest earned on investing the recoverable payments and will receive no other compensation. This agreement was filed with the Department pursuant to Section 1505(d) of New York Insurance Law.

### Revolving Promissory Note Agreement

Effective July 10, 2020, the Company entered into an intercompany revolving promissory note agreement with AXIS Specialty U.S. Holdings Inc., and AXIS Specialty U.S. Services Inc. This agreement replaced the revolving promissory note agreement dated March 28, 2014. Under the terms of this agreement, the Company is allowed to borrow money to enhance its cash management flexibility; interest is charged at applicable federal rates. This agreement was filed with the Department pursuant to Section 1505(d) of New York Insurance Law.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2020, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	75%
Adjusted liabilities to liquid assets	96%
Two-year overall operating	94%

Underwriting Ratios

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

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$2,705,329,367	72.40%
Other underwriting expenses incurred	1,227,839,821	32.86%
Net underwriting gain (loss)	<u>(196,511,964)</u>	<u>(5.26)%</u>
Premiums earned	<u>\$3,736,657,224</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 316.4% at December 31, 2020. The RBC score 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 score 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, 2020, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$1,970,267,322	\$ 0	\$ 1,970,267,322
Preferred stocks (stocks)	6,505,303	0	6,505,303
Common stocks (stocks)	103,108,243	0	103,108,243
First liens - mortgage loans on real estate	539,433,641	0	539,433,641
Cash, cash equivalents and short-term investments	263,902,152	0	263,902,152
Other invested assets	65,571,046	0	65,571,046
Receivables for securities	973,345	0	973,345
Investment income due and accrued	10,496,191	27,969	10,468,222
Uncollected premiums and agents' balances in the course of collection	64,934,172	7,952,229	56,981,943
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	397,367,038	0	397,367,038
Accrued retrospective premiums	9,376,633	0	9,376,633
Amounts recoverable from reinsurers	73,515,321	0	73,515,321
Funds held by or deposited with reinsured companies	11,826,842	0	11,826,842
Net deferred tax asset	40,096,589	7,473,275	32,623,314
Receivables from parent, subsidiaries, and affiliates	15,833,169	0	15,833,169
Loss funds on deposit	7,661,796	0	7,661,796
Pools and associations	608,349	0	608,349
Premiums taxes receivable	1,183,259	0	1,183,259
Other assets	<u>256,997</u>	<u>216,869</u>	<u>40,128</u>
Total assets	<u>\$3,582,917,408</u>	<u>\$15,670,342</u>	<u>\$3,567,247,066</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and Loss Adjustment Expenses	\$1,825,579,153
Reinsurance payable on paid losses and loss adjustment expenses	65,147,147
Commissions payable, contingent commissions and other similar Charges	2,886,135
Other expenses (excluding taxes, licenses, and fees)	394,208
Taxes, licenses, and fees (excluding federal and foreign income taxes)	400,282
Current federal and foreign income taxes	4,974,255
Unearned premiums	365,192,077
Advance premium	19,346
Ceded reinsurance premiums payable (net of ceding commissions)	214,468,082
Funds held by company under reinsurance treaties	28,724,728
Amounts withheld or retained by company for account of others	53,389
Remittances and items not allocated	28,547,077
Provision for reinsurance	52,685,000
Payable to parent, subsidiaries, and affiliates	31,206,224
Payable for securities	42,723,069
Deferred ceding commissions	2,528,992
Other liabilities	762,738
Pools and associations	<u>507,337</u>
 Total liabilities	 \$2,666,799,239

Surplus and Other Funds

Common capital stock	\$ 5,000,000
Gross paid in and contributed surplus	650,349,476
Unassigned funds (surplus)	<u>245,098,351</u>
 Surplus as regards policyholders	 <u>900,447,827</u>
 Total liabilities, surplus and other funds	 <u>\$3,567,247,066</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2016 through 2020. 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 examination period as reported by the Company was \$147,034,771, as detailed below:

### Underwriting Income

Premiums earned		\$3,736,657,224
Deductions:		
Losses and loss adjustment expenses incurred	\$2,705,329,367	
Other underwriting expenses incurred	<u>1,227,839,821</u>	
Total underwriting deductions		<u>3,933,169,188</u>
Net underwriting gain or (loss)		\$ (196,511,964)

### Investment Income

Net investment income earned	\$ 364,006,272	
Net realized capital gains (losses)	<u>33,273,212</u>	
Net investment gain or (loss)		397,279,484

### Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (96,336)	
Miscellaneous (expense) income	3,238,464	
Net realized foreign exchange (loss) gain on premium receipts	717,256	
Retrospective reinsurance expense	<u>(24,000,000)</u>	
Total other income		<u>(20,140,616)</u>
Net income after dividends to policyholders and before federal and foreign income taxes		\$ 180,626,904
Federal and foreign income taxes incurred		<u>33,592,133</u>
Net income		<u>\$ 147,034,771</u>

C. Capital and Surplus

The Company has 50,000 shares of \$50,000 par value common stock authorized and 100 shares issued and outstanding. Gross paid in and contributed surplus is \$650,349,476. Gross paid in and contributed surplus increased \$80,000,000 during the examination period due to two capital contributions received on February 20, 2018, and February 21, 2018, of \$40,000,000 each.

Surplus as regards policyholders increased \$39,589,217 during the five-year examination period January 1, 2016, through December 31, 2020, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2015			\$860,858,610
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$147,034,771		
Net transfers (to) from protected cell accounts			
Net unrealized capital gains or (losses)	11,658,162		
Change in net unrealized foreign exchange capital gain (loss)	4,182,707		
Change in net deferred income tax		\$ 21,161,065	
Change in nonadmitted assets	2,019,176		
Change in provision for reinsurance		41,362,000	
Surplus adjustments paid in	80,000,000		
Dividends to stockholders		156,000,000	
Investment limitation correction of prior year	<u>13,217,466</u>	<u>0</u>	
Total gains and losses	\$258,112,282	\$218,523,065	
Net increase (decrease) in surplus			<u>39,589,217</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2020			<u>\$900,447,827</u>

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

#### 4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$1,825,579,153 is the same as reported by the Company as of December 31, 2020. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial standards of practice and statutory accounting principles, including SSAP No. 55.

#### 5. **SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus (“COVID-19”) pandemic. The COVID-19 pandemic has continued to develop throughout 2020 and 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination’s review noted that there has not been a significant impact to the Company. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

#### 6. **COMPLIANCE WITH PRIOR REPORT ON EXAMINATION**

The prior report on examination contained no recommendations.

#### 7. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report on examination contains no comments or recommendations.

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Susan Weijola, CPCU  
Associate Insurance Examiner

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

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

\_\_\_\_\_/S/\_\_\_\_\_  
Susan Weijola

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2022

*APPOINTMENT NO. 32159*

*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:*

***Susan Weijola***

*as a proper person to examine the affairs of the*

***AXIS Reinsurance 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 23rd day of November, 2020*

*LINDA A. LACEWELL  
Superintendent of Financial Services*

*By:*

*Joan Riddell*

*Joan Riddell  
Deputy Bureau Chief*

