

REPORT ON ORGANIZATION
OF
UHAB MUTAL INSURANCE COMPANY
AS OF
AUGUST 26, 2009

DATE OF REPORT

AUGUST 26, 2009

EXAMINER

JOHN CONLEY

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

August 26, 2009

Mr. James J. Wrynn
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 30376 dated August 18, 2009, attached hereto, I have made an examination on organization of UHAB Mutual Insurance Company as of August 26, 2009, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate UHAB Mutual Insurance Company.

Whenever the term “Department” appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the administrative office of the Company, located at 120 Wall Street, 20th floor, New York, NY 10005.

1. SCOPE OF EXAMINATION

The examination comprised a complete verification of the issuance of the surplus note, the receipt of contributed surplus, and the determination of the Company's assets and liabilities. The records examined were the declaration of intention and charter, the by-laws, the certificate of incorporation, the corporate minutes, and the inter-company and custodial agreements entered into by the company as of the examination date. In addition, an affidavit, appended hereto, was obtained from two officers of the Company indicating that the transactions noted in this report were lawful and bona fide.

2. INCORPORATION

UHAB Mutual Insurance Company ("UHAB Mutual") was incorporated as a mutual property-casualty insurance company under the laws of the State of New York on October 13, 2004. During the first year of business, UHAB Mutual will issue general liability policies with occurrence and aggregate limits of \$50,000 per policy. In future years, UHAB Mutual intends to issue property insurance policies in addition to casualty liability. An amended plan of operation will be submitted to this Department for its review before UHAB Mutual begins writing such policies. It is anticipated that the annual aggregate of UHAB Mutual's exposure inclusive of loss and expense subject to the \$50,000 occurrence and aggregate limits will initially be approximately \$1,400,000. The declaration of intention and charter were approved by the Attorney General of the State of New York and filed with the Department on or about October 13, 2004. The Company's statutory home office is located at 2023 Lexington Avenue, New York, New York 10035. The Company's main administrative office, mail address and primary location of books and records is located at 120 Wall Street, 20th floor, New York, NY 10005.

As of the examination date, the Company's board of directors was comprised of the following thirteen members:

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|--------------------------------|--|
| Annie M. Bryan New York, NY | Board Member/Manager, 258 West 117 th Street, HDFC |
| John P. Feher New York, NY | Accounting Consultant, Center for Reproductive Rights |

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|---|---|
| Marsha L. Frazier Bronx, NY | Executive, Kenning Financial Advisors |
| Clarence J. Grier Bronx, NY | Bronx Borough Director, Urban Homesteading Assistance, Inc. |
| Richard S. Heitler New York, NY | Chief Operating Officer, Urban Homesteading Assistance, Inc. |
| Charles S. Laven New York, NY | President, Forsyth Street Advisors |
| Anselm W. Ofenloch, Jr. New York, NY | Self-employed plumber/handyman |
| Andrew J. Reicher New York, NY | Executive Director, Urban Housing Assistance, Inc. |
| Michael David Campbell Brooklyn, NY | Private Investigator, JLS Service Bureau |
| Alfonso Rogel-Ascencio New York, NY | Chief Financial Officer, Urban Homesteading Assistance, Inc. |
| Linda Rosario Brooklyn, NY | Organizer, St. Nicholas NPC Tenant Services |
| Michael A. Solomon Long Beach, NY | Banker, Merrill Lynch Community Development Company |
| Marc M. Tract Brookville, NY | Attorney/Partner, Katten Muchin Rosenman LLP |

The principal officers of the Company were as follows:

| | |
|------------------------|---------------------------------------|
| Andrew J. Reicher | President and Chief Executive Officer |
| Alfonso Rogel-Ascencio | Comptroller |
| John S. Maloney | Treasurer |
| Ingrid Kaminski | Chief Operating Officer |
| Marc M. Tract | Secretary |

3. SURPLUS CONTRIBUTION

UHAB Mutual was incorporated as a mutual property-casualty insurance company in the State of New York on October 13, 2004. The creation of UHAB Mutual came from the persons who are responsible for founding and operating Urban Homesteading Assistance (U-HAB), Inc. ("UHAB") (d/b/a Urban Homesteading Assistance Board). UHAB is a New York non-profit corporation and an innovative answer to housing abandonment and neighborhood deterioration.

UHAB has funded UHAB Mutual with a loan obtained from the Merrill Lynch Community Development Corporation ("Merrill Lynch"). Under the terms of that loan, UHAB is obligated to begin principal repayment after seven (7) years. The interest rate under the loan made by Merrill Lynch to UHAB is the United States ("U.S.") Treasury rate minus 125 basis points (-1.25%). Employing the funds it obtained from Merrill Lynch, UHAB subsequently entered into a loan agreement with UHAB Mutual pursuant to which UHAB loaned funds to UHAB Mutual in the amount of \$2,000,000. In return for the loan, UHAB Mutual provided UHAB with a subordinated promissory note obligating UHAB Mutual to repay the loan principal with interest at a rate of four percent (4 %) per annum. Repayment by UHAB Mutual of principal and interest under the loan agreement and subordinated promissory note is subject to the prior written approval of the Superintendent pursuant to Section 1307 of the New York Insurance Law. Subject to the prior written approval of the Superintendent, UHAB Mutual will begin principal repayment under the subordinated promissory note after seven (7) years. The funds received by UHAB Mutual will be reported as a surplus item under the caption "surplus notes" in the Company's financial statements.

In order to fulfill the deposit requirements of Section 4104 of the New York Insurance Law, the Company has placed securities with a par value totaling \$500,000 in an account in the name of the "Superintendent of Insurance of the State of New York in trust for the security of the policyholders of UHAB Mutual within the United States, its territories and possessions." The custodian is HSBC Bank USA, N.A., and the securities are held pursuant to a custodian agreement that conforms to the provisions of Section 1314 of the New York Insurance Law.

The Company has entered into a marketing services agreement with UHAB. Under this agreement, UHAB Mutual has retained UHAB to advise and assist in the marketing of property and casualty liability insurance to Housing Development Fund companies located in New York City. During the initial term of this agreement, the Company will compensate UHAB by making payments

of \$00.005 per square foot of each Housing Development Fund company that obtains coverage plus a fee of \$5.00 per apartment for each apartment in such Housing Development Fund. The Company will negotiate with respect to the amount of compensation to be paid to UHAB subsequent to the initial term.

The Company has also entered into a shared services agreement with UHAB. Under this agreement, UHAB has agreed to provide and make available to UHAB Mutual the services of UHAB's personnel, the apportionment of space and the use of equipment, as long as such arrangement does not interfere with or impede their respective business operations. The costs and expenses of providing the facilities, equipment and services shall be allocated to the Company.

The Company is in the process of drafting a custodial agreement for the safekeeping of its investments with JP Morgan Chase Bank, N.A. The custodial agreement when presented to the Department for its review will contain the protective covenants set forth in Part 1-General, Section IV, Subsection J – Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook.

4. BALANCE SHEET

The following balance sheet sets forth the Company's financial condition as of August 26, 2009 as determined by this examination:

Assets

| | |
|--------------------------------|-------------------------|
| Cash | \$ 1,490,154 |
| Bonds | 510,159 |
| Interest and dividends accrued | <u>697</u> |
| Total admitted assets | \$ <u>2,001,009</u> |

Surplus and other funds

| | |
|-----------------------------------|-------------------------|
| Surplus note | \$ 2,000,000 |
| Unassigned funds | <u>1,009</u> |
| Total liabilities and surplus | \$ <u>2,001,009</u> |

5. AUTHORIZED POWERS AND MINIMUM SURPLUS REQUIRED

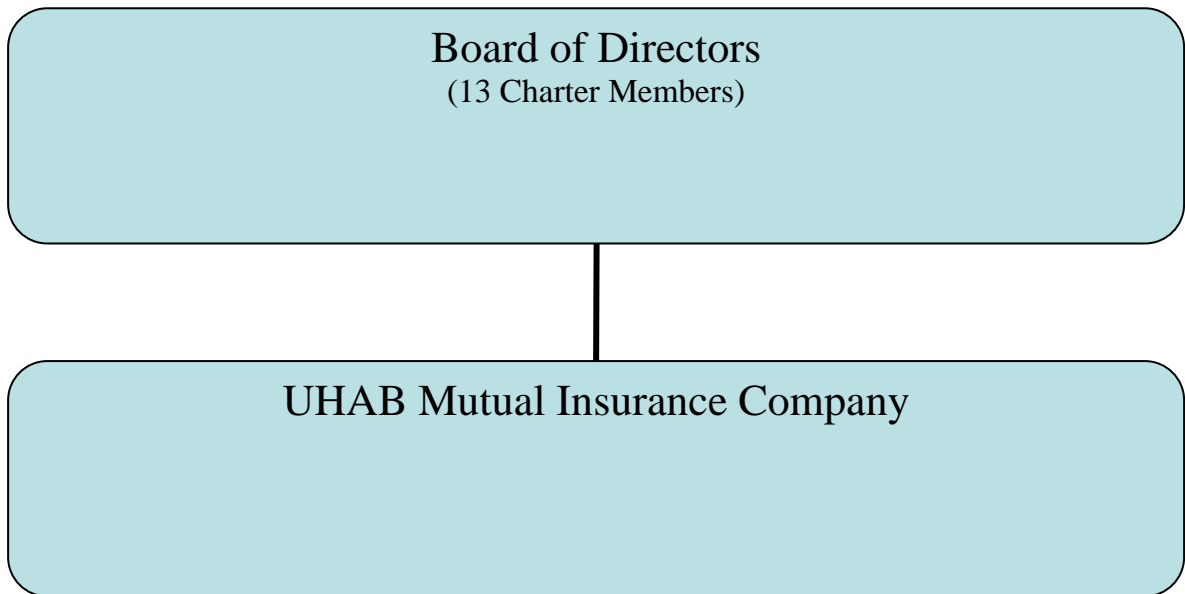
The Company is authorized to transact the kind of insurance as defined in the following numbered paragraph of Section 1113(a) of the New York Insurance Law:

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

Section 4107 of the New York Insurance Law provides that in order to be licensed to transact the foregoing kinds of insurance, the Company shall have an initial surplus to policyholders of \$2,000,000, and shall thereafter maintain a minimum surplus to policyholders of \$2,000,000. The Company has met these requirements.

6. AFFILIATED GROUP

The thirteen charter members of the board of directors have ultimate responsibility for UHAB Mutual Insurance Company. The following shows the Company's organizational chart at August 26, 2009:



7. CONCLUSION

Based on the foregoing examination, it is concluded that the Company received a surplus contribution of \$2,000,000 from UHAB on May 11, 2009. This surplus contribution represents the Company's gross paid-in and contributed surplus and is in an amount sufficient to qualify the Company to receive a license from the Department for the requested kinds of insurance under Section 4107 of the New York Insurance Law.

Respectfully submitted,

_____/s/
John Conley
Senior Insurance Examiner

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

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

_____/s/
John Conley

Subscribed and sworn to before me
this _____ day of _____, 2009.

Appointment No. 30376

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, Kermitt J. Brooks, Acting Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

John Conley

as proper person to examine into the affairs of the

UHAB MUTUAL INSURANCE COMPANY

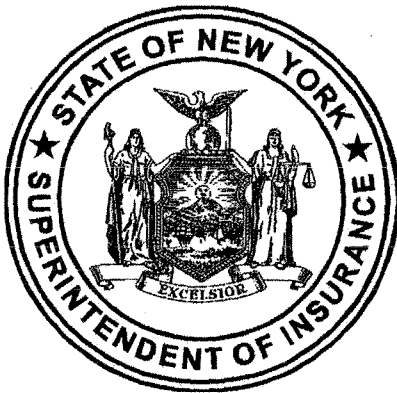
and to make a report to me in writing of the condition of the said

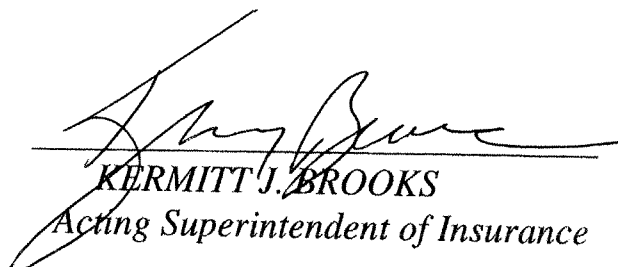
Company

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 18th day of August, 2009




KERMITT J. BROOKS
Acting Superintendent of Insurance