

ORGANIZATIONAL EXAMINATION
OF
SOMPO JAPAN CANOPIUS REINSURANCE AG - U.S. BRANCH
AS OF
APRIL 26, 2016

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 REPORT OF EXAMINATION, made as of April 26, 2016 of the

SOMPO JAPAN CANOPIUS REINSURANCE AG U.S.BRANCH

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

Attest By: 

Date: May 13, 2016



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 13th day of May, 2016.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

ORGANIZATIONAL REPORT OF EXAMINATION
OF THE
SOMPO JAPAN CANOPIUS REINSURANCE AG U.S. BRANCH
AS OF
APRIL 26, 2016

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".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 13th day of May, 2016

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SALUTATION

April 26, 2016

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. 16.901, dated March 29, 2016, an Organizational Examination has been conducted of the

Sompo Japan Canopus Reinsurance AG – U.S. Branch

hereinafter referred to as “the Branch”, pursuant to the laws of the State of Delaware as a port of entry for the U.S. branch of Sompo Japan Canopus Reinsurance AG (SC Re), an alien reinsurance company domiciled in Switzerland.

SC Re’s administrative office address is located at 4th Floor, Freigustrasse 16, 8002 Zurich, Switzerland. The registered agent of Sompo Canopus Re Underwriting Management, Inc. (SCRUM), the Branch’s proposed U.S. Manager, is The Corporation Trust Company, whose registered office is located at 1209 Orange Street, Wilmington, DE 19801. SCRUM’s administrative office address is 140 Broadway, Suite 2210, New York, NY 10005.

This examination was conducted through SC Re’s legal representative law firm of Drinker, Biddle & Reath, LLP, (contact Craig Bazarsky), 1177 Avenue of the Americas, 41st Floor, New York, NY 10036. The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with the Branch's application for a port of entry for a U.S. branch Certificate of Authority in the State of Delaware. The Branch's records applicable to and attendant with its application, as well as financial data as of April 26, 2016, have been reviewed.

HISTORY

SC Re was incorporated on November 23, 2015, under the laws of the Switzerland and is authorized to issue one hundred million (100,000,000) common shares. All 100,000,000 shares of SC Re are owned by Sompo Canopus AG.

MANAGEMENT AND CONTROL

Board of Directors

According to its articles of incorporation, SC Re's Board of Directors shall consist of at least one (1) member. Directors are to be elected at the annual meeting of SC Re's stockholder and shall hold office until his successor shall be elected and qualified. The directors of SC Re serving as of the examination date were as follows:

Stephen T. Manning, Chairman
David M. Broome
Michael P. Duffy
Nigel Frudd
Shiho Koshiwaka
Hans Kunzle

Committees of the Board of Directors

There are no planned committees of the Board of Directors of SC Re the present time.

Officers

In accordance with its bylaws, the officers of SC Re shall be a chairman, a secretary, and any other officers as may be deemed necessary, who shall be elected by the Board of Directors and who shall hold office until their successors are elected and qualified. The officers of SC Re serving as of the examination date were as follows:

<u>Officer</u>	<u>Office</u>
Stephen T. Manning	Chairman
Mariana O’Connell	Secretary
Sylva De Flutier	Chief Operating Officer

SC Re completed the NCAA (Form11) Biographical Affidavits for each of the directors and officers noted above.

SC Re provided completed conflict of interest disclosure statements for David M. Broome, Nigel Frudd and Hans Kunzle.

HOLDING COMPANY SYSTEM

SC Re (which includes the Branch) is a member of an Insurance Holding Company System. However, pursuant to 18 Del. C. §561, U.S. Branches are subject to all Delaware state laws applicable to an insurer domiciled in the state with the exception of Chapter 50 of Title 18, the Insurance Holding Company System.

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>
Sompo Japan Nipponkoa Holdings, Inc. [Japan] {1}, {2}	100%	100%
Sompo Japan Nipponkoa Insurance Inc. [Japan]	100%	100%
Sompo Canopus AG [Switzerland]	100%	100%
Sompo Japan Canopus Reinsurance AG [Switzerland] (SC Re)		
Canopus US Holdings, Inc. [Delaware]	100%	100%
Sompo Canopus Re Underwriting Management, Inc. [Delaware] (SCRUM)		

{1} Considered an ultimate controlling entity of SC Re (which includes the Branch) and SCRUM

{2} Examiner did not determine if any entity owns or controls greater than 10% of Sompo Japan Nipponkoa Holdings, Inc.

SC Re has an initial shareholders' equity of not less than \$500 million and is supported by a parental guarantee from Sompo Japan Nipponkoa Insurance Inc.

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, or administrative services agreement.

The Branch's funding will be covered by a Deed of Trust between SC Re and The Bank of New York Mellon (BONY-Mellon). The Delaware Department of Insurance has reviewed this agreement, which will be executed upon the Branch obtaining licensure from the Delaware Department of Insurance.

The Branch has no employees and does not intend to have employees. Instead, the Branch's day-to-day administrative services will be covered under the proposed Management Services Agreement between SC Re and affiliate SCRUM. The Delaware Department of Insurance has reviewed this agreement, which will be executed upon the Branch obtaining

licensure from the Delaware Department of Insurance. SCRUM shall provide the Branch with the following services: underwriting, financial, legal, administrative and other services as deemed necessary.

PLAN OF OPERATION

According to management, the U.S. Branch of SC Re will complement the Group's existing reinsurance operations, comprised of its Lloyd's of London platform and reinsurance companies across Asia.

The Branch of SC Re will underwrite reinsurance only across a wide variety of property and casualty lines of business. As is common in the global reinsurance market, SC Re will have the bulk of its business opportunities presented by the world's leading reinsurance intermediaries. SCRUM anticipates establishing offices in leading commercial locations other than New York, where it currently maintains an office, such as Chicago and Houston. The Branch offices may be co-located within affiliate entity offices. It is anticipated that U.S. cedents will come from virtually every U.S. jurisdiction and, accordingly, the Branch intends to seek accreditation in all U.S. jurisdictions.

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

As of the examination date, the Branch is not a party to any reinsurance agreements.

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. However, since this is a port of entry for a U.S. Branch, no common stock will be issued. Moreover, in addition to the above \$750,000 requirement, the minimum trust fund balance as specified in the proposed Deed of Trust shall be \$20,000,000, resulting in a required additional \$19,250,000 of gross paid in and contributed surplus. Consequently, the minimum required amount for this examination, as determined by the Delaware Department of Insurance is as follows:

Gross Paid-in and Contributed Surplus	<u>\$20,000,000</u>
Surplus as Regards Policyholders	\$20,000,000

Consequently, the Company has complied with the minimum capital and surplus requirements for licensure.

FINANCIAL DATA

The financial position of the Branch as of the examination date, as determined by this organizational examination, was as follows:

<u>Assets</u>		<u>Note</u>
Bonds	\$24,389,082	1
Cash, Cash Equivalents and Short-term Investments	<u>561,204</u>	1
Total Admitted Assets	<u>\$24,950,286</u>	
 <u>Liabilities, Capital and Surplus</u> 		
Total Liabilities	<u>\$ 0</u>	
Gross Paid In and Contributed Surplus	\$20,000,000	2
Unassigned Funds	<u>4,950,286</u>	
Surplus as Regards Policyholders	<u>\$24,950,286</u>	
Total Liabilities and Surplus	<u>\$24,950,286</u>	

NOTES TO FINANCIAL STATEMENTS

Note 1	Bonds	\$24,389,082
	Cash, Cash Equivalents and Short-term Investments	\$561,204

The reported combined balance of these two admitted assets of \$24,950,286 consists of bonds and cash in the Deed of Trust account at BONY-Mellon, which was confirmed directly with the financial institution.

Note 2	Gross Paid In and Contributed Surplus	\$20,000,000
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The reported balance of \$20,000,000 consists of the minimum trust fund balance as required by the Deed of Trust agreement.

RECOMMENDATIONS

Management has stated that there is currently a records retention plan in place for all Sompo Canopus entities, but, as currently drafted, does not include records pertaining to SC Re (since that entity was only recently formed on November 23, 2015) and the Branch within the scope. However, management intends to amend this draft soon to include SC Re and the Branch, in order to be in compliance with all applicable Delaware record retention requirements *It is recommended that SC Re and the Branch be included in the Sompo Canopus Group records retention policy upon the Branch’s licensure by the Delaware Department of Insurance.*

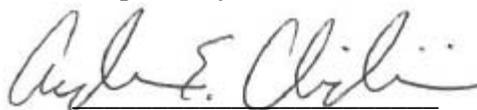
CONCLUSION

Based on the organizational examination conducted as of April 26, 2016, the financial condition of the Branch is as follows:

Assets	\$24,950,286
Liabilities	<u>0</u>
Surplus as Regards Policyholders	<u>\$24,950,286</u>

Upon completion of the organizational examination, the Branch 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