

REPORT ON EXAMINATION
OF THE
UNDERWRITERS RATING BOARD
AS OF
DECEMBER 31, 2014

DATE OF REPORT

JULY 27, 2015

EXAMINER

SONG HEE HONG

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Anthony J. Albanese
Acting Superintendent

July 27, 2015

Honorable Anthony J. Albanese
Acting Superintendent
One State Street
New York, NY 10004

Sir:

Pursuant to instructions contained in Appointment No. 31352, dated May 13, 2015, I have made an examination into the conditions and affairs of the Underwriters Rating Board, as of December 31, 2014 and the following report thereon is respectfully submitted.

Whenever the designations "URB", "The Company" or "The Board" appear herein without qualification, they should be understood to indicate the Underwriters Rating Board.

Whenever 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 URB's office, located at 2932 Curry Road, Schenectady, NY 12303, and at the Department of Financial Services.

1. SCOPE OF THE EXAMINATION

Pursuant to §309 (b)(3) of the New York Insurance Law (NYIL), the superintendent is charged with conducting an examination, at least once in every five years, of every rate service organization which makes or files rates. The Department's previous examination of URB was conducted as of December 31, 2008. This current examination covers the period of January 1, 2009 through December 31, 2014 unless otherwise noted. The examination comprised a review of the following items as called for in the Rating/Statistical Organization section of the Market Regulation Handbook of the National Association of Insurance Commissioners (NAIC) as well as a review of revenue (assessments), expenses and those records deemed necessary to accomplish an analysis of URB's operations.

2. OPERATIONS AND MANAGEMENT

A. Description and History

The Underwriters Rating Board (URB) is a non-profit unincorporated association of insurers and was formed January 1, 1938 and is subject to Article 23 of the New York Insurance Law. URB is licensed pursuant to Section 2313(d) of the New York Insurance Law as a rate service organization for fire and other coverages incidental thereto including coverages permitted to be written by cooperative insurers under multiple line authority. Although URB holds licenses in New York, Pennsylvania, New Jersey, and Vermont, it is currently only active in the States of New York and Pennsylvania.

B. Articles of Agreement

The provisions of its Articles of Agreement and its by-laws govern the operations of the Board. These documents are on file with the Department. The Articles of Agreement are appended to this report as Appendix. They have been amended from time to time since the inception of the Board.

The latest changes in the Articles of Agreement since the date of the last report on examination became effective at the close of business on January 5, 2011. There are several additions and modifications including the following:

Article IV, Section 1. MEMBERSHIP QUALIFICATIONS -

- (a) Members of the Underwriters Rating Board shall consist of the surviving Advance Premium Co-operative Fire Insurance Companies that signed the original Agreement forming this Board, who have maintained continuous Membership since 1938, and have signed these amended Articles of Agreement.
- (b) In the event there remains only one Member meeting the criteria specified in (a) of this section, that Member shall have the power to appoint additional Member(s) from the Subscribers. Such appointed Members will have all the rights and responsibilities accorded to Members.
- (c) In the event the remaining Member fails to appoint additional Member(s) as provided for in (b) of this section, and that Member is no longer qualified to remain a Member (either through liquidation, merger, conversion, or otherwise), the four largest Subscribers, based on the most recent five calendar year average of premiums written with Underwriters Rating Board shall become Members.
- (d) If a Member enters into rehabilitation or liquidation, and/or does not actively write any of the lines of insurance in the described territory in Article III, Membership will so terminate, and the status of the company shall be that of a Subscriber.

Article IV, Section 4. OBLIGATIONS OF MEMBERSHIP AND SUBSCRIBERSHIP -

- (f) Notify the Underwriters Rating Board immediately if the Member or subscriber enters into rehabilitation or liquidation and/or does not actively write any of the lines of insurance in the described territory in Article III;
- (g) Notify the Underwriters Rating Board immediately if the Member or Subscriber has any changes in their type of legal entity.

Article IV, Section 8. DURATION OF MEMBERSHIP AND SUBSCRIBERSHIP -

- (a) Membership and Subscribership shall continue indefinitely unless otherwise terminated as provided in these Articles of Agreement. A Member or Subscriber may withdraw at any time by giving notice in writing to the Manager of the Underwriters Rating Board. A minimum of ninety days advance notice prior to the end of the calendar year is required. The Member or Subscriber is liable for annual charges and assessments and other accrued fees as long as the company is using URB products or services. Any Member or Subscriber who fails to remit payment

for annual charges and assessments and other accrued fees or who fails to cease using URB products or services upon withdrawal, shall be subject to the legal remedies available to the Underwriters Rating Board.

- (b) A Member or Subscriber shall cease to be a Member or Subscriber, and such Membership or Subscribership shall terminate, if it fails to maintain the obligations of Section 4 of this Article, and any other obligation required by the Articles of Agreement, after being afforded an opportunity to fulfill such obligations within ninety days of written request from the Underwriters Rating Board.

Article VI, BOARD OF GOVERNORS AND OFFICERS

Section 1. COMPOSTION OF BOARD OF GOVERNORS –

An individual may serve in more than one capacity, but in no event shall the President and the Treasurer be the same person.

Section 5. POWER AND DUTIES OF THE BOARD OF GOVERNORS -

- (1) The governance and control of the Underwriters Rating Board shall be vested in the Board of Governors except with respect to matters pertaining to advisory rates, schedules of rates, rating plans, and rating rules, provided that the Board of Governors may, as provided in Article V. establish categories of service.
- (2) The Board of Governors shall enact such lawful rules and regulations as it may deem necessary, subject to review and revision by the Members at any meeting, provided, however, that no rule affecting commissions shall be adopted.
- (3) The Board of Governors shall appoint a Manager, and in its discretion, may also appoint such additional officers and employees, as in the judgment of the Board of Governors may be necessary, who shall have authority to perform such duties as may from time to time be designated by the Board of Governors or by the Manager.
- (4) From time to time the Board of Governors may appoint one or more committees to assist in carrying out the purposes of the Underwriters Rating Board. Actions taken by any such committees shall be subject to review by the Board of Governors.
- (5) The Board of Governors may acquire and hold in trust as property of the Underwriters Rating Board such property as may be necessary in the conduct of business.

Section 6 MEETINGS OF THE BOARD OF GOVERNORS –

Meeting of the Board of Governors shall be held at the call of the President, Manager or a majority of the Board of Governors. Notice of each meeting shall be given to each officer not less than five business days before the meeting, exclusive of the day the notice is given. Such notice shall state the time and place of the meeting and in general terms the purpose thereof. If all of the officers of the Board of Governors shall be present at any meeting or shall consent to the holding thereof in writing or waive notice in writing, any and all business may be transacted without previous notice.

Except as provided in these Articles, action may be taken by a majority vote of the officers of the Board of Governors present and voting at any meeting duly called, provided a quorum is present. A simple majority of the officers shall constitute a quorum.

All meetings will be conducted pursuant to the current edition of “Robert’s Rules of Order”.

Section 7. CONFIDENTIALITY POLICY AND CONFLICT OF INTEREST POLICY –

All officers will be required to sign the Underwriters Rating Board’s Confidentiality and Conflict of Interest Policy.

Article VIII POWER AND DUTIES OF STANDING COMMITTEES

The Members may appoint one or more standing committees to assist in carrying out the purpose of the Underwriters Rating Board. Individuals appointed to serve on these committees may be compensated at the discretion of the Member.

A review of the revised Articles of Agreement in Article VI, section 4 indicates that ‘the officers of the Board of Governors shall be compensated as fixed from time to time by the Board of Governors’.

This Board of Governors also acts as the internal auditor of the Board and the Treasurer provides a report of findings at the Board Meetings.

URB indicates that although the Board of Governors receives a monthly compensation, the internal procedures in place at URB ensure that all disbursements including the Board compensation are properly paid. However, it would be prudent for the Company to separate the role of internal auditing from the Board of Governors as it appears that they are auditing and at the same time reporting to themselves.

C. Objectives of URB

URB is a voluntary non-profit organization which according to its Articles of agreement, its purpose shall be to do the following:

- 1) To perform such services as it may as a rating organization, including but not limited to:
 - a) to promulgate, publish and provide advisory rates for all classes of insurance which may be lawfully produced by the Underwriters Rating Board;
 - b) to publish and provide rules governing the writing of such business as indicated in the above item a);
 - c) to draft and promulgate forms and supplies that may be required in the conduct of business;
 - d) to accumulate the experience consisting of premiums and losses, to be furnished by member and subscriber companies, in such manner and form as may be provided;
 - e) to provide inspection, audit and other services for members and subscribers; and
- 2) To do any lawful acts or things reasonably necessary or desirable for carrying out the purposes of the Underwriters Rating Board and for protecting the lawful rights and interest of its members and subscribers in connection therewith.

D. Board of Governors

According to Article VI of the Articles of Agreement, URB shall have a Board of Governors consisting of four officers (a President, a Vice President, a Secretary, and a Treasurer). An individual may serve in more than one capacity, but in no event shall the President and the Treasurer be the same person.

The Board of Governors controls URB except for matters pertaining to advisory rates, schedules of rates, rating plans and rating rules. The Board of Governors enacts rules and regulations as necessary subject to review and revision by the members at any meeting.

The Board of Governors may appoint one or more committees to assist in carrying out the purposes of the URB. Actions taken by any such committees shall be subject to review by the Board of Governors.

E. Officers

The officers, who make up the Board of Governors of the Underwriters Rating Board, as of May 31, 2014 are the following:

President	Delbert L. Hall, Security Mutual Insurance Company
Vice President/Secretary	Jannette F. Rosscoe, Sterling Insurance Company
Treasurer	John D. Reiersen, Kingstone Insurance Company

F. Employees of the Board

The Board has a staff of seven full-time employees and two part-time employees. The positions are Manager, Assistant Manager, Business Manager, General Counsel, Office Administrator, Printing Staff, Form and Regulatory Analyst, and a cleaning staff member.

G. Insurance Coverage of URB

The following insurance policies are carried by the Board for its own protection:

Type of Policy	Company	Expires
Commercial Package	Continental Casualty Company	05/01/2016
Commercial Auto	Sentinel Insurance Company, Limited	05/01/2016
Commercial Umbrella	National Fire Ins Co of Hartford	05/01/2016
Workers' Compensation and Employers' Liability	Sentinel Insurance Company, Limited	12/16/2015
Employed Lawyers Professional Liability	Philadelphia Indemnity Insurance Co.	02/03/2016
Directors & Officers and Employment Practices Liability	Federal Insurance Company	03/10/2016
Errors & Omissions	Executive Risk Indemnity Inc.	08/25/2015
MediaGuard	Federal Insurance Company	08/25/2015

** All declaration pages were reviewed by the examiners and each policy has a minimum of \$1,000,000 coverage limit.

H. Members and Subscribers

URB submitted the listing of its current members/subscribers consisting of two members and 41 subscribers.

I. Affiliated Organizations

(1) URB Services Corporation

URB Services Corporation was formed in 1980 to provide technical support services to URB's member and subscriber companies. Its services include but are not limited to, statistical gathering, educational services, printing services and assisting with SERFF filings. It filed its certificate of incorporation in May of 1980 in accordance with Section 2313 of the New York Insurance Law. The officers of URB Services Corporation as of December 31, 2014 were the following:

Timothy N. Curren	President
Aletta J. French	Vice-President
Mary Shell	Secretary
Kimberly A. Davis	Treasurer

(2) American Association of Insurance Services

URB became affiliated with the American Association of Insurance Service (AAIS) as a service purchaser effective September 23, 1977. URB uses AAIS forms as reference material when needed for Homeowners, Manufactured Homeowners, Farmowners and Dwelling. URB is allowed to modify AAIS forms to fit their particular needs.

(3) Insurance Services Office (ISO)

URB has a Business Partner Non-Exclusive License with ISO. The ISO Products subject to this License are Commercial Auto New York rules and forms, manuals and circulars, and Public Protection Classification (PPC) codes for New York and Pennsylvania. This information is used as reference material.

J. Physical Access Control and Security

Access to the office of the URB is protected with a security system that contains motion sensors as well as sensors on all windows and doors.

The statistical data collected by URB from its affiliated companies is maintained at the URB office on a computer that requires password authentication and access to the statistical data is limited only to the URB employees that process the data. Backup copies of the data are maintained within a vault in the URB office. Copies of the backups are also at off-site locations.

The data collected is not shared with other URB companies, or any other entities. The information is used internally to create a database of information used by URB for rate analysis and rate justification.

Per our request, URB provided its DISASTER RECOVERY PLAN (DRP) (1/2015 version). A review of the DRP indicates that there are procedures in place for business continuity in the event of a disaster. However, it was revealed that company information from URB and subscriber companies are backed up and stored on compact discs and kept at the homes of the management team.

It is recommended that alternative arrangements be made for the storage of this information to provide adequate security and the restoration of a fully operational computing environment in the event of a disaster.

K. Meetings

The Articles of Agreement require that meetings be held at the call of the President, Manager or a majority of the Board of Governors and will be conducted pursuant to the "Robert's Rules of Order". A simple majority of officers constitutes a quorum. During the period of this examination there were a total of 64 meetings of the Board of Governors which included six (6) Annual and fifty eight (58) monthly meetings.

A review of these meetings indicated that they were well attended by all three Board of Governors. The minutes noted the date and place of meetings, individuals present and the agenda discussed.

L. Conflict of Interest (COI) Statements

The Company established Conflict of Interest Statements in 2010 and in the revised 2011 Articles of Agreement, added section 7 in article VI, which noted that the statements would be signed by the Board of Governors. A review of the statements indicated that they were signed in 2010 but not in subsequent years during the examination period. It is expected that a Board member would report any disclosures in the future as agreed to by the signed statement. No subsequent disclosures have been reported.

The policy requires the disclosure of actual or potential conflicts and the procedures for disclosure listed in the COI statements are as follows:

- Membership on other Boards, consultant positions that will materially encroach on the Board of Governors obligations.
- Additional employment other than with a URB member or subscriber company that will materially encroach on such person's obligations to URB.
- Remuneration or other financial gain from a transaction involving URB vendors or entities with whom URB or one of its affiliated companies has a contract.
- Receives gifts from a third party on the basis of his or her position with URB.

3. PROCEDURES AND STATISTICAL PLANS

A. Assessments

The Board derives its income by means of assessments charged to its members and subscribers plus fees from service purchasers. These assessments are based on the insurers' gross direct written premiums.

The rates of assessments factors for the members and subscribers for each of the years covered by this report are as follows:

Assessment Year	First \$500,000	Next \$10,000,000	Remaining	Stats Credit
2009	.003985	.003257	.003025	.05
2010	.003985	.003257	.003025	.05
2011	.003985	.003257	.003025	.05
2012	.003985	.003257	.003025	.05
2013	.003985	.003257	.003025	.05
2014	.003985	.003257	.003025	.05

** In 2015, a fourth tier was added for companies with a written premium exceeding \$30,500,000.

All of the members and subscribers are billed using the same procedure regardless of their affiliation. Using the 2014 assessment year as an example, the assessment procedures are as follows:

- (a) In late December 2013, beginning January 2014, the First Quarter Assessment Bills are sent out. These bills are based on the Written Premium provided by each company for 2012.
- (b) In February, requests for 2013 written premium are sent to the companies with a March 1, deadline.
- (c) In early March, the new assessment income is compared to the budget to determine if the assessment factors need to be revised. The factors are changed if warranted.
- (d) In March, the Combined Assessment Bills are sent. These bills contain the adjustment for the First Quarter and Second Quarter Assessment Bill. The Adjusted First Quarter reflects the difference between the 2012 written premium and the 2013 written premium. The Second Quarter reflects the 2013 written premium.
- (e) In late June, the Third Quarter Assessment Bills are sent to the companies.
- (f) In late September, the Fourth Quarter Assessment Bills are sent to the companies.

(g) If in late December there is assessment income that is not needed, it is returned to the companies on a pro rata basis.

A review of the assessment documents indicated that URB has adequate controls in place to ensure that the mailing of assessment bills is done in a timely manner and to assure that companies make timely payments.

B. Notification to Members and Subscribers

When URB received a Disposition Report from the Department for a form, rate and/or rule filing, URB notifies its members and subscribers. The notification procedure includes the following:

- An announcement letter – The announcement letter notifies the companies that a form, rate and/or rule have been recently approved by the Department; the effective date of the Disposition Report; and a small description of the use of the form, rate and/or rule.
- A copy of the Disposition Report(s).
- The Action by Company provides instructions to the members and subscribers on the action they need to take to adopt (or to not adopt) the form and/or rate portion of the filing. The Action By Company that URB currently uses was last submitted to the Department under file #R2012000439A.
- Sample letter(s) to the DFS – if the announcement is for a recently approved form, a sample letter is included for use by companies that have authorized URB to file forms on their behalf if the company decides to use the form with a different effective date, to use the form with a revision, or not to adopt the form at all.

In 2012, URB revised the 'Action By Company' to replace the former reference to the "Insurance Department" with the Department of Financial Services". Also, as part of the 2012 revision, the following paragraph was added based on the Department's request:

When the URB filing involves an OPTIONAL endorsement with a rate component you must submit a rate/rule filing to the Department. The rule component of the filing should explain how the form will be used to ensure that the form will not be used in a discriminatory manner.

The revised 'Action By Company' was acknowledged by the Department and the acknowledgement letter was reviewed.

A copy of the announcement URB sent to its members and subscribers for filing R2014002862 was received for review.

C. Statistical Plan

The URB All Lines Statistical Plan provides detailed information about the coding of statistical data for the following lines of insurance:

Inland Marine	Homeowners	Farmowners
Glass	Burglary	Manufactured Homeowners
Commercial Fire	Businessowners	General Liability
Landlords	Crafts/12 Pak	Residential and Farm Fire
Boat	Golf Course Pak	Home Business Pak
Business Auto	Umbrella	

A copy of the latest URB Statistical Plan was received, along with copies of the updates that have been made.

D. Statistical Processing

URB has been designated a statistical agent by the Department for the collection and compilation of statistical data relating to the lines of insurance for which it is authorized to act as a rating board.

Companies submit their data to URB on a quarterly basis. Although the data can be transmitted to URB via CD, diskettes or email, currently all data is transmitted to URB via email.

If URB does not receive data within 30 days of the close of each quarter, URB contacts the companies to remind them that the data is due.

When data is received by URB, the accuracy of the data is verified by a computer COBOL (Common Business Oriented Language) program that checks the fields of the records to determine if any field contains invalid data. If the editing program determines that the submission contains invalid data, a report (Edit List) will be generated listing each of the records containing invalid data, along with the record number, the line of business, the transaction type and a brief description of the field(s) with the invalid data.

A copy of a sample Edit List was reviewed by the examiners.

Depending on the number of records included on the Edit List, the company will be required to either correct the records listed and send a resubmission of the data, or, the company will be required to submit to URB a list of the corrections. In either case, the corrected data is again run through the editing program and this process is repeated until the data is error free.

URB reviews the statistical reports to determine if the data seems reasonable and consistent with prior submissions. If questions arise as to the accuracy of the data, the company will be contacted and further investigations will be made. If it is determined that the statistical information contains invalid data, a resubmission will be required. If data seems reasonable and consistent with prior submissions, the reports are then forwarded on to the company for their review.

Once the submissions for all of the stats-submitting companies have been processed, the data for the companies will be combined together to form the database for URB. Statistical reports similar to those run for each company are then run against the combined database. These reports are then distributed to all member and subscriber companies.

These reports provide data on a policy year basis cumulated by quarter. The first quarter's reports will include premiums written and premiums earned that quarter; as well as losses paid and losses incurred that quarter. The second quarter's reports will include premiums written and premiums earned for both quarters; as well as losses paid and losses incurred for both quarters. The third and fourth quarter reports are handled similarly so that the fourth and final report will include premiums written and premiums earned for the year, as well as losses paid and losses incurred for the year.

E. Reconciliation of Statistical Data

To ensure the accuracy of the statistical data, URB reconciles the statistical data submitted by the affiliated companies with the Annual Statement of that company. This annual reconciliation process begins with creating a formal reconciliation statement for each submitting company. The information from the annual statement is compared to the statistical data reported to URB. Each company is emailed their reconciliation statement and asked to complete the reconciliation statement by identifying the reason(s) for any discrepancy that is listed and to forward the completed reconciliation statement back to URB. URB maintains the copies of the completed reconciliation statements. We reviewed a copy of a URB email to a company requesting the reconciliation statement be

completed and a copy of an email from a company returning a completed reconciliation statement.

F. Filings

The classified experience of URB members and subscribers has been filed with the Department for each year during the period of this examination as follows:

<u>Experience Year</u>	<u>Date Filed</u>	<u>Date Acknowledged</u>
2008	11/04/2009	11/16/2009
2009	12/01/2010	01/04/2011
2010*	09/17/2012	09/21/2012
2011	09/21/2012	01/18/2013
2012	09/24/2013	11/01/2013
2013	11/05/2014	11/17/2014

* The 2010 experience was submitted late due to an oversight on URB's part. URB advised us to prevent this from occurring in the future, they have set up a re-occurring annual reminder.

URB advised that it reviews each line of business every year to determine if a rate filing is needed. The filings URB made in accordance with 11 NYCRR 161.7 (c) during the examination period of 2009 through 2014 are as follows:

<u>Date Filed</u>	<u>Date Acknowledged</u>	<u>File Number</u>
12/01/2010	12/10/2010	R2010004245A
09/14/2012	09/27/2012	R2012003339A
09/25/2013	10/03/2013	R2013003941A
11/06/2014	11/17/2014	R2004004707A

It has been noted in the Department's acknowledgment letters that these submissions were made on paper. URB has been advised that these submissions should also be filed via SERFF. Since all other URB rate/rule and form filings are submitted electronically, which expedites the filing process, it is recommended that URB also submit these filings via SERFF in the future.

G. Significant Rate Change

During the examination period of 2009-2014, URB submitted 27 rate filings to the Department. All of these filings involved the rating of added coverages or specific exclusionary endorsements with no or very minimal (+ or – 1.00%) overall rate impact **except** for the Landlords Policy Program rate filing effective July 12, 2012 for which the overall rate impact was -6.63%.

4. FINANCIAL/ACCOUNTS

A. External Consultant

URB has an external consultant, Allen Maikels at Maikels & Trainor, CPA's, since January 1, 2009.

B. Financial Statements

URB uses an outside independent accounting service and its financial statements are audited every year by this certified public accounting firm. The Statements of Activities and Financial Position for this report are as follows:

**UNDERWRITERS RATING BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31**

REVENUE AND SUPPORT

	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/14</u>
ASSESSMENTS	\$1,119,001	\$1,145,830	\$1,191,309	\$1,261,189	\$1,338,782
INVESTMENTS	25,375	34,267	17,949	20,660	19,935
MISCELLANEOUS	588	2,541	4,050	796	420
RENT	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>39,000</u>
TOTAL RECEIPTS	\$1,118,964	\$1,218,638	\$1,249,308	\$1,315,645	\$1,398,137

EXPENSES

SALARIES & WAGES	\$556,938	\$601,084	\$618,834	\$640,161	\$634,656
PRINTING & STATIONARY	27,597	41,859	56,753	18,625	73,814
DIRECTORS FEES	77,250	76,000	85,500	85,500	85,500
EMPLOYEE RELATIONS & WELFARE	180,565	191,814	198,336	208,446	211,449
RATE SERVICE	112,860	91,706	85,394	87,650	97,312
OCCUPANCY	40,335	44,914	39,662	51,209	49,097
INSURANCE	29,907	29,294	30,273	31,204	35,480
PAYROLL TAXES	44,894	48,080	49,215	51,709	51,392
DATA PROCESSING	11,136	11,281	13,535	13,981	12,828
BUSINESS SERVICES	36,487	8,100	23,583	25,805	28,409
POSTAGE & DELIVERY	16,119	11,044	9,037	15,353	15,505
OFFICE EXPENSE	3,695	4,197	3,768	3,842	3,919
PROFESSIONAL FEES	7,631	3,450	3,600	7,850	5,258
MISCELLANEOUS EXPENSE	4,926	6,378	3,989	5,247	5,695
TRAVEL EXPENSES	12,065	13,337	15,416	24,945	43,515
TELEPHONE	2,370	1,713	1,852	1,979	2,093
ADVERTISING					4,350
DUES & LICENSES	<u>5,667</u>	<u>3,760</u>	<u>4,960</u>	<u>6,151</u>	<u>8,501</u>
TOTAL EXPENSES	<u>\$1,170,442</u>	<u>\$1,188,011</u>	<u>\$1,243,707</u>	<u>\$1,279,657</u>	<u>\$1,368,773</u>

CHANGE IN NET ASSETS

	<u>\$10,522</u>	<u>\$30,627</u>	<u>\$5,601</u>	<u>\$35,988</u>	<u>\$29,364</u>
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**UNDERWRITERS RATING BOARD
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31**

<u>ASSETS</u>	<u>ASSETS</u>				
	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/14</u>
CASH IN BANK-REGULAR	\$33,758	\$18,832	\$26,778	\$50,675	\$23,597
CASH IN BANK-INVESTMENT ACCOUNT	785,626	831,375	828,869	841,514	897,949
CASH IN HAND	200	200	200	200	200
FIXED ASSET NET	<u>\$724,845</u>	<u>\$724,845</u>	<u>\$724,845</u>	<u>\$724,845</u>	<u>\$724,845</u>
<u>TOTAL ASSETS</u>	<u>\$1,544,429</u>	<u>\$1,575,252</u>	<u>\$1,580,692</u>	<u>\$1,617,234</u>	<u>\$1,646,591</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>					
 <u>CURRENT LIABILITIES</u>					
PAYROLL TAXES WITHHELD	\$209	\$405	\$244	\$798	791
 <u>NET ASSETS</u>					
BALANCE-JANUARY 1	\$1,533,698	\$1,544,220	\$1,574,847	1,580,448	1,616,436
CHANGE IN NET ASSETS	<u>10,522</u>	<u>30,627</u>	<u>5,601</u>	<u>35,988</u>	<u>293642</u>
NET ASSETS, UNRESTRICTED-DECEMBER 31	<u>\$1,544,220</u>	<u>\$1,574,847</u>	<u>\$1,580,448</u>	<u>\$1,616,436</u>	<u>1,645,800</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$1,544,429</u>	<u>\$1,575,252</u>	<u>\$1,580,692</u>	<u>\$1,617,234</u>	<u>\$1,646,591</u>

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

URB has addressed or complied with the recommendations made on page 10 of the previous report dated April 19, 2010, for the period ending December 31, 2008, as follows:

1. The Board of Governors is to conduct an internal audit of URB's operations and create a written report every year – The URB Board of Governors has conducted an internal audit of URB operations annually and created a written report outlining their findings. Copies of the internal audit reports were received as part of the response.
2. URB is to reconcile the statistical data submitted by the affiliated companies, to the fullest extent possible, to the applicable company's filed statutory annual statement and it is to be documented by creating a signed and dated formal reconciliation statement – URB has complied with the Department's recommendation. The examiners received a copy of a blank reconciliation report; a copy of URB's request to one company for a reconciliation report; and a copy of a completed reconciliation report for review.
3. URB is to get its financial statements audited by a certified public accounting firm every year – All of the year-end financial statements that were prepared after the recommendation have been audited by a certified public accounting firm. Copies of the year-end financial statements were received and reviewed.
4. URB is to evaluate the combined experience of the affiliated companies and update each of its rate filings more frequently - Although URB reviews each line of business every year and submits a statement indicating that its analysis shows that no updating of its rates is needed, it is noted that many of URB's programs have not had its rates revised for 10 or more years.

URB advised that a Landlords Package Policy (LPP) rate filing was filed by URB on 4/16/2012 and approved by the Department on 7/12/2012 (R2012001291) – The Landlords Package Policy Manual provides the rates and rules for 1-2 family tenant occupied dwellings and 3-4 family owner and tenant occupied dwellings. This revised Landlords manual had an overall rate effect of -6.63%.

URB also indicates that they are currently working on updating its Businessowners (BOP) manual. This revision will include the introduction of a third tier (Preferred BOP) to the existing two tiers (Standard and Deluxe) of the BOP program. Updated/revised classifications will be added to the manual. The overall rate effect of the revision is

currently under review. URB is presently evaluating the experience of their affiliated companies to determine the rate effect of the new BOP manual. URB also stated that they are evaluating the experience of its affiliates in the Farmowners line of business to determine the appropriate rate effect to be taken.

Though URB has filed statements, as required by 11 NYCRR 161.7 (c), that its filed rating programs need not be updated based on review of its consolidated experience for the various programs, we recommend that URB consider updating the rates in many of its programs more frequently.

5. URB should include clear and thorough guidance in the announcement letter regarding company actions for rate filings - URB has worked with the Department on several occasions to continue to provide clear and thorough guidance in the announcement letters for approved form, rule and/or rate filings. Each time, URB has discussed the proposed revisions to the "Action By Company" document with Department representative and also submitted the document to the Department for acknowledgment.

URB has included the "Action By Company" document as part of its announcement procedure for all form, rule, and/or rate filings approved for URB in the examination period.

According to the above responses, URB has fully implemented four of the five Department recommendations from the prior report on examination.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following is a summary of comments/recommendations made on findings identified during this examination to be implemented by URB as described in the body of this report:

1. It is recommended that the offsite location for the storage of documents as stated in the Disaster Recovery Plan be at a site other than the homes of members of the management team (Page 11).
2. It is recommended that URB file all rate filings via SERFF, including those filings of statements in compliance with 11 NYCRR 161.7 (c) (Page 18).
3. It is recommended that URB consider updating the rates in many of its programs more frequently. (Page 21/22).

Respectfully submitted,

Song Hee Hong
Senior Insurance Examiner

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

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

Song Hee Hong

Subscribed and sworn to before me

this _____ day of _____, 2015

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:

Song Hee Hong

as a proper person to examine the affairs of the

UNDERWRITERS RATING BOARD

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

BOARD

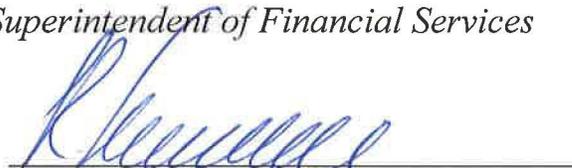
with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 13th day of May, 2015

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



Rolf Kaumann
Deputy Chief Examiner

