

**ORGANIZATIONAL EXAMINATION**  
**OF**  
**AWBURY INSURANCE COMPANY**  
**AS OF**  
**FEBRUARY 15, 2015**

Karen Weldin Stewart, CIR-ML  
Commissioner



Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached ORGANIZATIONAL EXAMINATION, made as of February 15, 2015 of the

**AWBURY INSURANCE COMPANY**

is a true and correct copy of the document filed with this Department.

Attest By: Brandi Biddle

Date: March 11, 2015



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 11<sup>th</sup> day of March, 2015.

Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

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Commissioner



Delaware Department of Insurance

ORGANIZATIONAL EXAMINATION  
OF THE  
AWBURY INSURANCE COMPANY  
AS 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.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart".

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Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Dated this 11<sup>th</sup> day of March, 2015

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## SALUTATION

February 15, 2015

Honorable Karen Weldin Stewart, CIR-ML  
Insurance Commissioner  
State of Delaware  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 15.901 dated January 23, 2015, an Organizational Examination has been conducted of the

### **Awbury Insurance Company**

hereinafter referred to as “Awbury” or “the Company”, 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 71 Arch Street, Suite 3L, Greenwich, Connecticut, 06830.

This examination was conducted at the Company’s aforementioned administrative office location. The report of such examination is respectfully submitted herewith.

### **SCOPE OF EXAMINATION**

This organizational examination was conducted in conjunction with the Company's application for a domestic Certificate of Authority in the State of Delaware. The Company's corporate records, records applicable to and attendant with its application, as well as financial data as of February 1, 2015, have been reviewed.

### **HISTORY**

The Company was incorporated on November 4, 2014, under the laws of the State of Delaware and is authorized to issue three thousand (3,000) common shares with no par value per share. The following common stock certificate was issued by the Company to Awbury Insurance Holdings, LLC (Awbury Insurance Holdings), a Delaware limited liability corporation:

<u>Certificate</u>	<u>Shares</u>	<u>Date</u>	<u>Capital</u>	<u>Surplus</u>	<u>Total</u>
#1	100	12/2/2014	\$500,000	\$250,000	\$750,000

The Company has no plans to issue the remaining 2,900 authorized common shares at this time. However, management anticipates increasing the Company's capitalization levels to \$10,000,000 via the issuance of surplus notes within a year of licensure by the Delaware Department of Insurance. The issuance of surplus notes requires the prior approval of the Delaware Department of Insurance.

## **MANAGEMENT AND CONTROL**

### **Board of Directors**

In accordance with its bylaws, adopted November 5, 2014, the business and affairs of the Company shall be managed by a Board of Directors, which shall consist of no less than three (3) members. The number of directors shall be determined by resolution of the Board of Directors or by the shareholder at the annual meeting. A Written Consent in lieu of a Board of Directors meeting dated November 5, 2014, fixed the number of directors at four. The directors are to be elected at the annual meeting of the Company's stockholder and shall hold office until his successor shall be elected and qualified. By Written Consent of the Incorporator dated November 5, 2014, the directors serving as of the examination date were as follows:

Alexander A. Dubitsky, Chairman of the Board  
David S. Goldman  
Andrew J. Kaplan  
Michael W. Teichman

### **Committees of the Board of Directors**

An Audit Committee of the Board of Directors was constituted by a Written Consent in lieu of a Board of Directors meeting dated November 5, 2014, and consists of the four board members as of the examination date.

### **Officers**

In accordance with its bylaws, the officers of the Company shall be a chief executive officer, a treasurer and a secretary, who shall be elected by the Board of Directors and who shall hold office until their successors are elected and qualified. The Board of Directors 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
Bruce S. Edwards	Vice President – Risk and Claims
David J. Ensor	Active Underwriter
Yaakov B. Feingold	General Counsel and Corporate Secretary
David S. Goldman	Chief Product Officer
Andrew J. Kaplan	Chief Underwriting Officer, Chief Financial Officer & Treasurer
John M. Mawe	Vice President - Products

The Company completed the NAIC Form 11 - Biographical Affidavit for each of the directors and officers noted above.

The Company directors and officers each completed an annual conflict of interest disclosure statement. Mr. Teichman, a director of the Company, has his principal occupation as an attorney with the law firm of Parkowski, Guerke & Swayze, P.A., which is also the Company's registered agent.

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective February 9, 2015.

### **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 organizational structure as of the examination date with control percentages of the upstream entities' control of the downstream entity [and domicile in brackets] is presented below:

	Economic Ownership Control <u>Percent</u>	Voting Control <u>Percent</u>
Alexander A. Dubitsky {1}, {2}	58.72%	33.34%
David S. Goldman {1}	23.55%	33.33%
Andrew J. Kaplan {1}	17.73%	33.33%
Awbury Insurance Holdings, LLC [DE]	100.00%	100.00%
<b>Awbury Insurance Company [DE]</b>		
Awbury Technical Services, 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 this entity

### **FIDELITY BOND AND OTHER INSURANCE COVERAGE**

The Company is not covered by a financial institution bond at this time. Based on the 2017 pro forma information submitted by management, the minimum suggested coverage per the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* is \$125,000.

***It is recommended that the Company obtain \$125,000 in fidelity insurance coverage as a condition of licensure by the Delaware Department of Insurance.***

## **AGREEMENTS**

As of the examination date, the Company is not a party to any claim services agreement, investment management or advisory agreement, custodial agreement, intercompany tax allocation agreement, management agreement or administrative services agreement.

The Company has no employees and does not intend to have employees. Instead, the Company's staffing needs and other administrative services will be provided by and paid by affiliate Awbury Technical Services, LLC (Awbury Technical Services). On November 5, 2014, management submitted a Form D filing to the Delaware Department of Insurance requesting approval of an administrative services agreement with affiliate Awbury Technical Services, which shall provide the Company with the following services: product development, technical underwriting, financial, legal, administrative and other services as deemed necessary. The Delaware Department of Insurance has neither approved nor disapproved this Form D filing as of the examination report date.

## **PLAN OF OPERATION**

According to the management, during the sustained disruption that followed the 2008 recession, non-insurance providers of risk solutions (primarily banks) pulled back, or stopped writing altogether, business lines that are critical to allowing commercial markets to function efficiently. This retrenchment by banks has been driven by increased capital and other regulatory requirements, higher costs of capital, and an unwillingness to deploy their balance sheets in support of non-core businesses. Consequently, banking institutions' US commercial clients have been forced to seek alternatives to traditional banking products. As a result, management believes this has created increased demand for certain insurance products, primarily

surety, which it believes has outpaced the insurance industry's underwriting resources, or falls outside existing insurers' core skill sets.

Management contends that while most surety markets are well positioned to meet construction industry demand for contract bonds, most surety markets do not have the fundamental credit underwriting expertise needed to appropriately address the diverse needs of these corporate clients. Management has determined that there is unmet market demand for tailored surety and insurance solutions in the workers' compensation space, U.S. casualty carriers, corporate buyers of high deductible casualty policies, individual and group self-insurers and leading market intermediaries.

Management expects to focus its insurance program on the following product lines:

- a) **Casualty Carrier Bonds** - surety bonds issued to commercial casualty insurers on behalf of employers that are required to collateralize certain of their deductible reimbursement obligations under workers' compensation policies,
- b) **Self-Insurer Bonds** – surety bonds issued to state regulatory bodies on behalf of individual or group self-insurers in connection with workers' compensation liabilities
- c) **Appeal Bonds** – surety bonds issued on behalf of parties appealing adverse legal judgments.

Management anticipates that a substantial portion of its business opportunities will originate via long-standing relationships with many U.S. operating companies and casualty insurance carriers. Additionally, the Awbury team has 15 year relationships with insurance intermediaries including Marsh, Aon, Vanbridge, NFP, Lockton, Integro and others, and anticipates that new business will originate via appropriately licensed brokers. Management intends to only originate transactions related to sophisticated, institutional clients, and will not

transact business with retail customers. Management does not intend to engage in broad public marketing efforts since they will not transact business with retail customers.

**REINSURANCE**

The Company is not a party to any reinsurance agreements at this time.

**CAPITAL AND SURPLUS REQUIREMENTS**

18 Del. C. §511(a) requires \$500,000 as the minimum common capital stock and \$250,000 gross paid-in and contributed surplus for a stock insurance company authorized to write multiple lines property and casualty insurance. Consequently, the minimum required amounts for this examination are as follows:

Common Capital Stock	\$500,000
Gross Paid-in and Contributed Surplus	<u>250,000</u>
Capital and Surplus as Regards Policyholders	\$750,000

The Company's authorized common capital stock has no par value. However, the Board passed a resolution allocating \$500,000 of the \$750,000 policyholder surplus to common capital stock. Consequently, the Company has complied with the minimum capital and surplus requirements for licensure.



**RECOMMENDATIONS**

**It is recommended that the Company obtain \$125,000 in fidelity insurance coverage as a condition of licensure by the Delaware Department of Insurance.**

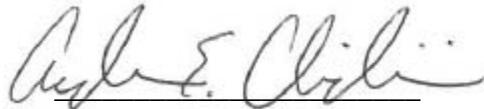
**CONCLUSION**

Based on the organizational examination conducted as of February 20, 2015, the financial condition of the Awbury Insurance Company is as follows:

Assets	\$750,000
Liabilities	<u>0</u>
Capital and Surplus as Regards Policyholders	<u>\$750,000</u>

Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully Submitted,



Andrew E. Chiodini, CFE  
Examiner-In-Charge  
Department of Insurance  
State of Delaware