



**REPORT ON EXAMINATION
OF
RCG INSURANCE COMPANY**

AS OF DECEMBER 31, 2016

**EXAMINER:
DATE OF REPORT:**

**WEI CAO
NOVEMBER 2, 2017**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

April 28, 2023

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 31655 dated August 7, 2017, attached hereto, I have made an examination into the condition and affairs of RCG Insurance Company as of December 31, 2016, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate RCG Insurance Company. Wherever the designation "the Parent" appears herein without qualification, it should be understood to indicate Cowen Group Inc., the Company's ultimate parent.

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 examination covers the period from when the Company was incorporated on December 12, 2011, through December 31, 2016, 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 review 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 under the laws of New York State as a captive insurance company and commenced business on January 3, 2012. The Company is a wholly-owned subsidiary of RCG LV Pearl LLC, a Delaware limited liability company, which is in turn a wholly-owned subsidiary of Cowen Group Inc. Cowen Group Inc. is a diversified financial services firm that provides alternative investment management, investment banking, research, and sales and trading services through its two business segments: Cowen Investment Management (formerly Ramius LLC), a global alternative investment management business, and Cowen and Company, LLC, a broker-dealer business.

A. Article 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, 2016, the Company's paid-in capital was \$6,356,810, consisting of 100,000 shares of common stock with a par value of \$1.00 per share and an additional paid-in capital amount of \$6,256,810. The Company had retained earnings of \$13,051,340 for a total capital and surplus (surplus as regards policyholders) of \$19,408,150.

D. Corporate Records

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

E. Operations

As of December 31, 2016, the Company has provided coverage for multiple lines of business to the Parent and its subsidiaries. The Company cedes 98% of all lines of business to one related reinsurer, Vianden RCG Re. S.C.A. Luxembourg ("Vianden"). A detail insurance programs is as follows:

<u>Line of Business</u>	<u>Limits</u>	<u>Direct Premium</u>	<u>Ceded Premium</u>
Crime and Unauthorized Trading Insurance	\$400,000,000 aggregate	\$32,000,000	\$31,360,000
Investment Banking Professional Indemnity Policy	\$85,000,000 each claim and in the aggregate	\$8,500,000	\$8,330,000
Deductible Reimbursement Policy	\$20,000,000 each claim and in the aggregate	\$3,000,000	\$2,940,000
Litigation Expense Liability Policy	\$20,000,000 per claim and in the aggregate	\$5,000,000	\$4,900,000
Data Asset Network Security Policy	\$70,000,000 each claim and in the aggregate	\$450,000	\$441,000
NCBR Terrorism policy ¹	\$125,000,000 each claim and aggregate	\$410,000	\$401,800
Excess flood policy	\$70,000,000 per occurrence and annual aggregate	\$40,000	\$39,200
DIC Flood	\$5,000,000 per occurrence and annual aggregate	\$62,500	\$61,250
Excess Financial Institution Bond	\$45,000,000 each claim and in the aggregate	\$150,000	\$147,000
Acquisition Run-off Policy	\$50,000,000 each occurrence and annual aggregate	\$3,000,000	\$2,940,000
Credit Risk and Receivable Policy	\$40,000,000 each occurrence and \$100,000,000 aggregate	\$6,500,000	\$6,370,000
Intellectual Property Infringement Liability Policy	\$60,000,000 each occurrence and annual aggregate	\$2,500,000	\$2,450,000
Total Premiums		\$61,612,500	\$ 60,380,250

¹ The Company's terrorism coverage is reinsured or backstopped by the Terrorism Risk Insurance Program Reauthorization Act, a temporary federal government program that, as of December 31, 2016, reimburses eligible companies for 84% of its losses caused by a certified act of terrorism.

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 Marsh Management Services Inc. (“Marsh”), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, effective January 1, 2012, Marsh has the responsibility for providing the Company with underwriting, policyholder, claims, and other general management and operational services for a fee. These responsibilities include assisting the Company in complying with the rules, regulations and requirements of the Law maintaining true and complete books of account and records of all business conducted under this agreement.

The agreement was amended on May 4, 2016, to reflect an updated annual fee effective January 1, 2016.

(ii) Board of Directors

Pursuant to the Company’s by-laws, the business and affairs of the Company shall be managed under the direction of the Board of Directors. The number of Directors shall not be fewer than three nor more than ten (at least two of whom shall be residents of New York State). At December 31, 2016, the Board of Directors was comprised of the following four members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Tolga Bakircioglu West New York, NJ	Managing Director, Cowen Group Inc.
Alja Daum Brooklyn, NY	Vice President, Cowen Group Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Holmes Hopewell Junction, NY	Chief Operating Officer, Cowen Group Inc.
Owen Littman Fairfield, CT	General Counsel, Cowen Group Inc.

In accordance with its by-laws and Section 7003(b)(2) of the Law, the Board of Directors met once annually. A review indicated that the meetings were well attended.

(iii) Officers

As of December 31, 2016, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Owen S. Littman	President
Alja Daum	Secretary
Tolga Bakircioglu	Treasury

G. Certified Public Accountant (“CPA”)

PricewaterhouseCoopers LLP was the Company’s independent certified public accounting firm for the entire period covered by this examination. The CPA stated that the Company’s audited financial statement presented fairly, in all material respects, its financial position as of December 31, 2016.

3. FINANCIAL STATEMENTSA. 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

Cash	\$ 406,300	
Investment	26,037,294	
Premium receivable	61,612,500	
Return of premium receivable	38,747,808	
Losses recoverable	4,796,106	
Prepared federal income	967,858	
Premium tax receivable	<u>63,720</u>	
Total assets		<u>\$132,631,586</u>

Liabilities

Reinsurance premium payable	\$59,172,645	
Unpaid losses and loss adjustment expenses	4,893,986	
Return of premium payable	41,919,154	
Deferred tax liability	5,810,736	
Due to affiliates	1,380,850	
New York State assessment payable	16,065	
Accounts payable	<u>30,000</u>	
Total liabilities		<u>\$113,223,436</u>

Capital and Surplus

Common stock	\$ 100,000	
Paid-in capital	6,256,810	
Surplus	<u>13,051,340</u>	
Total capital and surplus		<u>\$ 19,408,150</u>
Total liabilities, capital, and surplus		<u>\$132,631,586</u>

B. Statement of Income

The Company's net income for the period covered by the examination was \$26,551,340, as detailed below:

Underwriting Income

Premium earned	\$51,720,784	
Commission earned on ceded premiums	<u>4,186,037</u>	
Premiums earned		\$55,906,821
Deductions:		
Return of premiums	41,919,154	
Claims incurred	97,880	
General and administrative expenses	577,335	
Policy acquisition cost	<u>658,451</u>	
Total underwriting deductions		<u>43,252,820</u>
Net underwriting income		\$12,654,001
<u>Investment income</u>		
Net investment income		22,611,074
Income taxes		<u>8,713,735</u>
Net income		<u>\$26,551,340</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$19,408,150 during the period covered by this examination, detailed as follows:

Capital and surplus as of December 12, 2011			\$0
	Increase in <u>surplus</u>	Decrease in <u>surplus</u>	
Net income	\$26,551,340		
Common stock	100,000		
Additional paid-in capital	6,256,810		
Dividends paid	<u> </u>	\$ <u>13,500,000</u>	
Total increase and decrease in surplus	\$ <u>32,908,150</u>	\$ <u>13,500,000</u>	
Net increase in surplus			<u>19,408,150</u>
Capital and surplus as of December 31, 2016			<u>\$19,408,150</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2016, the Company reported total loss and loss adjustment expense reserves of \$4,893,986. The Company's opining actuarial firm, Marsh Management Services Inc., noted in its Statement of Actuarial Opinion that, in its opinion, reported reserves were consistent with reserves computed in accordance with accepted loss reserving standards principles. It was also noted that reasonable provisions, in the aggregate, had been made for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

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. Except as previously noted in this report on examination, no significant areas of non-compliance were found.

6. 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 _____, 2023.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Maria T. Vullo, 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

RCG 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 7th day of August, 2017

MARIA T. VULLO
Superintendent of Financial Services



By:

Joan P. Riddell

Joan Riddell
Deputy Bureau Chief