

REPORT ON EXAMINATION

OF THE

COMMUNITY MUTUAL INSURANCE COMPANY

AS OF

DECEMBER 31, 2013

DATE OF REPORT

APRIL 21, 2015

EXAMINER

WAYNE LONGMORE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

April 21, 2015

Honorable Maria T. Vullo
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30911 dated June 4, 2013, attached hereto, I have made an examination into the condition and affairs of Community Mutual Insurance Company as of December 31, 2013, and submit the following report thereon.

Wherever the designation “the Company” or “CMIC” appears herein without qualification, it should be understood to indicate Community Mutual Insurance Company.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company’s home office located at 433 River Street, Suite 8002, Troy, NY 12180.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Company, a single-state insurer. The previous examination was conducted as of December 31, 2008. This examination covered the five-year period from January 1, 2009 through December 31, 2013. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

This examination report includes a summary of significant findings for the following items as called for in the Handbook:

- Company history
- Corporate records
- Management and control
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements
- Summary of recommendations

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 that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

An organizational meeting of the Bethlehem Mutual Insurance Association was held in 1854. The Company was incorporated on April 9, 1875, for the purpose of transacting business as an assessment co-operative fire insurance company in the Town of Bethlehem, Albany County, New York.

The Bethlehem Mutual Insurance Association and the New Scotland Mutual Insurance Company merged effective August 31, 1962. The surviving company was known as the Bethlehem and New Scotland Mutual Insurance Company. On December 1, 1992, a merger was effected with the Co-operative Fire Insurance Corporation of Bergholz, New York with the Bethlehem and New Scotland Mutual Insurance Company continuing as the surviving company.

Effective January 1, 1993, the Bethlehem and New Scotland Mutual Insurance Company converted to an advance premium co-operative property/casualty insurance company and changed its name to Community Mutual Insurance Company.

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 seven nor more than eighteen directors.

The board meets at least four times during each calendar year, thereby complying with Section 6624(b) of the New York Insurance Law.

At December 31, 2013, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
David W. Becker East Greenbush, NY	Owner, Becker Farms
Mona Smith DeMay Sand Lake, NY	Retired

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Jennifer P. Galfetti Montpelier, VT	Treasurer, Union Mutual of Vermont Companies
Peter Baird Joslin, Jr. Albany, NY	Attorney, O'Connor, O'Connor, Bresee and First, P.C.
Michael W. Nobles Montpelier, VT	President/ Chief Executive Officer, Union Mutual of Vermont Companies; Chairman & Chief Executive Officer, Community Mutual Insurance Company
Gary H. Ouellette Montpelier, VT	Senior Vice President of Operations, Union Mutual of Vermont Companies
Thomas A. White Troy, NY	President, Community Mutual Insurance Company

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each member has an acceptable record of attendance.

As of December 31, 2013, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Michael W. Nobles	Chairman of the Board and Chief Executive Officer
Thomas A. White	President
Jennifer Parker Galfetti	Treasurer
Lisa Lynn Keysar	Corporate Secretary

The minutes of the board meeting dated November 18, 2013 shows Mr. Nobles being elected as Chief Executive Officer and Mr. White retaining his position as President.

Article V-Section 3 of the by-laws, as revised, states in part that "...the President shall be the Chief Executive Officer...."

It is recommended that the Company comply with its by-laws. CMIC's management has indicated that steps have been taken to ensure compliance in the future.

B. Territory and Plan of Operation

As of December 31, 2013, the Company was licensed to write business in New York State only.

As of the examination date, 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>Line of Business</u>
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
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)

Based on 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, the Company is required to maintain a minimum surplus to policyholders in the amount of \$527,367.

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

<u>Calendar Year</u>	<u>Direct Written Premiums</u>
2009	\$3,869,601
2010	\$3,628,917
2011	\$3,491,083
2012	\$3,267,245
2013	\$3,081,948

At December 31, 2013, the Company wrote insurance through approximately 58 independent agents and 1 broker operating in about 76 sales offices throughout New York State.

The Company's predominant lines of business are homeowners multiple peril and commercial multiple peril, which accounted for 50% and 35%, respectively, of the Company's 2013 direct written business.

C. Reinsurance

Assumed reinsurance

The Company did not report any assumed reinsurance business during the examination period.

Ceded reinsurance

Effective December 1, 2013 the Company entered into a quota share agreement with its affiliate Union Mutual Fire Insurance Company ("Union") through which it ceded 100% of premiums written net of external reinsurance. This cession did not include FAIR Plan (short for Fair Access for Insurance Requirements) business as well as certain immaterial balances retained by the Company pursuant to its contractual arrangement with Union. The contract indemnifies CMIC in respect of liability that may accrue as a result of loss or losses under policies classified by CMIC as Property and Casualty. The contract remains in effect until terminated. This contract was amended on January 1, 2014 so that it would apply to all losses incurred by the Company.

The Company's 2013 external reinsurance program was as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Net Line Quota Share</u> 100% Authorized or Certified	The Company shall cede and the reinsurer shall accept 75% share of all business reinsured subject to a maximum cession of \$300,000 (75% of \$400,000).
<u>Property and Casualty Combination Excess</u> 100% Authorized or Certified	<u>Property Business</u> : \$600,000 excess \$400,000 each loss, each risk; subject to an occurrence limit of \$600,000. <u>Casualty Business</u> : \$600,000 excess \$400,000 per occurrence
<u>Property Catastrophe Excess (3 layers)</u> 100% Authorized or Certified	95% of \$3,350,000 excess \$150,000 ultimate net loss each loss occurrence

Type of TreatyCessionCasualty Excess Facultative

100% Authorized or Certified

Covering policies classified by the Company as Comprehensive Personal Liability, Farmowners Comprehensive Personal Liability, Commercial General Liability and Farmowners Commercial General Liability

\$1,000,000 excess \$1,000,000 each loss occurrence, each policy. Subject to an annual aggregate limit of \$2,000,000, inclusive of Loss Adjustment Expense during the term of the contract for all acts of Terrorism as covered by the contract.

Property Facultative Pro Rata

100% Authorized or Certified

Cessions under the contract shall be limited to an amount equal to four times the Company's net retention plus the amount ceded to the Company's working reinsurance contracts, subject to a minimum net retention of \$1,000,000 and a maximum cession of \$700,000 on any one risk covered by the contract.

The Company terminated its external reinsurance program effective December 31, 2013. In 2014 the Company ceded all of its gross premiums written through its quota share agreement with its affiliate Union.

Loss Portfolio Transfer Agreement

Effective December 1, 2013 the Company entered into a ceded loss portfolio transfer agreement with an authorized affiliated reinsurer, Union, whereby the reinsurer agreed to assume 100% of the Company's loss and loss adjustment (allocated and unallocated) reserves, net of prior reinsurance, as of December 1, 2013. The agreement transferred initial reserves in the amount of \$674,092, for which the Company paid a consideration of \$674,092; thus, there was no initial gain on this contract at inception. The agreement was accounted for by the Company pursuant to the provisions of paragraphs 30 and 31 of SSAP 62R.

New York Department Regulation 108 Section 112.6(k) states the following:

“Each financial statement required to be filed in New York must be supplemented with an exhibit in the annexed form, which is approved for such use, certified by a principal officer of the filing insurer, for each loss portfolio transfer executed or entered into.”

The Company did not make the necessary filings as required by the previously cited section of Regulation 108.

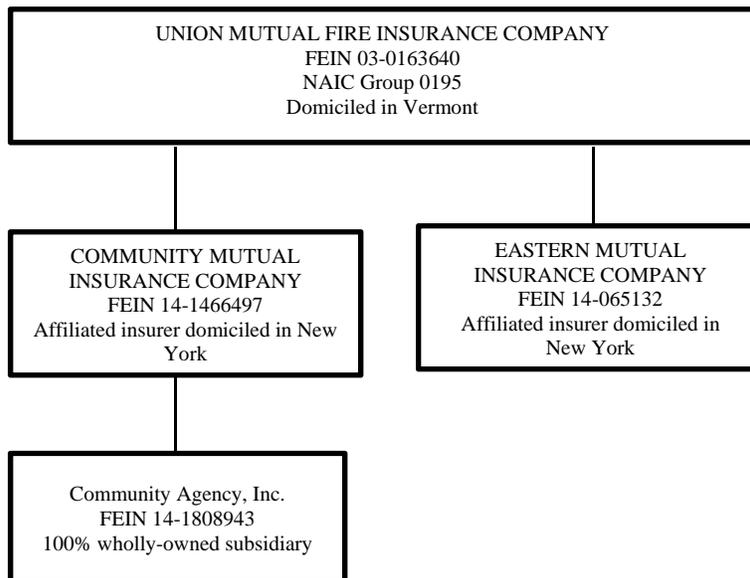
It is recommended that the Company comply with Department Regulation 108, Section 112.6(k) and make the required disclosures pertaining to loss portfolio transactions. CMIC's management has indicated that steps have been taken to ensure compliance in the future.

D. Affiliation and Subsidiary Arrangements

i. Affiliation with Union Mutual Fire Insurance Company

At December 31, 2013, the Company was affiliated with Union Mutual Fire Insurance Company, a Vermont domiciled insurer, by virtue of an affiliation and services agreement, a deposit and control agreement, and common management.

The following is an abbreviated chart of the affiliated group at December 31, 2013:



In a letter dated October 29, 2013, the Department found it unobjectionable for the Company to enter the following agreements with Vermont-domiciled insurer, Union Mutual Fire Insurance Company:

1. Affiliation and Services Agreement

The Affiliation and Services Agreement, dated and effective October 29, 2013, calls for Union to provide such support and services (strategic, claims, underwriting, accounting, actuarial, data processing, legal, personnel, communications, training, administrative and operational support) to CMIC. The agreement further calls for Union to reimburse CMIC for all of its ongoing operational expenses (including, without limitation, employee wages), with the exception of investment expenses. It should be noted that effective in 2014, all former CMIC employees became Union employees.

The agreement calls for CMIC to cede 100% of its underwriting activity to Union under an intercompany 100% Quota Share Reinsurance Agreement. CMIC's losses and LAE are to be 100% apportioned to Union, net of prior reinsurance. Refer to section 2C. of this report for a description of the reinsurance and Loss Portfolio agreements executed between the Company and Union.

The agreement further states that CMIC shall amend its by-laws in a number of ways. By-law changes called for in the agreement include a provision that so long as Union is providing a 100% Quota Share agreement to CMIC or has contributed capital to CMIC, that has not been repaid, CMIC's Nominating Committee shall nominate a majority of the candidates for the position of Director of CMIC who have an affiliation with Union, as designated by Union. CMIC shall further amend its by-laws to reduce the number of Directors permitted to sit on its board, from nine to seven, and permit the election of Directors who are not policyholders. If at any time Directors with an affiliation to Union, as designated by Union, shall cease to comprise a majority of the duly elected and seated Directors of CMIC, the agreement shall be considered materially breached and shall terminate immediately without notice. Either party may terminate the agreement for convenience at any time by giving one hundred and eighty days prior written notice to the other party. Union may terminate the agreement for breach on 30 days prior written notice to CMIC, provided CMIC has not cured said breach within such time.

2. Deposit and Control Agreement

The Deposit and Control agreement between Union and CMIC, dated and effective December 31, 2013, calls for Union to purchase a \$350,000 surplus note from CMIC. The surplus note, when combined with CMIC's pre-existing surplus to policyholders, shall equal or exceed the

statutory minimum surplus to policyholders of CMIC required by the New York Insurance Law (“NYIL”). This agreement calls for Union to purchase additional surplus notes as are necessary for CMIC to maintain statutory minimum surplus. Any additional purchases are subject to approval from the Vermont Department of Financial Regulation. CMIC shall repay all surplus notes purchased under this agreement with interest accruing at a rate equal to the Prime Rate as published on the first business day of each year in the Wall Street Journal, from the date of deposit(s) to the date of repayment.

The repayment of principal and interest on surplus notes shall be made out of free and divisible surplus with the approval of the Department in accordance with the provisions of Section 1307(b) of the NYIL.

In the event that the Directors with an affiliation to Union, as designated by Union, shall cease to comprise the majority of the duly elected and seated Directors of CMIC, the agreement shall terminate immediately and without notice and, subject to Section 1307(b) of the NYIL, CMIC shall become obligated to commence repayment of all surplus notes.

3. Quota Share Reinsurance Contract

In connection with the affiliation agreement, the Company entered into a significant prospective quota share agreement as well as a loss portfolio agreement with Union. Refer to section 2C. of this report for a description of the reinsurance and Loss Portfolio Transfer agreements executed between the Company and Union.

ii. Community Agency, Inc.

As of December 31, 2013, the Company had a wholly-owned subsidiary, Community Agency, Inc., which was organized in 1998. During the period under review, the Company provided space, certain clerical and managerial services to the subsidiary and paid all expenses on behalf of the subsidiary. The basis for reimbursement by the subsidiary for the services rendered by the Company is outlined in contracts developed annually by the parties. Copies of the contracts are included in the annual Department Regulation 53 submissions made by the Company to the Department.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2013, based upon the results of this examination:

Net premiums written to policyholders' surplus	0%
Adjusted liabilities to liquid assets	61%
Gross agents' balances (in collection) to policyholders' surplus	10%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

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

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$4,583,123	67.22%
Other underwriting expenses incurred	3,114,187	45.67
Net underwriting gain/(loss)	<u>(878,847)</u>	<u>(12.89)</u>
Premiums earned	<u>\$6,818,463</u>	<u>100.00%</u>

F. Accounts and Records

i. Check Signing

During the review of the processing of loss payments, it was noted that the signature of a non-officer, was being stamped on Company checks.

New York Insurance Law Section 6611(a)(4)(C) states the following:

“All checks issued shall be signed either by two officers or by one officer upon the written order of another officer, except as otherwise

provided by resolution of the corporation's board of directors or in its by-laws for handling of miscellaneous expenses.”

It is recommended that the Company comply with New York Insurance Law Section 6611(a)(4)(C), henceforth.

ii. Custodial Agreements

During the review of custodial agreements made available by the Company (other than that for the Superintendent’s account) it was noted that several provisions and safeguards required by the Department and NAIC Financial Condition Examiners Handbook were not included.

It is recommended that the Company obtain agreements for its custodial accounts that include all the provisions required by the Department and the NAIC Financial Condition Examiners Handbook.

It is recommended that the Company correctly complete the Annual Statement General Interrogatories relative to this issue, henceforth.

It should be noted that similar recommendations were included in previous reports on examination. CMIC’s management has indicated that steps have been taken to ensure compliance in the future.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2013 as reported by the Company.

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	709,406	\$ 0	\$ 709,406
Common stocks	82,728	0	82,728
Real estate: properties occupied by the company	78,150	0	78,150
Cash, cash equivalents and short-term investments	1,004,306	0	1,004,306
Investment income due and accrued	10,935	0	10,935
Uncollected premiums and agents' balances in the course of collection	104,310	7,185	97,125
Deferred premiums, agents' balances and installments booked but deferred and not yet due	239,133	0	239,133
Amounts recoverable from reinsurers	22,171	0	22,171
Current federal and foreign income tax recoverable and interest thereon	7,164	0	7,164
Net deferred tax asset	12,600	3,200	9,400
Electronic data processing equipment and software	8,850	8,850	0
Furniture and equipment, including health care delivery assets	15	15	0
New York FAIR Plan	<u>30,519</u>	<u>1,089</u>	<u>29,430</u>
Total assets	<u>2,310,287</u>	<u>\$20,339</u>	<u>\$2,289,948</u>

Liabilities, surplus and other funds

Losses and Loss Adjustment Expenses	\$ 16,300
Commissions payable, contingent commissions and other similar charges	70,882
Other expenses (excluding taxes, licenses and fees)	11,307
Taxes, licenses and fees (excluding federal and foreign income taxes)	(178)
Unearned premiums	6,490
Advance premium	68,465
Ceded reinsurance premiums payable (net of ceding commissions)	133,308
Funds held by company under reinsurance treaties	623,013
Amounts withheld or retained by company for account of others	1,751
Payable to parent, subsidiaries and affiliates	383,473
2003 Aggregate Recoverable	<u>(15,618)</u>
Total liabilities	\$1,299,193
Aggregate write-ins for special surplus funds	\$528,124
Surplus notes	350,000
Unassigned funds (surplus)	<u>112,631</u>
Surplus as regards policyholders	<u>990,755</u>
Totals liabilities, surplus and other funds	<u>\$2,289,948</u>

Note: The Internal Revenue Service has not performed an audit of the Company's federal income tax returns for any tax year during the examination period. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net loss for the examination period was \$427,530 as detailed below:

Underwriting Income

Premiums earned		\$6,818,463
Deductions:		
Losses and loss adjustment expenses incurred	\$4,583,123	
Other underwriting expenses incurred	3,082,364	
Aggregate write-ins for underwriting deductions	<u>31,823</u>	
Total underwriting deductions		<u>7,697,310</u>
Net underwriting Gain (loss)		\$(878,847)

Investment Income

Net investment income earned	\$ 294,926	
Net realized capital gain	<u>1,458</u>	
Net investment gain		296,384

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ 4,040	
Finance and service charges not included in premiums	140,108	
Aggregate write-ins for miscellaneous income	<u>(2,788)</u>	
Total other income		<u>141,360</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$(441,103)
Federal and foreign income taxes incurred		<u>(13,573)</u>
Net Gain/ (Loss)		<u>\$(427,530)</u>

C. Capital and Surplus Account

Surplus as regards policyholders decreased \$7,481 during the five-year examination period January 1, 2009 through December 31, 2013, detailed as follows:

Surplus as regards policyholders per report on examination as of December 31, 2008			\$998,236
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net loss		\$427,530	
Net unrealized capital gains or (losses)	\$ 22,328		
Change in net deferred income tax		104,701	
Change in nonadmitted assets	135,634		
Change in special contingency surplus	350,000	0	
Change in accounting for DTA	17,074		
Adjustment for year-end 2008	<u>0</u>	<u>286</u>	
Net increase (decrease) in surplus	<u>\$525,036</u>	<u>\$532,517</u>	<u>(7,481)</u>
Surplus as regards policyholders per report on examination as of December 31, 2013			<u>\$990,755</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$16,300 is the same as reported by the Company as of December 31, 2013. The examination analysis of the Loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55.

This liability includes the Company's FAIR Plan business as well as an \$8,430 classification error. There was no examination change made in relationship to this error as the amount is immaterial relative to the Company's surplus position. The Company subsequently corrected this error.

All of the Company's reserves, net of prior reinsurance, with minor exceptions, were ceded to its affiliate, Union Mutual Fire Insurance Company, through a loss portfolio transfer agreement and a quota share agreement described in the reinsurance section of this report. Refer to section 2C. of this report for a description of the reinsurance and Loss Portfolio Transfer agreements executed between the Company and Union.

The quota share agreement was amended on January 1, 2014 so that it would apply to all losses incurred by the Company including those generated by FAIR Plan business.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Territory and Plan of Operation</u>	
It was recommended that the Company comply with Section 6604(a)(3) of the New York Insurance Law and in the future obtain prior approval from the Department before writing a new line of business. It is also recommended that the Company comply with its charter, henceforth.	5
The Company has complied with the above recommendations.	
B. <u>Account and Records</u>	
i. It was recommended that the Company comply with the Statements of Statutory Accounting Principles in the reporting of its mutual fund investments, henceforth, and properly classify them as either short-term, stock or bond investments.	10
The Company has complied with this recommendation.	
ii. It was recommended that the Company obtain agreements for its custodial accounts that include all the provisions required by the Department and the NAIC Financial Condition Examiners Handbook. It should be noted that a similar recommendation was included in the previous report on examination.	10
The Company has not complied with this recommendation. A similar recommendation is included in this report.	
iii. It was recommended that the Company correctly complete the Annual Statement General Interrogatories relative to this issue, henceforth. It should be noted that a similar recommendation was included in the previous report on examination.	10
The Company has not complied with this recommendation. A similar recommendation is included in this report.	

<u>ITEM</u>	<u>PAGE NO.</u>
iv. It was recommended that the Company ensure that all future contracts entered into with its independent certified public accountants comply with Department Regulation 118. The Company has complied with this recommendation.	10
v. It was recommended that the Company exercise due care in the preparation of future Schedule P's. The Company has complied with this recommendation.	11
vi. It was recommended that the Company retain and be able to provide upon examination, claim level documentation and reconciliations (if necessary) that are sufficiently detailed to support the claim counts being reported in its filed Annual Statement. The Company has complied with this recommendation.	11
vii. It was recommended that the Company comply with the requirements of SSAP No. 40, paragraph 15 when determining the rental charge for the occupancy of its own building. The Company has substantially complied with this recommendation.	12
C. <u>Cash, Cash Equivalents and Short-Term Investments</u> It was recommended that the Company comply with Section 1409 of the New York Insurance Law and not invest more than ten percent of its admitted assets in any one institution. It is noted that a similar recommendation was included in the three prior reports on examination. The Company has complied with this recommendation.	16
D. <u>Market Conduct Activities</u>	
i. It was recommended that the Company comply with Department Regulation 90, Part 218.4 and mail or deliver termination notices containing the specific reason for termination to the affected agent or broker at least 30 days prior to the effective date of such termination or such greater period as may be provided for in the contract or account. A similar recommendation was included in the previous report on examination regarding advance notice. Management informed the examiners that no termination letters were	18

issued during the examination period.

- ii. It was recommended that the Company comply with Department Regulation 90, Part 218.5(a) when terminating agents contracts by including the correct redlining notice. 19

Management informed the examiners that no termination letters were issued during the examination period.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
It is recommended that the Company comply with its by-laws.	4
CMIC's management has indicated that steps have been taken to ensure compliance in the future.	
B. <u>Reinsurance</u>	
It is recommended that the Company comply with Department Regulation 108 Section 112.6(k) and make the required disclosures pertaining to loss portfolio transactions.	8
CMIC's management has indicated that steps have been taken to ensure compliance in the future.	
C. <u>Accounts and Records</u>	
i. It is recommended that the Company comply with New York Insurance Law Section 6611(a)(4)(C), henceforth.	12
ii. It is recommended that the Company obtain agreements for its custodial accounts that include all the provisions required by the Department and the NAIC Financial Condition Examiners Handbook. It should be noted that a similar recommendation was included in previous reports on examination.	12
CMIC's management has indicated that steps have been taken to ensure compliance in the future.	

ITEMPAGE NO.

- iii. It is recommended that the Company correctly complete the Annual Statement General Interrogatories relative to this issue, henceforth. It should be noted that a similar recommendation was included in previous reports on examination.

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CMIC's management has indicated that steps have been taken to ensure compliance in the future.

Respectfully submitted,

_____/s/
Wayne Longmore,
Senior Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF ONEIDA)

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

_____/s/
Wayne Longmore

Subscribed and sworn to before me
this _____ day of _____, 2017.

APPOINTMENT NO. 30911

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **BENJAMIN M. LAWSKY**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Wayne Longmore

as a proper person to examine the affairs of the

Community Mutual Insurance Company

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

COMPANY

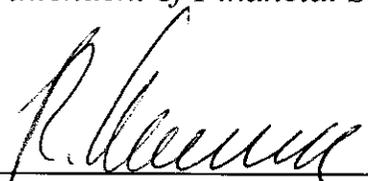
with such other information as he shall deem requisite.

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

this 4th day of June, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



Rolf Kaulmann
Deputy Chief Examiner

