REPORT ON EXAMINATION

OF THE

UTICA NATIONAL ASSURANCE COMPANY

AS OF

DECEMBER 31, 2014

DATE OF REPORT	FEBRUARY 25, 2016
EXAMINER	WAYNE LONGMORE

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NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

February 25, 2016

Honorable Maria T. Vullo
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 31220 dated September 26, 2014 attached hereto, I have made an examination into the condition and affairs of Utica National Assurance Company as of December 31, 2014, and submit the following report thereon.

Wherever the designations “the Company” or "UNAC" appear herein without qualification, they should be understood to indicate Utica National Assurance 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 180 Genesee Street, New Hartford, NY 13413.

1. SCOPE OF EXAMINATION

The Department has performed a coordinated group examination of Utica National Assurance Company ("UNAC"), a multi-state insurer. 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.

New York was the coordinating state of the Utica National Insurance Group. The examination of the Company was performed concurrently with the examinations of the following insurers:

Company	State of Domicile
Utica Mutual Insurance Company	New York
Graphic Arts Mutual Insurance Company	New York
Founders Insurance Company of Michigan	Michigan
Republic –Franklin Insurance Company	Ohio
Utica National Insurance Company of Ohio	Ohio
Utica National Insurance Company of Texas	Texas
Utica Specialty Risk Insurance Company	Texas
Utica Lloyds of Texas	Texas

As noted above, other states participating in this examination were Texas, Ohio and Michigan.

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 UNAC including corporate governance, identifying and assessing inherent risks within UNAC and evaluating system controls and procedures used to mitigate those risks. This examination also assesses the principles used and significant estimates made by management. It evaluates the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

This examination report includes a summary of significant findings for the following items as called for in the Handbook:

Significant subsequent events
Company history
Corporate records
Management and control

Territory and plan of operation
Fidelity bonds and other insurance
Growth of Company
Loss experience
Reinsurance
Accounts and records
Financial statements
Summary of recommendations

A review was also made to ascertain what action was taken by UNAC 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

UNAC was incorporated under the laws of the State of New York on June 7, 1995. Operations were conducted under the title, "Graphic Arts Insurance Company" until June 23, 1997, when the current name was adopted.

The Company is wholly owned by and has management in common with Utica Mutual Insurance Company ("UMIC"). UNAC also pools premiums, losses and expenses with UMIC through a reinsurance pooling agreement.

As of December 31, 2014, capital paid in was $3,000,000 consisting of 50,000 shares of common stock at $60 par value per share. Gross paid in and contributed surplus was $14,200,000.

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 seven or more than twenty-one persons.

The board meets at least four times during each calendar year.

As of December 31, 2014, the board of directors was comprised of the following eight members:

Name and Residence	Principal Business Affiliation
John M. Anderson St. Charles, IL	President and Chief Operating Officer, Founders Insurance Company
Jolene M. Casatelli New Hartford, NY	Senior Vice President and Senior Claims Officer, Utica National Insurance Group
Paul L. Cohen Utica, NY	Vice President and Chief Actuary, Utica National Insurance Group
Richard P. Creedon Whitesboro, NY	President and Chief Operating Officer, Utica National Insurance Group
Steven P. Guzski New Hartford, NY	Executive Vice President and Director of Human Resources, Utica National Insurance Group
Kristen H. Martin Clinton, NY	Executive Vice President, Director of Underwriting Operations and Secretary, Utica National Insurance Group
Mohammed A. Masud East Greenbush, NY	Senior Vice President and Chief Claims Officer, Utica National Insurance Group
James D. Robinson New Hartford, NY	Chairman and Chief Executive Officer, Utica National Insurance Group

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 member had an acceptable record of attendance.

The review of the Company's charter and by-laws revealed the following conflict:

Article II, Section 11 (Qualifications) of the by-laws for UNAC states that "Directors shall be at least eighteen (18) years of age" while Article VI of the charter states in part that each director of the Corporation shall be at least twenty-one (21) years of age.

It is recommended that management correct the age requirement discrepancy noted between the Company's by-laws and charter.

As of December 31, 2014, the principal officers of the Company were as follows:

Name	Title
James Douglas Robinson	Chairman of the Board and Chief Executive Officer
Richard P. Creedon	President and Chief Operating Officer
Kristen H. Martin	Executive Vice President, Director of Underwriting Operations and Secretary
Brian W. Miller	Vice President, Chief Financial Officer and Treasurer

B. Territory and Plan of Operation

As of December 31, 2014, UNAC was licensed to write business in Connecticut, Georgia, Kansas, Massachusetts, New York, North Carolina, Tennessee, and Virginia. It also operates as a surplus lines carrier on a non-admitted basis in 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:

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

Based on the lines of business for which the Company is licensed 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 $9,100,000.

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

Calendar Year	New York State	Total Premiums	Premiums Written in New York State as a Percentage of Total Premium
2010	$43,299,915	$51,728,058	83.71%
2011	$38,274,403	$43,749,281	87.49%
2012	$38,649,892	$43,448,548	88.96%
2013	$43,243,939	$52,473,124	82.41%
2014	$44,787,028	$59,149,081	75.72%

The majority of UNAC's business (approximately 85%) is written in New York and Georgia. The four largest lines of business by percentage of total 2014 direct written premiums are Commercial multiple peril (38%), Workers' compensation (31%), Commercial auto liability (22%), and Auto physical damage (6%). Most of the business originates through approximately 2,300 independent agents and brokers.

The Company maintains branch offices in Utica, NY; Richmond, VA; Wakefield, MA; Woodbury, NY; Columbus, OH; Atlanta, GA; Richardson, TX and Des Plaines, IL. Each office handles its own underwriting for its specific territory except for personal lines which are handled in the main office. There are five Regional Claims Offices, the Home Office Claims Office, and two Founders Claims Offices for a total of eight claims offices.

C. Reinsurance

Assumed Reinsurance

Assumed reinsurance accounted for 20% of the Company's gross premiums written as of December 31, 2014. The Company's assumed reinsurance program consists mainly of business obtained through a pooling agreement with its affiliates: Founders Insurance Company, Graphic Arts Mutual Insurance Company, Republic-Franklin Insurance Company, Utica Mutual Insurance Company, and Utica National Insurance Company of Texas.

During the period covered by this examination, the Company's assumed reinsurance business has increased since the last examination. The main reason for the increase was due to a greater amount of the Utica National Insurance Group's premiums being written through the Company's subsidiaries and assumed by UMIC through the existing pooling agreement. It is noted that in 2010 UMIC purchased Founders Insurance Company (FIC) which contributed to the increase in total written premiums assumed by the pool.

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

Pooling and Reinsurance with Affiliates

UMIC is the lead company in an inter-company reinsurance pool with five other property and casualty affiliates that cede 100% of their net written premium to UMIC. UMIC retroceded 16% of the pooled premiums, net of external reinsurance to other pool members. As of December 31, 2014, the retrocession was as follows:

Graphic Arts Mutual Insurance Company	5%
Founders Insurance Company	5%
Republic –Franklin Insurance Company	3%
Utica National Assurance Company	2%
Utica National Insurance Company of Texas	1%

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 that remain exempt are those related to investments and inter-company accounts.

As of December 31, 2014, the business written by three other affiliates, Utica Specialty Risk Insurance Company, Utica Lloyds of Texas and Utica National Insurance Company of Ohio is ceded 100% to UMIC and is shared with the pool members in accordance with the above-mentioned pooling percentages.

Ceded Reinsurance

The Company's 2014 reinsurance program was as follows:

Treaty Type	Cession
Property Per Risk, 4 layers	$38,000,000 in excess of $2,000,000 ultimate net loss each risk. Each contract layer has a loss occurrence limit with respect to all risks in one occurrence. First layer - $6,000,000, second layer - $10,000,000, third layer - $20,000,000 and fourth layer - $40,000,000.
Property Catastrophe, 3 layers (Layer 1 was 52% placed, Layer 2 was 82.2% placed and Layer 3 was 45.2% placed)	$350,000,000 in excess of $50,000,000 ultimate net loss each loss occurrence. The reinsurers' liability as respects all losses occurring during the term of the contract shall not exceed limits as follows: First - $100,000,000, Second - $400,000,000 and Third - $200,000,000.
Casualty, 4 layers	$95,000,000 in excess of $5,000,000 ultimate net loss each loss occurrence. The reinsurers' liability as respects all losses occurring during the term of the contract shall not exceed limits as follows: First - $10,000,000, Second - $20,000,000, Third - $40,000,000 and Fourth - $120,000,000.
School Umbrella Automatic	$5,000,000 in excess of $5,000,000 each incident/$5,000,000 aggregate (where applicable) in excess of the Company's retention; and 80% of the next $5,000,000 in excess of $10,000,000 each incident /$10,000,000 aggregate (where applicable).
Commercial Umbrella Automatic/Non-Schools	100% of $5,000,000 in excess of $5,000,000 each incident/$5,000,000 annual aggregate of Net Loss under each Commercial umbrella policy.
Personal Umbrella Automatic	75% of the first $1,000,000 and 100% of $4,000,000 in excess of $1,000,000 each occurrence.
Commercial Equipment Breakdown	100% of $100,000,000 of liability for any one equipment breakdown.
Homeowners Equipment Breakdown	100% of $100,000 of liability for any one homeowner's equipment breakdown, on any one risk.
Cybersurance	100% of $250,000 of cyber liability.
Life Insurance Agents' and Brokers' E&O	100% of $1,500,000 in excess $500,000 per policy per claim.

Treaty Type	Cession
Insurance Agents’ and Brokers’ E&O	100% of $5,000,000 in excess $5,000,000 per policy per claim.

In addition to the above, as of December 31, 2014, the Company also had in force the following automatic facultative excess of loss reinsurance agreements for its property business:

Type of Treaty	Cession
Schools Property Facultative Automatic	$75,000,000 in excess of $40,000,000 each risk.
Non-Schools Property Facultative Automatic:	
Group I (Apartments, Banks, Offices, Printers, Retail Stores and Shopping Centers)	$40,000,000 in excess $40,000,000, each risk.
Group II (Auto Dealers, Auto Service, Churches, Day Care Centers, Hotel/Motel and Machine Shops)	$25,000,000 in excess $40,000,000, each risk.

UNAC ceded to authorized and unauthorized reinsurers during the period under examination. It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit obtained by UNAC to take credit for cessions to unauthorized reinsurers were not reviewed for compliance with Department Regulation No. 133 since the amounts held under these letters of credit were not material.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and except as noted below, were found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Insolvency Clause

The insolvency clauses in the Company’s ceding reinsurance agreements make reference to a novation.

Department Circular Letter No. 5 (1988) states, in part, the following in reference to a novation:

> “Any references to such an event in the reinsurance agreement should indicate that, prior to the implementation of a novation, the certificate of assumption on New York risks would have to be approved by the Superintendent…”

It is recommended that the Company include specific language from Department Circular Letter No. 5 (1988) in all reinsurance contracts which make reference to a novation.

Offset Clause

The following contracts, in effect as of December 31, 2014, contain a provision allowing for broad offset rights: Casualty Excess of Loss, Property Catastrophe Excess of Loss, Property per risk (through Willis), and Insurance Agents' and Brokers' Errors and Omissions Excess Cessions Reinsurance Contract. The provision contained in the contracts is as follows:

> The Company and the Reinsurer shall have, and may exercise at any time and from time to time, the right to offset any balance or balances…, offsets shall be allowed under the terms of this Contract <u>and any other Contract heretofore or hereafter entered into between the Company and the Reinsurer</u>. (Emphasis added)

In reinsurance agreements containing such broad rights to offset, the Department requires that the following language be included:

> In the event of the insolvency of either party to this agreement then offsets shall only be allowed to the extent permitted by the provision of Section 7427 of the New York Insurance Law.

It is recommended that the offset provision of certain reinsurance agreements be amended to state that in the event of the insolvency of either party to the agreement, offsets shall only be allowed to the extent permitted by the provision of Section 7427 of the New York Insurance Law.

It is further recommended that all future reinsurance agreements with an offset provision entered into by the Company include such required language.

The examination review of Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its material 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 Chief Executive Officer and Chief Financial Officer. Additionally, the 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.

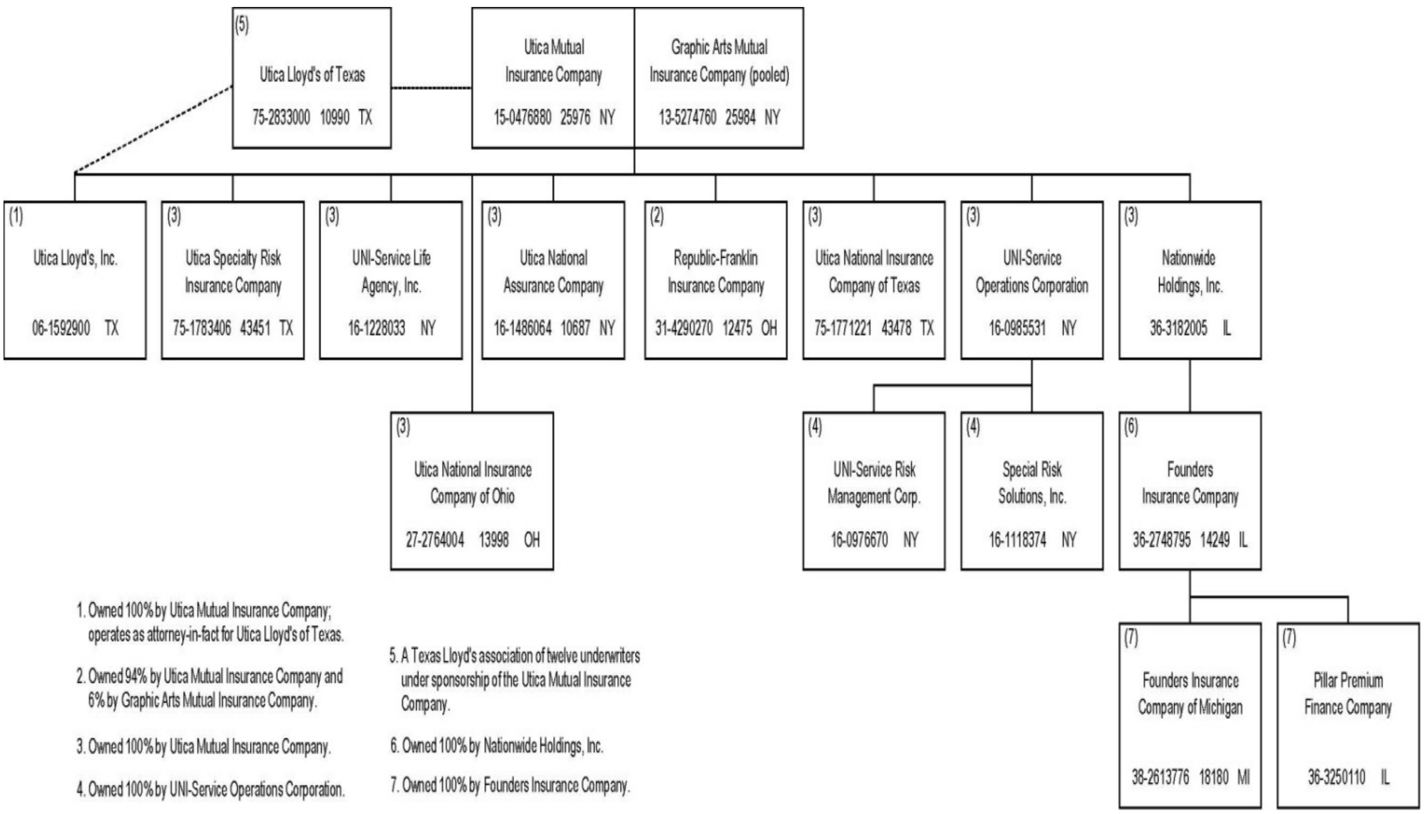
During the period covered by this examination, the Company commuted a ceded reinsurance agreement. The balances related to this commutation were immaterial.

D. Affiliated Group

UNAC is a member of the group of companies that operate under the trade name “Utica National Insurance Group.”

Pursuant to Section 1502(a) of the New York Insurance Law (“”NYIL”), the Company is exempt from the filing requirements of Article 15. However, pursuant to Department Circular Letter No. 10 (2010), domestic insurers are required to file with the superintendent copies of the insurance holding company system annual registration statement ("NAIC Form B") filed in another state by the insurer or its parent authorized insurer, and any amendments thereto, at the same time that the insurer files the statement and any amendments with another state. If an insurer is not required to file the NAIC Form B in another state, then the insurer should file the information contained in NAIC Form B with the Department within 120 days following the close of the ultimate holding company's fiscal year. The Company is noted to have made the required filings in a timely manner during the period covered by the examination.

The following is an organizational chart outlining the relationship between members of the Affiliated Group at December 31, 2014:



As of December 31, 2014, there are pooling, reinsurance, and tax allocation agreements between and among various members of the affiliated group.

Pooling Reinsurance Agreement

Refer to section 2C. of this report for a description of the Pooling Reinsurance Agreement between the Company and various affiliates.

Tax Allocation Agreement

This Tax Allocation Agreement was entered into July 1, 2010 by and between Utica Mutual Insurance Company, Republic-Franklin Insurance Company, Utica National Insurance Company of Texas, Utica Lloyd’s of Texas, Utica National Assurance Company, Utica National Insurance Company of Ohio, Utica Specialty Risk Insurance Company, Utica Lloyd’s Inc., Founders Insurance Company, Founders Insurance Company of Michigan, UNI-Service Operations Corporation, UNI-Service Risk Management Corporation, UNI-Service Excess Facilities, UNI-Service Excess Facilities Insurance Agency of New England, UNI-Service Life Agency, Nationwide Holdings, Inc., Pillar Premium Finance Company and Financial American Insurance Management, Inc.

E. Significant Operating Ratios

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

Net premiums written to policyholders' surplus	52%
Adjusted liabilities to liquid assets	2%
Gross agents' balances (in collection) to policyholders' surplus	62%

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:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$45,283,636	72.63%
Other underwriting expenses incurred	23,762,207	38.12
Net underwriting loss	(6,704,691)	(10.75)
Premiums earned	$62,341,152	100.00%

F. Accounts and Records

Department Regulation No. 118 CPA Agreement Compliance

Section 89.8(a) of New York’s Regulation 118 states in part:

> “Every company required to furnish an annual audited financial report shall require the CPA to submit written notification to the superintendent, the board of directors and the company's audit committee within five business days of any determination by the CPA that the company has materially misstated its financial condition as reported to the superintendent as of the balance sheet date currently under audit or that the company does not meet the minimum capital or surplus requirement of the insurance law as of that date…”

The examination review revealed that none of the CPA engagement letters/agreements provided for the current examination period stated the five business day requirement.

It is recommended that the Company ensure that future engagement letters with its independent certified public accountant include the five day notice requirement called for in Section 89.8(a) of Department Regulation No. 118.

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:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$55,373,695	$ 0	$55,373,695
Cash, cash equivalents and short-term investments	225,082	0	225,082
Investment income due and accrued	410,773	0	410,773
Uncollected premiums and agents' balances in the course of collection	4,415,346	61,669	4,353,677
Deferred premiums, agents' balances and installments booked but deferred and not yet due	412,686	1,537	411,149
Amounts recoverable from reinsurers	210,630	0	210,630
Net deferred tax asset	1,599,467	149,658	1,449,809
Electronic data processing equipment and software	19,609	0	19,609
Furniture and equipment, including health care delivery assets	7,751	7,751	0
Accounts receivable - other	444,195	2,767	441,428
Equities and deposits in pools and associations	95,687	474	95,213
Prepaid expenses	75,220	75,220	0
Miscellaneous office equipment	271,203	271,203	0
Clearing accounts	26,956	26,956	0
Total assets	$63,588,300	$597,235	$62,991,065

Liabilities, Surplus and Other Funds

Liabilities		
Losses and loss adjustment expenses		$24,145,030
Commissions payable, contingent commissions and other similar charges		362,847
Other expenses (excluding taxes, licenses and fees)		764,575
Current federal and foreign income taxes		886,441
Unearned premiums		7,484,186
Advance premium		79,424
Policyholders dividends declared and unpaid		59,896
Ceded reinsurance premiums payable (net of ceding commissions)		146,757
Funds held by company under reinsurance treaties		54,606
Amounts withheld or retained by company for account of others		812,850
Payable to parent, subsidiaries and affiliates		259,793
Liability for pension benefits		(218,363)
Contingent balance in safety groups		19,540
Miscellaneous accounts payable		10,743
Total liabilities		$34,868,325
Surplus and other funds		
Reserve for undeclared dividends	$ 140,920	
Common capital stock	3,000,000	
Gross paid in and contributed surplus	14,200,000	
Unassigned funds (surplus)	10,781,820	
Surplus as regards policyholders		28,122,740
Total liabilities, surplus and other funds		$62,991,065

NOTE: The Internal Revenue Service is currently reviewing the Company’s 2010-2012 federal income tax returns. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

Net income for during the five year examination period January 1, 2010 through December 31, 2014, was $2,348,579, detailed as follows:

Underwriting Income		
Premiums earned		$62,341,152
Deductions:		
Losses and loss adjustment expenses incurred	$45,283,636	
Other underwriting expenses incurred	23,762,207	
Total underwriting deductions		69,045,843
Net underwriting gain or (loss)		$(6,704,691)
Investment Income		
Net investment income earned	$ 9,057,505	
Net realized capital gain	1,398,583	
Net investment gain		10,456,088
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (98,924)	
Finance and service charges not included in premiums	988,838	
Gain on sale of assets	1,377	
Miscellaneous income or (loss)	(706,519)	
Total other income		184,772
Net income before dividends to policyholders and before federal and foreign income taxes		$ 3,936,169
Dividends to policyholders		696,957
Net income after dividends to policyholders but before federal and foreign income taxes		$ 3,239,212
Federal and foreign income taxes incurred		890,633
Net income		$ 2,348,579

C. Capital and Surplus Account

Surplus as regards policyholders increased $3,258,506 during the five year examination period January 1, 2010 through December 31, 2014, detailed as follows:

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2009			$24,864,234
Net income	$2,348,579		
Net unrealized capital gains or (losses)		$ 222,714	
Change in net deferred income tax	39,801		
Change in non-admitted assets	1,979,538		
Change in provision for reinsurance	1,138		
Contingent balance in safety groups	168,040		
Deferred tax expanded admissibility – SSAP 10R		217,477	
Pension expense		76,762	
Pension benefit obligation	0	761,637	
Total gains and losses	$4,537,096	$1,278,590	
Net increase in surplus			3,258,506
Surplus as regards policyholders per report on examination as of December 31, 2014			$28,122,740

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $24,145,030 is the same as reported by the Company as of December 31, 2014. The examination analysis 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. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM			PAGE NO.
A.	Management		
	i.	It was recommended that the Company fix the compensation of all directors and elected officials as required by Article II, Section 5 of the Company's by-laws.	4
		The Company has complied with this recommendation.	
	ii.	It was recommended that the Company ensure that one of the four regular meetings of the board of directors is held immediately after the adjournment of each of the annual meetings of shareholders at which the board of directors is elected, as required by Article II, Section 6 of the Company's by-laws.	5
		The Company has complied with this recommendation.	
B.	Reinsurance		
	i.	It was recommended that the offset provision of certain reinsurance agreements be amended to state that in the event of the insolvency of either party to the agreement then offsets shall only be allowed to the extent permitted by the provision of Section 7427 of the New York Insurance Law.	12
		The Company has not complied with this recommendation. A similar comment is contained in this report.	
		It was further recommended that all future reinsurance agreements with an offset provision entered into by the Company include such required language.	12
		The Company has not complied with this recommendation. A similar comment is contained in this report.	
	ii.	It was recommended that the Company comply with the NAIC Annual Statement Instructions by properly aging all reinsurance recoverables in all future filings with this Department.	13
		The Company has complied with this recommendation.	
C.	Accounts and Records		
	i.	It was recommended that the Company complete its record retention policy.	17
		The Company has complied with this recommendation.	

ITEM		PAGE NO.
	It was also recommended that all retention periods be modified to comply with the requirements of Department Regulation 152 and that records be kept for the required periods. The Company has complied with this recommendation.	17
ii.	It was recommended that the Company comply with SSAP No. 6, paragraph 7 by using the effective date for the determination of non-admitted premium for original and endorsement premiums. The Company has complied with this recommendation.	18
iii.	It was further recommended that the Company comply with SSAP No. 6, paragraph 9 by non-admitting installment premiums when they are over 90 days past due. The Company has complied with this recommendation.	18

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Management	
	It is recommended that management correct the age requirement discrepancy noted between the Company's by-laws and charter.	4
B.	Reinsurance	
i.	It is recommended that the Company include specific language from Department Circular Letter No. 5 (1988) in all reinsurance contracts which make reference to a novation.	10
ii.	It is recommended that the offset provision of certain reinsurance agreements be amended to state that in the event of the insolvency of either party to the agreement then offsets shall only be allowed to the extent permitted by the provision of Section 7427 of the New York Insurance Law.	10
iii.	It is further recommended that all future reinsurance agreements with an offset provision entered into by the Company include such required language.	10
C.	Accounts and Records	
	It is recommended that the Company ensure that future engagement letters with its independent certified public accountant include the five day notice requirement called for in Section 89.8(a) of Department Regulation No. 118.	13

Respectfully submitted,

____
Wayne Longmore
Senior Insurance Examiner

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

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

____
Wayne Longmore

Subscribed and sworn to before me

this__________ day of ___________________, 2016.

APPOINTMENT NO. 31220

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **BENJAMIN M. LAWSKY**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Wayne Longmore

as a proper person to examine the affairs of the

Utica National Assurance 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 26th day of September, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Rolf Kaumann
Deputy Chief Examiner