

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

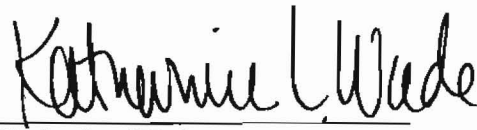
I, Katharine Wade, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of the New London County Mutual Insurance Company (the "Company") as of December 31, 2013, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

1. I, Katharine Wade, as the Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("CGS").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On April 9, 2015, the verified Examination Report of the Company was filed with the Connecticut Insurance Department ("Insurance Department").
4. In accordance with Section 38a-14(e)(3) of the CGS, the Company was afforded a period of thirty (30) days within which to submit to the Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On April 21, 2015, the Company filed a written submission indicating that they were in agreement with all of the recommendations contained in the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Company hereby is adopted as filed with the Insurance Department.
2. That the Company shall comply with all of the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the CGS.

Dated at Hartford, Connecticut, this 27th day of April, 2015.

A handwritten signature in cursive script that reads "Katharine L. Wade". The signature is written in black ink and is positioned above a horizontal line.

Katharine Wade
Insurance Commissioner

EXHIBIT A

EXAMINATION REPORT

OF THE

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

AS OF

DECEMBER 31, 2013

BY THE

CONNECTICUT INSURANCE DEPARTMENT

TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Scope of Examination	1
History	2
Organizational Chart	3
Management and Control	4
Related Party Agreements	5
Insurance Coverage	6
Territory and Plan of Operation	6
Reinsurance	6
Information Technology and Controls	9
Accounts and Records	9
Financial Statements	10
Assets	10
Liabilities, Surplus and Other Funds	11
Statement of Income	12
Losses and Loss Adjustment Expenses	13
Surplus Notes	15
Unassigned Funds (Surplus)	15
Conclusion	15
Signature	16

March 27, 2015

The Honorable Katharine Wade
Insurance Commissioner
State of Connecticut Insurance Department
153 Market Street, 6th Floor
Hartford, Connecticut 06103

Dear Commissioner Wade:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the General Statutes of the State of Connecticut (CGS), the undersigned has made a financial examination of the condition and affairs of the

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

(hereinafter referred to as the Company or New London), a mutual corporation incorporated under the laws of the State of Connecticut and having its home and administrative office located at 101 High Street, Norwich, Connecticut. The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Company was conducted as of December 31, 2008. The current examination, which covers the subsequent five year period from January 1, 2009 to December 31, 2013, was conducted at the administrative offices of the group of companies known as the NLC Insurance Companies (the Group).

A concurrent examination was also performed on the Thames Insurance Company, Inc. (Thames) a subsidiary stock insurance company by the Connecticut Insurance Department (the Department). The State of Massachusetts Division of Insurance also concurrently conducted a financial examination of the Hingham Mutual Fire Insurance Company (Hingham) and Danbury Insurance Company (Danbury).

As part of the examination planning procedures, the Financial Regulation Division of the Department reviewed the following materials submitted by the Company:

- Board of Director (Board) and Committee minutes from 2009 through the latest 2015 meeting;
- Statutory audit reports from 2009 completed by the Company's then independent certified public accountants, Deloitte & Touche, LLP and the audit reports from 2010 through 2013, completed by the Company's current independent certified public accountants, PriceWaterhouseCoopers LLP, (PwC);
- Management's Discussion and Analysis from 2009 through 2013;
- Statements of Actuarial Opinion from 2009 through 2013; and
- Annual Statements filed with the Department.

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, reports from the National Association of Insurance Commissioners (NAIC) database, as well as the independent audit reports which indicated no material concerns with respect to financial condition or regulatory compliance issues.

Work papers prepared by PwC, in connection with its 2013 annual statutory audit, were reviewed and relied upon to the extent deemed appropriate.

Merlinos & Associates, Inc. (M&A) was engaged by the Department to conduct an evaluation of the Company's reserving and underwriting processes using the risk-focused approach.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Condition Examiners Handbook (the Handbook). The Handbook 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 inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management compliance with the NAIC Accounting Practices & Procedures Manual and the NAIC Property and Casualty Annual Statement Instructions.

All accounts and activities of the Company were considered in accordance with the risk focused examination process.

Comments in this report are generally limited to exceptions noted or to items considered to be of a material nature.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

The Connecticut General Assembly chartered the New London County Mutual Fire Insurance Company at the May 1840, session. Special Act No. 211 of the 1955 General Assembly permitted the Company to change its name to New London County Mutual Insurance Company.

In 1975, the Company formed a stock insurance subsidiary, Thames. Thames was incorporated by Special Act No. 75-13 of the Connecticut General Assembly and is an affiliate of the Company. Thames was licensed and commenced business in 1977.

In 1987, NLC Insurance Companies, Inc. (NLC) was formed as a downstream insurance holding company. All issued and outstanding shares of the common stock of Thames were transferred and assigned to NLC. The Company owns 100% of the outstanding stock of NLC. In May 1996, NLC Insurance Agency, Inc. was incorporated as a wholly owned subsidiary of NLC.

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

On June 20, 2000, NLC purchased a majority interest in Agents Investors Group, Inc. (AIGI). AIGI's wholly owned subsidiary, Thames, is a Connecticut domiciled insurance company engaged primarily in the business of selling property insurance products.

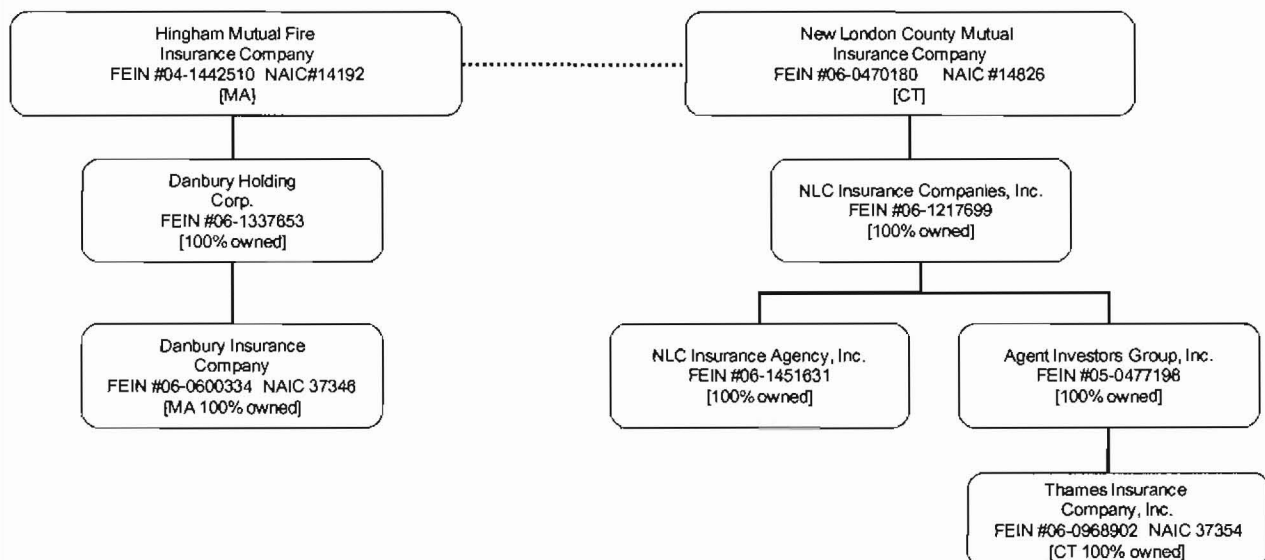
On December 31, 2004, the Company purchased the remaining shares held by the minority owners and now owns 100% of AIGI.

Effective December 22, 2005, Thames merged with Summit Insurance Company (Summit) a Rhode Island domiciled insurance company, leaving Thames as the surviving entity. Effective on the same date, Thames changed its name to Summit. However, on January 1, 2008, Summit changed its name to Thames. In 2005, prior to the merger of Summit and Thames, NLC Insurance Companies Inc., then the direct parent of Thames, contributed its ownership interest in Thames to AIGI.

On June 9, 2010, the Company and Hingham entered into an Affiliation Agreement (Affiliation) pursuant to which Hingham became affiliated with the Company. The transaction was approved by the Massachusetts Commissioner of Insurance on August 19, 2010 and became effective on September 10, 2010. Pursuant to the Affiliation, the Company acquired indirect control of Danbury as a result of the Company's right to nominate six (6) of the ten (10) directors to the Hingham Board of Directors, pursuant to Section 3.1 of the Affiliation Agreement and to changes to Hingham's Articles of Organization and Bylaws.

ORGANIZATIONAL CHART

The following is an organizational chart of the Company and its subsidiaries and affiliated companies as of December 31, 2013:



NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

MANAGEMENT AND CONTROL

The Company is a regional mutual insurance company that provides personal lines and commercial package insurance.

The bylaws and charter provide that the Company be managed by a Board of not less than three (3) or more than fifteen (15) annually elected directors. Annual meetings of policyholders are to be held at the principal offices of the Company in Connecticut or at such other place, either within or outside of Connecticut, as is designated in the notice of the meeting. The annual meeting is to be held in the month of March, or on such other date and at a time as is stated in the notice of the meeting.

The bylaws provide that the Board be divided into three classes, as nearly equal in number as possible, with the tenure of office of one class to expire at each annual meeting of the members.

A regular meeting of the Board is to be held without notice immediately after the annual meeting of members, or as soon thereafter as convenient. All other regular meetings of the Board may be held without notice at such date, time and place, either in or outside of the State of Connecticut, as the Board may determine and fix by resolution.

Members of the Board serving the Company at December 31, 2013, were as follows:

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
Steve Henry Chevalier	President and Chief Executive Officer NLC Insurance Companies
Edward Bulkeley Griswold	Managing Director L&L Capital Partners, LLC
Judy Sandstrom Jackson	Retired President and Chief Executive Officer NLC Insurance Companies
Robert Trenchard Ramsdell	Retired President and Chief Executive Officer NLC Insurance Companies
Martin Charles Shapiro	Private Investor
Franklin Pierce Smith, Jr.	Insurance and Real Estate Broker Franklin Smith Real Estate, Inc.
Robert Hampton Steele	Retired John Ryan Company
Francis Pasquale Pandolfi	Self-employed Consultant

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

The following individuals were serving the Company as officers as of December 31, 2013:

<u>Officer</u>	<u>Title</u>
Steve Henry Chevalier	President and Chief Executive Officer
George Kowalsky	Vice President, Chief Financial Officer and Treasurer
Debra Lin Cusimano	Secretary and Controller
James William Parylak	Vice President and Chief Information Officer
Janice Viscio Ingarra	Vice President, Underwriting
George William Francis, Jr.	Vice President, Marketing
Dennis Joseph Nelson	Vice President, Claims

Committees

The Board, by resolution adopted by the affirmative vote of the directors holding a majority of the number of directorships, may designate two or more directors to constitute an executive committee or other committees. The standing committees, as of December 31, 2013, were audit, investment and compensation.

Members of the Committees serving the Company at December 31, 2013, were as follows:

- Audit – Martin Shapiro, Robert Ramsdell, Robert Steele and Franklin Smith
- Investment – Martin Shapiro, Edward Griswold, Robert Ramsdell, Robert Steele, and Francis Pandolfi
- Compensation – Martin Shapiro, Robert Ramsdell, Robert Steele and Judy Jackson

RELATED PARTY AGREEMENTS

Tax Allocation Agreement

Effective January 1, 2003, and amended January 1, 2005, as a result of the merger between Thames and Summit and later amended effective January 1, 2008, as the result of the name change of Summit to Thames, the Company and its direct and indirect subsidiaries elected to file a consolidated United States federal income tax return pursuant to Treasury Regulation Sections 1.1552-1(a)(2) and 1.1502-33(d)(3).

Intercompany Services Agreement

Effective September 22, 2010, the Company entered into an Intercompany Services Agreement in which the Company shall coordinate the resources and provide certain administrative and operational services to Thames, Hingham and Danbury.

Reinsurance Pooling Agreement

The Company entered into the Affiliation with The Hingham Group, which consists of Hingham and Danbury. Concurrently, Hingham and Danbury were made participants of the existing

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

intercompany reinsurance pool with the Company and Thames, as of the closing of the Affiliation Agreement. The Company, Thames, Hingham, and Danbury are each a "Pool Member" under the Reinsurance Pooling Agreement (Pooling Agreement). Under the terms of the Pooling Agreement effective January 1, 2010, Hingham, Danbury and Thames shall cede, and the Company shall reinsure, one hundred percent of the direct and assumed insurance business of Hingham, Danbury and Thames written prior to, on or after January 1, 2010, net of any losses ceded to other reinsurers. The Company will, in turn, retrocede to each of Hingham, Thames and Danbury, 29%, 15% and 6%, respectively of the pooled liabilities.

In connection with the execution of the Pooling Agreement, Hingham and Danbury will commute, in its entirety, the existing Reinsurance (Pooling) Agreement between them, amended as of January 1, 1999, (Existing Hingham Pooling Agreement). Commutation of the Existing Hingham Pooling Agreement will be effective as of January 1, 2010. All liabilities including unearned premium, unpaid losses, unpaid loss adjustment expenses, unpaid commissions, and unpaid expenses as of December 31, 2009, will be returned directly to the company that incurred the liability.

INSURANCE COVERAGE

The Company and affiliates are insured through a financial institution bond policy through St. Paul Fire and Marine Insurance Company in an amount that exceeds the suggested minimum limits of insurance pursuant to the Handbook. In addition to the financial institution bond policy, the Company and its affiliates are named insureds on policies with the following coverages; employment liability, directors and officer's liability, commercial auto, commercial excess and umbrella, professional liability, property, liability, errors and omissions, and workers' compensation.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in the states of Washington, Connecticut, Massachusetts, Vermont, and Rhode Island. The Company offers homeowners, dwelling fire, personal auto, commercial multiple peril, and personal and commercial umbrella products. The Company utilizes an independent agency distribution system.

REINSURANCE

Assumed Reinsurance Program

The Company participates in several assumed reinsurance agreements; listed below are the individual agreements.

- Fair Plans – The Company participates in the Fair Plans in the states in which it does business as required by law. The Fair Plans write personal lines business that cannot be placed in the voluntary market (i.e. residual market). Participation by the Company is based upon the amount of voluntary business written as a percentage of the total state market. The Company participates in the following fair plans: Connecticut Property Fair Plan; Connecticut Liability Fair Plan; Massachusetts Property Fair Plan; and the Rhode Island

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

Property Fair Plan. The Company receives all accounting information necessary for its preparation of the financial statements and exhibits from the Fair Plans.

- Automobile Assigned Risk – The Company is required to accept automobile risk assignments which it records as direct premiums. The assignments are determined based upon the amount of voluntary business written as a percentage of the total state market. Connecticut has a buy-out program that allows companies to contract with another company to handle the assigned risk policies. The Company has contracted with Assigned Risk Solutions (ARS) to handle this function. ARS charges the Company a monthly buy-out fee; effective January 1, 2013, this fee was twenty-seven percent of the Company's assigned risk premium, with a minimum premium of \$1,300. The fee was changed in 2014 to twenty-four percent, although the minimum premium remains unchanged. Rhode Island assigned risk is administered by the Automobile Insurance Plan Servicing Organization. The Company also adjusts losses arising from these policies.
- Associated Inland Marine (AIM) – The Company cedes personal and commercial inland marine risks to AIM, a voluntary reinsurance pool. The Company's participation in the pool varies with the amount of premium ceded. The Company's participation percentage was 9.33% and 7.62%, for 2012 and 2013, respectively.
- National Association of Mutual Insurance Companies (NAMIC) – The Company assumes other liability business from NAMIC. The Company's participation in the pool for 2013 was 1.12%.

It should be noted that participants in NAMIC must meet minimal financial requirements; one of the requirements is that the Company have an AM Best rating of B+ or higher.

Ceded Reinsurance Program

Excess of Loss

Reinsurance Contract	Net Retention	Attachment Point	Ultimate Limit
Property Excess – 1st	\$250,000	\$250,000, excess of \$250,000	\$750,000 per occurrence
Property Excess – 2nd	\$500,000	\$500,000, excess of \$500,000	\$1.5M per occurrence
Property Excess – 3rd	\$1,000,000	\$1.0M, excess of \$1.0M	\$2M per occurrence
Casualty Excess – 1st	\$250,000	\$250,000, excess of \$250,000	\$250,000 per occurrence
Casualty Excess – 2nd	\$500,000	\$500,000, excess of \$500,000	\$500,000 per occurrence
Casualty Excess – 3rd	\$1,000,000	\$1.0M, excess of \$1.0M	\$1.0M per occurrence

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

First – Fourth Property Catastrophe Excess of Loss Program

Reinsurance Contract	Company Net Retention	Attachment Point	Layer Limit
Named Storm Coverage	Retains first \$2M net of losses and 10% of next \$8M.	\$2M	\$8M, net loss each occurrence
First Layer Property Catastrophe Excess of Loss	None	Excess of \$10M, any one occurrence	\$10M, net loss each occurrence
Second Layer Property Catastrophe Excess of Loss	None	Excess of \$20M, any one occurrence	\$30M, net loss each occurrence
Third Layer Property Catastrophe Excess of Loss	None	Excess of \$50M, any one occurrence	\$50M, net loss each occurrence
Fourth Layer Property Catastrophe Excess of Loss	5% of \$90M	Excess of \$100M, any one occurrence	\$90M, net loss each occurrence

In 2013, the Company had a contract for Non-Named Storm coverage of 82.75% retention in the amount of \$7M in excess of \$3M. This contract was not renewed in 2014.

The Company had a property facultative reinsurance agreement covering commercial risks. The contract was terminated effective January 1, 2014, and replaced with a Coded Excess Program which attaches at \$2M with an additional layer of \$5M, with the Excess of Loss Contract.

Umbrella Liability Facultative Reinsurance

Reinsurance Contract	Company Net Retention	Attachment Point	Ultimate Limit
Personal umbrella liability	5% of the first \$1M	95% of the first \$1M and 100% up to \$4M in excess of \$1M	\$5M
Commercial umbrella treaty	5% of the first \$1M	95% of the first \$1M and 100% up to \$4M in excess of \$1M	\$5M

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

INFORMATION TECHNOLOGY AND CONTROLS

An evaluation of Information Technology (IT) controls was conducted in accordance with the Handbook utilizing the responses received from Exhibit C Part One – Information Technology Planning Questionnaire (ITPQ) to develop a customized version of Exhibit C Part Two – Evaluation of Controls in Information Technology Work Program. The customization of Exhibit C was for the purposes of performing a limited review of significant risks associated with the IT environment to verify the existence of controls, policies and procedures that are appropriate to mitigate those risks. The review was not conducted for the purposes of placing reliance on the overall IT environment.

The IT review procedures included, but were not limited to:

- the Company's IT staffing and reporting structure;
- the adequacy, communication and management of the Company's significant IT policies;
- the Company's IT physical security environment;
- the Company's IT project management process;
- the Company's ability to protect, secure and limit access to data;
- the Company's process for managing third-party service providers; and
- the Company's business continuity plan.

The Company currently maintains two administrative systems. Phoenix, a full suite insurance package, performs policy, billing, claims and underlying application support. This suite is primarily used to house policies in run-off, since policy renewals are being underwritten on Strategic Data Systems (SDS, or JWALK an in-house name used by Company). SDS also performs policy, billing, claims and underlying application support. SDS and Phoenix are no longer vendor supported but are upgraded and maintained in-house. Monthly, both systems are uploaded into StoneRiver Pro Financial Systems General ledger software by the Finance Staff. Investments are processed by GenRe – New England Asset Management's CAMRA software.

No significant findings were noted during the limited review of significant risks associated with the IT environment.

ACCOUNTS AND RECORDS

The general ledger account balances are updated by manual journal entries generated from the subsidiary ledgers. StoneRiver eFreedom software system is used for annual statement reporting.

General ledger account balances were reconciled and traced to the amounts reported in the annual statement for 2013.

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2013. No adjustments were made to surplus as a result of the examination.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$55,831,119		\$55,831,119
Stocks:			
Preferred stocks	1,062,270		1,062,270
Common stocks	24,292,531		24,292,531
Real estate:			
Properties occupied by the company	4,001,193		4,001,193
Cash, cash equivalents and short-term investments	5,922,987		5,922,987
Receivable for securities	2,189		2,189
Investment income due and accrued	553,201		553,201
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	3,960,592		3,960,592
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,173,577		6,173,577
Reinsurance:			
Amounts recoverable from reinsurers	2,782,866		2,782,866
Net deferred tax asset	3,654,576	\$689,032	2,965,544
Guaranty funds receivable or on deposit	20,218		20,218
Electronic data processing equipment and software	213,320	113,681	99,639
Furniture and equipment, including health care delivery assets	91,776	91,776	
Receivables from parent, subsidiaries and affiliates	181,612		181,612
Aggregate write-ins for other than invested assets	6,543,374	623,514	5,919,860
Total	<u>\$115,287,402</u>	<u>\$1,518,003</u>	<u>\$113,769,399</u>

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$10,872,383
Reinsurance payable on paid losses and loss adjustment expenses	2,097,603
Loss adjustment expenses	2,880,323
Commissions payable, contingent commissions and other similar charges	1,679,650
Other expenses (excluding taxes, licenses and fees)	1,178,766
Taxes, licenses and fees (excluding federal and foreign income taxes)	(6,710)
Current federal and foreign income taxes	36,412
Unearned premiums	23,334,009
Advance premium	659,942
Ceded reinsurance premiums payable	4,197,008
Funds held by company under reinsurance treaties	10,788
Provision for reinsurance	1,032
Payable to parent, subsidiaries and affiliates	365,624
Aggregate write-ins for liabilities	5,428,543
Total liabilities	<u>52,735,373</u>
Surplus notes	7,500,000
Unassigned funds (surplus)	<u>53,534,026</u>
Surplus as regards policyholders	61,034,026
Totals	<u><u>\$113,769,399</u></u>

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

STATEMENT OF INCOME

UNDERWRITING INCOME	
Premiums earned	\$35,250,926
DEDUCTIONS	
Losses incurred	15,591,001
Loss adjustment expenses incurred	3,004,998
Other underwriting expenses incurred	<u>17,679,751</u>
Total underwriting deductions	<u>36,275,749</u>
Net underwriting gain (loss)	(1,024,823)
INVESTMENT INCOME	
Net investment income earned	1,697,732
Net realized capital gains (losses)	888,680
Net investment gain (loss)	<u>2,586,412</u>
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	6,624
Finance and service charges not included in premiums	475,429
Aggregate write-ins for miscellaneous income	357,440
Total other income	<u>839,493</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	2,401,082
Dividends to policyholders	
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	2,401,082
Federal and foreign income taxes incurred	(393,367)
Net income	<u>2,794,448</u>
CAPITAL AND SURPLUS ACCOUNT	
Surplus as regards policyholders, December 31 prior year	\$58,170,687
Net income	2,794,448
Change in net unrealized capital gains or (losses)	961,360
Change in net deferred income tax	(708,413)
Change in nonadmitted assets	(271,350)
Change in provision for reinsurance	82,436
Aggregate write-ins for gains and losses in surplus	4,858
Change in surplus as regards policyholders for the year	<u>2,863,339</u>
Surplus as regards policyholders, December 31 current year	<u>\$61,034,026</u>

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

<u>LOSSES AND LOSS ADJUSTMENT EXPENSES (LAE)</u>		<u>\$13,752,706</u>
Losses	\$10,872,383	
LAE	<u>2,880,323</u>	
	<u>\$13,752,706</u>	

M&A conducted an assessment of the Company's reserving, pricing and underwriting and liquidity risks. Consistent with the risk focused surveillance approach to the examination, M&A relied upon analyses and testing documented by the Company and in the work papers of the Company's independent auditors.

Reviews of the Company's primary lines of business were conducted to determine whether the Company's reserves were established in accordance with minimum standards for the valuation of liabilities specified in the Connecticut Standard Valuation Law, Actuarial Guidelines and applicable actuarial Standards of Practice. In performing the review, M&A relied upon information supplied by the Company and the Department. The information included the following:

- Actuarial Report as of December 31, 2013;
- 2013 Statement of Actuarial Opinion;
- December 31, 2013 Annual Statement;
- PwC actuarial work papers;
- Company's rate indications by state and line of business;
- 2013 and 2014 reinsurance broker presentations regarding exposure monitoring, catastrophe modeling and the proposed reinsurance structure;
- historical CAT data and CAT experience;
- Company's Excess of Loss pricing analysis for 2013; and
- additional information requested and obtained during the course of the review through emails, discussions and meetings with key personnel of the Company.

A review by the Department of the integrity of the Company's underlying data concluded that there were no indications of any significant inaccuracies or inconsistencies within the data.

Assessment of Reserve Risk

M&A was engaged to assist the Department in concluding that the risk that actual losses or other contractual payments reflected in the corresponding reserves will be greater than the carried liabilities.

The procedures performed relating to reserve risk included, but were not limited to:

- review of process and controls regarding the carried loss and LAE reserve on both a direct and net of reinsurance basis;
- review of the reasonability of the appointed actuary's methodologies and key assumptions used in the actuarial analyses of unpaid loss and LAE liabilities. This analysis supported the December 31, 2013 Statement of Actuarial Opinion; and

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

- review of the appointed actuary's reconciliation of the actuarial data to Schedule P.

It was concluded that the Company's inherent reserve risks were sufficiently mitigated to cover the expected future claims.

Pricing and Underwriting Risk

M&A assisted the Department in reaching a conclusion regarding the risk that pricing and/or underwriting practices are inappropriate for risks assumed. The procedures performed relating to pricing and underwriting risk included, but were not limited to:

- review of the Company's process regarding its pricing and rate monitoring activities;
- review of historical underwriting and operating profitability, as an indication of the historical efficacy of the Company's rating practices;
- review of recent actuarial rate indications by line for reasonability of assumptions and methodologies; and
- review of the 2014 rate indications by state and line of business.

It was concluded that the Company's rating process and pricing methodology is reasonable and consistent with the Company's assumed risks.

Liquidity Risk

M&A assisted the Department in reaching a conclusion regarding the ability of the Company to meet contractual obligations as they become due because of an inability to liquidate assets or obtain adequate funding without incurring unacceptable losses, as this risk relates to managing the Company's exposure to catastrophic losses or geographic risk concentrations. The procedures performed relating to liquidity risk included, but were not limited to:

- review of the Company's controls regarding its exposure monitoring and catastrophe modeling, and the reasonability of its reinsurance program in light of this monitoring and modeling;
- review of the exposure monitoring, catastrophe modeling and the proposed reinsurance structure; and
- discussions held with management regarding its historical experience related to non-hurricane catastrophes such as winter storms. M&A also reviewed data provided by the Company regarding this historical experience.

It was concluded that there were no material concerns related to liquidity risk.

Conclusion

Based on the risk-based assessment and review, no material concerns were noted which affected the Company's ability to manage its reserving, pricing and underwriting or liquidity risk.

NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

SURPLUS NOTES

\$7,500,000

On December 4, 2002, the Company issued a surplus note (Note) in the amount of \$7,500,000 for cash in a private placement to I-Preferred Term Securities I, LTD, a Cayman Islands company. Interest on the Note is due quarterly at a rate of 90-day LIBOR plus 4%, with a balloon payment for the principal on the maturity date (December 4, 2032). The Company has the option, after the fifth anniversary of the issue date, to repay all or a portion of the principal. All interest and principal repayments require prior approval of the Insurance Commissioner of the State of Connecticut. In the event of liquidation, the Note is subordinated to the claims of policyholders, claimants and other classes of senior indebtedness (if any).

UNASSIGNED FUNDS (SURPLUS)

\$53,534,026

The following is a reconciliation of unassigned funds (surplus) during the period under examination:

Unassigned Funds (Surplus) as of December 31, 2008	\$49,679,725
Net Income	(457,452)
Change in Net Unrealized Capital Gains or (Losses)	3,638,942
Change in Net Deferred Income Tax	1,207,017
Change in Nonadmitted Assets	(492,515)
Change in Provision for Reinsurance	(1,032)
Aggregate Write-Ins for Gains and Losses in Surplus	<u>(40,659)</u>
Unassigned Funds (Surplus) as of December 31, 2013	<u>\$53,534,026</u>

The increase in unassigned surplus during the examination period was attributed to unrealized capital gains and deferred income taxes.

CONCLUSION

The results of this examination disclosed that as of December 31, 2013, the Company had admitted assets of \$113,769,399, liabilities of \$52,735,373, and surplus as regards policyholders of \$61,034,026. During the period under examination, admitted assets decreased \$5,913,061, liabilities decreased \$9,767,362, and surplus as regards policyholders increased \$3,854,301.

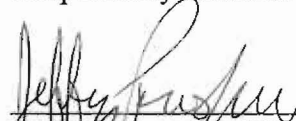
NEW LONDON COUNTY MUTUAL INSURANCE COMPANY

SIGNATURE

In addition to the undersigned, the following members of the State of Connecticut Insurance Department participated in the examination: Mark Murphy, CFE; Sue Gozzo-Andrews, FCAS, MAAA, RPLU+; Kenneth Roulier, AFE, CISA, AES; Phillip Barrett, CFE, PIR; Michael Estabrook, AFE; Gerald Burke, CFE; Grace Jiang, CFE; and the actuarial consulting firm of M&A.

I, Jeffrey Prosperi, CFE, do solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2013, to the best of my information, knowledge and belief.

Respectfully submitted,



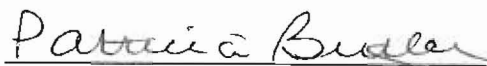
Jeffrey Prosperi, CFE
Examiner-In-Charge
State of Connecticut
Insurance Department

State of Connecticut

ss.

County of Hartford

Subscribed and sworn to before me, Patricia Butler
Notary Public on this 9th day of April, 2015.



Notary Public

My Commission Expires on September 30, 2018