



**REPORT ON EXAMINATION  
OF  
ADECCO INDEMNITY COMPANY OF NY, INC.  
AS OF DECEMBER 30, 2018**

**EXAMINER:  
DATE OF REPORT:**

**WEI CAO  
FEBRUARY 1, 2022**

## 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	3
	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.	Summary of comments and recommendations	9

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KATHY HOCHUL  
Governor



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ADRIENNE A. HARRIS  
Superintendent

February 1, 2022

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 32114 dated June 30, 2020, attached hereto, I have made an examination into the condition and affairs of Adecco Indemnity Company of NY, Inc. as of December 31, 2018, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Adecco Indemnity Company of NY, 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 September 27, 2013, through December 31, 2018, 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 review 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

Adecco Indemnity Company of NY, Inc. was incorporated on September 27, 2013, under the laws of the State of New York and commenced business on October 11, 2013. The Company is wholly-owned by ADO Staffing, Inc., which is a subsidiary of Adecco, S.A. ("the Parent").

Adecco, S.A is the world's leading provider of human resource solutions. The Company provides workers' compensation coverage to the Parent and its affiliates on a deductible reimbursement basis.

### 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, 2018, the Company's paid-in capital was \$4,850,000, consisting of one-thousand shares of common stock with a par value of one-hundred dollars per share and an additional paid-in capital amount of \$4,750,000. The Company had retained earnings of \$12,144,558 for a total capital and surplus (surplus as regards policyholders) of \$16,994,558.

D. Corporate Records

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

E. Operations

As of December 31, 2018, the Company provided the Parent and its affiliates with Workers' Compensation coverage on a deductible reimbursement basis. The coverage had a limit of \$3,000,000 per occurrence with no aggregate. The policy covered the period from January 1, 2018, through December 31, 2018.

During period covered by this examination the Company participated in the Green Island Reinsurance Treaty ("GIRT"), a contractual treaty arrangement among a group of participating captive insurance companies in which each participant exchanges its individual company risk for a share of a portfolio of similar risks. GIRT, composed almost entirely of insurers not authorized to do business in New York at the examination date, reinsures the primary \$200,000 per occurrence limit of Workers' Compensation, Federal Employers Liability, General Liability and Automobile Liability, while the Company assumes its proportionate share of similar risks. Effective January 1, 2017, the Company's cession to GIRT increased to \$300,000 per occurrence.

In its December 31, 2018, annual statement the Company reported a reinsurance recoverable asset resulting from cessions to GIRT. Section 7010(c) of the Law provides that a ceding insurer may take credit for reserves on risks or portions of risks ceded to reinsurers that comply with Section 1301(a)(9) of the Law. For the Company's reinsurance recoverable from the companies constituting GIRT at the examination date

to be allowed as an admitted asset, it must be collateralized pursuant to item (iii) of the aforementioned section of the Law.

The examination's review found that the Company was able to take the statutory reinsurance credit under this Section because it demonstrated that adequate collateral was maintained.

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 Marsh Management Services, Inc. ("Marsh"), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, effective September 27, 2013, Marsh has the responsibility for providing the Company with underwriting, administrative and other general management and operational services for a fee. These responsibilities also include assisting the Company in complying with the rules, regulations and requirements of the Law and the preparation of the annual financial report required by the Department.

(ii) Board of Directors

Pursuant to its by-laws, the Company's business and affairs shall be managed under the direction of a board of directors. The board shall be comprised of no fewer than three nor no more than ten directors, of which at least two of whom shall be residents of New York State, and all shall be citizens of the United States. At December 31, 2018, the board of directors was comprised of the following four members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Dawn Ehrhart Huntington, NY	Senior Vice President, Service Center, Adecco Group
Peter Lankowicz East Islip, NY	Vice President, Finance, Adecco US

Susan Shemanski  
Jacksonville, FL

Vice President – Corporate Risk Management,  
Adecco Group

Michael Todd Pulley  
Heathrow, FL

Chief Finance Officer,  
Adecco Staffing

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

(iii) Officers

As of December 31, 2018, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Michael Todd Pulley	President
Susan Shemanski	Vice President
Gregory Dale Holland	Secretary
Teresa Gunter	Treasurer

G. Certified Public Accountant

Johnson Lambert LLP was the Company's independent certified public accounting firm during the period covered by the examination. Johnson Lambert LLP concluded that the Company's financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and that the results of its operations and cash flow for the year then ended was in conformity with the 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	\$127,081,736	
Premium receivable	9,384,470	
Reinsurance receivable on paid losses	15,779,115	
Reinsurance recoverable on unpaid losses	55,123,024	
Prepaid expenses	1,275	
Accrued investment income	237,429	
Net deferred tax asset	<u>2,513,009</u>	
Total assets		<u>\$210,120,058</u>

##### Liabilities

Losses and loss adjustment expenses	\$173,451,809	
Losses payable	18,535,447	
Accrued expenses	168,599	
Federal income tax payable	<u>969,645</u>	
Total liabilities		<u>\$193,125,500</u>

##### Capital and Surplus

Common stock	\$100,000	
Additional paid-in capital	4,750,000	
Surplus	<u>12,144,558</u>	
Total capital and surplus		<u>\$16,994,558</u>
Total liabilities, capital and surplus		<u>\$210,120,058</u>



B. Statement of Income

The Company's net income for the period covered by the examination was \$12,144,558, as detailed below:

Underwriting Income

Premiums earned		<u>\$293,762,046</u>
Total Underwriting income		293,762,046
Deductions:		
Losses and loss adjustment expenses	\$273,139,255	
Professional and management fees	785,412	
Policy acquisition and other underwriting expenses	3,424,662	
General and administrative expenses	<u>130</u>	
Total deductions		<u>277,349,459</u>
Net underwriting income		16,412,587
Investment income		<u>3,854,285</u>
Total income before income taxes		20,266,872
Income taxes		<u>8,122,314</u>
Net income		<u>\$12,144,558</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$16,994,558 during the period covered by this examination, detailed as follows:

Capital and surplus as of September 27, 2013			\$0
	Increase in <u>Surplus</u>	Decrease in <u>Surplus</u>	
Net income	\$12,144,558	\$0	
Common stock	100,000		
Paid-in capital	<u>4,750,000</u>	—	
Total increases and decreases in surplus	<u>\$16,994,558</u>	<u>\$0</u>	
Net increase in surplus			<u>16,994,558</u>
Capital and surplus as of December 31, 2018			<u>\$16,994,558</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2018, the Company reported total losses and loss adjustment expense reserves of \$173,451,809. The Company's opining actuarial firm, Garland Actuarial LLC., noted in its Statement of Actuarial Opinion that, in its opinion, the reported statutory reserves were computed in accordance with accepted loss reserving standards and principles. It was also noted that reasonable provisions in the aggregate for all unpaid loss and loss adjustment expense obligations of the Company had been made 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. One exception was noted (See Item 2(E) in this report.

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 \_\_\_\_\_, 2024.

*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:*

***Wei Cao***

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

***Adecco Indemnity Company of NY, 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 30th day of June, 2020*

*LINDA A. LACEWELL  
Superintendent of Financial Services*

*By:*

*Joan L. Riddell*

*Joan Riddell  
Deputy Bureau Chief*

