



**REPORT ON EXAMINATION  
OF  
MITSUI SUMITOMO INSURANCE USA INC.**

**AS OF DECEMBER 31, 2020**

**EXAMINER:  
DATE OF REPORT:**

**SABU CHERIAN  
MAY 31, 2022**

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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 32259 dated June 17, 2021, attached hereto, I have made an examination into the condition and affairs of Mitsui Sumitomo Insurance USA Inc. 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 USA Inc.

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 examinations of the following New York domiciled insurers: Mitsui Sumitomo Insurance Company of America (“MSIA”) and MSIG Specialty Insurance USA Inc. (“MSIGS”).

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 USA Inc. was incorporated under the laws of the State of New York on January 28, 1988, as the Taisho Marine and Fire Insurance Company of America and commenced business on January 1, 1989. The Company was organized as the vehicle for the domestication of the United States Branch of Taisho Marine and Fire Insurance Company, Limited (Japan) (“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.

Taisho Marine and Fire Insurance Company, Limited (Japan) was formed in 1918 under the laws of Japan. The U.S. Branch was established under the laws of the State of New York on May 7, 1957, and began business on the same day. On April 1, 1991, Taisho Marine and Fire Insurance Company, Limited (Japan) changed its name to Mitsui Marine and Fire Insurance Company, Ltd.

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 USA Inc., 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
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.

Name and ResidencePrincipal Business Affiliation

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 and the District of Columbia.

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
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

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.

The following schedule shows the direct written premiums 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	\$172,782,523	\$26,783,439	\$199,565,962
2017	\$184,790,909	\$27,318,039	\$212,108,948
2018	\$201,020,748	\$28,022,767	\$229,043,515
2019	\$203,516,245	\$27,385,863	\$230,902,108
2020	\$188,096,921	\$27,200,024	\$215,296,945

The Company specializes in providing coverage to commercial and institutional accounts related to U.S. interests of its parent's multinational clients. Approximately 44% of direct writings were concentrated in California, New Jersey, Illinois, New York, and Georgia. Major product lines written as of December 31, 2020, were in workers' compensation (31.7%), commercial multiple peril (22.1%), other liability – occurrence (16.2%), ocean marine (10.6%), and commercial auto liability (6%). 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 premiums accounted for approximately 13% of the Company's gross premiums in 2020. The Company's total assumed premium for 2020 was approximately \$27,000,000 of which approximately \$25,000,000 was assumed per the terms of the intercompany pooling agreement described further herein.

On January 1, 2001, the Company entered into a retroactive quota share agreement with Great American Insurance Company ("GAI"), whereby the Company assumed 100% of the outstanding losses and loss adjustment expense reserves related to the Japanese division of GAI. Pursuant to the agreement,

the Company received \$122,069,000, which was equal to the losses and loss adjustment expense reserves assumed. The remaining reserves outstanding at December 31, 2020 were \$13,558,979. The Company assumed 10% of the above amounts pursuant to the pooling agreement with MSIA and 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 \$1,355,898, representing 10% 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, MSIA (“Pool Leader”), the Company 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>
MSIA	80%
The Company	10%
MSIGS	10%

Under the terms of the agreement, the Company 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 approved 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 \$104.6 million in premium to MSIA, and assumed approximately \$25 million. It is further noted that the Company reported approximately \$260.6 million in total reinsurance recoverables from MSIA as of the examination date. The recoverable amount is not collateralized due to the authorized insurer status of MSIA. This reinsurance recoverable represents a significant counterparty credit risk for the Company. However, this risk is mitigated by MSIA’s strong financial position as demonstrated by its RBC and strong financial ratios. MSIA was examined, in conjunction with the examination of the Company, and there were no financial adjustments resulting from the examination.

### C. Reinsurance Ceded

In 2020, the Company ceded approximately \$190 million in premiums. Of this amount, \$152.3 million was ceded to affiliates, as follows: \$33.8 million to MS Japan, \$104.6 million to MSIA, \$12.8 million to Aioi Japan and \$1.2 million to other affiliated reinsurers. Approximately \$37.5 million was ceded to external non-affiliated reinsurers.

The Company's largest cessions, outside of the pooling agreement, are to MS Japan and Aioi Japan. The most significant cessions to MS Japan 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 \$24,739,000 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 \$65 million in total reinsurance recoverables from MS Japan as of December 31, 2020. 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 \$3.7 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 and employers' liability. In 2020, the cession to Aioi Japan was approximately \$12,800,000. The total reinsurance recoverables due from Aioi Japan at year end 2020 were approximately \$24 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:

Type of Treaty

Coverage

Property Per Risk Excess of Loss

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.

Casualty Excess of Loss

2 layers

\$7,500,000 excess of \$3,500,000 as respects any one loss occurrence and \$5,000,000 aggregate limit for terrorism for the first layer; and \$10,000,000 for the second layer.

Workers Compensation Catastrophe Excess of Loss

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.

Property Catastrophe Excess of Loss

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.
<u>Terrorism Aggregate Excess of Loss</u>	\$45,000,000 excess of \$20,000,000 as respects to the term of the contract.

In addition, the Company has other multi-line 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, MSIA (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 reinsureds. 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 \$1,002,016 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.

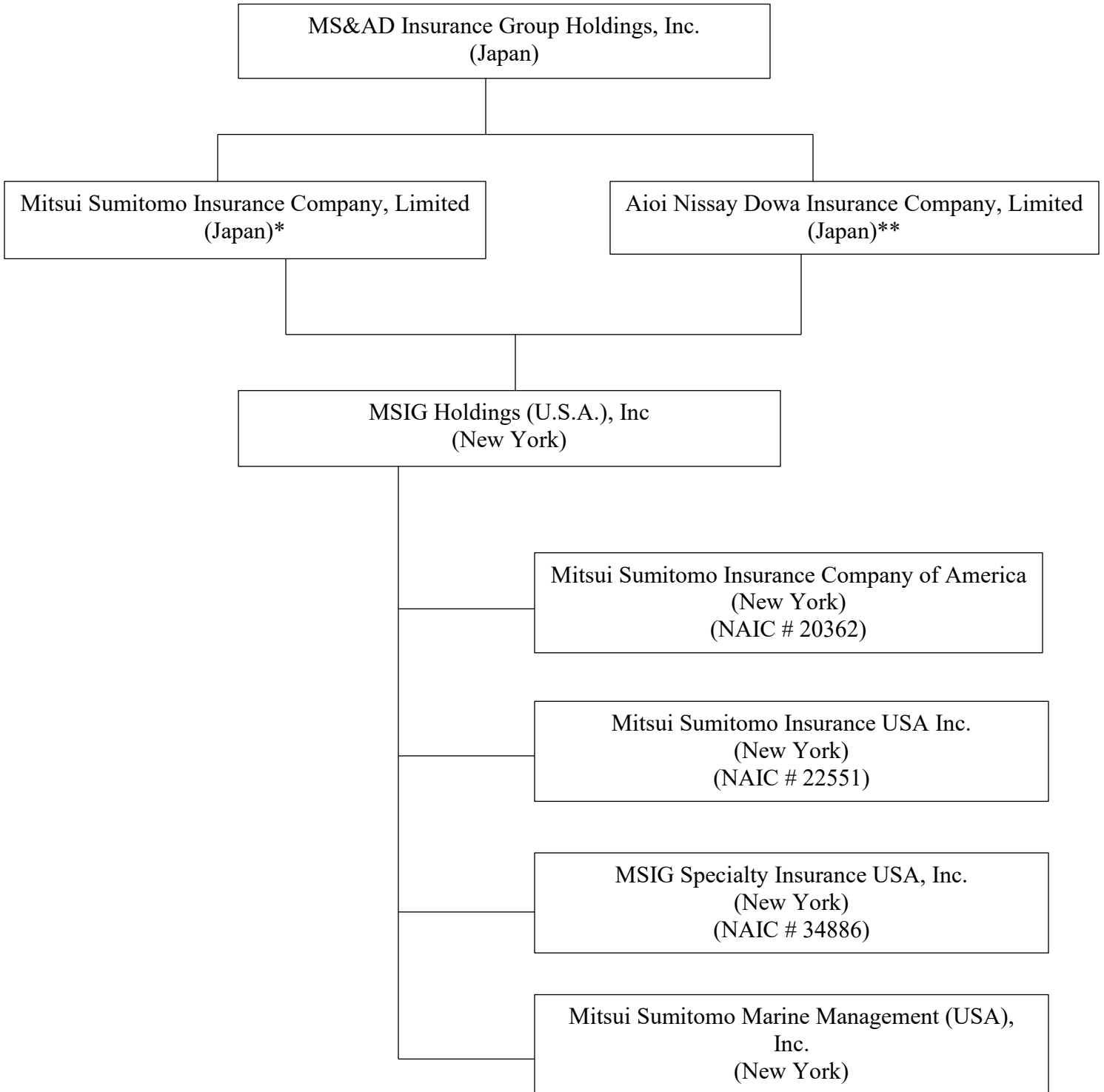
Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in 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 \$10,250,518 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: MSIA, 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.

Operating RatiosResult

Net premiums written to policyholders' surplus	45%
Adjusted liabilities to liquid assets	81%
Two-year overall operating	95%

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	\$83,322,716	67.31%
Other underwriting expenses incurred	37,073,476	29.95
Net underwriting gain	<u>3,387,545</u>	<u>2.74</u>
Premiums earned	<u>\$123,783,737</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 689.2% 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>	Assets not <u>Admitted</u>	Net Admitted <u>Assets</u>
Bonds	\$ 62,376,734	\$ 0	\$ 62,376,734
Cash, cash equivalents and short-term investments	27,938,084	0	27,938,084
Investment income due and accrued	318,521	0	318,521
Uncollected premiums and agents' balances in the course of collection	5,356,411	1,391,115	3,965,296
Deferred premiums, agents' balances and installments booked but deferred and not yet due	9,220,649	0	9,220,649
Accrued retrospective premiums	642,691	64,269	578,422
Amounts recoverable from reinsurers	3,667,567	0	3,667,567
Funds held by or deposited with reinsured companies	73,537	0	73,537
Current federal and foreign income tax recoverable and interest thereon	1,345,795	0	1,345,795
Net deferred tax asset	1,927,992	1,927,992	0
Guaranty funds receivable or on deposit	29,463	0	29,463
Receivables from parent, subsidiaries and affiliates	28,170,155	0	28,170,155
Equities and deposits in pools	872,946	84,038	788,908
Amounts receivable under large deductible policies	402,788	19,636	383,152
Accounts receivable sundry	180,282	0	180,282
State surcharge receivable	157,992	0	157,992
State income tax recoverable	4,259	0	4,259
Security deposits	<u>388</u>	<u>0</u>	<u>388</u>
Total assets	<u>\$142,686,254</u>	<u>\$3,487,050</u>	<u>\$139,199,204</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 55,720,532
Reinsurance payable on paid losses and loss adjustment expenses	177,128
Commissions payable, contingent commissions and other similar charges	70,580
Other expenses (excluding taxes, licenses and fees)	88,047
Taxes, licenses and fees (excluding federal and foreign income taxes)	281,820
Current federal and foreign income taxes	208,511
Unearned premiums	13,219,427
Advance premium	215,572
Policyholders (dividends declared and unpaid)	3,866
Ceded reinsurance premiums payable (net of ceding commissions)	7,831,542
Funds held by company under reinsurance treaties	13,144
Amounts withheld or retained by company for account of others	267,582
Provision for reinsurance	2,087,200
Retroactive Reinsurance Reserve – Assumed	1,355,898
Retroactive Reinsurance Reserve – Ceded	(1,002,015)
Funds Held for Large Deductible	1,253,640
Accounts Payable Sundry	621,056
Claims Payable	223,410
Due to Great American	26,819
Accrued Return Retrospective Premiums	24,928
Excise Tax Accrual	<u>259</u>
Total liabilities	\$ 82,688,946

Surplus and Other Funds

Common capital stock	\$ 5,000,000
Gross paid in and contributed surplus	27,000,000
Unassigned funds (surplus)	<u>24,510,258</u>
Surplus as regards policyholders	<u>56,510,258</u>
Total liabilities, surplus and other funds	<u>\$139,199,204</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 \$3,639,041, as detailed below:

Underwriting Income

Premiums earned		\$123,783,737
Deductions:		
Losses and loss adjustment expenses incurred	\$83,322,716	
Other underwriting expenses incurred	37,070,456	
Aggregate write-ins for underwriting deductions	<u>3,020</u>	
Total underwriting deductions		<u>120,396,192</u>
Net underwriting gain or (loss)		\$ 3,387,545

Investment Income

Net investment income earned	\$ 8,203,867	
Net investment gain or (loss)		8,203,867

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (175,464)	
Finance and service charges not included in premiums	2,790	
Aggregate write-ins for miscellaneous income	<u>224,223</u>	
Total other income		<u>51,549</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$ 11,642,961
Dividends to policyholders		<u>304,782</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$ 11,338,179
Federal and foreign income taxes incurred		<u>7,699,138</u>
Net income		<u>\$ 3,639,041</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$5,869,790 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			\$62,380,048
	<u>Gains in</u> <u>Surplus</u>	<u>Losses in</u> <u>Surplus</u>	
Net income	\$3,639,041		
Change in net deferred income tax		\$ 757,653	
Change in nonadmitted assets		2,134,356	
Change in provision for reinsurance		1,916,822	
Dividends to stockholders	<u>0</u>	<u>4,700,000</u>	
Total gains and losses	\$3,639,041	\$9,508,831	
Net increase in surplus			<u>(5,869,790)</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2020			<u>\$56,510,258</u>

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

Capital paid in is \$5,000,000 consisting of 50 shares of \$100,000 par value per share common stock. Gross paid in and contributed surplus is \$27,000,000. There have been no changes to gross paid in and contributed surplus since the prior examination.

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

The examination liability for the captioned items of \$55,720,532 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 \$353,883 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 \$353,883 is comprised of the following amounts: \$1,355,898 for assumed retroactive reinsurance reserves and \$(1,002,015) 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.	10

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 USA Inc.***

*and to make a report to me in writing of the condition of said*

***COMPANY***

*with such other information as he shall deem requisite.*

*In Witness Whereof, I have hereunto subscribed by name  
and affixed the official Seal of the Department  
at the City of New York*

*this 17th day of June, 2021*

*LINDA A. LACEWELL  
Superintendent of Financial Services*

*By:*

*Joan Riddell*

*Joan Riddell  
Deputy Bureau Chief*

