# REPORT ON EXAMINATION

# OF THE

# INTERBORO INSURANCE COMPANY

# AS OF

# DECEMBER 31, 2014

| | |
|---|---|
| DATE OF REPORT | APRIL 21, 2016 |
| EXAMINER | MOSES EGBON |

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Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

April 21, 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 31253 dated November 14, 2014, attached hereto, I have made an examination into the condition and affairs of Interboro 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 Interboro 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 155 Mineola Boulevard, Mineola New York 11510.

## 2. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Company, 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.

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 Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation of the Company's own control environment assessment. The examiners also relied upon audit work performed by the Company's independent public accountants when appropriate.

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
Fidelity bonds and other insurance
Pensions, stock ownership and insurance plans
Territory and plan of operation

Growth of Company
Loss experience
Reinsurance
Accounts and records
Statutory deposits
Financial statements
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 incorporated under the laws of the State of New York on March 7, 1914, as the Brewers Mutual Indemnity Insurance Company. On July 14, 1914, the Company began to write workers' compensation and automobile liability insurance. On December 24, 1918, the Company changed its name to Interboro Mutual Indemnity Insurance Company. In 1949, the Company amended its license to write multiple line insurance.

Due to financial difficulties and deterioration of surplus, the Company was placed into rehabilitation by an order of the Supreme Court of the State of New York, signed April 5, 2004. The Superintendent of the New York State Insurance Department, now called the New York State Department of Financial Services, was appointed as rehabilitator of the Company.

On December 22, 2006, the rehabilitator of the Company filed a petition with the County Clerk of Nassau to request a court order for the conversion of the Company from a mutual insurer to a stock insurer. Effective February 1, 2007, the conversion of the Company was authorized and approved by the Court in Nassau County. The Company's charter was amended and restated for the issuance of common capital stock and the conversion to a stock insurer.

On February 9, 2007, the Company successfully emerged from rehabilitation and converted from a mutual to a stock insurance company. On November 6, 2006, prior to the Company's emergence from rehabilitation, Interboro LLC., a Delaware limited liability corporation, purchased the Company for a cash consideration of $15,000,000.

As of December 31, 2009, the Company's capital paid in was $1,000,000 consisting of 100 shares of common stock at $10,000 par value per share. Gross paid in and contributed surplus was $14,000,000.

Following the Department's approval on July 30, 2013, the Company amended its charter and increased its common stock par value from $10,000 to $30,000 per share. As a result of this transaction, the Company's paid in capital as of December 31, 2014 increased from $1,000,000 to $3,000,000 and gross paid in and contributed decreased from $14,000,000 to $12,000,000.

| Year | Description | Amount |
|---|---|---|
| 2009 | Beginning gross paid in and contributed surplus | $14,000,000 |
| 2013 | Surplus adjustment | (2,000,000) |
| 2014 | Ending gross paid in and contributed surplus | $12,000,000 |

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 nor more than twenty-five members. The board meets four times each calendar year. As of December 31, 2014, the board of directors was comprised of the following seven members:

| Name and Residence | Principal Business Affiliation |
|---|---|
| N. Terry Godbold<br>Roswell, GA | Casualty Actuary,<br>Godbold, Malpere & Co. |
| Michael Friedl<br>Purcellville, VA | President and Chief Operating Officer<br>Larkspur Services Inc. |

| Name and Residence | Principal Business Affiliation |
|---|---|
| John A. Maguire<br>Little Falls, NY | Self-employed |
| David J. Nichols<br>Wilton, CT | President and Chief Executive Officer,<br>Interboro Insurance Company |
| Andrew Regan<br>New York, NY | Sole Proprietor<br>ARW Advisors, LLC |
| Peter G. Schiff<br>Oyster Bay, NY | Venture Capitalist,<br>Northwood Ventures |
| Henry T. Wilson*<br>New York, NY | Venture Capitalist,<br>Northwood Ventures |

* Subsequent to the examination, Mr. Henry T. Wilson, Chairman of the board was replaced with Paul R. Homer.

Committee Meetings

During the period under examination, the Company established four committees as required by Article IV of its Amended and Restated By-Laws: Executive, Audit, Nominating and Compensation, and Investment. The examination review noted that the Company did not maintain Audit committee minutes for 2012 and 2014. In addition, it did not maintain Compensation committee minutes for 2012, 2013 and 2014. It is recommended that the Company maintain minutes of its scheduled Committee meetings as required by Article IV of its Amended and Restated By-Laws.

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

| Name | Title |
|---|---|
| David Nichols | President/Chief Executive Officer |
| Chantal Lecorps | Chief Financial Officer |
| Peter N. Resnick | Executive Vice President |

B. Territory and Plan of Operation

As of December 31, 2014, the Company was licensed to write business in five states including the District of Columbia.

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(i) | Accident & health |
| 4 | Fire |
| 5 | Miscellaneous property damage |
| 6 | Water damage |
| 7 | Burglary and theft |
| 8 | Glass |
| 10 | Elevator |
| 12 | Collision |
| 13 | Personal injury liability |
| 14 | Property damage liability |
| 15 | Workers' compensation and employers' liability |
| 19 | Motor vehicle and aircraft physical damage |
| 20 | Marine and inland marine |

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $1,150,000.

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

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 | $49,882,861 | $50,168,015 | 99.43% |
| 2011 | $52,398,093 | $52,656,882 | 99.51% |
| 2012 | $50,617,652 | $50,866,287 | 99.51% |
| 2013 | $47,817,550 | $48,051,041 | 99.51% |
| 2014 | $55,070,056 | $60,055,646 | 91.70% |

The Company's 2014 direct premiums written were approximately 81 percent homeowners insurance and 18 percent automobile insurance. The business was written exclusively through independent brokers.

C. Reinsurance

Ceded

The Company has structured its ceded reinsurance program as follows:

| Type of treaty | Cession |
|---|---|
| Property | |
| Equipment Breakdown for Homeowners Reinsurance<br><br>100% Authorized | Limit of $50,000 for any one accident, any one policy as respect to any equipment breakdown loss occurring after the effective date of the contract. |
| Identity Recovery Reinsurance<br><br>100% Authorized | Limit of $25,000 annual aggregate as respect to each identity recovery insured, for losses occurring after the effective date of the contract. |
| Underlying Property Per Risk Excess of Loss<br><br>100% Authorized | Limit of $250,000 excess $100,000 ultimate net loss as respect to each risk, each loss for business classified as property for business written in the States of South Carolina, Alabama, and Louisiana with the exclusion of |

| | |
|---|---|
| | comprehensive automobile physical damage, subject to $500,000 each loss occurrence and $1,000,000 for all risk, all losses. This treaty inures to the benefit of the property per risk excess of loss treaty shown below. |
| Property Per Risk Excess of Loss<br><br>Two Layers<br>80 % Authorized<br>20% Unauthorized | Limit of $4,000,000 excess $350,000 ultimate net loss as respect each risk, each loss for business classified as property with the exclusion of automobile physical damage business, subject to an occurrence and an all risk limit of $1,300,000 and $3,900,000 for the first layer, and $3,000,000 and $6,000,000 for the second layer, respectively. |
| Underlying Property Catastrophe Excess of Loss<br><br>35% Authorized<br>65% Unauthorized | Limit of $3,500,000 excess of $500,000 ultimate net loss as respect to any one loss occurrence for business classified as property written in the States of South Carolina, Alabama, and Louisiana subject to an all loss occurrence limit of $7,000,000. This treaty inures to the benefit of the property catastrophe excess of loss treaty shown below. |
| Property Catastrophe Excess of Loss<br><br>Three Layers<br>54% Authorized<br>46% Unauthorized | Limit of $115,000,000 excess $4,000,000 ultimate net loss as respect to any one loss occurrence for business classified as property, subject to an all loss occurrence limit of $22,000,000, $50,000,000, and $150,000,000 for the first, second and third layers, respectively. |

The Company’s reinsurance program has changed since the last report on examination.

In 2011, the Company began offering equipment breakdown and identity recovery insurance coverage as an added benefit or coverage to its policies. The Company entered into equipment breakdown and identity recovery reinsurance agreements with one insurer to reinsure these policies. The two agreements require that the Company cedes 100% of its loss liabilities to the reinsurer, and the Company receives a ceding commission of 35%.

In 2014, the Company purchased an underlying property per risk and catastrophe reinsurance treaty to mitigate adverse risk/exposure that may be written in South Carolina. In addition, the Company's net retention increased from $200,000 to $350,000 for the property per risk and from $3,000,000 to $4,000,000 for the catastrophe reinsurance treaties.

In addition, the Company amended its property per risk and property catastrophe excess of loss reinsurance agreements. These amendments addressed certain increases in loss exposures and changes to its homeowners business written in a new geographical location.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulation 133 (Part 79).

All significant 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. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer 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.

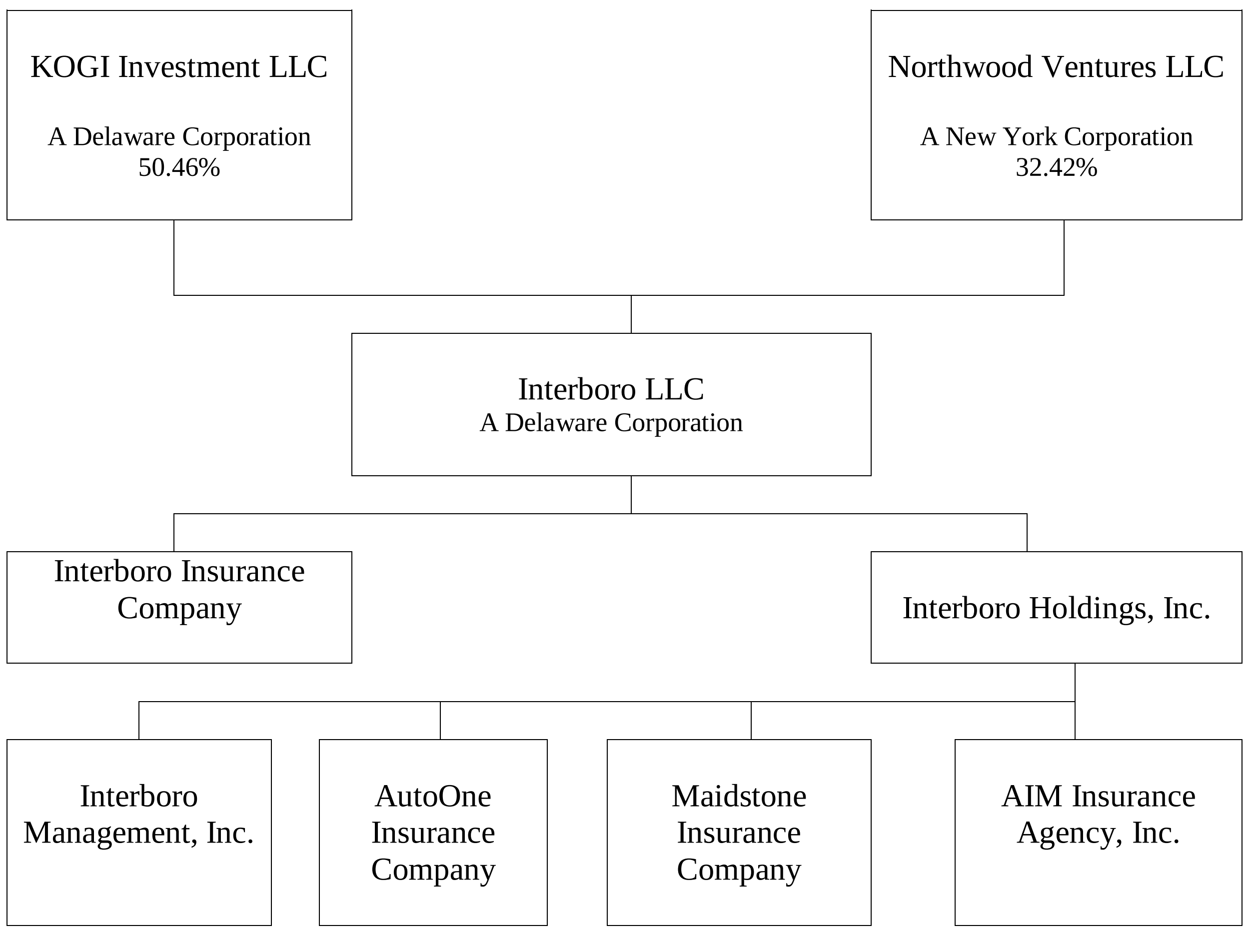
## D. Holding Company System

The Company is 100% owned by Interboro LLC, a Delaware holding corporation, which is ultimately controlled by KOGI Investment LLC and Northwood Ventures LLC, (both companies having a combined ownership of 82.88%.) There are various other minority shareholders.

In 2012, Interboro Holdings, Inc. was formed for the purpose of acquiring AutoOne Insurance Company and AutoOne Select Insurance Company (which was later renamed Maidstone Insurance Company) from OneBeacon Insurance Company.

A review of the Holding Company Registration Statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is a chart of the holding company system as of December 31, 2014:




As of December 31, 2014, the Company was a party to the following agreement with other members of its holding company system:

Administrative Service Agreement

Effective January 1, 2012, the Company entered into an administrative service agreement with its affiliate, Interboro Management, Inc. whereby the affiliate acts as a manager of the Company. The agreement was non-disapproved by the Department.

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 surplus as regards policyholders | 151% |
| Liabilities to liquid assets (cash and invested assets less investments in affiliates) | 77% |
| Premiums in course of collection to surplus as regards policyholders | 16% |

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 5-year period covered by this examination:

| | Amounts | Ratios |
|---|---|---|
| Losses and loss adjustment expenses incurred | $112,976,685 | 57.09% |
| Other underwriting expenses incurred | 86,554,288 | 43.74 |
| Net underwriting loss | (1,637,615) | (0.83) |
| Premiums earned | $197,893,358 | 100.00% |

## F. Accounts and Records

### Classification of Loss Adjustment Expenses

In 2014, it was noted that the Company failed to properly classify salaries paid to certain claims department employees as Adjusting and Other ("A&O") expenses.

Pursuant to NAIC Accounting Practices and Procedures Manual Statement of Statutory Accounting Principles ("SSAP") No. 55, salaries paid to claims employees for coverage determination, whether internal or external, should be classified as A&O expenses. Because the amounts involved were not material, the Department did not require the Company to reclassify these expenses.

It is recommended that the Company properly classify salaries paid to claims department employees as A&O expenses, in accordance with SSAP No. 55.

### Reclassification between Income and Surplus Accounts

The examination income of $10,645,483 is $3,075,667 less than the $13,721,150 reported by the Company for the examination period.

The examination difference results from the reclassification of annual statement adjustments recorded through surplus to expenses on the income statement. These adjustments primarily consist of pension reclassifications and audited adjustments. The pension reclassifications were made pursuant to SSAP No. 102. It is noted that these adjustments only affected the Company's net income and not its surplus position.

It is recommended that the Company be guided by SSAP No. 102 and ensure that accrued pension costs are properly reported in all its future annual statements filed with the Department.

# 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 | $62,428,285 | $ | $62,428,285 |
| Preferred stocks | 1,041,449 | | 1,041,449 |
| Common stocks | 11,382,918 | | 11,382,918 |
| Cash, cash equivalents and short-term investments | 4,517,560 | | 4,517,560 |
| Investment income due and accrued | 672,090 | | 672,090 |
| Uncollected premiums and agents' balances in the course of collection | 5,419,220 | 78,086 | 5,341,134 |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 1,033,775 | 6,372 | 1,027,403 |
| Amounts recoverable from reinsurers | 375,211 | | 375,211 |
| Net deferred tax asset | 5,731,104 | 1,719,693 | 4,011,411 |
| Electronic data processing equipment and software | 113,311 | 42,003 | 71,308 |
| Furniture and equipment, including health care delivery assets | 180,781 | 180,781 | |
| Receivables from parent, subsidiaries and affiliates | 3,002,962 | | 3,002,962 |
| Receivable Sagesure | 765,538 | | 765,538 |
| Lease security deposit | 200,000 | 200,000 | |
| Due from broker | 97,541 | | 97,541 |
| NYSDPR equity/Tax and limo pool | 831 | | 831 |
| Workers' compensation funds | 13,789 | | 13,789 |
| Profit commission | 145,841 | | 145,841 |
| Salvage and subrogation | 3,248 | | 3,248 |
| LAD fees | 62,815 | 0 | 62,815 |
| Totals | $97,188,269 | $2,226,935 | $94,961,334 |

Liabilities, surplus and other funds

| | | Company |
|---|---|---|
| Losses and Loss Adjustment Expenses | | $20,400,370 |
| Commissions payable, contingent commissions and other similar charges | | 1,411,879 |
| Other expenses (excluding taxes, licenses and fees) | | 1,224,336 |
| Taxes, licenses and fees (excluding federal and foreign income taxes) | | 123,718 |
| Current federal and foreign income taxes | | 349,553 |
| Unearned premiums | | 31,884,874 |
| Advance premium | | 1,359,723 |
| Ceded reinsurance premiums payable (net of ceding commissions) | | 810,574 |
| Funds held by company under reinsurance treaties | | $16,984 |
| Amounts withheld or retained by company for account of others | | $7,923 |
| Remittances and items not allocated | | $20,841 |
| Provision for reinsurance | | $93,734 |
| Unfunded pension liability | | 4,064,830 |
| Unfunded pension accrued benefit costs | | 270,594 |
| Unearned for takeout credits | | 81,934 |
| Provision for abandoned property | | 181,312 |
| Taxi limo pool | | 53,276 |
| Total liabilities | | 62,355,455 |
| Common capital stock | $ 3,000,000 | |
| Gross paid in and contributed surplus | 12,000,000 | |
| Unassigned funds (surplus) | 17,605,879 | |
| Surplus as regards policyholders | | 32,605,879 |
| Totals | | $94,961,334 |

Note The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2010 through 2014. 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 the five-year examination period was $10,645,483, detailed as follows:

Underwriting Income

| | | |
|---|---|---|
| Premiums earned | | $197,893,358 |
| Deductions: | | |
| Losses and loss adjustment expenses incurred | $112,976,685 | |
| Other underwriting expenses incurred | 86,554,288 | |
| Total underwriting deductions | | 199,530,973 |
| Net underwriting gain or (loss) | | $ (1,637,615) |
| **Investment Income** | | |
| Net investment income earned | 7,160,113 | |
| Net realized capital gain | 4,539,422 | |
| Net investment gain or (loss) | | 11,699,535 |
| **Other Income** | | |
| Net gain or (loss) from agents' or premium balances charged off | (917,734) | |
| Finance and service charges not included in premiums | 2,084,859 | |
| New York Property Ins /abandoned property/Fair plan/other | 675,424 | |
| Unearned take-out credit adjustment | 705,276 | |
| Broker fees | 11,200 | |
| Total other income | | 2,559,025 |
| Net income before federal income taxes | | 12,620,945 |
| Federal and foreign income taxes incurred | | 1,975,462 |
| Net Income | | $ 10,645,483 |

## C. Capital and Surplus Account

Surplus as regards policyholders increased $13,877,971 during the 5-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 | | | $18,727,908 |
| Net income | $10,645,483 | $ 0 | |
| Net unrealized capital gains or (losses) | 1,594,530 | | |
| Change in net deferred income tax | 389,759 | | |
| Change in non-admitted assets | 5,462,135 | | |
| Change in provision for reinsurance | | 93,733 | |
| Capital changes paid in | 2,000,000 | | |
| Surplus adjustments paid in | | 2,000,000 | |
| Dividends to stockholders | | 1,300,000 | |
| Pension adjustment | | 2,743,755 | |
| Deferred tax asset adjustment | 0 | 76,448 | |
| Total gains and losses | $20,091,907 | $6,213,936 | |
| Net increase (decrease) in surplus | | | 13,877,971 |
| Surplus as regards policyholders per report on examination as of December 31, 2014 | | | $32,605,879 |

## 4. LOSSES AND LOSS ADJUSTMENT EXPENSES

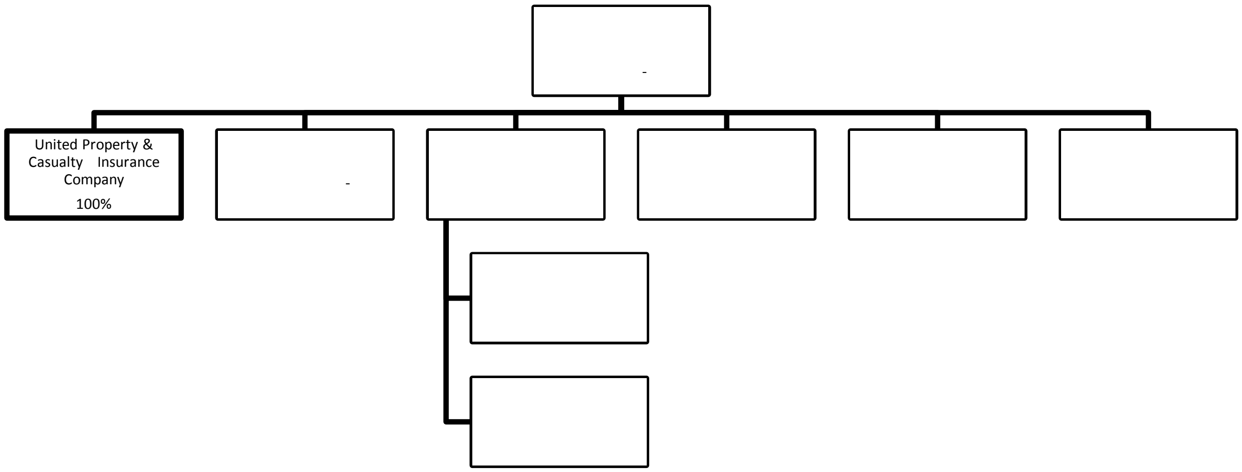
The examination liability for the captioned items of $20,400,370 is the same as reported by the Company as of December 31, 2014. The examination analysis of the Loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55.

## 5. SUBSEQUENT EVENTS

On December 14, 2015, the Company's affiliates, AutoOne Insurance Company and Maidstone Insurance Company merged, with AutoOne Insurance Company being the surviving Company. AutoOne Insurance Company was renamed Maidstone Insurance Company after the merger.

On April 21, 2016, the Department approved the acquisition of the Company by United Insurance Holdings Corporation. As part of the stock purchase agreement, two novation and assumption agreements were entered into between the Company and Maidstone Insurance Company whereby all of the homeowners insurance was assumed by the Company, and all of the automobile Insurance was assumed by Maidstone Insurance Company.

The following is a chart of the holding company system after the merger:




## 6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained 8 recommendations as follows (page numbers refer to the prior report):

| ITEM | | PAGE NO. |
|---|---|---|
| A. | Management | |
| | It is recommended that the Company hold an annual stockholders' meeting for the purpose of electing its board of directors, pursuant to Article II, Section 1 of its amended and restated By- Laws, Section 6(b) of its Charter and Article 6, Section 602(b) of the Business Corporation Law. | 5 |
| | The Company has complied with this recommendation. | |
| | Committee Meetings | |
| | It is recommended that the Company comply with Article IV of its By-Laws by keeping the minutes of its scheduled committee meetings as well as holding the required number of committee meetings. | 6 |
| | The Company has not complied with this recommendation. A similar comment is made in this report. | |

| ITEM | | PAGE NO. |
|---|---|---|
| | Conflict of Interest Policy | |
| i. | It is recommended that the Conflict of Interest Statement be amended to include the Company's directors. | 6 |
| | The Company has complied with this recommendation. | |
| ii. | It is recommended that the Company require its officers, directors and key employees to complete and sign the Conflict of Interest Statements on an annual basis and retain them in its files. | 6 |
| | The Company has complied with this recommendation. | |
| iii. | It is further recommended that the completed and signed Conflict of Interest Statements be provided to the Company's board of directors annually and that the minutes of the board of directors' meetings acknowledge their review. | 6 |
| | The Company has complied with this recommendation. | |
| | Code of Ethics | |
| | It is recommended that the Company adopt a code of ethics policy. | 7 |
| | The Company has complied with this recommendation. | |
| B. | Holding Company | |
| | It is recommended that the Company file its annual holding company registration statements on an annual basis and in a timely manner pursuant to the provisions of Part 80-1.4 of Department Regulation 52. | 10 |
| | The Company has complied with this recommendation. | |
| C. | Accounts and Records | |
| | Custodian | |
| | It is recommended that the Company amend its custodial agreement to include provisions pursuant to the NAIC Financial Condition Examiners Handbook guidelines in order to ensure the necessary safeguards for its assets. | 12 |
| | The Company has complied with this recommendation. | |

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

| ITEM | | PAGE NO. |
|---|---|---|
| A. | Management | |
| | Committee Meetings | |
| | It is recommended that the Company maintain minutes of its scheduled Committee meetings as required by Article IV of its Amended and Restated By-Laws. | 5 |
| B. | Accounts and Records | |
| i. | Classification of Loss Adjustment Expenses | |
| | It is recommended that the Company properly classify salaries paid to claims department employees as A&O expenses, in accordance with SSAP No. 55. | 12 |
| ii. | Reclassification between Income and Surplus Accounts | |
| | It is recommended that the Company be guided by SSAP No. 102 and ensure that accrued pension costs are properly reported in all its future annual statements filed with the Department. | 12 |

Respectfully submitted,

__________________________
Moses Egbon, CFE
Associate Insurance Examiner

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

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

__________________________
Moses Egbon

Subscribed and sworn to before me

this__________ day of ___________________, 2016.

*APPOINTMENT NO. 31253*

*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:*

***Moses Egbon***

*as a proper person to examine the affairs of the*

***Interboro 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 14th day of November, 2014*

*BENJAMIN M. LAWSKY*
*Superintendent of Financial Services*

*By:*

*Rolf Kaumann*
*Deputy Chief Examiner*