



**REPORT ON EXAMINATION  
OF  
HOMELAND INSURANCE COMPANY OF NEW YORK  
AS OF DECEMBER 31, 2021**

**EXAMINER:  
DATE OF REPORT:**

**SUSAN WEIJOLA  
NOVEMBER 30, 2022**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

November 30, 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 32292 dated August 11, 2021, attached hereto, I have made an examination into the condition and affairs of Homeland Insurance Company of New York as of December 31, 2021, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Homeland Insurance Company of New York.

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

## **1. SCOPE OF EXAMINATION**

The Department has performed an examination of Homeland Insurance Company of New York, a multi-state insurer. The previous examination was conducted as of December 31, 2016. This examination covered the five-year period from January 1, 2017, through December 31, 2021. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

New York was the lead state of the Intact Financial Group. The examination was performed concurrently with the examinations of the following insurers:

<b><u>Company</u></b>	<b><u>State of Domicile</u></b>
Atlantic Specialty Insurance Company (“ASIC”)	New York
The Guarantee Company of North America USA (“GCNAUSA”)	Michigan
Homeland Insurance Company of Delaware (“HODE”)	Delaware
OBI America Insurance Company (“OBIA”)	Pennsylvania
OBI National Insurance Company (“OBIN”)	Pennsylvania

Other states participating in this examination were Delaware, Michigan, and Pennsylvania.

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

## 2. DESCRIPTION OF COMPANY

Homeland Insurance Company of New York was incorporated under the laws of the State of New York on May 11, 1988, as a stock insurance company originally named the General Assurance Company. Its current name was adopted on September 13, 2001. The Company was licensed on July 19, 1988, and commenced business on October 1, 1988. The Company was wholly-owned by General Accident Corporation of America and ultimately owned by General Accident Plc, a Scottish non-insurance corporation.

In 1998, Commercial Union Plc acquired General Accident Plc and formed CGU Plc. On June 1, 2001, the White Mountains Insurance Group, Ltd. (“White Mountains”), a Bermuda holding company, acquired CGU Plc, and the name of the Company’s immediate parent was changed to OneBeacon Insurance Company (“OBIC”). OBIC was wholly owned by OneBeacon Insurance Group LLC (“OBLLC”), an intermediate insurance holding company domiciled in the state of Delaware. OBLLC is an indirect wholly owned subsidiary of OneBeacon Insurance Group, Ltd, (“OneBeacon” or “OneBeacon Group”) a holding company domiciled in Bermuda. In 2006, White Mountains sold 27.6% of OneBeacon shares to the public in an initial public offering, while retaining the majority of ownership.

### OneBeacon Background and Restructuring

In 2001, as previously noted, White Mountains acquired CGU Plc, the United States property and casualty insurance operations of a London-based holding company. CGU Plc was rebranded as OneBeacon in the same year. Historically, OneBeacon had provided a wide range of insurance products including commercial, personal, and specialty lines. OBIC was the parent of most of the US operating subsidiaries and was the lead insurer of the One Beacon Group. It had retained a majority of the business through an intercompany pooling arrangement. Shortly after the acquisition by White Mountains, OneBeacon began to focus on increasing its specialty operations, which led to the acquisition of ASIC. ASIC had been a minor participant in the OneBeacon relative to premium writings and intercompany pooling agreement participation. OneBeacon sold its non-specialty commercial renewal rights and personal lines business in 2009 and 2010, respectively, and placed the remaining commercial business into run-off.

Beginning in 2012, OneBeacon implemented significant changes to simplify its operating structure. In 2012, OneBeacon terminated the intercompany pooling agreement and aggregated the run-off business into OBIC in order to accommodate a sale of the run-off business. On June 30, 2013, the Company was acquired by ASIC from OBIC. Between 2012 and 2014, the insurance subsidiaries of OBIC were merged,

sold, or transferred within the OneBeacon Group, and a sale of substantially all of the run-off business was executed in 2014. Group management made ASIC the lead insurer of the OneBeacon Group and the parent of the Company and four other affiliates, namely HODE, OBIA, OBIN, and OneBeacon Specialty Insurance Company (“OBSIC”), a Pennsylvania-domiciled insurer. Effective August 1, 2014, the Company cedes all of its insurance liabilities to ASIC through a 100% quota share reinsurance agreement. Similar agreements were effectuated on August 1, 2014, between ASIC and HODE, OBIA, OBIN, and OBSIC. It is noted that OBSIC was dissolved during the examination period, as it never wrote business.

On May 2, 2017, Intact Financial Corporation (“Intact”), a Canadian corporation, and OneBeacon announced that they had entered into a definitive agreement with White Mountains, which provided for the merger of an indirect subsidiary of Intact with and into OneBeacon. As a result of that transaction, as of September 28, 2017, the date the transaction closed, Intact indirectly owns 100% of the outstanding shares of OneBeacon, including the Company. The Department approved this transaction on September 22, 2017.

In 2018, the Company’s wholly-owned subsidiary, OneBeacon Select Insurance Company (“OBSEL”), received approval to surrender its license to its state of domicile, Pennsylvania, and began its dissolution process. OBSEL was liquidated and fully dissolved on March 10, 2020.

On December 2, 2019, Intact purchased the Guarantee Company of North America (“GCNA”). On January 2, 2020, GCNA sold The Guarantee Company of North America (US) Holdings, Ltd. and its subsidiaries, including GCNAUSA, to OneBeacon U.S. Financial Services, Inc.

On February 18, 2020, OneBeacon Insurance Group LLC’s name was changed to Intact Insurance Group USA LLC. In addition, there were name changes to the following affiliates:

<u>Old Name</u>	<u>New Name</u>
OneBeacon Insurance Group (Holdings) Ltd.	Intact Insurance Group USA Holdings Inc.
OneBeacon U.S. Financial Services, Inc.	Intact U.S. Financial Services Inc.
OneBeacon U.S. Enterprises Holdings, Inc.	Intact U.S. Enterprises Holdings, Inc.
OneBeacon U.S. Holdings, Inc.	Intact U.S. Holdings, Inc.
OneBeacon Services, LLC	Intact Services USA LLC
OneBeacon Sports and Leisure LLC	Intact Sports and Leisure LLC
OneBeacon Entertainment LLC	Intact Entertainment LLC

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 19 members. The board meets four times during each calendar year. At December 31, 2021, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Paul John Brehm Minneapolis, Minnesota	Senior Vice President, Actuarial, Global Specialty Lines, Intact Financial Corporation
Robert Charles Gallagher Brooklyn, New York	Executive of Global Marine Strategy, Global Specialty Lines, Intact Financial Corporation
Louis Marcotte Quebec, Canada	Executive Vice President and Chief Financial Officer, Intact Financial Corporation
Timothy Michael Miller Deephaven, Minnesota	Chief Executive Officer, Global Specialty Lines, Intact Financial Corporation
Lynn Ann O'Leary Inver Grove Heights, Minnesota	Senior Vice President, Chief Operations Officer, Global Specialty Lines, Intact Financial Corporation
John Charles Treacy Stillwater, Minnesota	Chief Financial Officer, U.S., Intact Financial Corporation
Mark Alan Tullis Toronto, Canada	Vice Chairman, Intact Financial Corporation

As of December 31, 2021, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Timothy Michael Miller	President, U.S., and Specialty Solutions
Kara Lea Benson Barrow	Secretary
John Charles Treacy	Senior Vice President, Treasurer and Chief Financial Officer
Lars Truman Johnson	Chief Actuary
Paul John Brehm	Senior Vice President and Chief Underwriting Officer
Lynn Ann O'Leary	Senior Vice President and Chief Operations Officer
Joseph Topale	Chief Information Security Officer
America Mary Glaude	Chief Human Resources Officer
Sarah Anne Kolar	General Counsel

B. Territory and Plan of Operation

As of December 31, 2021, the Company was licensed to write in New York only; however, it is eligible to write surplus lines in the other 49 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
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
26(A)(B)(C)(D)	Gap

The Company is also authorized 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 insurance and reinsurance of every kind or description, including those located or resident outside of the United States, its territories and possessions, except with respect to life insurance, title insurance and contracts for the payment of annuities, as specified in Section 4102(c)(i)(ii) 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 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$35,000,000.

The Company did not assume premiums during the examination period. The following schedule shows the direct premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Total Gross Premiums</u>
2017	\$187,502,349
2018	\$160,547,539
2019	\$168,276,494
2020	\$168,681,468
2021	\$240,329,298

The Company is a property and casualty insurance writer that provides a wide range of specialty products and services through a network of independent agents, regional and national brokers, wholesalers, and managing general agents.

### C. Reinsurance Ceded

The Company is a party to an amended and restated 100% quota share reinsurance agreement, dated August 1, 2016, and effective since October 1, 2012, with its direct parent, ASIC, whereby the Company cedes to ASIC 100% of all liabilities incurred under all policies issued or assumed by the Company. Pursuant to the terms of the agreement, ASIC will pay, or provide for, all of the Company's non-investment expenses, both underwriting and non-underwriting, for no fee or cost as long as the reinsurance agreement is in effect.

The quota share agreement was filed with and was non-disapproved by the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law. The agreement was reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles

(“SSAP”) No. 62R. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC Annual Statement Instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. The ceded reinsurance agreement was accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

D. Holding Company System

The Company is a member of the Intact Financial Group which consists of six affiliated property and casualty insurance companies operating under common management and control. The Company is a direct wholly-owned subsidiary of Atlantic Specialty Insurance Company, a property and casualty insurance company domiciled in New York, which is a direct wholly-owned subsidiary of Intact Insurance Group USA LLC (“IIGU”), a Delaware limited liability company, which is ultimately controlled by Intact. Intact, a public company that is listed on the Toronto Stock Exchange, is the largest provider of property and casualty insurance in Canada. It also provides insurance in the United Kingdom, Europe, the United States, and the Middle East through the Intact and RSA brands.

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, 2021:



## Holding Company Agreements

At December 31, 2021, the Company was a party to the following agreements with other members of its holding company system:

### Administrative Services Agreement

Effective December 31, 2017, the Company is a party to an administrative services agreement with OneBeacon Services, LLC, now known as Intact Services USA LLC (“Intact Services”), in which Intact Services provides administrative and management support services to the Company. The Company also utilized the agreement as a means to settle cash balances that were otherwise due under the intercompany reinsurance agreement.

### Investment Management Agreement

The Company, and various affiliates, have an investment management agreement with Intact Investment Management Inc. (“IIM”), effective December 20, 2017, and subsequently amended. Pursuant to the terms of the agreement, IIM agrees to direct the investments in the investment account in accordance with the investment guidelines agreed upon by the Company, each affiliated company, and IIM (the “Standard Guidelines”). The board of directors (or other similar governing body) of the Company and each affiliated company shall oversee the activities of IIM pursuant to the agreement and shall retain ultimate and final authority over the investment account, in each case, in relation to their respective investment assets, decisions, and policies, including but not limited to decisions regarding the purchase and sale of securities.

### Tax Allocation Agreement

Effective October 16, 2017, the Company is a party to a federal tax allocation agreement that covers the allocation, settlement, and financial statement presentation of current federal taxes. Under the terms of the agreement, the Company and its affiliates shall compute the amount of income taxes or estimated tax or refund each company would have to make or be entitled to if it filed a return, declaration, or refund claim as a separate corporation and had not been a member of the affiliated group.

The agreements and all amendments were filed with this Department pursuant to Section 1505 of the New York Insurance Law.

E. Significant Ratios

The Company's adjusted liabilities to liquid assets ratio of 2%, computed as of December 31, 2021, falls within the benchmark range set forth in the Insurance Regulatory Information System of the NAIC. All other ratios are not presented because they are not meaningful due to the Company's reinsurance agreement with ASIC.

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities, and surplus as regards policyholders as of December 31, 2021, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$73,200,511	\$ 0	\$73,200,511
Cash, cash equivalents and short-term investments	657,108	0	657,108
Investment income due and accrued	215,359	0	215,359
Net deferred tax asset	<u>57,227</u>	<u>27,211</u>	<u>30,016</u>
Total assets	<u>\$74,130,205</u>	<u>\$27,211</u>	<u>\$74,102,994</u>

#### Liabilities, Surplus and Other Funds

##### Liabilities

Losses and loss adjustment expenses	\$ 0
Other expenses (excluding taxes, licenses and fees)	30,210
Current federal and foreign income taxes	1,194,563
Payable to parent, subsidiaries and affiliates	<u>4,572</u>
Total liabilities	\$ 1,229,345

##### Surplus and Other Funds

Common capital stock	\$ 4,501,577
Gross paid in and contributed surplus	35,498,437
Unassigned funds (surplus)	<u>32,873,635</u>
Surplus as regards policyholders	<u>72,873,649</u>
Total liabilities, surplus and other funds	<u>\$74,102,994</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2017 through 2021. 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 \$13,532,477, as detailed below:

Underwriting Income

Premiums earned		\$	0
Deductions:			
Losses and loss adjustment expenses incurred	\$	0	
Other underwriting expenses incurred		<u>6,674</u>	
Total underwriting deductions			<u>6,674</u>
Net underwriting gain or (loss)		\$	(6,674)

Investment Income

Net investment income earned	\$14,245,867		
Net realized capital gain	<u>1,203,135</u>		
Net investment gain or (loss)			15,449,002

Other Income

Aggregate write-ins for miscellaneous income	<u>552</u>		
Total other income			<u>552</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$15,442,880	
Federal and foreign income taxes incurred		<u>1,910,403</u>	
Net income			<u>\$13,532,477</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$40,796,878 during the five-year examination period from January 1, 2017, through December 31, 2021, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2016			\$113,670,527
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$13,532,477		
Net unrealized capital gains or (losses)		\$ 5,371,129	
Change in net deferred income tax	263,690		
Change in nonadmitted assets		27,211	
Capital changes paid in	1,577		
Surplus adjustments paid in		40,058,397	
Dividends to stockholders	<u>0</u>	<u>9,137,885</u>	
Total gains and losses	\$13,797,744	\$54,594,622	
Net increase (decrease) in surplus			<u>(40,796,878)</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2021			<u>\$ 72,873,649</u>

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

At January 1, 2017, the Company reported \$4,500,000 of common capital stock. In 2019, the Company requested approval from the Department to amend its charter in order to return capital of \$40,056,820 to its parent company, ASIC, through a Stock Redemption and Retirement Plan (the "Plan"). As previously noted, OBSSEL, a direct wholly-owned subsidiary of the Company, was dissolved. The purpose of the Plan was to move from the Company to ASIC the value of the net assets of the OBSSEL dissolution. Pursuant to the Plan, the Company repurchased 154,427 common shares at a book value of \$259.39 per share for a total re-purchase price of \$40,056,820. The Company then retired the re-purchased shares, and through a charter amendment, increased the par value of the remaining 295,573 authorized, issued, and outstanding common shares from \$10.00 to \$15.23 per share. This transaction resulted in an increase to capital paid in of \$1,577 and a decrease of \$40,058,397 to surplus paid in.



On December 2, 2019, the Department approved the Plan pursuant to Section 1411(d) of the New York Insurance Law.

Capital paid in is \$4,501,577 consisting of 295,573 shares of \$15.23 par value per share common stock. Gross paid in and contributed surplus is \$35,498,437. Gross paid in and contributed surplus decreased by \$40,058,397 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2017	Beginning gross paid in and contributed surplus	\$75,556,834
2019	Surplus change due to common stock re-purchase and retirement	\$(40,058,397)
	Total surplus adjustment	<u>(40,058,397)</u>
2021	Ending gross paid in and contributed surplus	<u>\$35,498,437</u>

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

The examination liability for the captioned items of \$0 is the same as reported by the Company as of December 31, 2021. The zero liability is a result of the 100% quota share reinsurance agreement the Company has in place with its direct parent, ASIC. The examination analysis of the loss and loss adjustment expense reserves was conducted on the aggregate net reserves of ASIC and done in conjunction with the analysis of the operating insurers within the Intact Financial Group. 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**

Effective January 1, 2022, IIGU purchased from The Globe Insurance Company Limited, an Intact USA LLC affiliate incorporated and registered under the laws of England and Wales, 100% of the issued and outstanding shares of stock of Royal & Sun Alliance Insurance Agency, Inc. (“RSAIA”), a Delaware corporation, for its fair market value of \$16,700,000.

**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  
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 \_\_\_\_\_, 2023.

**NEW YORK STATE**

**DEPARTMENT OF FINANCIAL SERVICES**

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

**Susan Weijola**

as a proper person to examine the affairs of the

**Homeland Insurance Company of New York**

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 11th day of August, 2021

LINDA A. LACEWELL  
Superintendent of Financial Services

By:

Joan Riddell

Joan Riddell  
Deputy Bureau Chief

