

REPORT ON EXAMINATION

OF THE

NAVIGATORS INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

DATE OF REPORT

MAY 4, 2016

EXAMINER

MARY MEANEY

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

May 4, 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 31215 dated September 23, 2014, attached hereto, I have made an examination into the condition and affairs of Navigators Insurance Company as of December 31, 2014, and submit the following report thereon.

Wherever the designation “the Company” or NIC” appears herein without qualification, it should be understood to indicate Navigators 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 office located at 400 Atlantic Street, Stamford, CT 06901.

## **1. SCOPE OF EXAMINATION**

The Department has performed a group examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2009. The current 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. The examination of the Company was performed concurrently with the examination of Navigators Specialty Insurance Company.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate 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.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. In addition, this examination 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
- 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**

NIC was incorporated under the laws of the State of New York on July 16, 1981 and began writing business on April 1, 1983.

NIC is a wholly owned subsidiary of the Navigators Group. In October 1997, the Company was authorized to operate a branch office in the United Kingdom. NIC owns 100% of Navigators Specialty Ins. Co. (“NSIC”), which mainly underwrites specialty liability and professional liability on an excess and surplus lines basis. All business written by NSIC is ceded 100% to NIC pursuant to a quota share reinsurance agreement.

NIC’s main line of business is ocean marine. The Company has also developed other specialty insurance lines such as commercial primary and excess liability as well as specialty niches in professional liability and specialty reinsurance.

As of December 31, 2014, capital paid in was \$5,000,000 consisting of 100 shares of \$50,000 par value per share common stock. Gross paid in and contributed surplus was \$411,122,108. Gross paid in and contributed surplus increased by \$50,000,000 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2009	Beginning gross paid in and contributed surplus	\$361,122,108
2013	Surplus contribution	<u>50,000,000</u>
2014	Ending gross paid in and contributed surplus	<u>\$411,122,108</u>

A. Management

Pursuant to NIC's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen or more than twenty-one members. The board meets three to four times during each calendar year. As of December 31, 2014, the board of directors was comprised of the following seventeen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
H. Clay Bassett Pound Ridge, NY	Senior Vice President and Chief Underwriting Officer, Navigators Group, Inc.
Stephen R. Coward London, UK	President of Navigators Technical Risk, Navigators Underwriting Agency, Ltd.
Ciro M. DeFalco Manhasset, NY	Senior Vice President and Chief Financial Officer, Navigators Group, Inc.
R. Scott Eisdorfer Trumbull, CT	Senior Vice President and Chief Administrative Officer, Navigators Group, Inc.
Stanley A. Galanski Ridgefield, CT	President and Chief Executive Officer, Navigators Group, Inc.
Paul Hennessy London, UK	President, Navigators Holdings (UK) Ltd.
Noel Higgitt Redwood City, CA	Executive Vice President of Field Operations, Navigators Management Company, Inc.
Christopher A. Johnson, Oakland, CA	Regional Vice President of Marine, Navigators Management Company, Inc.
Russell J. Johnson Seaford, NY	Senior Vice President of Marine, Navigators Management Company, Inc.
Denise M. Lowsley Greenwich, CT	Senior Vice President and Global Human Resources Officer, Navigators Group, Inc.
Emily B. Miner Irvington, NY	Senior Vice President, General Counsel and Secretary, Navigators Group, Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Gregory D. Olson Seattle, WA	Senior Vice President, General Counsel and Secretary, Navigators Management Company, Inc.
Trisha H. Rozas Pound Ridge, NY	Chief Information Officer, Navigators Management Company, Inc.
Jeff L. Saunders Hinsdale, IL	President, Navigators Management Company, Inc.
Vincent C. Tizzio Atlantic Hylands, NJ	President and Chief Executive Officer, Navigators Management Company, Inc.
Arya M. Yarpezeskhan Cornwall on Hudson, NY	Chief Risk Officer, Navigators Group, Inc.
Mark A. Yunque Stamford, CT	Chief Actuarial Officer, Navigators Group, Inc.

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended with the exception of Noel Higgitt, who attended less than 50% of the meetings for which he was eligible to attend.

Members of the board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the insurer. It is essential that board members attend meetings consistently and set forth their views on relevant matters so that the board may reach appropriate decisions. Individuals who fail to attend at least one-half of the regular meetings do not fulfill such criteria. It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.

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

<u>Name</u>	<u>Title</u>
Stanley A. Galanski	President and Chief Executive Officer
Ciro M. DeFalco	Senior Vice President and Chief Financial Officer
Emily B. Miner	Senior Vice President, General Counsel and Secretary
Ellen K. Dion	Vice President and Treasurer

B. Territory and Plan of Operation

As of December 31, 2014, NIC was licensed to write business in all fifty states, the District of Columbia, Guam and Puerto Rico. The Company was approved to write Surplus Lines in the U.S. Virgin Islands and is licensed in the United Kingdom where it operates as a branch.

As of the examination date, NIC 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
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
29	Legal services
I & R	As authorized by section 4102(C), insurance of every kind or description outside of the USA and Reinsurance of every kind or description

Based on the lines of business for which NIC is licensed, the 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 \$35,000,000.

The Navigators Agencies produce business for NIC and its subsidiary, NSIC. Both companies specialize in writing marine and marine-related lines of business, specialty liability insurance and professional liability coverages. Navigators Management Company, Inc., manages the insurance business and operations of NIC.



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

<u>Calendar Year</u>	<u>New York State</u>	<u>Total Premiums</u>	Premiums Written in New York State as a <u>Percentage of Total Premium</u>
2010	\$47,541,322	\$492,227,525	9.66%
2011	\$41,027,162	\$476,352,561	8.61%
2012	\$59,905,138	\$477,241,229	12.55%
2013	\$93,054,123	\$522,094,854	17.82%
2014	\$102,883,814	\$512,673,526	20.07%

### C. Reinsurance

NIC's assumed reinsurance business has increased since the last examination. Assumed reinsurance accounted for 51% of NIC's gross premium written as of December 31, 2014. Approximately 60% of this business is assumed from its wholly-owned subsidiary, NSIC, pursuant to an inter-company quota share reinsurance agreement that went into effect on January 1, 1999. Under the agreement NIC assumes 100% of NSIC's net direct business. This agreement was approved by the Department.

The other 40% of NIC's assumed reinsurance business consists mainly of property/casualty coverage assumed on a quota share and excess of loss basis. The Company has treaties with both authorized and unauthorized cedants and utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62 for all of its assumed reinsurance business.

NIC has structured its ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Marine and Energy</u>	
Inland Marine Quota Share 100% Authorized	25% of max policy limit of \$10,000,000, excluding boiler and machinery
Inland Marine Equipment Breakdown Excess of Loss 100% Authorized	100% up to \$100,000,000 per accident, per policy

<u>Type of Treaty</u>	<u>Cession</u>
Inland Marine Excess of Loss 100% Authorized	\$5,500,000 excess of \$2,000,000, per risk, per occurrence, after Inland Marine 25% Quota Share
Craft Quota Share 100% Authorized	35% with max limit of \$10,000,000
Yacht Quota Share 97% Authorized	81% of limits up to \$2,000,000 100% of limits from \$2,000,000 to \$10,000,000
Marine Liability Quota Share 100% Authorized	50% with a per risk limit of \$5,000,000
Transport Quota Share 80% Authorized	40% subject to a max limit of \$20,000,000 on any one risk
War Quota Share 100% Authorized	50% on marine risks up to \$40,000,000 100% on certain aviation risks up to \$5,000,000 100% on certain other aviation risks up to \$4,000,000
Energy Excess of Loss 77% Authorized	\$5,000,000 excess of \$5,000,000, \$10,000,000 excess of \$10,000,000, each and every loss
Whole Account Catastrophe Excess of Loss 79% Authorized	\$10,000,000 excess of \$10,000,000, each and every loss
Whole Account excluding Energy and Catastrophe Excess of Loss 79% Authorized	\$10,000,000 excess of \$10,000,000, each and every loss
Group Whole Account Marine & Offshore Energy Excess of Loss 84% Authorized	3 layers, \$110,000,000 excess of \$20,000,000, each and every loss
Private Whole Account Marine & Offshore Energy Excess of Loss 100% Authorized	\$35,000,000 excess of \$130,000,000, each and every loss
UK Protection & Indemnity Risks Excess of Loss 100% Authorized	\$20,000,000 excess of \$30,000,000
Marine Retrocession Excess of Loss 67% Authorized	2 layers, \$13,000,000 excess of \$3,000,000

Professional Liability

Management Liability Quota Share 100% Authorized	50% of maximum limit per policy of \$25,000,000
Professional Liability Excess of Loss, US Business Only 100% Authorized	\$4,000,000 excess of \$1,000,000, each and every claim, 65% placed
Professional Liability Excess of Loss, UK Business Only 100% Unauthorized	Small & Medium Enterprises: \$3,500,000 excess of \$1,500,000, each and every loss Large Enterprises: \$6,000,000 excess of \$4,000,000, each and every loss
Professional Liability Excess of Loss Facultative Facility, US Business Only 100% Authorized	\$5,000,000 excess of \$5,000,000

Energy and Technical

Property Direct & Facultative Excess of Loss 100% Authorized	\$1,500,000 excess of \$1,000,000
Property Direct & Facultative Catastrophe Excess of Loss 100% Authorized	\$7,500,000 excess of \$6,500,000, \$15,500,000 excess of \$14,000,000
Upstream Energy and Energy Liability Quota Share 100% Authorized	55% with limit of \$90,000,000 on Upstream Energy and limit of \$30,000,000 on Energy Liability

Other

Primary Casualty Excess of Loss 100% Authorized	\$5,000,000 excess of \$2,000,000 ultimate net loss each occurrence
Casualty Quota Share 100% Authorized	40% of \$25,000,000 limit
Casualty Excess of Loss 100% Authorized	2 layers, \$10,000,000 excess of \$5,000,000, after Casualty Quota Share
Commercial Auto Liability Quota Share 100% Authorized	50% up to maximum of \$1,000,000
Kidnap, Ransom and Extortion Quota Share 100% Authorized	80% of \$9,000,000 per individual policy, \$18,000,000 per policy aggregate

Employee Foreign Protection Excess of Loss 100% Authorized	\$7,000,000 excess of \$3,000,000 each occurrence, each policy
Global Package Excess of Loss First Layer 100% Authorized	80% of \$2,500,000 excess of \$500,000 each occurrence, each policy
Latin American Property Catastrophe Retrocession 69% Authorized	\$25,000,000 excess of \$20,000,000 ultimate net loss, any one occurrence

NIC has a 100% quota share reinsurance agreement with Tower Insurance Company of New York (“Tower”) in effect for the 2011 year. NIC did not want to continue to write business that included commercial multi-peril, commercial automobile and general liability insurance. Tower did not have approved rates and forms ready to write this business. NIC continued to write the business for the 1<sup>st</sup> half of 2011 and ceded it to Tower under the 100% quota share reinsurance agreement. Effective January 1, 2011, NIC entered into a Renewal Rights Agreement with Tower under which Tower renewed all business previously written by NIC under its Navigators Package Program.

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

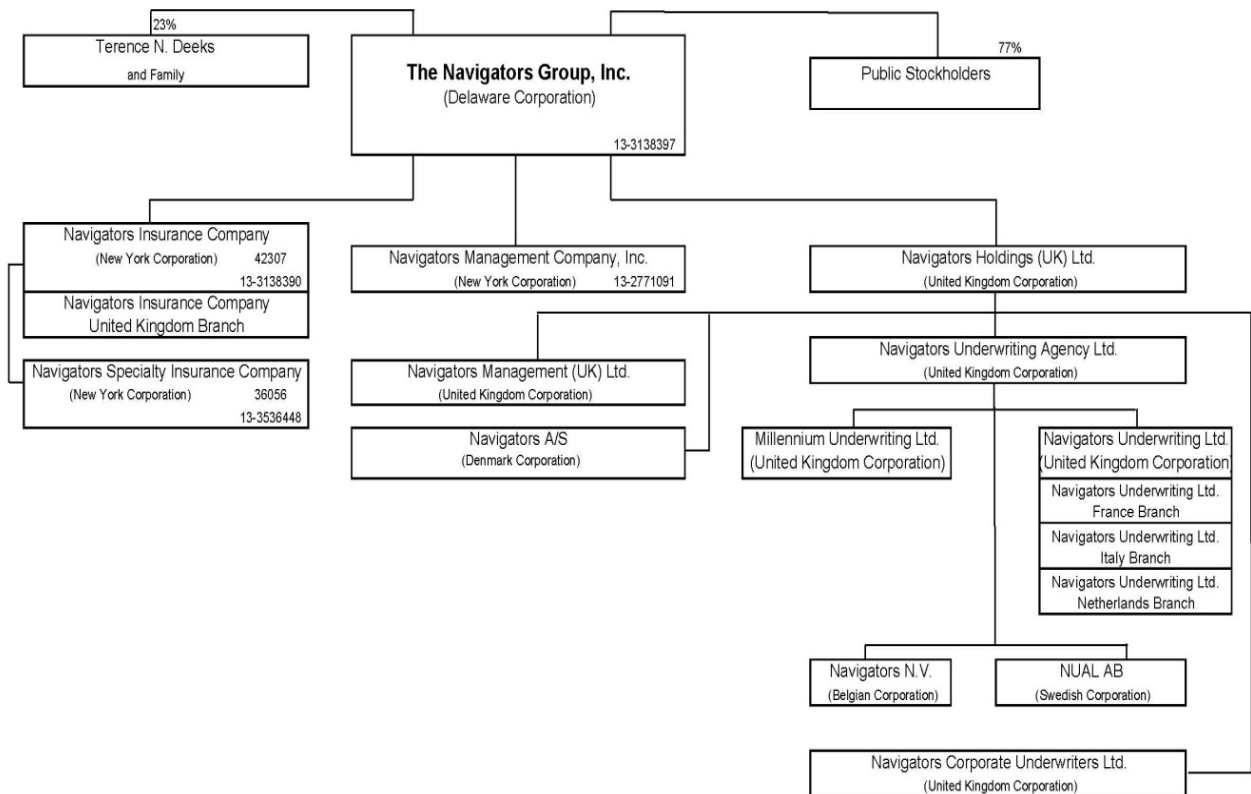
Examination review found that the Schedule F data reported by NIC in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer 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. 62.

**D. Holding Company System**

The Company is a member of the Navigators Group. The Company is 100% owned by The Navigators Group, Inc., a publically traded holding company domiciled in the State of Delaware, which is 23% owned by Terence N. Deeks and family. Mr. Deeks has been deemed to be the ultimate controlling person, as set forth in Section 1501 of the New York Insurance Law.

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 system at December 31, 2014:



Note: All direct and indirect subsidiaries of The Navigators Group, Inc. are 100% owned.

As of December 31, 2014, the Company was party to the following agreements with other members of its holding company system:

Agency Management Agreement

The Company participates in an agency agreement with Navigators Management Company (“NMC”). Pursuant to the terms of the agreement, NMC underwrites and services various lines of business on behalf of NIC. NMC also provides office space and employees for use by the Company. The agreement has been in place since January 1, 2002 and was approved by the Department pursuant to the provisions of Section 1505 of the New York Insurance Law.

Tax Allocation Agreement

NIC participates in a tax allocation agreement with its parent company and members of its holding company group. The agreement was effective December 31, 1983 and was amended numerous times to add participants and to amend various terms and conditions. It was submitted to the Department pursuant to the provisions of Department Circular Letter No. 33 (1979).

Inter-Company Reinsurance Agreement

As noted in Section 2C of this report, NIC participates in an inter-company quota share reinsurance agreement in which the Company assumes 100% of the premiums written by its subsidiary, NSIC. The agreement was effective January 1, 1999 and was approved by the Department pursuant to the provisions of Section 1505 of the New York Insurance Law.

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 surplus as regards policyholders	84.0%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	70.0%
Premiums in course of collection to surplus as regards policyholders	6.0%

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	\$1,843,510,671	65.22%
Other underwriting expenses incurred	961,829,740	34.03
Net underwriting gain	<u>21,325,020</u>	<u>0.75</u>
Premiums earned	<u>\$2,826,665,431</u>	<u>100.00%</u>

F. Accounts and Records

NIC does not allocate its paid loss adjustment expenses properly. According to Statement of Statutory Accounting Principle (SSAP) No. 55 issued by the National Association of Insurance Commissioners, expenses should be separated into Deferred Cost Containment (“DCC”) and Adjusting & Other (“A&O”). The Company is classifying expenses as A&O which belong in DCC. Because the amount misclassified is immaterial, no examination change will be made. However, it is recommended that the Company comply with SSAP No. 55 and classify paid loss adjustment expenses correctly as either DCC or A&O.

### 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:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$1,726,740,953	\$ 0	\$1,726,740,953
Preferred stocks (stocks)	70,746,275	0	70,746,275
Common stocks (stocks)	260,152,673	0	260,152,673
Properties occupied by the company	1,121,544	0	1,121,544
Cash, cash equivalents and short-term investments	65,756,209	0	65,756,209
Receivables for securities	15,430	0	15,430
Investment income due and accrued	11,979,244	0	11,979,244
Uncollected premiums and agents' balances in the course of collection	79,021,339	21,067,813	57,953,526
Deferred premiums, agents' balances and installments booked but deferred and not yet due	150,906,643	0	150,906,643
Amounts recoverable from reinsurers	24,614,051	0	24,614,051
Funds held by or deposited with reinsured companies	7,213,647	0	7,213,647
Current federal and foreign income tax recoverable and interest thereon	9,197,680	0	9,197,680
Net deferred tax asset	55,407,750	0	55,407,750
Guaranty funds receivable or on deposit	112,303	0	112,303
Electronic data processing equipment and software	85,878	73,064	12,814
Furniture and equipment, including health care delivery assets	1,850,753	1,850,753	0
Other assets	<u>13,572,494</u>	<u>1,473,631</u>	<u>12,098,863</u>
Totals	<u>\$2,478,494,866</u>	<u>\$24,465,261</u>	<u>\$2,454,029,605</u>



Liabilities, Surplus and Other Funds

<u>Liabilities</u>	<u>Company</u>
Losses and loss adjustment expenses	\$992,921,402
Reinsurance payable on paid losses and loss adjustment expenses	28,832,954
Commissions payable, contingent commissions and other similar charges	2,676,169
Other expenses (excluding taxes, licenses and fees)	1,229,267
Taxes, licenses and fees (excluding federal and foreign income taxes)	672,177
Unearned premiums	415,433,908
Ceded reinsurance premiums payable (net of ceding commissions)	81,613,591
Funds held by company under reinsurance treaties	5,755,793
Amounts withheld or retained by company for account of others	1,048,133
Provision for reinsurance	15,069,729
Payable to parent, subsidiaries and affiliates	<u>14,830,515</u>
	<u>\$1,560,083,638</u>
Total liabilities	
<u>Surplus and Other Funds</u>	
Common capital stock	\$5,000,000
Gross paid in and contributed surplus	411,122,108
Unassigned funds (surplus)	<u>477,823,859</u>
Surplus as regards policyholders	<u>\$893,945,967</u>
Total liabilities, surplus and other funds	<u>\$2,454,029,605</u>

Note: The Internal Revenue Service (IRS) is in the process of auditing tax years 2010 through 2012. The IRS has not yet begun to audit tax returns covering tax years 2013 and 2014. 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 five-year examination period January 1, 2010 through December 31, 2014, was \$293,429,729, detailed as follows:

Underwriting Income

Premiums earned		\$2,826,665,431
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Deductions:

Losses and loss adjustment expenses incurred	\$1,843,510,671	
Other underwriting expenses incurred	<u>961,829,740</u>	

Total underwriting deductions		<u>2,805,340,411</u>
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Net underwriting gain or (loss)		\$21,325,020
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Investment Income

Net investment income earned	\$246,875,380	
Net realized capital gain	<u>89,511,630</u>	

Net investment gain or (loss)		336,387,010
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Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$2,021,267)	
Realized foreign exchange loss	<u>(2,657,203)</u>	

Total other income		<u>(4,678,470)</u>
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Net income to policyholders before federal and foreign income taxes		\$353,033,560
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Federal and foreign income taxes incurred		<u>59,603,831</u>
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Net Income		<u>\$293,429,729</u>
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C. Capital and Surplus Account

Surplus as regards policyholders increased \$293,250,859 during the five-year examination period, January 1, 2010 through December 31, 2014, detailed as follows:

Surplus as regards policyholders per report on examination as of December 31, 2009			\$600,695,108
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$293,429,729	\$ 0	
Net unrealized capital gains or (losses)	25,742,715		
Change in net unrealized foreign exchange capital gain (loss)		610,179	
Change in net deferred income tax	5,734,076		
Change in non-admitted assets	16,105,473		
Change in provision for reinsurance	12,799,564		
Surplus adjustments paid in	50,000,000		
Dividends to stockholders		100,000,000	
Change in non-admitted deferred tax asset	<u>0</u>	<u>9,950,519</u>	
Total gains /losses	<u>\$403,811,557</u>	<u>\$110,560,698</u>	
Net increase in surplus			<u>293,250,859</u>
Surplus as regards policyholders per report on examination as of December 31, 2014			<u>\$893,945,967</u>

4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$992,921,402 is the same as reported by the Company as of December 31, 2014. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55 (“SSAP No. 55”).

## 5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A.	
i.	11
	It was recommended that the Company continue its efforts to amend all of its outstanding letters of credit to indicate the sole beneficiary as “Navigators Insurance Company” pursuant to the provisions of Department Regulation 133.
	The Company has complied with this recommendation.
ii.	12
	It was recommended that the Company include in every reinsurance agreement a provision that complies with SSAP No. 62 Paragraph 8d.
	The Company has complied with this recommendation.
B.	
i.	14
	It was recommended that the Company list its UK custodial bank agreement as an agreement that does not comply with the NAIC financial Condition Examiners Handbook in the General Interrogatories in all future filed annual statements.
	The Company has complied with this recommendation.
ii.	14
	It was recommended that the Company ensure that all future contracts with its independent CPA include all of the required provisions in Department Regulation 118.
	The Company has complied with this recommendation.

**6. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Management</u> It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.	5
B.	<u>Accounts and Records</u> It is recommended that the Company comply with SSAP No. 55 and classify paid loss adjustment expenses correctly as either DCC or A&O.	13

Respectfully submitted,

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Mary Meaney  
Principal Insurance Examiner

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

Mary Meaney, being duly sworn, deposes and says that the foregoing report, subscribed by her,  
is true to the best of her knowledge and belief.

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Mary Meaney

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

*APPOINTMENT NO. 31215*

*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:*

***Mary Meaney***

*as a proper person to examine the affairs of the*

***Navigators 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 23rd day of September, 2014*

***BENJAMIN M. LAWSKY***  
*Superintendent of Financial Services*

By:

  
\_\_\_\_\_  
*Rolf Kaumann*  
*Deputy Chief Examiner*

