REPORT ON EXAMINATION

OF THE

WRM AMERICA INDEMNITY COMPANY, INC.

AS OF

DECEMBER 31, 2012

DATE OF REPORT	MAY 31, 2014
EXAMINER	MOSES EGBON

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Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 31, 2014

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 31027 dated August 16, 2013, attached hereto, I have made an examination into the condition and affairs of WRM America Indemnity Company, Inc. 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 WRM America Indemnity Company, Inc.

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 333 Earle Ovington Boulevard, Uniondale, New York 11553.

1. SCOPE OF EXAMINATION

The Department has performed an examination of WRM America Indemnity Company, Inc., a multi-state insurer. This is the first examination of the Company with a new owner and a new name after the previous examination, which 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 also included a review and evaluation of the Company's own control environment assessment. The examiners also relied upon audit work performed by the Company's independent public accountants when appropriate.

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
Territory and plan of operation
Growth of Company
Loss experience
Reinsurance
Accounts and records
Statutory deposits
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 incorporated as the Alliance Assurance Company of America on July 26, 1991 under the laws of the State of New York to serve as the vehicle for the domestication of the United States Branch of the Alliance Assurance Company Limited, London, England ("the Branch"). The Company assumed all of the assets and liabilities of the Branch and commenced business on January 1, 1992.

Effective July 1, 2000, the Company entered into a Reinsurance Assignment and Assumption Agreement with Globe Indemnity Company ("Globe"), an affiliate. As a result this agreement, the Company transferred all of its liabilities arising from its operations prior to the effective date, along with an equal amount of assets to the Globe. The Reinsurance Assignment and Assumption Agreement was done to prepare the Company for sale.

On January 23, 2001, the Company was acquired by Eastern Casualty Insurance Company, a Massachusetts insurer, as a clean shell.

On October 16, 2008, the Company was acquired by WRM America Holding Company, LLC (now known as The Wright Insurance Group, LLC ("TWIG")), a Delaware corporation, and it adopted its current name on October 23, 2008. The acquisition of control was approved by the Department pursuant to Section 1506 of the New York Insurance Law and Part 80-1.6 of Department Regulation 52. The Company commenced writing business in 2009.

On December 10, 2010, pursuant to Section 1603(a) of the New York Insurance Law, the Company formed a new wholly-owned subsidiary, RPG Management LLC, now known as Wright Program Insurance Agency, LLC ("WPIA").

On November 7, 2011, pursuant to Section 1603(a) of the New York Insurance Law, the Company's ultimate parent, TWIG, acquired 100% of all the outstanding ownership interests of certain entities from Fidelity National Financial Inc. ("FNF"), the ultimate parent of Fidelity National Indemnity Insurance Company ("FNII"). As part of the transaction, TWIG assigned the Company the rights to acquire 100% of the issued and outstanding shares of capital stock of FNII. The primary purpose of the transaction was to acquire the flood insurance business from the FNF Group. After the Company acquired FNII, it was renamed Wright National Flood Insurance Company.

Capital paid in is $4,723,000, consisting of 94.46 shares of common stock with a par value of $50,000 per share. Gross paid in and contributed surplus is $49,937,000. In 2008, the Company received a surplus contribution from its parent in the amount of $55,060,000. In 2009, the Company increased the number of issued and outstanding shares from 60 to 100, which increased Paid in capital by $2,000,000 and decreased Gross paid in and contributed surplus by the same amount. In 2010, the Company redeemed and retired 5.54 shares of its $50,000 par value common stock, for which it paid $3,400,000. The following chart shows the changes to paid in capital and gross paid in and contributed surplus during the examination period:

Date	Description	Paid in Capital	Gross paid in and contributed surplus
1/1/2008	Beginning balance (60 shares at $50,000/share)	$3,000,000	$ 3,420,000
2008	Surplus contribution		55,060,000
2009	Issuance of 40 common shares	2,000,000	(2,000,000)
2010	Redemption and retirement of 5.54 common shares	(277,000)	(3,123,000)
12/31/2012	Ending balance (94.46 shares at $50,000/share)	$4,723,000	$49,937,000

In 2013, the Company has transitioned from a direct writer to a reinsurer, with almost all of the business written is from assumed reinsurance.

On January 23, 2014, the Company's management presented to the Department a proposed internal reorganization and sale of the Wright Insurance Group, LLC to Brown and Brown Inc., a Florida Corporation and Insurance Intermediary. The Company will not be included in the sale. The management has indicated that after the Group merger with Brown and Brown Inc., the existing members of the Group will become the owners of the Company in the same proportion as their respective ownership interests in TWIG.

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 thirteen nor more than twenty-one members. The board met at least one time during each calendar year. At December 31, 2012, the board of directors was comprised of the following thirteen members:

Name and Residence	Principal Business Affiliation
Ian D. Broadwater New York, NY	Investment Professional, Aquiline Capital
Henry Neal Conolly Uniondale, NY	President, Wright National Flood Insurance Company
Donald T. DeCarlo Lake Success, NY	Self-Employed, The Law Offices of Donald T. DeCarlo, Esq.
Gerard P. Elicks Uniondale, NY	NYMIR Counsel, The Wright Insurance Group
William J. Fishlinger Uniondale, NY	Chairman, The Wright Insurance Group, LLC
Douglas J. Hayden Floral Park, NY	Executive Vice President, The Wright Insurance Group, LLC
Robert W. Lulley, Jr. Smithtown, NY	EVP, Chief Underwriting Officer, The Wright Insurance Group, LLC
William A. Malloy New York, NY	President and Chief Executive Officer, The Wright Insurance Group, LLC
Lawrence P. Miniter Ridgewood, New Jersey	President, WRM America Indemnity Company, Inc.
Jason A. Rotman New York, NY	Investment Professional, Aquiline Capital Partners
Albert L. Salvatico Garden City, New York	President, Jaral Properties
Steven E. Sims New York, NY	Executive Vice President, The Wright Insurance Group, LLC
Christopher E. Watson Bronxville, NY	Investment Professional, Aquiline Capital Partners

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member had an acceptable record of attendance.

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

Name	Title
Lawrence P. Miniter	President
Rona L. Platt	Secretary
Norman L. Brown	Treasurer

B. Territory and Plan of Operation

As of December 31, 2012, the Company was licensed to write business in thirty-eight states and the District of Columbia.

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:

Paragraph	Line of Business
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity
24	Credit unemployment
29	Legal services

The Company is also authorized to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers'

Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended).

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $4,600,000.

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

Calendar Year	New York State	Total Premiums	Premiums Written in New York State as a percentage of Total Premium
2008	$ 0	$ 0	n/a
2009	$ 791,298	$ 1,394,005	56.76%
2010	$1,077,862	$ 9,141,693	11.79%
2011	$1,979,387	$24,434,000	8.10%
2012	$2,474,798	$ 8,327,774	29.72%

The Company provided property and casualty insurance coverage to public K-12 educational institutions outside of New York State, and private K-12 educational institutions, small colleges and universities nationwide, which included educators' legal liability, commercial general liability, commercial property, inland marine, auto liability, boiler and machinery. The Company's products were marketed, sold and serviced through its affiliated manager, Wright Risk Management, LLC. ("WRM LLC"). The Company's business was written through brokers.

On May 1, 2012, Catlin Insurance Company and Catlin Indemnity Company (collectively referred to as "Catlin") began direct writing of the majority of the business previously written by the Company, with the exception of the direct business in New York and Virginia. The Company then assumed 10% of this business written by Catlin. WRM LLC, serves as the management company providing comprehensive services including underwriting, claims, loss control, accounting and risk management services for this business written by Catlin and by the Company.

C. <u>Reinsurance</u>

<u>Assumed Reinsurance</u>

Assumed reinsurance comprised approximately 32% of the Company's gross premiums written in 2012. The assumed business was derived from a multi-line quota share reinsurance agreement with Catlin, an authorized Delaware insurer, which became effective November 15, 2011. Pursuant to this agreement, the Company assumed a 10% quota share percentage of Catlin's business, including business that the Company ceded to Catlin pursuant to a 100% quota share reinsurance treaty. Prior to the execution of this treaty, the Company did not assume any reinsurance.

The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62 for all of its assumed reinsurance business.

<u>Ceded Reinsurance</u>

Prior to November 15, 2011, the Company's reinsurance consisted of various quota share and per risk excess treaties. As of December 31, 2012, the Company had structured its ceded reinsurance program as follows:

Type of Treaty	Cession
Property and Casualty quota share 100% authorized	100% quota share of all property and casualty lines of business.
Equipment Breakdown 100% authorized	A. 95% of up to $5 million any one accident, any one policy. B. 100% of up to $100 million excess of $5 million any one accident, any one policy.

Effective January 1, 2013, the Company is a party to a quota share retrocessional agreement with its wholly-owned affiliate, Wright National Flood Insurance Company ("Wright"). The reinsurance agreement provides that the Company retrocedes to Wright 45% of the business it assumed from Catlin.

Effective February 1, 2014, the Company no longer writes direct business.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

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.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected 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. 62. We obtained an attestation on risk transfer analyses from the Company's Chief Executive Officer and Chief Financial Officer 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 SSAP No. 62.

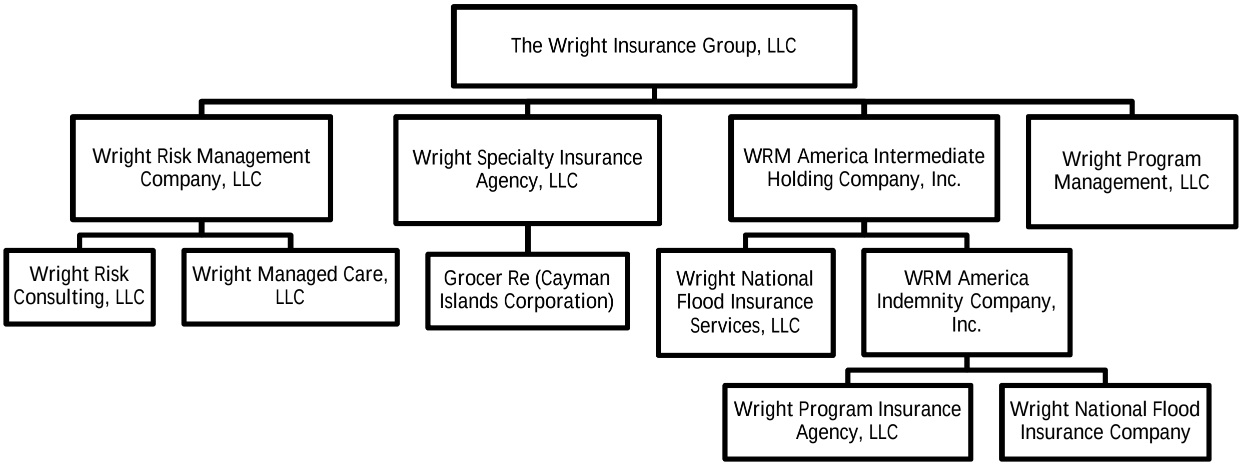
D. Holding Company System

The Company is a member of The Wright Insurance Group, LLC. The Company is a wholly-owned subsidiary of WRM America Intermediate Holding Company, Inc., a Delaware holding company, which is ultimately controlled by The Wright Insurance Group, LLC.

In 2011, the Company’s ultimate parent realigned its holding company structure, and the Company became directly owned by WRM America Intermediate Holding Company, Inc.

A review of the Holding Company Registration Statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2012:


The Wright Insurance Group, LLC
Wright Risk Management Company, LLC
Wright Specialty Insurance Agency, LLC
WRM America Intermediate Holding Company, Inc.
Wright Program Management, LLC
Wright Risk Consulting, LLC
Wright Managed Care, LLC
Grocer Re (Cayman Islands Corporation)
Wright National Flood Insurance Services, LLC
WRM America Indemnity Company, Inc.
Wright Program Insurance Agency, LLC
Wright National Flood Insurance Company

At December 31, 2012, the Company was a party to the following agreements with other members of its holding company system:

Management Agreement

Effective November 1, 2008, the Company engaged Wright Risk Management Company, LLC to act as the manager for the Company's insurance business. This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law.

Consolidated Federal Income Tax Allocation Agreement

Effective January 1, 2013, the Company is a party to consolidated federal income tax allocation agreement with two of its affiliates. This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law.

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	6%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	19%
Premiums in course of collection to surplus as regards policyholders	2%

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 4-year period covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$12,531,716	101.62%
Other underwriting expenses incurred	12,994,155	105.37
Net underwriting loss	(13,194,380)	(107.00)
Premiums earned	$12,331,491	100.00%

F. Accounts and Records

i. Conflict of Interest

The Company has conflict of interest policy in place for its directors and officers. During the examination period, the Company's board of directors and officers did not complete conflict of interest questionnaires for 2010 and 2011. In 2012, some questionnaires were completed and available for examination. It is recommended that the Company ensure that all of its officers, directors and key employees complete conflict of interest statements on annual basis and retain such statements for inspection in all future examinations.

Also, it is recommended that the completed and signed conflict of interest statements be provided to the board of directors for their review and that the board minutes acknowledge that the statements were provided and reviewed.

ii. Classification of Loss Adjustment Expenses

The Company's loss adjustment expense classification was reviewed, and it was noted that the Company had classified some of its investigation expenses for determination of coverage as Defense and Cost Containment (DCC) expenses instead of Adjusting and Other (A&O) expenses for calendar years 2009 to 2012. Pursuant to NAIC Accounting Practices and Procedures Manual Statement of Statutory Accounting Principle ("SSAP") No. 55, expenses paid to investigators and appraisers for fees incurred in the determination of coverage other than fees for the defense of a claim, whether internal or external, should be classified as A&O expenses rather than as DCC expenses. Because the amount involved was immaterial, the Department did not require the Company to reclassify the expenses from DCC to A&O; however, the expenses should be classified as A&O expenses in all future annual statements.

It is recommended that the Company report its loss adjustment expenses to the correct expense category in accordance with SSAP No. 55 of the NAIC Accounting Practices and Procedures Manual and the Annual Statement Instructions.

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:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$30,230,923		$30,230,923
Common stocks	18,113,333		18,113,333
Cash, cash equivalents and short-term investments	7,360,247		7,360,247
Other invested assets	11,891,978	$2,061,772	9,830,206
Investment income due and accrued	187,472		187,472
Uncollected premiums and agents' balances in the course of collection	992,800	17,814	974,986
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,435,218		1,435,218
Amounts recoverable from reinsurers	1,772,999		1,772,999
Fees	110		110
Deductible recovery	2,500	0	2,500
Totals	$71,987,580	$2,079,586	$69,907,994

Liabilities, Surplus and Other Funds	
Losses and loss adjustment expenses	$ 5,141,326
Reinsurance payable on paid losses and loss adjustment expenses	229,421
Commissions payable, contingent commissions and other similar charges	160,204
Other expenses (excluding taxes, licenses and fees)	330,163
Taxes, licenses and fees (excluding federal and foreign income taxes)	(279,334)
Current federal and foreign income taxes	4,211
Unearned premiums	2,091,441
Ceded reinsurance premiums payable (net of ceding commissions)	918,212
Remittances and items not allocated	14,046
Loss/ALAE payable	22,768
Total liabilities	$ 8,632,458
Common capital stock	$ 4,723,000
Gross paid in and contributed surplus	53,357,000
Unassigned funds (surplus)	3,195,536
Surplus as regards policyholders	$61,275,536
Totals	$69,907,994

Note: The Internal Revenue Service has never audited the Company’s federal income tax returns. 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 $54,105,363 during the five-year examination period January 1, 2008 through December 31, 2012, detailed as follows:

Premiums earned		$12,331,491
Deductions:		
Losses and loss adjustment expenses incurred	$12,531,716	
Other underwriting expenses incurred	12,994,155	
Total underwriting deductions		25,525,871
Net underwriting gain or (loss)		$(13,194,380)
Investment Income		
Net investment income earned	$ 3,127,377	
Net realized capital gain	548,561	
Net investment gain or (loss)		3,675,938
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (58,047)	
Aggregate write-ins for miscellaneous income	(2,257)	
Total other income		(60,304)
Net income after dividends to policyholders but before federal and foreign income taxes		$(9,578,746)
Federal and foreign income taxes incurred		46,471
Net Income		$(9,625,217)

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of January 1, 2008			$ 7,170,173
Net income		$ 9,625,217	
Net unrealized capital gains or (losses)	$ 14,150,166		
Change in non-admitted assets		2,079,586	
Capital changes paid in	1,723,000		
Surplus adjustments paid in	49,937,000	0	
Net increase (decrease) in surplus	$65,810,166	$11,704,803	$54,105,363
Surplus as regards policyholders per report on examination as of December 31, 2012			$61,275,536

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $5,141,326 is the same as reported by the Company as of December 31, 2012. The examination analysis of the Loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55 ("SSAP No. 55").

5. SUBSEQUENT EVENTS

To facilitate the sale of TWIG to Brown and Brown, Inc. and the transfer of the Company's ownership to its subsidiaries to its immediate parent, WRM America Intermediate Holding Company Inc. ("Intermediate Holdco"), on May 14, 2014, the Company obtained the Department's approval to enter into a stock redemption and retirement plan with Intermediate Holdco and adjustment of its par value pursuant to Section 1411(d) of the New York Insurance Law. Following the approval, The Company increased its shares of stock from 94.46 to 1,000 shares through a 10.59 to 1 stock split and decreased the par value of each share from $50,000 to $4,723.

The Company also entered into a repurchase agreement with Intermediate Holdco to repurchase 990 shares of its capital stock and return the value of such capital to Intermediate Holdco. The purpose of this transaction was to transfer ownership of the Company's two subsidiaries comprising of their book values and cash payment to Intermediate Holdco. After redemption and retirement of its capital, the Company adjusted the par value of its remaining 10 shares of stocks from $4,723 to $421,000.

The Department also approved the Company's charter amendments reflecting the above transactions on May 20, 2014.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM		PAGE NO.
A	Minimum Capital	
	It is recommended that the Company maintain the minimum surplus to policyholders investments as required by Section 1402 of the New York Insurance Law.	6
	The Company has complied with this recommendation.	
B.	Accounts and Records	
i.	It is recommended that the Company revise its custodial agreement to include the protective safeguards and controls in accordance with Part 1 General - Section IV(H) of the NAIC Financial Condition Examiners Handbook.	9
	The Company has complied with this recommendation.	
ii.	It is recommended that the Company exhibit greater care in the preparation of its annual statement.	10
	The Company has complied with this recommendation.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM			PAGE NO.
A	Accounts and Records		
i.	Conflict of Interest		
		It is recommended that the Company ensure that all of its director members and key employees complete conflict of interest statements on annual basis and retain such statements for inspection in all future examinations.	12
		It is recommended that the completed and signed conflict of interest statements be provided to the board of directors for their review and that the board minutes acknowledge that the statements were provided and reviewed.	12
ii.	Classification of Loss Adjustment Expenses		
		It is recommended that the Company report its loss adjustment expenses to the correct expense category in accordance with SSAP No. 55 of the NAIC Accounting Practices and Procedures Manual and the Annual Statement Instructions.	12

Respectfully submitted,

_____________/s/___________
Moses Egbon, C.F.E
Associate Insurance Examiner

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

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

_____________/s/___________
Moses Egbon

Subscribed and sworn to before me

this__________ day of ___________________, 2014.

APPOINTMENT NO. 31027

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:*

Moses Egbon

as a proper person to examine the affairs of the

WRM America Indemnity Company, Inc.

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

COMPANY

with such other information as she 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 16th day of August, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Jean Marie Cho
Deputy Superintendent

NEW YORK STATE ★ DEPARTMENT OF FINANCIAL SERVICES ★ EXCELSIOR