



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

**EXAMINER:  
DATE OF REPORT:**

**SHEIK H. MOHAMED  
MAY 10, 2023**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

May 10, 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 32305 dated September 21, 2021, attached hereto, I have made an examination into the condition and affairs of Homesite 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 Homesite 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 the Homesite 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.

The examination was conducted in conjunction with the state of Wisconsin, which was the lead state of the American Family Insurance Group. The examination was performed concurrently with the examinations of the following insurers:

<u>Insurer</u>	<u>State of Domicile</u>
American Family Connect Insurance Company	Wisconsin
American Family Connect Property and Casualty Insurance Company	Wisconsin
American Family Mutual Insurance Company, S.I.	Wisconsin
American Family Life Insurance Company	Wisconsin
American Family Insurance Company	Wisconsin
American Standard Insurance Company of Ohio	Wisconsin
American Standard Insurance Company of Wisconsin	Wisconsin
Austin Mutual Insurance Company	Minnesota
Grain Dealers Mutual Insurance Company	Indiana
Homesite Indemnity Company	Wisconsin
Homesite Insurance Company	Wisconsin
Homesite Insurance Company of California	California
Homesite Insurance Company of Florida	Illinois
Homesite Insurance Company of Georgia	Georgia
Homesite Insurance Company of Illinois	Illinois
Homesite Insurance Company of the Midwest	Wisconsin
Homesite Lloyd's of Texas	Texas
Main Street America Assurance Company	Florida
Main Street America Protection Insurance Company	Florida
Midvale Indemnity Company	Wisconsin
NGM Insurance Company	Florida
Old Dominion Insurance Company	Florida
Permanent General Assurance Corporation	Wisconsin
Permanent General Assurance Corporation of Ohio	Wisconsin
Spring Valley Mutual Insurance Company	Minnesota
The General Automobile Insurance Company, Inc.	Wisconsin
Trusted Resource Underwriters Exchange	Florida

Other states participating in this examination were California, Florida, Georgia, Illinois, Indiana, Minnesota, and Texas.

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**

Homesite Insurance Company of New York was incorporated under the laws of the State of New York on January 25, 1999. The Company became licensed on July 22, 1999 and commenced business on that same date.

The Company is wholly owned by Homesite Underwriting Managers LLC (formerly known as Homesite Securities Company LLC), a wholly owned subsidiary of Homesite Group Incorporated (“HGI”). On December 31, 2013, the American Family Mutual Insurance Company (“AFMIC”, now American Family Mutual Insurance Company, S.I.), through its wholly owned subsidiary, AmFam Inc., acquired control of all the issued and outstanding voting capital stock of HGI and became the ultimate parent of HGI and all of its operating insurance subsidiaries.

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 21 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>
Susan Gormly Anderson Quincy, MA	General Counsel, Senior Vice President and Assistant Secretary, Homesite Insurance Company of New York
Fabian John Fondriest Boston, MA	Chief Executive Officer, Homesite Insurance Company of New York Homesite Group Incorporated
Andrew Allison McElwee, Jr. New London, NH	Executive Vice President and Chief Operating Officer, Homesite Group Incorporated
James Thomas Morahan, Jr. Foxboro, MA	Vice President, Homesite Insurance Company of New York
Anthony Matthew Scavongelli Duxbury, MA	Chief Legal Officer, Secretary, and Executive Vice President, Homesite Insurance Company of New York General Counsel, Assistant Secretary, and Executive Vice President, Homesite Group Incorporated
James Michael Skelly Yorktown Heights, NY	Attorney and Managing Partner, Marks, O'Neill, O'Brien, Doherty & Kelly, P.C.
Troy Peter Van Beek Waunakee, WI	President, Chief Financial Officer, and Treasurer, Homesite Insurance Company of New York President and Chief Financial Officer, Homesite Group Incorporated

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

<u>Name</u>	<u>Title</u>
Fabian John Fondriest	Chief Executive Officer
Troy Peter Van Beek	President, Chief Financial Officer, and Treasurer
Anthony Matthew Scavongelli	Chief Legal Officer, Secretary and

Susan Gormly Anderson	Executive Vice President General Counsel, Senior Vice President, and Assistant Secretary
Benjamin Patrick Wright	Senior Vice President
David Martin Pfahler, Jr.	Senior Vice President
James Thomas Morahan, Jr.	Vice President

B. Territory and Plan of Operation

As of December 31, 2021, the Company was licensed to write business in New York and Massachusetts.

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>
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
12	Collision
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland only)

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 \$1,700,000.

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

<u>Calendar Year</u>	<u>Total Direct Premiums</u>
2017	\$ 62,403,510
2018	\$ 69,099,104
2019	\$ 88,662,164
2020	\$102,688,958
2021	\$111,042,557

The Company did not assume business during the examination period. The Company specializes in direct-to-consumer homeowners, renters, and condominium insurance coverages primarily in New York State. Direct business is obtained through its call centers, its website, and most significantly, its partnership with large financial institutions (“partners”). The partners through whom the Company sells its products utilize various distribution channels including exclusive agencies, independent agents, financial firms, brokers/dealers, and the Internet.

C. Reinsurance Ceded

Prior to its acquisition by AFMIC, the Company had participated in an inter-company pooling agreement which was terminated effective January 1, 2014. The Company and Homesite Insurance Company of the Midwest (“HICMW”), an authorized affiliate, are parties to a Loss Portfolio Transfer and 100% Quota Share Reinsurance Agreement effective as of January 1, 2014. On February 11, 2016, at the Department’s request, the Company and HICMW amended the quota share agreement, retroactively to January 1, 2016, to reduce the ceded percentage from 100% to 80% in respect of all policies issued or renewed by the Company on or after January 1, 2016, except for premiums and losses associated with the National Flood Insurance Program. In addition, the amendment ensured that the corresponding cash-flows between the Company and HICMW in respect of such policies were based on the same 80% cession (i.e. premiums, ceding commissions, subrogation, salvage, etc.).

As of December 31, 2021, the Company reported approximately \$77,242,097 of unsecured reinsurance recoverables from HICMW. This represents a significant counterparty credit risk for the Company, given that the reinsurance recoverable to surplus ratio is approximately 3.63 to 1. HICMW was examined concurrently with the Company and no financial adjustments were made to HICMW’s financial statements. HICMW reported an RBC ratio of 35,983.8% as of December 31, 2021.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was 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.

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 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.

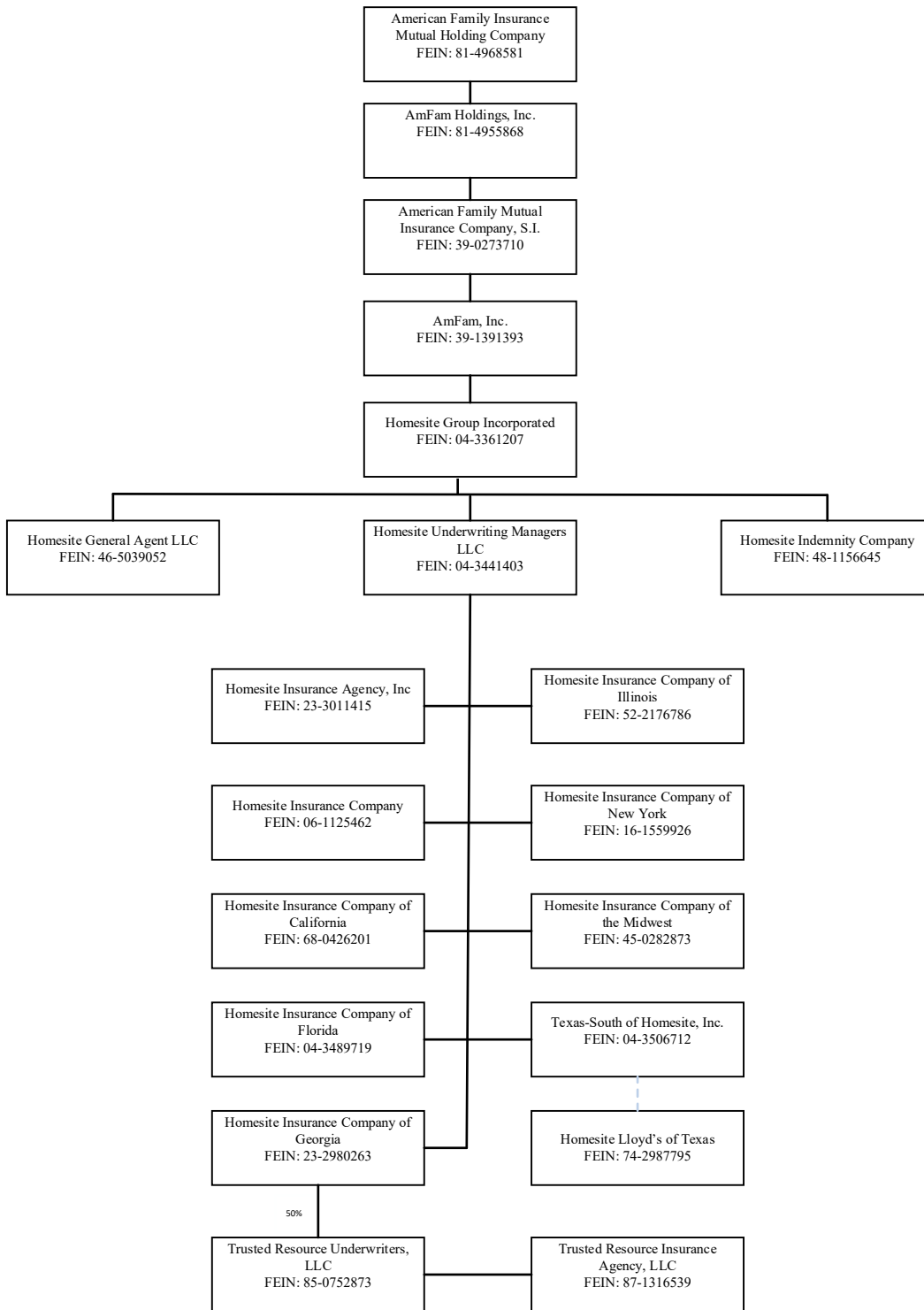
D. Holding Company System

The Company is a member of the American Family Insurance Group. The Company is a wholly owned subsidiary of Homesite Underwriting Managers LLC, a Delaware corporation, which in turn is 100% owned by HGI. HGI is a wholly owned subsidiary of AmFam, Inc., a non-insurance holding company, which is a wholly owned subsidiary of American Family Mutual Insurance Company, S.I. ("AFMICS I"), a Wisconsin domiciled insurer. The ultimate parent is American Family Insurance Mutual Holding Company.

AFMICS I and its wholly owned subsidiaries are engaged principally in the writing of personal and commercial lines property and casualty and life insurance policies within the United States and distribute products through agency and direct sales models, depending on the product and the state of business. Personal lines property and casualty policies are sold through a direct sales distribution channel by HGI and its subsidiaries, PGC Holdings Corp. and its subsidiaries, and American Family Connect Property and Casualty Insurance Company and its subsidiaries.

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 party to the following agreements with other members of its holding company system:

### Service Agreement

Effective June 8, 1999, the Company entered into a service agreement with HGI whereby HGI provides personnel, legal services, and management information systems and facilities support to the Company on a cost allocation reimbursement basis. Pursuant to the terms of the agreement, HGI also provides support in procuring office supplies and equipment and related services and other services that may be requested from time to time by the Company, on mutually agreeable terms. The agreement was amended effective April 1, 2014, to update the parties' addresses for notice purposes. During 2021, the Company incurred costs of approximately \$18,065,000 relating to this agreement. This agreement was filed with the Department in accordance with Section 1505 of the New York Insurance Law.

### Tax Allocation Agreement

Effective January 1, 2013, the Company entered into an amended and restated consolidated federal income tax liability allocation agreement between HGI, as parent, and various other insurance and non-insurance affiliates. The agreement was amended effective January 1, 2013, to provide for the establishment and maintenance of an escrow account for the Company's right to recoup federal income taxes in the event of future net losses. The agreement was further amended effective December 31, 2014, to include Homesite General Agent LLC, a Delaware limited liability company. The agreement and amendments were filed with the Department in accordance with Section 1505 of the New York Insurance Law and Circular Letter No. 33 (1979).

The Company also participates in the following agency agreements with affiliates:

1. Agency agreement between the Company and Homesite Insurance Agency, Inc., effective December 17, 2004;
2. Agency agreement between the Company and various affiliates with American Family Connect Insurance Agency, Inc., effective September 5, 2017. This agreement was subsequently amended on October 1, 2019, and on January 1, 2020;
3. Agency agreement between the Company and various affiliates with American Family Brokerage, Inc., effective April 2, 2019. This agreement was subsequently amended twice on March 8, 2022; and,

4. Agency agreement between the Company and various affiliates with The General Automobile Insurance Services, Inc. and The General Automobile Insurance Services of Ohio, Inc., effective April 16, 2021. This agreement was amended on August 15, 2022.

The agency agreement with Homesite Insurance Agency, Inc. was filed with the Department; however, the other agency agreements were not filed. It is recommended that the Company institute procedures to ensure that related-party agency agreements are timely filed with the Department pursuant to Section 1505(d) of the New York Insurance Law.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2021, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	103%
Adjusted liabilities to liquid assets	62%
Two-year overall operating	88%

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$54,220,633	68.41%
Other underwriting expenses incurred	22,764,800	28.72%
Net underwriting gain (loss)	<u>2,270,141</u>	<u>2.86%</u>
Premiums earned	<u>\$79,255,574</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 297.1% at December 31, 2021. 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, 2021, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$28,685,376	\$0	\$28,685,376
Cash, cash equivalents and short-term investments	8,833,896	0	8,833,896
Investment income due and accrued	81,137	0	81,137
Uncollected premiums and agents' balances in the course of collection	1,843,709	0	1,843,709
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,864,672	0	6,864,672
Amounts recoverable from reinsurers	3,617,387	0	3,617,387
Net deferred tax asset	570,683	0	570,683
Receivables from parent, subsidiaries and affiliates	<u>926,695</u>	<u>0</u>	<u>926,695</u>
Total assets	<u>\$51,423,555</u>	<u>\$0</u>	<u>\$51,423,555</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 6,228,593
Commissions payable, contingent commissions and other similar charges	1,752,656
Other expenses (excluding taxes, licenses and fees)	263,956
Taxes, licenses and fees (excluding federal and foreign income taxes)	157,308
Current federal and foreign income taxes	108,924
Unearned premiums	11,956,850
Advance premium	4,227,904
Ceded reinsurance premiums payable (net of ceding commissions)	5,296,272
Payable for securities	<u>178,384</u>
 Total liabilities	 \$30,170,847

Surplus and Other Funds

Common capital stock	\$ 1,000,000
Gross paid in and contributed surplus	9,600,000
Unassigned funds (surplus)	<u>10,652,708</u>
 Surplus as regards policyholders	 <u>21,252,708</u>
 Total liabilities, surplus and other funds	 <u>\$51,423,555</u>

Note: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through tax year 2014. Audits covering tax years 2015 through 2017 are currently under examination. The Internal Revenue Service has not audited tax returns covering tax years 2018 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 \$2,690,610, as detailed below:

Underwriting Income

Premiums earned		\$79,255,574
Deductions:		
Losses and loss adjustment expenses incurred	\$54,220,633	
Other underwriting expenses incurred	<u>22,764,800</u>	
Total underwriting deductions		<u>76,985,433</u>
Net underwriting gain or (loss)		\$ 2,270,141

Investment Income

Net investment income earned	\$ 1,575,304	
Net realized capital gain	<u>399,499</u>	
Net investment gain or (loss)		1,974,803

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (260,487)	
Finance and service charges not included in premiums	<u>553,445</u>	
Total other income		<u>292,958</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$ 4,537,902
Dividends to policyholders		<u>0</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$ 4,537,902
Federal and foreign income taxes incurred		<u>1,847,292</u>
Net income		\$ <u>2,690,610</u>

C. Capital and Surplus

Capital paid in is \$1,000,000 consisting of 10,000 shares of \$100 par value per share common stock. Gross paid in and contributed surplus is \$9,600,000. Gross paid in and contributed surplus and capital paid in did not change during the examination period.

Surplus as regards policyholders increased \$3,086,011 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			\$18,166,697
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$2,690,610		
Change in net deferred income tax	543,473		
Correction of prior period error	<u>0</u>	<u>\$148,071</u>	
Total gains and losses	\$3,234,083	\$148,071	
Net increase (decrease) in surplus			<u>3,086,011</u> *
Surplus as regards policyholders as reported by the Company as of December 31, 2021			<u>\$21,252,708</u>

\* Rounding difference of \$1

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



#### 4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$6,228,593 is the same as reported by the Company as of December 31, 2021. 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. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination did not contain any comments or recommendations.

#### 6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Holding Company System</u>	
	It is recommended that the Company institute procedures to ensure that related-party agency agreements are timely filed with the Department pursuant to Section 1505(d) of the New York Insurance Law.	10

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Sheik H. Mohamed  
Associate Insurance Examiner

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

Sheik H. Mohamed, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

\_\_\_\_\_/S/\_\_\_\_\_  
Sheik H. Mohamed

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

*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:*

***Sheik Mohammed***

*as a proper person to examine the affairs of the*

***Homesite 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 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 21st day of September, 2021*

*ADRIENNE A. HARRIS  
Acting Superintendent of Financial Services*

*By:*

*Joan Riddell*

*Joan Riddell  
Deputy Bureau Chief*

