



**REPORT ON EXAMINATION
OF
RAMPART 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 32562 dated July 19, 2023, attached hereto, I have made an examination into the condition and affairs of Rampart 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 Rampart 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 individual examination of Rampart Insurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2017. This examination covered the five-year period from January 1, 2018 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 United Americas 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

The Company was incorporated under the laws of the State of New York as the GAN Anglo-American Insurance Company on September 13, 1979, and commenced writing business on May 30, 1980. On October 16, 1992, the Company's name was changed to GAN National Insurance Company. In 1998, the Company ceased writing business.

On August 2, 1999, Sorema North America Reinsurance Company ("Sorema"), now known as General Security National Insurance Company, acquired 100% of the stock of the Company from GAN International. On August 25, 1999, the Company's name was changed to Rampart Insurance Company. The Company resumed writing business in the 3rd quarter of 2000.

On July 31, 2001, Groupama International SA ("Groupama") acquired 100% of the Company's stock from Sorema (now known as General Security National Insurance Company). Upon acquisition by Groupama, the Company ceased writing new business and all business written in 2000 and subsequent was ceded 100% to General Security National Insurance Company.

Effective October 1, 2002, the Company entered into a Loss Portfolio Transfer and Assumption Reinsurance Agreement with its subsidiary, Western Continental Insurance Company ("Western Continental"), whereby the Company assumed all of the liabilities of Western Continental for underwriting years 1999 and prior. This agreement was entered into as part of the sale of Western Continental, which took place in February 2003.

On March 4, 2016, 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, acquired 100% of the Company's stock from Groupama.

On March 30, 2022, United Americas Insurance Company acquired 100% of the Company's stock from ILS.

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
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

At 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 business in 41 states and in the District of Columbia. The Company ceased writing new and renewal business in 2001 and has been in run-off since then.

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
20	Marine and inland marine
21	Marine protection and indemnity
29	Legal services

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 \$3,000,008.

C. Reinsurance Ceded

Effective March 30, 2022, the Company entered into a ceded loss portfolio transfer and novation agreement with United Americas Insurance Company, its immediate parent company, whereby the Company agreed to cede 100% of its loss and allocated loss adjustment expense reserves outstanding as of March 30, 2022, and relating to accident years 2022 and prior. The agreement transferred initial reserves in the amount of \$11.5 million with no gain or loss to surplus. Asbestos and pollution made up a significant portion of the Company's reserve liabilities. The novation agreement excluded four direct contracts that were included in the loss portfolio transfer arrangement.

The Department approved this transaction pursuant to Section 1505(d)(2) of the New York Insurance Law.

D. Holding Company System

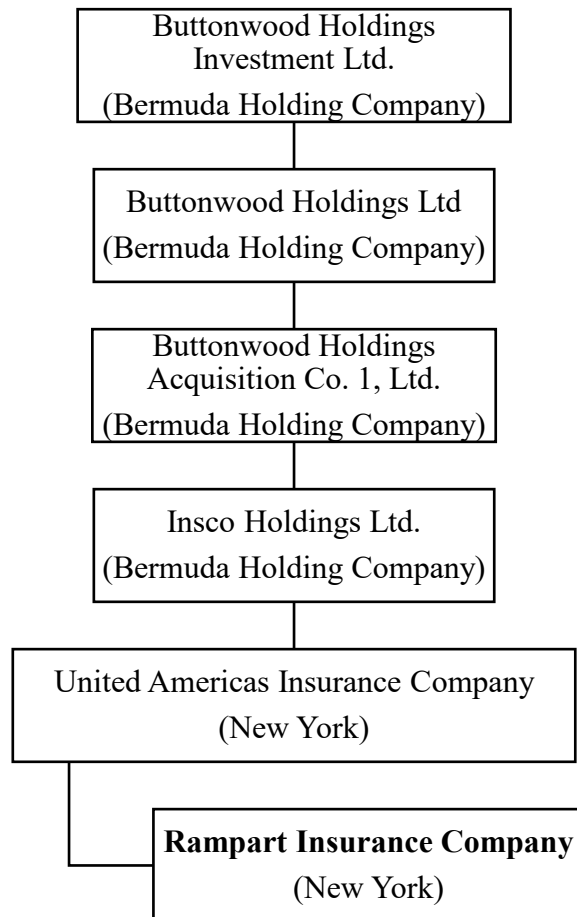
The Company is a member of the Buttonwood Holdings Investment Group. The Company is a wholly owned subsidiary of United Americas Insurance Company, a New York domiciled insurance company, which in turn is indirectly owned by Buttonwood Holdings Investment Ltd., a Bermuda holding company. Buttonwood Holdings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

Buttonwood Holdings Investment, Ltd., through its subsidiary Buttonwood Holdings Ltd., acquires legacy insurance and reinsurance business, which is then managed by Quest Consulting (NY) Inc., an affiliate.

As previously noted, on March 30, 2022, United Americas Insurance Company ("UAIC") acquired 100% of the common share equity of the Company from ILS for a consideration of \$1. As part of the acquisition, UAIC contributed \$1,750,000 in surplus to the Company and assumed 100% of the Company's loss reserves through a loss portfolio transfer and novation agreement (refer to section C above for more detail).

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, 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 Service Agreement

Effective April 1, 2022, the Company entered into management agreement with Quest Consulting (NY) Inc., an affiliated entity. Pursuant to the terms of this agreement, Quest Consulting (NY), Inc. acts as the manager and provides all run-off administrative services to the business of the Company for a fee of \$400,000 covering the period April 1, 2022 through March 30, 2023.

Loan Agreements

On October 3, 2022, the Company entered into a \$1,700,000 loan agreement with UAIC; 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-month period or the end of the additional 12 months if the option to extend the loans is exercised. As of December 31, 2022, the Company had fully drawn down the loans.

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 70%, computed as of December 31, 2022, falls within the benchmark range set forth in the Insurance Regulatory Information System of the NAIC. 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.

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>	Net Admitted <u>Assets</u>
Bonds	\$ 1,052,450
Common stocks (stocks)	4,378,632
Cash, cash equivalents and short-term investments	5,632,605
Investment income due and accrued	<u>3,247</u>
Total assets	<u>\$11,066,934</u>
 <u>Liabilities, Surplus and Other Funds</u>	
<u>Liabilities</u>	
Losses and Loss Adjustment Expenses	\$ 815,000
Remittances and items not allocated	9,896
Payable to parent, subsidiaries and affiliates	7,788,642
Direct Workers Compensation Loss Reserves on non-novated contracts but included in loss portfolio transfer	<u>(815,000)</u>
Total liabilities	\$7,798,538
 <u>Surplus and Other Funds</u>	
Common capital stock	\$ 3,000,008
Gross paid in and contributed surplus	113,471,292
Unassigned funds (surplus)	<u>(113,202,904)</u>
Surplus as regards policyholders	<u>\$3,268,396</u>
Total liabilities, surplus and other funds	<u>\$11,066,934</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 \$6,264,057, as detailed below:

Underwriting Income

Premiums earned		\$ 0
Deductions:		
Losses and loss adjustment expenses incurred	\$(4,984,745)	
Other underwriting expenses incurred	2,155,020	
Settlement of UAIC loss portfolio transfer March 30, 2022	11,326,338	
Direct workers compensation loss reserves on non-novated but included in loss portfolio transfer	<u>(815,000)</u>	
Total underwriting deductions		<u>7,681,613</u>
Net underwriting gain or (loss)		\$(7,681,613)

Investment Income

Net investment income earned	\$839,411	
Net realized capital gain	<u>(58,845)</u>	
Net investment gain or (loss)		780,566

Other Income

Miscellaneous income	<u>\$296,477</u>	
Total other income		<u>296,477</u>
Net income before federal and foreign income taxes		\$(6,604,570)
Federal and foreign income taxes incurred		<u>(340,513)</u>
Net income (loss)		<u>\$(6,264,057)</u>

C. Capital and Surplus

At December 31, 2022, capital paid in is \$3,000,008 consisting of 1,002 shares of \$2,994.02 par value per share common stock. On June 13, 2022, the Company filed an amendment to its charter to decrease the par value of the 1,002 authorized shares to \$2,994.02 per share, thereby decreasing the amount of authorized capital to \$3,000,008. The amendment was approved by the Department pursuant to Section 1206 of the New York Insurance Law.

As a result of the reduction of the Company's common capital stock, UAIC contributed \$1,999,992 to the Company as paid in surplus. This amount, plus the \$1,750,000 contribution (as described in section 2D of this report), increased the Company's gross paid in and contributed surplus by \$3,749,998 from \$109,721,294 at January 1, 2018, to \$113,471,292 at December 31, 2022.

Surplus as regards policyholders decreased \$4,759,799 during the five-year examination period January 1, 2018 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, 2017			\$8,028,195
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net loss		\$6,264,057	
Net unrealized capital gains or (losses)		110,430	
Change in net deferred income tax		350,574	
Change in nonadmitted assets	\$ 170,256		
Change in provision for reinsurance	45,000		
Capital changes paid in		1,999,992	
Surplus adjustments paid in	<u>3,749,998</u>	<u>0</u>	
Total gains and losses	\$3,965,254	\$8,725,053	
Net increase (decrease) in surplus			<u>(4,759,799)</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2022			<u>\$3,268,396</u>

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

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$815,000 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 two 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 comment is made in this report.</p>	<p>5</p>
<p>B. <u>Holding company</u></p> <p>It was recommended that the Company file its annual holding company registration statements in a timely manner pursuant to the provisions of Part 80-1.4 of Department Regulation 52.</p> <p>This recommendation is no longer applicable due to the sale of the Company.</p>	<p>6</p>

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Corporate Governance</u></p> <p>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.</p>	<p>5</p>

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. 32562

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

Rampart 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*

