

REPORT ON EXAMINATION

OF THE

GENESEE PATRONS COOPERATIVE INSURANCE COMPANY

AS OF

DECEMBER 31, 2007

DATE OF REPORT

MARCH 25, 2009

EXAMINER

FRANK P. SCHIRALDI

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

Honorable James J Wrynn  
Superintendent of Insurance  
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30218 dated November 7, 2008 attached hereto, I have made an examination into the condition and affairs of Genesee Patrons Cooperative Insurance Company as of December 31, 2007, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Genesee Patrons Cooperative Insurance Company.

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

The examination was conducted at the Company's home office located at 218 East Main Street, Batavia, New York 14020.

## **1. SCOPE OF EXAMINATION**

The Department has performed a single-state examination of Genesee Patrons Cooperative Insurance Company. The previous examination was conducted as of December 31, 2002. This examination covered the five-year period from January 1, 2003 through December 31, 2007. 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, 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examiners also relied upon audit work performed by the Company’s independent public accountants when appropriate.

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

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements
- Summary of recommendations

This examination report also includes a summary of significant findings regarding market conduct activities.

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**

Genesee Patrons Cooperative Insurance Company was organized under the laws of the State of New York on May 3, 1877 as the Genesee County Patrons Fire Relief Association for the purpose of transacting business as an assessment cooperative fire insurance company in Genesee County in New York State. On April 27, 1979, the Company changed its corporate name to Genesee Patrons Cooperative Insurance Company. In April 1995, the Company's license was amended enabling it to transact business in the entire State of New York, excluding the counties of New York, Kings, Queens, Bronx and Richmond.

### **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. The board met three times and the executive committee at least once during each calendar year, thereby complying with Section 6624(b) of the New York Insurance Law. At December 31, 2007, the board of directors was comprised of the following fifteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Edward P. Bartz Hamburg, NY	Vice President, Harold C. Brown & Co. LLC
Richard C. Cherry Akron, NY	Retired
Guy R. Clark Pavilion, NY	Owner, Cedar Street Sales and Rental

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Daniel Howard Cohen Batavia, NY	Owner/Broker, Feary Cohen Realty
Charles E. Cook Byron, NY	President and Chief Executive Officer, Liberty Pumps
Joseph P. Forsyth LeRoy, NY	Partner, John J. Forsyth CPA, P.C.
Ernest M. Found Batavia, NY	Retired
Gary C. Gable Hamburg, NY	Professional Adjuster, Gary C. Gable Adjusters
William G. Hirsch Alexander, NY	Farm Owner
Harry A. Kelsey Oakfield, NY	Retired
Sylvia Maskell Stafford, NY	Secretary, Genesee Patrons Cooperative Insurance Company
Keith R. Norton Pavilion, NY	Executive Vice President, Genesee Patrons Cooperative Insurance Company
George A. Spinnegan Batavia, NY	General Manager, Genesee Patrons Cooperative Insurance Company
Francis M. Spiotta Batavia, NY	President, Genesee Patrons Cooperative Insurance Company
Bruce R. Tehan Batavia, NY	Treasurer, Genesee Patrons Cooperative 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 board member has an acceptable record of attendance.

As of December 31, 2007, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Francis M. Spiotta	President
Sylvia S. Maskell	Secretary
Bruce R. Tehan	Treasurer
Keith R. Norton	Executive Vice President

B. Territory and Plan of Operation

As of December 31, 2007, the Company was licensed to write business only in New York State, excluding the counties of New York, Kings, Queens, Bronx and Richmond. 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
15	Workers' compensation and employers' liability (employers' liability only)
19	Motor vehicle and aircraft physical damage (excluding aircraft physical damage)
20	Marine and inland marine (inland marine only)

Paragraphs 5, 6, 7, 8, 13, 14 and 15 can be written solely in conjunction with fire insurance written under the same policy and covering the same premises. The Company is also licensed to accept and cede reinsurance as provided by Section 6606 of the Insurance Law of the State of New York.

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

<u>Calendar Year</u>	<u>Direct Premiums Written</u>
2003	\$4,101,007
2004	\$4,423,354
2005	\$4,669,957
2006	\$4,770,966
2007	\$4,567,661

Based on the lines of business for which the Company is licensed and pursuant to the requirements of Articles 13 and 66 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$150,000.

The Company writes predominantly homeowners multiple peril, commercial multiple peril, and farmowners multiple peril, which accounted for 46.36%, 33.29% and 12.46%, respectively of the 2007 direct premium writings. The business is produced through approximately 75 independent agents.

C. Reinsurance

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

As of December 31, 2007, the Company had the following multi-line excess of loss reinsurance program in place:

<u>Treaty</u>	<u>Cession</u>
Property 2 layers	\$440,000 in excess of \$60,000 ultimate net loss, each risk, each loss, subject to a further limit of \$120,000 and \$800,000 in respect of each occurrence for the first and second layers, respectively.
Casualty 2 layers	\$440,000 in excess of \$60,000 ultimate net loss, each loss occurrence, subject to a further limit of \$40,000 and \$400,000 in respect of each occurrence for the first and second layers, respectively.
Casualty (Clash)	\$500,000 in excess of \$500,000 ultimate net loss each and every loss occurrence.
Property/Casualty Combined	If a loss occurrence involves at least one property and one casualty policy, \$60,000 in excess of \$60,000 each loss occurrence. This shall be reduced by recoveries in the property and casualty layers above.

As of December 31, 2007, the Company had the following catastrophe reinsurance program in place:

<u>Treaty</u>	<u>Cession</u>
Property first layer	95% of the Ultimate Net Loss over and above an initial Ultimate Net Loss of \$250,000 each loss occurrence, subject to a limit of liability to the reinsurer of \$1,187,500 (being 95% of 1,250,000) each loss occurrence. No claim is covered unless the Loss Occurrence involves three or more risks.
Property second layer	100% of the Ultimate Net Loss over and above an initial Ultimate Net Loss of \$1,500,000 each loss occurrence. No claim is covered unless the Loss Occurrence involves three or more risks.

As of December 31, 2007, the Company had the following property facultative reinsurance program in place:

<u>Treaty</u>	<u>Cession</u>
Property facultative	Cessions to this 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 \$200,000 and to a maximum cession hereunder of \$750,000 on any one risk covered hereunder. The maximum cession as respects to any one animal shall be \$250,000.

All of the Company's cessions during the period under examination were to authorized reinsurers. The Company's retention has increased from \$50,000 to \$60,000 on both its property and casualty lines of business during the examination period.

A review of amounts ceded through reinsurance agreements revealed that the Company did not comply with Section 1308(e)(1)(A) of the New York Insurance Law ("NYIL") which states, in part, that "During any period of twelve consecutive months, without the superintendent's permission: no domestic insurer, except life, shall by any reinsurance agreement or agreements cede an amount of its insurance on which the total gross reinsurance premiums are more than fifty percent of the unearned premiums on the net amount of its insurance in force at the beginning of such period..."

The Department previously granted approval for the Company to cede an amount in excess of the fifty percent limitation prescribed by Section 1308(e)(1)(A) of the NYIL. In 2004, 2005, 2006 and 2007, the amount of reinsurance premium ceded by the Company exceeded fifty percent of the

Company's reported unearned premiums at the beginning of each year; however, the Company did not file its reinsurance contracts with the Department for these years in accordance with Section 1308(e)(1)(A).

Thus, it is recommended that the Company comply with Section 1308(e)(1)(A) of the New York Insurance Law and file its reinsurance contracts and any amendments thereto with the Department for review in accordance with Section 1308(e)(1)(A) of the New York Insurance Law.

Subsequent to the examination date, but prior to the end of field work for this examination, the Company did submit its reinsurance contracts for 2007 to the Department.

All ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review of the Schedule F data reported by the Company in its filed annual statement was found to be inaccurate. In particular, the Company did not report items recoverable from certain reinsurers as required by the NAIC Annual Statement Instructions, but instead combined these amounts with amounts due from other reinsurers at December 31, 2007. It is noted that the total amount of reinsurance recoverable reported was correct.

It is recommended that the Company comply with the NAIC Annual Statement Instructions and complete Schedule F - Part 3 correctly in all future filings with this Department.

Management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles ("SSAP") No. 62. Representations were supported by appropriate documentation which showed that the Company satisfied the advisory guidance of the American Academy of Actuaries' Risk Transfer Testing Practice Note indicating that transfer of risk for each of the Company's reinsurance contracts at 12/31/07 was self-evident and an attestation from the Company's chief executive officer and treasurer pursuant to the NAIC Annual Statement Instructions.. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in paragraphs 17 through 24 of SSAP No. 62.

During the period covered by this examination, the company did not commute any reinsurance agreements.

D. Holding Company System

Genesee Patrons Insurance Agency, Inc., a wholly owned subsidiary of the Company, was formed in 1991 for the purpose of offering umbrella coverage to agents and insureds of the Company. The Company contributed \$5,000 of capital to the subsidiary in return for 100 shares of stock. The agency was inactive during the exam period. The Company has filed all reports required under Department Regulation No. 53, Part 81-1.2.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2007, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	.84:1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	47%
Premiums in course of collection to surplus as regards policyholders	1%

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	\$11,028,399	77.45%
Other underwriting expenses incurred	4,144,128	29.10
Net underwriting loss	<u>((932,553)</u>	<u>(6.55)</u>
Premiums earned	<u>\$14,239,974</u>	<u>100.00%</u>

F. Accounts and Records

i. Conflict of Interest

Part 4(a) of the Employee Handbook for Genesee Patrons Cooperative Insurance Company requires that a code of ethics form be completed each year by all directors and employees. Upon examination, it was noted that one director and a number of employees had not completed this form for 2004.

It is recommended that the Company comply with its own Employee Handbook and have each director and employee complete a conflict of interest form for each year.

ii. Disclosure of Structured Settlements

Upon review of the Notes to Financial Statements at December 31, 2007, it was noted that the Company did not comply with SSAP No. 65, paragraph 19.a. regarding the disclosure of structured settlements which states, "The following information regarding structured settlements shall be disclosed in the financial statements: The amount of reserves no longer carried by the reporting entity because it has purchased annuities with the claimant as payee, and the extent to which the reporting entity is contingently liable for such amounts should the issuers of the annuities fail to perform under the terms of the annuities..."

Specifically, the Company did not report the amount of reserves no longer carried nor the amount that the Company was contingently liable for due to the structured settlement.

It is recommended that for all contingent obligations due to structured settlements that the Company comply with SSAP No. 65, paragraph 19.a., and disclose the amount of reserves no longer carried and the extent to which the Company is contingently liable should the issuer of the annuity relating to the structured settlement fail to perform under the terms of the annuity.

iii. Fidelity Bond

At December 31, 2007, the Company had fidelity bond coverage for \$100,000. This is below the minimum amount of \$125,000 recommended by the NAIC Financial Condition Examiners Handbook.

It is recommended that the Company periodically review its fidelity bond coverage and when necessary increase coverage amounts in order to comply with the requirements of the NAIC Financial Condition Examiners Handbook.

iv. Allocation of expenses

The Company could not provide documentation supporting its allocation of each of the expenses in lines 8 through 18 of the Underwriting and Investment Exhibit Part 3 - Expenses to each of the expense groups (loss adjustment expenses, other underwriting and investment) at December 31, 2007.

SSAP No. 70, paragraph 6 states, in part, that “Allocation to the above categories should be based on a method that yields the most accurate results...” and without documentation, the accuracy of the results can not be verified.

It is recommended that the Company comply with SSAP No. 70, paragraph 6 and apportion expenses between expense groups using the method that yields the most accurate results and retain records so that this allocation can be verified.

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2007 as determined by this examination and as reported by the Company. The statement is the same as the balance sheet filed by the Company.

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$4,596,970	\$ 0	\$4,596,970
Common stocks	1,638,658	0	1,638,658
Real Estate: Properties occupied by the company	27,248	0	27,248
Cash and short-term investments	635,992	0	635,992
Other invested assets	105,111	0	105,111
Investment income due and accrued	60,576	0	60,576
Uncollected premiums and agents' balances in course of collection	45,627	2,794	42,833
Deferred premiums, agents' balances and installments booked but deferred and not yet due	632,866	0	632,866
Furniture and equipment, including health care delivery assets	<u>31,425</u>	<u>31,425</u>	<u>0</u>
Total assets	<u>\$7,774,473</u>	<u>\$34,219</u>	<u>\$7,740,254</u>

Liabilities, Surplus and Other Funds

Losses and loss adjustment expenses	\$ 1,045,487
Commissions payable, contingent commissions and other similar charges	148,639
Other expenses (excluding taxes, licenses and fees)	85,002
Taxes, licenses and fees (excluding federal and foreign income taxes)	1,555
Current federal and foreign income taxes	57,000
Net deferred tax liability	78,978
Unearned premiums	2,386,447
Advance premiums	54,939
Ceded reinsurance premiums payable (net of ceding commissions)	49,709
Remittances and items not allocated	11,012
Payable to parent, subsidiaries and affiliates	<u>3,969</u>
Total liabilities	\$3,922,737

Surplus and Other Funds

Required Surplus	\$ 150,000
Unassigned funds (surplus)	<u>3,667,517</u>
Surplus as regards policyholders	<u>3,817,517</u>
Total liabilities, surplus and other funds	<u>\$7,740,254</u>

**NOTE:** 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 to 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 \$477,202 during the five-year examination period January 1, 2003 through December 31, 2007, detailed as follows:

Underwriting Income

Premiums earned		\$14,239,974
Deductions:		
Losses and loss adjustment expenses incurred	\$11,028,399	
Other underwriting expenses incurred	<u>4,144,128</u>	
Total underwriting deductions		<u>15,172,527</u>
Net underwriting gain or (loss)		\$ (932,553)

Investment Income

Net investment income earned	\$ 663,391	
Net realized capital gains	<u>323,095</u>	
Net investment gain or (loss)		986,486

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (2,972)	
Finance and service charges not included in premiums	<u>286,634</u>	
Total other income		<u>283,662</u>
Net income before federal and foreign income taxes		\$ 337,595
Federal and foreign income taxes incurred		<u>97,350</u>
Net income		<u>\$ 240,245</u>

Surplus as regards policyholders per report on examination as of December 31, 2002			\$3,340,315
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$240,245		
Net unrealized capital gains or losses	243,498		
Change in net deferred income tax	14,100		
Change in non-admitted assets	<u>0</u>	<u>\$20,641</u>	
Total gains and losses	<u>\$497,843</u>	<u>\$20,641</u>	
Net increase (decrease) in surplus			<u>477,202</u>
Surplus as regards policyholders per report on examination as of December 31, 2007			<u>\$3,817,517</u>

#### **4. LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$1,045,487 is the same as reported by the Company as of December 31, 2007. The examination 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.

#### **5. MARKET CONDUCT ACTIVITIES**

In the course of this examination, a review was made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed to encompass the more precise scope of a market conduct investigation, which is the responsibility of the Market Conduct Unit of the Property Bureau of this Department.

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

- A. Sales and advertising
- B. Underwriting
- C. Rating
- D. Claims and complaint handling
- E. Privacy

i. Termination of agents

Department Regulation 90, Part 218.4(a), states that “All notices to agents or brokers that their contract or account is to be terminated, in whole or in part, shall state the specific reason or reasons for such termination. A specific reason shall not be an unsupported general statement, such as "insufficient volume" or "poor loss ratio." ”

Department Regulation 90, Part 218.5(a) states, in part, that “The following notice shall be clearly and prominently set out in boldface type on the front (except that the company name, company representative, company address and company phone number may be stamped, or typed in the appropriate place in the notice), so that it draws the reader's attention on all notices of refusal to issue, cancellation or nonrenewal, except where the cancellation is for nonpayment of premium; and on all notices of termination of agents’ and brokers’ contracts or accounts, which are subject to this Part...”

The examination review of agent terminations revealed that the Company was not in compliance with Parts 218.4(a) and 218.5(a) of Department Regulation 90. In particular, the Company did not provide reasons that were specific on the notice of termination of an agent’s contract or account, and also the notice did not set out the prescribed redlining wording clearly and prominently in boldface type, or other manner, to draw the reader’s attention.

It is recommended when sending out notices of terminations of agent’s or broker’s contracts or accounts that the Company ensure that all requirements of Department Regulation 90 are complied with henceforth. The prior report on examination contained a similar recommendation regarding specific reasons.

ii. Personal lines non-renewals

The examination review of personal lines non-renewals revealed that the Company was not in compliance with Section 3425(d)(1) of the New York Insurance Law. Section 3425(d)(1) states, in part, that “Unless the insurer, at least forty-five but not more than sixty days in advance of the end of the policy period, mails or delivers to the named insured, at the address shown in the policy, a written notice of its intention not to renew a covered policy, or to condition its renewal upon change of limits or elimination of any coverages, the named insured shall be entitled to renew the policy upon timely payment of the premium billed to the insured for the renewal. The specific reason or reasons for

nonrenewal or conditioned renewal shall be stated in or shall accompany the notice...” The Company mailed or delivered personal line nonrenewal notices that did not contain specific reasons for the nonrenewal.

It is recommended that the Company comply with Section 3425(d)(1) of the New York Insurance Law and include the specific reason or reasons for non-renewal on personal line non-renewal notices.

iii. Commercial lines non-renewals

The examination review of commercial lines non-renewals revealed that the Company was not in compliance with Section 3426(e)(2) of the New York Insurance Law. Section 3426(e)(2) states, in part, that “A nonrenewal notice as specified in subparagraph (A)...shall contain the specific reason or reasons for nonrenewal...” In particular, the Company mailed or delivered commercial line nonrenewal notices that did not contain specific reasons for the non-renewal.

It is recommended that the Company comply with Section 3426(e)(2) of the New York Insurance Law and include the specific reason or reasons for non-renewal on commercial line non-renewal notices.

**6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION**

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

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Abandoned Property</u></p> <p>It was recommended that the Company comply with all the filing requirements of Section 1316 of the New York State Abandoned Property Law henceforth.</p> <p>The Company has complied with this recommendation.</p>	<p>7</p>
<p>B. <u>Directors and Officers Liability Policy</u></p> <p>It was recommended that the Company comply with Regulation 110 (NYCRR Part 72.4) and raise its retention amount and include a coinsurance clause on its Directors and Officers policy.</p>	<p>8</p>

<u>ITEM</u>	<u>PAGE NO.</u>
	The Company has complied with this recommendation.
C.	<u>Custodial Agreement</u>
	8-9
	It was recommended that the Company comply with NAIC requirements, reinforced by Circular Letter No. 2 of 1977 and obtain a custodial agreement that includes the requirements specified by the NAIC and New York Insurance Department.
	The Company has complied with this recommendation.
D.	<u>Approval of Investments</u>
	9
	It was recommended that the Company comply with the requirements of Section 1411(a) of the New York Insurance Law by having all purchases and sales of investments entered into the board minutes through a written statement, thus ensuring that all investments are authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investments.
	The Company has complied with this recommendation.
E.	<u>Market Conduct Activities</u>
	14
	It was recommended that the Company comply with all the requirements of Regulation 90 (NYCRR Part 218) pertaining to the termination of agents and give thirty (30) days prior notice and a specific reason of termination to the agent.
	The Company has not complied with this recommendation as regards specific reasons. A similar recommendation can be found in this report.

## **7. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

<u>ITEM</u>	<u>PAGE NO.</u>
A.	<u>Reinsurance</u>
i	8
	It is recommended that the Company comply with Section 1308(e)(1)(A) of the New York Insurance Law and file its reinsurance contracts and any amendments thereto with the Department for review in accordance with Section 1308(e)(1)(A) of the New York Insurance Law.
ii.	8
	It is recommended that the Company comply with the NAIC Annual Statement Instructions and complete Schedule F - Part 3 correctly in all future filings with this Department.

<u>ITEM</u>	<u>PAGE NO.</u>
B. <u>Accounts and Records</u>	
i.     It is recommended that the Company comply with its own Employee Handbook and have each director and employee complete a conflict of interest form each year.	10
ii.    It is recommended that for all contingent obligations due to structured settlements that the Company comply with SSAP No. 65, paragraph 19.a. and disclose the amount of reserves no longer carried and the extent to which the Company is contingently liable should the issuer of the annuity relating to the structured settlement fail to perform under the terms of the annuity.	10
iii.   It is recommended that the Company periodically review its fidelity bond coverage and when necessary increase coverage amounts in order to comply with the requirements of the NAIC Financial Condition Examiners Handbook.	10
iv.    It is recommended that the Company comply with SSAP No. 70, paragraph 6 and apportion expenses between expense groups using the method that yields the most accurate results and retain records so that this allocation can be verified.	11
C. <u>Market Conduct</u>	
i.     It is recommended when sending out notices of termination of agent's or broker's contracts or accounts that the Company ensure that all requirements of Department Regulation 90 are complied with henceforth. The prior report on examination contained a similar recommendation regarding specific reasons.	15
ii.    It is recommended that the Company comply with Section 3425(d)(1) of the New York Insurance Law and include the specific reason or reasons for non-renewal on personal line non-renewal notices.	17
iii.   It is recommended that the Company comply with Section 3426(e)(2) of the New York Insurance Law and include the specific reason or reasons for non-renewal on commercial line non-renewal notices.	16



Appointment No 30218

STATE OF NEW YORK  
INSURANCE DEPARTMENT

I, ERIC DINALLO, Superintendent of Insurance of the State of New York,  
pursuant to the provisions of the Insurance Law, do hereby appoint:

*Frank Schiraldi*

*as proper person to examine into the affairs of the*

*Genesee Patrons Cooperative Insurance Company*

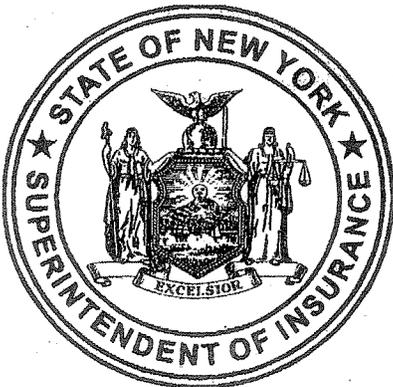
*and to make a report to me in writing of the condition of the said*

**Company**

*with such other information as he shall deem requisite.*

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

*this 7th day of November 2008*



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ERIC DINALLO  
*Superintendent of Insurance*