

REPORT ON EXAMINATION

OF

MIDROX INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

DATE OF REPORT

MARCH 4, 2016

EXAMINER

SHEIK H. MOHAMED

TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1	Scope of Examination	2
2.	Description of Company	3
	A. Corporate governance	3
	B. Territory and plan of operation	4
	C. Reinsurance	6
	D. Holding company system	8
	E. Significant operating ratios	9
	F. Accounts and records	10
3.	Financial Statements	12
	A. Balance sheet	12
	B. Statement of income	14
	C. Capital and surplus account	15
4.	Losses and loss adjustment expenses	15
5.	Market conduct activities	16
6.	Compliance with prior report on examination	17
7.	Summary of comments and recommendations	20



Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Acting Superintendent

February 21, 2019

Honorable Linda A. Lacewell
Acting Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31383 dated October 2, 2015, attached hereto, I have made an examination into the condition and affairs of Midrox Insurance Company as of December 31, 2014, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Midrox 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 56 Hillcrest Drive, Roxbury, NY 12474.

1. SCOPE OF EXAMINATION

The Department has performed a single-state examination of Midrox Insurance Company. The previous examination was conducted as of December 31, 2009. This examination covered the five-year period from January 1, 2010 through December 31, 2014. 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 New York laws, statutory accounting principles, and annual statement instructions.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examiners also relied upon audit work performed by the Company’s independent public accountants when appropriate.

This examination report includes, but not limited to, the following:

- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Territory and plan of operation
- Growth of Company
- Holding company description
- Loss review and analysis
- Reinsurance
- Accounts and records
- Financial statement presentations
- 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 on May 26, 1936, for the purpose of transacting business as an assessment cooperative insurance company in the counties of Delaware, Greene, Otsego, Schoharie, and Ulster of this state. Subsequently, the territorial limits were extended to cover all of the counties of this State, excluding the counties of New York, Kings, Queens, Bronx, and Richmond.

On August 1, 1987, a certificate was issued by this Department authorizing the Company to change its name from Midrox Co-operative Fire Insurance Company to Midrox Insurance Company.

A. Corporate Governance

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 of directors and the executive committee meet at least four times during each calendar year. At December 31, 2014, the board of directors was comprised of the following nine members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
William Richard Finch Roxbury, NY	Vice President, Midrox Insurance Company President, Brookside Hardware Limited President, HiFi Realty
Robert Omar Goff Prattsville, NY	President, Goff Construction Incorporated Owner, Goff Auto Sales
Hugh Irvin Henderson Oneonta, NY	Farmer and Insurance Agent
Dwayne Charles Hill Harpersfield, NY	Partner, Shaver Hill Farm
Dawnette Marie Hotaling Delhi, NY	Senior Vice President and Executive Officer, National Bank of Delaware County
Charles Frank McIntosh Bovina Center, NY	President, McIntosh Abattoir, Inc. Partner, McIntosh Country Market

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Frederick John Morse Margaretville, NY	President, Midrox Insurance Company Vice President, Morse-Wilson Agency, Inc. President, Statewide Underwriters Agency, Inc.
Joseph Charles Ranc Otego, NY	Comptroller, Frazier's Landscaping, Inc.
Carol Morse Wilson Roxbury, NY	Secretary & Treasurer, Midrox Insurance Company President, Morse-Wilson Agency, Inc. Secretary & Treasurer, Statewide Underwriters Agency, Inc.

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, 2014, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Frederick John Morse	President
Carol Morse Wilson	Secretary and Treasurer
William Richard Finch	Vice President

B. Territory and Plan of Operation

As of December 31, 2014, the Company was licensed to write business in the State of New York, excluding the counties of New York, Kings, Queens, Bronx and Richmond.

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
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability (Excluding workers' compensation)
19	Motor vehicle and aircraft physical damage (Excluding aircraft physical damage)
20	Marine and inland marine (inland only)

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 \$100,000.

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>
2010	\$3,712,833
2011	\$3,951,392
2012	\$4,251,706
2013	\$4,491,674
2014	\$4,761,744

As of December 31, 2014, the Company wrote business through approximately one hundred independent agents. The Company's predominant lines of business are commercial multiple peril, farm-owners multiple peril, fire, homeowners multiple peril, and inland marine, which accounted for 39%, 26%, 15%, 10% and 9%, respectively, of the Company's direct written premiums in 2014.

C. Reinsurance

During the period covered by this examination the Company did not assume any reinsurance business.

As of December 31, 2014, the Company had the following ceded reinsurance program in place:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Property</u>	
<u>Excess of Loss</u>	\$425,000 in excess of \$75,000 each loss, each risk, liability of the reinsurer not to exceed \$1,275,000 each loss occurrence.
100% authorized	
<u>Property Catastrophe Specified</u>	
Specifically named catastrophe perils (windstorm, hail, tornado, cyclone, flood, earthquake, or volcanic eruption)	\$460,000 in excess of \$40,000 each loss, each risk, liability of the reinsurer not to exceed \$1,380,000 each loss occurrence.
<u>Property Catastrophe</u>	
<u>Excess of Loss</u>	Layer 1: 95% of \$350,000 in excess of \$150,000 each loss occurrence.
4 layers	Layer 2: \$500,000 in excess of \$500,000 each loss occurrence.
100% authorized	Layer 3: \$750,000 in excess of \$1,000,000 each loss occurrence.
	Layer 4: 100% of ultimate net loss in excess of \$1,750,000 each loss occurrence.
<u>Casualty</u>	
<u>Excess of Loss</u>	\$960,000 in excess of \$40,000 each loss occurrence.
2 layers	
100% authorized	
<u>Casualty Clash</u>	
100% authorized	\$1,000,000 in excess of \$1,000,000 each loss occurrence. With respect to workers' compensation insurance required by Section 3420 of the New York Insurance Law, no claim shall be made unless the Company sustains an ultimate net loss of in excess of \$2 million, then the reinsurer will reimburse the whole excess amount.

<u>Type of Treaty</u>	<u>Cession</u>
<u>Property and Casualty Occurrence</u> 100% authorized	\$40,000 in excess of \$75,000 each loss occurrence - in the event the property and casualty business covered under the first excess layer are both involved in the same loss.
<u>Aggregate excess of loss</u> 100% authorized	95% of \$300,000 of the amount of the ultimate net loss in the aggregate over an amount equal to 60% of net earned premium income for the contract year.
<u>Property Facultative</u> 100% authorized	Cessions are limited to a maximum of \$500,000 on any risk, subject to a minimum net retention of \$100,000.
<u>Casualty Facultative</u> 100% authorized	\$1 million in excess of \$1 million each loss occurrence, each policy; subject to an annual aggregate limit of \$2 million, inclusive of loss adjustment expenses.
<u>Boiler and Machinery</u> 100% authorized	100% of the Company's liability in connection with equipment breakdown.

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. 62R. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's President and Treasurer 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. 62R.

D. Holding Company System

Statewide Underwriters Agency, Inc.

As of December 31, 2014, the Company has control of a subsidiary known as Statewide Underwriters Agency, Inc. (“Statewide”). The subsidiary was formed to provide agents of the Company with access to markets that the Company was unable to write. The Company and its subsidiary share the use of personnel, property and services. Effective January 1, 2014, the Company and Statewide entered into a management agreement, which calls for the Company to provide management, underwriting and clerical services deemed necessary for the operation of Statewide. The management agreement is subject to managerial review and is renewed annually.

As of February 2, 2016, Mid-Hudson Cooperative Insurance Company purchased 80 percent of Statewide. The Company retains a 20 percent ownership in Statewide. This transaction was approved by the Department.

Correct Reporting of Subsidiary Investments

The Company reported ownership of 100 shares of Statewide Underwriters Agency, Inc. at a cost of \$6,800 per Schedule D–Part 2–Section 2 of its 2011, 2012 and 2013 filed annual statements. Upon examination, it was determined that the Company actually owns 6,800 shares at a cost of \$6,800.

It is recommended that the Company correctly complete its investment schedules with information pertaining to its subsidiary, Statewide Underwriters Agency, Inc. A similar recommendation was made in the previous examination report.

Tax Allocation Agreement

Effective June 2, 2015, the Company became a party to a tax allocation agreement with its 80 percent owned subsidiary, Statewide Underwriters Agency, Inc. Under this agreement, commencing with tax year ending December 31, 2015, the Company and Statewide filed consolidated federal income tax returns.

The agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law on June 16, 2015 and non-disapproved accordingly. Examination review of the agreement revealed that it is consistent with the guidelines contained in Department Circular Letter No. 33 (1979).

Morse-Wilson Agency, Inc. (“Agency”)

The Company has both a real estate lease agreement and an expense sharing agreement with Morse-Wilson Agency, Inc. The Agency is owned by the president and the secretary-treasurer of the Company. The Agency maintains its own office staff and shares office space with the Company. The entities also share the cost of a receptionist.

Lease Agreement

The Company (“Landlord”) and the Morse-Wilson Agency, Inc. (“Tenant”) entered into a lease agreement effective July 1, 2014. The Landlord, in consideration of the lease payments called for in the agreement, leases office space totaling 1,324 square feet of the home office to the Tenant. The lease agreement is renewed on an annual basis.

Expense Sharing Agreement

The expense sharing agreement was made effective January 1, 2014 for a term of one-year and is renewed on an annual basis. The agreement calls for the reimbursement to the Company for actual usage by the Agency of postage and telephone costs, while broadband costs will be split equally.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2014, based upon the results of this examination:

<u>Operating Ratios</u>	<u>Results</u>
Net premiums written to policyholders' surplus	95%
Adjusted liabilities to liquid assets	53%
Gross agents' balances (in collection) to policyholders' surplus	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.

Underwriting Ratios

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	\$ 7,731,079	58.98%
Other underwriting expenses incurred	5,285,895	40.33
Net underwriting gain	<u>90,195</u>	<u>0.69</u>
Premiums earned	<u>\$13,107,169</u>	<u>100.00%</u>

F. Accounts and RecordsRent Charges – Compliance with SSAP No. 40R

Statement of Statutory Accounting Principles (“SSAP”) No. 40R, paragraph 17 states that:

“A reporting entity shall include in both its income and expenses an amount for rent relating to its occupancy of its own building. The amount recorded shall be at a rate comparable to rent received from others and/or rental rates of like property in the same year. If this is unavailable, it shall be derived from consideration of the repairs, expenses, taxes, and depreciation incurred, plus interest added at an average fair rate on the carrying value of the reporting entity’s investment in its home office building.”

The rent the Company charged itself for 2014 was insufficient and not consistent with the aforementioned requirements.

It is recommended that the Company comply with the requirements of SSAP No. 40R, paragraph 17 when determining the rental charge for the occupancy of its own building.

Allocation of Expenses

SSAP No. 70 sets forth the rules and methods governing the allocation of certain expenses among three categories: loss adjustment expenses, other underwriting expenses, and investment expenses. Paragraph 6 of SSAP No. 70 requires that allocation should be based on a method that yields the most

accurate results. Where specific identification is not feasible, “allocation of expenses should be based upon pertinent factors or ratios such as studies of employee activities, salary ratios or similar analyses.”

The Company was unable to provide current time studies supporting the allocation percentages being used in allocating expenses to the three expense categories.

It is recommended that the Company establish and maintain written documentation supporting the allocation of each type of expense to the three expense groups as required by SSAP No. 70.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2014 as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$4,415,010		\$4,415,010
Common stocks (stocks)	1,405,777		1,405,777
Properties occupied by the company	184,544		184,544
Cash, cash equivalents and short-term investments	482,598		482,598
Investment income due and accrued	33,415		33,415
Uncollected premiums and agents' balances in the course of collection	71,582	\$ 5,650	65,932
Deferred premiums, agents' balances and installments booked but deferred and not yet due	875,665	1,154	874,511
Other amounts receivable under reinsurance contracts	2,465		2,465
Net deferred tax asset	144,994		144,994
Furniture and equipment, including health care delivery assets	28,342	28,342	0
Receivables from parent, subsidiaries and affiliates	65		65
Other receivables	<u>566</u>	<u>0</u>	<u>566</u>
Total assets	<u>\$7,645,023</u>	<u>\$35,146</u>	<u>\$7,609,877</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses		\$1,187,017
Commissions payable, contingent commissions and other similar charges		253,518
Other expenses (excluding taxes, licenses and fees)		10,850
Taxes, licenses and fees (excluding federal and foreign income taxes)		4,046
Unearned premiums		2,361,072
Advance premium		72,615
Ceded reinsurance premiums payable (net of ceding commissions)		99,080
Remittances and items not allocated		1,195
Pension liability		<u>264,332</u>
Total liabilities		\$4,253,725

Surplus and Other Funds

Unassigned funds (surplus)	\$3,256,152	
Required surplus	<u>100,000</u>	
Surplus as regards policyholders		<u>3,356,152</u>
Total liabilities, surplus and other funds		<u>\$7,609,877</u>

Note: The Internal Revenue Service did not audit the Company's consolidated Federal Income Tax returns for the period under examination. Audits covering subsequent tax years have yet to commence. 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

The net income for the examination period as reported by the Company was \$960,579 as detailed below:

Underwriting Income

Premiums earned		\$13,107,169
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Deductions:

Losses and loss adjustment expenses incurred	\$ 7,731,079	
Other underwriting expenses incurred	<u>5,285,895</u>	

Total underwriting deductions		<u>13,016,974</u>
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Net underwriting gain or (loss)		\$ 90,195
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Investment Income

Net investment income earned	\$ 630,569	
Net realized capital gain	<u>18,743</u>	

Net investment gain or (loss)		649,312
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Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ 6,552	
Finance and service charges not included in premiums	217,448	
Aggregate write-ins for miscellaneous income	<u>(4,806)</u>	

Total other income		<u>219,194</u>
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Net income before federal income taxes		\$ 958,701
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Federal income taxes incurred		<u>(1,878)</u>
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Net income		<u>\$ 960,579</u>
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C. Capital and Surplus Account

Surplus as regards policyholders increased \$1,417,552 during the five-year examination period January 1, 2010 through December 31, 2014 as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2009			\$1,938,600
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$ 960,579		
Net unrealized capital gains or (losses)	372,136		
Change in net deferred income tax		\$225,882	
Change in non-admitted assets	458,309		
Cumulative effect of changes in accounting principles	93,838		
Aggregate write-ins for gains and losses in surplus	<u>0</u>	<u>241,428</u>	
Net increase (decrease) in surplus	\$1,884,862	\$467,310	<u>1,417,552</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2014			<u>\$3,356,152</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$1,187,017 is the same as reported by the Company as of December 31, 2014. 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. 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 more precise scope of a market conduct investigation, which is the responsibility of the Market Conduct Unit of the Property Bureau of this Department. Furthermore, the general review was directed to compliance with prior report on examination recommendations.

Department Regulation No. 64 – Denial Letters

Department Regulation No. 64, Part 216.6(h) states the following:

“(h) Any notice rejecting any element of a claim involving personal property insurance shall contain the identity and the claims processing address of the insurer, the insured's policy number, the claim number, and the following statement prominently set forth:

"Should you wish to take this matter up with the New York State Department of Financial Services, you may file with the Department either on its website at <http://www.dfs.ny.gov/consumer/fileacomplaint.htm> or you may write to or visit the Consumer Assistance Unit, Financial Frauds and Consumer Protection Division, New York State Department of Financial Services, at: One State Street, New York, NY 10004; One Commerce Plaza, Albany, NY 12257; 163B Mineola Boulevard, Mineola, NY 11501; or Walter J. Mahoney Office Building, 65 Court Street, Buffalo, NY 14202."

Examination review revealed that the notices in the denial letters were not consistent with the above requirement.

It is recommended that the Company comply with all the requirements of Part 216.6(h) of Department Regulation No. 64 when issuing notices rejecting any element of a claim involving personal property insurance. A similar comment was made in the previous examination report.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
It was recommended that the Company correctly complete the annual statement jurat page and not list deceased individuals as officers and board members.	4
The Company has complied with this recommendation.	
B. <u>Reinsurance</u>	
i. It was recommended that the Company comply with Section 6610(d) of the New York Insurance Law and not exceed the limitations specified.	8
The Company has complied with this recommendation.	
ii. It was recommended that, in the future, the Company submit its reinsurance contracts in effect as well as any new contracts and any amendments thereto for review in accordance with Section 1308(e)(1)(A) of the New York Insurance Law.	8
The Company has complied with this recommendation.	
C. <u>Holding Company</u>	
i. It was recommended that the Company comply fully with the filing requirements of Department Regulation 53 and include in those filings all transactions between the Company and its subsidiary.	10
The Company has complied with this recommendation.	
ii. It was recommended that the Company comply fully with directives from this Department.	10
The Company has complied with this recommendation.	
iii. It was recommended that the Company correctly complete its investment schedules as well as the notes to the filed Annual Statements with information pertaining to its subsidiary, Statewide Underwriters Agency, Inc.	10

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

- iv. It was recommended that the Company comply with Section 1602 of the New York Insurance Law. 11

The Company has complied with this recommendation.

- v. It was recommended that the Company comply with Department Circular Letter No. 33 (1979) by preparing and submitting its inter-company tax allocation agreement to the board of directors for approval and then to the Department for non-disapproval pursuant to the guidelines of Circular Letter No. 33 (1979). 11

This recommendation is no longer applicable because the inter-company tax allocation agreement was submitted to the Department in 2014 and non-disapproved in 2015.

D. Accounts and Records

- i. It was recommended that the Company comply with the investment authorization requirements of Section 1411(a) of the New York Insurance Law. 13

The Company has complied with this recommendation.

- ii. It was recommended that the Company comply with Section 6615(a)(1) of the New York Insurance Law and have its rates of assessment approved by its board of directors. 13

The Company has complied with this recommendation.

- iii. It was recommended that the Company comply with the requirements of SSAP No. 40 paragraph 15 when determining the rental charge for the occupancy of its own building. 13

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

- iv. It was recommended that the Company establish and maintain written documentation supporting the allocation of each type of expense to the three expense groups as required by SSAP No. 70. 14

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

E. Risk Management and Internal Controls

It was recommended that the Company implement and keep updated a formal succession plan in order to protect the best interests of the Company and the policyholders. 14

The Company has complied with this recommendation.

F. Market Conduct

i. It was recommended that the Company provide a specific reason for policy non-renewal as required by Section 3425(d)(1) of the New York Insurance Law. 19

The Company has complied with this recommendation.

ii. It was recommended that the Company comply with the requirements of Section 3425(e) of the New York Insurance Law and not non-renew personal lines policies midterm for other than the statutory reasons put forth in Section 3425(c)(2) of the New York Insurance Law. 19

The Company has complied with this recommendation.

iii. It was recommended that the Company comply with all of the requirements of Part 216.6(h) of Department Regulation 64 when issuing notices rejecting any element of a claim involving personal property insurance. 20

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

iv. It was recommended that the Company comply with the timeliness specified by Department Regulation 96 when reporting fire losses in excess of \$1,000 to the PILR. 20

The Company has complied with this recommendation.

v. It was recommended that the Company comply with the documentation requirements of Department Regulation 64 Part 216.11 and maintain within each claim file all transactions relating to the claim. 21

The Company has complied with this recommendation.

6. SUMMARY OF VIOLATIONS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Holding company</u>	
Notwithstanding the recommendation contained in the prior report on examination, the Company continues to violate Section 307 of the New York Insurance Law by failing to correctly complete its investment schedules with information pertaining to its subsidiary, Statewide Underwriters Agency, Inc.	8
B. <u>Accounts and Records</u>	
i. It is recommended that the Company comply with the requirements of SSAP No. 40R paragraph 17 when determining the rental charge for the occupancy of its own building.	10
ii. Notwithstanding the recommendation contained in the prior report on examination, the Company continues to violate Sections 307 and 2325 of the New York Insurance Law by failing to establish and maintain written documentation supporting the allocation of each type of expense to the three expense groups as required by SSAP No. 70.	11
C. <u>Market Conduct</u>	
Notwithstanding the recommendation contained in the prior report on examination, the Company continues to violate Part 216.6(h) of Department Regulation No. 64 when issuing notices rejecting any element of a claim involving personal property insurance.	16

APPOINTMENT NO. 31383

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ANTHONY ALBANESE, Acting 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:

Sheik Mohamed

as a proper person to examine the affairs of the

Midrox Insurance Company

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

COMPANY

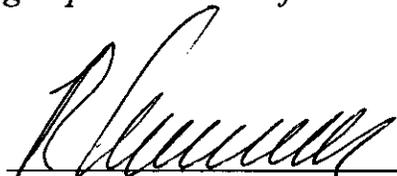
with such other information as he shall deem requisite.

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

this 2nd day of October, 2015

ANTHONY ALBANESE
Acting Superintendent of Financial Services

By:



*Rolf Kaumann
Deputy Chief Examiner*

