



**REPORT ON EXAMINATION
OF
IFM ASSURANCE COMPANY**

AS OF DECEMBER 31, 2020

**EXAMINER:
DATE OF REPORT:**

**WEI CAO
FEBRUARY 28, 2022**

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KATHY HOCHUL
Governor

ADRIENNE A. HARRIS
Superintendent

August 22, 2023

Honorable Adrienne A. Harris
Superintendent 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 32330 dated December 21, 2021, attached hereto, I have made an examination into the condition and affairs of IFM Assurance Company as of December 31, 2020, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate IFM Assurance 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 examination covers the period from the Company's initial commencement of business through December 31, 2020 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 procedural recommendations, items requiring financial adjustment, 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 on December 11, 2014, under the laws of New York State as a captive insurance company and commenced business on January 30, 2015. The Company is a wholly owned subsidiary of ABM Industries Incorporated ("the Parent"). The Company writes Workers' Compensation Deductible Reimbursement coverage for the Parent and its affiliates.

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

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, 2020, the Company's paid-in capital was \$34,200,000, consisting of 100,000 shares of common stock with a par value of \$1 per share and an additional paid-in capital amount of \$34,100,000. The Company had retained earnings of \$36,601,828 for a total capital and surplus (surplus as regards policyholders) of \$70,801,828.

D. Corporate Records

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

E. Operations

As of December 31, 2020, the Company writes only Workers' Compensation Deductible Reimbursement coverage for the Parent and its affiliates, with policy limits ranging from \$500,000 to \$1,500,000 per occurrence, with no annual aggregate.

The Company provided Automobile and General Liability Deductible Reimbursement in 2015 but did not renew these coverages after that year.

The Company did not assume nor cede any business during the period covered by the examination.

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.

From its inception to July 31, 2017, the Company was managed by Marsh Management Services, Inc. ("Marsh"). Effective August 1, 2017, Marsh was replaced as manager by Willis Towers Watson of New York ("Willis"), which is authorized to act as a captive manager by the Department.

Pursuant to a management agreement, Willis has the responsibility for providing, insurance program design and administration, underwriting, accounting, and advice on reinsurance to the Company.

(ii) Board of Directors

Pursuant to its by-laws, the business and affairs of the Company shall be managed under the direction of a 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, 2020, the board of directors was comprised of the following five members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Robert Avant Hempstead, TX	Consulting Director, IFM Assurance Company
Michael Beck Sugar Land, TX	Vice President Internal Audit, ABM Industries Incorporated
Susie Kim New York, NY	Vice President, Investor Relations & Treasurer, ABM Industries Incorporated
Jessica Morgan Roswell, GA	Senior Vice President, Risk & Safety, ABM Industries Incorporated
Andrea Newborn Chappaqua, NY	Executive Vice President, General Counsel & Secretary, ABM Industries Incorporated

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

(iii) Officers

As of December 31, 2020, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Jessica Morgan	President
Andrea Newborn	Secretary
Susie Kim	Treasurer

G. Certified Public Accountant

KPMG was the independent certified public accounting firm for the Company from its inception to 2017. KPMG was replaced by Johnson Lambert LLP in 2018. Johnson Lambert LLP expressed that the Company's financial statements presented fairly, in all material respects, its financial position as of December 31, 2020, and that the results of its operations and its cash flows for the year then ended was in conformity 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

Premium receivable	\$53,779,518	
Cash	291,736	
Accounts receivable	184,195,656	
Loan and accrued interest receivable from Parent	35,021,675	
Deferred tax assets	6,083,468	
Deferred acquisition costs	154,092	
Prepaid expenses	<u>56,875</u>	
Total assets		<u>\$279,583,020</u>

Liabilities

Unearned premium	\$57,068,613	
Losses and loss adjustment expenses	139,829,409	
Loss payable	3,704,060	
Accrued expenses	27,098	
Other liability	91,344	
Federal income tax payable	<u>8,060,668</u>	
Total liabilities		<u>\$208,781,192</u>

Capital and Surplus

Common stock	\$100,000	
Additional paid in capital	34,100,000	
Retained earnings	<u>36,601,828</u>	
Total capital and surplus		<u>\$70,801,828</u>
Total liabilities, capital and surplus		<u>\$279,583,020</u>

B. Statement of Income

The Company's net income for the period covered by the examination was \$36,601,828 as detailed below:

Underwriting Income

Net premiums earned		\$421,093,171
Deductions:		
Loss and loss adjustment expenses	\$394,213,782	
General and administrative expenses	1,577,097	
Amortization of policy acquisition costs	<u>1,117,523</u>	
Total deductions		<u>396,908,402</u>
Total underwriting income		\$24,184,769
Total investment income		<u>23,409,589</u>
Total income before income tax		\$47,594,358
Income tax		<u>10,992,530</u>
Net income		<u>\$36,601,828</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$70,801,828 during the period covered by this examination, detailed as follows:

Capital and surplus as of January 30, 2015			\$0
	Increase in <u>surplus</u>	Decrease in <u>surplus</u>	
Net income	\$36,601,828	\$0	
Common stock	100,000		
Additional paid-in capital	<u>34,100,000</u>	—	
Total increases and decreases in surplus	<u>\$70,801,828</u>	<u>\$0</u>	
Net increase in surplus			<u>70,801,828</u>
Capital and surplus as of December 31, 2020			<u>\$70,801,828</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2020, the Company reported outstanding losses and loss adjustment expense reserves of \$139,829,409. The Company's opining actuarial firm, Oliver Wyman noted in its Statement of Actuarial Opinion that loss and loss adjustment expense provision is computed in accordance with accepted loss reserving standards and principles and meet the requirements of the insurance laws of New York. It also noted that it makes a reasonable provision for all unpaid loss and loss adjustment expense obligations of IFM 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. 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, 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:

Wei Cao

as a proper person to examine the affairs of the

IFM Assurance 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 21st day of December, 2021

*ADRIENNE A. HARRIS
Acting Superintendent of Financial Services*

By:

Joan Riddell

*Joan Riddell
Deputy Bureau Chief*

