REPORT ON EXAMINATION

OF THE

UTICA MUTUAL INSURANCE COMPANY

AS OF

DECEMBER 31, 1999

DATE OF REPORT:	MARCH 21, 2001
EXAMINER:	ROBERT W. CLARK

TABLE OF CONTENTS

STATE OF NEW YORK
INSURANCE DEPARTMENT
AGENCY BUILDING ONE
EMPIRE STATE PLAZA
ALBANY, NY 12257

March 21, 2001

Honorable Neil D. Levin
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 21528 dated May 2, 2000, attached hereto, I have made an examination into the condition and affairs of the Utica Mutual Insurance Company as of December 31, 1999 and submit the following report thereon.

The examination was conducted at the Company's home office located at 180 Genesee Street, New Hartford, New York 13413.

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

1. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1995. This examination covers the four year period from January 1, 1996 through December 31, 1999. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a complete verification of assets and liabilities as of December 31, 1999, a review of income and disbursements to the extent deemed necessary to accomplish such verification, and utilized, to the extent considered appropriate, work performed by the Company's independent certified 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:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Territory and plan of operations
Growth of Company
Loss experience
Reinsurance
Accounts and records
Market conduct activities

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations 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.

Concurrent examinations were conducted of Graphic Arts Mutual Insurance Company ("GAMIC"), a New York domestic insurer, and of Utica National Assurance Company ("UNAC"), a New York domestic insurer, as of December 31, 1999. These companies are part of a pooling operation with

UMIC, as described further in this report in Item 2C, “Reinsurance”. Separate reports on examination have been rendered relative to Graphic Arts Mutual Insurance Company and to Utica National Assurance Company.

A concurrent examination has been conducted of Republic-Franklin Insurance Company (“RFIC”), an Ohio domestic insurer, by the Ohio Insurance Department. Since January 1, 1984, RFIC has been part of the aforementioned pooling operation with the Company.

2. DESCRIPTION OF COMPANY

The Company was organized as the Utica Mutual Compensation Insurance Corporation pursuant to the provisions of the New York Insurance Law. The Company commenced business July 1, 1914. The present name of the Company was adopted February 1, 1919.

In 1967, the Company entered into an agreement with GAMIC, providing for common management of the two companies. Since 1969, the Company has pooled premiums, losses and expenses with GAMIC through a reinsurance pooling agreement which is discussed in greater detail in this report in Item 2C, “Reinsurance.”

In January 1983, the Company purchased most of the outstanding shares of RFIC, a stock property and casualty company organized under provisions of the Ohio Insurance Law. UMIC subsequently sold 6% of its interest in RFIC to GAMIC, creating a 94% and 6% ownership. In 1984, RFIC was admitted to the common management and pooling agreement between UMIC and GAMIC. Furthermore, in 1995, UMIC acquired all the outstanding capital stock of Utica National Insurance Company of Texas (UNIT) which was then admitted to the aforementioned common management and pooling agreement between UMIC and GAMIC. Also, in 1995 the Company acquired all of common stock of Graphic Arts Insurance

Company. This company changed its corporate title to Utica National Assurance Company (UNAC) and was admitted to the common management and pooling agreement in 1997. As of December 31, 1999, the pooling agreement resulted in sharing of premium income, losses and expenses as follows:

Utica Mutual Insurance Company	89%
Graphic Arts Mutual Insurance Company	5%
Republic-Franklin Insurance Company	3%
Utica National Assurance Company	2%
Utica National Insurance Company of Texas	1%
Total	100%

Under the present agreement, all transactions and items related to the insurance and/or general operations of the companies are pooled. The only major items which remain exempt are those related to investments and inter-company accounts.

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 thirty-one members. As of the examination date, the board of directors was comprised of fourteen members. The board met four times during each calendar year. The directors as of December 31, 1999, were as follows:

Director	Principal Business Affiliation
Clarence W. Bachman Penfield, NY	President, Empire Digital Communications
Alfred E. Calligaris Watertown, NY	Chairman of the Board, Stebbins Engineering & Manufacturing Company
Roy A Cardia Norwood, NY	President and CEO, M & M Bindery, Inc.
Richard G. Clark Cazenovia, NY	Retired

Director	Principal Business Affiliation
Gregory M. Harden McConnellsville, NY	Chairman and President, Harden Furniture Company
Jerry J. Hartman Phoenix, MD	President, Reese Press
William C. Heston Clinton, NY	Chairman and CEO, Utica Mutual Insurance Company
Herbert P. Ladds, Jr. Buffalo, NY	Chairman of the Board, Columbus McKinnon Corporation
Francis X. Matt, II New Hartford, NY	Chairman of the Board, F. X. Matt Brewing Company
Timothy R. Reed Utica, NY	President, The Utica Companies
James D. Robinson New Hartford, NY	President, Utica Mutual Insurance Company
Linda E. Romano New Hartford, NY	Attorney at Law
Jacob E. Worner Kettering, OH	Retired
John R. Zapisek Utica, NY	Treasurer, CFO and EVP, Utica Mutual Insurance Company

The minutes of all of the meetings of the board of directors and committees thereof held during the examination period were reviewed. The average attendance by the board of directors during the examination period was approximately 93%, with each individual director's attendance being adequate at these meetings.

At December 31, 1999 the principal officers of the Company and their respective titles were as follows:

Name	Title
William C. Heston	Chairman and Chief Executive Officer
James D. Robinson	President and Chief Operating Officer
George P. Wardley, III	Secretary
John R. Zapisek	Treasurer, Chief Financial Officer and Executive Vice President

B. Territory and Plan of Operation

The Company is authorized to transact business in all states, the District of Columbia and Puerto Rico and by the Government of Canada in all provinces except the Yukon Territory.

The following schedule shows the direct written premiums by calendar year within the examination period, countrywide as well as direct premiums written in New York State and the percentage which the New York premiums bear to the countrywide premiums:

DIRECT PREMIUMS WRITTEN

Calendar Year	New York State	Countrywide	Percentage of Countrywide Premiums Written in New York State
1996	$95,904,091	$279,365,303	34.3%
1997	$84,173,845	$260,395,417	32.3%
1998	$72,455,491	$249,092,772	29.1%
1999	$69.348,704	$261,148,752	26.6%

As of December 31, 1999, 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	Kind of Business
3	Accident and health
4	Fire
5	Miscellaneous property
6	Water damage

Paragraph	Kind of Business
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
26	Gap
27	Prize indemnification
28	Service contract reimbursement
29	Legal services

The Company is also licensed to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a), including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33USC Section 901 et seq. as amended).

Based upon the lines of business for which the Company is licensed, and pursuant to 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 $6,750,000.

The Company obtains business through 1,261 agents and 143 brokers as of December 31, 1999. Additionally, the Company participates in various pools, associations, syndicates and FAIR plans throughout the United States.

The Company assumes 100% of all insurance written by its wholly-owned subsidiaries Utica

Lloyds of Texas and Utica Specialty Risk Insurance Company.

The Company maintains seven full service branch offices and three district claims offices.

C. Reinsurance

The Company assumes reinsurance from affiliates and from non-affiliates as of December 31, 1999.

The Schedule F data as contained in the Company's annual statements filed for the years within the examination period was found to accurately reflect its reinsurance transactions.

The examiner reviewed all ceded reinsurance contracts in force as of December 31, 1999. These contracts all contained the required standard clauses, including insolvency clauses, meeting the requirements of Section 1308 of the New York Insurance Law.

As of the examination date, the Company had the following excess of loss reinsurance program in place:

Type of Contract	Cession
Property	$9,000,000 excess of $1,000,000 each risk, each loss subject to a loss occurrence limit of $27,000,000; agreement is subject to an annual aggregate deductible of $2,500,000.
Casualty (5 layers)	$29,000,000 excess of $1,000,000, each occurrence; annual aggregate deductible $2,500,000.
Fidelity	$4,000,000 excess of $1,000,000, each and every loss per insured.
Casualty	$5,000,000 excess of $1,000,000 of the liability from directors & officers, condominiums and senior citizen housing; $9,000,000 excess of $1,000,000 of the liability from all other.

As of the examination date, the Company had the following quota share reinsurance program in place:

Type of Contract	Cession
Casualty	50% of liability of agricultural workers' compensation and employers' liability business produced by the Kansas Farm Bureau.
Auto	66.67% of $750,000 excess of $250,000 each occurrence, for commercial auto produced by its "Spec Pro" division.
Errors & Omissions	50% of $1,000,000 of the liability produced by Graphic Arts Industries.
Automatic Umbrella	90% of $1,000,000 and 100% of $9,000,000 excess of $1,000,000 of the liability produced by Graphic Arts Industries.
Boiler and machinery	100% of $100,000,000 of equipment breakdown liability.

As of the examination date, the Company had the following additional reinsurance in place:

Type of Contract	Cession
Surety	45% of $1,000,000, per bond. $3,000,000 excess of $1,000,000, any one principal.
Agents' Errors & Omissions	90% of $5,000,000 per policy, per claim $5,000,000 excess of $5,000,000 per policy, per claim.
Property and casualty	20% of the liability of the commercial business produced by the Kansas Farm Bureau.
Personal Umbrella	95% of $1,000,000, each occurrence $4,000,000 excess of $1,000,000, each occurrence.
Commercial & School Umbrellas	50% of $5,000,000 each occurrence $5,000,000 excess of $5,000,000, each occurrence for commercial; $10,000,000 excess of $5,000,000, each occurrence for school.

At December 31, 1999, the Company also maintained the following coverage on a per occurrence basis:

Type of Contract	Cession
Property (2 layers)	95% of $120,000,000 in excess of $30,000,000, each occurrence.
Workers' compensation (2 layers)	$50,000,000 excess of $5,000,000, each occurrence.

As of December 31, 1999, the Company had in force the following facultative automatic excess of loss reinsurance agreement:

Type of Contract	Cession
Property	$30,000,000 excess of $10,000,000 each risk, for schools and condominiums.
	$10,000,000 excess of $10,000,000 each risk, for printers.

As of December 31, 1999, the Company had in force the following facultative binding authority excess of loss reinsurance agreement:

Type of Contract	Cession
Property	$20,000,000 excess of $20,000,000 each risk, for printers.
	$30,000,000 excess of $10,000,000 each risk, all others.
Casualty	90% of $1,000,000, net loss each claim and 100% of $1,000,000 excess of $1,000,000 of net loss each claim of the employment related practices liability.

Since the last examination the Company has not changed its net retention of $1,000,000 for both property and casualty business.

The Company cedes to authorized and unauthorized reinsurers. Any balance sheet credit reported by the Company for the unauthorized reinsurance portions of these cessions were secured by bona fide letters of credit.

Effective January 1, 1969, Utica Mutual Insurance Company and Graphic Arts Mutual Insurance Company entered into a reinsurance pooling agreement. Effective January 1, 1984, Republic-Franklin Insurance Company was made a party to the agreement by amendment thereto. Effective January 1, 1995, Utica National Insurance Company of Texas was made a party to the agreement by amendment. Furthermore, effective January 1, 1997, Utica National Assurance Company was also made party to the agreement by amendment thereto. Under this pooling agreement premium income, losses and expenses are shared as follows:

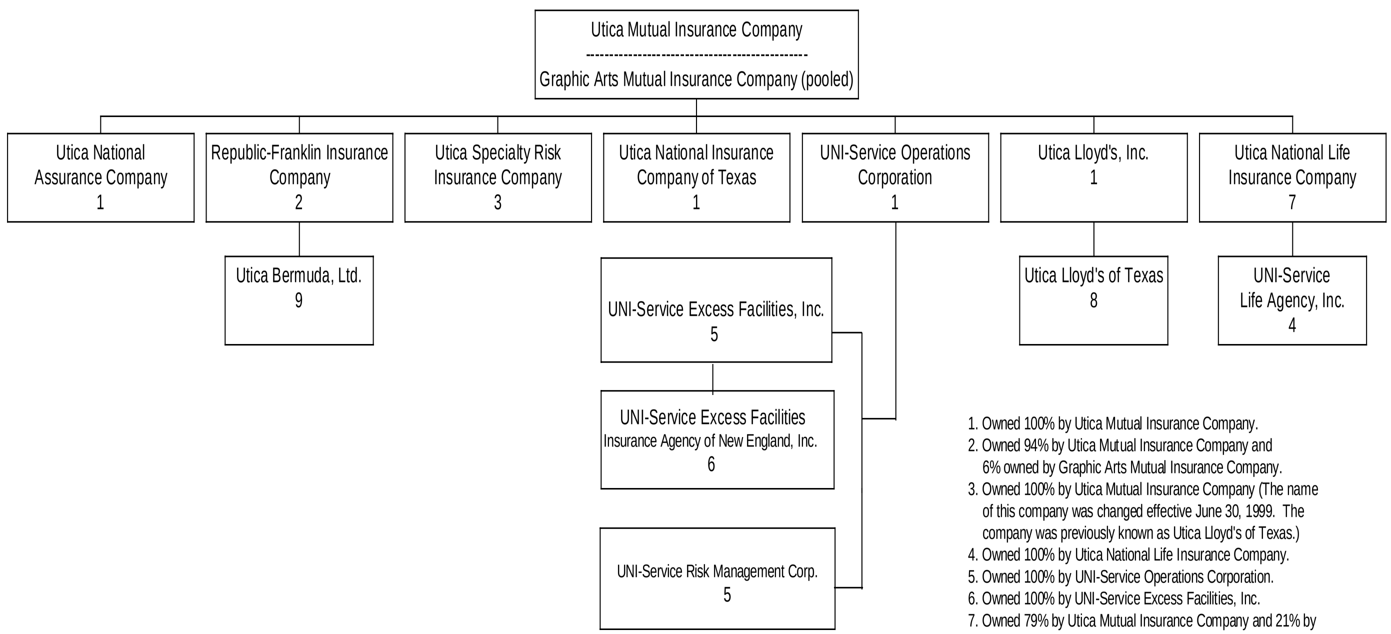
Utica Mutual Insurance Company	89%
Graphic Arts Mutual Insurance Company	5%
Republic-Franklin Insurance Company	3%
Utica National Assurance Company	2%
Utica National Insurance Company of Texas	1%
Total	100%

D. Affiliated Companies

The Company is not a part of a holding company system as defined in Article 15 of the New York Insurance Law and is therefore not required to make any filings specified by Department Regulation 52.

The Company and its various affiliates comprise the unincorporated entity known as Utica National Insurance Group.

The following is an organizational chart outlining the relationship between member as of December 31, 1999:



1. Owned 100% by Utica Mutual Insurance Company.
2. Owned 94% by Utica Mutual Insurance Company and 6% owned by Graphic Arts Mutual Insurance Company.
3. Owned 100% by Utica Mutual Insurance Company (The name of this company was changed effective June 30, 1999. The company was previously known as Utica Lloyd's of Texas.)
4. Owned 100% by Utica National Life Insurance Company.
5. Owned 100% by UNI-Service Operations Corporation.
6. Owned 100% by UNI-Service Excess Facilities, Inc.
7. Owned 79% by Utica Mutual Insurance Company and 21% by Graphic Arts Mutual Insurance Company.
8. A Texas Lloyds association of 12 underwriters under sponsorship of the Utica Mutual Insurance Company.
9. Owned 100% by Republic-Franklin Insurance Company.

It is noted that Section 1408(b) of the New York Insurance Law permits an insurer, with the approval of the superintendent, to make contributions to the surplus of a subsidiary insurance company. In a letter of May 21, 1998, the Department was informed of the Company's intention to contribute $7,000,000 to the surplus of Utica National Assurance Company, a 100% owned property/casualty insurer. Subsequently, in 1998, the Company made a surplus contribution of $10,000,000 to Utica National Assurance Company without Department approval.

It is recommended that the Company obtain the superintendent's approval for the exact amount for any future surplus contributions to its insurance subsidiaries.

At December 31, 1999 the Company had the following written business agreements in effect:

Common Management Agreement with Graphic Arts Mutual Insurance Company

Effective August 1, 1967 the Company entered into a common management agreement with Graphic Arts Mutual Insurance Company to consolidate the production, underwriting, reinsurance, claims, statistical, accounting, personnel, and billing and credit functions of the two companies.

Tax Allocation Agreement

Beginning with the taxable year ended December 31, 1983 the Company, Utica National Life Insurance Company, UNI-Service Operations Corporation, Republic-Franklin Insurance Company, Utica National Insurance Company of Texas, Utica Lloyds of Texas, Utica National Assurance Company, UNI-Service Excess Facilities Insurance Agency of New England and UNI-Service Life Agency, Inc. entered into a tax allocation agreement which established a method for allocating the consolidated tax liability, reimbursing payment of tax liability, compensating for use of losses or tax credits and provides for the allocation and payment of refunds arising from a carryback of losses or tax credits from subsequent taxable years.

This agreement was found to be in compliance with Circular Letter No. 33 (1979) promulgated by the New York Insurance Department.

Service Agreement with Utica National Life Insurance Company

Effective January 1, 1987 the Company agreed in the interest of economy, efficiency and good business management to render certain services, to furnish personnel, executive guidance and assistance and to assist Utica National Life Insurance Company in the conduct of its business.

Services Agreement with Utica Lloyd’s of Texas

Effective January 1, 1982 the Company agreed to render certain services to Utica Lloyd’s of Texas under the supervision and control of the Attorney-in-Fact. Such services include but are not limited to, underwriting advice and services, policy issuing and billing services, auditing and record keeping, preparation of reports to state or federal governmental agencies, collection of premiums, claims adjustment and payment services, investment advisory and custodian services, data processing services, and other activities necessary to the conduct of the Company as the Attorney-in-Fact may from time to time request.

Service Agreement with Utica Specialty Risk Insurance Company

Effective June 30, 1999 the Company agreed to provide underwriting, policy issuing, billing, auditing and records keeping, report preparation, claims handling, investment advisory and custodial services, staffing, data processing and other insurance related services.

<u>Expense Allocation Agreement with UNI-Service Excess Facilities and UNI-Service Excess Facilities Insurance Agency of New England</u>

Effective January 1, 1996 the Company is a party to an expense allocation agreement with UNI-Service Excess Facilities and UNI-Service Excess Facilities Insurance Agency of New England. Pursuant to the agreement, for ease of administration, the Company will charge UNI-Service Excess Facilities for services and expenses common to both Excess Facilities and UNI-Service Excess Facilities Insurance Agency of New England and such charges will be paid to the Company by UNI-Service Excess Facilities.

At December 31, 1999, the Company did not have a written business agreement with Uni-Service Operations Corporation. While the Company and its subsidiaries do not fall under the provisions of Article 15 (Holding Company) of the New York Insurance Law, a contract should be in place stating the conditions, procedures and provisions of their business practice and relationship between these two distinct and separate corporations.

It is recommended that the Company formalize its business relationship with Uni-Service Operations Corporation with a valid contract.

E. <u>Significant Operating Ratios</u>

The following ratios have been computed as of December 31, 1999, based upon the results of this examination:

Net premiums written in 1999 to Surplus as regards policyholders	1.16 to 1
Liabilities to liquid assets (less investment in affiliates)	85%
Premiums in course of collection to Surplus as regards policyholders	29%

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 four-year period, January 1, 1996 to December 31, 1999:

	Amounts	Ratios
Losses incurred	$1,241,621,078	61.5%
Loss adjustment expenses incurred	281,285,784	13.9
Other underwriting expenses incurred	645,505,238	31.9
Net underwriting loss	(148,191,113)	(7.3)
Premiums earned	$2,020,220,987	100.0%

F. Abandoned Property Law

During the period covered by this examination, the Company maintained appropriate records of unclaimed funds as required by Section 1316 of the New York Abandoned Property Law. The reports that were required to be filed with the State Comptroller relative to abandoned property were done in a timely manner.

G. Custodial Agreement

As of December 31, 1999, the Company was a party to a custodial agreement with the Bank of New York for the safekeeping of securities. The agreement was reviewed and found not to be within the framework of the guidelines established by this Department for the contents of such agreement. The deficiencies are described as follows:

1. The agreement did not contain a provision which indicates whether the custodian is covered under a Bankers Blanket Bond of the broadest form available, nor provisions that the Company will be notified in writing at least 60 days in advance of any material change in the form or amount of such bond or termination of the bond.

2. The agreement did not specifically state that the custodian would at all times give the securities held by it the same care that it gives its own property of a similar nature.

3. The agreement did not require the custodian to furnish the insurer (at least quarterly) with a list of such securities showing a complete description of each issue, which shall include the number of shares or par value of bonds so held at the end of such quarter.

Subsequent to the examination date, the Company revised its custodial agreement to bring itself into compliance with said guidelines.

H. <u>Insurance Coverage</u>

A review of the Company's insurance policies showed that the Company has issued a financial institution bond to itself. As such, the Company has assumed both parties to an insurance contract, namely, the insurer and the insured.

Section 1101(a)(1) of the New York Insurance Law states, in part, that:

> "Insurance contract means any agreement or other transaction whereby one party, the insurer, is obligated to confer benefit of pecuniary value upon another party, the insured…"

The Insurance Law implies the existence of two separate and distinct parties for a bona-fide insurance contract to exist. It is recommended that the Company only issue insurance policies to parties other than itself.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholder as determined by this examination as of December 31, 1999. This statement is the same as the balance sheet filed by the Company:

Assets	Ledger Assets	Non-Ledger Assets	Not Admitted Assets	Net Admitted Assets
Bonds	$1,264,344,864	$	$8,087,741	$1,256,257,123
Preferred stocks	10,213,947		458,917	9,755,030
Common stocks	142,610,592	21,889,789		164,500,381
Real estate	14,428,329			14,428,329
Cash	18,066,381			18,066,381
Other invested assets	5,673,797	156,261		5,830,058
Aggregate write-ins for invested assets	892,318			892,318
Uncollected premiums	176,023,361	351,480	5,882,440	170,492,401
Bills receivable, taken for premiums	635,340		635,340	
Reinsurance recoverable on loss payments	11,259,106			11,259,106
Guaranty funds receivable	167,217		38,413	128,804
Electronic data processing equipment	1,621,701			1,621,701
Interest and dividends due and accrued		20,213,868		20,213,868
Receivable from parent, subsidiaries and affiliates	1,827,665			1,827,665
Other assets non-admitted	23,950,261		23,950,261	
Aggregate write-in for other than invested assets	15,156,449		2,137,207	13,019,242
Total Assets	$1,686,871,328	$42,611,398	$41,190,319	$1,688,292,407

Liabilities and Surplus

Liabilities

Losses		$646,349,628
Loss adjustment expenses		196,292,053
Contingent commissions and other similar charges		9,606,757
Other expenses		29,195,532
Taxes, licenses and fees		7,822,822
Federal and foreign income taxes		3,963,532
Borrowed money		145,000
Unearned premiums		268,852,101
Dividends declared and unpaid		8,984,749
Funds held by company under reinsurance treaties		1,966,872
Amounts withheld or retained by company for account of others		12,758,111
Provision for reinsurance		15,702,605
Net adjustments in assets and liabilities due to foreign exchange rates		5,503,957
Drafts outstanding		23,382
Payable for securities		19,862
Aggregate write-ins for liabilities		16,414,204
Total liabilities		$1,223,601,167

Surplus

Aggregate write-ins for surplus funds	$3,574,311	
Aggregate write-ins for other than special surplus funds	1,700,000	
Unassigned funds	459,416,929	
Surplus as regards policyholders		464,691,240
Total liabilities and surplus		$1,688,292,407

Note: The Internal Revenue Service has completed its audits of the consolidated tax returns filed on behalf of the Company through tax year 1995. All material adjustments made subsequent to December 31, 1999 and arising from said audits are reflected in the financial statements included in this report. Audits covering tax years 1996 to 1999 have yet to commence. The examiner is unaware of any potential exposure of the Company to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased $133,633,024 during the four year examination period, January 1, 1996 to December 31, 1999 detailed as follows:

Statement of Income

Underwriting Income		
Premiums earned		$2,020,220,987
Losses incurred	$1,241,621,078	
Loss adjustment expenses incurred	281,285,784	
Other underwriting expenses incurred	645,505,238	
Total underwriting deductions		2,168,412,100
Net underwriting loss		$ (148,191,113)
Investment Income		
Net investment income earned	$ 362,422,123	
Net realized capital gains	14,720,996	
Net investment gain		377,143,119
Other Income		
Agents' balances charged off	$ (3,144,556)	
Finance fee and service charges	7,494,379	
Corporate losses	(1,433,604)	
Miscellaneous income	(2,853,389)	
Net other income		62,830
Net income before dividends to policyholders and federal income taxes		$ 229,014,836
Dividends to policyholders		45,044,341
Net income before federal income taxes		$ 183,970,495
Federal income taxes incurred		27,864,796
Net income		$ 156,105,699

Capital and Surplus Account

Surplus as regards policyholders, December 31, 1995, per prior report on examination			$ 331,058,216
	Gains in Surplus	Losses in Surplus	
Net income	$156,105,699	$	
Net unrealized capital gains	10,119,680		
Change in non-admitted assets		18,465,634	
Change in provision for reinsurance		3,494,012	
Change in foreign exchange adjustment		1,763,441	
Contingent balance in safety groups		1,512,710	
New Jersey volunteer pool buyout		4,846,716	
North Carolina escrow account balance		2,509,842	
Totals	$166,225,379	$32,592,355	
Net increase in surplus as regards policyholders			133,633,024
Surplus as regards policyholders, December 31, 1999, per report on examinations			$ 464,691,240

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liabilities of $646,349,628 and $196,292,053 respectively, are the same as the amounts reported by the Company as of the examination date. 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, as verified by the examiners.

5. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed to encompass the generally more precise scope of a market conduct investigation, which is the responsibility of the Market Conduct Unit of the Property Bureau of this Department. The general review was directed at practices of the Company in the following major areas:

A) Sales and advertising
B) Underwriting
C) Rating
D) Claims

No problems were encountered.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report contained comments and recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	The Company should refrain from changing prior year amounts unless a revised annual statement is filed with this Department. The Company has complied with this recommendation.	13-14
B.	The Company should report allocated loss adjustment expense reserves on both a case basis and a bulk basis in all future filed annual statements. The Company has complied with this recommendation.	14
C.	The Company should include, in its filing with the State of New York, any drafts which have been outstanding for more than three years. The Company has complied with this recommendation.	14

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

As indicated in the body of this report, the Company should be directed to comply with the following:

ITEM		PAGE NO.
A.	Affiliated Companies	
i.	It is recommended that the Company obtain the superintendent's approval for the exact amount for any future surplus contributions to its insurance subsidiaries, pursuant to Section 1408(b) of the New York Insurance Law.	13
ii.	It is recommended that the Company formalize its business relationship with UNI-Service Operations Corporation with a valid contract.	15
B.	Insurance Coverage	
	It is recommended that the Company only issue insurance policies to parties other than itself, in accordance with Section 1101(a) of the New York Insurance Law.	17

Respectfully submitted

/S/
Robert W. Clark
Senior Insurance Examiner

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

ROBERT W. CLARK, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge, information and belief.

/S/
Robert W. Clark
Senior Insurance Examiner

Sworn to before me this ____________ day

of ________________________, 2001

____

Notary Public

Appointment No 21528

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, NEIL D. LEVIN *, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Robert Clark

as proper person to examine into the affairs of the

Utica Mutual 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 2nd *day of* May 2000

NEIL D. LEVIN
Superintendent of Insurance