



STATE OF NEW YORK  
INSURANCE DEPARTMENT  
AGENCY BUILDING ONE  
EMPIRE STATE PLAZA  
ALBANY, NY 12257

REPORT ON EXAMINATION  
OF THE  
CAMBRIDGE CO-OPERATIVE FIRE INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2000

DATE OF REPORT:

August 6, 2001

EXAMINER:

PHILIP VITULLO



STATE OF NEW YORK  
INSURANCE DEPARTMENT  
AGENCY BUILDING ONE  
EMPIRE STATE PLAZA  
ALBANY, NY 12257

August 6, 2001

Honorable Gregory V. Serio  
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 21695 dated January 31, 2001, attached hereto, I have made an examination into the condition and affairs of the Cambridge Co-operative Fire Insurance Company as of December 31, 2000 and submit the following report thereon.

The examination was conducted at the Company's home office located at 133 Cobble Road, Cambridge, New York 12816.

Wherever the designations "the Company", or "CCFIC" appear herein without qualification, they should be understood to indicate the Cambridge Co-operative Fire Insurance Company.

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## 1. SCOPE OF EXAMINATION

The examination was conducted as of December 31, 1995. This examination covered the five year period from January 1, 1996 through December 31, 2000 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.

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

## 2. DESCRIPTION OF COMPANY

The Company was organized in 1857 for the purpose of transacting business as an assessment co-operative fire insurance company in the Town of Cambridge, Washington County, New York.

On December 20, 1910, this Department issued a certificate authorizing the Company to continue the transaction of business in the Town of Cambridge. As of December 31, 2000, the Company was authorized to transact business within eight counties of this state.

### A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of eleven members. As of December 31, 2000, the board of directors was comprised of eleven members. The board meets at least four times during each calendar year. The directors as of December 31, 2000 were as follows:

<u>Director</u>	<u>Principal Business Affiliation</u>
Howard Andrew Eagle Bridge, NY	Dairy farmer
Abdon J. Buckley (E) Greenwich, NY	Dairy farmer
Ralph Gillis Greenwich, NY	Farm equipment salesman
R. Earl Horton (E) Cambridge, NY	Dairy farmer
Loren LeBarron Greenwich, NY	Retired dairy farmer
Loren LeBarron Greenwich, NY	Retired dairy farmer
John Pfeiffer Greenwich, NY	Retired dairy farmer
William Reynolds Cambridge, NY	Dairy farmer
John Rogers Cambridge, NY	Retired postal worker
Carl K. Thomas (E) Greenwich, NY	Retired farmer
Carl Trinkle Buskirk, NY	Farm equipment salesman
William J. Walsh (E) Cambridge, NY	Insurance broker

(E) denotes member of executive committee.

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

At December 31, 2000 the officers of the Company were as follows:

President & Treasurer	Carl K. Thomas
Vice President	Abdon J. Buckley
Secretary	William J. Walsh
Assistant Treasurer	R. Earl Horton

B. Territory and Plan of Operation

The Company is licensed to transact business within the counties of Washington, Rensselaer, Albany, Clinton, Columbia, Essex, Saratoga and Warren of this state.

<u>Calendar Year</u>	<u>Direct Premium Written</u>
1996	29,456
1997	30,336
1998	(48)
1999	28,836
2000	28,051

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>Kind of Business</u>
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass

Policies are issued by the Company for a term of three (3) years, with applications being received and inspections made by the Company's director-agents. Assessments are collected at the home office of the Company.



All addendums and reinsurance contracts that became effective during the period under examination were submitted to the Department for review in accordance with Section 1308(e) of the New York Insurance Law.

D. Holding Company System

The company was not a member of any holding company system at December 31, 2000.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2000 based upon the results of this examination:

Net premiums written in 2000 to Surplus as regards policyholders	.037 to 1
Liabilities to cash and invested assets	.1%
Investment Yield	4.50%

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, January 1, 1996 to December 31, 2000:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses	\$69,472	74.34%
Other underwriting expenses	76,566	81.94%
Net underwriting gain (loss)	<u>(52,591)</u>	<u>(56.28)%</u>
Premiums earned	<u>\$93,447</u>	<u>100.00%</u>

F. Abandoned Property

During the period covered by this examination, the Company maintained appropriate records of unclaimed funds as required by Section 1316 of the New York Abandoned Property Law. The Company filed all required abandoned property reports with the State Comptroller in a timely manner during the examination period.

### 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, 2000. This statement is the same as the balance sheet filed by the Company.

	<u>Ledger Assets</u>	<u>Non-Ledger Assets</u>	<u>Not Admitted Assets</u>	<u>Net Admitted Assets</u>
Cash and short term investments	628,250	-0-	-0-	628,250
Agents' Balances or uncollected premiums	<u>1,012</u>	<u>-0-</u>	<u>-0-</u>	<u>1,012</u>
Total	<u>\$629,262</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$629,262</u>

#### Liabilities and Surplus

Losses and loss adjustment expenses	\$ 3,500
Taxes, licenses and fees	<u>538</u>
Total liabilities	\$ 4,038
Required surplus	100,000
Unassigned funds (surplus)	<u>525,224</u>
Surplus as regards policyholders	\$625,224
Total	<u>\$629,262</u>

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.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$42,262 during the five-year examination period, (January 1, 1996 through December 31, 2000) detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$93,447
Losses and loss adjustment expenses incurred	\$69,472	
Other underwriting expenses incurred	<u>76,566</u>	
Total underwriting deductions		<u>(146,038)</u>
Net underwriting gain or (loss)		\$(52,591)

Investment Income

Net investment income earned	\$147,254	
Net realized capital gain or (loss)	<u>(49)</u>	
Net income gain		147,205

Other Income

Dividends to Policyholders	<u>\$(52,352)</u>	
Net other income or (loss)		(52,352)

Net income (loss)		<u>\$42,262</u>
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Capital and Surplus Account

Surplus as regards policyholders, December 31, 1995 per prior report on examination		\$582,962
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	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>
Net income	<u>\$42,262</u>	<u>\$0</u>
Totals	<u>\$42,262</u>	<u>\$0</u>

Net increase in Surplus as regards policyholders		<u>42,262</u>
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Surplus as regards policyholders, December 31, 2000, per report on examination		<u>\$625,224</u>
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#### 4. LOSS AND LOSS ADJUSTMENT EXPENSES

The examination liability of \$3,500 is the same amount reported by the Company in its filed 2000 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. It appears that the Company's loss and loss adjustment expense reserves were adequate as of December 31, 2000.

#### 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 generally more precise scope of a market conduct investigation.

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

- A) Claims
- B) Sales and advertising
- C) Underwriting
- D) Rating

In the review of cancellations, it was noted by the examiner that the Company failed to give mortgagees ten days advance notice that an insurance policy was being cancelled at the request of the insured. The New York Standard Mortgage Clause, as interpreted by Department Circular Letter No. 17 of 1976, requires that such notice be given to mortgagees before their interest in such policies is cancelled. Therefore, it is recommended that the Company comply with the requirements of The New York Standard Mortgage Clause, as interpreted by Department Circular Letter No. 17 of 1976, by giving mortgagees ten days advance notice of cancellation upon the insured's request.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>Item</u>	<u>Page No.</u>
A. It is recommended that the Company include in its investment ledger the effective dates and interest rates of certificates of deposit at the time of renewal so as to facilitate the verification of the Company's financial statements filed with this Department.  The Company has complied with this recommendation,	7-8
B. It is recommended that the Company purchase and maintain the amount of securities that are needed to maintain the minimum capital investments, as set forth in Section 6623(b)(1) of the New York Insurance Law, before investing in other types of securities.  The Company has complied with this recommendation.	8-9
C. Management should establish a reserve for loss adjustment expenses whenever the Company reports unpaid losses on financial statements to the Superintendent.  The Company has complied with this recommendation.	14

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

As indicated in the body of this report, the Company should be directed to comply with the following:

<u>Item</u>	<u>Page No.</u>
<u>Market Conduct Activities</u>	
The Company should comply with Circular Letter No. 17 of 1976 and give mortgagees ten days advance notice of cancellation upon the insured's request.	10



Appointment No 21695

STATE OF NEW YORK  
INSURANCE DEPARTMENT

I, Gregory V. Serio, First Deputy Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

**Philip D. Vitullo**

as proper person to examine into the affairs of the

**Cambridge Cooperative Fire 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 31st day of January, 2001



  
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GREGORY V. SERIO  
First Deputy Superintendent of Insurance