



**REPORT ON EXAMINATION
OF
EDEN INSURANCE COMPANY, INC.**

AS OF DECEMBER 31, 2020

**EXAMINER:
DATE OF REPORT:**

**WEI CAO
FEBRUARY 18, 2022**

TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	2
	A. Articles of incorporation	2
	B. By-laws	3
	C. Capital structure	3
	D. Corporate records	3
	E. Operations	3
	F. Management and control	3
	G. Certified public accountant	5
3.	Financial statements	6
	A. Balance sheet	6
	B. Statement of income	7
	C. Capital and surplus account	8
4.	Losses and loss adjustment expenses	8
5.	Article 70 compliance	8
6.	Subsequent events	8
7.	Summary of comments and recommendations	9

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

February 18, 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 32198 dated March 29, 2021, attached hereto, I have made an examination into the condition and affairs of Eden Insurance Company 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 Eden Insurance Company Inc.

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, the examination was conducted remotely.

1. SCOPE OF EXAMINATION

The examination covers the period from January 1, 2016, through December 31, 2020, and was limited in its scope to a review or audit of only those balance sheet items considered by this Department to require analysis. Transactions occurring subsequent to this period were reviewed where deemed appropriate. The examination included a review of Company records deemed necessary to accomplish such analysis or verification. Additionally, a review was performed to determine whether the captive insurer was operating within its by-laws, conforming with its plan of operation, as submitted to the New York State Department of Financial Services, and was in compliance with Article 70 of the New York Insurance Law (“the Law”).

Comments and recommendations are limited to those items requiring financial adjustment, procedural recommendations, or instances where the Company was not conforming to the application submitted to the Department or Article 70 of the Law.

The report utilized work performed by the Company’s independent certified public accountant and its opining actuary to the extent considered appropriate.

2. DESCRIPTION OF COMPANY

The Company was incorporated on February 1, 2010, under the laws of New York State as a captive insurance company and commenced business on that day. The Company is currently a wholly owned subsidiary of Madison Square Garden Entertainment Corp. (“the Parent”). On September 30, 2015, The Madison Square Garden Company (the former parent) transferred its sports and entertainment business entities, which included Eden Insurance Company, Inc. to MSG Spinco, Inc. On the same day, MSG Spinco, Inc. was renamed The Madison Square Garden Company. On April 17, 2020, The Madison Square Garden Company transferred its entertainment business, which included Eden Insurance Company, Inc. to MSG Entertainment Spinco, Inc., which changed its name to Madison Square Garden Entertainment Corp. on the same date.

A. Articles of Incorporation

The Company is organized to transact the kinds of insurance specified in Section 1113(a) of the New York Insurance Law, subject at all times to the limitations on the business of pure captive insurance companies set-forth in Article 70 of the Law.

B. By-Laws

The examination found that the Company was in compliance with its by-laws in all material respects.

C. Capital Structure

As a pure captive insurance company incorporated as a stock insurer, the Company is required to maintain a total surplus as regards policyholders of not less than \$250,000, of which \$100,000 shall represent paid-in capital pursuant to the provisions of Section 7004(a)(1) of the Law.

As of December 31, 2020, the Company's paid-in capital was \$1,666,667, consisting of 100,000 shares of common stock with a par value of one-dollar per share and an additional paid-in capital amount of \$1,566,667. The Company had retained earnings of \$43,645,405 for a total capital and surplus (surplus as regards policyholders) of \$45,312,072.

D. Corporate Records

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

E. Operations

As of December 31, 2020, the Company provided umbrella liability, property, builder's risk, and nuclear, biological, chemical and radiological terrorism related coverage to the Parent and its subsidiaries. The coverage was 80% backstopped by the federal Terrorism Risk Insurance Act program, while the remaining 20% was reinsured by third-party reinsurers. All third-party reinsurers were authorized to do business in New York, with the exception of International General Insurance Co. The cessions to International General Insurance Co. were deemed immaterial by this examination.

F. Management and Control

(i) Captive Manager

Section 7003(b)(4) of the Law provides that no captive insurer shall do any captive insurance business in this State unless it utilizes a captive manager resident in this State that is licensed as an agent or broker under the provisions of Article 21 of the Law, or any other person approved by the Superintendent.

During the period covered by this examination, the Company was managed by Willis of New York Inc. (“Willis”), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, effective February 9, 2010, Willis has the responsibility of providing underwriting, insurance program design, insurance administration, accounting, and advice on reinsurance. The management agreement was updated on January 1, 2017.

(ii) Board of Directors

Pursuant to its by-laws, the business and affairs of the Company shall be managed under the direction of a board of directors. The number of directors shall not be less than three nor more than ten, at least two of whom shall be residents of New York State. At December 31, 2020, the board of directors was comprised of the following three members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Peggy Brockmann Jersey City, NJ	Vice President, Risk Management, Madison Square Garden Entertainment Corp.
Philip D'Ambrosio Rye, NY	Senior Vice President, Treasurer, & Secretary, Madison Square Garden Entertainment Corp.
Ari Danes New York, NY	Senior Vice President, Investor Relations, Madison Square Garden Entertainment Corp.

During the period covered by the examination, the board of directors met once each year. A review of the meeting minutes indicated that they were all well attended.

(iii) Officers

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

<u>Name</u>	<u>Title</u>
Philip D'Ambrosio	President
Peggy Brockmann	Vice President
Marc Schoenfeld	Secretary
Ari Danes	Treasurer

G. Certified Public Accountant

Crowe LLP was the Company's independent certified public accounting firm for the period covered by the examination. Crowe LLP expressed that the Company's financial statements present fairly, in all material respects, the financial position of Eden Insurance Company, Inc., as of December 31, 2020, and that the results of its operations and its cash flows for the year then ended was presented in accordance with accounting principles generally accepted in the United States of America.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America.

Assets

Premium receivable	\$9,050,722	
Cash	2,199,395	
Notes receivable from Parent	48,952,252	
Prepaid reinsurance	2,639,022	
Deferred policy acquisition costs	138,701	
Assessment tax receivable	42,171	
Prepaid expenses	<u>6,881</u>	
Total assets		<u>\$63,029,144</u>

Liabilities

Unearned premium	\$11,096,073	
Reinsurance payable	2,829,589	
Premium tax payable	33,312	
Accrued expenses	17,500	
Deferred tax liability	1,158	
Federal income tax payable	<u>3,739,440</u>	
Total liabilities		\$17,717,072

Capital and Surplus

Common stock	\$100,000	
Additional paid-in capital	1,566,667	
Retained earnings	<u>43,645,405</u>	
Total capital and surplus		<u>45,312,072</u>
Total liabilities and capital and surplus		<u>\$63,029,144</u>

B. Statement of Income

The Company's net income for the period covered by the examination was \$50,111,859 as detailed below:

Underwriting Income

Net premiums earned		\$40,620,803
Deductions:		
General and administrative expenses	\$431,925	
Underwriting expenses	<u>340,453</u>	
Total operating deductions		<u>772,378</u>
Total underwriting income		\$39,848,425
Total investment income		<u>13,548,117</u>
Total income before taxes		\$53,396,542
Income tax		<u>3,284,683</u>
Net income		<u>\$50,111,859</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$111,859 during the period covered by this examination, detailed as follows:

Capital and surplus as of January 1, 2016			\$45,200,213
	Increase in <u>surplus</u>	Decrease in <u>surplus</u>	
Net income	\$50,111,859		
Dividends	<u>0</u>	<u>\$50,000,000</u>	
Net increase in surplus			<u>111,859</u>
Capital and surplus as of December 31, 2020			<u>\$45,312,072</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2020, the Company did not report any reserves for outstanding losses and loss adjustment expenses. Eden Insurance Company provides umbrella liability, property, builder's risk, nuclear, biological, chemical and radiological terrorism related coverages to the Parent and its subsidiaries. Since there were no known losses, threats, or incidents of terrorism reported to the Company, waiver of an actuarial analysis has been granted.

5. ARTICLE 70 COMPLIANCE

Article 70 of the New York State Insurance Law is the governing section of the law for the formation and continued operation of captive insurers in New York State. A review was performed to test the Company's compliance with all applicable parts of Article 70. No significant areas of non-compliance were found.

6. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus ("COVID-19") pandemic. The COVID-19 pandemic has continued to develop throughout 2020 and 2021, with 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 examiner'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. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

7. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

There are no comments or recommendations in this report.

Respectfully submitted,

_____/S/
Wei Cao
Senior Insurance Examiner

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

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

_____/S/
Wei Cao

Subscribed and sworn to before me

this _____ day of _____, 2022.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Linda A. Lacewell, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Wei Cao

as a proper person to examine the affairs of the

Eden Insurance Company, Inc.

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 29th day of March, 2021

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:

Joan Riddell

*Joan Riddell
Deputy Bureau Chief*

