

REPORT ON EXAMINATION

OF THE

EXECUTIVE INSURANCE COMPANY

AS OF

DECEMBER 31, 2005

DATE OF REPORT

SEPTEMBER 15, 2006

EXAMINER

VERONICA DUNCAN BLACK

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

September 15, 2006

Honorable Howard Mills
Acting Superintendent of Insurance
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 22514 dated June 6, 2006 attached hereto, I have made an examination into the condition and affairs of Executive Insurance Company as of December 31, 2005, and submit the following report thereon.

Wherever the designations "the Company" or "Executive" appear herein without qualification, they should be understood to indicate Executive Insurance Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the Company's administrative offices located at 900 South Avenue, Staten Island, New York 10314.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 2000. This examination covered the five-year period from January 1, 2001 through December 31, 2005, and was limited in scope to these balance sheet items considered by this Department to require analysis, verification or description, including: invested assets, inter-company balances, and loss and loss adjustment expense reserves. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner. The examination included a review of income, disbursements and company records deemed necessary to accomplish such analysis or verification and utilized, to the extent considered appropriate, work performed by the Company's independent public accountants.

A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners ("NAIC"):

- History of Company
- Management and control
- Corporate records
- Fidelity bond and other insurance
- Territory and plan of operation
- Growth of Company
- Business in force by state
- Accounts and records
- Financial statements

A review was 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, which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Executive was incorporated under the laws of the State of New York on June 15, 1972 under the title French Union Insurance and Reinsurance Company of New York to be successor to the United States Branch of the French Union Insurance and Reinsurance Company, Paris, France. This company entered the United States through the State of New York on September 15, 1934. It was licensed and the domestication became effective as of September 30, 1972. The current name was adopted on March 5, 1973.

On October 10, 1975, the Company was placed in rehabilitation under the supervision of the Superintendent of New York. Under the terms of the rehabilitation process, the Company's operations were conducted as a going concern with all policies in full force and effect, and with no new or renewal business accepted. The Company's rehabilitation process was terminated by an order of the Supreme Court of New York issued on January 23, 1976.

Ownership of the Company was acquired on June 28, 1977 by E.I.C. Enterprises, Ltd, a New York holding company, under a trust agreement with Great Atlantic Insurance Company, which had purchased all outstanding capital stock of the Company in early 1976 from the court appointed rehabilitator. E.I.C. Enterprises, Ltd. is deemed the ultimate controlling parent of Executive Insurance Company by reason of its 100% ownership of Executive's common stock. The estate of Milton Kligler is the record holder of 97.37% of the issued and outstanding share of E.I.C. Enterprises, Ltd.

During 2005, the Company significantly reduced its premium writings from prior years in anticipation of ultimately selling the Company.

The Company's paid in capital was \$1,000,000, consisting of 10,000 shares of \$100 par value per share common stock. As of the prior examination date, the Company's paid in capital was \$900,000, consisting of 10,000 shares of \$90 par value per share common stock. On April 30, 2002, the Company amended its charter to increase its capital by increasing the par value of its common shares from \$90 to \$100 per share.

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 members. At December 31, 2005, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael Armienti New York, NY	Attorney, Armienti, Debellis, Whitten, LLP
Marcia Clark Taitam, Hong Kong	Director Marketing, Sara Lee Corporation
Michelle J. Colman Boca Raton, FL	Retired
Thomas Gleason Garden City, NY	President, Risk Recovery, Inc.
Errol Heath Estero, FL	Secretary/Treasurer, Executive Insurance Company
Dennis Herman New York, NY	President, American Federal Group
Dorothy Kligler Boca Raton, FL	Retired
Gregg J. Kligler Deerfield Beach, FL	Senior Underwriter, Morstan General Agency of Florida II
Richard I. Kligler Taitam, Hong Kong	President, Executive Insurance Company
Donald P. Marry Elmont, NY	President, Essential Reports, Inc.
Rosalie Robertson, Staten Island, NY	Assistant Vice President, Executive Insurance Company
Mel Spindler, Cliffside Park, NJ	President, Mel Spindler Insurance Agency
Carl S. Young White Plains, NY	Attorney, Carl Young & Associates

The minutes of all of the meetings of the board of directors held during the examination period were reviewed. A review of the minutes shows that the board held eleven regular meetings during the period January 1, 2001 through December 31, 2005, and that such meetings were generally well attended by all members.

As of December 31, 2005, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Richard I. Kligler	President
Errol M. Heath	Secretary and Treasurer
Dorothy Kligler	Vice President
Rosalie Robertson	Assistant Vice President

B. Territory and Plan of Operation

As of December 31, 2005, the Company was licensed to write business in the states of New York, Florida and Texas.

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>
3	Accident & health
4	Fire
5	Miscellaneous property damage
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
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

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 \$1,200,000.

During the examination period, the company wrote business only in New York. The following schedule shows the direct premiums written by the Company for the period under examination:

<u>Calendar year</u>	<u>Direct Premiums Written</u>
2001	\$ 31,505
2002	\$ 414,328
2003	\$2,192,928
2004	\$2,050,923
2005	\$1,158,828

On August 7, 2002, the Company entered into a managing general agent's agreement and a claims service agreement with P&S Insurance Agency, Inc. Pursuant to the terms of the agreements, P&S Insurance Agency, Inc. agreed to receive and accept proposals for insurance covering private passenger automobile physical damage insurance, as well as provide claims administrative services including establishing loss reserves, settling and paying claims on behalf of Executive Insurance Company for the Company's New York based business.

During this same period, the Company entered into a managing general agent's agreement and claims service agreement with JAJ Holding Company, Inc. ("JAJ") whereby JAJ agreed to provide both underwriting and claims administrative services for Executive's private passenger automobile physical damage policies underwritten in the State of Florida. Due to the unfavorable performance of the business underwritten in the State of Florida and the poor premium volume, the Company terminated its managing general agent and claims service agreements with JAJ effective June 5, 2003, and ceased writing business in the State of Florida.

The Company also had a managing general agent agreement with The Robert Plan Corporation, which was terminated in 1996. As part of the settlement agreement, The Robert Plan Corporation's authority to write new and renewal business for Executive Insurance Company expired on December 31, 1996. The Robert Plan Corporation continues to service all policies in force (the "run-off" policies) pursuant to the agency agreement until (1) each separate run-off expires by its term or otherwise terminates, and (2) Executive's obligations to renew each separate run-off policy has terminated. All claims under these policies are serviced under an agreement between the Company and Eagle Insurance Company.

It was noted that the Company complied with Department Regulation 120, including filing "FORM-01" for each managing general agent.

C. Reinsurance

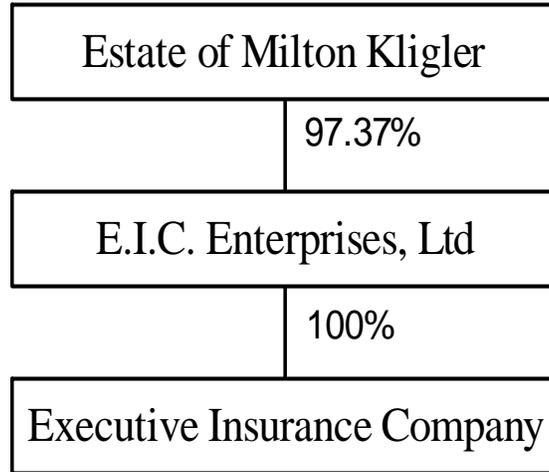
As of December 31, 2005, Executive did not have a reinsurance program in place. The Company terminated its last reinsurance treaty (catastrophe coverage) in 2004. The Company had maintained catastrophe coverage for its Florida book of business. Due to the run-off status of the Florida business, the Company discontinued its catastrophe coverage in 2004.

D. Holding Company System

The Company is part of a holding company system as defined by Section 1501(a) of the New York Insurance Law. E.I.C. Enterprises, Ltd., a New York holding company, is deemed the ultimate controlling parent of Executive Insurance Company by reason of its 100% ownership of Executive common stock. The estate of Milton Kligler is the record holder of 97.37% of the issued and outstanding shares of E.I.C. Enterprises, Ltd.

As part of a holding company system, the Company files registration statements pursuant to Article 15 of the New York Insurance Law and Department Regulation 52. All pertinent files were reviewed and no problem areas were encountered.

The following is a chart of the Company's holding company system at December 31, 2005:



Effective January 1, 1980, the Company files its federal income tax returns on a consolidated basis with its parent, E.I.C. Enterprises, Ltd., pursuant to a tax allocation agreement. The tax allocation agreement was amended effective June 1, 2002 to comply with the provisions of Department Circular Letter No. 33 (1979). The tax allocation agreement and subsequent amendment were approved by this Department.

E. Abandoned Property Law

Section 1316 of the New York State Abandoned Property Law provides that amounts payable to a resident of this state from a policy of insurance, if unclaimed for three years, shall be deemed to be abandoned property. Such abandoned property shall be reported to the comptroller on or before the first day of April each year. Such filing is required of all insurers regardless of whether or not they have any abandoned property to report.

The Company's abandoned property reports for the period of this examination were all filed on a timely basis pursuant to the provisions of Section 1316 of the New York State Abandoned Property Law.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2005, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	0.22 to 1
Liabilities to liquid assets (cash and invested assets less investment in affiliates)	11.0%
Premiums in course of collection to surplus as regards policyholders	1.0%

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 incurred	\$4,576,588	48.08%
Loss adjustment expense	584,673	6.14
Other underwriting expense	6,673,870	70.12
Net underwriting gain (loss)	<u>(2,317,418)</u>	<u>(24.35)</u>
Premiums earned	<u>\$ 9,517,713</u>	<u>100.00%</u>

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2005 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Ledger Assets</u>	<u>Not-Admitted Assets</u>	<u>Admitted Assets</u>
Bonds	\$ 1,940,310	\$	\$ 1,940,310
Cash and short-term investments	3,867,028		3,867,028
Investment income due and accrued	43,255		43,255
Agents' balances or uncollected premiums	33,253		33,253
Furniture and equipment, including health care delivery assets	26,610	26,610	0
Receivable from parent, subsidiaries and affiliates	<u>54,173</u>	<u>54,173</u>	<u>0</u>
Total assets	<u>\$5,964,629</u>	<u>\$80,783</u>	<u>\$5,883,846</u>

Liabilities, surplus and other funds

Losses	\$149,200
Loss adjustment expenses	20,097
Commissions payable, contingent commissions and other similar charges	62,037
Other expenses (excluding taxes, licenses and fees)	25,000
Unearned premiums	376,653
Amounts withheld or retained by company for account of others	<u>51</u>
Total liabilities	\$642,038

Surplus and Other Funds

Common capital stock	\$ 1,000,000	
Gross paid in and contributed surplus	2,770,361	
Unassigned funds (surplus)	<u>1,471,447</u>	
Surplus as regards policyholders		<u>5,241,808</u>
Total liabilities, surplus and other funds		<u>\$5,883,846</u>

NOTE: The Company has never been audited by the Internal Revenue Service. 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. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased \$3,877,965 during the five-year examination period January 1, 2001 through December 31, 2005, detailed as follows:

Underwriting Income

Premiums earned		\$9,517,713
Deductions:		
Losses incurred	\$4,576,588	
Loss adjustment expenses incurred	584,673	
Other underwriting expenses incurred	<u>6,673,870</u>	
Total underwriting deductions		<u>11,835,131</u>
Net underwriting gain or (loss)		\$ (2,317,418)

Investment Income

Net investment income earned	\$990,830	
Net realized capital gain	<u>15,596</u>	
Net investment gain or (loss)		1,006,426

Other Income

Miscellaneous income (loss)	<u>\$ (6,330)</u>	
Total other income		<u>(6,330)</u>
Net income before federal and foreign income taxes		\$(1,317,322)
Federal and foreign income taxes incurred		<u>(39,183)</u>
Net income		<u>\$(1,356,505)</u>

C. Capital and Surplus Account

Surplus as regards policyholders December 31, 2000, per report on examination			\$9,119,773
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income (loss)	\$	\$1,356,505	
Net unrealized capital gains or (losses)		424,760	
Change in nonadmitted assets		78,990	
Change in paid in	100,000		
Surplus adjustment	1,482,290		
Dividends to stockholders	<u> </u>	<u>3,600,000</u>	
Total gains and losses	<u>\$1,582,290</u>	<u>\$5,460,255</u>	
Net increase (decrease) in surplus			<u>(3,877,965)</u>
Surplus as regards policyholders December 31, 2005, per report on examination			<u>\$5,241,808</u>

4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$169,297 is the same as reported by the Company as of December 31, 2005. 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. **MARKET CONDUCT ACTIVITIES**

As of the examination date, the Company had only fifteen open claims, including one for the Robert Plan Corporation. Further, during 2005 the Company significantly reduced its premium writings from prior years in anticipation of ultimately selling the Company. Due to the limited activity by the Company, a review of its sales, advertising, underwriting, rating and treatment of policyholders was not considered necessary.

7. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report contains no comments or recommendations.

Respectfully submitted,

/s/
Veronica Duncan Black
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
)
COUNTY OF NEW YORK)

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

/s/
Veronica Duncan Black

Subscribed and sworn to before me

this _____ day of _____, 2006.

Appointment No 22514

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Veronica DuncanBlack

as proper person to examine into the affairs of the

EXECUTIVE INSURANCE COMPANY

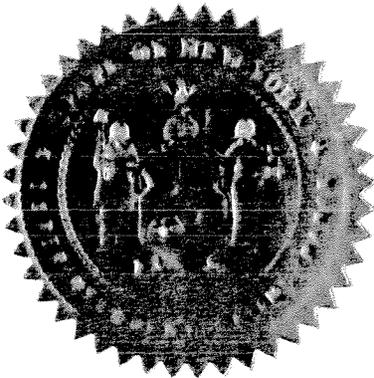
and to make a report to me in writing of the condition of the said

Company

with such other information as he shall deem requisite.

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

this 6th day of June, 2006



A handwritten signature in cursive script, appearing to read "Howard Mills", written over a horizontal line.

HOWARD MILLS
Superintendent of Insurance