



**REPORT ON EXAMINATION  
OF  
EXCISE BOND UNDERWRITERS**

**AS OF NOVEMBER 30, 2019**

**EXAMINER:  
DATE OF REPORT:**

**LAMIN JAMMEH  
SEPTEMBER 15, 2020**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

July 26, 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 32091 dated May 22, 2020, attached hereto, I have made an examination into the condition and affairs of Excise Bond Underwriters as of November 30, 2019, and submit the following report thereon.

Wherever the designation “the Association” appears herein without qualification, it should be understood to indicate Excise Bond Underwriters.

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 previous examination was conducted as of November 30, 2014. This examination covered the five-year period from December 1, 2014 through November 30, 2019. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a complete verification of assets and liabilities as of November 30, 2019. The examination included a review of corporate governance, management, income, disbursement, and Association records as deemed necessary to accomplish the analysis and/or verification of the Association's audited financial statements. This examination also utilized work performed by the Association's independent certified public accountant to the appropriate extent.

This examination report includes, but is not limited to, the following:

- Association history
- Management and control
- Territory and plan of operation
- Financial statement presentation
- 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 ASSOCIATION

Excise Bond Underwriters was organized in 1933 as an unincorporated association pursuant to New York State Regulations for the purpose of issuing or reinsuring bonds required by the New York State Liquor Authority for the manufacture, transportation, and sale of alcoholic beverages.

In June 1978, the Association became a subscribing member of the Affiliated Reinsurance Association ("AreA"), a non-profit, non-incorporated organization established for the purpose of administering all matters involving its memberships and/or affiliates. Pursuant to a Governing Document, adopted November 29, 1977, and amended as of November 13, 1985, and November 26, 2001, the functions performed by AreA consist of managerial, staff services, and related activities necessary for the operations of all its members. Services rendered by AreA include employment of all personnel, payment of general expenses, leasing of office facilities and equipment, participation in contractual arrangements, and custodianship of necessary files and records. However, as provided in the agreement subscribed to by each

member, specific policy determination and operations are excluded from these functions. As of November 30, 2019, the remaining members of AreA were Excise Bond Underwriters and Railroad Insurance Underwriters.

A. Corporate Governance

The Association operates under the provisions of an Amended Excise Reinsurance Agreement of May 1, 1968. The reinsurance agreement provides that the members of the agreement must elect or appoint an executive committee. The functions of the executive committee are analogous to the board of directors of a corporation. The executive committee members are selected by members of the reinsurance pool to serve for a term of three years. The committee is authorized to engage a manager, attorney, or such other employees as necessary to carry out the purpose of the agreement. The executive committee is required to meet twice a year.

At November 30, 2019, the only member of the executive committee was Great American Insurance Company.

As of November 30, 2019, the principal officers of the Association were as follows:

<u>Name</u>	<u>Title</u>
John L. Comeau	President and Corporate Secretary
Efthymia Tsoukalas	Senior Vice President
Xhuhere Mehovic	Vice President and Treasurer

B. Territory and Plan of Operation

Excise Bond Underwriters was created for the sole purpose of issuing or reinsuring bonds required by the New York State Liquor Authority. The Association utilizes the services of independent agents, brokers, and attorneys to acquire and/or solicit business throughout New York State. Business is generated by the issuance of bonds for permits and beer or liquor licenses. The New York State Liquor Authority is responsible for determining the penal amount of a bond based on the class of business and the type of license. The Association is, however, responsible for the establishment of the premium associated with a bond. Accordingly, all premiums or rates for the bonds are subject to the approval of the Department.

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

<u>Calendar Year</u>	<u>Direct Premiums</u>
2015	\$744,921
2016	\$502,352
2017	\$384,965
2018	\$338,577
2019	\$380,675

C. Amended excise reinsurance agreement

The Association operates under the provisions of an Amended Excise Reinsurance Agreement of May 1, 1968, for the purpose of reinsuring its members for all excise bonds issued and/or required by the State of New York in connection with the manufacture or sale of alcoholic beverages. As of November 30, 2019, Great American Insurance Company was the only member.

D. Significant Ratios

The Company's operating ratios, computed as of November 30, 2019, 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 in 2019 to surplus as regards policyholders	30.53%
Premiums in course of collection to surplus as regards policyholders	3.24%
Liabilities to liquid assets	66.85%

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	\$ 183,198	7.05%
Other underwriting expenses incurred	1,834,892	70.65%
Net underwriting gain (loss)	<u>578,905</u>	<u>22.30%</u>
Premiums earned	<u>\$2,596,995</u>	<u>100.00%</u>

E. Accounts and Records

The Association is not an insurance company and is therefore not required to prepare an annual statement on an NAIC blank statement. The Association is subject to the provisions of Section 2317(c) of the New York Insurance Law, which provides that every group, association, or other organization of insurers which engages in joint underwriting or joint reinsurance “shall be subject to examination by the superintendent as often as he may deem it expedient.” In order for the Department to monitor the operations of the Association, and in lieu of more frequent Department examinations, the Association has agreed to provide a copy of its audited financial statements to the Department on an annual basis.

The Association has provided its audited financial statements to the Department for the period under examination.

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities, and surplus as regards policyholders as of November 30, 2019, as reported by the Association:

##### Assets

Investments	\$1,568,203
Cash and cash equivalents	135,748
Investment income receivable	6,239
Premiums in course of collections, net of commissions	40,442
Advances to affiliates (AreA)	<u>55,000</u>
Total admitted assets	<u>\$1,805,632</u>

##### Liabilities and Member's Equity

##### Liabilities

Losses	\$ 11,500
Loss adjustment expenses	9,396
Unearned premium	501,922
State and local taxes	2,185
Other expenses	<u>33,721</u>
Total Liabilities	\$ 558,724
Members' Equity	<u>1,246,908</u>
Total Liabilities and Members' Equity	<u>\$1,805,632</u>

Note: Excise Bond Underwriters is a not-for-profit association. It is not required to file a federal income tax return.



B. Statement of Income

The net income for the examination period as reported by the Association was \$744,182, as detailed below:

Underwriting Income

Premiums earned		\$2,596,995
Deductions:		
Losses and loss adjustment expenses incurred	\$ 183,198	
Other underwriting expenses incurred	<u>1,834,892</u>	
Total underwriting deductions		<u>2,018,090</u>
Net underwriting gain or (loss)		578,905

Investment Income

Net investment gain or (loss)		162,294
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Other Income

Counter service charges	2,981	
Agents balances – charge off	<u>2</u>	
Total other income		<u>2,983</u>
Net income		\$ <u>744,182</u>

C. Members' Equity

Members' equity increased \$593,593 during the five-year examination period December 1, 2014, through November 30, 2019, as reported by the Association, detailed as follows:

Members' equity per report on examination as of November 30, 2014	Gains in Members' <u>Equity</u>	Losses in Members' <u>Equity</u>	\$ 653,315
Net income	\$744,182		
Change in non-admitted assets		\$ 589	
Distribution to member company	<u>0</u>	<u>150,000</u>	
Total gains and losses	\$744,182	\$150,589	
Net increase (decrease) in members' equity			<u>593,593</u>
Members' equity per report on examination as of November 30, 2019			<u>\$1,246,908</u>

4. **COMPLIANCE WITH PRIOR REPORT ON EXAMINATION**

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

5. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Lamin Jammeh  
Senior Insurance Examiner

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

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

\_\_\_\_\_/S/\_\_\_\_\_  
Lamin Jammeh

Subscribed and sworn to before me

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

*APPOINTMENT NO. 32091*

*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:*

***Lamin Jammeh***

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

***Excise Bond Underwriters***

*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 22nd day of May, 2020*

*LINDA A. LACEWELL  
Superintendent of Financial Services*

*By:*

*Joan L. Riddell*

*Joan Riddell  
Deputy Bureau Chief*

