



**REPORT ON EXAMINATION  
OF  
ALEA NORTH AMERICA INSURANCE COMPANY  
AS OF DECEMBER 31, 2020**

**EXAMINER:  
DATE OF REPORT:**

**SUSAN WEIJOLA  
APRIL 7, 2022**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

April 7, 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 32322 dated January 18, 2022, attached hereto, I have made an examination into the condition and affairs of Alea North America Insurance Company as of December 31, 2020, and submit the following report thereon.

Wherever the designation “the Company” or “Alea” appears herein without qualification, it should be understood to indicate Alea North America Insurance 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 Alea North America Insurance 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.

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

Alea North America Insurance Company was formed under the name of Metropolitan Fire Reinsurance Company in 1932 as a result of the merger of the Fire Reassurance Company of New York and the Metropolitan Fire Insurance Company of New York. It became licensed on June 30, 1932, and commenced business on the same day. In 1946, the Company changed its name to Metropolitan Fire Assurance Company and in 1980 it changed its name to American Independent Reinsurance Company.

In 1989, the Company was acquired by Great American Insurance Company and in 1992 it changed its name to Seven Hills Insurance Company.

On July 2, 2001, the Company was acquired by Alea Holdings US Company (“Alea Holdings”), a Delaware holding company. The Company adopted its current name effective August 2001.

In the Fall of 2005, both Standard and Poor’s and A.M. Best took rating actions with respect to the Alea Group and its member companies, including Alea North America Insurance Company. As a consequence, the Alea Group announced its transition into run-off, citing principally its inability to attract a suitable volume and quality of business following the rating agency downgrades in the latter part of 2005. The Company withdrew from the U.S. casualty reinsurance business in November 2005. It also placed its direct (primary) insurance operation into run-off in November 2005. Pursuant to its transition into run-off, the Company sold the renewal rights to its insurance contracts of the Alea Alternate Risk Division to an unrelated third party on December 13, 2005. The Company has been in run-off since December 31, 2005.

On May 18, 2011, FIN Acquisition Limited, a new intermediate holding company, acquired all the issued and outstanding stocks of Alea Group Holdings (Bermuda) Ltd., the Company’s ultimate parent.

On March 19, 2014, the Department approved the transaction between FIN Acquisition Limited and Catalina Bulldog Merger Limited, and Catalina Holdings (Bermuda) Limited (“Catalina”) by which Catalina purchased all of the shares of Alea Group Holdings (Bermuda) Ltd. This transaction closed on March 28, 2014. As a result, Catalina became the Company’s ultimate parent.

On October 10, 2018, Catalina completed a shareholder restructuring upon receipt of regulatory approvals. Following completion of this transaction, affiliates of Apollo Global Management, LLC became majority shareholders of Catalina, with RenaissanceRe Holdings Limited becoming a minority shareholder. As a result of this transaction, the Company is now a member of the Apollo Global Management Group.

#### 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 13 members. The board meets four times during each calendar year. At December 31, 2020, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Stephen Arthur Eisenmann New York, NY	President, Chief Executive Officer, and Chief Claims Officer, Catalina US Insurance Services
Kevin Michael Grant Long Beach, CA	Senior Vice President Claims, Catalina US Insurance Services
Gerald Sidney Haase New York, NY	Group Chief Operating Officer, Catalina US Insurance Services
Ronald Paul Harrell San Diego, CA	Senior Vice President Claims, Catalina US Insurance Services
Hugh Briggs McCreery Aurora, CO	Vice President Accounting and Finance, Catalina US Insurance Services
Tracey Ann Price Farmington, CT	Senior Vice President, Chief Financial Officer, and Treasurer, Catalina US Insurance Services
Daniel Alvin Waxler Farmington, CT	Senior Vice President Information Technology, Catalina US Insurance Services

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

<u>Name</u>	<u>Title</u>
Stephen Arthur Eisenmann	President, Chief Executive Officer, and Chief Claims Officer
Amy Beth Gallent	General Counsel and Secretary
Tracey Ann Price	Senior Vice President, Chief Financial Officer and Treasurer
Indrajeet Debnath	Chief Investment Officer
Timothy Eric Sandys Walker	Head of Risk
Christopher Kirpalani	Chief Information Security Officer
Diane June Legere	US Compliance Officer and Assistant Secretary

B. Territory and Plan of Operation

As of December 31, 2020, the Company was licensed to write business in 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 worker's compensation business as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshore and Harbor Workers' Compensation Act (Public Law No. 803, 69<sup>th</sup> Congress as amended; 33 USC Section 901 et seq. as amended).

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 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$2,200,000.

The Company discontinued writing new and renewal business on December 31, 2005. There are no policies in force on the Company's books. Gross premiums written consisted of the Company's assumed premium from involuntary pools and associations.

The following schedule shows the gross premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Total Gross Premiums</u>
2016	\$48,904
2017	\$12,621
2018	\$ 7,970
2019	\$ 5,165
2020	\$ 2,430

Effective October 1, 2017, the Company entered into a loss portfolio transfer with Samsung Fire and Marine Insurance Co., Ltd (U.S. Branch), wherein the Company assumed Samsung's net loss and loss adjustment expense reserves valued by the Company at \$122.5 million in a retroactive reinsurance agreement with an aggregate limit of \$200 million. This portfolio consisted primarily of general liability, workers' compensation, auto liability, and property lines.

C. Reinsurance Ceded

The Company did not enter into any new reinsurance agreements during the examination period. The Company commuted various reinsurance agreements where it was a ceding/assuming reinsurer. These commutations did not result in a material change to the Company's surplus position.

The Company is a party to an aggregate excess stop loss cover entered into by the Company's ultimate parent, Alea Group Holdings (Bermuda) Ltd., on behalf of Alea Group Holdings (Bermuda) Ltd. and its subsidiaries.

The Company participates in a flexible quota share agreement with unauthorized affiliate Alea Bermuda, Ltd, now known as Catalina General Insurance Ltd. (Bermuda) ("CatGen"), pursuant to which the Company ceded 70% of its net underwriting results after taking into account the effect of the aggregate excess stop loss cover and all other applicable reinsurance arrangements.

As of December 31, 2020, the Company reported \$23,368,000 in total reinsurance recoverables. Of this amount, the Company reported \$18,998,000 in total recoverables from CatGen, all of which are fully collateralized. The remaining recoverables are diversified among multiple third-party reinsurers.

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.

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 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.

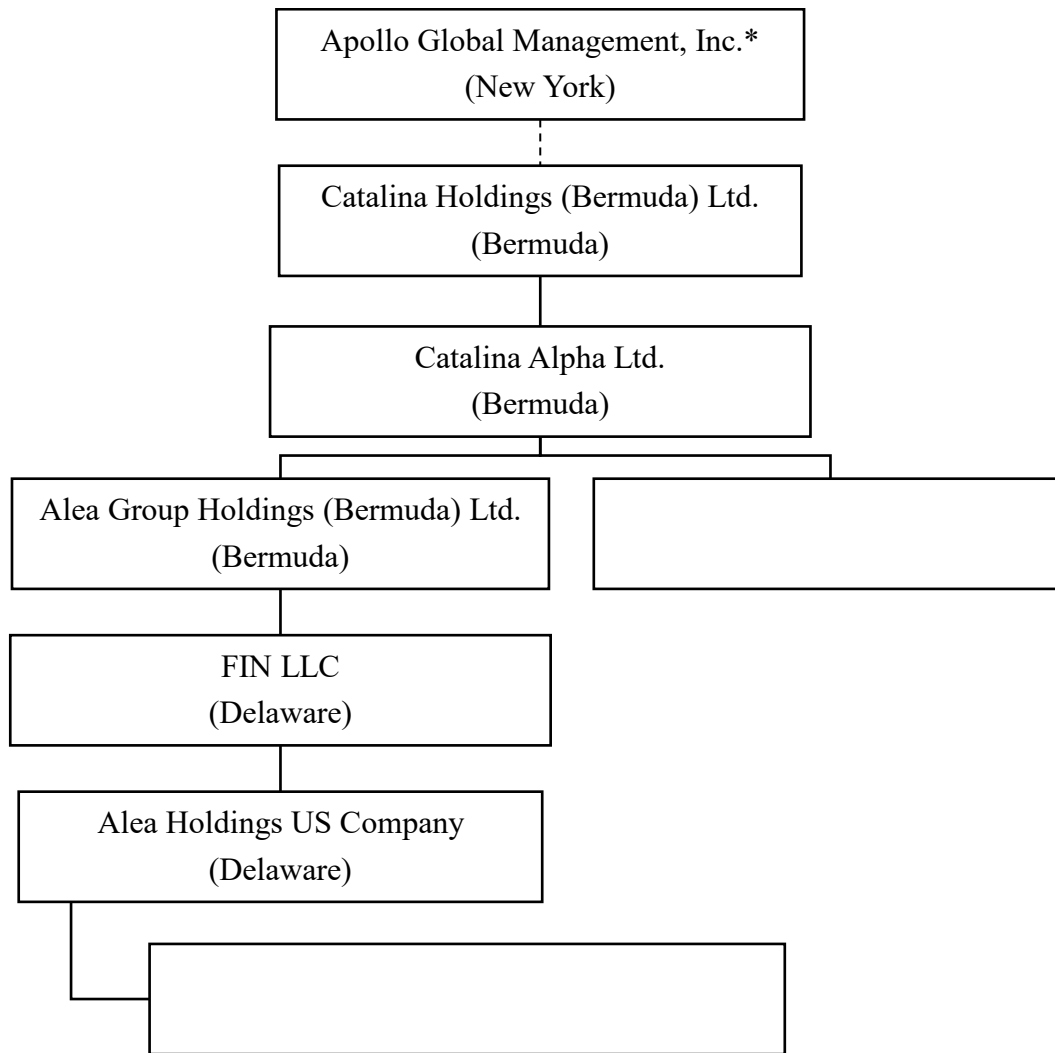
D. Holding Company System

The Company is a member of the Apollo Global Management Group. The Company is a wholly owned subsidiary of Alea Holdings US Company ("Alea Holdings"), a Delaware corporation. Alea Holdings is an indirect wholly owned subsidiary of Catalina, which is an indirect subsidiary of Apollo Global Management Inc. ("AGM"). Messrs. Leon Black, Joshua Harris, and Marc Rowan are the ultimate controlling persons of the Company.

Catalina is a specialist acquirer and consolidator of insurance and reinsurance businesses, specializing in non-life run-off companies. Aside from insurance and reinsurance companies, Catalina has interests in other entities such as, but not limited to, risk retention groups and property investment companies. Under the guidance of Catalina, the Company continues to run off its business.

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:



\* Messrs. Black, Harris, and Rowan are the ultimate controlling persons of BRH Holdings GP, Ltd., which wholly owns indirect subsidiary Apollo Global Management, Inc.

### Holding Company Agreements

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

#### First Amended Administrative Services Agreement

Effective March 11, 2015, the Company entered into an administrative services agreement with Alea Holdings and certain U.S.-based affiliates. Pursuant to the terms of the agreement, the parties agree to provide various management and administrative services, including facilities, to each other. Each recipient of the service shall reimburse each provider of the service at the cost incurred; allocation of expenses shall be consistent with

SSAP No. 70. All fees and expenses shall be settled within 30 days of receipt of the monthly statement. This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law.

#### Tax Allocation Agreement

Effective November 14, 2015, the Company entered into a tax allocation agreement with Alea Holdings and its affiliates. Pursuant to the agreement, the Company shall be included in the consolidated federal income tax return of the Group. The tax liability or refund under the agreement represents the amount the Company would pay or receive if it had filed a separate return with the Internal Revenue Service. This agreement was non-disapproved by the Department pursuant to the provisions of Section 1505(d) of the New York Insurance Law and Department Circular Letter No. 33 (1979).

#### E. Significant Ratios

The Company's adjusted liabilities to liquid assets ratio of 57%, computed as of December 31, 2020, falls within the benchmark range set forth in the Insurance Regulatory Information System of the NAIC. All other underwriting ratios are not presented because they are not meaningful due to the Company's run-off status.

### 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:

#### Assets

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 79,838,680	\$ 0	\$79,838,680
Preferred stocks (stocks)	719,548	0	719,548
Cash, cash equivalents, and short-term investments	21,226,160	0	21,226,160
Other invested assets	578,095	0	578,095
Receivables for securities	252,659	0	252,659
Investment income due and accrued	431,859	9,932	421,927
Amounts recoverable from reinsurers	638,513	0	638,513
Electronic data processing equipment and software	266	266	0
Cash advances to third party administrators	3,629,940	457,723	3,172,217
Prepaid expense	30,241	30,241	0
Other receivables	3,071	3,071	0
Retroactive reinsurance recoverable	<u>3,428,544</u>	<u>0</u>	<u>3,428,544</u>
Total assets	<u>\$110,777,576</u>	<u>\$501,233</u>	<u>\$110,276,343</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and Loss Adjustment Expenses	\$ 7,709,008
Reinsurance payable on paid losses and loss adjustment expenses	6,349
Commissions payable, contingent commissions and other similar charges	167,734
Other expenses (excluding taxes, licenses and fees)	479,010
Taxes, licenses and fees (excluding federal and foreign income taxes)	34,899
Ceded reinsurance premiums payable (net of ceding commissions)	(1,982)
Funds held by company under reinsurance treaties	754,631
Amounts withheld or retained by company for account of others	2,506,809
Provision for reinsurance	179,127
Payable to parent, subsidiaries and affiliates	173,089
Payable for securities	100,000
Retroactive reinsurance reserve	45,695,524
Retroactive liabilities	<u>998,682</u>
 Total liabilities	 \$ 58,802,880

Surplus and Other Funds

Common capital stock	\$13,924,900
Gross paid in and contributed surplus	88,817,013
Unassigned funds (surplus)	<u>(51,268,450)</u>
 Surplus as regards policyholders	 <u>51,473,463</u>
 Total liabilities, surplus, and other funds	 <u>\$110,276,343</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2016 and 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 loss for the examination period as reported by the Company was \$2,923,470, as detailed below:

### Underwriting Income

Premiums earned		\$ 23,801
Deductions:		
Losses and loss adjustment expenses incurred	\$ 496,207	
Other underwriting expenses incurred	<u>15,060,585</u>	
Total underwriting deductions		<u>15,556,792</u>
Net underwriting gain or (loss)		\$(15,532,991)

### Investment Income

Net investment income earned	\$18,532,808	
Net realized capital gain	<u>4,110,878</u>	
Net investment gain or (loss)		22,643,686

### Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (32,393)	
Retroactive reinsurance gain	2,122,550	
Retroactive reinsurance loss	(12,161,390)	
Miscellaneous	245	
Interest expense on funds held ceded	<u>(240,038)</u>	
Total other income		<u>\$(10,311,026)</u>
Net income before federal and foreign income taxes		\$ (3,200,331)
Federal and foreign income taxes incurred		<u>(276,861)</u>
Net income (loss)		<u>\$(2,923,470)</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$28,234,373 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			\$79,707,836
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income		\$ 2,923,470	
Net unrealized capital gains or (losses)		313,996	
Change in nonadmitted assets	\$ 11,368		
Change in provision for reinsurance	12,900		
Capital changes paid in	9,044,888		
Surplus adjustments paid in	<u>0</u>	<u>34,066,064</u>	
Total gains and losses	\$9,069,156	\$37,303,530	
Net increase (decrease) in surplus			<u>(28,234,373)*</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2020			<u>\$51,473,463</u>

\* Rounding difference of \$1

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

Capital paid in is \$13,924,900 consisting of 25,318 shares of \$550 par value per share common stock. Gross paid in and contributed surplus is \$88,817,013. On March 30, 2017, the Company repurchased 11,100 shares of its capital stock from its parent and sole shareholder, Alea Holdings, at a total cost of \$25,021,176 or \$2,254.16 per share. Following the repurchase, the Company retired and canceled the repurchased shares and restored them to authorized but unissued status. As a result of the repurchase, paid in capital increased by \$9,044,888 and gross paid in and contributed surplus decreased by \$34,066,064, from \$122,883,077 to \$88,817,013.

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

The examination liabilities for the Company's net carried losses and loss adjustment expense reserves of \$7,709,008 for the legacy business and assumed retroactive reinsurance reserves of \$45,695,524 for the Samsung loss portfolio transfer (as described in section 2B), are 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 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, 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 comments or 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. 32322*

*NEW YORK STATE*

***DEPARTMENT OF FINANCIAL SERVICES***

*I, Adrienne A. Harris, Acting 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*

***Alea North America Insurance Company***

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

***COMPANY***

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

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

*this 18th day of January, 2022*

***ADRIENNE A. HARRIS***  
*Acting Superintendent of Financial Services*

*By:*

*Joan Riddell*

\_\_\_\_\_  
*Joan Riddell*  
*Deputy Bureau Chief*

