

REPORT ON EXAMINATION
OF THE
CHERRY VALLEY COOPERATIVE INSURANCE COMPANY
AS OF
DECEMBER 31, 2003

DATE OF REPORT:

AUGUST 4, 2005

EXAMINER:

WARREN YOUNGS

Table of Contents

	<u>Page No.</u>
1. Scope of examination	2
2. Description of Company	2
A. Management	3
B. Territory and plan of operation	5
C. Reinsurance	6
D. Holding company system	8
E. Significant operating ratios	9
F. Abandoned property	10
G. Accounts and Records	10
3. Financial Statements	12
A. Balance sheet	12
B. Underwriting and investment exhibit	15
4. Losses	17
5. Loss adjustment expenses	17
6. Market Conduct Activities	18
7. Compliance with prior report on examination	20
8. Summary of comments and recommendations	22



STATE OF NEW YORK
INSURANCE DEPARTMENT
ONE COMMERCE PLAZA
ALBANY, NEW YORK 12257

George E. Pataki
Governor

Howard Mills
Superintendent

August 4, 2005

Honorable Howard Mills
Superintendent of Insurance
Albany, New York 12257

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 22219, dated May 5, 2004, attached hereto, I have made an examination into the condition and affairs of the Cherry Valley Cooperative Insurance Company as of December 31, 2003 and submit the following report thereon.

The examination was conducted at the Company's home office located at 8800 Sheridan Drive, Williamsville, New York 14221.

Wherever the designations "the Company" or "CVCIC" appear herein without qualification, they should be understood to indicate the Cherry Valley Cooperative Insurance Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York Insurance Department.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1999. This examination covered the four-year period from January 1, 2000 through December 31, 2003, and was limited in its scope to a review or audit of only those balance sheet items considered by this Department to require analysis, verification or description, including: invested assets, inter-company balances, loss and loss adjustment expense reserves and the provision for reinsurance. The examination included a review of income, disbursements and company records deemed necessary to accomplish such analysis or verification and utilized, to the extent considered appropriate, work performed by the Company's independent public accountants.

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters, which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was organized on April 17, 1880 for the purpose of transacting business as an assessment cooperative fire insurance company in the Towns of Cherry Valley, Roseboom, and Westfield in Otsego County of New York State. In 1915, this Department permitted the Company to extend its territory to include Montgomery, Otsego and Schoharie Counties of this State.

By means of a charter amendment dated May 3, 1983, the Company changed its name to the Cherry Valley Cooperative Insurance Company and increased its territory to include all the

counties of this state, excluding the counties of New York, Kings, Queens, Bronx and Richmond. This charter amendment also authorized the Company to write those kinds of insurance specified in subsections (a), (b) and (c) of Section 6605 of the New York Insurance Law.

On April 1, 1985, the Company converted to an advance premium corporation. At the time of conversion, the Company became qualified to write non-assessable policies, extended its territorial limits to include the entire State of New York and, wherever authorized by law, any other state and the District of Columbia.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than nine nor more than fifteen members. As of the examination date, the board of directors was comprised of nine members.

One board meeting and three executive committee meetings were held in 2000, for each of the other years during the period under examination, two board meetings and two executive committee meetings were held, thereby complying with Section 6624(b) of the New York Insurance Law.

The directors as of December 31, 2003 were as follows:

Director

Gordon Paul Assad
East Aurora, NY

Donald Raymond Crosby
Williamsville, NY

James Walter Fulmer
LeRoy, NY

Principal Business Affiliation

Chairman of the board & President/CEO of CVCIC; Director and President/CEO of Erie and Niagara Insurance Association; Director & President of E & N Financial Services, Inc.

Vice President, The Notable Corporation

President of Tompkins Trustco, Inc.; Director of Erie and Niagara Insurance Association

DirectorPrincipal Business Affiliation

Robert Harmon Lowe
Geneseo, NY

Vice President/Secretary of CVCIC; Director and Vice President/Secretary of Erie and Niagara Insurance Association; Director and Vice President/Secretary of E & N Financial Services, Inc.

Benjamin Charles Mancuso
Batavia, NY

Chairman of the board of Erie and Niagara Insurance Association

John Alan Noble
Pavilion, NY

Owner of NobleHurst Farms; Director of Erie and Niagara Insurance Association

Philip Stanley Sandler
Williamsville, NY

Financial Analyst

Robert Louis Scramlin
Cherry Valley, NY

Associate, Wal-Mart Distribution Center

Everett Gordon Yerdon
Roseboom, NY

Mechanic, Otsego County Highway Department

The minutes of all of the Board of Directors' meetings and committees thereof held during the examination period were reviewed. Such review indicated that all of the meetings were well attended. Each of the directors had a satisfactory attendance record for the board meetings held.

Each of the director's qualifications, as set forth in Article IV of the Company's charter and Article II Section 1 of its by-laws, was reviewed and it appears that each director was duly qualified.

At December 31, 2003, the officers of the Company were as follows:

Chairman of the Board, President/CEO
Vice President & Secretary
Treasurer

Gordon Paul Assad
Robert Harmon Lowe
Norman John Orłowski, Jr.

During the review of the Company's charter, by-laws and its corporate minute books it was found that the Company violated several sections of its by-laws during the period under examination. Thus, it is recommended that the Company adhere to all the provisions of its by-laws, henceforth. It is noted that a similar recommendation was included in the prior report.

B. Territory and Plan of Operation

The Company is licensed to transact business within the entire State of New York. The Company writes in New York State only.

The following table shows the direct premiums written by the Company in New York for the period under examination:

<u>Calendar Year</u>	<u>Direct Premiums Written (000's)</u>
2000	\$249
2001	259
2002	264
2003	261

As of December 31, 2003, the Company was 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>Kind of Insurance</u>
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
12	Collision
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland marine only)

The Company was also licensed as of December 31, 2003, to accept and cede reinsurance as provided in Section 6606 of the Insurance Law of the State of New York.

Based upon the lines of business for which the Company is licensed, and pursuant to the requirements of Articles 13, 41 and 66 of the New York Insurance Law, as of December 31, 2003, the Company is required to maintain a minimum surplus to policyholders in the amount of \$376,968.

At December 31, 2003, the Company wrote insurance through an independent agent and the subsidiary of the Erie and Niagara Insurance Association, an affiliate of the Company. The Company's predominate lines of business are homeowners multiple peril, commercial multiple peril and other liability, which accounted for 20.85%, 28.72% and 44.84%, respectively, of the Company's 2003 direct written business.

C. Reinsurance

The Company assumed business during the examination period, from its affiliate, the Erie and Niagara Insurance Association ("Erie and Niagara"). As of December 31, 2003, the property excess of loss contract provided for the assumption, on the part of Cherry Valley from Erie and Niagara, of \$15,000 in excess of \$160,000 per risk, per occurrence. The business assumed from Erie and Niagara during 2003 amounted to approximately 49.45% of CVCIC's written premium.

The Schedule F's as contained in the Company's Annual Statements filed for the years within the examination period were found to contain a few numerical inaccuracies. In several instances the Company inaccurately reported its assuming reinsurers in the Schedule F's filed for the years 2000 through 2002. The assuming reinsurers reported in the 2003 Schedule F appear to be correct.

The December 31, 1999 Report on Examination contained a recommendation that the Company accurately complete the Schedule F's filed with this Department. In view of the above, it appears that the Company has not fully complied with the recommendation from the prior report. In correspondence dated September 8, 2004, the Company agreed to be more careful in the completion of future Schedule F's filed with the Department. Nevertheless, it is recommended that the Company accurately complete the Schedule F's filed with this Department.

The examiner reviewed all ceded reinsurance contracts effected during the examination period. These contracts all contained the required standard clauses including insolvency clauses meeting the requirements of Section 1308 of the New York Insurance Law.

Relative to the property classes of business, as of December 31, 2003, the Company had the following reinsurance program in place:

Obligatory First Surplus	Five times the Company's net retention per risk, with a maximum cession of \$200,000, and a minimum retention of \$20,000 per risk.
Multiple Line Facultative	Four times the Company's net retained liability, subject to a maximum of \$160,000 and a minimum retention of \$2,500 as respects one risk. Higher limits are on an offer and acceptance basis.

As of December 31, 2003, the Company had the following casualty excess of loss reinsurance program in place:

Casualty	\$675,000 in excess of \$25,000, any one loss occurrence.
----------	---

As of December 31, 2003, the Company also maintained an Aggregate Excess of Loss contract providing coverage of 95% of 100% of subject net premiums earned or 95% of \$336,000, whichever is the lesser, in excess of 75% of subject net premiums earned or \$168,000, whichever is the greater.

In addition, the Company had a Personal, Farm & Commercial Umbrella Binding Authority contract providing coverage of 95% of the Company's net liability of the first \$1,000,000 and 100% of \$4,000,000 in excess of \$1,000,000 for each policy.

All of the Company's cessions during the period 2000 through 2002 were to authorized or accredited reinsurers. In 2003 the majority of the cessions were to authorized or accredited reinsurers; however, an unauthorized reinsurer was placed on two of the Company's reinsurance contracts. No amounts were recoverable from the unauthorized reinsurer as of December 31, 2003.

The Company's net retention of \$25,000 on its casualty business and \$40,000 on its property business has remained the same since the date of the prior examination, December 31, 1999.

D. Holding Company System

The Company was not a member of a holding company system at December 31, 2003.

As of December 31, 2003, the Company was affiliated with the Erie and Niagara Insurance Association, of Williamsville, New York by virtue of common officers, directors and management.

The two insurers entered into a service agreement, effective July 2, 1990, whereby Erie and Niagara provides specified services to the Company.

The agreement further provides for expenses incurred and paid for by Erie and Niagara in the course of providing services under this agreement, to be allocated between the two companies in a manner consistent with Department Regulation 30. This Department issued a letter of non-objection relative to the implementation of the agreement on August 23, 1990.

The Company assumed business during the examination period, from its affiliate, Erie and Niagara. See section 2(C) Reinsurance of this report for additional information.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2003, based upon the results of this examination:

Net premiums written in 2003 to Surplus as regards policyholders	.25 to 1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	7.33%
Premiums in course of collection to Surplus as regards policyholders	0.52%
Investment Yield	2.09%

Except for the Investment Yield ratio, the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The benchmark range for the Investment Yield ratio is greater than 4.50% and less than 10.00%. The Company has failed this ratio in all four years under examination. A contributing factor for these failures was that the Company was paying interest on its outstanding Section 1307 Surplus Notes and this has a direct negative impact on the results of this ratio.

The underwriting ratios presented below are on an earned-incurred basis and encompass the four-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses incurred	\$435,454	38.39%
Loss expenses incurred	66,580	5.87%
Other underwriting expenses incurred	440,745	38.85%
Net underwriting gain (loss)	<u>191,597</u>	<u>16.89%</u>
 Premiums earned	 <u>\$1,134,376</u>	 <u>100.00%</u>

F. Abandoned Property

During the period covered by this examination, the Company filed reports with the state comptroller that generally complied with the requirements of the New York Abandoned Property Law.

It is noted that the Company has written procedures related to the handling of unclaimed funds.

G. Accounts and Records

i. Approval of Investments

Section 1411(a) of the New York Insurance Law states, in part, that “No domestic insurer shall make any loan or investment ... unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan. The committee’s minutes shall be recorded and a report submitted to the board of directors at its next meeting.”

During the review of the Company’s investments to determine if they were properly approved, it was determined that the Company was not having its board approve all of its investments. Thus, the Company was not complying with the requirements of Section 1411(a).

Therefore, it is recommended that the Company comply with the requirements of Section 1411(a) of the New York Insurance Law by having all of its investments authorized or approved as indicated in such section. It is noted that a similar recommendation was included in the previous report on examination.

ii. CPA Contracts

The Company's CPA contracts for 2001, 2002 and 2003 did not meet all the requirements of Department Regulation 118. After bringing such requirements to the attention of Company management, the 2003 agreement was brought into compliance. In correspondence dated December 13, 2004, the Company indicated that future agreements with its CPA firm would comply with Regulation 118.

Nevertheless, it is recommended that the Company ensure that its contracts with its CPA firm covering all future audit years meet the requirements of Department Regulation 118.

3. FINANCIAL STATEMENTS

A. Balance sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of December 31, 2003. This statement is the same as the balance sheet filed by the Company. The figures included in these financial statements have been rounded.

<u>Assets</u>	<u>Ledger Assets</u>	<u>Non Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$520,366	\$	\$520,366
Cash	803,487		803,487
Investment income due and accrued	10,293		10,293
Uncollected premiums and agents' balances in the course of collection	6,855	380	6,475
Deferred premiums, agents' balances and installments booked but deferred and not yet due	23,813		23,813
Reinsurance: Amounts recoverable from reinsurers	227		227
Aggregate write-ins for other than invested assets	<u>4,143</u>	_____	<u>4,143</u>
Total assets	<u>\$1,369,184</u>	<u>\$380</u>	<u>\$1,368,804</u>

Liabilities & Surplus

Losses	\$45,744
Loss adjustment expenses	8,272
Commissions payable, contingent commissions and other similar charges	4,877
Other expenses (excluding taxes, licenses and fees)	399
Unearned premiums	37,999
Advance premiums	4,001
Ceded reinsurance premiums payable (net of ceding commissions)	14,663
Amounts withheld or retained by company for account of others	(30)
Payable to parent, subsidiaries and affiliates	3,776
Aggregate write-ins for liabilities	<u>1,844</u>
 Total liabilities	 <u>\$121,545</u>
 Required surplus	 \$ 376,968
Surplus notes	150,000
Unassigned funds (surplus)	<u>720,291</u>
 Surplus as regards policyholders	 <u>\$1,247,259</u>
 Total liabilities and surplus as regards policyholders	 <u>\$1,368,804</u>

As of December 31, 2003, the Company had outstanding Section 1307 loans payable in the amount of \$150,000 and accrued interest thereon totaling \$13,118. These loans, in the form of notes, bear an interest rate of 7.0% and were issued May 1, 1985. Pursuant to the provisions of Section 1307 of the New York Insurance Law, said amounts shall not form a part of the legal liabilities of the insurer, but shall be reported in a footnote to all financial statements.

Furthermore, repayment of the loans and the interest thereon shall only be made out of free and divisible surplus of the Company and only with the approval of the Superintendent. It is noted

that, as of December 31, 2003, Erie and Niagara Insurance Association, an affiliate, held the notes.

On November 30, 2004 this Department granted approval for the Company to repay the balance of its outstanding Section 1307 Note of \$150,000. Such note was paid off on December 30, 2004.

The Internal Revenue Service did not audit the Company's federal income tax returns for the years under examination. Audits covering subsequent tax years have yet commence. The examiner is unaware of any potential exposure of the Company to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased by \$248,856 during the four-year examination period, January 1, 2000 to December 31, 2003, detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$1,134,376
Losses incurred	\$435,454	
Loss expenses incurred	66,580	
Other underwriting expenses incurred	<u>440,745</u>	
Total underwriting deductions		<u>942,779</u>
Net underwriting gain (loss)		\$191,597

Investment Income

Net investment income earned	\$122,662	
Net realized capital gains or (losses)	<u>0</u>	
Net investment gain or (loss)		122,662

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$(1,924)	
Finance and service charges not included in premiums	11,288	
Aggregate write-ins for miscellaneous income	<u>7</u>	
Total other income		<u>9,371</u>
Net income before federal income taxes		\$323,630
Federal income taxes incurred		<u>0</u>
Net income (loss)		<u>\$323,630</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 1999, per prior report on examination			\$998,403
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income or loss	\$323,630	\$ 0	
Change in non-admitted assets	226	0	
Change in surplus notes	<u>0</u>	<u>75,000</u>	
Total gains and losses	<u>\$323,856</u>	<u>\$75,000</u>	
Net increase in surplus as regards policyholders			<u>248,856</u>
Surplus as regards policyholders, December 31, 2003 per report on examination			<u>\$1,247,259</u>

4. LOSSES

The examination liability of \$45,744 is same as the amount reported by the Company in its 2003 filed annual statement.

The Department's analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements. Such analysis indicated that the Company's loss reserves appear adequate as of December 31, 2003.

Several discrepancies were found when reviewing the claim counts reported in the Company's 2003 Schedule P. In correspondence dated November 15, 2004, the Company agreed to take corrective action regarding this matter. Nevertheless, it is recommended that the Company complete future Schedule P's filed with this Department in accordance with the annual statement instructions regarding claim counts.

5. LOSS ADJUSTMENT EXPENSES

The examination liability of \$8,272 is same as the amount reported by the Company in its 2003 filed annual statement.

The Department's analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements. Such analysis indicated that the Company's loss adjustment expense reserves appear adequate as of December 31, 2003.

6. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants.

The review was general in nature and is not to be construed to encompass the generally more precise scope of a market conduct investigation.

The general review was directed at practices of the Company in the following areas:

- 1) Sales and advertising
- 2) Underwriting
- 3) Rating
- 4) Treatment of policyholders and claimants

Except as noted below, no unfair practices were encountered.

Section 3245 of the New York Insurance Law

During the review of non-renewal notices issued by the Company, it was found that the Company non-renewed personal lines policies mid-term for other than the statutory reasons put forth in Section 3425(c)(2) of the New York Insurance Law, which is in violation of Section 3425(e) of the New York Insurance Law.

Thus, it is recommended that the Company comply with the requirements of Section 3425(e) of the New York Insurance Law and not non-renew personal lines policies midterm for other than the statutory reasons put forth in Section 3425(c)(2) of the New York Insurance Law. It is noted that a similar recommendation regarding compliance with Section 3425(e) of the New York Insurance Law was included in the prior report.

Section 2314 of the Insurance Law

During the review of the Company's rating practices it was found that the Company was not charging its filed rates on homeowner policies and mobile homeowners policies in some cases.

Section 2314 of the New York Insurance Law states, in part, that "No authorized insurer shall...charge or demand a rate or receive a premium which departs from the rates, rating plans, classifications, schedules, rules and standards in effect on behalf of the insurer..."

In correspondence dated January 19, 2005 the Company indicated that it would take corrective action regarding this matter. Nevertheless, it is recommended that the Company comply with Section 2314 of the New York Insurance Law by charging rates that do not depart from the rates, rating plans, classifications, schedules, rules and standards it has in effect.

Department Regulation 64

Department Regulation 64 Part 216.11 states, in part, that "... All communications and transactions, whether written or oral, emanating from or received by the insurer shall be dated by the insurer ..." During the review of the Company's claim files it was found that some written correspondence therein was not dated when received by the Company.

In correspondence dated January 6, 2005 the Company indicated that it would take corrective action regarding this matter. Nevertheless, it is recommended that the Company comply with the requirements of Department Regulation 64 Part 216.11 regarding the dating of all communications and transactions.

7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report contained comments and recommendations as follows: (page numbers refer to the prior report on examination):

<u>Item</u>	<u>Page No.</u>
A. <u>Management</u>	
i. Recommendation that the Company adhere to all the provisions of its charter and by-laws, henceforth.	5
The Company has not complied with this recommendation as regards its by-laws. See Section 2(A) of this report.	
ii. Recommendation that the Company adhere to all the provisions of the New York Business Corporation Law in the future.	5
The Company has complied with this recommendation.	
iii. Recommendation that the Company maintain formal minutes of all nominating committee meetings, as required by Section 6611(a)(3) of the New York Insurance Law.	6
The Company has complied with this recommendation.	
B. <u>Reinsurance</u>	
Recommendation that the Company accurately complete the Schedule F's filed with this Department.	8
The Company has not fully complied with this recommendation. See Section 2(C) of this report.	

<u>Item</u>	<u>Page No.</u>
C. <u>Approval of Investments</u>	
<p>Recommendation that the Company comply with the requirements of Section 1411(a) of the New York Insurance Law by having all of its investments authorized or approved as indicated in such section.</p> <p>The Company has not complied with this recommendation. See Section 2(G)(i) of this report.</p>	13
D. <u>Market Conduct Activities</u>	
<p>i. Recommendation that the Company comply with all the provisions of Section 3403 of the New York Insurance Law and Department Regulation No. 96, henceforth.</p> <p>The Company has complied with this recommendation.</p>	21
<p>ii. Recommendation that the Company comply with all the provisions of Sections 3425 and 3426 of the New York Insurance Law.</p> <p>The Company has not complied with the part of the recommendation dealing with Section 3425. See Section 6 of this report.</p>	21

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following is a summary of comments and recommendations made in the body of this report:

<u>Item</u>	<u>Page No.</u>
<p>A. <u>Management</u></p> <p>It is recommended that the Company adhere to all the provisions of its by-laws, henceforth. It is noted that a similar recommendation was included in the prior report.</p>	5
<p>B. <u>Reinsurance</u></p> <p>It is recommended that the Company accurately complete the Schedule F's filed with this Department. It is noted that a similar recommendation was included in the previous report on examination.</p>	7
<p>C. <u>Accounts and Records</u></p> <p style="padding-left: 20px;">i. <u>Approval of Investments</u></p> <p>It is recommended that the Company comply with the requirements of Section 1411(a) of the New York Insurance Law by having all of its investments authorized or approved as indicated in such section. It is noted that a similar recommendation was included in the previous report on examination.</p>	11

<u>Item</u>	<u>Page No.</u>
ii. <u>CPA Contracts</u> It is recommended that the Company ensure that its contracts with its CPA firm covering all future audit years meet the requirements of Department Regulation 118.	11
D. <u>Losses</u> It is recommended that the Company complete future Schedule P's filed with this Department in accordance with the annual statement instructions regarding claim counts.	17
E. <u>Market Conduct Activities</u>	
i. It is recommended that the Company comply with the requirements of Section 3425(e) of the New York Insurance Law and not non-renew personal lines policies midterm for other than the statutory reasons put forth in Section 3425(c)(2) of the New York Insurance Law. It is noted that a similar recommendation regarding compliance with Section 3425(e) of the New York Insurance Law was included in the prior report.	18
ii. It is recommended that the Company comply with Section 2314 of the New York Insurance Law by charging rates that do not depart from the rates, rating plans, classifications, schedules, rules and standards it has in effect.	19
iii. It is recommended that the Company comply with the requirements of Department Regulation 64 Part 216.11 regarding the dating of all communications and transactions.	19

Respectfully submitted,

WY
Warren Youngs
Principal Examiner

STATE OF NEW YORK

) ss:

COUNTY OF ALBANY

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

WY
Warren Youngs
Principal Examiner

Sworn to before me this

5 TH day of AUGUST, 2005

WY

Notary Public

JEANNE M. BURDGE
Notary Public, State of New York
Qualified in Albany County
No. 01306076509
Commission Expires April 21, 2007

Appointment No 22219

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

Warren Youngs

as proper person to examine into the affairs of the

Cherry Valley Co-operative 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 Albany,

this 5th day of May-2004



A handwritten signature in black ink, appearing to read "Gregory V. Serio", is written over a horizontal line.

GREGORY V. SERIO
Superintendent of Insurance