REPORT ON EXAMINATION

OF THE

VIGILANT INSURANCE COMPANY

AS OF

DECEMBER 31, 2011

DATE OF REPORT	FEBRUARY 21, 2013
EXAMINER	MOSES EGBON

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NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

February 21, 2013

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30837 dated February 21, 2012, attached hereto, I have made an examination into the condition and affairs of Vigilant Insurance Company as of December 31, 2011, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Vigilant 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 15 Mountain View Road, Warren, New Jersey, 07059.

1. SCOPE OF EXAMINATION

The Department has performed a coordinated group examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2006. This examination covered the five year period from January 1, 2007 through December 31, 2011. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was performed concurrently with the examinations of the following insurers:

Company	State of Domicile
Chubb Custom Insurance Company	Delaware
Chubb Indemnity Insurance Company	New York
Chubb Insurance of New Jersey	New Jersey
Chubb Lloyds Insurance Company of Texas	Texas
Chubb National Insurance Company	Indiana
Executive Risk Indemnity Inc.	Delaware
Executive Risk Specialty Insurance Company	Connecticut
Federal Insurance Company	Indiana
Great Northern Insurance Company	Indiana
Northwestern Pacific Indemnity Company	Oregon
Pacific Indemnity Company	Wisconsin
Texas Pacific Indemnity Company	Texas

The examination was conducted in conjunction with the State of Indiana, which was the coordinating state of the Chubb Group. Other states participating in this examination were Delaware, New Jersey, Wisconsin and Texas.

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 and an evaluation based upon the Company's Sarbanes Oxley documentation and testing. 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 on July 17, 1939 under the laws of the State of New York as the Reserve Insurance Company. The Company was organized to write general fire and marine insurance business and began operations on October 18, 1939. The present name was adopted on May 1, 1941.

The Company is a member of the Chubb Group of Insurance Companies ("Chubb Group"). As of December 31, 2011, the Chubb Group consisted of the following members:

Company	State of Domicile
Chubb Custom Insurance Company	Delaware
Chubb Indemnity Insurance Company	New York
Chubb Insurance of New Jersey	New Jersey
Chubb Lloyds Insurance Company of Texas	Texas
Chubb National Insurance Company	Indiana
Executive Risk Indemnity Inc.	Delaware
Executive Risk Specialty Insurance Company	Connecticut
Federal Insurance Company	Indiana
Great Northern Insurance Company	Indiana
Northwestern Pacific Indemnity Company	Oregon
Pacific Indemnity Company	Wisconsin
Texas Pacific Indemnity Company	Texas
Vigilant Insurance Company	New York

At December 31, 2011, capital paid in is $4,500,000 consisting of 20,000 shares of $22.50 par value per share common stock. Gross paid in and contributed surplus was $25,168,845. Gross paid in and contributed surplus did not change during the examination period.

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 thirteen nor more than twenty-one members. The board is required to meet at least once every quarter during the year. At December 31, 2011, the board of directors comprised the following fourteen members:

Name and Residence	Principal Business Affiliation
Joel David Aronchick Madison, NJ	Senior Vice President, Chubb & Son, a division of Federal Insurance Company
Walter Brain Barnes Annandale, NJ	Senior Vice President & Chief Actuary, Chubb & Son, a division of Federal Insurance Company
Jon Cory Bidwell Pelham, NY	Senior Vice President, Chubb & Son, a division of Federal Insurance Company
Mark Steven James Basking Ridge, NJ	Senior Vice President, Chubb & Son, a division of Federal Insurance Company
John Joseph Kennedy Towaco, NJ	Senior Vice President & Chief Accounting Officer, The Chubb Corporation
Paul Joseph Krump Mendham, NJ	Executive Vice President, The Chubb Corporation

Name and Residence	Principal Business Affiliation
William Andrew Macan Yardley, PA	Vice President, Corporate Counsel & Secretary, The Chubb Corporation
Harold Lawrence Morrison, Jr. Basking Ridge, NJ	Executive Vice President, The Chubb Corporation
Douglas Alan Nordstrom Cranford, NJ	Vice President & Treasurer, The Chubb Corporation
Dino Ennio Robusto Short Hills, NJ	Executive Vice President, The Chubb Corporation
Gail Wallace Soja Chatham, NJ	Senior Vice President, Chubb & Son, a division of Federal Insurance Company
Richard Glenn Spiro White Plains, NY	Executive Vice President, The Chubb Corporation
Peter James Tucker New York, NY	Senior Vice President, Chubb & Son, a division of Federal Insurance Company
Jeffrey Allen Updyke Guilford, CT	Senior Vice President, Chubb & Son, a division of Federal Insurance Company

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, 2011, the principal officers of the Company were as follows:

Name	Title
Dino Ennio Robusto	Chairman
Paul Joseph Krump	President
Richard Glenn Spiro	Senior Vice President
Walter Brian Barnes	Vice President & Actuary
William Andrew Macan	Vice President & Secretary
Douglas Alan Nordstrom	Vice President & Treasurer

B. Territory and Plan of Operation

As of December 31, 2011, the Company was licensed to write business in all fifty states, the District of Columbia and the U.S. Virgin Islands. 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 & 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
26(A)(B)(C)(D)	Gap
27	Prize indemnification
29	Legal services

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), including insurance 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), and as authorized by Section 4102 (c), insurance of every kind or description outside of the United States and reinsurance of every kind or description. The Company also has Article 63 Special Risk license authority.

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, 41, and 63 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $35,000,000.

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 Direct Premiums	Direct Premiums Written in New York State as a percentage of Total Direct Premiums
2007	$197,355,695	$705,163,451	27.99%
2008	$185,687,944	$675,851,946	27.47%
2009	$174,890,382	$628,844,991	27.81%
2010	$140,873,566	$556,764,448	25.30%
2011	$113,558,855	$534,471,641	21.25%

The Company, as part of the Chubb Group, is represented by approximately 5,000 independent agents and accepts business on a regular basis from approximately 500 insurance brokers. Business is also produced through participation in a number of underwriting pools and syndicates.

C. Reinsurance

The Chubb Reinsurance Pool

The Company and eight other affiliates within the Chubb Group participate in an inter-company pooling arrangement, the Chubb Group Reinsurance Pool ("the Pool"). This arrangement covers substantially all business with the exception of foreign business, the run-off of an old aircraft voluntary pool and certain asbestos and environmental losses from policies written by Pacific Indemnity Company prior to its acquisition. Federal Insurance Company ("Federal") is the lead company with a 68.5% participation in the Pool.

The following is a list of the companies within the Pool and their respective participation percentage:

Company	Pool Participation
Federal Insurance Company	68.5%
Pacific Indemnity Company	17.0%
Executive Risk Indemnity, Inc.	8.0%
Great Northern Insurance Company	4.0%
Vigilant Insurance Company	0.5%
Chubb National Insurance Company	0.5%
Chubb Indemnity Insurance Company	0.5%
Chubb Custom Insurance Company	0.5%
Executive Risk Specialty Insurance Company	0.5%

The Chubb Group Reinsurance Pool differs from traditional pooling arrangements where participants cede all of their business to a lead reinsurer, who then retrocedes back to each pool participant according to their pool participation percentage. In the Chubb Group Reinsurance Pool, each participating company retains a percentage of its direct business equal to its pool participation percentage and cedes the remainder to the other pool participants. Each participating company also assumes its participation percentage from each of the other pool participants. Although the methodology utilized by the Pool differs from a "traditional" pooling arrangement, the net financial results are identical.

The remaining four Chubb Group members, which are non-participants in the pooling arrangement, cede 100% of their business to one of the other companies within the Chubb Group. This business is then included within the Chubb Pool. Texas Pacific Indemnity Company and Northwestern Pacific Indemnity Company cede 100% of their business to Pacific Indemnity Company, Chubb Insurance Company of New Jersey cedes 100% of its business to Federal Insurance Company and Chubb Lloyd's Insurance Company of Texas cedes 100% of its business to Great Northern Insurance Company.

Assumed Reinsurance

Assumed reinsurance accounted for 7.67% of the Company's gross premium written at December 31, 2011. Almost all of the assumed premiums were from the intercompany reinsurance pool.

Ceded Reinsurance

The Chubb Group cedes reinsurance on a combined group basis and apportions the cost among each participating pool member in proportion to their designated pool share. The most significant components of the Chubb Group's ceded reinsurance program are directed at per-risk excess of loss and per-event catastrophe reinsurance associated with property risks. Specifics regarding each significant program are as follows:

Type of Contract	Cession
Property	
Property per risk	
First layer	85% of $25,000,000 per risk in excess of $25,000,000, not to exceed $200,000,000 in the aggregate during the contract period.

Type of Contract	Cession
Second layer	$75,000,000 per risk in excess of $50,000,000, not to exceed $300,000,000 in the aggregate during the contract period.
Third layer	$125,000,000 per risk in excess of $125,000,000, not to exceed $375,000,000 in the aggregate during the contract period,
Fourth layer	$250,000,000 per risk in excess of $250,000,000, not to exceed $500,000,000 in the aggregate during the contract period.
Fifth layer	$150,000,000 per risk in excess of $500,000,000, not to exceed $300,000,000 in the aggregate during the contract period.
<u>North American Property Catastrophe</u>	
First layer	60.96% of $400,000,000 in excess of $500,000,000 each and every occurrence.
Second layer	61.88% of $400,000,000 in excess of $900,000,000 each and every occurrence.
Third layer	70.11% of $350,000,000 in excess of $1,300,000,000 each and every occurrence.
Fourth layer (Northeast only)	78.82% of $400,000,000 in excess of $1,650,000,000 each and every occurrence.

The activity reflected in Schedule F relates mainly to the intercompany reinsurance pooling arrangement. 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 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 a wholly-owned subsidiary of Federal Insurance Company, an Indiana domiciled insurer. The Company's ultimate parent is the Chubb Corporation, a New Jersey corporation. 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 structure as of December 31, 2011 (ownership is 100% except as noted):

- The Chubb Corporation (New Jersey)
  - Federal Insurance Company (IN)
    - Pacific Indemnity Company (WI)
      - Texas Pacific Indemnity Company (TX)
      - Northwestern Pacific Indemnity Company (OR)
    - Great Northern Insurance Company (IN)
    - Chubb Custom Insurance Company (DE)
    - Chubb Indemnity Insurance Company (NY)
    - Chubb Lloyd’s Insurance Company of Texas (A TX Lloyds Company)
    - Chubb Investment Holdings Inc. (NJ)
    - Chubb Insurance Investment Holdings Ltd. (UK)
      - Chubb Europe Services Ltd. (UK)
      - Chubb Insurance Company of Europe SE (UK) (99.99% owned, see Note C)
        - Masterpiece Netherlands B.V. (Netherlands)
      - Chubb Managing Agent Ltd. (UK)
      - Chubb Capital Ltd. (UK)
        - Chubb 1882 (A Lloyds Syndicate)
    - Chubb European Investment Holdings, SLP (A Scottish Limited Partnership) (see Note D)
      - Chubb Europe Finance Ltd. (UK)
    - Chubb Financial Solutions Ltd. (Bermuda)
    - Chubb Insurance Company Ltd. (China)
    - Executive Risk Indemnity Inc. (Delaware)
      - Executive Risk Specialty Insurance Company (CT)
    - Vigilant Insurance Company (NY)
      - Chubb De Colombia Compania De Seguros S.A. (Columbia) (88.31% owned, see Note A)
    - Chubb National Insurance Company (IN)
    - Chubb Insurance Company of New Jersey (NJ)
    - CC Canada Holdings Ltd. (Canada)
      - Chubb Insurance Company of Canada (Canada)
    - Chubb Insurance Company of Australia Ltd. (Australia)
    - Chubb Argentina De Seguros S.A. (Argentina)
    - Chubb De Mexico Compania Afianzadora S.A. D.E. C.V. (Mexico)
    - Chubb De Mexico Compania De Seguros S.A. D.E. C.V. (Mexico)
    - Federal Insurance Company Escritorio De Representacao No Brasil Ltd. (Brazil)
    - Chubb De Chile Compania De Seguros Generales S.A. (Chile) (99.97% owned, see Note E)
    - Chubb Pacific Underwriting Management Services PTE, Ltd. (Singapore)
    - PT Asuransi Chubb Indonesia (Indonesia)
  - Chubb Atlantic Indemnity Ltd. (Bermuda)
    - DHC Corporation (Delaware)
      - Chubb De Brasil Companhia De Seguros (Brazil)
  - Chubb & Son Inc. (NY)
    - Chubb Services Corporation (IL)
    - Chubb Insurance Solutions Agency Inc. (NJ)
  - Chubb Global Financial Services Corporation (Delaware)
    - Bhakdiku Company Ltd. (Thailand)
    - Chubb Insurance Company Ltd. (Thailand)
    - Harbor Island Indemnity Ltd. (Bermuda)
    - Chubb Investment Holdings Ltd. (Hong Kong)
      - MI Insurance Brokers Ltd. (Hong Kong)
  - Bellemead Development Corporation (Delaware)

Chubb Custom Market, Inc. (New Jersey)
Chubb Executive Risk, Inc. (Delaware)
Executive Risk Management Associates (Connecticut) (70% owned, see note B)
Executive Risk Capital Trust (Delaware)
Sullivan Kelly, Inc. (California)
Sullivan Kelly of Arizona Inc. (Arizona)
Chubb Re, Inc. (New Jersey)
Transit Air Services, Inc. (New Jersey)
Chubb Computer Services, Inc. (New Jersey)
Chubb Investment Services Ltd. (UK)
Chubb Multinational Manager, Inc. (New York)
Chubb Financial Solutions, Inc. (Delaware)

NOTES

(A) Remaining ownership as follows:
6.13% owned by Federal Insurance Company
4.22% owned by The Chubb Corporation
0.92% owned by Pacific Indemnity Company
0.42% owned by Great Northern Insurance Company

(B) 30% owned by Sullivan Kelly, Inc.

(C) 0.001% owned by Vigilant Insurance Company.

(D) Two Partners:
Federal Insurance Company – Founding Partner
Vigilant Insurance Company- General Partner

(E) 0.03% owned by The Chubb Corporation

At December 31, 2011, the Company was party to the following agreements with other members of its holding company system:

Management Agreement

Effective January 1, 1998, the Company engaged Federal Insurance Company to act as the manager for the Company’s insurance business. The agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law.

Consolidated Federal Income Tax Allocation Agreement

The Chubb Corporation, per an agreement dated July 29, 1981, files a consolidated federal income tax return on behalf of the Company and various affiliates. The Company amended and restated the agreement which is to be effective January 1, 2012. The agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law.

The Company included in its filed federal income tax return for 2011 certain affiliates that were not included in its consolidated federal income tax allocation agreement or the addendums thereto. Circular Letter No. 33 (1979) requires any amendment or termination to such agreement be filed with the superintendent 30 days prior to entering into such termination or amendment. Further, Section 1504(d)(4) provides that any material transaction "between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period."

It is again recommended that the Company amend its consolidated federal income tax allocation agreement to include all participating parties pursuant to the provisions of Section 1505(d)(4) of the New York Insurance Law.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2011, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	18%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	49%
Premiums in course of collection to surplus as regards policyholders	14%

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	$130,484,710	60.09%
Other underwriting expenses incurred	62,369,911	28.72
Net underwriting gain	24,309,267	11.19
Premiums earned	$217,163,888	100.00%

F. Accounts and Records

CPA Contract

The contract dated February 20, 2012 between the Company and its independent certified public accountant did not include the following required provision of Section 89.8(a) of Department Regulation 118:

> "Every company required to furnish an annual audited financial report shall require the CPA to report, in writing, 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, including, for applicable MCOs, the contingent reserve requirement of 10 NYCRR 98-1.11(e)."

It is recommended that the Company ensure that its contract with its CPA complies with Section 89.8(a) of Department Regulation 118.

Conflict of Interest Statements

A review of the conflict of interest questionnaires provided by the Company indicated that the questionnaires for some of the Company's directors were missing, some of the questionnaires were not signed, and some did not complete part 2 of the questionnaire (political contributions and activities).

It is recommended that the Company require all of its officers, directors and key employees to complete a conflict of interest questionnaire on an annual basis and ensure that all questionnaires are completed accurately and signed. Additionally, it is recommended that the Company ensure that all completed questionnaires are maintained and available for inspection.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2011 as determined by this examination and as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$278,680,938	$ 0	$278,680,938
Common stocks	75,674,968	43,997,542	31,677,426
Cash, cash equivalents and short-term investments	12,470,162		12,470,162
Investment income due and accrued	2,582,298		2,582,298
Uncollected premiums and agents' balances in the course of collection	34,196,441	1,355,836	32,840,605
Deferred premiums, agents' balances and installments booked but deferred and not yet due	69,030,951	230,706	68,800,245
Amounts recoverable from reinsurers	449,082		449,082
Net deferred tax asset	20,567,263	13,845,691	6,721,572
Equities and deposits in pools and associations	5,250,606		5,250,606
State surcharges receivable	861,897		861,897
Amounts receivable under high deductible policies	21,535	245	21,290
Total assets	$499,786,141	$59,430,020	$440,356,121

Liabilities, Surplus and Other Funds

Liabilities

Losses and loss adjustment expenses		$ 81,840,250
Commissions payable, contingent commissions and other similar charges		687,825
Other expenses (excluding taxes, licenses and fees)		1,252,083
Taxes, licenses and fees (excluding federal and foreign income taxes)		243,700
Current federal and foreign income taxes		1,388,759
Unearned premiums		22,792,785
Policyholders (dividends declared and unpaid)		372,502
Ceded reinsurance premiums payable (net of ceding commissions)		62,600,560
Funds held by company under reinsurance treaties		154,460
Amounts withheld or retained by company for account of others		564,313
Provision for reinsurance		408,595
Payable to parent, subsidiaries and affiliates		34,412,668
Minnesota workers' compensation premium assessment		33,418
Total liabilities		$206,751,918
Surplus and Other Funds		
Additional admitted deferred income tax assets under SSAP No. 10R	$ 2,584,344	
Common capital stock	4,500,000	
Gross paid in and contributed surplus	25,168,845	
Unassigned funds (surplus)	201,351,014	
Surplus as regards policyholders		233,604,203
Total liabilities, surplus and other funds		$440,356,121

Note: Audits covering tax years 2007 through 2009 are currently under examination. The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2010 through 2011. 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

Surplus as regards policyholders increased $95,246,652 during the five-year examination period January 1, 2007 through December 31, 2011, detailed as follows:

Underwriting Income		
Premiums earned		$217,163,888
Deductions:		
Losses and loss adjustment expenses incurred	$130,484,710	
Other underwriting expenses incurred	62,360,557	
Aggregate write-ins for underwriting deductions	9,354	
Total underwriting deductions		192,854,621
Net underwriting gain or (loss)		$ 24,309,267
Investment Income		
Net investment income earned	$ 92,809,354	
Net realized capital gain	329,075	
Net investment gain or (loss)		93,138,429
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (181,715)	
Aggregate write-ins for miscellaneous income	90,274	
Total other income		(91,441)
Net income before dividends to policyholders and before federal and foreign income taxes		$117,356,255
Dividends to policyholders		729,711
Net income after dividends to policyholders but before federal and foreign income taxes		$116,626,544
Federal and foreign income taxes incurred		27,683,635
Net income		$ 88,942,909

C. Capital and surplus

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2006			$138,357,551
Net income	$ 88,942,909	$	
Net unrealized capital gains or (losses)	18,188,482		
Change in net deferred income tax	15,606,727		
Change in non-admitted assets		30,795,377	
Change in provision for reinsurance	719,567		
Change in additional admitted deferred income tax assets under SSAP No. 10R	2,584,344		
Total gains or losses in surplus	$126,042,029	$30,795,377	
Net increase (decrease) in surplus			95,246,652
Surplus as regards policyholders per report on examination as of December 31, 2011			$233,604,203

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $81,840,250 is the same as reported by the Company as of December 31, 2011. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM		PAGE NO.
A.	Consolidated Federal Tax Allocation Agreement	
	It was recommended that the Company amend its consolidated federal tax allocation agreement to include all participating parties pursuant to the provisions of Section 1505(d)(4) of the New York Insurance Law.	13
	The Company has not complied with this recommendation. A similar recommendation is made in this report.	
B.	CPA Contract	
	It was recommended that the Company comply with Department Regulation 118 by entering into contracts with its independent Certified Public Accountant that contain the requisite provisions.	14
	The Company has not complied with this recommendation. A similar recommendation is repeated in this report.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Consolidated Federal Tax Allocation Agreement	13
	It is again recommended that the Company's consolidated federal income tax allocation agreement include all participating parties pursuant to the provisions of Section 1505(d)(4) of the New York Insurance Law.	
B.	Certified Public Account (CPA) Contract	
	It is recommended that the Company ensure that its contract with its CPA comply with Section 89.8(a) of Department Regulation 118.	14
C.	Conflict of Interest Statements	
	It is recommended that the Company require all of its officers, directors and key employees to complete a conflict of interest questionnaire on an annual basis and ensure that all questionnaires are completed accurately and signed. Additionally, it is recommended that the Company ensure that all completed questionnaires are maintained and available for inspection.	14

Respectfully submitted,

_____________/s/___________
Moses Egbon, CFE
Senior 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.

_____________/s/___________
Moses Egbon

Subscribed and sworn to before me

this__________ day of ___________________, 2013.

APPOINTMENT NO. 30837

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

VIGILANT 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 my name
and affixed the official Seal of the Department
at the City of New York

this 21st day of February, 2012

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Jean Marie Cho
Deputy Superintendent

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
EXCELSIOR