

REPORT ON ORGANIZATION

OF

PARK INSURANCE COMPANY

AS OF

OCTOBER 5, 2007

DATE OF REPORT

OCTOBER 22, 2007

EXAMINER

LEON TAMBUE

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

October 22, 2007

Honorable Eric R. 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 22682 dated October 04, 2007, attached hereto, I have made an examination on organization of Park Insurance Company as of October 5, 2007, and submit the following report thereon.

Wherever the designations "Company" or "PIC" appear herein without qualification, they should be understood to indicate Park Insurance Company.

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 Company's attorney offices, Stroock & Stroock & Lavan located at 180 Maiden Lane. New York, New York 10038.

1. SCOPE OF EXAMINATION

The examination comprised a complete verification of the issuance of the Company's capital stock, the receipt of the 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

Park Insurance Company was incorporated under the laws of the State of New York on November 23, 2004. The Department approved the Company's declaration of intention and charter on the same date.

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>
Andrew Barile Rancho Santa Fe, CA	President, Andrew Barile Consulting Co
Dennis Carmen Melville, NY	Partner, Carmen & Pearl CPAs
Salvatore DeSantis Manalapan, NJ	Partner, Molod Spitz & DeSantis, PC
David G. Hutchinson Rockville Center, NY	Vice President, Claims Service Bureau of NY
Jerome R. Janson E. Setauket, NY	Sales Manager, Essex Cement Company
William J. Knox Mars, PA	Vice President, The HDH Group
John Mannix Island park, NY	Senior Vice President, Guy Carpenter & Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Polsinelli Bellmore, NY	Owner, Atlas Companies
Paul Polsinelli Syosset, NY	Owner, Atlas Companies
Thomas Polsinelli Atlantic Beach, NY	Owner, Atlas Companies
Vincent Polsinelli Smithtown, NY	Owner, Atlas Companies
Joseph Sforzo Centerport, NY	President, Vanguard Coverage Corp.
Dr. R. George Voinchet Pittsburgh, PA	Vice President, The HDH Group

The minutes of the board of directors' meetings indicated that the meetings were generally well attended and had the required quorum as stated in the Company's charter and By-laws. An exception was noted with respect to board members who did not have an acceptable record of attendance. Members of the board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the insurer. It is essential that board members attend meetings consistently and set forth their views on relevant matters so that the board may reach appropriate decisions. Individuals who fail to attend at least one-half of the regular meetings do not fulfill such criteria.

It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.

Pursuant to Section 307(b) of the New York Insurance Law, every licensed insurer is required to file within five months of the end of each calendar year, an annual financial statement together with an opinion thereon of an independent certified public accountant on the financial statement of such insurer. The Company engaged the firm of Carmen & Pearl, CPAs to audit its financial statements. It is noted that Mr. Dennis Carmen is a Partner in that CPA firm and he is also the Treasurer, Chief Financial Officer and a director of PIC. Based on Mr. Carmen's affiliation with the Company, the firm of Carmen & Pearl,

CPAs cannot be considered as “independent”, and therefore, does not qualify to perform an audit and issue an opinion on the Company’s financial statement pursuant to Section 307(b) of the New York Insurance Law.

Therefore, it is recommended that the Company engage a certified public accounting firm that has no business affiliation with any officer or director of the Company. It is further recommended that the Company establish a formal policy for all directors, officers, trustees, and designated responsible employees to report conflict of interests.

As of October 5, 2007, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Thomas Polsinelli	President & Chief Executive Officer
Joseph Sforzo	Vice President
Dennis Carmen	Treasurer & Chief Financial Officer
Salvatore DeSantis	Secretary

Article IV, Section 9(c) of the Company's by-laws requires that the Company’s secretary affix the seal of the corporation to all stock certificates prior to their issuance. The original stock certificates issued to Messrs. John Polsinelli, Thomas Polsinelli, Paul Polsinelli, and Vincent Polsinelli, all stockholders of record, bore neither the seal of the corporation nor the signatures of the Company's officers.

It is recommended that the Company complies with all the provisions governing the management and operation of its business as required in the charter and by-laws.

3. CAPITALIZATION AND SUBSCRIPTION

Park Insurance Company’s authorized capital of \$700,000 consists of 70,000 shares of common stock at \$10 par value per share. On November 22, 2005, the Company issued 20,600 shares of its

common stock for a consideration of \$632,745 and an additional 49,400 shares were issued on April 04, 2007, for a consideration of \$1,517,255 to various investors.

In order to fulfill the deposit requirement of Section 4104 of the New York Insurance Law, the Company has placed securities with a par value of \$510,000 in a custodial account in the name of the Superintendent of Insurance of the State of New York in trust for the security of the policyholders of PIC, within the United States, its territories and possessions.

4. BALANCE SHEET

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of October 5, 2007 and as reported by the Company:

<u>Assets</u>		
Bonds		\$2,167,192
Cash		12,970
Other assets		<u>138,893</u>
Total admitted assets		<u>\$2,319,055</u>
 <u>Liabilities</u>		 \$30,000
 <u>Capital and Surplus</u>		
Common capital stock	\$ 700,000	
Gross paid and contributed surplus	1,450,000	
Unassigned surplus	<u>139,055</u>	<u>2,289,055</u>
Total surplus as regards policyholders		<u>\$2,319,055</u>

5. CUSTODIAL AGREEMENT

The National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook Part 1-General, Section IV.H-Custodial or Safekeeping Agreements requires insurance companies to maintain a custodial agreement with the following guidelines:

- a. That the national bank, state bank, or trust company, as custodian is obligated to indemnify the insurance company for any insurance company's loss of securities in the custodian's custody, except that, unless domiciliary state law, regulation, or administrative action otherwise require a stricter standard (Section 2.b. sets forth an example of such a stricter standard), the bank or trust company shall not be so obligated to the extent that such loss was caused by other than the negligence or dishonesty of the custodian;
- b. If domiciliary state law, regulation, or administrative action requires a stricter standard of liability for custodians of insurance company securities than that set forth in Section 2.a., then such stricter standard shall apply. An example of a stricter standard that may be used is that the custodian is obligated to indemnify the insurance company for any loss of securities of the insurance company in the custodian's custody occasioned by the negligence or dishonesty of the custodian's officers or employees, or burglary, robbery, holdup, theft, or mysterious disappearance, including loss by damage or destruction;
- c. That in the event of a loss of the securities for which the custodian is obligated to indemnify the insurance company, the securities shall be promptly replaced or the value of the securities and the value of any loss of rights or privileges resulting from said loss of securities shall be promptly replaced;
- d. That the national bank, state bank or trust company as custodian shall not be liable for any failure to take any action required to be taken hereunder in the event and to the extent that the taking of such action is prevented or delayed by war (whether declared or not and including existing wars), revolution, insurrection, riot, civil commotion, act of God, accident, fire, explosions, stoppage of labor, strikes or other differences with employees, laws, regulations, orders or other acts of any governmental authority, or any other cause whatever beyond its reasonable control;
- e. That in the event that the custodian gains entry in a clearing corporation through an agent, there should be a written agreement between the custodian and the agent that the agent shall be subjected to the same liability for loss of securities as the custodian. If the agent is governed by laws that differ from the regulation of the custodian, the Commissioner of Insurance of the state of domicile may accept a standard of liability applicable to the agent that is different from the standard liability;
- f. That if the custodial agreement has been terminated or if 100% of the account assets in any one custody account have been withdrawn, the custodian shall provide written notification, within three business days of termination or withdrawal, to the insurer's domiciliary commissioner;

- g. That during regular business hours, and upon reasonable notice, an officer or employee of the insurance company, an independent accountant selected by the insurance company and a representative of an appropriate regulatory body shall be entitled to examine, on the premises of the custodian, its records relating to securities, if the custodian is given written instructions to that effect from an authorized officer of the insurance company;
- h. The custodian and its agents, upon reasonable request, shall be required to send all reports which they receive from a clearing corporation or the Federal Reserve book-entry system which the clearing corporation or the Federal Reserve permits to be redistributed and reports prepared by the custodian's outside auditors, to the insurance company on their respective systems of internal control;
- i. To the extent that certain information maintained by the custodian is relied upon by the insurance company in preparation of its annual statement and supporting schedules, the custodian agrees to maintain records sufficient to determine and verify such information.
- j. That the custodian shall provide, upon written request from a regulator or an authorized officer of the insurance company, the appropriate affidavits, with respect to the insurance company's securities held by the custodian;
- k. That the custodian shall secure and maintain insurance protection in an adequate amount;
- l. That the foreign bank acting as a custodian, or a United States custodian's foreign agent, or a foreign clearing corporation is only holding foreign securities or securities required by the foreign country in order for the insurer to do business in that country. A United States custodian must hold all other securities.

As of this examination date, the Company had no custodial agreement in effect for the safekeeping of its investments.

It is recommended that the Company procure an agreement that comply with the above NAIC guidelines.

6. AUTHORIZED POWERS AND MINIMUM CAPITAL REQUIRED

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

<u>Paragraph</u>	<u>Line of Business</u>
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage

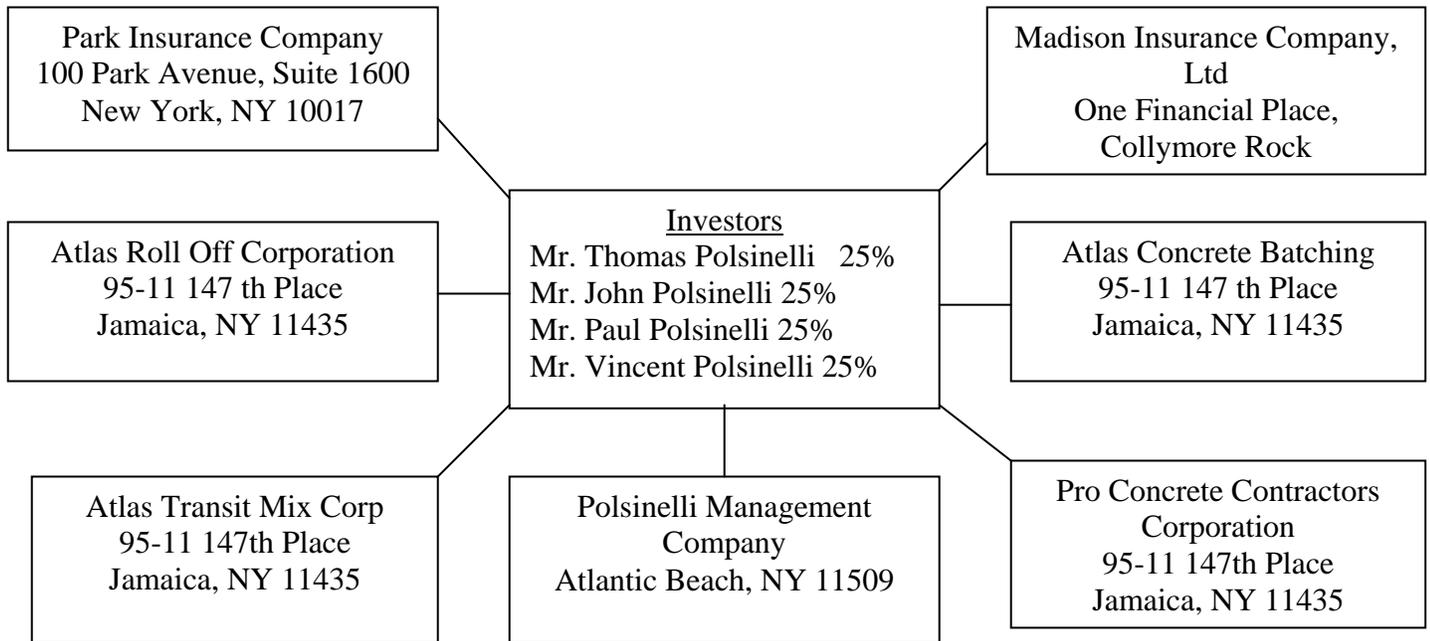
Based on the lines of business for which the Company applied to be licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$700,000.

7. HOLDING COMPANY SYSTEM

The Company is a member of a holding company system and is ultimately controlled by the following persons:

<u>Name</u>	<u>Percentage of Control</u>
Thomas Polsinelli	25 %
John Polsinelli	25 %
Paul Polsinelli	25 %
Vincent Polsinelli	25 %

The following is the organization chart of the holding company system at October 05, 2007:



As of October 05, 2007, the Company was party to the following agreements with other members of the holding company system:

Service Agreement

The Company entered into a service agreement with Atlas Roll Off Corporation (“Atlas”), a member of the holding company system. Under the terms of this agreement, Atlas agreed to perform specified services on behalf of the Company.

Claims Service Agreement

The Company entered into a claims service agreement with the Claims Service Bureau of New York, Inc., (“CSB of NY”) a non-affiliated business entity. Under the terms of this agreement, the CSB of NY agreed to provide claims management service on behalf of the Company.

Agency Agreement

The Company entered into an Agency agreement, signed and dated on November 11, 2007, with the Vanguard Coverage Corporation, (“Vanguard”) a non-affiliated business entity. Under the terms of this agreement, the Vanguard agreed to accept proposal for the following classes of insurance: auto liability, general liability, physical damage, to collect and receive receipt for premium for such class of insurance on behalf of the Company.

Underwriting Agreement

The Company entered into an underwriting agreement, signed and dated on November 11, 2007, with the HDH Group, Inc. (“HDH”) a non-affiliated business entity. Under the terms of this agreement, HDH agreed that all underwriting and pricing authority under the program rests with PIC and that it can only bind coverage on accounts for which HDH has provided a written quotation. In addition to this agreement, PIC has drafted an underwriting guideline that sets forth the criteria for coverage eligibility, exposures ineligibility, the general requirements for coverage, and an underwriting philosophy that meets the industry’s minimum standard.

The service agreement between PIC and Atlas Roll Off Corporation, an affiliated company was reviewed and non-disapproved pursuant to Section 1505 (d) (3) of New York Insurance Law. A review of the PIC’s claims service agreement, the agency agreement, and the underwriting agreement mentioned above reveal that the agreements lacked an effective date.

An effective date allows the contracting parties to know the specific time the service to be provided under the term of the agreement should enter into effect. Therefore, it is recommended that the Company procure a fully executed service agreement, claims service agreement, agency agreement, and underwriting agreement that include an effective date as part of the term of the agreement.

8. CONCLUSION

Based on the foregoing examination, it is concluded that the Company sold 70,000 shares of common stock with a par value of \$10 per share. These shares represented the total authorized and issued stock for which the Company received a consideration of \$2,150,000, of which \$700,000 represents capital and \$1,450,000 represents gross paid in and contributed surplus.

9. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Incorporation</u>	
It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.	3
It is recommended that the Company engage a certified public accounting firm that has no business affiliation with any officer or director of the Company.	4
It is further recommended that the Company establish a formal policy for all directors, officers, trustees, and designated responsible employees to report conflict of interests.	4
It is recommended that the Company comply with all the provisions governing the management and operation of its business as required in the charter and bylaws.	4
B. <u>Custodial Agreement</u>	
It is recommended that the Company procure a custodial agreement that complies with the guidelines set forth in the NAIC Financial Condition Examiners' Handbook.	7
C. <u>Service Agreements</u>	
It is recommended that the Company procure a fully executed service agreement, claims service agreement, agency agreement, and underwriting agreement that include an effective date as part of the terms of the agreement.	10

Respectfully submitted,

_____/s/_____
Leon Tambue,
Senior Insurance Examiner

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

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

_____/s/_____
Leon Tambue,

Subscribed and sworn to before me

This _____ day of _____, 2007

Appointment No. 22682

**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:

Leon Tambue

as proper person to examine into the affairs of the

PARK INSURANCE COMPANY

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

Company

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 4th day of October, 2007



ERIC R. DINALLO
Superintendent of Insurance

