



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

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

DATE OF REPORT:

MARCH 5, 2002

EXAMINER:

PETER W. HARKIN



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

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 21696 dated January 31, 2001, attached hereto, I have made an examination into the condition and affairs of the Pittstown 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 227 Croll Road, Valley Falls, New York 12185.

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

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1. SCOPE OF EXAMINATION

The prior 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, intercompany 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. In 1910, this Department issued a certificate authorizing the Company to continue transacting business as an assessment cooperative fire insurance company in the town of Pittstown.

Subsequently, the Company's license was amended, extending its territory to all of Rensselaer County in March of 1954, and to Washington County in May of 1983.

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>
Hayner Bornt Troy, NY	Retired town supervisor
Allen Cornell Hoosick Falls, NY	Farmer
Samuel Danish (E) Troy, NY	Retired farmer
Robert Gifford Johnsonville, NY	Lumber salesman
Irene Humphrey Valley Falls, NY	Homemaker
Paul Marpe Buskirk, NY	Retired farmer
Linda Mason (E) Valley Falls, NY	Account clerk
Beverly Moore Valley Falls, NY	Retired teacher
Forrest Norton Valley Falls, NY	Retired farmer
David Schmidt (E) Melrose, NY	Farmer
George Skott (E) Buskirk, NY	Retired farmer

(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	George Skott
Vice President	David Schmidt
Secretary/Treasurer	Linda Mason

B. Territory and Plan of Operation

The Company is licensed to transact business within the counties of Washington and Rensselaer of this state.

<u>Calendar Year</u>	<u>Direct Premium Written</u>
1996	9,584
1997	9,366
1998	8,265
1999	9,570
2000	9,485

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

The Company issues policies for a term of three (3) years, with applications being received and inspections made by the Company's agents. The directors adjust losses. Assessments are collected at the home office of the Company.

Based upon 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 \$100,000.

C. Reinsurance

The Company had no assumed business at year-end 2000.

The Schedule F's as contained in the Company's Annual Statements filed for the years within the examination period were found to accurately reflect its reinsurance transactions except as noted below.

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

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

Property:	\$70,000 per risk excess of \$14,000 per risk on all perils but windstorm.
Windstorm	\$81,000 per risk excess of \$3,000 per risk.
Property Catastrophe:	100% of all losses and loss adjustment expense in excess of 10% of surplus per occurrence as regards windstorm.

All of the Company's cessions during the period under examination were to authorized reinsurers.

Section 1308(e) of the New York Insurance Law makes it necessary for reinsurance agreements, and any changes thereto, to be submitted to the Department. During the course of this examination, it was found that the Company had not submitted addenda to this Department, contrary to the aforementioned Section 1308(e). When apprised of this deficiency, the Company immediately sent the addenda to the Department.

Nevertheless, it is recommended that the Company comply with Section 1308(e) of the New York Insurance Law, by submitting reinsurance agreement addenda to this Department in a timely manner.

D. Minimum capital investments

Section 6623(b)(1) states “The minimum capital investments of a domestic insurer as set forth in section one thousand four hundred two of this chapter shall be applicable to an assessment corporation in an amount equal to the lesser of such corporation’s total liabilities or two hundred fifty thousand dollars.”

At year-end 2000, the Company had \$947 in liabilities and did not report minimum capital investments qualifying under section 1402 of the New York Insurance Law.

It was noted that during the examination the Company corrected the discrepancy by purchasing a \$5,000 treasury bond, thus bringing itself into compliance with the aforementioned sections of law.

Nevertheless, it is recommended that the Company comply with Sections 6623(b)(1) and 1402 of the New York Insurance Law by investing in investments of the types and amounts specified in the aforementioned Sections 6623(b)(1) and 1402 before investing in any other permissible investments, henceforth.

E. Holding Company System

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

F. 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	.006 to 1
Liabilities to cash and invested assets	.3%
Investment Yield	4.90%

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	\$8,382	95.58%
Other underwriting expenses	51,361	585.64%
Net underwriting gain (loss)	<u>(50,973)</u>	<u>(581.22)%</u>
Premiums earned	<u>\$8,770</u>	<u>100.00%</u>

G. 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	278,703	-0-	-0-	278,703
Common stock	<u>43,973</u>	<u>-0-</u>	<u>1,483</u>	<u>42,490</u>
Total	<u>\$322,676</u>	<u>\$-0-</u>	<u>\$1,483</u>	<u>\$321,193</u>

Liabilities and Surplus

Taxes, licenses and fees	\$ <u>947</u>
Total liabilities	\$ 947
Required surplus	100,000
Unassigned funds (surplus)	<u>220,246</u>
Surplus as regards policyholders	\$320,246
Total	<u>\$321,193</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 \$24,562 during the five-year examination period, (January 1, 1996 through December 31, 2000) detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$8,770
Losses and loss adjustment expenses incurred	\$8,382	
Other underwriting expenses incurred	<u>51,361</u>	
Total underwriting deductions		<u>(59,743)</u>
Net underwriting gain or (loss)		\$(50,973)

Investment Income

Net investment income earned	\$75,562	
Net realized capital gain or (loss)	<u>(27)</u>	
Net income gain		75,535
Net income (loss)		<u>\$24,562</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 1995 per prior report on examination		\$295,684
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	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>
Net income	<u>\$24,562</u>	<u>\$0</u>
Totals	<u>\$24,562</u>	<u>\$0</u>

Net increase in Surplus as regards policyholders		<u>24,562</u>
Surplus as regards policyholders, December 31, 2000, per report on examination		<u>\$320,246</u>

4. LOSS AND LOSS ADJUSTMENT EXPENSES

The examination liability of \$0 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

No problem areas were encountered.

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. The Company should adhere to its by-laws and fill any board vacancies in a timely manner. The Company has complied with this recommendation.	4
B. The Company should comply with the NAIC annual statement instructions and report the amortized value of bonds as the admitted asset. The Company has complied with this recommendation.	11
C. The Company should comply with the NAIC annual statement instructions and report the market value of common stocks as the admitted asset. The Company has complied with this recommendation.	11-12

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>
A. <u>Reinsurance</u>	
It is recommended that the Company comply with Section 1308(e) of the New York Insurance Law, by submitting reinsurance agreement addenda to this Department in a timely manner.	5
B. <u>Minimum Capital Investments</u>	
It is recommended that the Company comply with Sections 6623(b)(1) and 1402 of the New York Insurance Law by investing in investments of the types and amounts specified in the aforementioned sections of law before investing in any other permissible investments, henceforth.	6

Appointment No 21696

STATE OF NEW YORK
INSURANCE DEPARTMENT

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

Peter W. Harkin

as proper person to examine into the affairs of the

Pittstown 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 15th day of February, 2002





GREGORY V. SERIO
Superintendent of Insurance