



**REPORT ON EXAMINATION
OF
UNITED AMERICAS INSURANCE COMPANY**

AS OF DECEMBER 31, 2022

**EXAMINER:
DATE OF REPORT:**

**LEON W. TAMBUE
JUNE 12, 2024**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

June 12, 2024

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 32561 dated July 19, 2023, attached hereto, I have made an examination into the condition and affairs of United Americas Insurance Company as of December 31, 2022, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate United Americas 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 United Americas Insurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2019. This examination covered the three-year period from January 1, 2020 through December 31, 2022. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

New York was the lead state of the Buttonwood Holdings Investment Group examination. The examination was performed concurrently with the examination of Rampart Insurance Company, a New York domiciled property and casualty insurance company.

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 recommendations 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 Americas Insurance Company was incorporated under the laws of the State of New York on October 4, 1978, and commenced business on November 28, 1978. It has been in run-off since 1993.

On January 15, 2019, Acumen Holdings, Ltd. (“Acumen”), a Bermuda holding company, acquired 100% of the stock of the Company from IRB Brasil Resseguros SA (“IRB”). The acquisition was approved by the Department pursuant to Section 1506 of the New York Insurance Law. On February 20, 2019, Acumen changed its name to Insko Holdings Ltd. At the same time, the Company entered into a service agreement with Quest Consulting (NY) Inc. to manage the run-off operations of the Company and appointed Mangrove Partners as its investment manager.

On November 18, 2020, the Department approved the sale of Insko Holdings Ltd. to Buttonwood Holdings Ltd.

On March 30, 2022, upon Department approval, the Company acquired Rampart Insurance Company, a New York domiciled property and casualty insurance company, from ILS Property and Casualty Re, Ltd (“ILS”), an exempted company incorporated under the laws of Bermuda and registered as a segregated accounts company under the Segregated Accounts Companies Act of 2000.

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 13 members. The board meets two times during each calendar year. At December 31, 2022, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
James Bolton London, England	Director, Quest Group
Corcoran Byrne New York, New York	Managing Director and General Counsel, Dowling Advisors, Inc.
Ricardo Enrique Cantilo Weston, Florida	President and Chairman, United Americas Insurance Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Raymond Dowling Massapequa, New York	Principal, Dowling Advisors, Inc.
Jeremy Fall London, England	Director, Quest Group
Sean Pierre McDermott London, England	Director, Quest Group
Donald Herbert Wustrow New York, New York	Treasurer and Secretary, United Americas Insurance Company

As of December 31, 2022, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Ricardo Enrique Cantilo	President
Donald Herbert Wustrow	Secretary and Treasurer

The Company's CPA engagement letter for the 2022 audit did not contain the requisite wording that ensures compliance with Section 89.8(a) of Reg. 118.

Section 89.8(a) of Department Regulation No. 118 ("Reg. 118") states:

"Every company required to furnish an annual audited financial report shall require the CPA to report, in writing, to the superintendent, the board of directors and the company's audit committee within five business days of any determination by the CPA that the company has materially misstated its financial condition as reported to the superintendent as of the balance sheet date currently under audit or that the company does not meet the minimum capital or surplus requirement of the insurance law as of that date, including, applicable managed companies, the contingent reserve requirement of 10 NYCRR 98-1.11(e)."

It is recommended that the Company include requisite wording in its CPA engagement letter to ensure compliance with Reg. 118. A similar recommendation was included in the prior report on examination.

B. Territory and Plan of Operation

As of December 31, 2022, the Company was licensed to write in Georgia, Maryland, New York, Texas, and Wisconsin. The Company has been in run-off since 1993. When the Company was actively writing, it was engaged in the reinsurance of risks, including asbestos and environmental risks.

As previously indicated, the Company acquired Rampart Insurance Company (“Rampart”), a New York domiciled insurer. Rampart ceased writing new and renewal business in 2001 and has been in run-off since then. Rampart had been managing the run-off of its business written prior to 2000 and reinsurance contracts assumed, including contracts from General Security National Insurance Company (“GSNIC”). At the time of acquisition, asbestos and pollution made up a significant portion of Rampart’s reserve liabilities. Concurrent with the acquisition, effective March 30, 2022, the Company and Rampart entered into a loss portfolio transfer agreement (“LPT”) and novation agreement, whereby the Company agreed to assume 100% of Rampart’s loss and allocated loss adjustment expense reserves outstanding as of March 30, 2022 and relating to accident years 2022 and prior. Pursuant to the terms of the LPT, initial reserves in the amount of \$11.5 million were transferred to the Company, with no initial gain or loss to surplus. Additionally, the novation agreement excluded four direct contracts, but are included in the loss portfolio transfer arrangement.

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>
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage

<u>Paragraph</u>	<u>Line of Business</u>
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also empowered to transact such workers' compensation insurance as may be incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et. seq. as amended).

Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$2,547,675.

C. Reinsurance Ceded

The Company has been in run-off since 1993. As of examination date, the Company has no material reinsurance recoverable.

D. Holding Company System

The Company is a member of the Buttonwood Holdings Investment Group. The Company is a wholly owned subsidiary of Insko Holdings Ltd., a Bermuda holding company, which in turn is indirectly owned by Buttonwood Holdings Investment Ltd., a Bermuda holding company. Buttonwood Holdings Investment Ltd. is the ultimate controlling company, and Messrs. Jeremy Fall and Sean McDermott are the ultimate controlling persons.

Acquisition of Control and Disclaimer

On August 31, 2020, Messrs. Sean McDermott and Jeremy Fall, Bacchus Holdings Ltd. ("Bacchus"), Buttonwood Holdings Investment, Ltd., and Buttonwood Holdings, Ltd. filed with the Department for approval of the acquisition of control of the Company. The acquisition of control was approved by the Department on November 18, 2020. With this acquisition, the applicants became the controlling persons of the Company.

Bacchus is a private company registered in England and Wales. Bacchus functions as an international insurance group through its various operating subsidiaries. The focus of the insurance activities is legacy insurance and reinsurance business. Its key operating entities are:

- Quest Group Holdings Ltd. via its subsidiary Quest Consulting (London) Ltd. (“Quest”) – service provider to affiliated entities and third party insurance clients operating through three legal entities in London, New York and Tokyo. Its subsidiary, Quest Consulting (New York) Inc. is the manager of the Company for its run-off operation;
- EIFlow Insurance Ltd. – regulated insurance company in Gibraltar focused on legacy business;
- Beacon Insurance Ltd. – regulated insurance company in Gibraltar focused on legacy business;
- Walsham Bros & Sons Ltd. – regulated insurance intermediary in the United Kingdom.

Bacchus has a joint venture arrangement, Buttonwood Holdings Investment, Ltd., which is co-sponsored by Mangrove Partners LLP. Buttonwood Holdings Investment, Ltd., through its subsidiary Buttonwood Holdings Ltd., acquires legacy insurance and reinsurance business which is then managed by Quest.

Bacchus is owned by Messrs. Sean McDermott (35%), Jeremy Fall (35%), James Bolton (10%), Ricardo Cantilo (10%), and David Cherry (10%). Bacchus owns a 20.4% voting interest in Buttonwood Holdings Investment, Ltd. Additionally, Strateger Holdings, Ltd. together with a commonly controlled entity holds a 25% ownership of Buttonwood Holdings Investment, Ltd.

Strateger Holdings, Ltd. is wholly owned by StrategeRe Holding, LLC. All of the membership interests in StrategeRe Holding, LLC are held by an irrevocable trust named StrategeRe Trust. Mr. Nathaniel August controls the trust as the grantor and sole beneficiary of the trust. Mr. August is also the grantor of the August 2012 Family Trust, an irrevocable trust, which owns 1.38% preferred shares of Buttonwood Holdings Investment, Ltd.

On August 31, 2020, Mr. Nathaniel August filed with the Department for determination of non-control of Insko Holdings, Ltd. and the Company. On November 4, 2020, Mr. August executed certain commitments to the Department to support the determination of non-control. Based on the application filed and special commitments made, the Department does not consider Mr. August, a controlling person.

On August 31, 2020, Messrs. James Bolton, Ricardo Cantilo, and David Cherry filed with the Department for determination of non-control of Insko Holdings, Ltd., and the Company. Based on the application filed and special commitments made, the Department does not consider said individuals to control the companies as filed in the application.

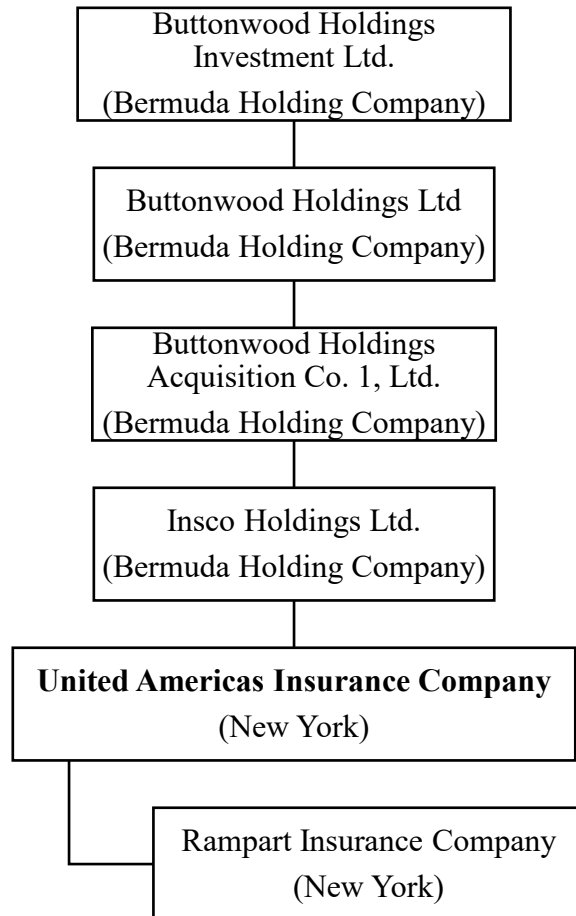
On January 20, 2021, Messrs. Sean McDermott, Jeremy Fall, Bacchus Holdings Ltd., Insko Holdings Ltd., Buttonwood Holdings Acquisition Co 1 Ltd. (“Newco”), Buttonwood Holdings Investment, Ltd., Buttonwood Holdings, Ltd., and the Company filed with the Department for determination of non-control that the proposed interposition of Newco above the Domestic Insurer in its holding company system (“Interposition”) would not constitute a change of control. Based on the application filed and special commitments made, the Department does not consider the acquisition of Newco as change of control as filed in the application. The determination of non-control was approved on April 26, 2021.

Rampart Insurance Company

On March 30, 2022, the Company acquired Rampart, a New York domiciled company, from ILS Property and Casualty Re, Ltd., for \$1. As part of the acquisition, the Company contributed \$1,750,000 to Rampart and assumed 100% of Rampart’s loss reserves through a loss portfolio transfer and novation agreement (see section 2B above).

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 of the holding company system at December 31, 2022:



Holding Company Agreements

At December 31, 2022, the Company was party to the following agreements with other members of its holding company system:

Management Agreements

Effective January 15, 2019, the Company entered into a management agreement with Quest Consulting (NY), Inc., a Delaware company and a wholly owned subsidiary of Quest Consulting (London). Under this Agreement, Quest Consulting (NY), Inc. acts as the manager and provides all run-off administrative services to the business of the Company. The terms of the agreement establish that Quest Consulting (NY) Inc. is entitled to remuneration of \$350,000 per year. This agreement was renewed as of January 16, 2023, for three years.

Effective January 31, 2019, the Company entered into an investment management agreement with Mangrove Partners (“Mangrove”), a Cayman Islands exempted company, as the exclusive investment manager of the Company’s Traditional Investment Portfolio and serves as the Company’s agent and attorney-in-fact to invest and reinvest that portion of the Company’s assets that the Board has allocated to the Traditional Investment Portfolio, subject to the investment guidelines. The terms of the agreement establish that Mangrove will be entitled to remuneration of 0.42% of the net asset value of the Traditional Investment Portfolio as of the end of the prior month. Mangrove waived the investment management fees for the period under examination.

Loan Agreements

On October 3, 2022, the Company entered into a \$1,700,000 loan agreement with Rampart; the loan was increased by \$300,000 on November 15, 2022. The term of these loans is 12 months with an option to extend for an additional 12 months, 0% interest, to be repaid at the end of either the 12 months period, or the end of the additional 12 months if the option to extend the loans is exercised.

All the affiliated agreements were filed with the Department pursuant to Section 1505(d) of the New York Insurance Law and were non-disapproved by the Department.

E. Significant Ratios

The adjusted liabilities to liquid assets ratio of 270% at December 31, 2022, fell outside the benchmark range set forth in the Insurance Regulatory Information System of the NAIC due to the acquisition of Rampart and assumption of the loss and loss adjustment reserves. The Company’s other ratios normally contained herein have not been computed because they are not meaningful due to the Company’s run-off status.

F. Accounts and Records

The Company reported its interest in Rampart as a receivable on Page 2, Line 23, “Receivable from parent, subsidiaries, and affiliates”. In accordance with the NAIC Annual Statement Instructions, the Company should have reported its interest in Rampart on Page 2, Line 2.1 Common Stocks, and in Schedule D Part 2, Section 2, Common Stocks – Parent, Subsidiaries, and Affiliates.

It is recommended that the Company report its interest in Rampart in accordance with the NAIC Annual Statement Instructions.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2022, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 3,377,460	\$ 0	\$ 3,377,460
Cash, cash equivalents and short-term investments	2,924,187	0	2,924,187
Other invested assets	8,946,889	6,727,869	2,219,020
Investment income due and accrued	18,229	0	18,229
Amounts recoverable from reinsurers	8,955	0	8,955
Funds held by or deposited with reinsured companies	4,033,409	0	4,033,409
Receivables from parent, subsidiaries and affiliates	9,538,643	0	9,538,643
Prepaid expense	<u>21,974</u>	<u>21,974</u>	<u>0</u>
Total assets	<u>\$28,869,746</u>	<u>\$6,749,843</u>	<u>\$22,119,903</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and Loss Adjustment Expenses	\$15,477,000
Reinsurance payable on paid losses and loss adjustment expenses	630,698
Other expenses (excluding taxes, licenses and fees)	222,981
Taxes, licenses and fees (excluding federal and foreign income taxes)	8,631
Provision for reinsurance	133,281
Retroactive reinsurance reserve assumed	<u>570,000</u>
Total liabilities	\$17,042,591

Surplus and Other Funds

Common capital stock	\$ 2,547,675
Gross paid in and contributed surplus	26,549,364
Unassigned funds (surplus)	<u>(24,019,728)</u>
Surplus as regards policyholders	\$ <u>5,077,311</u>
Total liabilities, surplus and other funds	<u>\$22,119,902</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2018 through 2022. 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 loss for the examination period as reported by the Company was \$658,944, as detailed below:

Underwriting Income

Premiums earned		\$	0
Deductions:			
Losses and loss adjustment expenses incurred	\$10,663,254		
Other underwriting expenses incurred	828,701		
Settlement of Rampart Loss Portfolio Transfer	(11,326,338)		
Retroactive reinsurance reserve assumed	<u>570,000</u>		
Total underwriting deductions			<u>735,617</u>
Net underwriting gain or (loss)			\$(735,617)

Investment Income

Net investment income earned	\$93,409		
Net realized capital gain	<u>(35,215)</u>		
Net investment gain or (loss)			58,194

Other Income

Miscellaneous income	\$ <u>17,147</u>		
Total other income			<u>\$17,147</u>
Net income before federal and foreign income taxes			\$(660,276)
Federal and foreign income taxes incurred			<u>(1,332)</u>
Net income (loss)			<u>\$(658,944)</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$3,399,906 during the three-year examination period January 1, 2020 through December 31, 2022, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2019			\$8,477,217
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net loss		\$ 658,944	
Net unrealized capital gains or (losses)	\$3,268,492		
Change in net deferred income tax		1,330	
Change in non-admitted assets		6,749,843	
Change in provision for reinsurance		8,281	
Surplus adjustments paid in	<u>750,000</u>	<u>0</u>	
Total gains and losses	\$4,018,492	\$7,418,398	
Net increase (decrease) in surplus			<u>(3,399,906)</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2022			<u>\$5,077,311</u>

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

Capital paid in is \$2,547,675 consisting of 5,025 shares of \$507 par value per share common stock. Gross paid in and contributed surplus is \$26,549,364. Gross paid in and contributed surplus increased by \$750,000 during the examination period. This is due to a \$750,000 surplus contribution in 2022 from the Company's parent, in which the Company then contributed \$1.75 million to Rampart.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$15,477,000 is the same as reported by the Company as of December 31, 2022. 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

Plan for Maintenance of Books of Account (“Plan”)

On July 17, 2023, the Company filed a Plan to maintain its books and accounts outside the State of New York pursuant to Section 325(b) of the New York Insurance Law. According to the Plan, the Company will maintain all records required by Section 325(a) of the New York Insurance Law in its New York home office, and all other records will be transferred to Weston, Florida.

The Department approved the Plan on July 19, 2023.

6. 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>
<p>A. <u>Corporate Governance</u></p> <p>It was recommended that the Company include wording to ensure compliance with Reg. 118 in all future CPA engagement letters.</p> <p>The Company has not complied with this recommendation. A similar recommendation is made in this report.</p>	<p>4</p>
<p>B. <u>Custodial Agreement</u></p> <p>It was recommended that the Company amend its custodial agreement to include all safeguard provisions that are noted in the NAIC Financial Condition Examiners Handbook.</p> <p>The Company has complied with this recommendation.</p>	<p>12</p>
<p>C. <u>Invested Assets</u></p> <p>i. It was recommended that the Company maintain investments in compliance with Section 1402(a) of New York Insurance Law.</p> <p>The Company has complied with this recommendation.</p>	<p>13</p>
<p>ii.</p>	<p>14</p>

It was recommended that the Company maintain the minimum investment requirements of Section 1402(b) of the New York Insurance Law.

The Company has complied with this recommendation.

iii.

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It was recommended that the Company comply with the investment requirements of Section 1409(a) of the New York Insurance Law.

The Company has complied with this recommendation.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Corporate Governance</u>	
	It is recommended that the Company include requisite wording in its CPA engagement letter to ensure compliance with Reg. 118.	4
B.	<u>Accounts and Records</u>	
	It is recommended that the Company report its interest in Rampart in accordance with the NAIC Annual Statement Instructions.	11

Respectfully submitted,

_____/S/_____
Leon W. Tambue
Senior Insurance Examiner

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

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

_____/S/_____
Leon W. Tambue

Subscribed and sworn to before me,

this _____ day of _____, 2024.

APPOINTMENT NO. 32561

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:

Leon Tambue

as a proper person to examine the affairs of the

United Americas 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 19th day of July, 2023

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:

Joan Riddell

*Joan Riddell
Deputy Bureau Chief*

