



**REPORT ON EXAMINATION
OF
UNITED INTERNATIONAL INSURANCE COMPANY
(now known as SAFECHOICE INSURANCE COMPANY)**

AS OF DECEMBER 31, 2019

**EXAMINER:
DATE OF REPORT:**

**LEE PROWELL
FEBRUARY 8, 2023**

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	3
	A. Corporate governance	3
	B. Territory and plan of operation	5
	C. Reinsurance ceded	6
	D. Holding company system	6
3.	Financial statements	9
	A. Balance sheet	9
	B. Statement of income	10
	C. Capital and surplus	11
4.	Losses and loss adjustment expenses	12
5.	Subsequent events	12
6.	Compliance with prior report on examination	13
7.	Summary of comments and recommendations	13

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

July 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 32094 dated May 26, 2020, attached hereto, I have made an examination into the condition and affairs of United International Insurance Company, now known as SafeChoice Insurance Company, as of December 31, 2019, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate United International Insurance Company.

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 Company, a single-state insurer. The previous examination was conducted as of December 31, 2014. This examination covered the five-year period from January 1, 2015 through December 31, 2019. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

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

A review was also made to ascertain what action was taken by the Company with regard to the recommendation contained in the prior report on examination.

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

United International Insurance Company was incorporated under the laws of the State of New York on September 25, 1986. It became licensed on May 10, 1988 and commenced business on the same date.

As a result of significant losses, and with the consent of the Department, the Company ceased writing new and renewal business effective July 1, 1997.

As of December 31, 2019, the Company was a wholly owned subsidiary of American European Insurance Company, a New Hampshire-domiciled insurer. HSI Partnership was the ultimate controlling entity, owning 59.16% of the voting stock of American European Group, Inc., the Company's indirect parent.

Effective March 1, 2021, the Department approved the acquisition of the Company by Ms. Susan M. DiLoreto (ultimate parent), Blue Sky Basin Capital Partners LLC, and SureChoice Holdings, Inc. from American European Insurance Company. At that time, the Company's name was changed to SureChoice Insurance Company ("SureChoice"). Writings re-commenced in April 2022.

On February 8, 2023, the Department approved SureChoice's name change to SafeChoice Insurance Company.

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 nine members. The board meets four times during each calendar year. At December 31, 2019, the board of directors was comprised of the following eight members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Abraham Biderman New York, New York	Chairman, Eagle Advisors LLC
Ari Chitrik Brooklyn, New York	Vice President, Citra Trading Corp.
Steve Klein Boynton Beach, Florida	Treasurer, American European Insurance Group, Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Shmuel Levinson New York, New York	President, Levinson Capital Management LLC
David Manuel Singer Brooklyn, New York	Treasurer, Women's League Community Residence Inc.
Harmon Spolan Philadelphia, Pennsylvania	Attorney, Cozen O'Conner P.C.
Nachum John Stein Brooklyn, New York	Chairman and Chief Executive Officer, American European Insurance Group, Inc.
Raquel Wolf Brooklyn, New York	Chief Executive Officer, Hirsch Wolf & Co., Inc.

Subsequent to the acquisition of the Company in 2021, the board of directors consisted of the following members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Robert Camillo Manhasset, New York	Retired
Susan Mary DiLoreto Wilton, Connecticut	Managing Member, Blue Sky Basin Capital Partners LLC
Edward James Konar St. Charles, Illinois	President, Treasurer and Secretary, SureChoice Holdings, Inc.
Robert Edward McGowan Bedford, Texas	President, Southern Belle Pageantry, LLC
David John Nichols Wilton, Connecticut	Managing Director, FTI Consulting
Christopher David Suozzi New York, New York	Vice President, AmTrust Financial Group

As of December 31, 2019, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Nachum John Stein	President
Shaindy Dembitzer	Secretary
Francis William McDonnell	Chief Financial Officer and Treasurer
Vivalde Couto	Senior Vice President and Chief Underwriting Officer

Subsequent to the acquisition of the Company, the principal officers of the Company are as follows:

<u>Name</u>	<u>Title</u>
Edward James Konar	President and Treasurer
John Robert Camillo	Secretary

B. Territory and Plan of Operation

At December 31, 2019, the Company was licensed to write business solely in New York. The Company did not write business during the examination period.

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
12	Collision
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage
20	Inland marine only

Based upon the lines of business for which the Company was licensed and the Company's capital structure at December 31, 2019, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company was required to maintain a minimum surplus to policyholders in the amount of \$1,200,000.

C. Reinsurance Ceded

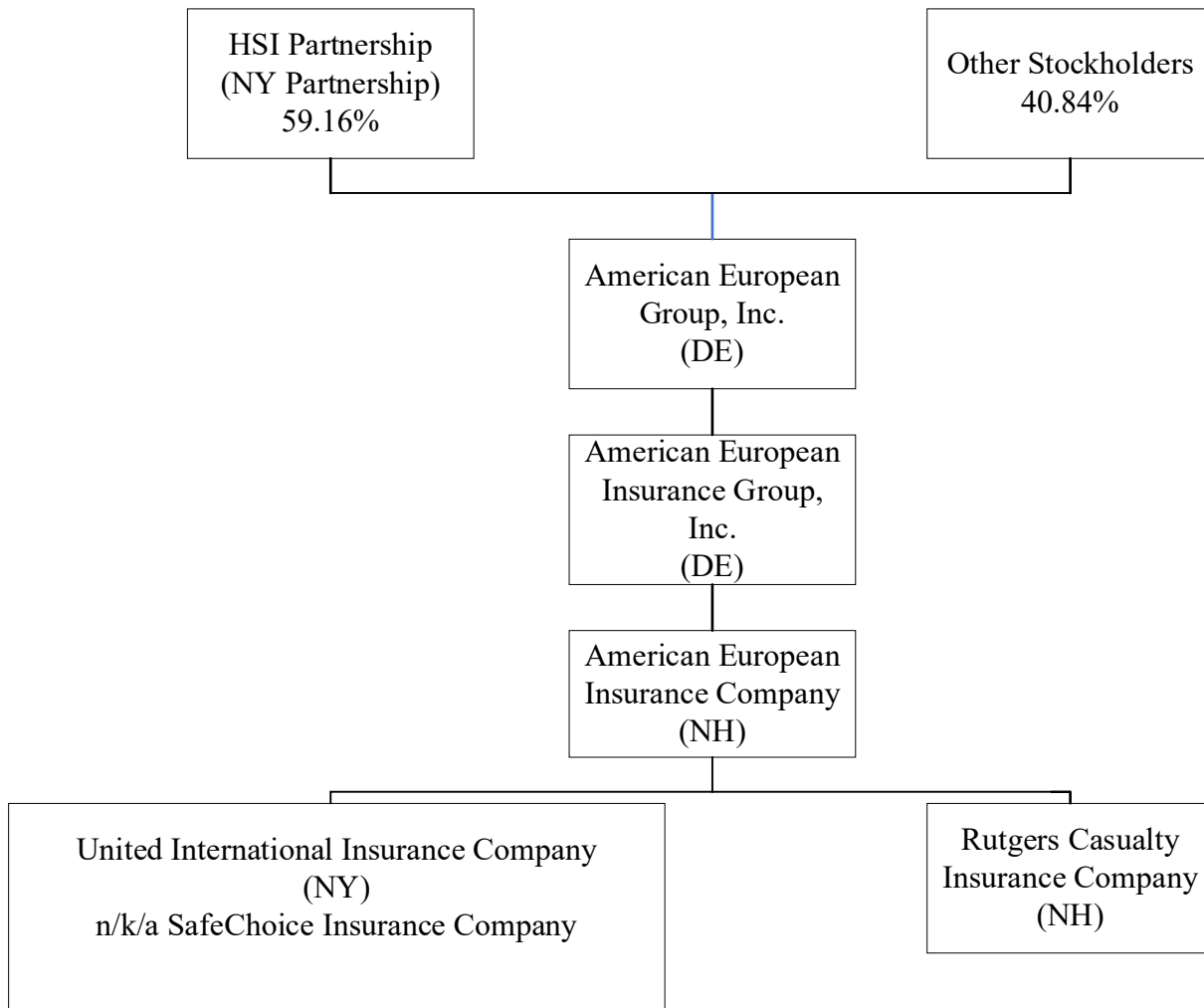
As of the examination date, the Company had not written business since 1997. There are no significant reinsurance recoverables.

D. Holding Company System

As of December 31, 2019, the Company was a member of the American European Group. The Company was a wholly owned subsidiary of American European Insurance Company, a New Hampshire-domiciled insurer. The ultimate controlling entity was HSI Partnership, which owned 59.16% of the voting stock of American European Group, Inc., the Company's indirect parent. No other entity or person owned more than 10% of the voting stock of American European Group, Inc.

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, 2019:



Holding Company Agreements

At December 31, 2019, the Company was party to the following agreements with other members of its holding company system:

Service Agreement

Effective January 1, 2010, the Company entered into a service agreement with American European Group, Inc. (“AEG”). Under the agreement, AEG agreed to serve as an investment advisor to the Company. The agreement included but was not limited to, reviewing and giving advice concerning all proposed transactions pertaining to the management of bonds, preferred and common stocks, cash investments, real estate investments, and any other investments.

Tax Allocation Agreement

Effective December 31, 2009, and last amended on July 10, 2018, the Company entered into a tax allocation agreement with AEG. The agreement is to determine the amount of federal income tax to be allocated to members of the affiliated group and the amount of tax each member will pay to or receive from AEG.

General Accounts Payable Agreement

Effective January 1, 2010, and last amended on March 22, 2019, the Company and various affiliates entered into a general accounts payable agreement with AEG. Under the agreement, accounts payable shall mean any amount owed by the Company or the affiliate for goods, services, or property purchased, where from a practical standpoint, it is more efficient to have a payment made by AEG, the Company, or affiliate, where the paying party will seek reimbursement from the other party for its portion of the goods, services or property purchased.

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

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2019, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 510,262		\$ 510,262
Cash, cash equivalents and short-term investments	4,341,626		4,341,626
Investment income due and accrued	<u>869</u>		<u>869</u>
Total assets	<u>\$4,852,757</u>		<u>\$4,852,757</u>
 <u>Liabilities, Surplus and Other Funds</u>			
<u>Liabilities</u>			
Losses and loss adjustment expenses			\$ (9,020)
Payable to parent, subsidiaries and affiliates			<u>7,433</u>
Total liabilities			\$ (1,587)
 <u>Surplus and Other Funds</u>			
Common capital stock		\$1,000,000	
Gross paid in and contributed surplus		4,312,467	
Unassigned funds (surplus)		<u>(458,123)</u>	
Surplus as regards policyholders			<u>4,854,344</u>
Totals liabilities, surplus and other funds			<u>\$4,852,757</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2015 through 2019. 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 \$142,120, as detailed below:

Underwriting Income

Premiums earned		\$ 0
Deductions:		
Losses and loss adjustment expenses incurred	\$ 85,866	
Other underwriting expenses incurred	<u>54,937</u>	
Total underwriting deductions		<u>140,803</u>
Net underwriting gain or (loss)		(140,803)

Investment Income

Net investment income earned	\$301,852	
Net realized capital gain	<u>(12,832)</u>	
Net investment gain or (loss)		<u>289,020</u>
Net income before federal and foreign income taxes		148,217
Federal and foreign income taxes incurred		<u>6,097</u>
Net income		<u>\$142,120</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$147,422 during the five-year examination period January 1, 2015, through December 31, 2019, as reported by the Company, detailed as follows:

Surplus as regards policyholders, as reported by the Company as of December 31, 2014			\$4,706,902
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$ 142,120		
Net unrealized capital gains or losses	6,492		
Change in net deferred income tax		\$ 16,127	
Change in nonadmitted assets	14,957		
Change in surplus notes		1,700,000	
Surplus adjustments paid in	<u>1,700,000</u>	<u>0</u>	
Total gains and losses	\$1,863,569	\$1,716,127	
Net increase (decrease) in surplus			<u>147,442</u>
Surplus as regards policyholders, as reported by the Company as of December 31, 2019			<u>\$4,854,344</u>

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

Capital paid in is \$1,000,000 consisting of 1,000,000 shares of \$1 par value per share common stock. Gross paid in and contributed surplus is \$4,312,467. Gross paid in and contributed surplus increased during the examination period by \$1,700,000.

On August 24, 2017, the Department approved a capital contribution of \$1,700,000 to the Company by its parent, American European Insurance Company (“AEIC”). The capital contribution was made to satisfy the Company’s outstanding surplus note with AEIC. AEIC forgave the interest component of the surplus note.

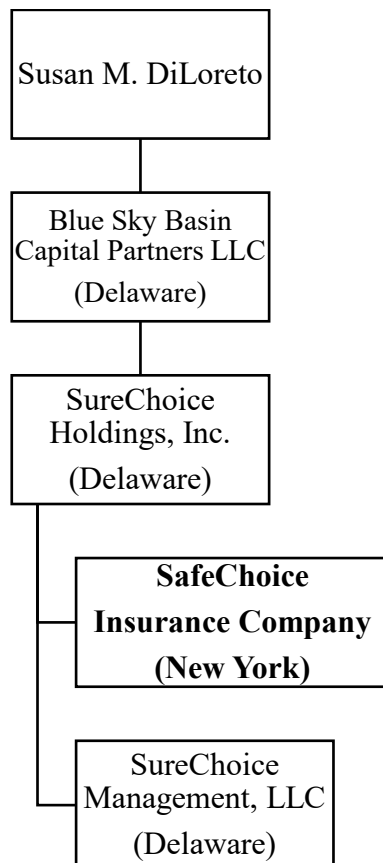
4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$(9,020) is the same as reported by the Company as of December 31, 2019. 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

As previously noted, on March 1, 2021, Ms. Susan M. DiLoreto (ultimate parent), Blue Sky Basin Capital Partners LLC, and SureChoice Holdings, Inc. purchased the Company from American European Insurance Company. At that time, the Company's name was changed to SureChoice Insurance Company ("SureChoice"). Writings re-commenced in April 2022.

On February 8, 2023, the Department approved SureChoice's name change to SafeChoice Insurance Company. The following is an abridged chart of the new holding company system:



6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
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A. <u>Management</u>	
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- | | | |
|---|---|---|
| i | It was recommended that the Company's board members who are unable or unwilling to attend meetings consistently should resign or be replaced. | 5 |
|---|---|---|

As of March 1, 2021, effective with the acquisition of the Company, there has been a change in board membership.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Respectfully submitted,

_____/S/_____
Lee Prowell
Associate Insurance Examiner

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

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

_____/S/_____
Lee Prowell

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:

Lee Prowell

as a proper person to examine the affairs of the

United International Insurance Company

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 26th day of May, 2020

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:

Joan L. Riddell

*Joan Riddell
Deputy Bureau Chief*

