



**REPORT ON EXAMINATION
OF
MITSUI SUMITOMO INSURANCE COMPANY OF AMERICA
AS OF DECEMBER 31, 2020**

EXAMINER:

DATE OF REPORT:

SABU CHERIAN

MAY 31, 2022

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Scope of examination	2
2. Description of Company	3
A. Corporate governance	4
B. Territory and plan of operation	6
C. Reinsurance ceded	9
D. Holding company system	13
E. Significant ratios	15
3. Financial statements	17
A. Balance sheet	17
B. Statement of income	19
C. Capital and surplus	20
4. Losses and loss adjustment expenses	21
5. Subsequent events	21
6. Compliance with prior report on examination	22
7. Summary of comments and recommendations	22

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

May 31, 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 32258 dated June 17, 2021, attached hereto, I have made an examination into the condition and affairs of Mitsui Sumitomo Insurance Company of America 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 Mitsui Sumitomo Insurance Company of America.

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

This examination was conducted remotely.

1. SCOPE OF EXAMINATION

The Department has performed an examination of the 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 of the Company was performed concurrently with the examination of the following insurers: Mitsui Sumitomo Insurance USA Inc. and MSIG Specialty Insurance USA Inc.

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

A review was also made to ascertain what action was taken by the Company with regard to the recommendation contained in the prior report on examination.

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

Mitsui Sumitomo Insurance Company of America was incorporated under the laws of the State of New York on March 29, 2001, as the Sumitomo Marine and Fire Insurance Company of America and commenced business on September 28, 2001. The Company was organized as the vehicle for the domestication of the United States Branch of Sumitomo Marine & Fire Insurance Company, Limited (“U.S. Branch”), pursuant to Article 72 of the New York Insurance Law. The domestication was a reorganization of the U.S. Branch whereby the Company succeeded to all business, assets, and liabilities of the U.S. Branch.

Sumitomo Marine & Fire Insurance Company, Limited was formed in 1944 under the sponsorship of Sumitomo Financial Group through the amalgamation of Osaka Marine and Fire Insurance Company and Sumitomo Marine & Fire Insurance Company, Limited (known prior to 1940 as Fuso Marine and Fire Insurance Company, Limited), which were founded in 1893 and 1917, respectively, under the laws of Japan. A branch office of Sumitomo Marine & Fire Insurance Company, Limited was maintained in the United States from 1920 until World War II. The U.S. Branch was re-established under the laws of New York on January 1, 1971 and began business on the same day.

On October 1, 2001, Sumitomo Marine & Fire Insurance Company, Limited and Mitsui Marine and Fire Insurance Company, Ltd. merged and became Mitsui Sumitomo Insurance Company, Limited (“MS Japan”). The Company adopted its current name, Mitsui Sumitomo Insurance Company of America, on July 1, 2003.

Effective January 1, 2002, the Company became a wholly-owned subsidiary of MSIG Holdings (Americas), Inc., a Delaware corporation (“MSIG DE”). MSIG DE was incorporated on December 31, 2001. Prior to January 1, 2002, the Company was a wholly-owned subsidiary of MS Japan. Effective December 31, 2007, MSIG DE merged with and into MSI Property (U.S.A.), Inc., a New York corporation. MSI Property (U.S.A.), Inc. was the surviving entity on merger and was renamed MSIG Holdings (Americas), Inc. (“MSIG”). Effective January 2, 2020, MSIG changed its name to MSIG Holdings (U.S.A.), Inc. (“MSIGH”). MSIGH is currently a wholly-owned subsidiary of MS Japan (95.23% owner) and Aioi Nissay Dowa Insurance Company Limited (Aioi Japan”) (4.77% owner).

In 2009, a merger between Mitsui Sumitomo Insurance Group Holdings, Inc. (“Holdings Japan”), Aioi Insurance Company, Limited and Nissay Dowa General Insurance Co., Ltd. was announced. Effective April 1, 2010, the merger was implemented by a Share Exchange Agreement previously executed by the

parties pursuant to the Japan Corporation Law. Holdings Japan was the surviving entity on the merger and its name was changed to MS&AD Insurance Group Holdings, Inc. (“MS&AD”). MS&AD is the ultimate parent of the Company, being the sole owner of MS Japan and Aioi Japan.

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 13 nor more than 21 members. The board meets four times during each calendar year. At December 31, 2020, the board of directors was comprised of the following 17 members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Patricia Marie Haemmerle Aprill New Providence, New Jersey	Senior Vice President, Chief Financial Officer & Co-Treasurer, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Mark Joseph Browne Hastings on Hudson, New York	Professor, St. John’s University, School of Risk Management
Michael John Paul Daly Wyckoff, New Jersey	President, Chief Operating Officer & Chief Underwriting Officer, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
James Patrick Donovan Scarsdale, New York	Senior Counsel, Wilson Elser Moskowitz Edelman & Dicker LLP
Kenneth Clark Froewiss Cambridge, Massachusetts	Adjunct Professor, New York University, Stern School of Business
Keiichi Hara Yokohama, Japan	Associate Director and General Manager, Mitsui Sumitomo Insurance Company, Limited
Atsushi Ishida Cincinnati, Ohio	Vice President, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Kinji Kaneko New York, New York	Senior Vice President, Compliance Controller & Corporate Risk Manager, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Kunihisa Kawasaki Yokohama, Japan	Assistant General Manager, Mitsui Sumitomo Insurance Company, Limited

Name and ResidencePrincipal Business Affiliation

David Ryan Leskauskas
Bernardsville, New Jersey

Executive Vice President, Deputy Chief Operating
Officer & Chief Claims Officer,
Mitsui Sumitomo Marine Management (U.S.A.), Inc.

Kazuki Nakamura
New York, New York

Senior Vice President,
Mitsui Sumitomo Marine Management (U.S.A.), Inc.

Kurao Onouchi
New York, New York

Chief Executive Officer, Chief Legal and Compliance
Officer,
Mitsui Sumitomo Marine Management (U.S.A.), Inc.

David John Sison
Pennington, New Jersey

Senior Vice President, Chief Information Officer &
Chief Information Security Officer,
Mitsui Sumitomo Marine Management (U.S.A.), Inc

Tatsuya Sudo
Weehawken, New Jersey

Executive Vice President,
Mitsui Sumitomo Marine Management (U.S.A.), Inc.

Stephen Peter Tasy
Pittstown, New Jersey

Senior Vice President, General Counsel &
Corporate Secretary,
Mitsui Sumitomo Marine Management (U.S.A.), Inc.

Patricia Keating Walsh
Milford, New Jersey

Senior Vice President & Chief Human Resources
Officer,
Mitsui Sumitomo Marine Management (U.S.A.), Inc.

Takumi Yoshida
West New York, New Jersey

Vice President,
Mitsui Sumitomo Marine Management (U.S.A.), Inc.

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

NameTitle

Kurao Onouchi *

President, Chief Executive Officer, Chief Legal &
Compliance Officer

Stephen Peter Tasy

Senior Vice President, General Counsel &
Corporate Secretary

Patricia Marie Haemmerle Aprill

Senior Vice President, Chief Financial Officer &
Co-Treasurer

Michael John Paul Daly

Chief Operating Officer & Chief Underwriting Officer

Kenichi Horie

Senior Vice President & Co-Treasurer

Kinji Kaneko	Senior Vice President, Compliance Controller & Corporate Risk Manager
David Ryan Leskauskas	Executive Vice President, Deputy Chief Operating Officer & Chief Claims Officer
David John Sison	Senior Vice President, Chief Information Officer & Chief Information Security Officer
Tatsuya Sudo	Executive Vice President
Patricia Keating Walsh	Senior Vice President & Chief Human Resources Officer

*Effective April 1, 2022, Mr. Onouchi was replaced by Mr. Takehisa Chiba as President and Chief Executive Officer.

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 and Puerto Rico.

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
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also empowered to transact such workers' compensation insurance as may be incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York

Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et. seq. as amended) and as authorized by Section 4102(c) of the New York Insurance Law to reinsure risks of every kind or description.

The Company is also licensed to conduct business of special risk insurance pursuant to Article 63 of the New York Insurance Law.

Based upon 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, 41, and 63 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, 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; therefore, the Company was required to maintain a minimum surplus to policyholders in the amount \$123,904,255, as of December 31, 2020.

The following schedule shows the direct written and premiums assumed 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	\$235,181,299	\$140,611,647	\$375,792,946
2017	\$266,119,333	\$140,093,364	\$406,212,697
2018	\$295,384,843	\$144,346,240	\$439,731,083
2019	\$288,618,238	\$155,210,661	\$443,828,899
2020	\$296,765,727	\$151,279,537	\$448,045,264

The Company specializes in providing coverage to commercial and institutional accounts related to U.S. interests of its parent's multinational clients. Approximately 49.2% of direct writings were concentrated in California, New York, Texas, Illinois, and Michigan. Major product lines written as of December 31, 2020, were in commercial multiple peril (21.9%), allied lines (21.3%), workers' compensation (15.2%), other liability – occurrence (10.1%), and inland marine (7.3%). Other liability – occurrence was comprised mainly of professional liability, liquor law liability, premises/operations liability, owners or contractors' protective liability, and pollution liability. Business is produced through independently appointed agents and brokers located throughout the United States.

Assumed reinsurance accounted for approximately 34% of the Company's gross premium for 2020. The Company's total assumed premium for 2020 was approximately \$151,000,000 of which approximately

\$104,600,000 was assumed pursuant to the intercompany pooling agreement described further herein. The Company's 2020 external assumed reinsurance program consisted mainly of commercial multiple peril and other liability-occurrence.

On January 1, 2001, Mitsui Sumitomo Insurance USA Inc. ("MSU"), an affiliate of the Company, entered into a retroactive quota share agreement with Great American Insurance Company ("GAI"), whereby MSU assumed 100% of the outstanding losses and loss adjustment expense reserves related to the Japanese division of GAI. Pursuant to the agreement, MSU received \$122,069,000, which was equal to the losses and loss adjustment expense reserves assumed. On December 31, 2020 the remaining reserves outstanding were \$13,558,979. The Company assumed 80% of the above amounts pursuant to the pooling agreement with MSU and MSIG Specialty Insurance USA Inc. ("MSIGS"), as described further herein. As of December 31, 2020, the Company reported a liability under the caption "Retroactive reinsurance reserve – assumed" in the amount of \$10,847,183, representing 80% of the remaining outstanding reserves. The agreement was accounted for by the Company as retroactive reinsurance pursuant to the provisions of the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles ("SSAP") No. 62R.

Intercompany Pooling Agreement

Effective January 1, 2015, the Company ("Pool Leader"), MSU and MSIGS entered into a reinsurance pooling agreement. The Companies share in premiums and losses net of reinsurance as well as liabilities and non-invested assets of each participant on a fixed percentage basis as follows:

<u>Pool Participants</u>	<u>Percentage</u>
The Company	80%
MSU	10%
MSIGS	10%

Under the terms of the agreement, MSU and MSIGS agree to cede 100% to the Pool Leader, net of external reinsurance. The Pool Leader then agrees to retrocede to each pool participant its quota share percentage participation, net of external reinsurance.

The agreement was submitted to and was non-disapproved by the Department pursuant to the provisions of Section 1505(d) of the New York Insurance Law.

In 2020, the Company ceded, pursuant to the pooling agreement, approximately \$25.5 million each to MSU and MSIGS. It is additionally noted that the Company reported approximately \$77.8 million in total reinsurance recoverable from MSU and approximately \$66.5 million in total reinsurance recoverable from MSIGS. The recoverable amounts are not collateralized due to the authorized insurer status of both MSU and MSIGS.

In 2020, the Company ceded approximately \$244.3 million in premiums. Of this amount, \$164.4 million were ceded to affiliates as follows: \$95.1 million to MS Japan, \$51 million to MSU and MSIGS, \$14.7 million to Aioi Japan, and \$3.7 million to other affiliated reinsurers. Approximately \$80 million was ceded to external non-affiliated reinsurers.

C. Reinsurance Ceded

The Company's largest cessions are to MS Japan and Aioi Japan. The most significant cessions to MS Japan which were submitted to and approved by the Department are as follows:

- Facultative obligatory treaty – if the companies bind a risk subject to this treaty, the reinsurer is obligated to accept such risk. The companies may cede and the reinsurers will accept up to 100% of all risks ceded as determined by the companies. It is noted the Company ceded approximately \$80 million to MS Japan through this treaty in 2020. This treaty covers the following:
 - all business written or assumed with inception on or after January 1, 2002 for risks attaching on or after January 1, 2002; and
 - policies issued by GAI and its affiliates incepting on or after January 1, 2002, for risks attaching on or after January 1, 2002.

It is noted that the Company reported approximately \$317.4 million in total reinsurance recoverables from MS Japan as of December 31, 2020. These reinsurance recoverables represent a significant counterparty risk. The risk is mitigated as MS Japan's financial ratings and certified reinsurer status indicate that it is a strong financial counterparty that will be able to meet its obligations to the Company as they come due. Additionally, there is some collateral in place. MS Japan established a trust to collateralize all losses assumed prior to January 1, 2015. As of December 31, 2020, approximately \$35 million of the ceded reserves were collateralized by this trust. Effective January 1, 2015, MS Japan was approved as a certified reinsurer which allowed the Company to take statutory reinsurance credit for its cessions with the requirement that MS Japan post collateral for 20% of the reserves ceded.

The only cession to Aioi Japan is a facultative obligatory treaty which covers commercial business such as property, general liability, excess/umbrella liability, workers' compensation/employers' liability. In 2020, the cession to Aioi Japan was approximately \$14.7 million. The total reinsurance recoverables due from Aioi Japan at year end 2020 were approximately \$34 million.

As of December 31, 2020, reserves ceded to Aioi Japan were 100% collateralized by assets held in trust.

The Company, in conjunction with the other pool participants, has structured its ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Coverage</u>
<u>Property Per Risk Excess of Loss</u>	
4 layers	\$99,000,000 excess of \$1,000,000 as respects any one risk, each loss, with an occurrence limit of \$8,000,000 and annual limit of \$20,000,000 for the first layer, \$20,000,000 and annual limit of \$40,000,000 for the second layer, \$35,000,000 and annual limit of \$105,000,000 for the third layer, and \$50,000,000 and annual limit of \$100,000,000 for the fourth layer.
<u>Casualty Excess of Loss</u>	
2 layers	\$7,500,000 excess of \$3,500,000 as respects any one loss occurrence and aggregate limit for terrorism of \$5,000,000 for the first layer, and \$10,000,000 for the second layer.
<u>Workers Compensation Catastrophe Excess of Loss</u>	
2 layers	\$25,000,000 excess of \$11,000,000 as respects any one loss occurrence and aggregate limit for terrorism of \$10,000,000 for the first layer and \$15,000,000 for the second layer.
<u>Property Catastrophe Excess of Loss</u>	
4 layers	\$75,000,000 excess of \$5,000,000 as respects any one loss occurrence, with an aggregate limit of \$10,000,000 for the first layer, \$20,000,000 for the second layer, \$40,000,000 for the third layer, and \$80,000,000 for the fourth layer during the contract year.

Commercial Umbrella & Excess Liability
Excess of Loss

Hazard Groups 3, 4 & 5	\$20,000,000 excess of \$5,000,000 as respects each policy, each occurrence or offense.
Hazard Groups 1 & 2	\$10,000,000 excess of \$5,000,000 as respects each policy, each occurrence or offense.

General Aviation Workers' Compensation
Excess of Loss

\$9,000,000 excess of \$1,000,000 per occurrence.

Ocean and Inland Marine Excess of Loss

Limited General Excess	\$4,000,000 excess of \$1,000,000 each and every occurrence with \$12,000,000 annual limit.
First Whole Account Excess	\$7,500,000 excess of \$5,000,000 each and every occurrence with \$22,500,000 annual limit.
Second Whole Account Excess	\$12,500,000 excess of \$12,500,000 each and every occurrence with \$25,000,000 annual limit.
Cargo Reporting Excess	\$15,000,000 excess of \$10,000,000 ultimate net loss each risk for transit and/or warehouse(s) for U.S. Cargo business.
	\$15,000,000 excess of \$16,000,000 ultimate net loss each risk for transit and/or warehouse(s) for Japanese Interests Cargo business.

Terrorism Aggregate Excess of Loss

\$45,000,000 excess of \$20,000,000 as respects to the term of the contract.

In addition, the Company has other multiline and quota share agreements in place:

<u>Type of Treaty</u>	<u>Coverage</u>
Equipment Breakdown	\$100,000,000 any one accident, any one policy.
Boiler and Machinery	\$100,000,000 per breakdown.
Management Liability	90% of \$10,000,000 per claim and in the aggregate, per policy, whether primary or excess.

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.

Adverse Loss Development Retrocession Contract

Effective October 1, 2006, the Company and its affiliate, MSU (collectively referred to as “the cedants”) entered into an Adverse Loss Development Retrocession Contract (“ADC”) with an unauthorized, non-affiliated reinsurer, whereby the reinsurer agreed to assume 100% of the Company’s loss and allocated loss adjustment expense paid by the reinsureds on or after the effective date and arising from certain subject business previously written by the cedants. The agreement transferred initial reserves in the amount of \$30,400,000 for which the Cedants paid an initial consideration of \$30,400,000. The agreement provides that the reinsurer will pay the ultimate net loss up to a maximum aggregate amount of \$60,000,000. As of the examination date and in compliance with the terms of the reinsurance pooling agreement, there is a contra-liability in the amount of \$8,016,121 related to this ADC. The ADC was accounted for by the Company pursuant to the provisions of paragraphs 28 through 34 of SSAP No. 62R.

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

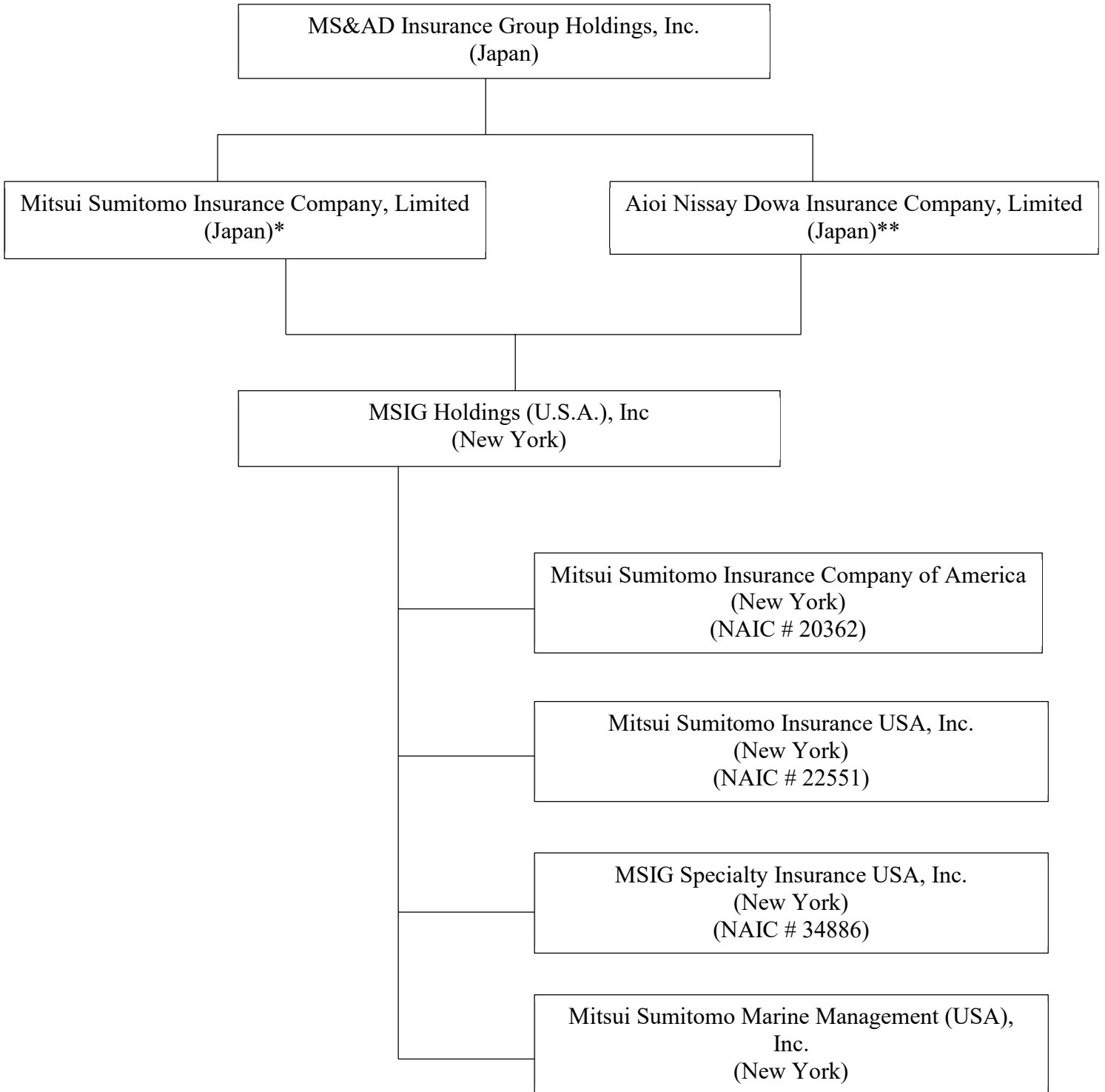
all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62R. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC annual 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 MS&AD Insurance Group. The Company is a wholly-owned subsidiary of MSIG Holdings (U.S.A.), Inc., a New York corporation, which is owned by MS Japan (95.23%) and Aioi Japan (4.77%), which are ultimately controlled by MS&AD Insurance Group Holdings Inc., a Japanese Corporation.

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, 2020:



* 95.23% ownership of MSIG Holdings (U.S.A.), Inc.

** 4.77% ownership of MSIG Holdings (U.S.A.), Inc.

Holding Company Agreements

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

Management Agreement

Effective January 1, 2002, and further amended on January 1, 2013, the Company entered into a management agreement with its affiliate, Mitsui Sumitomo Marine Management (U.S.A.), Inc. (MSMM). Under the terms of the agreement, MSMM will provide various management services on behalf of the Company including claims, underwriting, policyholder services, investment, producer management, collection and handling of premiums and other funds, reinsurance, marketing support and product development and administration, information technology, legal, compliance and governmental relations, human resources, and enterprise risk management. In addition, MSMM agrees to make available to the Company its facilities and equipment (whether leased or owned), as the Company may determine to be reasonably necessary to conduct its business. The management fee incurred to MSMM by the Company was \$82,004,145 in 2020. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law.

Tax Allocation Agreement

On December 31, 2019, the Company entered into an Amended and Restated Tax Allocation Agreement with its immediate parent, MSIGH and the following affiliates: MSU, MSIGS, MSMM, MSI Risk Management Services, Inc. and Seven Hills Insurance Agency, Inc. The agreement is effective starting with the 2018 calendar tax reporting year. The Group (parent and the affiliates) files a consolidated federal income tax return. Pursuant to the agreement, each company pays its share of income taxes based on separate return calculations or receives a tax benefit for any losses or credits generated by the company and used in the consolidated return. The agreement was submitted to the Department pursuant to the provisions of Circular Letter No. 33 (1979).

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	15%
Adjusted liabilities to liquid assets	33%
Two-year overall operating	83%

Underwriting Ratios

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

	<u>Amounts</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$666,581,719	67.31%
Other underwriting expenses incurred	293,555,578	29.65
Net underwriting gain	<u>30,132,600</u>	<u>3.04</u>
Premiums earned	<u>\$990,269,897</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 2,592.3% 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	\$1,528,478,131	\$ 0	\$1,528,478,131
Common stocks	157,112,380	0	157,112,380
Properties occupied by the company	18,890,789	0	18,890,789
Cash, cash equivalents and short-term investments	119,261,076	0	119,261,076
Investment income due and accrued	12,338,411	0	12,338,411
Uncollected premiums and agents' balances in the course of collection	42,851,292	11,128,924	31,722,368
Deferred premiums, agents' balances and installments booked but deferred and not yet due	73,765,189	0	73,765,189
Accrued retrospective premiums	5,141,524	514,152	4,627,372
Amounts recoverable from reinsurers	29,340,532	0	29,340,532
Funds held by or deposited with reinsured companies	588,297	0	588,297
Net deferred tax asset	5,407,225	0	5,407,225
Guaranty funds receivable or on deposit	235,704	0	235,704
Receivables from parent, subsidiaries and affiliates	66,146	0	66,146
Equities and deposits in pools	6,983,567	672,300	6,311,267
Amounts receivable under large deductible policies	3,222,307	157,089	3,065,218
State surcharge receivable	1,263,932	0	1,263,932
Accounts receivable sundry	775,609	0	775,609
Security deposits	3,101	0	3,101
State income tax recoverable	3,583	0	3,583
Prepaid expenses	<u>5,137</u>	<u>5,137</u>	<u>0</u>
Total assets	<u>\$2,005,733,932</u>	<u>\$12,477,602</u>	<u>\$1,993,256,330</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 445,764,257
Reinsurance payable on paid losses and loss adjustment expenses	1,417,024
Commissions payable, contingent commissions and other similar charges	564,641
Other expenses (excluding taxes, licenses and fees)	755,864
Taxes, licenses and fees (excluding federal and foreign income taxes)	2,373,758
Current federal and foreign income taxes	1,145,272
Unearned premiums	105,755,414
Advance premium	1,724,574
Policyholders (dividends declared and unpaid)	30,926
Ceded reinsurance premiums payable (net of ceding commissions)	62,652,337
Funds held by company under reinsurance treaties	105,153
Amounts withheld or retained by company for account of others	2,140,654
Provision for reinsurance	2,367,000
Payable to parent, subsidiaries and affiliates	28,203,262
Retroactive Reinsurance Reserve – Assumed	10,847,183
Retroactive Reinsurance Reserve – Ceded	(8,016,122)
Funds held for large deductible	10,029,123
Accounts payable sundry	4,993,601
Claims payable	1,787,283
Due to Great American	214,550
Accrued return retrospective premiums	199,422
Security deposits	33,812
Excise tax accrual	<u>30,139</u>
Total liabilities	\$ 675,119,127

Surplus and Other Funds

Common capital stock	\$ 5,000,000
Gross paid in and contributed surplus	1,092,453,711
Unassigned funds (surplus)	<u>220,683,492</u>
Surplus as regards policyholders	<u>1,318,137,203</u>
Total liabilities, surplus and other funds	\$ <u>1,993,256,330</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 \$163,672,358, as detailed below:

Underwriting Income

Premiums earned		\$990,269,897
Deductions:		
Losses and loss adjustment expenses incurred	\$666,581,719	
Other underwriting expenses incurred	293,531,418	
Aggregate write-ins for underwriting deductions	<u>24,160</u>	
Total underwriting deductions		<u>960,137,297</u>
Net underwriting gain or (loss)		\$ 30,132,600

Investment Income

Net investment income earned	\$130,804,424	
Net realized capital gain	<u>58,285,604</u>	
Net investment gain or (loss)		189,090,028

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (1,403,716)	
Finance and service charges not included in premiums	22,315	
Aggregate write-ins for miscellaneous income	<u>2,319,699</u>	
Total other income		<u>938,298</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$220,160,926
Dividends to policyholders		<u>2,438,254</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$217,722,672
Federal and foreign income taxes incurred		<u>54,050,314</u>
Net income		<u>\$163,672,358</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$982,825,536 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			\$ 335,311,668
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$ 163,672,358		
Net unrealized capital gains or (losses)	15,553,955		
Change in net deferred income tax		\$ 4,732,150	
Change in nonadmitted assets		6,396,334	
Change in provision for reinsurance		1,019,443	
Surplus adjustments paid in	916,314,050		
Dividends to stockholders	<u>0</u>	<u>100,566,900</u>	
Total gains and losses	\$1,095,540,363	\$112,714,827	
Net increase in surplus			<u>982,825,536</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2020			<u>\$1,318,137,204</u>

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

Capital paid in is \$5,000,000 consisting of 500,000 shares of \$10 par value per share common stock. Gross paid in and contributed surplus is \$1,092,453,711. Gross paid in and contributed surplus and/ capital paid in increased by \$916,314,050 during the examination period, as follows:

<u>Year</u>	<u>Description</u>		<u>Amount</u>
2016	Beginning gross paid in and contributed surplus		\$176,139,661
2019	Surplus contribution	\$596,009,658	
2020	Surplus contribution	<u>320,304,392</u>	
	Total surplus contributions		<u>916,314,050</u>
2020	Ending gross paid in and contributed surplus		<u>\$1,092,453,711</u>

4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$445,764,257 is the same as reported by the Company as of December 31, 2020.

It should be noted that in addition to the above captioned items, the Company had an additional net liability of \$2,831,061 for losses and loss adjustment expense reserves. This net liability is incorporated into the balance sheet as write-in items, as they were assumed and ceded through retroactive reinsurance contracts. The \$2,831,061 is comprised of the following amounts: \$10,847,183 for assumed retroactive reinsurance reserves and \$(8,016,122) for ceded retroactive reinsurance reserves.

The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including SSAP No. 55. The reported reserves are concentrated in the workers' compensation, other liability, commercial multiple peril, and commercial auto liability lines of business.

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, 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 one recommendation as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
i. It was recommended that the Company - report premiums ceded to MS Japan through Schedule F – Part 6 on future statements.	11

The Company has complied with this recommendation.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

_____/S/_____
Sabu Cherian,
Senior Insurance Examiner

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

Sabu Cherian, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/S/_____
Sabu Cherian

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:

Sabu Cherian

as a proper person to examine the affairs of the

Mitsui Sumitomo Insurance Company of America

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 17th day of June, 2021

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:

Joan Riddell

*Joan Riddell
Deputy Bureau Chief*

