

REPORT ON EXAMINATION

OF

CLOVE PARK INSURANCE COMPANY

AS OF

DECEMBER 31, 2012

DATE OF REPORT

JULY 31, 2014

EXAMINER

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawskey
Superintendent

Honorable Benjamin M. Lawskey
Superintendent of Financial Services
Albany, New York 12257

July 31, 2014

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31046 dated September 13, 2013, attached hereto, I have made an examination into the condition and affairs of Clove Park Insurance Company as of December 31, 2012 and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Clove Park Insurance Company. Wherever the designation “Parent” or “Dover” appears herein without qualification, it should be understood to refer to Dover Corporation.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

1. SCOPE OF EXAMINATION

The examination covers the period from January 1, 2008 through December 31, 2012, and was limited in its scope to a review or audit of only those balance sheet items considered by this Department to require analysis, verification or description, including invested assets, and losses and loss adjustment expense reserves. The examination included a review of income, disbursements and Company records deemed necessary to accomplish such analysis or verification. Additionally, a review was performed to determine whether the captive insurer was operating within its by-laws, conforming to its plan of operation as submitted to the New York State Department of Financial Services, and was in compliance with Article 70 of the New York Insurance Law.

Comments and recommendations are limited to those items requiring financial adjustment, procedural recommendations, or instances where the Company was not conforming to the application submitted to the Department or Article 70 of the New York Insurance Law.

The report utilized work performed by the Company's independent certified public accountants and its opining actuary to the extent considered appropriate.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of New York State as a captive insurance company on November 21, 2003 and commenced business on December 22, 2003. The Company is a wholly-owned subsidiary of Delaware Capital Formation, Inc., which is ultimately owned by Dover Corporation. Dover Corporation is a diversified global manufacturer focusing on innovative equipment and components, specialty systems, and support services provided through its four major operating segments: Communication Technologies, Energy, Engineered Systems, and Printing & Identification.

A. Articles of Incorporation

The Company is organized to transact the kinds of insurance specified in Sections 1113(a) and 1114 of the New York Insurance Law, subject at all times to the limitations on the business of pure captive insurance companies set forth in Article 70 of the New York Insurance Law.

B. By-Laws

The examination revealed that the Company is in compliance with its by-laws in all material respects.

C. Capital Structure

As a pure captive insurance company incorporated as a stock insurer, the Company is required to maintain surplus as regards policyholders of not less than \$250,000, of which \$100,000 shall represent paid in capital pursuant to the provisions of Section 7004(a)(1) of the New York Insurance Law.

As of December 31, 2012, the Company's paid in capital was \$100,000 consisting of 100,000 shares of \$1 par value per share common stock and its surplus as regards policyholders was \$63,284,239.

D. Corporate Records

The corporate records reviewed appear to be substantially accurate and complete in all material respects.

E. Reinsurance

As of the examination date, the Company assumed property liability coverage from Factory Mutual Insurance Company to cover certain properties owned by Dover Corporation, the Company's ultimate parent. The annual aggregate limit for property liability is \$3,000,000. The coverage period is June 30, 2012 to June 30, 2013.

The Company did not cede any business during the examination period.

F. Management and Control

(i) Captive Manager

Section 7003(b)(4) of the New York Insurance Law provides that no captive insurer shall do any captive insurance business in this state unless it utilizes a captive manager resident in the State of New York that is licensed as an agent or broker under the provisions of the Article 21 of the New York Insurance Law, or any other person approved by the Superintendent.

During the examination period, the Company was managed by Marsh Management Services Inc. (“Marsh”) which is authorized to act as a manager for captive insurance companies by the New York Department of Financial Services.

Pursuant to the Management Agreement between the Company and Marsh, under the direction and control of the Company, Marsh shall render the following services to the Company:

- Accounting and any regulatory reporting services deemed necessary;
- Policy services;
- Claims administration;
- Ceding reinsurance;
- Assuming reinsurance;
- Advice on insurance programs;
- Acting as principal representative of the Company regarding regulatory matters;
- Other services as may from time to time be agreed upon by Marsh and the Company.

(ii) Board of Directors

Pursuant to the Company’s by-laws, management of the Company is vested in a board of directors consisting of not less than three nor more than ten members, of which, at least two shall at all times be residents of New York State. At December 31, 2012, the board of directors was comprised of the following five members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Brad Cerepak Saddle River, NJ	CFO and VP Finance, Dover Corporation
Raymond T. McKay Babylon, NY	Controller, Dover Corporation
Paul E. Goldberg Valley Stream, NY	Assistant Treasurer, Dover Corporation

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
William J. Fealey Massapequa, NY	Director Risk Management, Dover Corporation
Ivonne M. Cabrera Highland Park, IL	Senior Vice President, General Counsel & Secretary, Dover Corporation

At least two of the board members are the residents of New York as required by Section 7005(g) of the New York Insurance Law.

During the period covered by this examination, the board met one time each year as required by Section 7003(b)(2) of the New York Insurance Law. A review of the meeting minutes during the examination period indicated that all the board meetings were generally well attended.

(iii) Officers

As of December 31, 2012, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Brad M. Cerepak	President
William J. Fealey	Vice President
Raymond T. Mckay	Vice President
Kevin Buchanan	Vice President
Paul E. Goldberg	Vice President
Anthony Kosinski	Vice President
Ivonne M. Cabrera	Secretary
Brian P. Moore	Treasurer
Sandra Arkell	Controller & Chief Accounting Officer

G. Certified Public Accountant (“CPA”) and Actuarial Services

The Company was audited by the independent CPA firm Saslow, Lufkin & Buggy, LLP. for the years 2008 – 2012. The Company’s opining actuary as of December 31, 2012 was Towers Watson, 175 Powder Forest Drive, Weatogue, CT 06089.

H. Growth of Company

The following schedule sets forth a summary of the Company's significant financial information for the period covered by this examination:

<u>Year</u>	<u>Net Premiums Earned</u>	<u>Net Income</u>	<u>Assets</u>	<u>Shareholders' Equity</u>
2008	\$26,224,363	\$8,051,147	\$135,500,626	\$42,773,000
2009	25,338,251	5,047,602	138,560,963	47,820,602
2010	21,698,225	6,272,821	137,184,597	54,093,423
2011	22,238,978	4,447,544	138,851,812	58,540,967
2012	19,311,771	4,743,272	140,593,974	63,284,239

3. FINANCIAL STATEMENTS

With the Department's permission, the Company's financial statements have been prepared in conformity with generally accepted accounting principles, which differ from statutory accounting principles prescribed or permitted by the Department for insurance companies. The Company's independent CPA firm concluded that the following financial statements present fairly, in all material respects, the Company's financial position as of December 31, 2012.

A Balance Sheet

Assets

Cash and cash equivalents	\$59,038,986	
Premium receivable	18,859,003	
Notes receivable from Parent	60,009,188	
Deferred policy acquisition costs	7,125	
Deferred tax asset	<u>2,679,672</u>	
Total Assets		<u>\$140,593,974</u>

Liabilities

Unearned premiums	\$ 1,882,500	
Unpaid losses and loss adjustment expenses	57,890,436	
Losses payable to Parent	5,324,102	
Payable to Parent	920,439	
Accrued expenses	46,533	
Federal income taxes payable to Parent	<u>11,245,725</u>	
Total liabilities		\$77,309,735

Capital and Surplus

Common stock	\$ 100,000	
Additional paid in surplus	12,643,000	
Retain earnings	<u>50,541,239</u>	
Total capital and surplus		<u>\$63,284,239</u>
Total liabilities and capital surplus		<u>\$140,593,974</u>

B. Statement of Income

The Company's capital and surplus increased \$28,562,386 during the five-year period detailed as follows:

STATEMENT OF INCOMEUnderwriting Income

Net premiums earned		\$114,811,588
Deductions:		
Net losses and net loss adjustment expense incurred	\$ 79,634,287	
Underwriting expenses	100,665	
Amortization of deferred policy acquisition costs	377,405	
General and administrative expenses	<u>1,062,643</u>	
Total underwriting deductions		<u>81,175,000</u>
Net underwriting gain or (loss)		\$33,636,589

Investment Income

Net investment income	\$10,305,333	
Investment income		<u>10,305,333</u>
Net income before tax		\$43,941,921
Federal income tax expenses		<u>15,379,535</u>
Net income		<u>\$28,562,386</u>

C. Capital and Surplus Account

Capital and surplus as of December 31, 2007			\$34,721,853
	<u>Gains in surplus</u>	<u>Losses in surplus</u>	
Net income	\$28,562,386		
Net gain in surplus			<u>28,562,386</u>
Capital and surplus as of December 31, 2012			<u>\$63,284,239</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2012, the Company reported total loss and loss adjustment expense reserves of \$57,890,436. In its Statement of Actuarial Opinion as of December 31, 2012, the Company's opining actuary stated that in his opinion, the amount recorded in the audited financial statement for the sum of the net unpaid loss and loss adjustment expenses, as well the sum of the direct and assumed unpaid loss and loss adjustment expenses:

- Meet the requirements of the insurance laws of New York;
- Are consistent with amounts computed in accordance with the Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves and relevant standards of practice promulgated by the Actuarial Standards Board; and
- Make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its contracts and agreements.

5. ARTICLE 70 COMPLIANCE

Article 70 of the New York State Insurance Law is the governing section of the law for the formation and continued operation of captive insurers in New York State. A review was performed to test the Company's compliance with all applicable parts of Article 70 of the New York Insurance Law. No significant areas of non-compliance were found.

6. ORGANIZATIONAL STRUCTURE

The Company is a wholly-owned subsidiary of Delaware Capital Formation, Inc., which is ultimately owned by Dover Corporation. Dover Corporation is a diversified global manufacturer focusing on innovative equipment and components, specialty systems, and support services provided through its four major operating segments: Communication Technologies, Energy, Engineered Systems, and Printing & Identification.

7. INSURANCE PROGRAM

As of December 31, 2012, the Company wrote claims-made and occurrence basis deductible reimbursement policies for its Ultimate Parent, Dover Corporation, under the terms of policies issued to the Parent by various third party insurers.

The coverages provided by the Company's policies are as follows:

<u>Policy coverage</u>	<u>Per Occurrence/Policy Limits</u>	<u>Policy period</u>
General Liability	\$5,000,000	January 1, 2012- December 31, 2012
Workers' Compensation	\$500,000	January 1, 2012- December 31, 2012
Auto Liability	\$1,000,000	January 1, 2012- December 31, 2012
Crime Liability	\$250,000 excess of \$250,000	June 1, 2012- June 1, 2013
Directors' and officers' liability	\$4,750,000 excess of \$250,000	November 5, 2012- November 5, 2013
Fiduciary Liability	\$900,000 excess of \$100,000	December 5, 2012- December 5, 2013
Employment practices liability	\$2,000,000 per case/class action excess of \$3,000,000	January 17, 2012- January 17, 2013

The combined annual aggregate limit for workers' compensation, general liability, product liability and auto liability policies was \$29,783,480 in 2012.

The Company also writes medical stop loss coverage for the self-funded employee welfare benefit plan offered by the Parent and its affiliates. The Limit of the liability is \$4,650,000 each covered person in excess of \$350,000. The Policy covers January 1 through December 31, 2012. There is no annual aggregate limit for the medical stop loss coverage.

Clove Park Insurance Company also underwrote a separate Terrorism Risk Insurance policy to its parent, Dover Corporation during the examination period. The insurance policy covered

property damage up to \$250,000,000 resulting from acts of terrorism, as defined under the Terrorism Risk Insurance Program Reauthorization Act of 2007 (“TRPRA 2007”). Under the TRPRA 2007, the Company will be reimbursed 85% of terrorism losses exceeding a statutorily established deductible. The Company retains both the deductible and remaining 15% of losses.

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report contains no comments or recommendations.

Respectfully submitted,

_____/s/
Wei Cao
Senior Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

WEI CAO, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

_____/s/
Wei Cao

Subscribed and sworn to before me

this _____ day of _____, 2014.

APPOINTMENT NO. 31046

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Wei Cao

as a proper person to examine the affairs of the

Clove Park Insurance Company

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

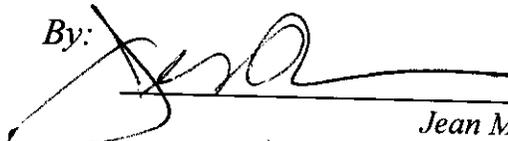
In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 13th day of September, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services



By:



Jean Marie Cho
Deputy Superintendent