

REPORT ON EXAMINATION

OF

ACE CAPITAL TITLE REINSURANCE COMPANY

AS OF

DECEMBER 31, 2019

DATE OF REPORT

APRIL 8, 2021

EXAMINER

SHEIK H. MOHAMED

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	3
	A. Corporate governance	4
	B. Territory and plan of operation	5
	C. Reinsurance ceded	5
	D. Holding company system	5
	E. Significant ratios	7
3.	Financial statements	8
	A. Balance sheet	8
	B. Statement of income	9
	C. Capital and surplus	10
4.	Known claims reserve and statutory premium reserve	11
5.	Subsequent events	11
6.	Compliance with prior report on examination	12
7.	Summary of comments and recommendations	12



Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

April 8, 2021

Honorable Linda A. Laceywell
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 32051 dated February 25, 2020, attached hereto, I have made an examination into the condition and affairs of ACE Capital Title Reinsurance 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 ACE Capital Title Reinsurance Company.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted remotely due to the Governor’s Executive Order of New York State on PAUSE regarding the COVID-19 pandemic.

1. SCOPE OF EXAMINATION

The Department has performed an examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2017. This examination covered the two-year period from January 1, 2018 through December 31, 2019. Transactions occurring subsequent to this period were reviewed when deemed appropriate by the examiner.

The examination was conducted in conjunction with the Commonwealth of Pennsylvania, which was the lead state of the Chubb Limited Group. The examination was performed concurrently with the examinations of the following insurers:

<u>Company</u>	<u>Domicile</u>
ACE American Insurance Company	Pennsylvania
ACE Fire Underwriters Insurance Company	Pennsylvania
ACE Insurance Company of the Midwest	Indiana
ACE Property and Casualty Insurance Company	Pennsylvania
Agri General Insurance Company	Iowa
Atlantic Employers Insurance Company	New Jersey
Bankers Standard Insurance Company	Pennsylvania
Century Indemnity Company	Pennsylvania
Chubb Custom Insurance Company	New Jersey
Chubb Indemnity Insurance Company	New York
Chubb Insurance Company of New Jersey	New Jersey
Chubb National Insurance Company	Indiana
Chubb Lloyds Insurance Company of Texas	Texas
Executive Risk Indemnity Inc.	Delaware
Executive Risk Specialty Insurance Company	Connecticut
Federal Insurance Company	Indiana
Great Northern Insurance Company	Indiana
Illinois Union Insurance Company	Illinois
Indemnity Insurance Company of North America	Pennsylvania
Insurance Company of North America	Pennsylvania
Pacific Employers Insurance Company	Pennsylvania
Pacific Indemnity Company	Wisconsin
Penn Millers Insurance Company	Pennsylvania
Vigilant Insurance Company	New York
Westchester Fire Insurance Company	Pennsylvania
Westchester Surplus Lines Insurance Company	Georgia

Other states participating in this examination were California, Connecticut, Delaware, Georgia, Illinois, Indiana, Iowa, New Jersey, Texas and Wisconsin.

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
- Reserve 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

ACE Capital Title Reinsurance Company was incorporated under the laws of the State of New York on October 12, 1995. It became licensed and commenced business on March 6, 1996. The Company provided structured reinsurance to the title insurance industry.

On April 15, 2004, ACE Capital Re Overseas Ltd. (“ARCO”), the Company’s previous owner, sold the Company to Chubb Bermuda Insurance Ltd. (formerly known as ACE Bermuda Insurance Ltd.) (“Chubb Bermuda”), an indirect wholly owned subsidiary of Chubb Limited (formerly known as ACE Limited). Chubb Bermuda is wholly-owned by Chubb Limited.

In 2004, the Company discontinued solicitation of all reinsurance business to the title industry as a result of a change in product strategy initiated by its parent.

On January 14, 2016, ACE Limited completed the acquisition of Chubb Corp. and on January 15, 2016, Chubb Corp. merged with and into ACE INA Holdings Inc., a wholly owned indirect subsidiary of ACE Limited. ACE Limited changed its name to Chubb Limited and ACE INA Holdings Inc. changed its name to Chubb INA Holdings Inc. FIC is now a wholly owned subsidiary of Chubb INA Holdings Inc.

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 twenty-five members. The board meets four times during each calendar year. At December 31, 2019, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Scott R. Anthony Marlton, New Jersey	Vice President Finance – Global Casualty, Chubb North America
Seth Bradley Gillston New York, New York	Executive Vice President Private Equity and Real Estate in Underwriting, Chubb North America
Allison Gordon New York, New York	Counsel – Financial Institution Underwriters Department, Chubb North America
Matthew George Merna Mendham, New Jersey	Senior Vice President Chubb Group Division and President North America Major Accounts in General Management, Chubb North America
Jeremy Milito Holbrook, New York	Financial Analyst, Chubb North America
James Scott Sanpietro Wantagh, New York	Managing Deputy General Counsel, Chubb North America
Richard Michael Sica Cold Spring Harbor, New York	Vice President Finance – Global Casualty, Chubb North America

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

<u>Name</u>	<u>Title</u>
Matthew G. Merna	President
James S. Sanpietro	Secretary and Vice President
John P. Taylor	Treasurer
Scott R. Anthony	Vice President
Ilana G. Hessing	Vice President
John R. Marlow	Vice President

B. Territory and Plan of Operation

As of December 31, 2019, the Company was licensed to write business in New York, Michigan, Texas and California, and was authorized as an accredited reinsurer in Connecticut, Florida, Louisiana, Maryland, North Carolina, South Carolina, and Virginia.

As of the examination date, the Company was authorized to transact the business of title insurance as defined in paragraph 18 of Section 1113(a) of the New York Insurance Law.

During 2004, the Company stopped writing reinsurance business to the title insurance industry. Its legacy business is administered by an affiliate through a service agreement (refer to section D of this report).

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 Section 6402 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$500,000.

C. Reinsurance Ceded

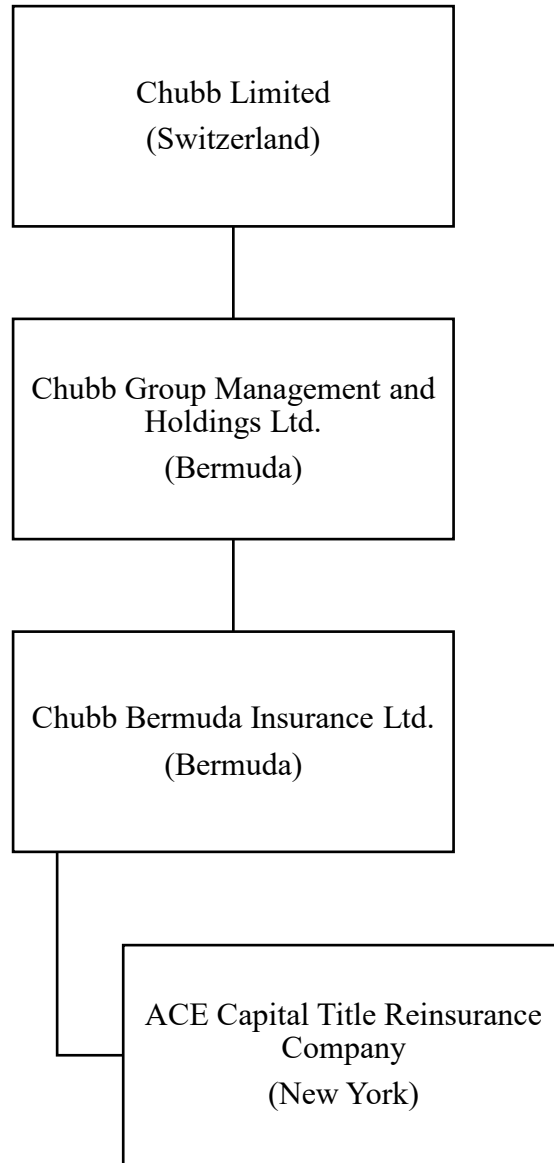
The Company has been in run-off since 2004; therefore, any reinsurance in effect relates to legacy business.

D. Holding Company System

The Company is a member of the Chubb Group. The Company is a wholly-owned subsidiary of Chubb Bermuda Insurance Ltd., a Bermuda corporation which is ultimately controlled by Chubb Limited, a public company domiciled in Switzerland. Chubb Limited is a global insurance and reinsurance organization that operates in 54 countries and territories.

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 agreement with other members of its holding company system:

Administrative Service Agreement

Effective July 1, 2009, the Company entered into a service agreement with ACE American Insurance Company (“ACE American”), an affiliated company domiciled in Pennsylvania, whereby ACE American provides at cost certain services including, but not limited to: accounting, data processing, tax and auditing and functional support services. The agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law.

E. Significant Ratios

These ratios 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, 2019, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$50,578,900	\$0	\$50,578,900
Cash, cash equivalents and short-term investments	1,361,712	0	1,361,712
Receivables for securities	7,500	0	7,500
Investment income due and accrued	589,234	0	589,234
Current federal and foreign income tax recoverable and interest thereon	2,623,973	0	2,623,973
Net deferred tax asset	<u>1,080,406</u>	<u>0</u>	<u>1,080,406</u>
Total assets	<u>\$56,241,725</u>	<u>\$0</u>	<u>\$56,241,725</u>
 <u>Liabilities, Surplus and Other funds</u>			
 <u>Liabilities</u>			
Known claims reserve			\$ 2,765
Statutory premium reserve			1,149,587
Supplemental reserve			625,413
Other expenses (excluding taxes, licenses and fees)			86,952
Payable to parent, subsidiaries and affiliates			<u>471,978</u>
Total liabilities			\$ 2,336,695
 <u>Surplus and Other Funds</u>			
Common capital stock		\$ 2,000,000	
Gross paid in and contributed surplus		23,000,000	
Unassigned funds (surplus)		<u>28,905,030</u>	
Surplus as regards policyholders			<u>53,905,030</u>
Total liabilities, surplus and other funds			<u>\$56,241,725</u>

Note: The Internal Revenue Service has not performed an audit of any year under examination. 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 two-year examination period, January 1, 2018 to December 31, 2019, as reported by the Company was \$6,363,149, as detailed below:

Underwriting Income

Title insurance premiums earned*		\$1,407,367
Deductions:		
Operating expenses incurred	\$ 478,402	
Total underwriting deductions		<u>478,402</u>
Net underwriting gain or (loss)		\$ 928,965

Investment Income

Net investment income earned	\$2,745,469	
Net realized capital gain	<u>67,522</u>	
Net investment gain or (loss)		<u>2,812,991</u>
Net income before federal and foreign income taxes		\$3,741,956
Federal and foreign income taxes incurred		<u>(2,621,193)</u>
Net income		<u>\$6,363,149</u>

*Premiums earned is due to the amortization of the statutory premium reserve.

C. Capital and Surplus

Surplus as regards policyholders increased \$3,532,112 during the two-year examination period January 1, 2018 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, 2017			\$50,372,918
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$6,363,149	\$ 0	
Change in net deferred income tax		2,972,772	
Change in nonadmitted assets	775,365		
Change in supplemental reserves		625,413	
Prior period adjustment	<u>0</u>	<u>8,217</u>	
Total gains and losses	<u>\$7,138,514</u>	<u>\$3,606,402</u>	
Net increase (decrease) in surplus			<u>3,532,112</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2019			<u>\$53,905,030</u>

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

4. KNOWN CLAIMS RESERVE AND STATUTORY PREMIUM RESERVE

A. Known Claims Reserve

The examination liability for the captioned items of \$2,765 is the same as reported by the Company as of December 31, 2019. The examination analysis was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principle No. 57.

B. Statutory Premium Reserve

The examination reserve of \$1,149,587 is the same as the amount reported by the Company as of December 31, 2019. The reserve was calculated based on a formula pursuant to Section 6405(a) of the New York Insurance Law, which includes a provision for the application of a dollar amount for each policy written and a percentage amount of the face amount of each policy.

5. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus (“COVID-19”) pandemic. The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination’s review noted that there has not been a significant impact to the Company. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

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>
A. <u>Corporate Governance</u> It was recommended that the Company obtain and maintain the signed statements for each member of its board of directors, confirming that each member has received and read the report on examination pursuant to the provisions of Section 312(b) of the New York Insurance Law.	4

The Company has complied with this recommendation.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination contains no comments or recommendations.

Respectfully submitted,

_____/S/_____
Sheik H. Mohamed, CPCU
Associate Insurance Examiner

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

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

_____/S/_____
Sheik H. Mohamed

Subscribed and sworn to before me

this _____ day of _____, 2021.

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:

Sheik Mohamed

as a proper person to examine the affairs of the

ACE Capital Title Reinsurance 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 25th day of February, 2020

LINDA A. LACEWELL
Superintendent of Financial Services



By:

Joan P. Riddell

Joan Riddell
Deputy Bureau Chief