

REPORT ON EXAMINATION

OF

NEW YORK CENTRAL MUTUAL FIRE INSURANCE COMPANY

AS OF

DECEMBER 31, 2015

DATE OF REPORT

MARCH 27, 2017

EXAMINER

SHEIK H. MOHAMED, CPCU

TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	3
	A. Management	3
	B. Territory and plan of operation	6
	C. Ceded reinsurance	7
	D. Affiliated group	9
	E. Significant ratios	14
3.	Financial statements	15
	A. Balance sheet	15
	B. Statement of income	17
	C. Capital and surplus account	18
4.	Losses and loss adjustment expenses	18
5.	Compliance with prior report on examination	19
6.	Summary of comments and recommendations	20



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

June 6, 2018

Honorable Maria T. Vullo
Superintendent
New York State Department of Financial Services
New York, New York 10004

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31485 dated November 15, 2016, attached hereto, I have made an examination into the condition and affairs of New York Central Mutual Fire Insurance Company as of December 31, 2015, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate New York Central Mutual Fire 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 1899 Central Plaza East, Edmeston, NY 13335.

1. SCOPE OF EXAMINATION

The Department has performed a single-state examination of New York Central Mutual Fire Insurance Company. The previous examination was conducted as of December 31, 2010. This examination covered the five-year period from January 1, 2011 through December 31, 2015. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was performed in conjunction with the examination of A. Central Insurance Company. 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 where deemed appropriate.

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

- Company history
- Corporate records
- Management and control
- Territory and plan of operation
- Loss Experience
- Reinsurance
- Accounts and records
- 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

New York Central Mutual Fire Insurance Company was organized under the laws of the State of New York on April 11, 1899 for the purpose of transacting business as a co-operative fire insurance corporation in Otsego County, New York. The Company currently operates as an advance premium co-operative property/casualty corporation under the provisions of Article 66 of the New York Insurance Law. All policies issued by the Company are non-assessable.

A. Central Insurance Company (“ACIC”), a stock property and casualty insurance company, was incorporated on December 21, 2000 to write non-standard automobile insurance. On January 24, 2001, NYCM Holdings, Inc. (“Holdings”) was incorporated as an intermediate holding company to hold all of the issued and outstanding common stock of ACIC. On February 22, 2001, the Company acquired 100 shares of Holdings for consideration of \$5,100,000. On February 23, 2001, Holdings acquired 3,000 shares of ACIC for consideration of \$5,050,000. On June 10, 2002, the Company contributed an additional \$5 million to Holdings, who in turn contributed the \$5,000,000 to ACIC. The Company made three additional contributions to Holdings as follows: \$5,000,000 on April 14, 2008, \$5,000,000 on October 4, 2010, and \$25,000,000 on May 10, 2012. Holdings, in turn, contributed those amounts to ACIC.

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 eleven nor more than fifteen members. The board of directors and the executive committee meets at least four times during each calendar year, thereby complying with Section 6624(b) of the New York Insurance Law.

As of December 31, 2015, the board of directors was comprised of the following twelve members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Daryl Robert Forsythe Norwich, NY	Chairman, NBT Bancorp, Inc.
Edward Gozigian Cooperstown, NY	Attorney at Law, Gozigian, Washburn & Clinton
Jennifer R. Haack Painted Post, NY	Private Investor
Benjamin Clark Nesbitt West Oneonta, NY	Senior Vice President (retired), Wilber National Bank
Albert Pylinski, Jr. Edmeston, NY	Executive Vice President, Chief Financial Officer, Chief Risk Officer, Treasurer, A. Central Insurance Company; Executive Vice President, Chief Financial Officer, Chief Risk Officer, Treasurer, New York Central Mutual Fire Insurance Company; Treasurer, Albert F. Stager, Inc.; Executive Vice President and Treasurer, NYCM Holdings, Inc.
Robert Wesley Ranger West Winfield, NY	Chairman, USNY Bank; President, RWR Funding
VanNess Daniel Robinson Edmeston, NY	Chairman and Secretary, A. Central Insurance Company; Chairman and Secretary, New York Central Mutual Fire Insurance Company; Chairman and President, Albert F. Stager, Inc.; President, Robinson Agency Inc.; Chairman and Secretary, NYCM Holdings, Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
VanNess Daniel Robinson II Oneonta, NY	President and Chief Executive Officer, A. Central Insurance Company; President and Chief Executive Officer, New York Central Mutual Fire Insurance Company; Vice President, Albert F. Stager, Inc.; Secretary/Treasurer, Robinson Agency Inc.; President, NYCM Holdings, Inc.
Charles Raymond Schanz Cooperstown, NY	Owner and President, C.R. Schanz, Inc.
Harry William Smith, Jr. Norwich, NY	President (retired), Smith Norwich, Inc.
William Francis Streck, M.D. Cooperstown, NY	President and Chief Executive Officer (retired), Bassett Healthcare
Bruce Clayton Wratten Leonardsville, NY	Owner and Operator (retired), Horned Dorset, Ltd.

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, 2015, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
VanNess Daniel Robinson II	President
VanNess Daniel Robinson	Secretary
Albert Pylinski, Jr.	Treasurer
Michael Anthony Perrino	First Senior Vice President
Cheryl Lynn Robinson	First Senior Vice President
John Eric Holdorf	Senior Vice President

B. Territory and Plan of Operation

As of December 31, 2015, the Company was licensed to write business in New York State only.

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
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland only)

Based upon 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 \$1,500,000.

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

<u>Calendar Year</u>	<u>Premiums Written</u>
2011	\$428,508,083
2012	\$437,508,826
2013	\$448,249,920
2014	\$456,570,505
2015	\$465,850,976

The Company's predominant lines of business are homeowners multiple peril, private passenger auto liability and auto physical damage, which account for 37.41%, 34.97% and 21.42%, respectively, of the Company's 2015 direct written premiums.

As of December 31, 2015, the Company wrote business through approximately 1,179 independent agents. The Company maintains three branch offices within the following locations in New York: Sherburne; Amsterdam and Orchard Park.

Assumed reinsurance

The Company did not assume any external reinsurance during the examination period. The only business assumed was under its participation in an inter-company reinsurance pooling agreement with its affiliate, A. Central Insurance Company, described in the section immediately below.

C. Ceded Reinsurance

Net Pooling Reinsurance Agreement

The Company entered into a net pooling reinsurance agreement ("Pooling Agreement") with A. Central Insurance Company effective July 1, 2001. The Pooling Agreement and all subsequent amendments were submitted to and were non-objected to by the Department. As of the examination date, the participation percentages in the net combined pooled business between the Company and ACIC were 90% and 10%, respectively. These pooled participation percentages changed over the years since the inception of this agreement in 2001.

All lines of business that both companies are authorized to write are included in the Pooling Agreement and are ceded 100% to the Company, net of all non-affiliated ceded reinsurance. In addition, this Pooling Agreement allows the pooling of certain assets, liabilities, income, and expense items as listed within the agreement. The Company cedes business to non-affiliated reinsurance companies prior to pooling between the companies.

Ceded Reinsurance Program

The Company has structured its ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Cession</u>
Personal Umbrella – Excess of Loss 100% authorized	\$4,000,000 excess of \$1,000,000 each occurrence.
Property Per Risk – Excess of Loss (2 layers) 100% authorized	\$4,000,000 excess of \$1,000,000 each risk; limits of \$2,400,000 (1 st layer), and \$3,300,000 (2 nd layer), any one occurrence; and limits of \$5,400,000 (1 st layer) and \$6,600,000 (2 nd layer), any one agreement year.
Property Per Risk (Terrorism only) – Excess of Loss (2 layers) 100% authorized	\$4,000,000 excess of \$1,000,000 each risk; limits of \$2,000,000 (1 st layer), and \$3,300,000 (2 nd layer), any one agreement year.
Casualty – Excess of Loss (2 layers) 100% authorized	\$4,500,000 excess of \$500,000 each occurrence; limits of \$6,000,000 on the second excess cover for losses in excess of the policy limits and extra contractual obligations combined arising out of all occurrences taking place during each agreement year.
Property Catastrophe (3 layers) 76% authorized	\$238,000,000 excess of \$12,000,000 each and every occurrence.

As of the examination date, the Company also had a property facultative facility on an offer and acceptance basis.

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 Regulations 133. New York State Regulation 133, Part 79.2(h) requires the letters of credit have a term of at least one year. It was noted that the letter of credit for Endurance Specialty Insurance Limited dated December 28, 2015, disregarded Regulation 133. The letter of credit was effective immediately

and expired at the close of business on December 16, 2016. Further, Part 79.5(a)(1) requires the reinsurer to be the applicant for and to provide letters of credit to the ceding insurer. It was noted that the letter of credit from SCOR P&C SE/SCOR Switzerland stated, "at the request of Marsh Limited" and omitted the name "SCOR".

It is recommended that the Company ensure that all letters of credit obtained from unauthorized reinsurers are in compliance with Department Regulation 133.

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. 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. Affiliated Group

The Company is a member of the NYCM Insurance Group and is the ultimate controlling entity of the Group. The Company is not owned by NYCM Insurance Group as it is an advance premium cooperative company, and is therefore owned by its members. NYCM Insurance Group was formed for combined statement filing purposes only.

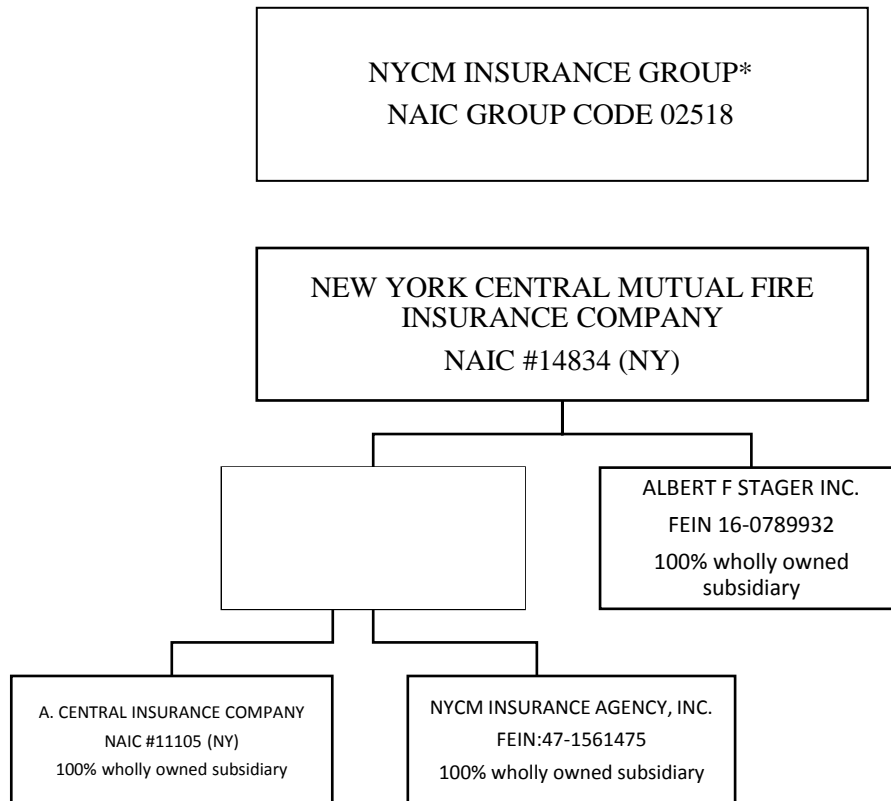
The Company owns 100% of the common stock of NYCM Holdings, Inc., an insurance holding company, which in turns owns 100% of the common stock of A. Central Insurance Company and NYCM Insurance Agency, Inc.

The Company also owns 100% of the common stock of Albert F. Stager, Inc. ("Stager"), an insurance adjusting firm. Stager provides claims adjusting services primarily in western New

York to property and casualty insurance companies. The majority of Stager's income is derived from providing services to the Company.

Since the ultimate controlling party of the affiliated group is the Company, an authorized insurer, it is exempt from the requirements of Article 15 of the New York Insurance Law and Department Regulation 52. However, it is subject to the requirements of Article 16 of the New York Insurance Law and Department Regulation 53. A review of the annual filings made pursuant to Department Regulation 53 during the examination period indicated that such filings were complete and were filed in a timely manner.

The following is a chart of the affiliated group at December 31, 2015:



* NYCM Insurance Group was formed for combined statement filing purposes only

At December 31, 2015, the Company was party to the following agreements with other members of its affiliated group:

Net Pooling Reinsurance Agreement

Refer to Section 2C of this report for a description of the Net Pooling Reinsurance Agreement between the Company and A. Central Insurance Company.

Cost Allocation Agreement between the Company and NYCM Holdings, Inc.

The Company entered into a cost allocation agreement, effective July 1, 2001, with NYCM Holdings, Inc. Pursuant to the agreement, the Company makes available to Holdings, at cost, the services of its personnel and also office space, the use of office equipment, and data processing services. Shared expenses are to be allocated pursuant to Department Regulation 30 using actual usage or the weighted time method as the basis of allocation.

Amounts due under the agreement shall be determined at the end of each month by the Company on an estimated basis and if necessary, there shall be a quarterly adjustment of such amounts. Holdings shall pay all charges under this agreement to the Company within fifteen days following the receipt of each billing.

Agreements between the Company (including its insurance affiliates) and A. F. Stager, Inc. (“Stager”)

Effective January 1, 2002, the Company entered into five separate agreements with Stager, whereby Stager provides the Company with claims processing services, Special Investigation Unit services, underwriting inspections and the operation of the Company’s 24-hour customer service center. The Company also shares office space in Amsterdam, New York, pursuant to a rental agreement with Stager. All the agreements provide for monthly settlements.

Cost Allocation Agreement between the Company and Robinson Agency, Inc.

This agreement was entered into on November 1, 2002, between the Company and Robinson Agency, Inc. of Edmeston, New York, an independent insurance agency operating from the offices of the Company in Edmeston. Pursuant to the agreement, all expenses for services, equipment or facilities of the Company for the benefit of the Robinson Agency, Inc. shall be determined and allocated pursuant to New York Insurance Department Regulation 30. Personnel, office space, fixed assets and general expenses shall be reimbursed by the Robinson Agency, Inc.

to the Company according to the weighted time method. Other shared expenses shall be reimbursed based on actual usage.

Amounts due under the agreement shall be determined at the end of each quarter by the Company on an estimated basis and, if necessary, there shall be an annual adjustment of such amounts. Payment of all charges under this agreement is due to the Company within fifteen days following receipt of each billing.

Cost Allocation Agreement between the Company and A. F. Stager, Inc. (“Stager”)

The Company entered into a cost allocation agreement, effective December 20, 2011, with Stager. Pursuant to the agreement, the Company has agreed to provide and make available to Stager, at cost, the use of information technology services and equipment. All information technology expenses for goods, services or facilities (hardware, software, server and phone usage) that are incurred are charged to Stager at cost.

Amounts due under the agreement shall be determined by the method of allocation at the end of each month by the Company on an estimated basis and, if necessary, there shall be a quarterly adjustment of such amounts. Stager shall pay all charges due under this Agreement to the Company within fifteen days following the receipt of each billing.

Based on the review of three cost allocation agreements it appears that billings are not being generated and settlements/payments are not made within 15 days following receipt of each billing as called for in the "payment article" of the agreements. It is therefore recommended that the Company implement procedures to comply fully with all the provisions of its inter-company agreements and that settlements be made in a timely manner.

Cost Allocation Agreement between the Company and NYCM Holdings, Inc. and NYCM Insurance Agency, Inc.

The Company entered into a cost allocation agreement, effective January 1, 2015 with NYCM Holdings, Inc. and NYCM Insurance Agency, Inc. Pursuant to the agreement, the Company has agreed to provide and make available to NYCM Holdings, Inc. and NYCM

Insurance Agency, Inc., at cost, the services of its personnel and also office space, the use of office equipment and data processing services.

Amounts due under the agreement shall be modified and adjusted by the mutual agreement of the parties when necessary or appropriate. Personnel, office space, fixed assets and general expenses shall be reimbursed to the Company according to the weighted time method. The amounts due under this agreement shall be determined at the end of each month by the Company on an estimated basis and, if necessary, there shall be a quarterly adjustment of such amounts. NYCM Holdings, Inc. and NYCM Insurance Agency, Inc. shall pay all charges due under this agreement to the Company within fifteen days following the receipt of each billing.

Agency Agreement between the Company and A. Central Insurance Company and NYCM Insurance Agency, Inc.

Effective February 2, 2015, the Company and A. Central Insurance Company entered into an agency agreement with NYCM Insurance Agency, Inc. of Edmeston, New York. Pursuant to the agreement, NYCM Insurance Agency, Inc. may solicit, receive and accept proposals for insurance, and to bind, issue and deliver policies of insurance, covering such classes of risks as the Company may, from time to time, authorize to be insured; cancel such policies of insurance when directed by the Company to do so; and collect, receive and receipt for premiums on such policies of insurance. The agents are considered independent contractors and not employees of the Company. The agents agree to forward to the Company within five business days and without deduction or offset, all premiums collected.

E. Significant Ratios

The following ratios have been computed as of December 31, 2015, based upon the results of this examination:

Net premiums written to policyholders' surplus	86%
Adjusted liabilities to liquid assets	54%
Gross agents' balances to policyholders' surplus	1%

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:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$1,515,000,301	72.39%
Other underwriting expenses incurred	652,560,748	31.18
Net underwriting gain (loss)	<u>(74,753,793)</u>	<u>(3.57)</u>
Premiums earned	<u>\$2,092,807,256</u>	<u>100.00%</u>

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2015 as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 718,049,857		\$ 718,049,857
Common stocks (stocks)	141,494,209		141,494,209
First liens - mortgage loans on real estate	11,674		11,674
Properties occupied by the company	8,753,770		8,753,770
Cash, cash equivalents and short-term investments	20,445,483		20,445,483
Investment income due and accrued	5,871,106		5,871,106
Uncollected premiums and agents' balances in the course of collection	3,859,964	\$313,832	3,546,132
Deferred premiums, agents' balances and installments booked but deferred and not yet due	102,950,240		102,950,240
Amounts recoverable from reinsurers	2,522,688		2,522,688
Net deferred tax asset	20,301,542	1,915,419	18,386,123
Electronic data processing equipment and software	1,017,155	325,267	691,888
Furniture and equipment, including health care delivery assets	862,864	862,864	
Receivables from parent, subsidiaries and affiliates	1,533,745		1,533,745
Cash surrender value (split life)	14,909,090		14,909,090
Cash surrender value (COLI)	11,302,830		11,302,830
Equities & deposits in pools & associations	344,016		344,016
Accounts receivable - other	<u>1,800,693</u>	<u>1,515,180</u>	<u>285,513</u>
Total assets	<u>\$1,056,030,926</u>	<u>\$4,932,562</u>	<u>\$1,051,098,364</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 281,629,728
Reinsurance payable on paid losses and loss adjustment expenses	1,311,591
Commissions payable, contingent commissions and other similar charges	13,138,202
Other expenses (excluding taxes, licenses and fees)	5,162,282
Current federal and foreign income taxes	1,178,521
Unearned premiums	216,524,896
Advance premium	4,189,353
Ceded reinsurance premiums payable (net of ceding commissions)	4,803,553
Funds held by company under reinsurance treaties	39,946
Amounts withheld or retained by company for account of others	26,012,853
Payable for securities	40,154
Retroactive reinsurance reserve assumed	176,904
Commutation of ceded reinsurance	58
Liability for pension transition	3,615,485
Liability for postretirement transition	<u>1,558,852</u>
Total liabilities	\$ <u>559,382,378</u>

Surplus and Other Funds

Special contingent surplus for casualty lines	\$ 1,500,000
Unassigned funds (surplus)	<u>490,215,986</u>
Surplus as regards policyholders	<u>491,715,986</u>
Total liabilities, surplus and other funds	\$ <u>1,051,098,364</u>

Note: The Internal Revenue Service has completed its audits of the Company's Federal Income Tax returns through tax year 2012. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. The Internal Revenue Service has not notified the Company of any audits covering tax years 2013 through 2016. 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 as reported by the Company was \$72,421,030, detailed as follows:

Underwriting Income

Premiums earned		\$2,092,807,256
Deductions:		
Losses and loss adjustment expenses incurred	\$1,515,000,301	
Other underwriting expenses incurred	<u>652,560,748</u>	
Total underwriting deductions		<u>2,167,561,049</u>
Net underwriting gain or (loss)		\$ (74,753,793)

Investment Income

Net investment income earned	\$105,633,631	
Net realized capital gain	<u>20,137,322</u>	
Net investment gain or (loss)		125,770,953

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$(2,144,922)	
Finance and service charges not included in premiums	35,077,168	
Miscellaneous income (loss)	<u>(4,781,230)</u>	
Total other income		<u>28,151,016</u>
Net income before federal and foreign income taxes		\$ 79,168,176
Federal and foreign income taxes incurred		<u>6,747,146</u>
Net income		\$ <u>72,421,030</u>

C. Capital and Surplus Account

Surplus as regards policyholders increased \$62,635,610 as reported by the Company during the five-year examination period January 1, 2011 through December 31, 2015, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2010			\$429,080,376
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$72,421,030		
Net unrealized capital gains or losses	1,230,520		
Change in net deferred income tax	7,395,188		
Change in non-admitted assets	649,743		
Miscellaneous gain (loss)		\$ 3,792,058	
Liability for pension, pension transition and post retirement transition	<u>0</u>	<u>15,268,813</u>	
Total gains and losses	\$81,696,481	\$19,060,871	
Net increase (decrease) in surplus			<u>62,635,610</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2015			<u>\$491,715,986</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$281,629,728 is the same as reported by the Company as of December 31, 2015. 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. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Reinsurance</u></p> <p>It is recommended that the Company include an insolvency clause in future reinsurance contracts that complies with Section 1308 of the New York Insurance Law.</p> <p>The Company has complied with this recommendation.</p>	<p>9</p>
<p>B. <u>Accounts and Records</u></p> <p>i. It is recommended that the Company maintain custodial agreements that contain all of the safeguards and controls required by the Department and the NAIC Financial Condition Examiners Handbook. It should be noted that a similar recommendation was included in the previous two reports on examination.</p> <p>The Company has complied with this recommendation.</p>	<p>12</p>
<p>ii. <u>Written Contract with Independent Certified Public Accountants</u></p> <p>It is recommended that the Company institute internal review procedures to ensure that all future contracts entered into with its independent auditors are in full compliance with Department Regulation 118. It should be noted that a similar recommendation was included in the previous two reports on examination.</p> <p>The Company has complied with this recommendation.</p>	<p>13</p>

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Ceded Reinsurance</u>	
	It is recommended that going forward the Company ensure that all letters of credit obtained from unauthorized reinsurers are in compliance with Department Regulation 133.	9
B.	<u>Affiliated Group</u>	
	It is recommended that the Company implement procedures to comply fully with all the provisions of its inter-company agreements and that settlements be made in a timely manner.	12

Respectfully submitted,

Sheik H. Mohamed, CPCU
Associate Insurance Examiner

STATE OF NEW YORK)

)ss:

COUNTY OF NEW YORK)

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

Sheik H. Mohamed

Subscribed and sworn to before me
this _____ day of _____, 2018.

APPOINTMENT NO. 31485

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Maria T. Vullo, 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
New York Central Mutual Fire 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 15th day of November, 2016

*MARIA T. VULLO
Superintendent of Financial Services*



By:

Joan M. Riddell

*Joan Riddell
Deputy Bureau Chief*