Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

2016

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

A This return/report is for:
- [ ] a multiemployer plan
- [ ] a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.)
- [X] a single-employer plan
- [ ] a DFE (specify) ____

B This return/report is:
- [ ] the first return/report
- [ ] the final return/report
- [ ] an amended return/report
- [ ] a short plan year return/report (less than 12 months)

C If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

D Check box if filing under:
- [X] Form 5558
- [ ] automatic extension
- [ ] the DFVC program
- [ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
HEREFORD INSURANCE COMPANY 401(K) PROFIT SHARING PLAN & TRUST

1b Three-digit plan number (PN) ▶ 001

1c Effective date of plan 01/01/2001

2a Plan sponsor's name (employer, if for a single-employer plan)
Mailing address (include room, apt., suite no. and street, or P.O. Box)
City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions)
HEREFORD INSURANCE COMPANY

36-01 43RD AVE
LONG ISLAND CITY, NY 11101

2b Employer Identification Number (EIN) 11-2774650

2c Plan Sponsor's telephone number 718-361-9191

2d Business code (see instructions) 524210

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/12/2017	EDWARD T MAKELA
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

Preparer's name (including firm name, if applicable) and address (include room or suite number)

Preparer's telephone number

3a Plan administrator's name and address [X] Same as Plan Sponsor	**3b** Administrator's EIN	
	3c Administrator's telephone number	
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:	**4b** EIN	
a Sponsor's name	**4c** PN	
5 Total number of participants at the beginning of the plan year	**5**	229
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines **6a(1), 6a(2), 6b, 6c,** and **6d**).		
a(1) Total number of active participants at the beginning of the plan year	**6a(1)**	195
a(2) Total number of active participants at the end of the plan year	**6a(2)**	195
b Retired or separated participants receiving benefits	**6b**	0
c Other retired or separated participants entitled to future benefits	**6c**	43
d Subtotal. Add lines **6a(2)**, **6b**, and **6c**.	**6d**	238
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.	**6e**	0
f Total. Add lines **6d** and **6e**.	**6f**	238
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	221
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	9
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	**7**	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:

2E 2F 2G 2J 2K 2T 3D

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:

9a Plan funding arrangement (check all that apply)		**9b** Plan benefit arrangement (check all that apply)	
(1)	[ ] Insurance	**(1)**	[ ] Insurance
(2)	[ ] Code section 412(e)(3) insurance contracts	**(2)**	[ ] Code section 412(e)(3) insurance contracts
(3)	[X] Trust	**(3)**	[X] Trust
(4)	[ ] General assets of the sponsor	**(4)**	[ ] General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- **(1)** [ ] **R** (Retirement Plan Information)
- **(2)** [ ] **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- **(3)** [ ] **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- **(1)** [X] **H** (Financial Information)
- **(2)** [ ] **I** (Financial Information – Small Plan)
- **(3)** [ ] 0 **A** (Insurance Information)
- **(4)** [ ] **C** (Service Provider Information)
- **(5)** [X] **D** (DFE/Participating Plan Information)
- **(6)** [ ] **G** (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2016 Form M-1 annual report. If the plan was not required to file the 2016 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code_____

SCHEDULE D (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

DFE/Participating Plan Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2016

This Form is Open to Public Inspection.

For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

A Name of plan
HEREFORD INSURANCE COMPANY 401(K) PROFIT SHARING PLAN & TRUST

B Three-digit plan number (PN) ▶ 001

C Plan or DFE sponsor's name as shown on line 2a of Form 5500
HEREFORD INSURANCE COMPANY

D Employer Identification Number (EIN)
11-2774650

Part I Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs)

(Complete as many entries as needed to report all interests in DFEs)

a Name of MTIA, CCT, PSA, or 103-12 IE: METLIFE GAC SERIES 25053 0

b Name of sponsor of entity listed in (a): RELIANCE TRUST COMPANY

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
46-6625485-001	C	1007041

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

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b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

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a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

SCHEDULE H (Form 5500)

Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2016

This Form is Open to Public Inspection

For calendar plan year 2016 or fiscal plan year beginning 01/01/2016 and ending 12/31/2016

A Name of plan
HEREFORD INSURANCE COMPANY 401(K) PROFIT SHARING PLAN & TRUST

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
HEREFORD INSURANCE COMPANY

D Employer Identification Number (EIN)
11-2774650

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a	0	
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	888	
(2) Participant contributions	1b(2)	1181	
(3) Other	1b(3)	13014	
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	195869	
(2) U.S. Government securities	1c(2)	526254	
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)	0	
(B) All other	1c(3)(B)	940552	
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)	25000	
(B) Common	1c(4)(B)	13905	
(5) Partnership/joint venture interests	1c(5)	0	
(6) Real estate (other than employer real property)	1c(6)	0	
(7) Loans (other than to participants)	1c(7)	0	
(8) Participant loans	1c(8)	118114	120393
(9) Value of interest in common/collective trusts	1c(9)	0	0
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)	0	
(12) Value of interest in 103-12 investment entities	1c(12)	0	
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	3280178	5617250
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)	0	

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(1) Employer securities	1d(1)	0	
	(2) Employer real property	1d(2)	0	
e	Buildings and other property used in plan operation	1e	0	
f	Total assets (add all amounts in lines 1a through 1e)	1f	5114955	5737643
	Liabilities			
g	Benefit claims payable	1g	0	
h	Operating payables	1h	25000	
i	Acquisition indebtedness	1i	0	
j	Other liabilities	1j	5521	95
k	Total liabilities (add all amounts in lines 1g through1j)	1k	30521	95
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	5084434	5737548

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

	Income		(a) Amount	(b) Total
a	**Contributions:**			
	(1) Received or receivable in cash from: **(A)** Employers	2a(1)(A)	322508	
	(B) Participants	2a(1)(B)	513635	
	(C) Others (including rollovers)	2a(1)(C)	84965	
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		921108
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	0	
	(B) U.S. Government securities	2b(1)(B)	0	
	(C) Corporate debt instruments	2b(1)(C)	0	
	(D) Loans (other than to participants)	2b(1)(D)	0	
	(E) Participant loans	2b(1)(E)	5555	
	(F) Other	2b(1)(F)	44970	
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		50525
	(2) Dividends: **(A)** Preferred stock	2b(2)(A)	0	
	(B) Common stock	2b(2)(B)	0	
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		0
	(3) Rents	2b(3)		0
	(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)	1555525	
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)	1517855	
	(C) Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result	2b(4)(C)		37670
	(5) Unrealized appreciation (depreciation) of assets: **(A)** Real estate	2b(5)(A)	0	
	(B) Other	2b(5)(B)	0	
	(C) Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)**	2b(5)(C)		0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		245479
c Other income	2c		0
d Total income. Add all **income** amounts in column (b) and enter total	2d		1254782
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	601043	
(2) To insurance carriers for the provision of benefits	2e(2)	0	
(3) Other	2e(3)	0	
(4) Total benefit payments. Add lines **2e(1)** through **(3)**	2e(4)		601043
f Corrective distributions (see instructions)	2f		0
g Certain deemed distributions of participant loans (see instructions)	2g		0
h Interest expense	2h		0
i Administrative expenses: (1) Professional fees	2i(1)	0	
(2) Contract administrator fees	2i(2)	625	
(3) Investment advisory and management fees	2i(3)	0	
(4) Other	2i(4)	0	
(5) Total administrative expenses. Add lines **2i(1)** through **(4)**	2i(5)		625
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		601668
Net Income and Reconciliation			
k Net income (loss). Subtract line **2j** from line **2d**	2k		653114
l Transfers of assets:			
(1) To this plan	2l(1)		0
(2) From this plan	2l(2)		0

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) [ ] Unqualified **(2)** [ ] Qualified **(3)** [X] Disclaimer **(4)** [ ] Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [X] Yes [ ] No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: BONAMASSA, MAIETTA & CARTELLI LLP **(2)** EIN: 11-3554103

d The opinion of an independent qualified public accountant is **not attached** because:

(1) [ ] This form is filed for a CCT, PSA, or MTIA. **(2)** [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

		Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	4b		X	

			Yes	No	Amount
c	Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d	Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e	Was this plan covered by a fidelity bond?	4e	X		500000
f	Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g	Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h	Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i	Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j	Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k	Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l	Has the plan failed to provide any benefit when due under the plan?	4l		X	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m	X		
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3	4n	X		
o	Defined Benefit Plan or Money Purchase Pension Plan Only: Were any distributions made during the plan year to an employee who attained age 62 and had not separated from service?	4o			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? If "Yes," enter the amount of any plan assets that reverted to the employer this year ☐ **Yes** ☒ **No** **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	**5b(2)** EIN(s)	**5b(3)** PN(s)

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (See ERISA section 4021.)? ..... ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year_____. (See instructions.)

Part V Trust Information

6a Name of trust	**6b** Trust's EIN

6c Name of trustee or custodian	**6d** Trustee's or custodian's telephone number

HEREFORD INSURANCE COMPANY
PROFIT SHARING/401(K) PLAN

FINANCIAL STATEMENTS
DECEMBER 31, 2016

Bonamassa, Maietta & Cartelli, LLP
Certified Public Accountants

HEREFORD INSURANCE COMPANY
PROFIT SHARING/401(K) PLAN
DECEMBER 31, 2016

CONTENTS

Report of Independent Certified Public Accountants

Exhibit "A" - Statements of Net Assets Available for Plan Benefits as of December 31, 2016 and December 31, 2015

Exhibit "B" - Statement of Changes in Net Assets Available for Plan Benefits for the Year Ended December 31, 2016

Notes to Financial Statements

Schedule 1 - Schedule of Assets Held at End of Year - December 31, 2016

Schedule 2 - Schedule of Assets Both Acquired and Disposed of within the Plan Year, December 31, 2016

Schedule 3 - Schedule of Reportable Transactions

Bonamassa, Maietta & Cartelli, LLP
Certified Public Accountants
9001 Fifth Avenue
Brooklyn, New York 11209

JAMES D. BONAMASSA, CPA
LAWRENCE F. MAIETTA, CPA
VINCENT J. CARTELLI, CPA

TEL: (718) 921-7000
FAX: (718) 921-0926
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Trustee and Participants in the
Hereford Insurance Company
Profit Sharing/401(k) Plan
36-01 43rd Avenue
Long Island City, NY 11101

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Hereford Insurance Company Profit Sharing/401(k) Plan, which comprise the statements of net assets available for plan benefits as of December 31, 2016 and 2015, the related statement of changes in net assets available for plan benefits for the year ended December 31, 2016 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with

respect to the information summarized in Note 3, which was certified by Voya Retirement Insurance and Annuity Company, the record keeper of the Plan and Mid Atlantic Trust Company, the custodian of the Plan, as agents for the trustee of the Plan, and except for comparing the information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the record keeper and custodian hold the participant-directed portion of the Plan's investment assets and executes investment transactions for the same. The plan administrator has obtained a certification from the record keeper and the custodian, on behalf of the trustee, as of and for the years ended December 31, 2016 and 2015, that the information provided to the plan administrator by the record keeper and custodian as agent for the trustee is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

We were engaged for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules identified in the accompanying index, which are the responsibility of plan management, are presented for the purpose of additional analysis and are not a required part of the financial statements but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the supplemental schedules referred to above.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Bonamassa, Maietta & Cartelli, LLP

Bonamassa, Maietta & Cartelli, LLP
Certified Public Accountants

October 2, 2017

HEREFORD INSURANCE COMPANY
PROFIT SHARING/401(K) PLAN
EXHIBIT "A"
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
AS OF DECEMBER 31, 2016

ASSETS

	2016	2015
Investments, at fair value		
Participant directed		
Mutual funds	$ 5,617,250	$ 2,952,630
Investment contract	-	341,585
	5,617,250	3,294,215
Non-participant directed		
U.S Government agency and state obligations	-	526,254
Corporate bonds	-	940,552
Preferred stocks	-	25,000
Common stocks	-	13,905
	-	1,505,711
Total investments	5,617,250	4,799,926
Receivables		
Employer's contribution	-	888
Participant contribution	-	1,181
Participant loans	120,393	118,114
Interest receivable	-	13,014
Total receivables	120,393	133,197
Cash	-	195,869
Total assets	$ 5,737,643	$ 5,128,992

LIABILITIES

Securities payable	$ -	$ 25,000
Due to plan sponsor	95	5,521
Total liabilities	95	30,521
Net assets reflecting investments at fair value	5,737,548	5,098,471
Adjustment from fair value for benefit responsible investment contacts	-	(14,037)
Net assets available for plan benefits	$ 5,737,548	$ 5,084,434

The accompanying notes are an integral part of these financial statements.

HEREFORD INSURANCE COMPANY
PROFIT SHARING/401(K) PLAN
EXHIBIT "B"
STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2016

Additions to net assets attributed to:		
Investment income -		
Interest and dividends		$ 50,525
		50,525
Net appreciation in fair value of investments		269,112
		319,637
Participants' contributions		513,635
Employer's contribution		322,508
Participant rollover contribution		84,965
		921,108
Total additions		1,240,745
Deductions from net assets attributed to:		
Distributions to plan participants	$ 601,043	
Fees	625	
Total deductions		601,668
Net increase in plan assets		639,077
Net assets available for plan benefits:		
Balance - January 1, 2016		5,084,434
Adjustment from fair value for benefit responsible investment contacts		14,037
Balance - December 31, 2016		$ 5,737,548

The accompanying notes are an integral part of these financial statements.

Note 1. Description of Plan:

The following description of the Hereford Insurance Company Profit Sharing Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering all employees who have one year of service and are age twenty-one or older. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan includes a 401(k) feature whereby participants may elect to contribute to the Plan on a pre-tax basis. Participants are eligible to contribute to the 401(k) portion of the Plan after completing six months of service. Effective January 1, 2013 the Plan was amended to include a safe harbor 401(k) matching contribution. The Plan may make discretionary employer contributions. The Plan's Trustees voted to change the Plan's record keeper to Paychex Retirement Services and Mid Atlantic Trust Company, as the custodian of the Plan. Said change commenced October 8, 2016.

Contributions

Each year, participants may contribute up to the Internal Revenue Service prescribed limits of pretax annual compensation, as defined in the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may contribute amounts representing distributions from other qualified defined benefit or contribution plans. Effective January 1, 2013 the Plan was amended to include a safe harbor 401(k) matching contribution for eligible employees. Eligible employees for safe harbor matching 401(k) contributions are those employees, who completed a minimum of six months of service, are credited with 83.3 hours of service in each month and elect salary deferrals into the Plan. The safe harbor contribution will be a match of 100% of the first 3% of salary deferral plus 50% of the next 2% of salary deferral calculated each payroll period. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan permits the Employer to contribute profit sharing contributions and qualified non-elective contributions at the sole discretion of the Employer. Profit sharing contributions will be allocated to eligible employees. In order to be eligible for a profit sharing contribution the employee must be actively employed on the last day of the plan year, must have reached the age of twenty-one and must have completed 1,000 hours of service during the Plan year. The Employer may make

Note 1. Description of Plan – continued:

additional qualified non-elective contributions in order to help pass various non-discriminative tests for the 401(K) portion of the Plan. Contributions are subject to certain limitations. Contributions in the amount of $322,508 and $249,531 were made for the Plan years ended December 31, 2016 and 2015, respectively.

Participant Accounts

Each participant's account is credited or charged with each participant's share of contributions, Company matching contributions, allocations of the Company's profit sharing contributions, Plan earnings (if any) are charged with an allocation of administrative expenses. Allocations are based upon participant earnings or account balances, as defined.

Vesting

Employee contributions, employer safe harbor matching contributions and additional qualified non-elective contributions (if made) plus earnings thereon are immediately vested. Vesting in employer profit sharing contributions portion of participant accounts, plus earnings thereon, is based upon years of continuous service. A participant is one hundred percent (100%) vested after six (6) years of continuous service for employer profit sharing contributions.

Participant loans

Participants may borrow up to 50% of their vested portion of their account subject to a maximum of $50,000 and a minimum of $1,000. Loans will bear interest at 1% above prime with principal and interest to be paid ratably through bi-weekly payroll deductions.

Payment of Benefits

On termination of service due to death, disability or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account or may delay the receipt of benefits, unless a distribution is required to be made as per Plan and IRS guidelines. For termination of service due to other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

Note 1. Description of Plan – continued:

Forfeited Accounts

At December 31, 2016 and 2015, forfeited non-vested accounts totaled $1,129 and $-0- respectively. These accounts may be used to reduce employer contributions.

Note 2. Summary of Significant Accounting Policies:

Basis

The financial statements are prepared under the accrual basis of accounting.

Investment Valuation

The Plan's investments are stated at fair value. If available, quoted market prices are used to value investments. The Plan's investment contract is reported at fair value by the Plan's record keeper. The fair value reflects the approximate amount that would have been paid if the contract had been terminated as of last day of the reporting period and potential surrender charges and market value adjustments were applied as of such date. Participant's loans are valued at their outstanding balances, which approximate fair value.

Purchase and sales of security are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Fair Value of Financial Instruments

The Plan's Management has estimated the fair value of financial instruments using available market information and other valuation methodologies in accordance with FASB ASC 825-10-50 formerly SFAS No. 107, "Disclosures About Fair Value of Financial Instruments". Management of the Plan believes that the fair value of financial instruments, consisting of accounts receivable and payable, approximates carrying value due to the short payment terms associated with its accounts receivable and payable.

Note 2. Summary of Significant Accounting Policies - continued:

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires the plan administrators to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Accordingly, actual results could differ from those estimates.

Payment of Benefits

Benefits are recorded when paid.

Expenses

Certain expenses of maintaining the Plan are paid directly by the Company and are excluded from these financial statements. Investment related expenses are included in net appreciation of fair value of investments.

Subsequent Events

The Plan has evaluated subsequent events through October 2, 2017, the date the financial statements were available to be issued.

Note 3. Information Prepared and Certified by the Record Keeper:

The following information included in the accompanying financial statements and supplemental schedules was obtained from data that has been prepared and certified to as complete and accurate by the custodian of the Plan as of December 31, 2016 and the Plan's record keeper, as agent for the trustee of the Plan as December 31, 2015.

	December 31, 2016	December 31, 2015
Investments, at fair value:		
Mutual Funds	$ 5,617,250	$ 2,952,630
Investment contract	---	341,585
Net investment income from registered investment companies	231,442	24,480

Note 4. Investments:

During the year ended December 31, 2016 the Plan's investments (including investments bought, sold and held during the year) increased in value by $269,112 attributable to mutual funds, government and agency obligations, corporate debt, preferred and common stock.

Note 5. Investment Contract with Insurance Company:

The Plan entered into a benefit responsive investment contract with Voya Life Insurance & Annuity Company for participant-initiated transaction. Voya maintained the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The contract is included in the financial statements at fair market value. The fair value of the investment contract was $ -0- and $341,585 at December 31, 2016 and December 31, 2015, respectively. The contract is not considered fully benefit responsive as there are restrictions in the investment contract that prevent immediate and full payout of the contract value for plan initiated transactions. The investment contract with Voya was terminated on December 8, 2016 due to the transfer of assets from Voya to the Mid Atlantic Trust Company.

Note 6. Fair Value of Financial Instruments:

Effective January 1, 2008 The Plan adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157) (FASB ASC 820-10), which provides a framework for measuring fair value under GAAP. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS 157 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. The Valuation Hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the Valuation Hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of the Valuation Hierarchy and the distribution of the Company's financial assets within it are as follows:

Note 6. Fair Value of Financial Instruments - continued:

- Level 1 – inputs to the valuation of methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following marketable securities are re-measured to fair value on a recurring basis:

		Fair Value Measurements at Reporting Date Using		
December 31, 2016	Fair Value	Quote Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 5,617,250	$ 4,610,208	$ ---	$ 1,007,042
Total Assets	$ 5,617,250	$ 4,610,208	$ ---	$ 1,007,042

Note 6. Fair Value of Financial Instruments - continued:

December 31, 2015	Fair Value	Quote Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 2,952,630	$ ---	$ ---	$ 2,952,630
Investment contract	341,585	---	---	341,585
US Government agency and state obligations	526,254	526,254	---	---
Corporate bonds	940,552	940,552	---	---
Preferred stocks	25,000	25,000	---	---
Common stock	13,905	13,905	---	---
Total Assets	$ 4,799,926	$ 1,505,711	$ ---	$ 3,294,215

The investment contract and mutual funds that are not actively traded and significant other observable inputs are not available. Thus, the fair value of the investment contract and mutual funds are determined by the amount that would have been paid if the contract had terminated as of the day of the reporting period. Potential surrender charges and market value adjustments have been applied as of such date. The following table provides further details of the Level 3 fair value measurements at December 31, 2016 and 2015.

Note 6. Fair Value of Financial Instruments - continued:

December 31, 2016	Mutual Funds & Investment Contract
Beginning balance	$ 3,294,215
Total gains or losses (realized and unrealized) purchases, sales, issuances, and settlements (net)	(2,287,173)
Ending balance	$ 1,007,042

December 31, 2015	Mutual Funds & Investment Contract
Beginning balance	$ 2,944,731
Total gains or losses (realized and unrealized) purchases, sales, issuances, and settlements (net)	349,484
Ending balance	$ 3,294,215

Note 7. Concentration of Credit Risk

At December 31, 2016, the Plan maintained money market funds with one banking institution. Such balances are not FDIC insured. The Plan has not experienced any losses on its cash accounts.

Note 8. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

Note 9. Tax Status

The Internal Revenue Service has determined and informed the Company by a letter dated April 9, 2010 that the Plan is designed in accordance with applicable sections of the Internal Revenue Code. The Plan administrator believes the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

Note 10. Risk and Uncertainties

The Plan invests in various investments securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets for plan benefits.

Note 11. Related Parties

The Plan's sponsor, the Hereford Insurance Company, absorbs certain plan administration expenses.

Due to Plan sponsor consists of employer matching contributions in excess of permitted amounts in the amount of $95 and $5,521 as of December 31, 2016 and 2015, respectively. Said amounts have been subsequently refunded to the Plan sponsor.

Certain plan investments are shares of mutual funds managed by Voya Retirement Insurance and Annuity Company ("Voya"). Voya was the record keeper of the Plan through December 8, 2016, and, therefore, these transactions qualify as party in interest transactions. Fees incurred by the Plan for the investment management services are included in net appreciation in fair value of the investment, as they are paid through revenue sharing, rather than a direct payment.

HEREFORD INSURANCE COMPANY
PROFIT SHARING/401(K) PLAN
SCHEDULE 1
SCHEDULE OF ASSETS HELD AT END OF YEAR
DECEMBER 31, 2016

	SHARES	COST	MARKET VALUE
Participant Directed			
Mutual Funds			
* American Beacon Bridgeway Large Cap	112		2,927
* Hartford Core Equity Fund Class Y	140		3,717
* ClearBridge Aggressive Growth Fund Class IS	2,648		553,594
* American Funds New Perspective Fund Class R-6	19,222		679,121
* Reliance Trust Stable Value Fd - MetLife Series	6,143		1,007,042
* Vanguard 500 Index Fund Investor Class	555		114,736
* Vanguard Mid-Cap Index Fund Admiral Shares	2,532		412,554
* Vanguard Small-Cap Index Fund Admiral Shares	10,503		648,757
* Oppenheimer International Diversified Fund	265		3,717
* John Hancock Income Fund Class R6	84,223		538,185
* Nuveen Inflation Protected Securities Fund Class I	533		5,897
* Prudential Total Return Bond Fund Class Q	36,789		518,731
* American Funds American Balanced Fund Class R-6	15,540		385,559
* American Funds 2055 Target Date Retirement Fund Class R-6	765		12,105
* American Funds 2010 Target Date Retirement Fund Class R-6	2,933		29,861
* American Funds 2015 Target Date Retirement Fund Class R-6	7,591		81,680
* American Funds 2020 Target Date Retirement Fund Class R-6	2,914		33,457
* American Funds 2025 Target Date Retirement Fund Class R-6	8,446		101,431
* American Funds 2030 Target Date Retirement Fund Class R-6	7,286		91,362
* American Funds 2035 Target Date Retirement Fund Class R-6	6,266		79,072
* American Funds 2040 Target Date Retirement Fund Class R-6	2,433		31,245
* American Funds 2045 Target Date Retirement Fund Class R-6	4,708		61,108
* American Funds 2050 Target Date Retirement Fund Class R-6	478		6,065
* American Funds 2060 Target Date Retirement Fund Class R-6	157		1,624
* Fidelity Four-in-one Index	214		8,206
* The Hartford Balanced Income Fund Class Y	14,632		204,159
* Oppenheimer Portfolio Series Active Allocation Fund Class Y	107		1,338
Total Mutual Funds	238,135		5,617,250
Participant loans, 5.25%, due 2017 -2023			120,393
Total assets			$ 5,737,643

* Cost information is not available from the custodian

See auditor's report.

HEREFORD INSURANCE COMPANY
PROFIT SHARING/401(K) PLAN
SCHEDULE 2
SCHEDULE OF ASSETS
BOTH ACQUIRED AND DISPOSED OF WITHIN THE PLAN YEAR
DECEMBER 31, 2016

SECURITY NAME	SHARES	COST	PROCEEDS
None	None	$ -	$ -
		$ -	$ -

See auditor's report.

HEREFORD INSURANCE COMPANY
PROFIT SHARING/401(K) PLAN
SCHEDULE 3
SCHEDULE OF REPORTABLE TRANSACTIONS
DECEMBER 31, 2016

SECURITY NAME	SHARES	PURCHASE	SALE
None	None	$ -	$ -
		$ -	$ -

See auditor's report.