

REPORT ON EXAMINATION

OF THE

PETER TURNER INSURANCE COMPANY

AS OF

DECEMBER 31, 2015

DATE OF REPORT

AUGUST 31, 2017

EXAMINER

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## Department of Financial Services

**ANDREW M. CUOMO**  
Governor

**LINDA A. LACEWELL**  
Superintendent

June 21, 2019

Honorable Linda A. Lacewell  
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 31580 dated March 24, 2017, attached hereto, I have made an examination into the condition and affairs of Peter Turner Insurance Company as of December 31, 2015, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Peter Turner Insurance Company. Wherever the designation “the Parent” appears herein without qualification, it should be understood to indicate the Roman Catholic Diocese of Brooklyn, New York.

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 January 1, 2011 through December 31, 2015, 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

The Company was incorporated under the laws of New York State as a captive insurance company on August 31, 2004 and commenced business on September 1, 2004. It is wholly-owned by the Roman Catholic Diocese of Brooklyn, New York. Peter Turner Insurance Company provides the Parent and its affiliates with commercial general liability, commercial property, commercial auto liability, fidelity and errors and omission coverage.

### 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 except as indicated in Item 2(F)(ii) of this report.

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, 2015, the Company reported total capital and surplus (surplus as regards policyholders) of \$28,413,957. This was composed of total paid-in capital of \$17,500,000 (\$0 of common stock and \$17,500,000 of additional paid-in capital) and net retained earnings of \$10,931,957. The common stock valuation reported in its filed annual statement agrees with its actual stock certificate which indicates that it has 100,000 shares of authorized, issued and outstanding shares with a par value of \$0 per share. Article V - Section 2 of the Company's Certificate of Incorporation, however, contains the following:

“The capital of the Company shall be one hundred thousand dollars (\$100,000), which shall consist of one hundred thousand (100,000) shares of common stock with a par value of one dollar (\$1) each.”

It is recommended that the Company amend its Certificate of Incorporation to correspond with the representation of common stock shown in its filed annual statement and on its stock certificate.

D. Corporate Records

The corporate records reviewed appeared to be substantially accurate and complete in all material respects except as indicated in the Item 2C of this report.

E. Operations

During the period covered by this examination the Company provided the Roman Catholic Diocese of Brooklyn, New York, with commercial general liability, automobile liability, directors & officers' legal liability and errors & omissions coverages. These coverages had limits of \$250,000 per occurrence. The Company also offered commercial property coverage with a limit of \$500,000 per occurrence and commercial crime coverage with a limit of \$100,000 per occurrence.

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

During the period covered by this examination, the Company was managed by Willis of New York, Inc. (“Willis”) which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, effective September 1, 2015, Willis has the responsibility for providing the Company with underwriting, policyholder, claims, and other general management and operational services for a fee. These responsibilities include assisting the Company in complying with the rules, regulations and requirements of the Law and maintaining true and complete books of account and records of all business conducted under this agreement.

(ii) Board of Directors

At December 31, 2015, the board of directors was comprised of the following five members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Borgia Brooklyn, NY	Senior Financial Officer, Roman Catholic Diocese of Brooklyn
Rev. Msgr. David Cassato Brooklyn, NY	Priest, Roman Catholic Diocese of Brooklyn
John Dolan Brooklyn, NY	Account Vice President Casualty Claims, AIU
Suzanne Holohan Brooklyn, NY	Senior Vice President & Associate Actuary, Transatlantic Reinsurance Company
Sean Kane Rumson, NJ	Regional Account Manager, AIG

In accordance with its by-laws and Section 7003(b)(2) of the Law, the board of directors met once annually. A review indicated that all board members had good records of attendance, with the exception of

Suzanne Holohan, who attended less than 50% of the meetings that she was eligible to attend during the period covered by this examination.

Members of the board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the insurer. It is essential that board members attend meetings consistently and set-forth their views on relevant matters so that the board may reach appropriate decisions. Individuals who fail to attend at least one-half of the regular meetings do not fulfill such criteria.

It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.

Section 7005(g) of the Law states that the board of directors of the captive insurer incorporated in this state shall have at least three members, with at least two of the members required to be residents of this state.

While the Company was in compliance with this Section, its by-laws nonetheless, contained the phrase that at least one member of its board of directors must be a resident of the State of Vermont.

It is recommended that the Company amend its by-laws to reflect the provisions of Section 7005(g) of the New York Insurance Law.

(iii) Officers

As of December 31, 2015, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Rev. Msgr. David Cassato	President
John Borgia	Vice President
Brian T. Cosgrove	Secretary
Martin McManus	Treasurer

G. Certified Public Accountant (“CPA”)

Grant Thornton, LLP. was the Company’s independent certified public accounting firm for the entire period covered by this examination. The CPA stated that the Company’s audited financial statement at December 31, 2015, present fairly, in all material respects, the financial position of Peter Turner Insurance Company.

3. FINANCIAL STATEMENTSA. Balance Sheet

The following financial statements reported by the Company, as of December 31, 2015, have been prepared in conformity with accounting principles generally accepted in the United States of America:

Assets

Cash	\$1,334,687	
Investment	59,808,108	
Accounts receivable	10,925,385	
Letter of Credit	4,025,000	
Other assets	<u>28,500</u>	
Total assets		<u>\$76,121,680</u>

Liabilities

Losses and Loss adjustment expense reserve	\$40,497,713	
Unearned premium	7,133,155	
Accrued expenses	<u>76,855</u>	
Total liabilities		<u>\$47,707,723</u>

Capital and Surplus

Common stock (no par value, 100,000 shares issued and outstanding)	\$0	
Additional paid-in capital	17,500,000	
Accumulated other comprehensive income	(3,877,770)	
Surplus (Retained earnings)	<u>14,791,727</u>	
Total capital and surplus		<u>\$28,413,957</u>
Total liabilities, capital and surplus		<u>\$76,121,680</u>

B. Statement of Income

The Company's net income for the period covered by this examination was \$27,049,798 as detailed below:

Underwriting Income

Net premiums earned		\$49,818,072
Deductions:		
Loss and Loss adjustment expenses	\$39,842,274	
General and administrative expenses	<u>1,119,974</u>	
Total underwriting deductions		<u>40,962,248</u>
Net underwriting gain		8,855,824
Investment income		<u>18,808,268</u>
Net income before income tax		27,664,092
Federal income tax		<u>(614,294)</u>
Net income		<u>\$27,049,798</u>

C. Capital and Surplus Account

The Company's capital and surplus increased \$9,632,265 during the period covered by this examination, detailed as follows:

Capital and surplus as of December 31, 2010			\$18,781,692
	<u>Gains in</u> <u>surplus</u>	<u>Losses in</u> <u>surplus</u>	
Net income	\$27,049,798	\$0	
Unrealized investment loss		7,417,533	
Dividends paid	_____	<u>10,000,000</u>	
Total increase and decreases in surplus	<u>\$27,049,798</u>	<u>\$17,417,533</u>	
Net increase in surplus			<u>9,632,265</u>
Capital and surplus as of December 31, 2015			<u>\$28,413,957</u>

**4. LOSSES AND LOSS ADJUSTMENT EXPENSES**

As of December 31, 2015, the Company reported total losses and loss adjustment expense reserves of \$40,497,713. The Company's opining actuarial firm, Actuarial & Technical Solution, Inc., stated in its Statement of Actuarial Opinion that reserves met the requirements of the Law and were computed in accordance with Standards of Practice issued by the Actuarial Standards Board. It was also noted that reasonable provisions had been made for all unpaid losses and loss adjustment expense obligations under the terms of its contracts and agreements subject to the following qualifications:

1. This Opinion does not apply to a general liability group claim belonging to the 8/02-8/03 period; this group claim is one which the Diocese was able to successfully have dismissed by a trial court due to the statute of limitations. No Opinion was offered on the value of this case, as it reflects a legal rather than actuarial evaluation of the group claim and its circumstances.
2. As of December 31, 2015, there is an open general liability claim situation which involves alleged abuse for which the Diocese's excess carrier (AIG), disagrees with the Diocese on the applicable coverage. No Opinion on the value of this situation, as it reflects a legal rather than actuarial evolution of the claim and its circumstances was offered. There is no guarantee that this issue will not emerge for other claims.

## 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 except, as indicated in Items 2C and 2F of this report.

## 6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained one recommendation that is summarized below with the Company's subsequent action thereon (The item and page numbers refer to the prior report on examination):

<u>ITEM</u>	<u>PAGE NO.</u>
1. <u>Capital Structure</u>	
It was recommended that the Company properly reflect its paid-in capital in subsequent annual statements.	3
The Company has complied with this recommendation.	

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Capital Structure</u>	
It is recommended that the Company amend its Certificate of Incorporation to correspond with the representation of common stock shown in its filed annual statement and on its stock certificate.	3
B. <u>Management and Control</u>	
It is recommended that board members who are unable to attend meetings consistently shall resign or be replaced.	5
It is recommended that the Company amend its by-laws to reflect the provisions of Section 7005(g) of the New York Insurance Law.	5

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 \_\_\_\_\_, 2019.



## Department of Financial Services

**ANDREW M. CUOMO**  
Governor

**LINDA A. LACEWELL**  
Superintendent

June 21, 2019

David Guerino, Senior Vice President  
Willis Towers Watson/ Global Captive Practices  
Willis Management (Vermont), Ltd.  
100 Bank Street, Suite 500  
Burlington, Vermont 05401

Re: Peter Turner Insurance Company (“Company”)  
Report on Examination as of December 31, 2015 (“Report”)

Dear Guerino:

The Department has not received a response to an email sent to you on December 7, 2018, from Mr. Jesus Martinez, regarding the captioned draft Report on Examination. On January 4, 2019, the Department approved the merger of the Company with and into Peter Turner Insurance Company (VT), a Vermont domiciled captive insurer. Considering the above matter, the Report has been adopted by this Department, made an official document thereof, and filed as of the date of this letter.

Please indicate what actions the Company has taken or proposes to take to comply with the recommendation contained in the Report.

Further, you are directed to the provisions of Section 312 of the New York Insurance Law, which require that a complete copy of the Report, together with all recommendations and statements relating thereto, be furnished by the Company to each member of the board of directors and that each member shall sign a statement, which shall be retained in the Company’s files, confirming that each member has received and read the Report.

Kindly advise this Department, no later than ten (10) business days from the receipt of this email, when you have complied with the above requirements.

Very truly yours,

**Veronica Duncan Black**

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