

REPORT ON EXAMINATION

OF THE

EXECUTIVE INSURANCE COMPANY

AS OF

DECEMBER 31, 2010

DATE OF REPORT

MAY 21, 2012

EXAMINER

LEON TAMBUE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 21, 2012

Honorable Benjamin M. Lawsky
Superintendent of Department 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 30744 dated August 3, 2011 attached hereto, I have made an examination into the condition and affairs of Executive Insurance Company as of December 31, 2010, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Executive 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 administrative offices located at 900 South Avenue, Staten Island, New York 10314.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of Executive Insurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2005. This examination covered the 5 year period from January 1, 2006 through December 31, 2010. 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 Financial Condition Examiners Handbook of the NAIC:

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Loss experience
- 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 June 15, 1972 as the French Union Insurance and Reinsurance Company of New York, to be successor to the United States Branch of the French Union Insurance and Reinsurance Company, Paris, France (“the Branch”). The Branch entered the United States through the State of New York on September 15, 1934. It was licensed and the domestication became effective as of September 30, 1972. The current name was adopted on March 5, 1973.

On October 10, 1975, the Company was placed in rehabilitation under the supervision of the Superintendent of New York. Under the terms of the rehabilitation process, the Company’s operations were conducted as a going concern with all policies in full force and effect, and with no new or renewal business accepted. The Company’s rehabilitation process was terminated by an order of the Supreme Court of New York issued on January 23, 1976.

Ownership of the Company was acquired on June 28, 1977 by E.I.C. Enterprises, Ltd, (“E.I.C”) a New York holding company.

The Company ceased writing business in early 2009 in anticipation of ultimately selling the Company.

The Company’s paid in capital was \$1,000,000, consisting of 10,000 shares of \$100 par value per share common stock. Gross paid in and contributed surplus is \$2,770,361. Paid in capital and gross paid in and contributed surplus were unchanged 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 seven members nor more than thirteen members. At December 31, 2010, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael Armienti New York, NY	Attorney, Armienti, Debellis, Guglielmo & Rhoden, LLP
Renan Asuncion Plainview, NY	Secretary and Treasurer, Executive Insurance Company
Steven Carol Brooklyn, NY	Consultant, New York Life Insurance Company
Marcia Clark Tai tam, Hong Kong	Asia Sourcing Director, Hanesbrands
Allen Danzinger Boynton Beach, FL	Retired
Jonathan M. Field Philadelphia, PA	Attorney, Mintzer, Sarowitz, Zeris, Ledva & Meyers
Dennis Herman New York, NY	Real Estate, The Beekman Regent
Dorothy Kligler Lake Worth, FL	Chair of the Board, Executive Insurance Company
Gregg J. Kligler Deerfield Beach, FL	Underwriting Manager, Morstan Group
Michelle Kligler Lake Worth, FL	Retired
Richard I. Kligler Tai tam, Hong Kong	President, Executive Insurance Company
Donald P. Marry Gansevoort, NY	Retired,
Carl S. Young White Plains, NY	Retired

The Company held six regular meetings of the board during the examination period. 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.

Pursuant to Section 312(b) of the New York Insurance Law, when a report on examination is filed, the Company is required to furnish a copy of the report to each member of its board of directors and each such member is required to sign a statement confirming that they have received and read the report. The Company could not provide evidence of signed statements indicating that the directors had received and read the prior report on examination in compliance with Section 312(b) of the New York Insurance Law.

It is recommended that the Company furnish a copy of the report on examination to each member of its board of directors and obtain signed statements from each director confirming that such member has received and read the report, pursuant to the provisions of Section 312(b) of the New York Insurance Law.

As of December 31, 2010, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Dorothy Kligler	Chairman of the Board
Richard I. Kligler	President
Renan Asuncion	Secretary and Treasurer

B. Territory and Plan of Operation

As of December 31, 2010, the Company was licensed to write business in the states of New York, Florida, and Texas. The Company ceased writing business in Florida and New York in 2004 and 2009, respectively. It is noted that the Company did not write business in the State of Texas during the examination period.

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>
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
12	Collision
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

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 \$1,200,000.

During the examination period, the company wrote business only in New York. The following schedule shows the direct premiums written by the Company for the period under examination:

<u>Calendar year</u>	<u>Direct Premiums Written</u>
2006	\$514,196
2007	\$274,220
2008	\$339,549
2009	\$ 13,023
2010	\$ 0

On August 7, 2002, the Company entered into a managing general agent's agreement and a claims service agreement with P&S Insurance Agency, Inc., which was terminated effective February 28, 2009. P&S Insurance Agency, Inc. agreed to continue to service the Company until every policy had expired i.e., claims, cancellation, return premium, additional premium, and endorsements. In 2010, P&S Insurance Agency, Inc. completed the runoff of the business.

C. Reinsurance

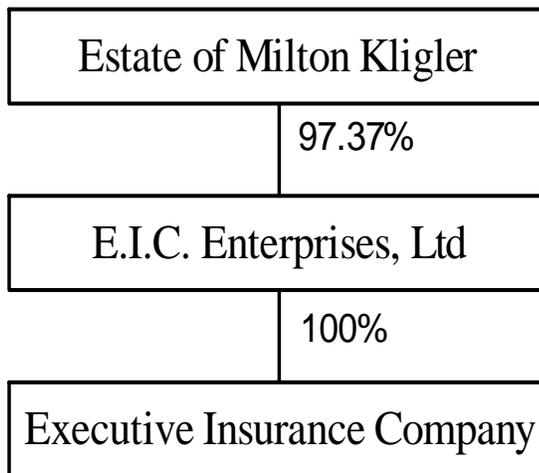
As of December 31, 2010, Executive did not have a reinsurance program in place.

D. Holding Company System

The Company is part of a holding company system as defined by Section 1501(a) of the New York Insurance Law. E.I.C. Enterprises, Ltd., a New York holding company, is deemed the ultimate controlling parent of Executive Insurance Company by reason of its 100% ownership of the Company's common stock. The estate of Milton Kligler is the record holder of 97.37% of the issued and outstanding shares of E.I.C. Enterprises, Ltd.

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 Company's holding company system at December 31, 2010:



Effective January 1, 1980, the Company files its federal income tax returns on a consolidated basis with its parent, E.I.C. pursuant to a tax allocation agreement.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2010, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	0%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	1%
Premiums in course of collection to surplus as regards policyholders	0%

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	\$ 770,833	50.79%
Other underwriting expenses incurred	2,023,074	133.30
Net underwriting loss	<u>(1,276,266)</u>	<u>(84.10)</u>
Premiums earned	<u>\$ 1,517,641</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, 2010 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Ledger Assets</u>	<u>Not-Admitted Assets</u>	<u>Admitted Assets</u>
Bonds	\$ 561,044	\$ 0	\$ 561,044
Cash, cash equivalents and short-term investments	2,847,669	0	2,847,669
Investment income due and accrued	7,292	0	7,292
Receivables from parent, subsidiaries and affiliates	77,233	77,233	0
Accounts receivable - NYS Sec. 332 refund	<u>2,909</u>	<u>0</u>	<u>2,909</u>
Totals	<u>\$3,496,147</u>	<u>\$77,233</u>	<u>\$3,418,914</u>

Liabilities, surplus and other funds

Other expenses (excluding taxes, licenses and fees)	\$ 27,275
Amounts withheld or retained by company for account of others	<u>31</u>
Total liabilities	<u>\$ 27,306</u>

Surplus and Other Funds

Common capital stock	\$1,000,000
Gross paid in and contributed surplus	2,770,361
Unassigned funds (surplus)	<u>(378,753)</u>
Surplus as regards policyholders	<u>\$3,391,608</u>
Totals	<u>\$3,418,914</u>

NOTE: The Company has never been audited by the Internal Revenue Service. 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 decreased \$1,850,200 during the five-year examination period January 1, 2006 through December 31, 2010, detailed as follows:

Underwriting Income

Premiums earned		\$ 1,517,641
Deductions:		
Losses and loss adjustment expenses incurred	\$ 770,833	
Other underwriting expenses incurred	<u>2,023,074</u>	
Total underwriting deductions		<u>2,793,907</u>
Net underwriting gain or (loss)		\$(1,276,266)

Investment Income

Net investment income earned	\$ 603,595	
Net realized capital gain	<u>11,085</u>	
Net investment gain or (loss)		\$ <u>614,680</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$ <u>(661,586)</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$ <u>(661,586)</u>
Federal and foreign income taxes incurred		<u>0</u>
Net income (loss)		\$ <u>(661,586)</u>

C. Capital and Surplus Account

Surplus as regards policyholders as of December 31, 2005 per report on examination			\$ 5,241,808
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net loss		\$ 661,586	
Change in nonadmitted assets	\$3,550		
Dividends to stockholders	<u>0</u>	<u>1,192,164</u>	
Total gains or losses in surplus	<u>\$3,550</u>	<u>\$1,853,750</u>	
Net increase (decrease) in surplus			<u>\$(1,850,200)</u>
Surplus as regards policyholders as of December 31, 2010 per report on examination			<u>\$ 3,391,608</u>

4. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained no comments or recommendations.

5. SUMMARY OF COMMENTS AND RECOMMENDATIONSITEMPAGE NO.A Management

It is recommended that the Company furnish a copy of the report on examination to each member of its board of directors and obtain signed statements from each director confirming that such member has received and read the report, pursuant to the provisions of Section 312(b) of the New York Insurance Law.

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Respectfully submitted,

_____/s/
Leon Tambue
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
)
COUNTY OF NEW YORK)

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

_____/s/
Leon Tambue

Subscribed and sworn to before me

this _____ day of _____, 20__.

Appointment No. 30744

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

*I, James J. Wrynn Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:*

Leon Tambue

as proper person to examine into the affairs of the

EXECUTIVE INSURANCE COMPANY

and to make a report to me in writing of the condition of the said

Company

with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by the
name and affixed the official Seal of this Department, at
the City of New York,*

this 3rd day of August, 2011



James J. Wrynn
JAMES J. WRYNN
Superintendent of Insurance