



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

REPORT ON EXAMINATION  
OF THE  
FARMERS MUTUAL INSURANCE COMPANY OF MILAN,  
PINE PLAINS AND STANFORD  
AS OF  
DECEMBER 31, 2000

DATE OF REPORT:

SEPTEMBER 28, 2001

EXAMINER:

FE ROSALES, CFE

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

September 28, 2001

Honorable Gregory 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 21505, attached hereto, I have made an examination into the condition and affairs of Farmers Mutual Insurance Company of Milan, Pine Plains and Stanford as of December 31, 2000 and submit the following report thereon.

The examination was conducted at the Company's home office located at 64 Simmons Street, Millerton, New York 12546.

Wherever the designations "Company" or "Farmers Mutual" appear herein without qualification, they should be understood to indicate Farmers Mutual Insurance Company of Milan, Pine Plains and Stanford.

## 1. SCOPE OF EXAMINATION

The previous 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 expenses and the provisions for reinsurance. The examination included a review of income, disbursements and company records deemed necessary to accomplish such analysis or verification.

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations 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 19, 1883 for the purpose of transacting business as an assessment co-operative fire insurance company in the Town of Milan, Dutchess County, New York.

Under the terms of an Agreement of Merger approved by this Department in 1957, the Farmers Town Mutual Insurance Company of Red Hook, New York was merged under the title and charter of the Farmers Mutual Insurance Company of Milan, Pine Plains and Stanford.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of thirteen members. The board meets four times during each calendar year as required by Section 6624(b)(1) of the New York Insurance Law. The directors as of December 31, 2000 were as follows:

| <u>Name and Residence</u>             | <u>Principal Business Affiliation</u>                   |
|---------------------------------------|---|
| Frederick Battenfeld<br>Red Hook, NY  | Florist and Christmas Tree Plantation<br>Owner          |
| Richard Battenfeld<br>Red Hook, NY    | Florist and Christmas Tree Plantation<br>Owner          |
| Edward A. Bowman, Jr.<br>Red Hook, NY | Retired milk delivery person                            |
| Peter Bulkeley<br>Tivoli, NY          | Retired farmer  |
| Sidney W. Byron<br>Millerton, NY      | Secretary/Treasurer of the Company;<br>Insurance Broker |
| K. Barrett Chase<br>Pine Plains, NY   | President of the Company;<br>Farmer                     |
| David Fraleigh<br>Red Hook, NY        | Apple farmer  |

| <u>Name and Residence</u>         | <u>Principal Business Affiliation</u> |
|-----------------------------------|---------------------------------------|
| Norman Greig<br>Red Hook, NY      | Farmer                                |
| J. Stephen Odak<br>Red Hook, NY   | Gravel pit operator                   |
| Robert Podris<br>Ancramdale, NY   | Fuel oil dealer                       |
| Anthony Pulver<br>Pine Plains, NY | Milk hauler and custom farmer         |
| Henry Rothvoss<br>Ancramdale, NY  | Farmer                                |
| Lloyd Vaill<br>Pine Plains, NY    | Farmer                                |

The minutes of all meetings of the Board of Directors for the years under examination were reviewed. The meetings were generally well attended. However, there was no attendance indicated in the minutes of all five annual meetings and one quarterly meeting. This was brought to the attention of the Company's secretary who was able to provide the Department with an attendance book. The aforementioned attendance book shows that all directors were present at the specified meetings. Nonetheless, it is recommended that the Company indicate the directors' attendance at each meeting in the minutes as required by Section 6611(a)(3) of the New York Insurance Law.

The review of the minutes of the Company also revealed that the Board of Directors did not consistently approve the Company's investment transactions. For the examination period, the Financial Committee of the Board authorized the sales and purchases of investments at its meetings held once or twice each year. However, such authorizations or approvals were not submitted to the board during its regular or annual meetings. Therefore, the Company did not comply with Section

1411(a) of the New York Insurance Law, which 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 meeting.”

It is recommended that the Company comply with Section 1411(a) of the New York Insurance Law and that going forward the Financial Committee’s minutes of meetings relative to approvals of investment are reported to the Board of Directors at its next meeting.

Article II, Section 1 of the Company’s by-laws state that “the corporate powers of the company shall be exercised by a board of thirteen (13)”. On the October 16, 1996 meeting, director Oscar Burkowske resigned; however, he was not replaced until the board meeting on October 22, 1997 when Frederick Battenfeld was appointed as director. Therefore, the board was less than thirteen for a period of one year. In addition, the vacancy in the board was not filled by a majority vote of the directors as required by Article II, Section 1. It is recommended that the Company comply with its by-laws as regard the number of its directors and fill any board vacancies in a timely and correct manner.

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

| <u>Name</u>          | <u>Title</u>            |
|----------------------|-------------------------|
| K. Barrett Chase     | President               |
| Richard Battenfeld   | Vice President          |
| Frederick Battenfeld | Vice President          |
| Sidney W. Byron      | Secretary and Treasurer |

## B. Territory and Plan of Operation

The Company is licensed to write insurance in Dutchess and Columbia Counties in the State of New York.

As of December 31, 2000, the Company was authorized to transact the kinds of insurance as defined in the following number paragraphs of Section 1113(a) of the New York Insurance Law:

| <u>Paragraph</u> | <u>Kinds of Insurance</u> |
|------------------|---------------------------|
| 4                | Fire                      |
| 5                | Miscellaneous property    |

The Company's predominant lines of business are fire and windstorm. Policies are issued by the Company for a term of three years, with applications being taken and inspections made by the Secretary-Treasurer. Assessments are collected at the home office of the Company.

Based on the line of business for which the Company is licensed, and pursuant to the requirements of Section 6605(a)(2) of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$100,000.

## C. Reinsurance

As of December 31, 2000, the Company had the following reinsurance program in place:

A treaty with an authorized reinsurer, that provided for the following reinsurance:

| <u>Line of Business</u> | <u>Coverage</u>  |
|-------------------------|--|
| Fire                    | Maximum limit of liability is limited to the lesser of \$70,000, or five times the Company's net retention of \$14,000, on any one risk. |
| Windstorm               | 100% of the Company's gross liability.   |

The Company's reinsurance contract contained all of the required standard clauses, including an insolvency clause, thus conforming with the provisions of Section 1308 of the New York Insurance Law.

#### D. Holding Company System

The Company was independent with no affiliations or pooling agreements in force at December 31, 2000, and was not a member of any holding company system.

#### 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                       | .019 To 1 |
| Liabilities to liquid assets (cash and invested assets less investments in affiliates) | 2.1%      |

The above ratios fall within the benchmark ranges as 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 (January 1, 1996 to December 31, 2000):

|                                   | <u>Amounts</u>   | <u>Ratios</u> |
|-----------------------------------|------------------|---------------|
| Loss and loss adjustment expenses | \$48,092         | 22.6%         |
| Other underwriting expenses       | 94,804           | 44.4%         |
| Net underwriting loss             | <u>70,481</u>    | <u>33.0%</u>  |
| Premiums earned                   | <u>\$213,377</u> | <u>100.0%</u> |

#### F. Abandoned Property

It was noted that the Company, during the period under examination, did not file Abandoned Property Report with the Office of the Comptroller of the State of New York because they had no abandoned property during such period. Nonetheless, a negative report should have been filed even if there was no abandoned property to be reported. It is recommended that the Company file Abandoned Property Report annually to the State Comptroller's Office as required by Section 1316 of the Abandoned Property Law.

#### G. Accounts and Records

##### 1. Custodian Agreement

The Company maintains a custodial agreement with Hudson River Bank & Trust Company. A review of the agreement revealed that it does not contain four of the protective covenants and provisions pursuant to the guidelines established by the New York Insurance Department.

It is recommended that the Company amend its custodial agreement with Hudson River Bank & Trust Company to include all the protective covenants and provisions in order to meet the minimum guidelines established by the New York Insurance Department for the contents of such agreement.

## 2. Fidelity Insurance Coverage

It was noted that the Company did not maintain fidelity insurance coverage during the period under examination.

The examiner calculated the suggested minimum amount of fidelity insurance to be held by the Company in accordance with the guidelines set forth in the Financial Condition Examiners Handbook. Based upon the calculation, the Company should have \$50,000 minimum coverage.

It is recommended that the Company calculate and maintain an appropriate amount of fidelity bond as set forth in the NAIC Examiners Handbook.

## 3. Cash – Bank Reconciliation

It was noted that the Company's cash balance reported in Schedule E of the annual statement is more than the actual reconciled amount for such account at December 31, 2000. The amount of the difference is not material therefore there will be no examination change. It should also be noted that there is no monthly bank reconciliation of the Company's cash account. It is therefore recommended that the Company prepare a monthly bank reconciliation that will reconcile the balance per bank to the Company's book balance as required by Section 6611 (a)(1) of the

New York Insurance Law which states that:

“Every co-operative property/casualty insurance company shall keep and maintain books of account and records in such a manner as will show fully and truly the condition, affairs and business of such corporation and facilitate the preparation and verification of its annual statements.”

#### 4. Losses – Claim Files

The Company has 23 paid claims during the period under examination. The examiner selected all claims with loss payments of \$500 or over, which are 18 claims. The review revealed that five claims have no supporting documentation such as photos, invoices, or proof of loss forms, contained in the files. Consequently, the Company is in violation of Section 6611(a)(1) of the New York Insurance Law.

In view of the above, it is recommended that the Company keep in the claims file all pertinent documentation supporting claims paid, as required by Section 6611(a)(1) of the New York Insurance Law.

#### 5. Rent expense

It was noted that during the examination period \$364.50 a month (\$4,374 annually) was paid to the Company’s Secretary/Treasurer for rent and travel. This expense was not broken down between these two accounts when booked in the Company’s ledger. Accordingly, the amounts reported in the annual statement - Underwriting and Investment Exhibit – Part 4 for Line 12 – Travel of \$1,749 and Line 13 – Rent of \$5,700 cannot be traced to the ledger. Therefore,

it is recommended that the \$364.50 a month payment for rent and travel be broken down between these two accounts and that the rent payments be reasonably justified, as required by Section 6611(a)(1) of the Insurance Law.

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination, and as reported by the Company as of December 31, 2000.

| <u>Assets</u>   | <u>EXAMINATION</u>             |                                    |                                      |  | <u>COMPANY</u>     | <u>SURPLUS</u><br><u>Increase/</u><br><u>(Decrease)</u> |
|---|--------------------------------|------------------------------------|--------------------------------------|--|--------------------|---|
|   | <u>Ledger</u><br><u>Assets</u> | <u>Non-Ledger</u><br><u>Assets</u> | <u>Assets Not</u><br><u>Admitted</u> | <u>Net</u><br><u>Admitted</u><br><u>Assets</u> |                    |   |
| Bonds   | \$161,833                      |                                    | \$636                                | \$161,197                                      | \$161,197          | \$0   |
| Stocks  |                                |                                    |                                      |  |                    |   |
| Preferred stocks  | 39,362                         | 2,793                              |                                      | 42,155   | 42,155             | 0   |
| Common stocks   | 733,488                        | 1,039,829                          | 212,173                              | 1,561,144                                      | 1,773,317          | (212,173)   |
| Real estate:  |                                |                                    |                                      |  |                    |   |
| Properties occupied by company  |                                |                                    |                                      |  |                    |   |
| Other properties  |                                |                                    |                                      |  |                    |   |
| Cash and short-term investments   | 354,562                        |                                    |                                      | 354,562  | 354,562            | 0   |
| Agents' balances or uncollected premiums:                                       |                                |                                    |                                      |  |                    |   |
| Premiums and agents' balances in Course of collection                           |                                |                                    |                                      |  |                    |   |
| Premiums, agents' balances and Installments booked but deferred And not yet due |                                |                                    |                                      |  |                    |   |
| Reinsurance recoverable on loss And loss adjustment expense Payments            |                                |                                    |                                      |  |                    |   |
| Federal income tax recoverable And interest thereon                             |                                |                                    |                                      |  |                    |   |
| Electronic data processing Equipment  |                                |                                    |                                      |  |                    |   |
| Interest, dividends and real estate Income due and accrued                      |                                | 19,354                             |                                      | 19,354   | 24,870             | (5,516)   |
| Other assets nonadmitted  |                                |                                    |                                      |  |                    |   |
| Total assets  | <u>\$1,289,245</u>             | <u>\$1,061,976</u>                 | <u>\$212,809</u>                     | <u>\$2,138,412</u>                             | <u>\$2,356,101</u> | <u>\$(217,689)</u>                                      |

| <u>Liabilities and Surplus</u>                                | <u>Examination</u> | <u>Company</u>     | <u>Surplus<br/>Increase/<br/>(Decrease)</u> |
|---|--------------------|--------------------|---|
| Loss and loss adjustment expenses                             | \$1,000            | \$1,000            | 0   |
| Reinsurance payable on paid loss and loss adjustment expenses |                    |                    |   |
| Contingent commissions  |                    |                    |   |
| Other expenses  | 5,500              | 0                  | (5,500)                                     |
| Taxes, licenses and fees                                      | 666                | 666                | 0   |
| Federal and other foreign income taxes                        |                    |                    |   |
| Unearned premiums   | 37,475             | 37,475             | 0   |
| Amounts withheld or retained by company for account of others | 138                | 138                | 0   |
| Aggregate write-ins for liabilities                           | <u>          </u>  | <u>          </u>  | <u>          </u>                           |
| Total liabilities   | <u>\$44,779</u>    | <u>\$39,279</u>    | <u>\$(5,500)</u>                            |
| Required Surplus  |                    | \$100,000          |   |
| Unassigned funds (surplus)                                    |                    | <u>1,995,500</u>   |   |
| Surplus as regards policyholders                              | <u>2,095,500</u>   | <u>2,316,822</u>   | <u>(221,322)</u>                            |
| Total liabilities and surplus                                 | <u>\$2,140,279</u> | <u>\$2,356,101</u> | <u>\$221,322</u>                            |

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$945,244 during the five-year examination period, January 1, 1996 through December 31, 2000, detailed as follows:

STATEMENT OF INCOME

Underwriting Income

|  |               |                |
|--|---------------|----------------|
| Premiums Earned                            |               | \$213,377      |
| Deductions:                                |               |                |
| Loss and loss adjustment expenses incurred | \$48,092      |                |
| Other underwriting expenses incurred       | <u>94,804</u> |                |
| Total underwriting deductions              |               | <u>142,896</u> |
| Net underwriting gain (loss)               |               | \$70,481       |

Investment Income

|                              |               |         |
|------------------------------|---------------|---------|
| Net investment income earned | \$305,411     |         |
| Net realized capital gains   | <u>95,430</u> |         |
| Net investment gain          |               | 400,841 |

Other income

|  |             |                  |
|--|-------------|------------------|
| Net gain or (loss) from agents' or premium balances  |             |                  |
| Charged off  |             |                  |
| Finance and service charges not included in premiums |             |                  |
| Aggregate write-ins for miscellaneous income         | <u>\$68</u> |                  |
| Total other income                                   |             | <u>68</u>        |
| Net income tax before dividends to policyholders and |             |                  |
| Federal income taxes                                 |             | \$471,390        |
| Dividends to policyholders                           |             | <u>0</u>         |
| Net income before federal income taxes               |             | \$471,390        |
| Federal income taxes incurred                        |             | <u>0</u>         |
| Net income   |             | <u>\$471,390</u> |

Capital and Surplus Account

|   |                         |                          |                    |
|---|-------------------------|--------------------------|--------------------|
| Surplus as regards policyholders per report on examination as of December 31, 1995  |                         |                          | \$1,150,256        |
|   | <u>Gains in Surplus</u> | <u>Losses in Surplus</u> |                    |
| Net income  | \$471,390               |                          |                    |
| Net unrealized capital gains  | 695,604                 |                          |                    |
| Change in non-admitted asset  |                         | (216,406)                |                    |
| Change in provision for reinsurance   |                         |                          |                    |
| Change in excess of statutory reserves over statement reserves                      |                         |                          |                    |
| Aggregate write-ins for gains and losses in surplus                                 | <u>156</u>              | <u>(5,500)</u>           |                    |
| Total gains and losses in surplus   | <u>\$1,167,150</u>      | <u>\$(221,906)</u>       |                    |
| Net increase (decrease) in surplus  |                         |                          | <u>\$945,244</u>   |
| Surplus as regards policyholders, per report on examination as of December 31, 2000 |                         |                          | <u>\$2,095,500</u> |

#### 4. COMMON STOCKS

The examination asset of \$1,603,299 is \$212,173 less than the \$1,815,472 balance reported by the Company as of the examination date.

This examination decrease is due to the Coca-Cola stock that exceeded the 10% limitation as prescribed in section 1409(a) of the New York Insurance Law which stipulates that “no domestic insurer shall have more than 10% of its admitted assets in any one institution.” Further, section 1412(b) of the New York Insurance Law states in part that “In determining the financial condition of any such insurer, ... the value of any investment in excess of any limitation prescribed in this chapter, shall be deducted as a non-admitted asset of such insurer.”

It is recommended that the Company comply with Section 1409(a) of the New York Insurance Law by limiting investments in any one institution to ten percent of admitted assets.

#### 5. INTEREST, DIVIDENDS AND REAL ESTATE INCOME DUE AND ACCRUED

The examination asset of \$19,354 is \$5,516 less than the \$24,870 balance reported by the Company as of the examination date.

The examination decrease relates to the recalculation of accrued interest for the six treasury securities, which resulted to a total of \$3,924, as noted below:

|                                | <u>Per Company</u> | <u>Per Exam</u> | <u>Examination<br/>Increase/(Decrease)</u> |
|--------------------------------|--------------------|-----------------|--|
| Interest Receivable –<br>Bonds | \$ 9,440           | \$3,924         | \$(5,516)                                  |
| Interest Receivable –<br>Cash  | <u>15,430</u>      | <u>15,430</u>   | <u>0</u>                                   |
| Total accrued interest         | <u>\$24,870</u>    | <u>\$19,354</u> | <u>\$(5,516)</u>                           |

In light of the above, it is recommended that the Company accurately calculate the accrual of interest income as of the statement date that will show fully and truly the financial condition of the Company as required by Section 6611(a)(1) of the New York Insurance Law.

#### 6. LOSS AND LOSS ADJUSTMENT EXPENSES

The examination liability of \$1,000 is the same as the amount reported by the Company as of the examination date.

#### 7. OTHER EXPENSES

The Company reported no liability under this caption as of the examination date. This examination has established the captioned liability in the amount of \$5,500. This is the result of the payment of directors' fees in January 2001 for attendance at 2000 meetings.

Section 1306 of the New York Insurance Law states in part that "every insurer shall be charged with the estimated amount of all its other liabilities, including taxes, expenses, other obligations due or accrued at the date of statement, ...".

In light of the above, it is recommended that the Company comply with Section 1306 of the New York Insurance Law and establish a liability for expenses incurred as of the statement date.

#### 8. 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.

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

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

No problem areas were encountered.

## 9. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

| <u>Item</u>  | <u>Page No.</u> |
|--|-----------------|
| <p>A. It was recommended that the Company should require all directors to be member-policyholders of the Company, as set forth in Article II, Section 1 of the Company's by-laws.</p> <p>The Company has complied with this recommendation.</p>  | 5               |
| <p>B. It was recommended that the Company should use bona fide bank or trust company as custodian of its securities whenever securities are not physically held by the Company.</p> <p>The Company has complied with this recommendation.</p>  | 7               |
| <p>C. It was recommended that in the future, the Company should follow the requirements of Section 1217 of the New York Insurance Law when making disbursements of \$100 or more, by maintaining copies of all applicable vouchers.</p> <p>The Company has complied with this recommendation.</p>  | 7-8             |
| <p>D. It was recommended that management should reconcile its investment ledger, the contents of its safe deposit box (where Company securities are kept) and its filings with the Department to accurately reflect the securities owned by the Company.</p> <p>The Company has complied with this recommendation.</p>   | 13              |
| <p>E. It was recommended that management should comply with Section 1409(a) of the New York Insurance Law by limiting investments in any one institution to ten percent of admitted assets, henceforth, and by divesting itself of the excess Coca-Cola securities, forthwith.</p> <p>The Company has not complied with this recommendation. A similar recommendation is contained in this report. See Item 10.D</p> | 13-14           |

## 10. SUMMARY OF COMMENTS AND RECOMMENDATIONS

| <u>Item</u>   | <u>Page No.</u> |
|---|-----------------|
| A. <u>Management</u>  | 4-5             |
| <ul style="list-style-type: none"> <li>i. It is recommended that the Company indicate the directors' attendance at each meeting in the minutes as required by Section 6611(a)(3) of the New York Insurance Law.</li> <li>ii. It is recommended that the Company comply with Section 1411(a) of the New York Insurance Law and that going forward the Financial Committee's minutes of meetings relative to approvals of investment are reported to the Board of Directors at its next meeting.</li> <li>iii. It is recommended that the Company comply with its by-laws as regard the number of its directors and fill any board vacancies in a timely and correct manner.</li> </ul> |                 |
| B. <u>Abandoned Property</u>  | 8               |
| <p>It is recommended that the Company file Abandoned Property Report annually to the State Comptroller's Office as required by Sections 1316 of the Abandoned Property Law.</p>   |                 |
| C. <u>Accounts and records</u>  | 8-11            |
| <ul style="list-style-type: none"> <li>i. <u>Custodian Agreement</u><br/>It is recommended that the Company amend its custodial agreement with Hudson River Bank &amp; Trust Company to include all the protective covenants and provisions in order to meet the minimum guidelines established by the New York Insurance Department for the contents of such agreement.</li> <li>ii. <u>Fidelity Insurance Coverage</u><br/>It is recommended that the Company calculate and maintain an appropriate amount of fidelity bond as set forth in the NAIC Examiners Handbook.</li> </ul>   |                 |

iii. Cash – Bank Reconciliation

- . It is recommended that the Company prepare a monthly bank reconciliation that will reconcile the balance per bank to the Company's book balance as required by Section 6611(a)(1) of the New York Insurance Law.

iv. Losses – Claim Files

It is recommended that the Company keep in the claims file all pertinent documentation supporting claims paid, as required by Section 6611(a)(1) of the New York Insurance Law.

v. Rent expense

It is recommended that the rent and travel payments to the Secretary / Treasurer be broken down between these two accounts and that the rent payments be reasonably justified, as required by Section 6611(a)(1).

D. Common Stocks

16

It is recommended that the Company comply with Section 1409(a) of the New York Insurance Law by limiting investments in any one institution to ten percent of admitted assets.

E. Interest, Dividends and Real Estate Income Due and Accrued

16-17

It is recommended that the Company accurately calculate the accrual of interest income as of the statement date and record the correct investment income that will show fully and truly the financial condition of the Company as required by Section 6611(a)(1) of the New York Insurance Law.

F. Other Expenses

17-18

It is recommended that the Company comply with Section 1306 of the New York Insurance Law and establish a liability for expenses incurred as of the statement date.



Appointment No 21505

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:

**Fe Rosales**

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

**Farmers Mutual Insurance Company of Milan, Pine Plains and Stanford**

*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 19th day of March, 2001*



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

GREGORY V. SERIO  
*First Deputy Superintendent of Insurance*