

**REPORT ON EXAMINATION**  
**OF THE**  
**NEWSTEAD INSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2008**

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 REPORT ON EXAMINATION, made as of December 31, 2008 of the

**NEWSTEAD INSURANCE COMPANY**

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

Attest By:           *Sonia C. Harris*          

Date: 24 June 2010



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 24th day of June 2010.

\_\_\_\_\_  
Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

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Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION  
OF THE  
NEWSTEAD INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2008

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 24th day of June, 2010

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## **SALUTATION**

December 29, 2009

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

Dear Commissioner:

Pursuant to instructions contained in Certificate of Authority Number 09.014, an examination has been made as of December 31, 2008 into the condition and affairs of the

### **NEWSTEAD INSURANCE COMPANY**

hereinafter referred to as "Company", chartered under the laws of the State of Delaware as a stock property and casualty insurance company.

The examination was conducted at the administrative office of the Company, located at 5801 Tennyson Pkwy., Suite 600, Plano, TX, 75024.

The report of such examination is submitted herewith.

### **SCOPE OF EXAMINATION**

The last examination was the organizational examination conducted as of January 10, 2005. This comprehensive financial examination covered the period January 11, 2005 through December 31, 2008, and consisted of a general survey of the Company's business practices, management, any corporate matters incident thereto, a verification and evaluation of assets and a

determination of liabilities. Transactions subsequent to the latter date were reviewed and have been commented upon to the extent deemed necessary.

This report is presented on an exception basis. It is designed to set forth material facts with regards to adverse findings discovered during the examination. Where applicable, the text will explain the procedures employed on the examination and the changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible personnel and/or officials during the course of the examination.

The general procedure of the examination followed rules established by the National Association of Insurance Commissioners (NAIC) Committee on Financial Condition Examiners Handbook, as adopted by the Delaware Department of Insurance under 18 Del. C. §526, and generally accepted statutory insurance examination standards.

In addition to noted items in this report, the following topics were reviewed without material exceptions and are included in the workpapers of this examination. No exceptions or errors were noted during our review of these items:

- Fidelity Bond and Other Corporate Insurance
- Corporate Records
- Conflict of Interest Statements
- NAIC Financial Ratios
- Commitments and Contingent Liabilities
- All Asset and Liability Items Not Mentioned in This Report

## **HISTORY**

The Company's Certificate of Incorporation was filed with the Delaware Department of Insurance (the Department) on May 21, 2004, and is dated December 16, 2004. The Company received its Certificate of Authority from the Department on March 24, 2005. The Company is licensed only in Delaware, has written no premium and has been inactive since inception.

The registered office of the Company is located at 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name of the resident agent upon whom process may be served is The Corporation Trust Company.

## **CAPITALIZATION**

On December 20, 2004, the Company's direct parent, Stonington Insurance Company (Stonington) purchased 1,000 shares of stock with par value of \$500 for \$750,000, giving the Company a total capitalization of \$500,000 capital and \$250,000 paid in surplus. On January 10, 2005, Stonington made an additional contribution to the Company of \$500,000, bringing the total capitalization to \$500,000 in capital and \$750,000 in surplus.

## **MANAGEMENT AND CONTROL**

The Company's bylaws state that the business and affairs shall be managed by a Board of Directors consisting of not less than three (3) persons nor more than seven (7). The directors need not be stockholders of the Company.

The elected directors of the Company at December 31, 2008, were as follows:

<u>Name</u>	<u>Principal Business Affiliation</u>
William Joseph Ashley	President, Chief Executive Officer and Chief Underwriting Officer RenRe Insurance Holdings, Ltd.
David Alan Heatherly	President RenRe North America Holdings, Inc.
Richard Bruno Primerano	Chief Financial Officer RenRe North America Holdings, Inc.

Officers:

The bylaws provide that the officers of the Company shall consist of a President and a Secretary and such other officers as may be appointed in accordance with the provisions of Article V of the Company's Certificate of Incorporation.

The principal officers of the Company, serving as of December 31, 2008, were as follows:

<u>Name</u>	<u>Title</u>
David Alan Heatherly	President
William Joseph Ashley	Chief Executive Officer
Richard Bruno Primerano	Chief Financial Officer and Senior Vice President
Woldemar William Schlaegel	Treasurer
Tracy Horton Bowden	Secretary and General Counsel
Jeffrey S. Hockersmith	Controller
Van Durboraw	Assistant Treasurer
Martha N. Maxwell	Assistant Treasurer
Nancy K. Self	Assistant Secretary

## **HOLDING COMPANY SYSTEM**

The Company is a member of the RenaissanceRe insurance holding company system. The Company's direct parent is Stonington Insurance Company, a Texas domiciled insurer with its ultimate controlling parent being RenaissanceRe Holdings Ltd., a Bermuda Company (RenRe). RenRe was incorporated in 1993 and completed an initial public offering in 1995. RenRe, through its licensed subsidiaries, writes multiple lines reinsurance and insurance on a global basis.

The following organizational chart illustrates the Company and its direct affiliates within the current holding company system as of December 31, 2008:

- RenaissanceRe Holdings Ltd. (Bermuda)
- Glencoe Group Holdings Ltd. (Bermuda)
- Glencoe Insurance Ltd. (Bermuda)
- GGH Ireland Holding, Ltd. (Ireland)
- Glencoe U.S. Holdings, Inc. (DE)
- Glencoe Group Services, Inc. (DE)
- Glencoe Specialty Holdings, Inc. (DE)
- Stonington Insurance Company (TX)
- Stonington Lloyds Insurance Company (TX)
- Lantana Insurance Ltd. (Bermuda)
- Newstead Insurance Company (DE)**
- Inverness Insurance Company (AZ)

## **MANAGEMENT AND SERVICE AGREEMENTS**

### **Cost Sharing and Shared Services Agreement**

The Company entered into a Cost Sharing and Shared Services Agreement with its affiliate, Glencoe Group Services, Inc. (GGSI), effective March 24, 2005. The agreement provides for the parties to share the cost of various requirements for the conduct of the business including, but not limited to all office space, business equipment, employees, and certain services including data processing, accounting, legal, treasury, administrative and operations.

As of January 1, 2007, GGSI was deleted as a party to the agreement and Glencoe Specialty Services, Inc. (GSSI) was added as a party to the agreement. GSSI assumed all rights, duties and liabilities held or incurred by GGSI under the agreement. The Cost Sharing Agreement was approved by the Department June 1, 2005.

#### Tax Sharing Agreement

The Company is a party to a Tax Sharing Agreement with its affiliate Glencoe U.S. Holding, Inc. (GUSH), effective March 24, 2005. Under this agreement, the Company's taxes are computed as if it filed a separate tax return. The Tax Sharing Agreement was approved by the Department August 5, 2005.

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

The Company was newly formed at the end of 2004, is licensed only in the state of Delaware, and has not yet begun writing insurance business. In accordance with the Company's Business Plan, the Company proposes to provide personal lines coverage in all fifty (50) states, primarily homeowners business. The Company is also considering writing automobile and liability insurance in conjunction with the homeowners coverage.

The Company will market its products through program managers and their network of producers. Program managers will be responsible for policy issuance and cancellation, pursuant to the Company's instruction and all applicable law. Additionally, the Company's program managers will be responsible for collecting on behalf of and remitting premium to the Company.

**GROWTH OF THE COMPANY**

The following information was extracted from the Company's filed Annual Statements and covers the four (4) years ended from its last examination as of January 10, 2005, through this examination, December 31, 2008:

<u>Year</u>	<u>Assets</u>	<u>Policyholders</u>	<u>Premiums</u>	<u>Income</u>
2008	\$1,345,830	\$1,320,558	\$0	\$15,626
2007	1,321,515	1,304,932	0	30,337
2006	1,287,206	1,274,595	0	22,628
2005	1,252,982	1,251,968	0	1,968

The Company's assets consist of cash only. The reduction to net income reflects the decrease to interest income on cash due to current market conditions.

**REINSURANCE**

Assumed

As of December 31, 2008, there were no reinsurance assumed agreements in effect.

Ceded

The Company entered into a quota share reinsurance agreement with its direct parent, Stonington Insurance Company, effective March 24, 2005. Pursuant to the agreement, the Company cedes 80 percent of its net liability on a risks attaching basis. The Agreement provides for a ceding commission equal to acquisition costs plus 3 percent. Either party may terminate the Agreement upon not less than 180 days prior written notice. The Agreement was approved by the Department June 1, 2005.

## **ACCOUNTS AND RECORDS**

As previously noted, the Company has not written insurance business and has been inactive since inception. The Company received a waiver from the Department for filing the following information:

- Management Discussion and Analysis
- Reinsurance Attestation Supplement
- Reinsurance Summary Supplement
- Statement of Actuarial Opinion
- Actuarial Opinion Summary
- Accountant's Letter of Qualifications
- Audited Statutory Financial Statements
- Investment Risk Interrogatories
- Insurance Expense Exhibit

The Company has been granted this waiver each year under the same conditions since 2005.

## **FINANCIAL STATEMENTS**

The following financial statements as determined by this examination are presented herein:

Analysis of Assets as of December 31, 2008  
Liabilities, Surplus and Other Funds as of December 31, 2008  
Statement of Income for the Year Ended December 31, 2008  
Capital and Surplus Account for the one year period ending December 31, 2008

It should be noted that the various schedules and exhibits may not add to the totals shown due to rounding.

**Analysis of Assets**  
**As of December 31, 2008**

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Cash and short-term investments	\$ 1,345,830	\$ _____	\$ 1,345,830
Total	<u>\$ 1,345,830</u>	<u>\$ _____</u>	<u>\$ 1,345,830</u>

**Liabilities, Surplus and Other Funds**  
**As of December 31, 2008**

Losses	\$
Current federal and foreign income taxes	24,997
Payable to parent, subsidiaries and affiliates	<u>275</u>
Total Liabilities	<u>\$ 25,272</u>
Common capital stock	\$ 500,000
Gross paid in and contributed surplus	750,000
Unassigned funds	<u>70,558</u>
Surplus as regards policyholders	<u>\$ 1,320,558</u>
Total liabilities, surplus and other funds	<u>\$ 1,345,830</u>

**Statement of Income**  
**For the Year Ended December 31, 2008**

Underwriting Income	
Premiums earned	\$ 572
Deductions	
Other underwriting expenses	\$ 572
Total underwriting deductions	<u>572</u>
Net underwriting gain or (loss)	\$ (572)
Investment Income	
Net investment income earned	<u>24,612</u>
Net investment gain or (loss)	\$ 24,612
Net income before federal income taxes	<u>24,040</u>
Federal income tax incurred	<u>8,414</u>
Net Income	<u>\$ 15,626</u>

**Capital and Surplus Account**

Surplus as regards policyholders, December 31, 2007	<u>\$ 1,304,932</u>
Net income	<u>\$ 15,626</u>
Change in surplus as regards policyholders for the year	<u>\$ 15,626</u>
Surplus as regards policyholders, December 31, 2008	<u>\$ 1,320,558</u>

**EXAMINATION RECOMMENDATIONS**

There were no recommendations in this examination report.

**CONCLUSION**

The following schedule shows the results of this examination and the results of the prior examination with changes between examination periods.

<u>Description</u>	December 31, 2008 Current <u>Examination</u>	January 10, 2005 Prior <u>Examination</u>	Changes Increase (Decrease)
Assets	<u>\$1,345,830</u>	<u>\$1,250,000</u>	<u>\$95,830</u>
Liabilities	<u>\$ 25,272</u>	<u>\$ 0</u>	<u>\$25,272</u>
Common capital stock	\$ 500,000	\$ 500,000	\$ 0
Gross paid in and contributed surplus	750,000	750,000	0
Unassigned funds (surplus)	<u>70,558</u>	<u>0</u>	<u>70,558</u>
Surplus as regards policyholders	<u>\$1,320,558</u>	<u>\$1,250,000</u>	<u>\$95,830</u>
Totals	<u>\$1,345,830</u>	<u>\$1,250,000</u>	<u>\$95,830</u>

**ACKNOWLEDGMENT**

The cooperation and assistance rendered by the officers and employees of the Company during the course of the examination are hereby acknowledged.




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Jean Alton, CFE  
 Examiner-in-Charge  
 Department of Insurance  
 State of Delaware