

REPORT ON EXAMINATION

OF THE

UTICA FIRST INSURANCE COMPANY

AS OF

DECEMBER 31, 2012

DATE OF REPORT

DECEMBER 31, 2013

EXAMINER

FRANK P. SCHIRALDI

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Benjamin M. Lawsky  
Superintendent

December 31, 2013

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

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30888 dated October 9, 2012, attached hereto, I have made an examination into the condition and affairs of the Utica First 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 Utica First Insurance Company.

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

The examination was conducted at the Company’s home office located at 5981 Airport Road, Oriskany, NY 13424.

## **1. SCOPE OF EXAMINATION**

The Department has performed an individual examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2007. This examination covered the five-year period from January 1, 2008 through December 31, 2012. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This examination report includes a summary of significant findings for the following items as called for in the Handbook:

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Insurance plans
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements
- Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

## **2. DESCRIPTION OF COMPANY**

The Company was organized in 1903 as the Utica Fire Insurance Company of Oneida County, N.Y., for the purpose of transacting business as a co-operative fire insurance corporation in Oneida County, New York.

On March 1, 1942, the Company was authorized to issue non-assessable policies.

Under Agreements of Merger approved by this Department, the Company merged with the Colonial Co-operative Fire Insurance Company, of Newburgh, New York and the Dwelling Insurance Association of Central New York, of Ilion, New York in 1941 and 1956, respectively.

Effective January 1, 1994, the Company adopted its current name.

### **A. Management**

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than nine nor more than fifteen members. The board met four times during each calendar year. At December 31, 2012, the board of directors was comprised of the following ten members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael L. Fitzgerald Utica, NY	Partner, Rinehard Fitzgerald and DePietro
Richard R. Griffith New Hartford, NY	President, Sturges Manufacturing
Kirk B. Hinman Rome, NY	Chief Executive Officer, Rome Strip Steel
Camille Kahler Utica, NY	Partner, Saunder, Kahler, Amoroso, Locke Law Firm
Alan R. Leist, Jr. Utica, NY	Chief Executive Officer, Strategic Financial Services

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John B. Millet Utica, NY	Chief Executive Officer, Mohawk Metals Product
Earle C. Reed Utica, NY	Retired
Louis B. Tehan Utica, NY	President, Upstate Cerebral Palsy
John Zawadzki Manlius, NY	Retired
Richard J. Zick New Hartford, NY	President and Chief Executive Officer, Utica First Insurance Company

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended.

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

<u>Name</u>	<u>Title</u>
Richard James Zick	President and Chief Executive Officer
Scott Andrew Shatraw	Secretary/Treasurer, Chief Financial Officer, Vice-President
William Clarence Bowers	Senior Vice President
Richard Raymond Shlotzhauer	Vice President, Chief Information Officer
David Bruce Jarvis	Vice President of Marketing

B. Territory and Plan of Operation

As of December 31, 2012, the Company was licensed to write business in the following nine states: Connecticut, Maryland, Massachusetts, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, and Virginia.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
12	Collision
13	Personal injury liability
14	Property damage liability
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland marine only)

The Company is also licensed to accept and cede reinsurance as provided in Section 6606 of the Insurance Law of the State of New York.

Based on the lines of business for which the Company is licensed and pursuant to the requirements of Articles 13, 41 and 66 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$1,200,000.

The following schedule shows the direct premiums written by the Company both in total and in New York for the period under examination:

<u>Calendar Year</u>	<u>New York State</u>	<u>Total Premiums</u>	<u>Premiums Written in New York State as a percentage of Total Premium</u>
2008	\$74,283,902	\$ 94,842,326	78.32%
2009	\$70,817,236	\$ 92,631,807	76.45%
2010	\$68,687,767	\$ 92,186,173	74.51%
2011	\$69,808,408	\$ 97,761,487	71.41%
2012	\$72,150,449	\$108,447,038	66.53%

At December 31, 2012, the Company wrote insurance through independent agents. The Company's predominant lines of business are commercial multiple peril and homeowners multiple peril which accounted for 75.3% and 22.3% of the Company's 2012 direct written premium, respectively.

C. Reinsurance

Assumed reinsurance accounted for less than 1% of the Company's gross premium written at December 31, 2012. The Company's assumed reinsurance program consists solely of coverages assumed through mandated pools. The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62R for all of its assumed reinsurance business.

The Company has structured its ceded reinsurance program to limit its maximum exposure to any one risk to \$100,000. A summary of the Company's ceded reinsurance program for 2012 is as follows:

<u>Type of Treaty</u>	<u>Cession</u>
Property (including terrorism coverage) (3 Layers) 100% Authorized	\$3,900,000 excess of \$100,000 ultimate net loss, each loss, each risk and further subject to a limit of liability to the Reinsurer of \$4,700,000 each occurrence.
<u>Property Catastrophe Excess of Loss</u> First Layer (59% Authorized)	\$2,000,000 excess of \$3,000,000 ultimate net loss, each occurrence, subject to a limit of liability to the reinsurer of \$4,000,000.
Second Layer (66% Authorized)	\$5,000,000 excess of \$5,000,000 ultimate net loss, each occurrence, subject to a limit of liability to the reinsurer of \$10,000,000.
Third Layer (62% Authorized)	\$10,000,000 excess of \$10,000,000 ultimate net loss, each occurrence, subject to a limit of liability to the reinsurer of \$20,000,000.
Fourth Layer (48% Authorized)	\$34,000,000 excess of \$20,000,000 ultimate net loss, each occurrence, subject to a limit of liability to the reinsurer of \$68,000,000.
<u>Property Terrorism</u>	\$12,000,000 excess of \$2,000,000 ultimate net loss, each loss occurrence
<u>Casualty (including terrorism coverage)</u> (4 Layers) 100% Authorized	\$2,900,000 excess of \$100,000, each occurrence.

The Company maintains facultative reinsurance coverage for its property exposures with total insured value over \$2,500,000; facultative coverage is in excess of \$1,000,000 each loss.

The Company also maintains quota share coverage for commercial and homeowners policies whereby it cedes 100% of the liability and premium for its equipment breakdown business written on its policies and endorsements for equipment breakdown coverage. Cessions by the Company for these treaties limit the liability to the Reinsurer to \$20,000,000 for the commercial coverage, and \$50,000 for the homeowner's coverage on any one risk.

The Company also maintains additional coverage for endorsements to Identity Theft Risk policies written for office risks only that is limited to \$15,000 per insured, and Employment Practices policies for offices only that is limited to \$100,000 each wrongful act, as well as for Data Compromise policies for these offices up to \$25,000 per policy, \$250,000 aggregate limit to the Reinsurer.

The Company also maintains reinsurance coverage for its Identity Theft Risk policies and its Employment Practices Liability policies that do not cover offices. The reinsurance coverage is limited to \$15,000 annual aggregate per insured and to \$250,000 each wrongful act, subject to an annual aggregate limit to the Reinsurer not to exceed \$250,000, respectively.

The Company also maintains reinsurance coverage for its personal, farm and commercial umbrella policies; and Miscellaneous Professional Liability Coverage.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively.

All ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law ("NYIL"), except for the agreements as noted below.

Upon examination, it was noted within the 2012 facultative agreement with Arch Reinsurance Company that the offset clause does not state that Section 7427 of the NYIL will apply in the event of rehabilitation or liquidation.

It was also noted within the Miscellaneous Professional Liability Coverage with Hartford Steam Boiler Inspection & Insurance Company, in effect at 12/31/12, that the offset clause does not state that Section 7427 of the NYIL will apply in the event of rehabilitation or liquidation.

It is the policy of the Department that language acknowledging Section 7427 of the NYIL be included in all offset clauses.

It is recommended that the Offset Clause found in these reinsurance agreements be amended to state that the offset will comply with Sections 1308 and 7427 of the New York Insurance Law. It is also recommended that all future reinsurance agreements to which the Company is a party that contain an offset clause, include the proper wording stating that Section 7427 of the New York Insurance Law will apply in the event of rehabilitation or liquidation.

Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62R. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Office pursuant to the NAIC Annual Statement Instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in paragraphs 17 and 19 of SSAP No. 62R.

During the period covered by this examination, the company did not commute any reinsurance agreements.

D. Holding Company System

The Company was not a member of any Holding Company system as of December 31, 2012.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2012, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	57%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	53%
Premiums in course of collection to surplus as regards policyholders	4%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$190,607,216	68.38%
Other underwriting expenses incurred	77,416,710	27.77
Net underwriting loss	<u>10,739,173</u>	<u>3.85</u>
Premiums earned	<u>\$278,763,099</u>	<u>100.00%</u>

## F. Accounts and Records

### 1. Agent Termination

During the current review of agent termination notices issued by the Company, it was found that some of the agent termination notices contained unsupported general statements as to the reason for termination. This is not in compliance with Part 218.4(a) of Department Regulation 90 which states:

“All notices to agents or brokers that their contract is to be terminated, in whole or in part, shall state the specific reason or reasons for such termination. A specific reason shall not be an unsupported general statement such as ‘insufficient volume’ or ‘poor loss ratio’...”

It is therefore recommended that the Company comply with Department Regulation 90 Part 218.4(a) by including specific reasons for termination in agent termination notices. It was noted that a similar recommendation was contained in the prior two reports on examination.

## 2. Personal Lines Policy Termination

The examiner review of “non-renewed” personal lines business revealed that the Company was labeling some policy cancellations as non-renewals. The examination found that the Company cancelled some personal lines policies prior to the end of the required three-year policy period specified by 3427(a)(7) of the New York Insurance Law. Cancellation of a personal lines policy after the first sixty days it is in effect is only allowed under certain conditions specified in Section 3425(c) of the New York Insurance Law which states in part:

“After a covered policy has been in effect for sixty days, or upon the effective date if the policy is a renewal, no notice of cancellation shall be issued to become effective unless required pursuant to a program approved by the superintendent as necessary because a continuation of the present premium volume would be hazardous to the interests of the policyholders of the insurer, its creditors or the public, or unless it is based on one or more of the following...”

The cancelled policies, noted by the examination, did not meet the conditions allowing for cancellation specified in Section 3425(c) of the New York Insurance Law. Given this observation, it is recommended that the Company comply with Section 3425(c) of the New York Insurance Law by not issuing mid-term cancellations for other than statutory reasons. It is noted that a similar recommendation was included in the prior two reports on examination.

It was further noted that the Company, in its correspondence with the policyholders of the cancelled policies noted by the examination, referred to the cancellations as non-renewals. A non-renewal of this nature should only occur at the end of a three-year policy period and requires at least 45 days but not more than sixty days notice to the policyholder prior to the end of the three-year period. Section 3425(d)(1) of the New York Insurance Law states, in part:

"Unless the insurer, at least forty-five, but not more than sixty days in advance of the end of the policy period, mails or delivers to the named insured, at the address shown in the policy, a written notice of its intention not to renew a covered policy...the named insured shall be entitled to renew the policy upon timely payment of the premium billed to the insured for the renewal. The specific reason or reasons for non-renewal or conditioned renewal shall be stated in or shall accompany the notice. This paragraph shall not apply when the named insured, an agent or broker, or an insurer of the named insured, has mailed or delivered written notice to the insurer that the policy has been replaced or is no longer desired."

It is recommended that the Company comply with Section 3425(d)(1) of the New York Insurance Law by issuing non-renewal notices at least forty-five, but no more than sixty days in advance of the end of the policy period unless the named insured, agent or

broker, or an insurer of the named insured has notified the Company in writing that the policy has been replaced or is no longer desired. It is also recommended that the Company use the correct terminology in corresponding with policyholders as far as distinguishing between cancellations and non-renewals. It is noted that similar recommendations were included in the prior two reports on examination.

### 3. Regulation 30 – Use of Time Study for Allocation of Expenses

Part 109.3(j) of Department Regulation 30 states, in part, regarding the bases for allocation of expenses:

“Bases shall be made in current period. All bases of allocation shall be compiled or calculated from the transactions or procedures for the period applicable to the expenses to be allocated, unless the use of any other period is justified by investigation made during the applicable period.”

Upon examination, it was noted that the Company used a time study for allocation of certain expenses. It was also noted that the Company did not conduct a time study in 2012 for its Information Technology (“IT”) Department. Instead, the Company used a prior study for the 2012 allocations, but no justification of why this prior study was appropriate could be documented.

It is recommended that the Company comply with Part 109.3(j) of Regulation 30 by conducting a time study in the current period for all Company units when using it as a basis for allocation of expenses, or documenting an investigation that shows that a study done in another period is appropriate for use during the current period.

### G. Risk Management and Internal Controls

A risk-focused assessment and review of the Company’s controls was performed in accordance with NAIC requirements as outlined in the Examiners’ Handbook. As a result of the review, it was noted that a few controls identified by the Company were not fully documented.

It is recommended that the Company fully document the existence and performance of each risk mitigation strategy in order for examiners to evaluate the existence of controls in place at the Company and to determine whether the control procedures are operating as expected and performed on a timely basis. Included in the documentation should be required sign-offs by the preparers and reviewers.

The examiners were unable to test certain electronic documentation as the documentation was overwritten in subsequent periods. It is recommended that the Company retain each periodic worksheet, and not write over worksheets from previous periods with current worksheets.

### 3. FINANCIAL STATEMENTS

#### A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2012 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	Assets Not <u>Admitted</u>	Net Admitted <u>Assets</u>
Bonds	\$154,095,464	\$ 0	\$154,095,464
Common stocks (stocks)	23,048,195	0	23,048,195
Properties occupied by the company	341,856	0	341,856
Cash, cash equivalents and short-term investments	9,000,234	0	9,000,234
Investment income due and accrued	1,822,593	0	1,822,593
Uncollected premiums and agents' balances in the course of collection	3,796,167	153,771	3,642,396
Deferred premiums, agents' balances and installments booked but deferred and not yet due	21,676,012	0	21,676,012
Amounts recoverable from reinsurers	3,189,136	0	3,189,136
Current federal and foreign income tax recoverable and interest thereon	265,762	0	265,762
Net deferred tax asset	4,428,953	452,763	3,976,190
Electronic data processing equipment and software	167,971	0	167,971
Furniture and equipment, including health care delivery assets	27,590	27,590	0
Aggregate write-ins for other than invested assets	<u>1,273,345</u>	<u>163,163</u>	<u>1,110,182</u>
Totals	<u>\$223,133,278</u>	<u>\$797,287</u>	<u>\$222,335,991</u>
 <u>Liabilities</u>			
Losses and loss adjustment expenses			\$ 77,740,459
Commissions payable, contingent commissions and other similar charges			2,404,597
Other expenses (excluding taxes, licenses and fees)			2,988,188
Taxes, licenses and fees (excluding federal and foreign income taxes)			459,085
Unearned premiums			32,629,678
Advance premium			1,040,184
Ceded reinsurance premiums payable (net of ceding commissions)			3,801,375
Amounts withheld or retained by company for account of others			336,911
Remittances and items not allocated			149,031
Aggregate write-ins for liabilities			<u>452,156</u>
Total liabilities			<u>\$122,001,664</u>
Special contingent surplus		\$ 1,200,000	
Surplus notes		7,500,000	
Unassigned funds (surplus)		<u>91,634,327</u>	
Surplus as regards policyholders			<u>100,334,327</u>
Totals			<u>\$222,335,991</u>

Note: The Internal Revenue Service has completed its audits of the Company's Federal Income Tax returns through tax year 2011. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. The Internal Revenue Service has not yet begun to audit tax returns covering tax year 2012. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

Surplus as regards policyholders increased \$31,519,848 during the five-year examination period January 1, 2008 through December 31, 2012, detailed as follows:

Premiums earned			\$278,763,099
Deductions:			
Losses and loss adjustment expenses incurred	\$190,607,216		
Other underwriting expenses incurred	77,347,136		
Aggregate write-ins for underwriting deductions	<u>69,574</u>		
Total underwriting deductions		<u>268,023,926</u>	
Net underwriting gain or (loss)			\$ 10,739,173
<u>Investment Income</u>			
Net investment income earned	\$ 26,238,563		
Net realized capital gain	<u>(536,800)</u>		
Net investment gain or (loss)			25,701,763
<u>Other Income</u>			
Net gain or (loss) from agents' or premium balances charged off	\$ (1,996,715)		
Finance and service charges not included in premiums	5,102,075		
Aggregate write-ins for miscellaneous income	<u>134,686</u>		
Total other income		<u>3,240,046</u>	
Net income after dividends to policyholders but before federal and foreign income taxes			\$ 39,680,982
Federal and foreign income taxes incurred		<u>10,027,000</u>	
Net Income			\$ <u>29,653,982</u>
Surplus as regards policyholders per report on examination as of December 31, 2007			\$ 68,814,480
	Gains in	Losses in	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$29,653,982		
Net unrealized capital gains or (losses)	2,534,238		
Change in net deferred income tax	689,260		
Change in nonadmitted assets	571,746		
Change in provision for reinsurance	234,600		
Change in surplus notes		3,500,000	
Cumulative effect of changes in accounting principles	1,203,186		
Aggregate write-ins for gains and losses in surplus	<u>132,835</u>	<u>0</u>	
Net increase (decrease) in surplus	<u>\$35,019,848</u>	<u>\$3,500,000</u>	<u>31,519,847</u>
Surplus as regards policyholders per report on examination as of December 31, 2012			\$ <u>100,334,327</u>

#### 4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$77,740,459 is the same as reported by the Company as of December 31, 2012. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

#### 5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained eight recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A	
<u>Reinsurance</u>	
i. It was recommended that the Company include an insolvency clause in future reinsurance contracts that complies with Section 1308 of the New York Insurance Law.	8
The Company has complied with this recommendation.	
ii. It was recommended that the Company include language consistent with Circular Letter No. 5 (1988) in all reinsurance contracts which make reference to novation.	9
The Company has complied with this recommendation.	
B	
<u>Accounts and Records</u>	
i. It was recommended that the Company, in subsequent statutory filings, comply with SSAP No. 41 and classify all principal repayments approved by the Department, as a liability.	10
The Company did not make any principal repayments during the examination period.	
ii. It was recommended that the Company take due care when completing Schedule P filings.	11
The Company has complied with this recommendation.	
iii. It was recommended that the Company properly allocate its premium receivable between uncollected premiums in the course of collection and deferred premiums in all statements filed with this Department, henceforth.	11
The Company has complied with this recommendation.	

ITEMPAGE NO.C. Market Conduct

- i. It was recommended that the Company comply with Department Regulation 90 Parts 218.4(a) and 218.5(a) when terminating agent's contracts. It was noted that a similar recommendation was included in the prior report. 17

The Company has not complied with this recommendation. A similar comment is made in this report.

- ii. It was recommended that the Company comply with Section 3425(c) of the New York Insurance Law and not issue mid-term cancellations for other than statutory reasons. It was noted that a similar recommendation was included in the prior report. 18

The Company has not complied with this recommendation. A similar comment is made in this report.

- iii. It was recommended that the Company use the correct terminology in corresponding with policyholders as far as distinguishing between a cancellation and a non-renewal. 18

The Company has not complied with this recommendation. A similar comment is made in this report.

## 6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A	
<u>Reinsurance</u>	
i	8
It is recommended that the offset clause found in these agreements be amended to state that the offset will comply with Section 1308 and 7427 of the New York Insurance Law.	
ii	8
It is also recommended that all future agreements to which the Company is a party that contain an offset clause, include the proper wording stating that Section 7427 of the New York Insurance Law will apply in the event of rehabilitation or liquidation.	
B	
<u>Accounts and Records</u>	
i.	9
It is therefore recommended that the Company comply with Department Regulation 90, Part 218.4(a) by including specific reasons for termination in agent termination notices.	
ii.	10
It is recommended that the Company comply with Section 3425(c) of the New York Insurance Law by not issuing mid-term cancellations for other than statutory reasons.	
iii.	10
It is recommended that the Company comply with Section 3425(d)(1) of the New York Insurance Law by issuing non-renewal notices at least forty-five, but no more than sixty days in advance of the end of the policy period unless the named insured, agent or broker, or an insurer of the named insured has notified the Company in writing that the policy has been replaced or is no longer desired.	
iv.	11
It is also recommended that the Company use the correct terminology in corresponding with policyholders as far as distinguishing between cancellations and non-renewals.	
v.	11
It is recommended that the Company comply with part 109.3(j) of Regulation 30 by conducting a time study in the current period for all Company units when using it as a basis for allocation of expenses, or documenting an investigation that shows that a study done in another period is appropriate for use during the current period.	
vi.	11
It is recommended that the Company fully document the existence and performance of each risk mitigation strategy in order for examiners to evaluate the existence of controls in place at the Company to determine whether the control procedures are operating as expected and performed on a timely basis. Included in the documentation should be required sign-offs by the preparers and reviewers.	
vii.	12
It is recommended that the Company retain each periodic worksheet, and not write over worksheets from previous periods with current worksheets.	

Respectfully submitted,

\_\_\_\_\_/s/  
Frank P. Schiraldi  
Senior Insurance Examiner

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

Frank P. Schiraldi, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

\_\_\_\_\_/s/  
Frank P. Schiraldi

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

**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:

**Frank Schiraldi**

as a proper person to examine the affairs of the

**UTICA FIRST 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 9th day of October, 2012

**BENJAMIN M. LAWSKY**  
Superintendent of Financial Services



By:

Jean Marie Cho  
Deputy Superintendent