

**REPORT ON EXAMINATION  
OF  
CROWN GLOBAL INSURANCE COMPANY OF AMERICA  
AS OF  
DECEMBER 31, 2019**

Office of the  
Commissioner



Delaware  
Department of Insurance

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OF  
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The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro  
Insurance Commissioner

Dated this 20<sup>th</sup> day of May, 2021

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April 24, 2021

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 W North Street, Suite 101  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 20.022, dated December 16, 2020, an examination has been made of the affairs, financial condition and management of

**CROWN GLOBAL INSURANCE COMPANY OF AMERICA**

hereinafter referred to as the Company or CGICA. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 1000 North West Street, Suite 1200, Wilmington, Delaware, 19801. Due to the COVID-19 Pandemic, the examination was conducted offsite. The administrative office of the Company is located at 1000 North West Street, Suite 1200, Wilmington, Delaware. The report of examination thereon is respectfully submitted.

**SCOPE OF EXAMINATION**

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The previous regulatory examination of the Company covered the period from March 7, 2012 through December 31, 2015. This examination covers the four-year period from January 1, 2016 through December 31, 2019 and encompasses a general review of

transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2019. Transactions subsequent to the examination date were reviewed where deemed necessary. The examination of the Company was performed as a single state examination.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Laws of the State of Delaware as required by 18 *Del. C.* §321, along with general information about the insurer and its financial condition. There may be other items identified

during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, DixonHughesGoodman, LLP, (DHG). Certain auditor work papers of the 2019 DHG audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

### **COMPANY HISTORY**

The Company was incorporated on March 7, 2012 under the laws of the State of Delaware. The Company's principal lines of business are deferred variable annuities and variable universal life. Crown predominately writes variable annuities and variable universal life in the State of Delaware.

#### **Capitalization**

The Company is authorized to issue five thousand (5,000) common shares; 3,000 shares are outstanding with a par value of \$233.34 per share. The Common stock is valued at \$ 700,020. The Company did not pay dividends for the years under examination. Effective December 29, 2017, the Company executed and received a \$750,000 surplus note from Crown Global Life Insurance Ltd. The Company agreed to repay the principle with an interest rate of 5%.

**MANAGEMENT AND CONTROL**

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by or under the direction of its Board of Directors (Board).

Directors shall be elected annually by the shareholders and the number of directors constituting the Board, shall be fixed from time to time by resolution passed by the majority of the Board. The directors shall hold office until the next Annual Shareholders Meeting or until their successors are elected or appointed. The Board, duly elected in accordance with its bylaws and serving as of December 31, 2019, was as follows:

<u>Name</u>	<u>Occupation</u>
Perry Alan Lerner	Chairman and Chief Executive Officer Crown Global Insurance Group LLC
Christopher John Calise	President and Managing Director Crown Global Insurance Group LLC
Alex Ethan Seldin	Senior Vice President, General Counsel and Secretary Crown Global Insurance Group LLC

Officers

In accordance with its bylaws, officers serving the Company shall be a President, one or more Vice Presidents (as determined by the Board), a Treasurer, a Secretary and other officers as may from time to time be appointed by the Board. The senior officers, duly appointed in accordance with the bylaws and serving as of December 31, 2019, were as follows:

<u>Name</u>	<u>Title</u>
Perry Alan Lerner	President
Christopher John Calise	Vice President & Treasurer
Alex Ethan Seldin	Vice President & Secretary

Thomas Senior Berry

Vice President

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, the review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

At formation, the Company became a member of an Insurance Holding Company System. 18 *Del. C.* §5001(3) states that “control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person.” The following entities, which owned or controlled 10% or more of Crown Global Insurance Group, LLC (Group) as of the examination date, are considered ultimate controlling entities of the Company:

	Equity Percentages	Voting Control
Jamie P. Sohacheski {2}	20.7636%	0
Cal-Delaware Trust {5}	21.6867%	0
Syncora Guarantee Services Inc. {1}{3}	12.6766%	12.7081%
Perry A. Lerner (Director and Officer) {4}	7.1085%	30.9195%
Christopher J. Calise (Director and Officer) {4}	7.1085%	30.9195%

{1} – Filed disclaimer of affiliation with the Department. In December of 2019 Syncora Guarantee Inc. was sold to Star Insurance Holdings LLC. Following this transaction, the equity ownership interests in the Group were dividended to Syncora Holdings US Inc. and then to Syncora Guarantee Services Inc. in 2020. In February 2020, the Department approved an exemption in lieu of the filing and hearing requirements pursuant to 18 *Del. C.* § 5003(e)(2) since the transaction did not result in any change in ultimate control or ownership of the Group.

{2} – Class C owner, non-voting.

{3} – Class H owner, voting.

{4} – Class B&G owner, voting.

{5} – Class C&D owner, non-voting.



The Group is a private Company, held by members who own shares in the stock classes A-H with various voting rights (voting/non-voting) percentages and distribution percentages, respectively.

The following is the organizational chart as of the examination date:

<u>Company</u>	<u>Domicile</u>	<u>Ownership</u>
Crown Global Insurance Group LLC	DE	
Marble Hill Advisors LLC	DE	44.45%
		23.5% (V)
CGI Group Ltd.	BVI	100%
Crown World Services Ltd.	BM	100%
Crown Global Management Inc.	DE	100%
Crown Global Holdings, Ltd.	BM	100%
Crown Global Life Insurance (Cayman) Ltd.	CM	100%
Crown Global Life Insurance (Bermuda) Ltd.	BM	100%
Crown Global Titan Reinsurance Ltd.	BM	19.9%
Crown Global Life Insurance Ltd. (US Tax 953(d) election)	BM	100%
<b>Crown Global Insurance Company of America</b>	<b>DE</b>	<b>100%</b>

#### Affiliated Agreements

##### *Expense Sharing Agreement*

Effective October 24, 2012, the Company entered into an Expense Sharing Agreement with Crown Global Holdings Ltd., a wholly-owned subsidiary of the Group. The agreement provides services including but not limited to: the employment of persons; the engagement of consultants and advisors; the operation and maintenance of office space, vehicles and equipment, whether owned or leased; the acquisition and use of supplies; communications equipment and services, and travel expenses and related charges. The agreement was approved by the Department in November 2012. During the year ended December 31, 2019, the Company incurred \$799,028, of expenses under this Expense Sharing Agreement.

### ***Corporate Service Agreement***

Effective April 1, 2013, the Group, together with its affiliates and subsidiaries, and Crown Global Management, Inc., together with its successor and assigns, provides corporate services for the purpose of providing the Company with certain management and other professional and administrative services. During the year ended December 31, 2019, the Company incurred \$237,054 of expenses under the Corporate Service Agreement.

### **TERRITORY AND PLAN OF OPERATION**

#### **Plan of Operation**

The Company operates within the framework of the group. The group insurance subsidiaries existing distribution strategy is based on providing its services through direct contacts and in partnership with private banks, registered investment advisers, lawyers and other financial intermediaries. The insurance subsidiaries have the ability to recognize each country's own distinctive culture, language and legal framework. Through this understanding, the insurance subsidiaries are able to provide country-specific solutions that comply with local tax and legal regulations and are tailored to meet the unique requirements of each client.

#### **Territory**

The insurance subsidiaries within the Crown group of companies currently offer investment-oriented life insurance and annuity products to US and non-US citizens and residents. Private Placement Life Insurance (PPLI) is only offered to qualified purchasers seeking to invest large sums of money, usually more than \$1 million, in the policy. Offshore insurance companies specializing in PPLI typically offer the product as a financial service for high-net-worth clients and price their services as a provider, rather than as a traditional insurance carrier. When purchased

by any individual with US tax reporting requirements, these products are fully disclosed to tax authorities.

The Company does not provide investment management services and will offer each client the freedom to select insurance dedicated funds and investment managers on the company's investment platform that provide investment returns consistent with their personal risk profile and investment preferences.

As of December 31, 2019, the Company reported premiums and annuity considerations for life accident and health contracts of \$27,304,408. Distributions by line of business were as follows:

<u>Line of Business</u>	<u>Premiums</u>	<u>Percentage of Premium</u>
Group Annuities	\$ 13,882,846	51%
Individual Life	<u>13,421,562</u>	<u>49%</u>
Total	<u>\$ 27,304,408</u>	<u>100%</u>

### **REINSURANCE**

The Company reported the following distribution of net premiums written for 2019:

Direct Annuity	\$13,882,846
Direct Life	14,087,843
Reinsurance ceded to non-affiliates (Life)	<u>(661,131)</u>
Net premiums written	<u>\$ 27,304,408</u>

The Company engages in reinsurance agreements to reduce exposure to certain death benefits on variable universal life policies. The exposure retained by the Company under the reinsurance agreements is \$50,000 per life, per reinsurer covering the life, up to a maximum retained exposure of \$100,000 per life. The ceding of risk does not relieve the Company from its primary obligation to the policyholder.

For the year, ended December 31, 2019 the Company's ceded premiums by reinsurer were as follows:

Munich Reinsurance Company	\$ 502,005
Arch Reins Ltd	156,464
General Re Life Corporation	<u>7,812</u>
Total	<u>\$ 666,281</u>

### **FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2019
- Statement of Liabilities, Surplus and Other Funds as of December 31, 2019
- Statement of Operations for the year ended December 31, 2019
- Statement of Capital and Surplus Account for the year ended December 31, 2019
- Reconciliation of Capital and Surplus for the Period January 1, 2016 to December 31, 2019

**CROWN GLOBAL INSURANCE COMPANY OF AMERICA**  
**STATEMENT OF ASSETS**  
**AS OF DECEMBER 31, 2019**

	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 2,536,666	\$ -	\$ 2,536,666	
Cash, Cash equivalents, Short Term Investments	<u>98,850</u>	<u>-</u>	<u>98,850</u>	
Subtotals, Cash and Invested Assets	<u>\$ 2,635,516</u>	<u>\$ -</u>	<u>\$ 2,635,516</u>	
Investment income due and accrued	30,539		30,539	
Current Federal and Foreign income tax recoverable	66,443	-	66,443	
Net deferred tax asset	788,792	500,622	288,170	
Aggregate write-ins for other than invested assets	<u>35,179</u>	<u>35,179</u>	<u>-</u>	
Total Assets excluding Searate accounts	<u>\$ 3,556,469</u>	<u>\$ 535,801</u>	<u>\$ 3,020,668</u>	
From Separate accounts	<u>710,479,409</u>	<u>-</u>	<u>710,479,409</u>	1
Total Assets	<u><u>\$ 714,035,878</u></u>	<u><u>\$ 535,801</u></u>	<u><u>\$ 713,500,077</u></u>	

**CROWN GLOBAL INSURANCE COMPANY OF AMERICA  
STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS  
AS OF DECEMBER 31, 2019**

	<u>2019</u>	<u>Notes</u>
Aggregate Reserves for Life Contracts	\$ -	
Other amounts payable on reinsurance	129,443	
Commissions to agents	(2,720)	
General expenses due and accrued	50,462	
Transfers to separate accounts due or accrued	(703)	
Current federal and foreign income taxes	755	
Asset valuation reserve	17,168	
Funds held under reinsurance treaties with unauthorized reinsurers	<u>631,516</u>	
Total liabilities excluding separate accounts	\$ 825,921	
From Separate accounts	<u>710,479,409</u>	
Total liabilities	<u>\$ 711,305,330</u>	
Common capital stock	\$ 700,020	
Surplus note	750,000	
Gross paid in and contributed surplus	799,980	
Unassigned funds (surplus)	<u>(55,253)</u>	
Surplus as regards policyholders	<u>\$ 2,194,747</u>	
Totals of liabilities & surplus	<u><u>\$ 713,500,077</u></u>	

**CROWN GLOBAL INSURANCE COMPANY OF AMERICA  
STATEMENT OF OPERATIONS  
AS OF DECEMBER 31, 2019**

Premiums and annuity considerations for life and accident and health contracts	\$ 27,304,408
Net investment income	113,838
Amortization of interest maintenance reserve	1,722
Income associated from fees associated with investment management, administration and contract guarantees from Separate accounts	<u>1,766,466</u>
Total	<u>\$ 29,186,434</u>
Surrender benefits and withdrawals for life contracts	\$ 409,445
Increase in aggregate reserves for life and accident health contracts	<u>(16,189)</u>
Totals	<u>\$ 393,256</u>
Commissions on premiums, annuity considerations and deposits type contract funds	\$ 627,396
General insurance expenses	1,074,373
Insurance taxes licenses and fees, excluding federal income taxes	92,184
Net transfers to or (from) separate accounts, net of reinsurance	<u>26,538,799</u>
Total	<u>\$ 28,726,008</u>
Net gain from operations before dividends to policyholders refunds to members and federal income tax	<u>\$ 460,426</u>
Dividends to policyholders	<u>-</u>
Net gain from operations after dividends to policyholders refunds to members and before federal income tax	\$ 460,426
Federal and foreign income taxes incurred (excluding capital gains)	<u>218,775</u>
Net gain from operations after dividends to policyholders refunds to members and after federal income tax and before realized capital gains (losses)	\$ 241,651
Net realized capital gains (losses) (excluding gains (losses) transferred to IMR)	<u>2,655</u>
Net Income	<u><u>\$ 244,306</u></u>

**CROWN GLOBAL INSURANCE COMPANY OF AMERICA**  
**CAPITAL & SURPLUS ACCOUNT**  
**AS OF DECEMBER 31, 2019**

	<u>2019</u>
Surplus as regards to policyholders; December 31, 2018	\$ 1,920,820
Net income	244,306
Change in net unrealized capital gains (losses) less capital gains tax of \$27,657	
Change in net deferred income tax	114,465
Change in nonadmitted assets	(80,327)
Change in asset valuation reserve	(4,517)
Net change in capital and surplus for the year	<u>\$ 273,927</u>
Capital and surplus; December 31, 2019	<u><u>\$ 2,194,747</u></u>

**CROWN GLOBAL INSURANCE COMPANY OF AMERICA**  
**RECONCILIATION OF CAPITAL AND SURPLUS**  
**As of January 1, 2016 to December 31, 2019**

	Common Capital Stock	Surplus Notes	Gross Paid-in and Contributed Surplus		Unassigned Surplus	Total
12/31/2015	\$ 300,000	-	\$ 1,200,000		\$ (60,170)	\$ 1,439,830
12/31/2016	-	-	-	(1)	(43,949)	\$ (43,949)
12/31/2017	400,020		(400,020)	(2)	(429,867)	(429,867)
12/31/2017		750,000		(3)		750,000
12/31/2018	-	-	-	(1)	204,805	204,805
12/31/2019	-	-	-	(1)	273,927	273,927
	<u>\$ 700,020</u>	<u>\$ 750,000</u>	<u>\$ 799,980</u>		<u>\$ (55,254)</u>	<u>\$ 2,194,746</u>

- (1) Represents Net Income, Change in net deferred income tax, Change in nonadmitted assets  
Change in asset valuation reserve
- (2) Surplus adjustment – Transferred to capital (Stock Dividend)
- (3) Change in Surplus notes, properly approved by Department



**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

**Note 1:**

<b>Separate Accounts Assets</b>	<b>\$710,478,706</b>
<b>Separate Accounts Liabilities</b>	<b>\$710,478,706</b>
<b>Transfer to Separate Accounts Due or Accrued (net)</b>	<b>(\$703)</b>

The Company has insurance separate accounts to support certain Deferred Variable Annuities and Variable Universal Life products that they offer. For the year ended December 31, 2019, the Company reported separate account assets and liabilities from the following product lines:

<u>Product</u>	<u>Amounts</u>
Deferred Variable Annuities	\$ 674,028,008
Variable Universal Life	<u>36,450,697</u>
Total Products	<u>\$ 710,478,706</u>

The assets and liabilities of the separate accounts are clearly identified and distinct from the other assets and liabilities of the Company. Assets and liabilities of the separate accounts are stated primarily at the market value of the underlying investments and corresponding contract owner obligations.

**SUBSEQUENT EVENTS**

During March of 2020, the World experienced a pandemic related to the COVID-19 virus. At the date of this report, the Company has not been adversely affected by the pandemic and was also fully operational and providing services to its policyholders.

**COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

The following recommendations were contained in the prior examination report issued by the Department as of December 31, 2015.

It was recommended that the company update its Form B to be in compliance with 18 *Del. C* § 5004 (b)(3)(e) Registration of Insurers.

It was recommended that the Company comply with 18 *Del. C*. §318 Examination of Insurers - “other criteria as set forth in the Examiner's Handbook adopted by the NAIC” specifically, model audit rule #298, specific language regarding custodial duties and obligations.

The Company has complied with these recommendations.

**SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

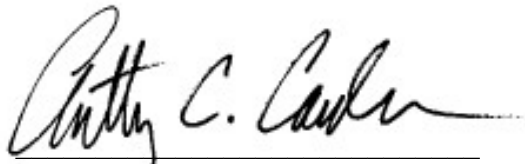
**CONCLUSION**

The assistance and cooperation of the consulting actuarial firm, INS Consultants, Inc., the Company's outside audit firm, DGH, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

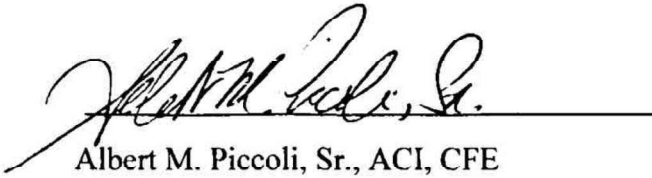


Albert M. Piccoli, Sr., ACI, CFE  
Examiner In-Charge  
State of Delaware



Anthony Cardone, CPA, CFE  
Supervising Examiner  
State of Delaware

I, Albert M. Piccoli, Sr., hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 20.022.



Albert M. Piccoli, Sr., ACI, CFE