

REPORT OF EXAMINATION
YORK INSURANCE COMPANY OF MAINE
AS OF
DECEMBER 31, 2009



STATE OF MAINE

BUREAU OF INSURANCE

**IT IS HEREBY CERTIFIED THAT THE ANNEXED REPORT OF
EXAMINATION FOR**

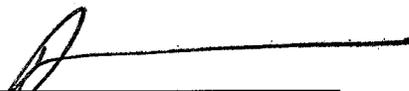
YORK INSURANCE COMPANY OF MAINE

**has been compared with the original on file in this bureau and that it is a correct transcript
therefrom and of the whole of said original.**

IN WITNESS WHEREOF,

**I have hereunto set my hand and affixed the official seal of this Office at the City of
Gardiner this**

fourth day of February, 2011.



Mila Kofman
Superintendent of Insurance



Paul R. LePage
GOVERNOR

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
34 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0034

Mila Kofman
SUPERINTENDENT

August 23, 2010

Mila Kofman
Superintendent of Insurance
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Superintendent:

Pursuant to the provisions of 24-A M.R.S.A. §221 and in conformity with your instructions, a financial examination has been made of the

YORK INSURANCE COMPANY OF MAINE

The following report is respectfully submitted.

I hereby certify that the attached report of examination dated August 23, 2010 shows the condition and affairs of the York Insurance Company of Maine located in South Portland, Maine as of December 31, 2009 and has been filed in the Bureau of Insurance as a public document.

This report has been reviewed.


Eric Cioppa
Deputy Superintendent

Dated the 4 day of February, 2011

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SCOPE OF EXAMINATION

York Insurance Company of Maine (hereinafter, "Company") was last examined as of December 31, 2006 by the Pennsylvania Department of Insurance on behalf of the Maine Bureau of Insurance (hereinafter, "Bureau"). The December 31, 2006 examination was in conjunction with an examination of the Company's insurance affiliates which covered a two year period. The December 31, 2006 examination was performed in an effort to coordinate with the Pennsylvania Department of Insurance's prospective examination schedule of the affiliated group.

This examination covers the period from January 1, 2007 to the close of business on December 31, 2009. This examination, performed on the Company as a stand alone entity, was conducted in order to coordinate with the prospective examination schedule of Tower Group, Inc.'s regulator, the state of New York (see subsequent events section.)

This examination was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners (hereinafter, "NAIC".) This examination consisted of a valuation of assets, and determination of liabilities at December 31, 2009 in conformity with statutory accounting practices, NAIC guidelines, the 2009 Financial Condition Examiners Handbook, (hereinafter "FCEH"), and the laws, rules, and regulations prescribed or permitted by the State of Maine.

Areas reviewed in this examination included reinsurance contracts, corporate records, investments, risk-based-capital requirements, and surplus. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

The results of this examination present the financial condition of the Company as of December 31, 2009. Comments on various balance sheet items, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts.

SUMMARY OF SIGNIFICANT FINDINGS

Prior Examination

There were no report comments in the prior report of examination covering the period ending December 31, 2006.

Current Examination

The Company appears to be in compliance with 24-A M.R.S.A. and the Company's by-laws.

SUBSEQUENT EVENTS

The Company was acquired by Tower Group, Inc. on July 1, 2010. This acquisition was pursuant to the November 2009 board of directors' authorization and was approved by the Bureau (see Hearing Decision INS-10-400.)

No other significant material subsequent events were noted.

THE COMPANY

History

The Company was first chartered in 1987, as York Mutual Insurance Company, subsequent to the demutualization of the former Maine Bar Association Mutual Title Insurance Company. The Company was acquired in 1997 by Commercial Union Insurance Company, a wholly owned subsidiary of CGU Corporation. In connection with the acquisition the Company changed its name to Commercial Union York Insurance Company. In 2001 CGU Corporation was acquired by White Mountains Insurance Group, Ltd. In connection with the acquisition, the Company changed its name to York Insurance Company of Maine.

As of December 31, 2009, the Company was wholly owned by OneBeacon American Insurance Company, which, in turn, was wholly owned by OneBeacon Insurance Company, with its ultimate parent being White Mountains Insurance Group, Ltd.

Corporate Records

The Company's articles of incorporation, by-laws, and board of directors' meeting minutes were reviewed.

Corporate Governance

The Company was governed and overseen by its board of directors and the management team of the Company.

As of December 31, 2009, the Company's board of directors consisted of the following ten individuals.

Timothy Michael Miller	Chairperson
Alexander Constantine Archimedes	Director
Andrew Coleman Camase	Director
Joan Kathleen Geddes	Director
Dana Perkins Hendershott	Director
Paul Harrington McDonough	Director
Michael Joseph McSally	Director
Brian David Poole	Director
Bradford Whitman Rich	Director
Thomas Norman Schmitt	Director

As of December 31, 2009, the Company's officers consisted of the following five individuals.

Timothy Michael Miller	CEO
Dana Perkins Hendershott	President and Chief Administrative Officer
Dennis Robert Smith	Secretary
Todd Colin Mills	Treasurer
Brian David Poole	Senior Vice President and Chief Actuary

Territory & Plan of Operation

The Company is licensed to transact business as a property and casualty insurer in Maine, Massachusetts, New Hampshire, and Vermont. The Company primarily writes homeowners, auto passenger liability, and auto physical damage insurance. The Company also writes certain surplus lines in the states of Connecticut and New York. On December 3, 2009, OneBeacon Insurance Group, Ltd. sold the renewal rights to the non-specialty commercial lines business to The Hanover Insurance Group, Inc. The transaction included small commercial accounts and the non-specialty portion of the middle-market business, beginning with January 1, 2010 effective dates.

Transactions with Affiliates

As of December 31, 2009, the Company was a member of the OneBeacon Insurance Group which consists of 17 affiliated property and casualty insurance companies operating under common management and control.

The Company had an investment management agreement with White Mountains Advisors, LLC, an affiliated company. Under this agreement, White Mountains Advisors provided investment management services, which included the investment and reinvestment of certain Company assets. Fees for these services were paid on a quarterly basis at rates applied to the Company's investment portfolio. The Company also had a federal tax allocation agreement that covered the allocation, settlement, and financial statement presentation of current federal taxes.

Reinsurance

The Company ceded 100% of its net insurance operations to an affiliate, OneBeacon Insurance Company, under a pooling arrangement. The pooling arrangement was supported by a written Reinsurance Agreement. The Company did not assume any net insurance operations from the pool. Therefore, on a net basis there were no insurance related items on the Company's balance sheet, nor any insurance related items on the Company's statement of income.

Statutory Deposits

As required by 24-A M.R.S.A. §412, the Company maintained the required security deposit with the Treasurer of Maine.

FINANCIAL STATEMENTS

The accompanying financial statements fairly present, in all material respects, the Company's statutory financial position as of December 31, 2009, and statutory results of operations for the period then ended. The financial statements as of December 31, 2008, and 2007 are unexamined and are presented for comparative purposes only.

STATEMENT OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS
as of December 31, 2009, 2008, and 2007

Assets		(unexamined)	(unexamined)
Bonds	\$ 15,550,115	\$ 14,774,034	\$ 11,760,880
Short-term investments	621,628	975,945	2,699,158
Receivables for securities	-	-	260
Investment income due and accrued	65,621	106,342	90,664
Receivables from parent and affiliates	<u>\$ 5,075</u>	<u>\$ 41,415</u>	<u>\$ 14,550,962</u>
Total assets	<u>\$ 16,242,439</u>	<u>\$ 15,897,736</u>	<u>\$ 29,101,924</u>
Liabilities			
Other expenses	\$ 6,119	\$ 4,305	\$ 8,444
Current federal income taxes	119,994	54,000	142,000
Net deferred tax liability	55,915	105,486	121,790
Payable to parent and affiliates	<u>-</u>	<u>-</u>	<u>1,413</u>
Total liabilities	<u>182,028</u>	<u>163,791</u>	<u>273,647</u>
Surplus			
Common capital stock	3,125,000	3,125,000	3,125,000
Gross paid in and contributed surplus	10,890,569	10,890,569	9,890,569
Unassigned funds	<u>2,044,842</u>	<u>1,718,376</u>	<u>1,261,746</u>
Surplus	<u>16,060,411</u>	<u>15,733,945</u>	<u>14,277,315</u>
Liabilities and surplus	<u><u>\$ 16,242,439</u></u>	<u><u>\$ 15,897,736</u></u>	<u><u>\$ 14,550,962</u></u>

STATEMENT OF OPERATIONS
Years Ended December 31, 2009, 2008, and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		(unexamined)	(unexamined)
Net investment income earned	\$ 562,966	\$ 602,792	\$ 1,521,768
Net realized capital gains (losses); net of taxes	<u>356,266</u>	<u>(14,270)</u>	<u>314,109</u>
Net investment income	919,232	588,522	1,835,877
Other income	<u>-</u>	<u>7,768</u>	<u>(7,767)</u>
Net income before federal income taxes	919,232	596,290	1,828,110
Federal income taxes	<u>182,994</u>	<u>243,034</u>	<u>566,054</u>
Net income	<u>\$ 736,238</u>	<u>\$ 353,256</u>	<u>\$ 1,262,056</u>

STATEMENT OF CAPITAL AND SURPLUS
Years Ended December 31, 2009, 2008, and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		(unexamined)	(unexamined)
Surplus, December 31 prior year	\$ 15,733,945	\$ 14,277,315	\$ 31,115,569
Net Income	736,238	353,256	1,262,056
Change in net unrealized capital gains/(losses)	(298,573)	56,596	61,405
Change in net deferred income tax	(111,199)	46,778	(61,741)
Change in nonadmitted assets	-	-	26
Change in paid in surplus	-	1,000,000	(11,928,286)
Dividends to stockholders	-	-	(6,171,714)
Change in surplus for the year	<u>326,466</u>	<u>1,456,630</u>	<u>(16,838,254)</u>
Surplus, December 31 current year	<u>\$ 16,060,411</u>	<u>\$ 15,733,945</u>	<u>\$ 14,277,315</u>

CONCLUSION

The Company's financial condition, as disclosed by this examination, is reflected in statements contained in this report. The basis of preparation of such statements conforms to laws, rules, and regulations prescribed and/or permitted by the Maine Bureau of Insurance.

Acknowledgment of cooperation and assistance extended to the examiners by all Company personnel of the OneBeacon Group and the Tower Group is hereby expressed.

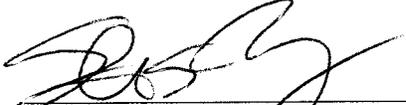
**STATE OF MAINE
COUNTY OF KENNEBEC, SS**

Stuart E. Turney, being duly sworn according to law deposes and says that, in accordance with authority vested in him by Mila Kofman, Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, he has made an examination of the condition and affairs of the

York Insurance Company of Maine

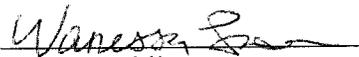
of South Portland, Maine as of December 31, 2009, and that the foregoing report of examination subscribed to by him is true to the best of his knowledge and belief. The following examiners from the Bureau of Insurance assisted:

James C. Williams, CPA, CFE
Margaret S. Boghosian, CPA, CFE
Debra Blaisdell, AFE



Stuart E. Turney, CPA, AFE

Subscribed and sworn to before me
This 4th day of February, 2011



Notary Public
My Commission Expires:

**VANESSA LEON
Notary Public, Maine
My Commission Expires May 4, 2013**