



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

AS OF DECEMBER 31, 2021

**EXAMINER:
DATE OF REPORT:**

**WEI CAO
FEBRUARY 23, 2023**

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	2
	C. Capital structure	3
	D. Corporate records	3
	E. Operations	3
	F. Management and control	4
	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	9
7.	Compliance with prior report on examination	10
8.	Summary of comments and recommendations	11

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

February 23, 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 32470 dated January 9, 2023, attached hereto, I have made an examination into the condition and affairs of RVC Insurance Company, Inc. 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 RVC 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.

1. SCOPE OF EXAMINATION

The examination covers the period from January 1, 2017, through December 31, 2021, 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 under the laws of New York State as a captive insurance company on December 22, 2004, and commenced business on December 22, 2006. The Company is a wholly owned subsidiary of Catholic Health System of Long Island (“CHSLI”), a New York not-for-profit corporation and a healthcare ministry of the Diocese of Rockville Centre. CHSLI is an integrated health care delivery system servicing Nassau and Suffolk counties, consisting of six hospitals, three nursing homes, a regional home care and hospice group and a community-based agency for persons with special needs.

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

Incorporated as a pure captive insurance company, 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, 2021, the Company's paid-in capital was 2,250,000, 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 \$2,150,000. The Company had retained earnings of \$109,898,000 for a total capital and surplus (surplus as regards policyholders) of \$112,148,000.

D. Corporate Records

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

E. Operations

As of December 31, 2021, the Company provided CHSLI, its affiliates, and its subsidiaries with the following coverage:

- Health Care Umbrella – Automobile, Employer's General, and Professional Liability: For Good Samaritan Hospital Medical Center & St. Francis Hospital with \$60 million per occurrence and \$60 million in aggregate (for all other entities, \$59 million per occurrence with \$59 million in aggregate). The Company purchased reinsurance through various reinsurers that attaches at \$7 million.
- General Liability Coverage: The limit of the liability is \$1 million per occurrence and with \$2 million in aggregate. No reinsurance was purchased
- Directors & Officers Coverage: The limit of the liability is \$1 million per occurrence and with \$2 million in aggregate. The Company retains 100%.

Where applicable underlying insurance coverages provided by the Company, as well as the associated underlying insurance policies have the added protection of terrorism insurance as defined by the Terrorism Risk Insurance Act of 2002 (“TRIA”) and subsequently reauthorized as the Terrorism Risk Insurance Program Reauthorization Act (“TRIPRA”).

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 May 1, 2014, Willis has the responsibility for providing the Company with underwriting, policyholder services, 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, and maintaining true and complete books of account and records for all business conducted under this agreement. The agreement was amended on April 14, 2021, to reflect a new annual fee for the period of May 1, 2021, to May 1, 2022.

(ii) Board of Directors

Pursuant to the Company’s by-laws, its business and affairs shall be managed under the direction of the board of directors. There shall not be less than three board members, two of whom shall be residents of New York State. At December 31, 2021, the board of directors was comprised of the following three members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Daniel Debarba Orange, CT	Executive Vice President & Chief Financial Officer, Catholic Health Services of Long Island
Brian McGuire Babylon, NY	Vice Chair, CHSLI Board of Directors, Catholic Health Services of Long Island
Patrick O'Shaughnessy Dix Hills, NY	President & Chief Executive Officer Catholic Health Services of Long Island

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

(iii) Officers

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

<u>Name</u>	<u>Title</u>
Brian McGuire	President
Lesli Giglio	Secretary
Daniel Debarba	Treasurer

G. Certified Public Accountant

Ernst & Young LLP (“EY”) was the Company’s independent certified public accounting firm for the years 2018 to 2021. EY stated that the Company’s financial statements present fairly, in all material respects, its financial position at December 31, 2021, and that the results of its operations and cash flows for the year then ended was 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

Cash	\$21,754,000	
Investment	164,991,000	
Insurance premiums receivable	20,609,000	
Loans due from related parties	40,000,000	
Prepaid Insurance Premiums	2,483,000	
Prepaid expenses	333,000	
Reinsurance Recoverable	15,979,000	
Deferred policy acquisition cost	<u>242,000</u>	
Total assets		<u>\$266,391,000</u>

Liabilities

Unearned premiums	\$20,609,000	
Losses and loss adjustment expenses	132,201,000	
Accounts payable and accrued expenses	1,056,000	
Due to related parties	<u>377,000</u>	
Total liabilities		<u>\$154,243,000</u>

Capital and Surplus

Common stock	\$100,000	
Additional paid-in capital	2,150,000	
Retained earnings	<u>109,898,000</u>	
Total capital and surplus		<u>112,148,000</u>
Total liabilities, capital and surplus		<u>\$266,391,000</u>

B. Statement of Income

The Company's net income for the period covered by the examination was \$98,878,000 as detailed below:

Underwriting Income

Premiums earned		\$126,946,000
-----------------	--	---------------

Deductions:

Incurring losses and loss adjustment expense	\$63,781,000	
Claims administration fees	818,000	
Brokerage fees	663,000	
Policy acquisition costs	<u>1,470,000</u>	
Total underwriting deductions		<u>66,732,000</u>

Total underwriting income		60,214,000
---------------------------	--	------------

Investment income

Administrative expenses	(3,482,000)	
Investment income	19,117,000	
Change in unrealized gains on investments	<u>23,029,000</u>	
Total investment income		<u>38,664,000</u>

Net income		<u>\$98,878,000</u>
------------	--	---------------------

C. Capital and Surplus Account

The Company's capital and surplus increased \$78,878,000 during the period covered by this examination, detailed as follows:

Capital and surplus as of January 1, 2017			\$33,270,000
	<u>Increases in</u> <u>surplus</u>	<u>Decreases in</u> <u>surplus</u>	
Net Income	\$98,878,000	\$0	
Dividends	<u> </u>	<u>20,000,000</u>	
Total increases and decreases in surplus	98,878,000	20,000,000	
Net increases in surplus			<u>78,878,000</u>
Capital and surplus as of December 31, 2021			<u>\$112,148,000</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2021, the Company reported total losses and loss adjustment expense reserves of \$132,201,000. The Company's opining actuarial firm, Oliver Wyman Actuarial Consulting, Inc., stated in its Statement of Actuarial Opinion that, in its opinion, the Company's December 31, 2021, carried reserves were computed in accordance with accepted loss reserving standards and principles. It was also stated that the reserves made a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its policies 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. 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, 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.

7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained five recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
i. It is recommended that the Company amend its facultative agreement to include the required language pursuant to Section 1308(a)(2)(A)(i) of the New York Insurance Law. The Company has complied with this recommendation.	5
ii. It is recommended that the Company amend its facultative reinsurance agreements to include wording which states, “that in the event of the <i>[insolvency]</i> of either party to the agreement then offset shall be allowed to the extent permitted by the provisions of Section 7427 of the New York Insurance Law.” The Company has complied with this recommendation.	5
iii. It is recommended that the Company execute an agreement with its reinsurance intermediary pursuant to Department Regulation 98. It is further recommended that the Company ensures compliance with Part 32.3 of Department Regulation 98, as to the reinsurance intermediary’s fiduciary responsibilities. The Company has complied with this recommendation.	5
B. <u>Management and Control</u>	
i. It is recommended that the Company amend Article III of its Amended and Restated Declaration and Charter and Article I of its By-Laws to reflect the correct County for its <i>[principal]</i> office location. The Company has complied with this recommendation.	7
ii. It is recommended that the Company execute an agreement for the services rendered by CHSLI and provide the agreement to the Department pursuant to 1505(d) of the New York Insurance Law. The Company has complied with this recommendation.	7

8. **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.

APPOINTMENT NO. 32470

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Adrienne A. Harris, 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

RVC 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 9th day of January, 2023

ADRIENNE A. HARRIS
Superintendent of Financial Services

By:

Joan Riddell

Joan Riddell
Deputy Bureau Chief

