

REPORT ON ORGANIZATION

OF THE

FDM PREFERRED INSURANCE COMPANY, INC.

AS OF

FEBRUARY 9, 2009

DATE OF REPORT

FEBRUARY 12, 2009

EXAMINER

IAN MARTIN

TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1	Scope of examination	2
2.	Incorporation	2
3.	Capitalization and subscription	3
4.	Balance sheet	4
5.	Authorized powers and minimum capital required	5
6.	Affiliated group	5
7.	Conclusion	6
	Affidavit	



STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

February 12, 2009

Mr. Eric Dinallo
Superintendent of Insurance
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 30283 dated January 27, 2009 attached hereto, I have made an examination on organization of FDM Preferred Insurance Company, Inc. as of February 9, 2009, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate FDM Preferred Insurance Company, Inc.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the office of the Company's attorney office, located at 180 Maiden Lane, New York, NY 10038.

1. SCOPE OF EXAMINATION

The examination comprised a complete verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of the Company's assets and liabilities. The records examined were the declaration of intention and charter, the by-laws, the certificate of incorporation, the corporate minutes, the stock register and the inter-company and custodial agreements entered into by the Company as of the examination date. In addition, an affidavit, appended hereto, was obtained from two officers of the Company indicating that the transactions noted in this report were lawful and bona fide.

2. INCORPORATION

FDM Preferred Insurance Company, Inc. was incorporated under the laws of the State of New York on December 21, 2007. The Department approved the Company's declaration of intention and charter on the same date. The Company's office is intended to be located at 501 Chestnut Ridge Road, Chestnut Ridge, New York 10977.

As of the examination date, the Company's board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Joseph L. Cruger Poughkeepsie, NY	Retired
Craig P. DeBaun Oceanside, NY	Director, Camp DeBaun, Inc.
Michael H. Geoghan Bayport, NY	Insurance Sales, Walter P. Geoghan Agency, Inc.
D. Donald Greene Newburgh, NY	Retired
Thomas E. Herlihy, Jr. Apulia Station, NY	Retired
Kenneth E. Hoffarth Valhalla, NY	Administrator, Archdiocese of New York

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John LoScalzo Huntington, NY	Owner, Scalzo Utilities
James J. McCormick East Northport, NY	Retired
Daniel F. McNeil III Cortland, NY	President, McNeil & Co.
Frank A. Nocerino North Massapequa, NY	Building Inspector, Town of Oyster Bay
George J. Paul West Seneca, NY	Retired
Lawrence A. Pierce Mendon, NY	Building Inspector, Village of East Rochester
Michael L. White Clay, NY	Marketing Manager, McNeil & Co.

As of February 9, 2009, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Daniel F. McNeil, III	President
Frank Nocerino	Vice President
Larry D. Strain	Executive Vice President & Chief Operating Officer
Michael H. Geoghan	Treasurer
Kenneth Hoffarth	Secretary

3. CAPITALIZATION AND SUBSCRIPTION

FDM Preferred Insurance Company, Inc. is a stock company owned by Fire Districts of New York Mutual Insurance Company, Inc. The Company has 127,000 authorized shares of common stock at \$10 par value per share. On February 6, 2009, the Company issued 60,000 shares of common stock to Fire Districts of New York Mutual Insurance Company, Inc. for a consideration of \$1,270,020, of which \$600,000 represents common stock and \$670,020 represents gross paid in and contributed surplus.

4. BALANCE SHEET

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of February 9, 2009 and as reported by the Company:

Assets

Bonds – US Treasury Notes		\$1,171,599
Short Term Investments - Money Market		3,821
Cash on Deposit		93,883
Interest Receivable – Government Bonds		<u>733</u>
Total admitted assets		<u>\$1,270,036</u>

Liabilities

Total liabilities		\$ 0
-------------------	--	------

Capital and Surplus

Common capital stock	\$600,000	
Gross paid in and contributed surplus	670,020	
Unassigned funds (surplus)	<u>16</u>	
Total surplus as regards policyholders		<u>1,270,036</u>
Total liabilities and surplus as regards policyholders		<u>\$1,270,036</u>

5. AUTHORIZED POWERS AND MINIMUM CAPITAL REQUIRED

The Company is authorized to transact the kind of insurance as defined in the following numbered paragraph of Section 1113(a) of the New York Insurance Law:

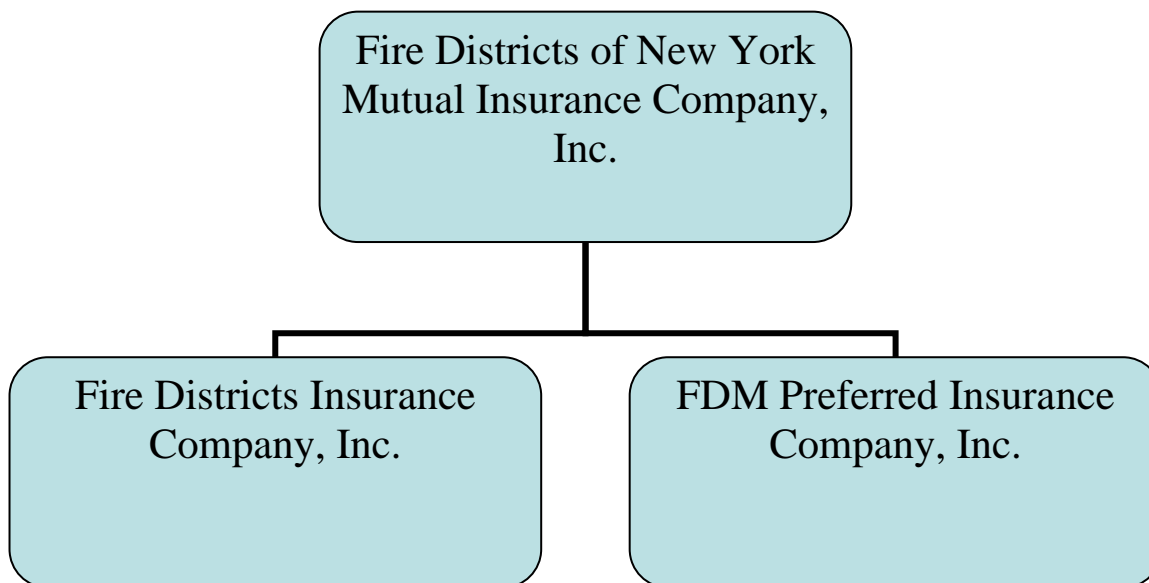
<u>Paragraph</u>	<u>Line of Business</u>
15	Workers' compensation and employers' liability

Based on the line 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 have an initial surplus to policyholders of \$900,000 and thereafter maintain a minimum surplus to policyholders in the amount of \$600,000. The Company meets the requirements.

6. AFFILIATED GROUP

FDM Preferred Insurance Company, Inc., a stock insurance company, is wholly-owned by Fire Districts of New York Mutual Insurance Company, Inc. Fire Districts Insurance Company, Inc, an affiliated company, is also wholly-owned by Fire Districts of New York Mutual Insurance Company, Inc. The three companies are governed by same set of directors and same set of officers.

The following is a chart of the affiliated group at February 9, 2009:



The Company filed with the Department the agreement below in accordance with Circular Letter Number 17 (2001):

Inter-company Cost Allocation Agreement

Effective November 14, 2008, the Company is party to a service and cost allocation agreement among Fire Districts of New York Mutual Insurance Company, Inc. (“the Parent”), Fire Districts Insurance Company, Inc (“FDIC”) and the Company, whereby the Parent agrees to provide personnel services, and to make available its property, equipment, and facilities as determined by FDIC and the Company to be necessary in the conduct of their operations. Pursuant to the agreement, FDIC and the Company agree to reimburse the Parent in accordance with the requirements of Department Regulation 30 and, to the extent practicable, to reflect actual costs. The agreement was submitted to this Department as part of the license application.

Inter-company Pooling Agreement

Effective November 14, 2008, the Company entered into an inter-company pooling agreement by and among itself, the Parent and FDIC, whereby the companies pool the risks written by each of them and share the pooled risks on a fixed percentage basis, as follows:

- Fire Districts of New York Mutual Insurance Company, Inc. 75%
- Fire Districts Insurance Company, Inc. 15%
- FDM Preferred Insurance Company, Inc. 10%

The agreement was submitted to this Department as part of the license application.

7. CONCLUSION

Based on the foregoing examination, it is concluded that the Company sold 60,000 shares of common stock with a par value of \$10 per share. These shares represented the total issued stock for which the Company received a consideration of \$1,270,020, of which \$600,000 represents capital paid in and \$670,020 represents gross paid in and contributed surplus.

Respectfully submitted,

/s/

Ian Martin
Senior Insurance Examiner

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

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

/s/

Ian Martin

Subscribed and sworn to before me

this _____ day of _____, 2009.

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

The undersigned each an executive officer of FDM PREFERRED INSURANCE COMPANY, INC. (the "Company") duly sworn, depose and say under oath that, on the date of February 05, 2009:

- (1) Each of the undersigned is an officer of the Company
- (2) The Company's capital and surplus equals ONE MILLION TWO HUNDRED SEVENTY THOUSAND TWENTY DOLLARS (\$1,270,020), consisting of paid in capital of SIX HUNDRED THOUSAND (\$600,000) and contributed surplus of SIX HUNDRED SEVENTY THOUSAND TWENTY DOLLARS (\$670,020) (the "Capital and Surplus"). The capital and surplus is on deposit with the Manufacturers and Traders Trust Company and the PNC Bank.
- (3) No part of the Capital and Surplus has been withdrawn, pledged, or in any way impaired.
- (4) No part of the Capital and Surplus is to be invested or otherwise legitimately used of appropriated except for the sole and exclusive use and benefit of the Company.
- (5) There is no agreement or understanding, express or implied, made or existing between the Company and its officers, or any or either of them, or any person or persons, to the effect or import that the money paid in by any stockholder shall be loaned or returned to it.
- (6) Neither the Company nor any of its officers is in any way, manner or form pledged or committed to make any investment, loan or disposition of the Capital and Surplus, or any part or portion thereof, which is not in strict conformity in all respects with the provisions of the Insurance Law of the State of New York.
- (7) The Capital and Surplus is the property of the Company and is possessed by the Company in its corporate name and capacity for the benefit of its policyholders.



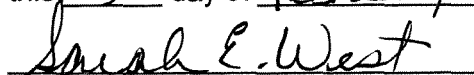
(Signature) 2-5-09
(Date)

President
(Title)

(Signature) (Date)

Secretary
(Title)

Subscribed and sworn to before me
this 5 day of February, 2009



(Notary Public Signature & Stamp)

Subscribed and sworn to before me
this _____ day of _____, 2009

(Notary Public Signature & Stamp)

SARAHE WEST
Notary Public, State of New York
No. 01WE6011309
Qualified in Cortland County
Commission Expires Aug 3, 2010

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

The undersigned each an executive officer of FDM PREFERRED INSURANCE COMPANY, INC. (the "Company") duly sworn, depose and say under oath that, on the date of February 05, 2009:

- (1) Each of the undersigned is an officer of the Company
- (2) The Company's capital and surplus equals ONE MILLION TWO HUNDRED SEVENTY THOUSAND TWENTY DOLLARS (\$1,270,020), consisting of paid in capital of SIX HUNDRED THOUSAND (\$600,000) and contributed surplus of SIX HUNDRED SEVENTY THOUSAND TWENTY DOLLARS (\$670,020) (the "Capital and Surplus"). The capital and surplus is on deposit with the Manufacturers and Traders Trust Company and the PNC Bank.
- (3) No part of the Capital and Surplus has been withdrawn, pledged, or in any way impaired.
- (4) No part of the Capital and Surplus is to be invested or otherwise legitimately used of appropriated except for the sole and exclusive use and benefit of the Company.
- (5) There is no agreement or understanding, express or implied, made or existing between the Company and its officers, or any or either of them, or any person or persons, to the effect or import that the money paid in by any stockholder shall be loaned or returned to it.
- (6) Neither the Company nor any of its officers is in any way, manner or form pledged or committed to make any investment, loan or disposition of the Capital and Surplus, or any part or portion thereof, which is not in strict conformity in all respects with the provisions of the Insurance Law of the State of New York.
- (7) The Capital and Surplus is the property of the Company and is possessed by the Company in its corporate name and capacity for the benefit of its policyholders.

(Signature) (Date)

President
(Title)

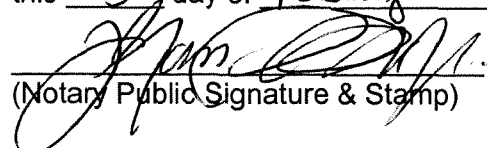
Subscribed and sworn to before me
this _____ day of _____, 2009

(Notary Public Signature & Stamp)

 2/9/09
(Signature) (Date)

Secretary
(Title)

Subscribed and sworn to before me
this 5th day of February, 2009


(Notary Public Signature & Stamp)

Appointment No. 30283

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, Eric R. Dinallo, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Ian Martin

as proper person to examine into the affairs of the

FDM PREFERRED INSURANCE COMPANY, INC.

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

Incorporated

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 27th day of January, 2009



A handwritten signature in black ink, appearing to read "Eric Dinallo".

ERIC R. DINALLO

Superintendent of Insurance