

Report of Examination of

Utica National Insurance Company of Ohio
Columbus, Ohio

As of December 31, 2014

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Columbus, Ohio
December 29, 2015

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lt. Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Utica National Insurance Company of Ohio

an Ohio domiciled, stock, property and casualty insurance company, hereinafter referred to as the “Company.”

Scope of Examination

The Department issued the Company’s qualifying examination report on August 31, 2010. The Department’s current examination covers the period of September 1, 2010 through December 31, 2014.

Representatives of the New York State Department of Financial Services (“NY-DFS”), as Lead State regulator of Utica National Insurance Group (“UNIG”), including Utica Mutual Insurance Company (“Utica Mutual”) and its subsidiaries and affiliates, led the multi-state coordinated examination. The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that the Department 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. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in Section 3901.07 of the ORC and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

For the years ended 2010, 2011 and 2012, the Certified Public Accounting firm of PricewaterhouseCoopers LLP provided an unqualified opinion on the Combined Statutory Financial Statements of UNIG. For the years ended 2013 and 2014, the Certified Public Accounting firm of Grant Thornton LLP provided an unqualified opinion on the Combined Statutory Financial Statements of UNIG. Representatives of the NY-DFS reviewed the independent auditors' reports and supporting work papers during the examination.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
John M. Anderson	President and Chief Operating Officer, Founders Insurance Company
Jolene M. Casatelli	Senior Vice President and Senior Claims Officer, Utica Mutual Insurance Company
Paul L. Cohen	Vice President and Actuary, Utica Mutual Insurance Company
Richard P. Creedon	President and Chief Operating Officer, Utica Mutual Insurance Company
Steven P. Guzski	Executive Vice President and Director of Human Resources, Utica Mutual Insurance Company
Kristen H. Martin	Executive Vice President, Director of Underwriting Operations and Corporate Secretary, Utica Mutual Insurance Company
Mohammed A. Masud	Chief Information Officer, Utica Mutual Insurance Company
J. Douglas Robinson	Chairman of the Board, Utica Mutual Insurance Company

Officers

As of the examination date, the following principal executive officers were serving in the designated position:

Name	Title
J. Douglas Robinson	Chairman and Chief Executive Officer
Richard P. Creedon	President
Kristen H. Martin	Secretary
Brian W. Miller	Controller and Treasurer

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in Section 3901.32 of the ORC. Utica Mutual is the ultimate controlling person within the holding company.

Utica Mutual owns 100% of the Company, Utica National Assurance Company, Utica National Insurance Company of Texas, Utica Specialty Risk Insurance Company, UNI-Service Operations Corporation, UNI-Service Life Agency, Utica Lloyd's, Inc., and Nationwide Holdings, Inc., parent company of Founders Insurance Company, and 94% of Republic-Franklin Insurance Company ("Republic-Franklin").

Utica Mutual manages Graphic Arts Mutual Insurance Company ("Graphic Arts Mutual"), an affiliate, through a common management pooling agreement. Graphic Arts Mutual owns 6% of Republic-Franklin. Utica Mutual also controls and manages Utica Lloyd's of Texas through a trust agreement.

Territory and Plan of Operations

The Company is licensed in the states of New York, Ohio and Pennsylvania to underwrite multiple lines of property and casualty insurance. The business is focused primarily on commercial lines with an emphasis on schools, religious institutions, volunteer fire departments and light manufacturing. Products are written through independent agents. The vast majority of the direct premium is written in New York.

The table below illustrates the Company's 2014 premiums written, by line of business:

Line of Business	Direct	Assumed	Ceded	Net
Commercial multiple peril	\$34,753,517	\$ 0	\$34,753,517	\$ 0
Other liability - occurrence	8,900,115	0	8,900,115	0
Commercial auto liability	8,721,603	0	8,721,603	0
Workers' compensation	8,411,975	0	8,411,975	0
All other lines	<u>2,357,016</u>	<u>0</u>	<u>2,357,016</u>	<u>0</u>
Total	<u>\$63,144,227</u>	<u>\$ 0</u>	<u>\$63,144,227</u>	<u>\$ 0</u>

Reinsurance

All business written by the Company is ceded to Utica Mutual pursuant to a 100% Quota Share Reinsurance Agreement. At December 31, 2014, the ceded reserves were \$7.5 million and \$30.3 million, for losses and unearned premium, respectively.

Financial Statements

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2014. The accompanying Notes to Financial Statements should be considered and integral part of the financial statements.

**Statement of Assets, Liabilities, Surplus and Other Funds
December 31, 2014**

Assets

Bonds	\$ 14,387,879
Cash and short-term investments	<u>54,406</u>
Subtotal, cash and invested assets	14,442,285
Investment income due and accrued	90,952
Receivable from parent, subsidiary and affiliates	<u>1,703,147</u>
Total admitted assets	<u>\$ 16,236,284</u>

Liabilities

Losses and loss adjustment expenses	\$ 0
Commissions payable, contingent commissions and other charges	2,910,896
Other expenses	1,833
Taxes, licenses and fees	1,159,100
Current federal and foreign income taxes	751,613
Net deferred tax liability	2,668
Amounts withheld or retained by company for account of others	<u>269,679</u>
Total liabilities	<u>5,095,789</u>

Surplus and Other Funds

Common capital stock	4,000,000
Gross paid in and contributed surplus	6,229,204
Unassigned funds	<u>911,391</u>
Total surplus as regards policyholders	<u>11,140,595</u>
Total liabilities, surplus and other funds	<u>\$ 16,236,384</u>

Statement of Income
For the Year Ended December 31, 2014

Premiums earned	\$ <u>0</u>
Losses and loss adjustment expenses incurred	0
Other underwriting expenses incurred	<u>(1,274,474)</u>
Total underwriting deductions	<u>(1,274,474)</u>
Net underwriting gain	<u>1,274,474</u>
Net investment income earned	287,750
Net realized capital gains (losses)	<u>(129)</u>
Net investment gain	<u>287,621</u>
Net gain (loss) from agents' or premium balances charged off	<u>(10)</u>
Total other income (loss)	<u>(10)</u>
Net income before federal income taxes	1,562,085
Federal income taxes incurred	<u>651,442</u>
Net income	<u>\$ 910,643</u>

Statement of Changes in the Capital and Surplus Account

	2014	2013	2012	2011	2010
Capital and surplus, prior year-end	<u>\$ 10,232</u>	<u>\$ 9,919</u>	<u>\$ 10,338</u>	<u>\$ 10,230</u>	<u>\$ 0</u>
Net income (loss)	911	563	(669)	108	1
Capital paid in	-	-	-	-	4,000
Surplus paid in	-	-	-	-	6,229
Other gains (losses) to surplus	<u>(2)</u>	<u>(250)</u>	<u>249</u>	<u>-</u>	<u>-</u>
Net change in capital and surplus	<u>909</u>	<u>313</u>	<u>(419)</u>	<u>108</u>	<u>10,230</u>
Capital and surplus, current year-end	<u>\$ 11,141</u>	<u>\$ 10,232</u>	<u>\$ 9,919</u>	<u>\$ 10,338</u>	<u>\$ 10,230</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3925.08 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Loss and Loss Adjustment Expense Reserves

The Company's Board of Directors appointed Mark Littmann, FCAS, MAAA, Principal with the firm PricewaterhouseCoopers LLP, to render the Company's Statement of Actuarial Opinion ("Opinion"). Mr. Littmann prepared an Actuarial Report supporting the Opinion in connection with the preparation of the Company's 2014 Annual Statement.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2014, and is summarized as follows:

Total Admitted Assets	<u>\$ 16,236,384</u>
Liabilities	5,095,789
Surplus as Regards Policyholders	<u>11,140,595</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 16,236,384</u>

Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the UNIG and its affiliates and the representatives of the NY-DFS during the course of this examination.

In addition to the undersigned, Stephen Bishel, CPA, of the Department, participated in this examination.

Respectfully,



Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2014.

J. K. Ebert *5/31/2016*
Assistant Chief Examiner Date

State of Ohio
County of Franklin

Personally appeared before me the above named, Jeffrey K. Ebert, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this *31* day of *May*, 2016.

Elizabeth Chase
(Notary Public)

ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires