REPORT ON EXAMINATION

OF THE

GRAPHIC ARTS MUTUAL INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

DATE OF REPORT	FEBRUARY 25, 2016
EXAMINER	WAYNE LONGMORE

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NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

February 25, 2016

Honorable Maria T. Vullo
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31221 dated September 26, 2014 attached hereto, I have made an examination into the condition and affairs of Graphic Arts Mutual Insurance Company as of December 31, 2014, and submit the following report thereon.

Wherever the designations "the Company" or "GAMIC" appear herein without qualification, they should be understood to indicate Graphic Arts Mutual 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 180 Genesee Street, New Hartford, NY 13413.

1. SCOPE OF EXAMINATION

The Department has performed a coordinated group examination of Graphic Arts Mutual Insurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2009. This examination covered the five year period from January 1, 2010 through December 31, 2014. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

New York was the coordinating state of the Utica National Insurance Group. The examination of the Company was performed concurrently with the examinations of the following insurers:

Company	State of Domicile
Utica Mutual Insurance Company	New York
Utica National Assurance Company	New York
Founders Insurance Company of Michigan	Michigan
Republic –Franklin Insurance Company	Ohio
Utica National Insurance Company of Ohio	Ohio
Utica National Insurance Company of Texas	Texas
Utica Specialty Risk Insurance Company	Texas
Utica Lloyds of Texas	Texas

As noted above, other states participating in this examination were Texas, Ohio and Michigan.

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.

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
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

Graphic Arts Mutual Insurance Company was incorporated under the laws of the State of New York on April 1, 1914 as the "New York Printers and Bookbinders Mutual Insurance Company" until September 1, 1959, when the current name was adopted. It commenced business on April 1, 1914.

In 1967, GAMIC entered into an agreement with Utica Mutual Insurance Company ("UMIC") providing for common management of the two companies. Since 1969, GAMIC has pooled premiums, losses and expenses with UMIC through a reinsurance pooling agreement.

In 1983, GAMIC purchased 6% of the outstanding shares of the Republic-Franklin Insurance Company ("RFIC") of Columbus, Ohio from UMIC. Effective January 1, 1984, RFIC was made a party to the aforementioned UMIC/GAMIC pooling agreement.

A. Management

Pursuant to the Company's charter, management of the Company is vested in a board of directors consisting of not less than seven nor more than thirty-one persons.

The board met at least four times during each calendar year.

At December 31, 2014, the board of directors was comprised of the following nine members:

Name and Residence	Principal Business Affiliation
Russell A. Acevedo, MD Fayetteville, NY	Medical Director of Intensive Care, Crouse Hospital
Clarence W. Bachman Fairport, NY	Vice President, Cohber Press
Alfred E. Calligaris Watertown, NY	President, The Stebbins Engineering and Manufacturing Co., Inc.
Gregory M. Harden McConnellsville, NY	President and Chief Executive Officer, Harden Furniture Company
Zelda J. Holcomb, Ph.D. Columbia, MD	Owner and Consultant, Holcomb Associates, LLC
Nicholas O. Matt New Hartford, NY	Chairman and Chief Executive Officer, Matt Brewing Company
Alan J. Pope Jr. Gainsville, GA	Senior Vice President, PointeNorth Insurance Group
Timothy R. Reed Utica, NY	Executive Director, Distance Running Hall of Fame
James Douglas Robinson New Hartford, NY	Chairman and Chief Executive Officer, Utica National Insurance Group

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 member had an acceptable record of attendance.

Article V, Section 3 (Qualification and Bonding of Officers) of the by-laws for GAMIC states in part the following:

> "All elective officers of the Company shall be annually sworn and their oaths entered of record in the books of the company."

The Company was unable to provide documentation to support the swearing of officers for the year 2010.

It is recommended that the Company comply with Article V, Section 3 of its by-laws thereby ensuring that all elective officers of the Company are annually sworn and their oaths entered of record in the books of the Company.

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

Name	Title
James Douglas Robinson	Chairman of the Board and Chief Executive Officer
Richard P. Creedon	President & Chief Operating Officer
Kristen H. Martin	Executive Vice President, Director of Underwriting Operations and Secretary
Brian W. Miller	Vice President, Chief Financial Officer and Treasurer

B. Territory and Plan of Operation

As of December 31, 2014, the Company was licensed to write business in twenty-nine states and the District of Columbia.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
3	Accident and 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
24	Credit unemployment

Paragraph	Line of Business
26	Gap
27	Prize indemnification
28	Service contract reimbursement
29	Legal services

Based on the lines of business for which the Company is licensed 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 $6,900,000.

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 Premiums	Premiums Written in New York State as a Percentage of Total Premium
2010	$91,146,820	$182,587,228	49.92%
2011	$89,211,353	$186,696,151	47.78%
2012	$81,086,015	$177,177,693	45.77%
2013	$77,221,034	$180,667,342	42.74%
2014	$31,416,222	$130,675,178	24.04%

The majority of the Company's 2014 business (approximately 66%) is written in New York, Connecticut, Massachusetts, New Jersey, and Pennsylvania. The four largest lines of business, by percentage of total 2014 Direct Written Premiums, are Workers' compensation (31%), Commercial multiple peril (28%), Commercial auto liability (11%), and Homeowners multiple peril (10%). Most of the business originates through approximately 2,300 independent agents and brokers.

The Company maintains branch offices in Utica, NY; Richmond, VA; Wakefield, MA; Woodbury, NY; Columbus, OH; Atlanta, GA; Richardson, TX and Des Plaines, IL. Each office handles its own underwriting function for its specific territory except for personal lines which are handled in the main office. There are five Regional Claim Offices, the Home Office Claim Office, and two Founders Claim Offices for a total of eight claims offices.

C. Reinsurance

Assumed Reinsurance

Assumed reinsurance accounted for 22% of the Company's gross premiums written at December

31, 2014. The Company's assumed reinsurance program consists mainly of business obtained through a pooling agreement with its affiliates: Founders Insurance Company, Republic-Franklin Insurance Company, Utica Mutual Insurance Company, Utica National Assurance Company, and Utica National Insurance Company of Texas.

During the period covered by this examination, the Company's assumed reinsurance business has increased since the last examination. The main reason for the increase was due to a greater amount of the Utica National Insurance Group's premiums being written through the Company's subsidiaries and assumed by UMIC through the existing pooling agreement. Also, in 2010 UMIC purchased Founders Insurance Company (FIC) which contributed to the increase in total written premiums assumed by the pool.

The Company utilizes reinsurance accounting as defined in the NAIC Statement of Statutory Accounting Principles ("SSAP") No. 62R for all of its assumed reinsurance business.

Pooling and Reinsurance with Affiliates

UMIC is the lead company in an inter-company reinsurance pool with five other property and casualty affiliates that cede 100% of their net written premium to UMIC. UMIC retroceded 16% of the pooled premiums, net of external reinsurance to other pool members. As of December 31, 2014, the retrocession was as follows:

Graphic Arts Mutual Insurance Company	5%
Founders Insurance Company	5%
Republic –Franklin Insurance Company	3%
Utica National Assurance Company	2%
Utica National Insurance Company of Texas	1%

Under the present agreement, all transactions and items related to the insurance and/or general operations of the companies are pooled. The only major items that remain exempt are those related to investments and inter-company accounts.

At December 31, 2014, the business written by three other affiliates, Utica Specialty Risk Insurance Company ("USRIC"), Utica Lloyds of Texas ("ULOT") and Utica National Insurance Company of Ohio ("UNICO"), is ceded 100% to UMIC and is shared with the pool members in accordance with the above-mentioned pooling percentages.

Ceded Reinsurance

The Company’s 2014 reinsurance program was as follows:

Treaty Type	Cession
Property Per Risk, 4 layers	$38,000,000 in excess of $2,000,000 ultimate net loss each risk. Each contract layer has a loss occurrence limit with respect to all risks in one occurrence. First layer - $6,000,000, second layer - $10,000,000, third layer - $20,000,000 and fourth layer - $40,000,000.
Property Catastrophe, 3 layers (Layer 1 was 52% placed, Layer 2 was 82.2% placed and Layer 3 was 45.2% placed)	$350,000,000 in excess of $50,000,000 ultimate net loss each loss occurrence. The reinsurers’ liability as respects all losses occurring during the term of the contract shall not exceed limits as follows: First - $100,000,000, Second - $400,000,000 and Third - $200,000,000.
Casualty, 4 layers	$95,000,000 in excess of $5,000,000 ultimate net loss each loss occurrence. The reinsurers’ liability as respects all losses occurring during the term of the contract shall not exceed limits as follows: First - $10,000,000, Second - $20,000,000, Third - $40,000,000 and Fourth - $120,000,000.
School Umbrella Automatic	$5,000,000 in excess of $5,000,000 each incident/$5,000,000 aggregate (where applicable) in excess of the Company’s retention; and 80% of the next $5,000,000 in excess of $10,000,000 each incident /$10,000,000 aggregate (where applicable).
Commercial Umbrella Automatic/Non-Schools	100% of $5,000,000 in excess of $5,000,000 each incident/$5,000,000 annual aggregate of Net Loss under each Commercial umbrella policy.
Personal Umbrella Automatic	75% of the first $1,000,000 and 100% of $4,000,000 in excess of $1,000,000 each occurrence.
Commercial Equipment Breakdown	100% of $100,000,000 of liability for any one equipment breakdown.

Treaty Type	Cession
Homeowners Equipment Breakdown	100% of $100,000 of liability for any one homeowner's equipment breakdown, on any one risk.
Cybersurance	100% of $250,000 of cyber liability.
Life Insurance Agents' and Brokers' E&O	100% of $1,500,000 in excess $500,000 per policy per claim.
Insurance Agents' and Brokers' E&O	100% of $5,000,000 in excess $5,000,000 per policy per claim.

In addition to the above, at December 31, 2014, the Company also had in force the following automatic facultative excess of loss reinsurance agreements for its property business:

Type of Treaty	Cession
Schools Property Facultative Automatic	$75,000,000 in excess of $40,000,000 each risk.
Non-Schools Property Facultative Automatic:	
Group I (Apartments, Banks, Offices, Printers, Retail Stores and Shopping Centers)	$40,000,000 in excess $40,000,000, each risk.
Group II (Auto Dealers, Auto Service, Churches, Day Care Centers, Hotel/Motel and Machine Shops)	$25,000,000 in excess $40,000,000, each risk.

The Company ceded to authorized and unauthorized reinsurers during the period under examination. 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 not reviewed for compliance with Department Regulation No. 133 since the amounts held under these letters of credit were not material.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and except as noted below, were found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Insolvency Clause

The insolvency clauses in the Company's ceding reinsurance agreements make reference to a novation.

Department Circular Letter No. 5 (1988) states, in part, the following in reference to a novation:

> "Any references to such an event in the reinsurance agreement should indicate that, prior to the implementation of a novation, the certificate of assumption on New York risks would have to be approved by the Superintendent..."

It is recommended that the Company include specific language from Department Circular Letter No. 5 (1988) in all reinsurance contracts which make reference to a novation.

Offset Clause

The following contracts, in effect at December 31, 2014, contain a provision allowing for broad offset rights: Casualty Excess of Loss, Property Catastrophe Excess of Loss, Property per risk (though Willis), and Insurance Agents' and Brokers' Errors and Omissions Excess Cessions Reinsurance Contract.

The provision contained in the contracts is as follows:

> The Company and the Reinsurer shall have, and may exercise at any time and from time to time, the right to offset any balance or balances…, offsets shall be allowed under the terms of this Contract <u>and any other Contract heretofore or hereafter entered into between the Company and the Reinsurer</u>. (Emphasis added)

In reinsurance agreements containing such broad rights to offset, the Department requires that the following language be included:

> In the event of the insolvency of either party to this agreement then offsets shall only be allowed to the extent permitted by the provision of Section 7427 of the New York Insurance Law.

It is recommended that the offset provision of certain reinsurance agreements be amended to state that in the event of the insolvency of either party to the agreement then offsets shall only be allowed to the extent permitted by the provision of Section 7427 of the New York Insurance Law.

It is further recommended that all future reinsurance agreements with an offset provision entered into by the Company include such required language.

The examination review of Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its material 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 Chief Executive Officer and Chief Financial Officer. Additionally, the 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.

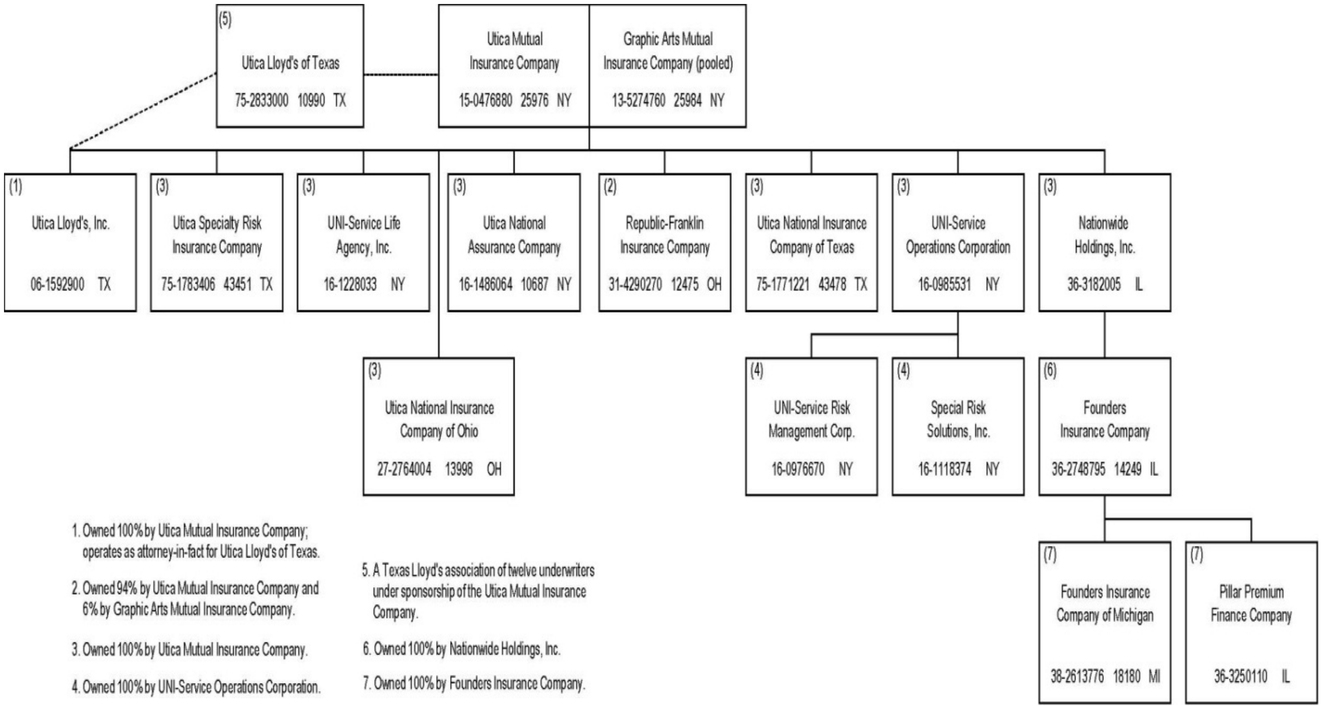
During the period covered by this examination, the Company commuted a ceded reinsurance agreement. The balances related to this commutation were immaterial.

D. Affiliated Group

GAMIC is a member of the group of companies that operate under the trade name “Utica National Insurance Group.”

Pursuant to Section 1502(a) of the New York Insurance Law (“”NYIL”), the Company is exempt from the filing requirements of Article 15. However, pursuant to Department Circular Letter No. 10 (2010), domestic insurers are required to file with the superintendent copies of the insurance holding company system annual registration statement ("NAIC Form B") filed in another state by the insurer or its parent authorized insurer, and any amendments thereto, at the same time that the insurer files the statement and any amendments with another state. If an insurer is not required to file the NAIC Form B in another state, then the insurer should file the information contained in NAIC Form B with the Department within 120 days following the close of the ultimate holding company's fiscal year. The Company is noted to have made the required filings in a timely manner during the period covered by the examination.

The following is an organizational chart outlining the relationship between members of the Affiliated Group at December 31, 2014:



At December 31, 2014, there are pooling, reinsurance, and common management agreements between and among various members of the affiliated group.

<u>Pooling Reinsurance Agreement</u>

Refer to section 2C of this report for a description of the Pooling Reinsurance Agreement between the Company and various affiliates.

<u>UMIC & GAMIC Common Management Agreement</u>

This agreement was made effective August 1, 1967 between UMIC and GAMIC.

The agreement may be terminated by the action of the board of directors of either party, but no such termination shall be effective until at least one year after notice thereof is given to the other party.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2014, based upon the results of this examination:

Net premiums written to policyholders' surplus	67%
Adjusted liabilities to liquid assets	73%
Gross agents' balances (in collection) to policyholders' surplus	20%

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	$113,209,049	72.64%
Other underwriting expenses incurred	59,405,459	38.12
Net underwriting loss	(16,761,637)	(10.75)
Premiums earned	$155,852,871	100.00%

F. Accounts and Records

i. Department Regulation No. 118 - CPA Agreement Compliance

Section 89.8(a) of New York’s Regulation 118 states in part that:

“Every company required to furnish an annual audited financial report shall require the CPA to submit written notification 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…”

Examination review revealed that none of the CPA engagement letters/agreements provided for the current examination period stated the five business day requirement.

It is recommended that the Company ensure that future engagement letters with its independent certified public accountant include the five day notice requirement called for in Section 89.8(a) of Department Regulation No. 118.

ii. Expense Limitation for Mutual Companies

Section 4110(a) of the New York Insurance Law states in part that:

> "No domestic mutual property/casualty insurance company licensed to write a kind of insurance specified in paragraph seven, eight, nine, ten, eleven, thirteen, fourteen, fifteen, sixteen or seventeen of subsection (a) of section one thousand one hundred thirteen of this chapter shall expend in any one calendar year for management expenses a greater amount than thirty percent of the sum of its net premium income and seventy-five percent of its investment income for such year;…"

Examination review of the expenses for the five year period under examination revealed that the Company exceeded the management expense limits for all five years covered by this examination.

It is recommended that the Company comply with the management expense limitations set forth in Section 4110(a) of the New York Insurance Law.

It should be noted that a similar recommendation was included in the previous report on examination.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2014 as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$104,267,684	$ 0	$104,267,684
Common stocks	13,040,130	0	13,040,130
Cash, cash equivalents and short-term investments	372,203	0	372,203
Investment income due and accrued	813,456	0	813,456
Uncollected premiums and agents' balances in the course of collection	11,038,365	154,173	10,884,192
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,031,716	3,843	1,027,873
Amounts recoverable from reinsurers	526,576	0	526,576
Current federal and foreign income tax recoverable and interest thereon	130,617	0	130,617
Net deferred tax asset	3,559,929	368,499	3,191,430
Guaranty funds receivable or on deposit	1,316,138	0	1,316,138
Electronic data processing equipment and software	49,022	0	49,022
Furniture and equipment, including health care delivery assets	19,378	19,378	0
Accounts receivable - other	3,840,847	6,917	3,833,930
Equities and deposits in pools and associations	239,219	1,181	238,037
Prepaid expenses	188,049	188,049	0
Miscellaneous office equipment	678,009	678,009	0
Clearing accounts	67,390	67,390	0
Total assets	$141,178,728	$1,487,439	$139,691,289

Liabilities, Surplus and Other Funds

Liabilities		
Losses and loss adjustment expenses		$ 60,362,575
Commissions payable, contingent commissions and other similar charges		907,117
Other expenses (excluding taxes, licenses and fees)		1,906,065
Taxes, licenses and fees (excluding federal and foreign income taxes)		969,095
Current federal and foreign income taxes		47,963
Unearned premiums		18,710,464
Advance premium		198,560
Policyholders dividends declared and unpaid		149,741
Ceded reinsurance premiums payable (net of ceding commissions)		366,892
Amounts withheld or retained by company for account of others		1,449,211
Provision for reinsurance		197,202
Payable to parent, subsidiaries and affiliates		763,471
Contingent balance in safety groups		48,850
Liability for pension benefits		(545,907)
Total liabilities		$ 85,531,299
Surplus and other funds		
Reserve for undeclared dividends	$ 352,301	
Special contingent surplus	1,700,000	
Unassigned funds (surplus)	52,107,689	
Surplus as regards policyholders		54,159,990
Total liabilities, surplus and other funds		$139,691,289

NOTE: The Internal Revenue Service is currently reviewing the Company's 2010-2012 federal income tax returns. 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

The net income for the examination period was $6,205,574 as detailed below.

Underwriting Income		
Premiums earned		$155,852,871
Deductions:		
Losses and loss adjustment expenses incurred	$113,209,049	
Other underwriting expenses incurred	59,405,459	
Total underwriting deductions		172,614,508
Net underwriting gain or (loss)		$ (16,761,637)
Investment Income		
Net investment income earned	$ 19,215,960	
Net realized capital gain	6,152,999	
Net investment gain		25,368,959
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (247,308)	
Finance and service charges not included in premiums	3,150,280	
Gain on sale of assets	3,438	
Miscellaneous income (loss)	(1,762,858)	
Total other income		1,140,114
Net income before dividends to policyholders and before federal and foreign income taxes		$ 9,747,436
Dividends to policyholders		1,742,387
Net income after dividends to policyholders but before federal and foreign income taxes		$ 8,005,049
Federal and foreign income taxes incurred		1,799,475
Net income		$ 6,205,574

C. Capital and Surplus Account

Surplus as regards policyholders increased $8,120,383 during the five year examination period January 1, 2010 through December 31, 2014, detailed as follows:

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2009			$46,039,607
Net income	$ 6,205,574		
Net unrealized capital gains or (losses)		$170,008	
Change in net deferred income tax	103,348		
Change in non-admitted assets	4,012,876		
Change in provision for reinsurance	94,732		
Contingent balance in safety groups	420,100		
Deferred tax expanded admissibility – SSAP 10R		450,240	
Pension benefit obligation	0	2,095,999	
Total gains and losses	$11,363,890	$3,243,507	
Net increase in surplus			8,120,383
Surplus as regards policyholders per report on examination as of December 31, 2014			$54,159,990

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $60,362,575 is the same as reported by the Company as of December 31, 2014. The examination analysis 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 ten recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Management	
i.	It was recommended that the Company comply with its by-laws by ensuring that all elective officers of the Company shall be annually sworn and their oaths entered of record in the books of the Company and that the chairman of the board, the president, the secretary, the treasurer, the comptroller, their officer assistants, if any, and any other officers, employees, or agents designated by the chief executive officer or board shall furnish bonds for the faithful performance of their respective duties, in such sums as the board may require, as required by Article V, Section 3 of the Company's by-laws.	5
	The Company has partially complied with this recommendation. A similar comment is contained in this report.	
ii.	It was recommended that the Company comply with Section 1209(b) of the New York Insurance Law by reducing to no more than four, the number of directors who are neither members of the Company nor officers of member corporations.	6
	The Company has complied with this recommendation.	
B.	Reinsurance	
i.	It was recommended that the offset provision of certain reinsurance agreements be amended to state that in the event of the insolvency of either party to the agreement then offsets shall only be allowed to the extent permitted by the provision of Section 7427 of the New York Insurance Law.	13
	The Company has not complied with this recommendation. A similar comment is contained in this report.	
	It was further recommended that all future reinsurance agreements with an offset provision entered into by the Company include such required language.	13
	The Company has not complied with this recommendation. A similar comment is contained in this report.	
ii.	It was recommended that the Company comply with the NAIC Annual Statement Instructions by properly aging all reinsurance recoverables in all future filings with this Department.	13

ITEM		PAGE NO.
	The Company has complied with this recommendation.	
C.	Accounts and Records	
i.	It was recommended that the Company complete its record retention policy.	17
	The Company has complied with this recommendation.	
	It was also recommended that all retention periods be modified to comply with the requirements of Department Regulation 152 and that records be kept for the required periods.	17
	The Company has complied with this recommendation.	
ii.	It was recommended that the Company comply with SSAP No. 6, paragraph 7 by using the effective date for the determination of non-admitted premium for original and endorsement premiums.	18
	The Company has complied with this recommendation.	
iii.	It was further recommended that the Company comply with SSAP No. 6, paragraph 9 by non-admitting installment premiums when they are over 90 days past due.	18
	The Company has complied with this recommendation	
iv.	Expense Limitations for Mutual Companies It was recommended that the Company comply with the management expense limitations set forth in Section 4110(a) of the New York Insurance Law.	18
	The Company has not complied with this recommendation. A similar comment is contained in this report.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Management	
	It is recommended that the Company comply with Article V, Section 3 of its by-laws thereby ensuring that all elective officers of the Company are annually sworn and their oaths entered of record in the books of the Company.	5
B.	Reinsurance	
i.	It is recommended that the Company include specific language from Department Circular Letter No. 5 (1988) in all reinsurance contracts which make reference to a novation.	10
ii.	It is recommended that the offset provision of certain reinsurance agreements be amended to state that in the event of the insolvency of either party to the agreement then offsets shall only be allowed to the extent permitted by the provision of Section 7427 of the New York Insurance Law.	10
iii.	It is further recommended that all future reinsurance agreements with an offset provision entered into by the Company include such required language.	10
C.	Accounts and Records	
i.	It is recommended that the Company ensure that future engagement letters with its independent certified public accountant include the five day notice requirement called for in Section 89.8(a) of Department Regulation No. 118.	13
ii.	It is recommended that the Company comply with the management expense limitations set forth in Section 4110(a) of the New York Insurance Law.	14

Respectfully submitted,

____

Wayne Longmore
Senior Insurance Examiner

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

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

____

Wayne Longmore

Subscribed and sworn to before me

this__________ day of ____________________, 2016.

APPOINTMENT NO. 31221

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:*

Wayne Longmore

as a proper person to examine the affairs of the

Graphic Arts Mutual 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 26th day of September, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Rolf Kaumann
Deputy Chief Examiner

NEW YORK STATE ★ DEPARTMENT OF FINANCIAL SERVICES ★ EXCELSIOR