

EXAMINATION REPORT
OF
AWBURY INSURANCE COMPANY
AS OF
DECEMBER 31, 2019

Office of the
Commissioner



Delaware
Department of Insurance

REPORT ON EXAMINATION
OF
AWBURY INSURANCE COMPANY
AS OF
DECEMBER 31, 2019

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 23 day of December, 2020

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December 3, 2020

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

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 20.039, dated March 12, 2020, an examination has been conducted of the

AWBURY INSURANCE COMPANY

hereinafter referred to as the Company or AIC. AIC was incorporated under the laws of the State of Delaware as a stock property and casualty insurance company.

The Company's registered agent is the law firm of Parkowski, Guerke & Swayze, P.A. with its registered office located at 116 West Water Street, Dover, Delaware 19903-0598. The Company's administrative office address is located at 60 Arch Street, Floor 2, Greenwich, Connecticut, 06830.

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 was an organizational exam as of February 15, 2015. This examination covers the subsequent period from

February 16, 2015 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.

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 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 Law 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.

SUMMARY OF SIGNIFICANT FINDINGS

The following financial statement error as of the examination date was corrected by management during September 2020, which had no effect on policyholder surplus:

Reduced reported common capital stock from \$1,025,000 to \$500,000

Increased reported gross paid in and contributed surplus from \$0 to \$525,000

COMPANY HISTORY

The Company was incorporated on November 5, 2014, under the laws of the State of Delaware, and was licensed on March 10, 2015.

Capitalization

The Company's Certificate of Incorporation authorizes the issuance of 3,000 shares of common stock with no par value. As of December 31, 2019, the Company had 100 common shares issued and outstanding totaling \$500,000. All outstanding common shares of the Company are owned by Awbury Insurance Holdings, LLC (Awbury Insurance Holdings), a Delaware limited liability corporation. As of December 31, 2019, the Company reported gross paid in and contributed surplus of \$0.

Dividends

The Company's Board of Directors (Board) has not approved, authorized, or paid any stockholder dividends to Awbury Insurance Holdings during the examination period.

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.

The Board shall consist of no less than three (3) directors. The number of directors shall be determined by resolution of the Board or by the shareholder at the annual meeting. A Written Consent in Lieu of a Board meeting dated November 5, 2014, fixed the number of directors at four. The directors are elected at the annual meeting of the Company's stockholder and shall hold office until his successor shall be elected and qualified. The directors serving as of the examination date were as follows:

Michael W. Teichman*
Alexander A. Dubitsky
David S. Goldman
Andrew J. Kaplan

*Mr. Teichman is typically designated by the Board to chair board meetings.

Committees of the Board of Directors

An Audit Committee of the Board was constituted by a Written Consent in Lieu of a Board meeting dated November 5, 2014, and consists of Messrs. Dubitsky, Goldman and Teichman.

Officers

In accordance with its by-laws, the officers of the Company shall be a chief executive officer, a treasurer, and a secretary, who shall be elected by the Board and who shall hold office until their successors are elected and qualified. The Board may also elect a chairman, one or more vice-presidents, and any other officers as deemed necessary. Any number of offices may be held

by the same person unless the certificate of incorporation or the bylaws otherwise provide. The officers serving as of the examination date were as follows:

<u>Officer</u>	<u>Office</u>
Alexander A. Dubitsky	Chief Executive Officer
Andrew J. Kaplan	Chief Underwriting Officer, Chief Financial Officer & Treasurer
Yaakov B. Feingold	General Counsel and Corporate Secretary
David S. Goldman	Chief Product Officer
John M. Mawe	Vice President - Products
Bruce S. Edwards	Vice President – Risk and Claims
Joseph J. Curran	Vice President – Chief Operating Officer
Sokha Au-Ferris	Vice President - Finance

Corporate Records

The recorded minutes of the Shareholders 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, a review of Company files indicated that written correspondence was submitted to the Department with regards to any changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

The Company is a member of an Insurance Holding Company System as defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. The Company is a wholly-owned subsidiary of Awbury Insurance Holdings.

An abbreviated organizational chart of the Awbury Insurance Group holding company system as of December 31, 2019, is as follows (with the percentage control of the downstream subsidiary by the upstream direct parent is shown):

	Equity Control	Voting Control
	<u>Percent</u>	<u>Percent</u>
Alexander A. Dubitsky {1}, {2}	62.81%	62.81%
David S. Goldman {1}	25.19%	25.19%
Andrew J. Kaplan {1}	12.00%	12.00%
Awbury Insurance Holdings, LLC [DE]	100.00%	100.00%
Awbury Insurance Company [DE]		
Awbury Technical Solutions LLC [CT]	100.00%	100.00%
Awbury Group, LLC [DE]	100.00%	100.00%
Awbury Insurance Ltd. [Bermuda]		
Awbury Brokerage Services, LLC [CT]	100.00%	100.00%

{1} Considered an ultimate controlling entity of the Company.

{2} According to the Operating Agreement, Alexander A. Dubitsky is the Manager of Awbury Insurance Holdings LLC

AGREEMENTS WITH AFFILIATES

Administrative Services Agreement

The Company is a party to an administrative services agreement with Awbury Technical Solutions LLC (formerly known as Awbury Technical Services LLC) (ATS), effective February 25, 2015, whereby ATS provides the Company's staffing needs and the following other administrative services: product development, technical underwriting, financial, legal, administrative, and other services as deemed necessary. The Company submitted a Form D filing to the Department on November 5, 2014, requesting approval of this agreement, which was approved on February 25, 2015.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is licensed and authorized on an admitted basis to write insurance in Delaware.

Plan of Operation

The Company has not written any business since inception. The Company anticipates focusing on the following three coverage areas: (a) surety bonds issued in support of its clients' casualty insurance products or self-insured obligations (casualty bonds), (b) credit insurance issued to banks and corporations to assist them in managing counter-party credit risks (credit insurance), (c) miscellaneous specialty products, including multi-conditional coverage related to economic dislocation, political risks, financial risks, and excess of loss product-refund protection (miscellaneous specialty). The Company may also consider writing reinsurance on such lines of business, as well as insurance and reinsurance on other lines of business for which it is licensed (for example, liability), in a manner that is consistent with its licensure and applicable regulations.

REINSURANCE

The Company is not a party to any reinsurance agreements.

FINANCIAL STATEMENTS

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

- Statement of Assets and Liabilities as of December 31, 2019
- Statement of Income for the year ended December 31, 2019
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of February 15, 2015, to December 31, 2019
- Analysis of Changes in Financial Statements Resulting from the Examination

AWBURY INSURANCE COMPANY
STATEMENT OF ASSETS
AS OF DECEMBER 31, 2019

	<u>Ledger Assets</u>	<u>Non-admitted Assets</u>	<u>Net Admitted Assets</u>	<u>Note</u>
Cash, cash equivalents and short-term investments	\$ 1,043,777	\$ -	\$ 1,043,777	
Investment income due and accrued	<u>139</u>	<u>-</u>	<u>139</u>	
Total Assets	<u>\$ 1,043,916</u>	<u>\$ -</u>	<u>\$ 1,043,916</u>	

AWBURY INSURANCE COMPANY
STATEMENT OF LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2019

		<u>Note</u>
Taxes, licenses and fees (excluding federal and foreign income taxes)	\$ 750	
Current federal and foreign income taxes	1,325	
Payable to parent, subsidiaries and affiliates	12,855	
Total liabilities excluding protected cell liabilities	<u>\$ 14,930</u>	
Total liabilities	<u>\$ 14,930</u>	
Common capital stock	\$ 500,000	1
Gross paid in and contributed surplus	525,000	1
Unassigned funds (surplus)	3,986	
Surplus as regards policyholders	<u>\$ 1,028,986</u>	
Total liabilities & surplus	<u><u>\$ 1,043,916</u></u>	

AWBURY INSURANCE COMPANY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>Note</u>
Underwriting Income		
Premiums earned	\$ -	
Deductions		
Losses incurred	\$ -	
Loss adjustment expenses incurred	-	
Other underwriting expenses incurred	1,670	
Total underwriting deductions	<u>\$ 1,670</u>	
Net underwriting gain (loss)	<u>\$ (1,670)</u>	
Investment Income		
Net investment income earned	\$ 16,707	
Net realized capital gains (losses) less capital gains tax of \$0	<u>-</u>	
Net investment gain (loss)	<u>\$ 16,707</u>	
Other Income		
Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0, amount charged off \$0)	\$ -	
Finance and service charges not included in premium	-	
Aggregate write-ins for miscellaneous income	<u>-</u>	
Total other income	<u>\$ -</u>	
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 15,037</u>	
Dividends to policyholders	<u>-</u>	
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	15,037	
Federal and foreign income taxes incurred	<u>1,325</u>	
Net Income	<u><u>\$ 13,712</u></u>	

RECONCILIATION OF CAPITAL AND SURPLUS
For the Period from the Prior Examination
As of February 15, 2015 to December 31, 2019

	Common Capital Stock	Gross Paid- in and Contributed Surplus	Unassign- ed Surplus		Total
2/15/2015	\$ 500,000	\$ 250,000	\$ -		\$ 750,000
12/31/2015	-	-	(2,081)	(1)	(2,081)
12/31/2015	-	275,000	-	(2)	275,000
12/31/2016	-	-	(2,685)	(1)	(2,685)
12/31/2017	-	-	(3,266)	(1)	(3,266)
12/31/2018	-	-	(1,694)	(1)	(1,694)
12/31/2019	-	-	13,712	(1)	13,712
	<u>\$ 500,000</u>	<u>\$ 525,000</u>	<u>\$ 3,986</u>		<u>\$ 1,028,986</u>

(1) Represents net income, change in unrealized capital gains/(losses), change in net unrealized foreign exchange capital gain, change in net deferred income tax, change in non-admitted assets, change in provision for reinsurance, aggregate write-ins for gains and losses in surplus

(2) Capital contributions

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

The following financial statement error as of the examination date was corrected by management during September 2020, which had no effect on policyholder surplus:

Reduced reported common capital stock from \$1,025,000 to \$500,000

Increased reported gross paid in and contributed surplus from \$0 to \$525,000

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

<u>Common Capital Stock</u>	<u>\$500,000</u>
<u>Gross Paid In and Contributed Surplus</u>	<u>\$525,000</u>

The following financial statement error as of the examination date was corrected by management during September 2020, which had no effect on policyholder surplus:

Reduced reported common capital stock from \$1,025,000 to \$500,000

Increased reported gross paid in and contributed surplus from \$0 to \$525,000

SUBSEQUENT EVENTS

In September 2020, the Company's parent infused \$19,750,000 into the Company via a direct capital contribution towards gross paid-in and contributed surplus.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no recommendations contained in the prior examination report issued by the Department as of February 15, 2015.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

CONCLUSION

The assistance and cooperation of the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

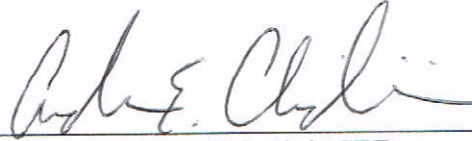


Andrew Chiodini, CFE
Examiner In-Charge
State of Delaware



Anthony Cardone, CFE, CPA
Supervising Examiner
State of Delaware

I, Andrew Chiodini, 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 20.039.

A handwritten signature in cursive script, appearing to read "Andrew Chiodini", is written above a horizontal line.

Andrew Chiodini, CFE