REPORT ON EXAMINATION

OF THE

MAPFRE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2013

DATE OF REPORT	JUNE 2, 2015
EXAMINER	SHEIK H. MOHAMED

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Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

June 2, 2015

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31111 dated January 31, 2014, attached hereto, I have made an examination into the condition and affairs of Mapfre Insurance Company of New York as of December 31, 2013, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Mapfre Insurance Company of New York.

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 administrative office located at 211 Main Street, Webster, MA 01578.

1. SCOPE OF EXAMINATION

The Department participated in a coordinated group examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2008. This examination covered the five year period from January 1, 2009 through December 31, 2013. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with the state of Massachusetts, which was the coordinating state of the Mapfre Insurance Group. The examination was performed concurrently with the examinations of the following insurers: The Commerce Insurance Company, Citation Insurance Company, Commerce West Insurance Company, Mapfre Insurance Company, Mapfre Insurance Company of Florida, and American Commerce Insurance Company. Other states participating in this examination were California, Florida, New Jersey and Ohio. 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. 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
Territory and plan of operation
Growth of Company
Loss experience
Reinsurance
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

Mapfre Insurance Company of New York was incorporated under the laws of the State of New York on August 14, 1954, as the Truckmen's Insurance Company. The present name was adopted on February 28, 2012. The Company was incorporated/organized on August 14, 1954 and commenced business on October 1, 1954.

Capital paid in is $850,000 consisting of 170,000 shares of $5 par value per share common stock. Gross paid in and contributed surplus is $924,800. 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 meets at least quarterly during each calendar year.

At December 31, 2013, the board of directors was comprised of the following nine members:

Name and Residence	Principal Business Affiliation
Randall V. Becker Webster, MA	Executive Vice President and Chief Financial Officer, Mapfre Insurance Company of New York
David H. Cochrane Sandwich, MA	Executive Vice President, Mapfre Insurance Company of New York
Dennis J. Crossley Woodbury, NY	President and Chief Executive Officer, AAA New York
Frederick L. Gruel Bridgewater, NJ	President and Chief Executive Officer, AAA New Jersey Auto Club.
Daniel P. Olohan Walpole, MA	Executive Vice President and Secretary, Mapfre Insurance Company of New York
John D. Porter Tualatin, OR	President and Chief Executive Officer, AAA Oregon/Idaho
Mark A. Shaw Barrington, RI	President and Chief Executive Officer, AAA Southern New England
Mark H. Shaw Gahanna, OH	President and Chief Executive Officer, AAA Ohio Auto Club
Jaime Tamayo Weston, MA	President and Chief Executive Officer, Mapfre Insurance Company of New York

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.

Examination review of the Company’s charter and bylaws revealed the following:

a. The Company did not maintain the required minimum number of directors as set forth in article six (A) of its charter and pursuant to section 4.02 of article four of its bylaws.

b. The Company did not hold its annual meeting of the board of directors immediately after the annual meeting of the shareholders, which was not in compliance with article six (E) of the Company's charter.

c. The Company did not adhere to article seven (A) of its charter and article three, section 3.01, of its bylaws and hold its annual meeting of the shareholders on the first Monday in April of each year.

It is recommended that the Company comply with all of the provisions of its Charter and Bylaws or amend them as necessary.

Conflict of interest statements signed by officers and directors of the Company for the years under examination were not available for review. It is recommended that the Company maintain conflict of interest statements at its home office for each year under examination.

The Company did not comply with Section 312(b) of the New York Insurance Law by failing to provide statements that indicate the board of directors received and read the prior report on examination. It is recommended that the Company comply with Section 312(b) of the New York Insurance Law by furnishing each member of the board a copy of the report on examination and retaining a statement from each board member that he or she has received and read such report.

As of December 31, 2013, the principal officers of the Company were as follows:

Name	Title
Jaime Tamayo	President and Chief Executive Officer
Daniel P. Olohan	Secretary, General Counsel and Senior Vice President
Robert E. McKenna	Treasurer, Chief Accounting Officer and Senior Vice President
Randall V. Becker	Executive Vice President and Chief Financial Officer

B. Territory and Plan of Operation

As of December 31, 2013, the Company was licensed to write business in the states of New York and New Jersey. During the period under examination, the Company wrote business only in the state of New York.

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
4	Fire
5	Miscellaneous property damage
6	Water damage
7	Burglary and theft
8	Glass
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine

The following schedule shows the direct premiums written by the Company for the period under examination:

Calendar Year	Total Direct Written Premiums
2009	$37,735,957
2010	$33,262,317
2011	$25,156,017
2012	$47,368,159
2013	$58,641,457

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 $850,000.

The Company writes primarily automobile liability and physical damage coverage with a small percentage allocated to homeowners' coverage. Its main source of premium income is derived from its private passenger business, with such risks being concentrated in the New York metropolitan and Long Island areas with market expansion into upstate New York markets of Buffalo, Syracuse and Albany. Most of the Company's business is produced through a network of independent agents and brokers, with only a small percent of the business produced directly by the Company.

C. Reinsurance

Assumed

The Company did not assume unaffiliated business during the examination period.

Inter-Company Reinsurance Pooling Agreement

Effective December 22, 2006, the Company participates in an inter-company reinsurance pooling agreement with its insurance affiliates in which the companies share underwriting profits and losses in proportion to the pool participation percentages. The pooling agreement allows all companies to rely on the capacity of the entire pool rather than on their own capital and surplus. The Commerce Insurance Company ("Commerce") is the lead insurer of the pool and as such assumes the direct business of all pool participants. All external reinsurance in the form of catastrophe, quota share, facultative and excess of loss contracts is ceded to the external reinsurers by Commerce. Commerce then cedes the net business after external reinsurance back to the pool participants at the stated pooled participation percentages. The agreement was approved by the Department pursuant to Section 1505 of the New York Insurance Law.

Pool participants and their respective pro-rata pooling percentages as of December 31, 2013 are as follows:

Company	NAIC CoCode	Pooling Percentage
The Commerce Insurance Company (MA, Lead Company)	34754	71.2%
Citation Insurance Company (MA)	40274	7.4%
American Commerce Insurance Company (OH)	19941	9.1%
Commerce West Insurance Company (CA)	13161	4.6%
MAPFRE Insurance Company of New York	25275	3.9%
MAPFRE Insurance Company of Florida	34932	2.1%
MAPFRE Insurance Company (NJ)	23876	1.7%

Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions.

Ceded

The Company is a participant in the external reinsurance program of the Mapfre Insurance Group through its participation in the inter-company reinsurance pooling agreement.

The Group's reinsurance program primarily consists of ceded business in the form of excess of loss, quota share, catastrophe contracts, and facultative treaties. The principal assuming company is Spanish affiliate Mapfre Re Compania de Reaseguros, SA ("MAPFRE RE").

Catastrophe coverage is provided for by two separate agreements with MAPFRE RE, one of which is specifically for MAPFRE FL and one for the remaining MAPFRE USA companies ("the Main Program"). The main catastrophe program has the following layers:

Layers	Main Program
First	$ 50,000,000 excess 50,000,000
Second	150,000,000 excess 100,000,000
Third	200,000,000 excess 250,000,000
Fourth	350,000,000 excess 450,000,000
Fifth	200,000,000 excess 800,000,000

Various retention levels are used across each layer. The main program does not cover comprehensive automobile. However, it covers all FAIR Play-type participation in excess of any reinsurance purchased by any of the plans.

The Group had the following additional reinsurance contracts in place with MAPFRE RE:

1. Effective January 1, 2013, the Group entered into a per risk excess of loss treaty for personal homeowner property business. The treaty has two layers: the first layer $1.1 million excess of $1.1 million and the second layer is for $2.2 million excess of $2.2 million, subject to limitations of $1.6 million for the first layer and $4.4 million for the second layer.

2. Effective July 1, 2013, the Group entered into a 28% quota share agreement covering all property and casualty non-automobile business, excluding umbrella and general liability, and also excluding Florida other than auto business.

3. The Group has in place a casualty clash cover on an excess of loss basis for any one event or occurrence with a maximum recovery of $8.0 million over a net retention of $2.0 million.

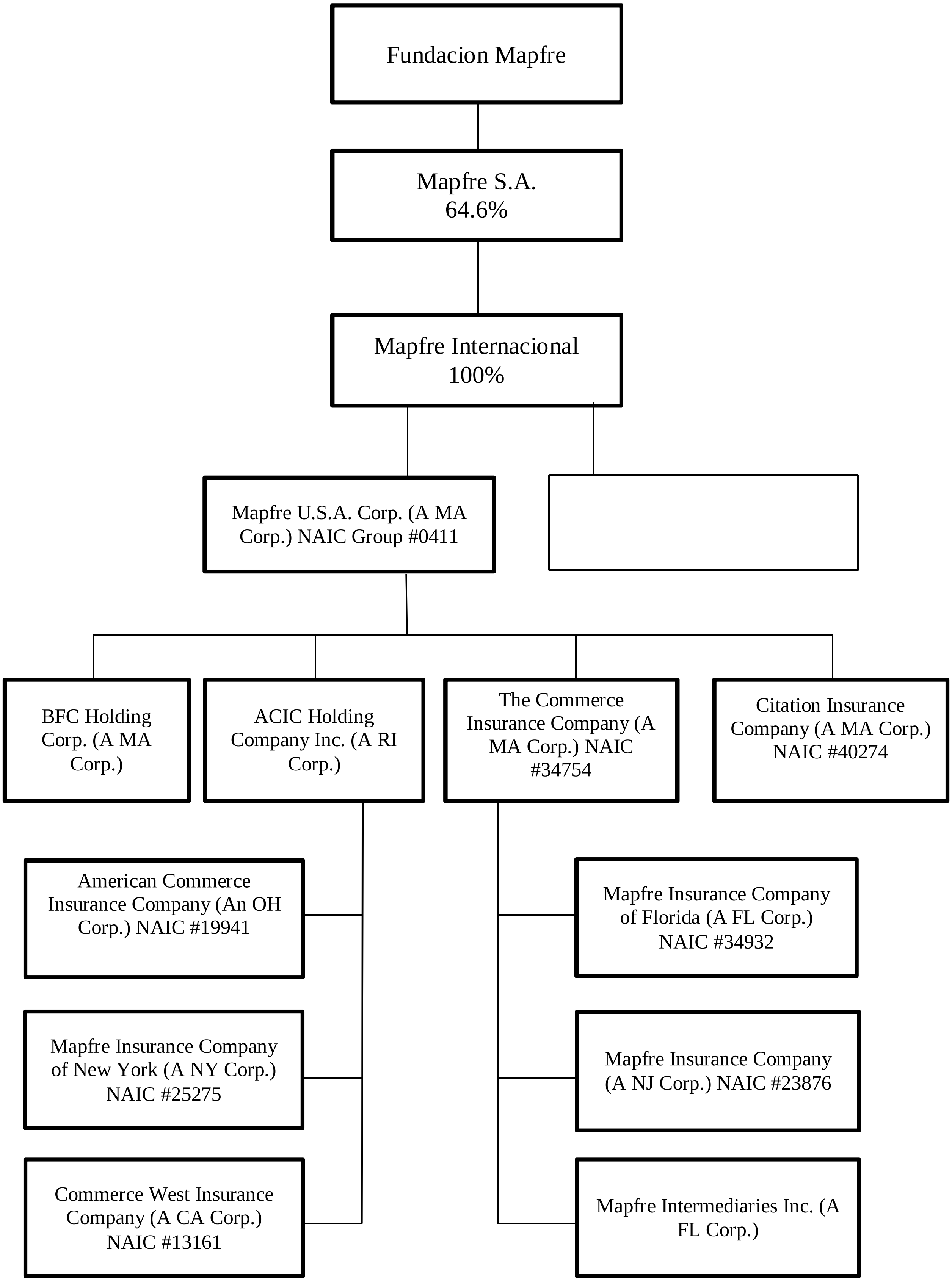
4. The Group has in place an umbrella quota share treaty which covers various umbrella policies. Different lines of business and exposure limits have different quota share percentages and coverage limits. Policies covered under this agreement include personal and commercial liability umbrella policies, as well as business owner policies.

D. Holding Company System

The Company is a member of the MAPFRE Insurance Group. The Company is a wholly-owned subsidiary of ACIC Holding Company, Inc. ("AHC"), a Rhode Island domiciled corporation. AHC is 94.88% owned by MAPFRE, U.S.A. Corporation ("MUSA"), a Massachusetts domiciled corporation and 5.12% owned by AAA Southern New England. MUSA, in turn, is a wholly-owned subsidiary of MAPFRE Internacional, which is a holding company for MAPFRE, S.A.'s international operations.

A review of the Holding Company Registration Statements filed with this Department indicated that such filings were completed and filed in a timely manner, except for the 2009 and 2010 statements. Additionally, as of the date of this report, the Company had not filed a Form HC1 for 2011. Pursuant to Part 80-1.4 of New York Department Regulation 52, all controlled insurers are required to file an annual holding company registration statement (Form HC1) within 120 days following the end of its ultimate holding company's fiscal year. It is recommended that the Company file its annual holding company registration statements in a timely manner pursuant to the provisions of Part 80-1.4 of Department Regulation 52.

The following is an abbreviated chart of the holding company system at December 31, 2013:



At December 31, 2013, the Company was party to the following agreements with other members of its holding company system:

Management Services Agreement

Effective January 1, 2013, the Company and various affiliates ("the Companies") entered into a management cost allocation agreement pursuant to which, any of the Companies may provide certain management services to each other for a fee. For non-investment related services, the Company providing the management services shall be compensated for its actual costs. Compensation for investment related services is based on a percentage of the quarter-end balance of investments and cash, not to exceed the actual costs incurred by the Company providing such services. The agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law on October 24, 2012.

Tax Allocation Agreement

Effective, November 4, 2009, the Company became a party to a second amended and restated tax allocation agreement with its affiliated companies. Under this agreement, commencing with tax year ending December 31, 2009, the Company and its affiliates filed consolidated federal income tax returns. The agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law on September 25, 2009. The agreement was found to be consistent with the guidelines contained in Department Circular Letter No. 33 (1979).

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2013, based upon the results of this examination:

Net premiums written to policyholders' surplus	135%
Adjusted liabilities to liquid assets	71%
Gross agents' balances (in collection) to policyholders' surplus	26%

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	$211,177,870	75.05%
Other underwriting expenses incurred	78,136,238	27.77
Net underwriting loss	(7,915,390)	(2.82)
Premiums earned	$281,398,718	100.00%

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2013 as determined by this examination and as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$101,732,946	0	$101,732,946
Preferred stocks (stocks)	351,500		351,500
Cash, cash equivalents and short-term investments	6,400,315		6,400,315
Investment income due and accrued	889,222		889,222
Uncollected premiums and agents' balances in the course of collection	13,694,799		13,694,799
Amounts recoverable from reinsurers	3,056,032		3,056,032
Net deferred tax asset	4,699,171	19,975	4,679,196
Electronic data processing equipment and software	3,410		3,410
Furniture and equipment, including health care delivery assets	415,137	415,137	
Prepaid expenses	131,452	131,452	
Miscellaneous assets - New York LAD	546,000	0	546,000
Total assets	$131,919,984	$566,564	$131,353,420

Liabilities, surplus and other funds

Liabilities		
Losses and Loss Adjustment Expenses		$29,768,292
Reinsurance payable on paid losses and loss adjustment expenses		4,045,277
Commissions payable, contingent commissions and other similar charges		628,606
Other expenses (excluding taxes, licenses and fees)		499,167
Taxes, licenses and fees (excluding federal and foreign income taxes)		287,753
Current federal and foreign income taxes		718,515
Unearned premiums		35,855,386
Advance premium		941,461
Ceded reinsurance premiums payable (net of ceding commissions)		3,346,533
Payable to parent, subsidiaries and affiliates		1,487,351
Payable for unclaimed checks		244,867
Total liabilities		$77,823,208
Surplus and Other Funds		
Common capital stock	$ 850,000	
Gross paid in and contributed surplus	924,800	
Unassigned funds (surplus)	51,755,412	
Surplus as regards policyholders		53,530,212
Total liabilities, surplus and other funds		$131,353,420

Note: The Internal Revenue Service ("IRS") has completed its audits in 2014 of the Company's consolidated Federal Income Tax returns through tax year 2011. There were no material adjustments. Any adjustments were recorded in 2014. As of the report date, the IRS has not notified the Company of any audits of the consolidated tax returns covering tax years 2012 and/through 2013. 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

Underwriting Income		
Premiums earned		$281,398,718
Deductions:		
Losses and loss adjustment expenses incurred	$211,177,870	
Other underwriting expenses incurred	78,299,914	
Aggregate write-ins for underwriting deductions	(163,676)	
Total underwriting deductions		289,314,108
Net underwriting gain or (loss)		$(7,915,390)
Investment Income		
Net investment income earned	$19,614,685	
Net realized capital gain	2,597,389	
Net investment gain or (loss)		22,212,074
Other Income		
Finance and service charges not included in premiums	$5,834,563	
Miscellaneous income	11,566	
Total other income		5,846,129
Net income before federal and foreign income taxes		$20,142,813
Federal and foreign income taxes incurred		5,871,442
Net Income		$14,271,371

C. Capital and Surplus Statement

Surplus as regards policyholders decreased $3,853,589 during the five-year examination period January 1, 2009 through December 31, 2013, detailed as follows:

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2009			$57,383,801
Net income	$14,271,371		
Net unrealized capital gains or (losses)	1,729,309		
Change in net deferred income tax	204,247		
Change in nonadmitted assets	2,439,887		
Dividends to stockholders		$22,220,123	
Aggregate write-ins for gains and losses in surplus	0	278,280	
Net increase (decrease) in surplus	$18,644,814	$22,498,403	(3,853,589)
Surplus as regards policyholders per report on examination as of December 31, 2013			$53,530,212

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $29,768,292 is the same as reported by the Company as of December 31, 2013. 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”).

It is noted that the actuarial analysis found the Company to be deficient by $2.3 million, representing 4.3% of the Company’s surplus of $53.5 million as of December 31, 2013.

Based on the Company’s one-year adverse reserve development, they have already acknowledged a $2.9 million reserve strengthening. In consideration of this development and the Company’s overall financial condition, we accept the Company’s carried reserves as of December 31, 2013.

Further, the Company has a history of booking carried reserves which are lower than its actuary's indicated point estimate. The Company did not provide any documentation to support the booked reserve which reflects management's best estimate.

It is recommended that, in the future, the Company book, at a minimum, its actuary's point estimate.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM		PAGE NO.
A	Accounts and Records It is recommended that the Company include such wording in its engagement letters with independent certified public accountant as required by Part 89.2 of Department Regulation No. 118. The Company has complied with this recommendation.	11

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A	Management	
i.	It is recommended that the Company comply with all of the provisions of its Charter and Bylaws or amend them as necessary.	5
ii.	It is recommended that the Company maintain conflict of interest statements at its home office for each year under examination.	5
iii.	It is recommended that the Company comply with Section 312(b) of the New York Insurance Law by furnishing each member of the board a copy of the report on examination and retaining a statement from each board member that he or she has received and read such report.	5
B	Holding Company System	
	It is recommended that the Company file its annual holding company registration statements in a timely manner pursuant to the provisions of Part 80-1.4 of Department Regulation 52.	9
C	Losses and Loss Adjustment Expenses	
	It is recommended that, in the future, the Company book, at a minimum, its actuary's point estimate.	17

Respectfully submitted,

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Sheik H. Mohamed, CPCU
Senior 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 ___________________, 2015.

APPOINTMENT NO. 31111

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:

Sheik Mohamed

as a proper person to examine the affairs of the

Mapfre Insurance Company of New York

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 31st day of January, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Rolf Kaumann
Deputy Chief Examiner