

REPORT ON EXAMINATION

OF

HARTWICK TOWN INSURANCE COMPANY

AS OF

DECEMBER 31, 2018

DATE OF REPORT

AUGUST 23, 2019

EXAMINER

SHEIK MOHAMED

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Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

August 23, 2019

Honorable Linda A. Lacewell
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 31864 dated February 1, 2019, attached hereto, I have made an examination into the condition and affairs of Hartwick Town Insurance Company as of December 31, 2018, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Hartwick Town 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 Department’s office located at One Commerce Plaza, Albany, NY 12257.

1. SCOPE OF EXAMINATION

The Department has performed an examination of the Company, a single-state insurer. The previous examination was conducted as of December 31, 2017. This examination covered the one-year period from January 1, 2018 through December 31, 2018. Transactions occurring subsequent to this period were reviewed when deemed appropriate by the examiner.

This examination comprised a verification of assets and liabilities as of December 31, 2018. The examination included a review of income, disbursements and company records deemed necessary to accomplish such analysis or verification. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

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

Hartwick Town Insurance Company was organized under the laws of the State of New York on April 15, 1886 for the purpose of transacting business as an assessment cooperative fire insurance company in the Town of Hartwick, Otsego County, New York. The Company's current license, issued on March 2, 1998, authorizes the Company to transact business in Otsego County, New York.

A. Corporate Governance

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of nine to eleven members. The board meets four times during each calendar year. At December 31, 2018, the board of directors was comprised of the following eight members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Bart Barown Milford, NY	Retired
Jean Barry Milford, NY	School aide, Laurens School District
Judith Brown Milford, NY	Certified Public Account, Judith Brown CPA PLLC
Michael Chase Cooperstown, NY	Logging and excavation, MJ Chase
Donald Elliott Milford, NY	Farmer/Ice cream store operator, Pop's Place
Fred D. Field Milford, NY	Contractor, Fred Field & Son Excavating
Orrin Higgins Jr. Hartwick, NY	Technician, Time Warner Cable/Spectrum
Patrick McBrearty Milford, NY	Retired

According to the Company's charter and by-laws, "The corporate powers shall be exercised by a board of 9 to 11 directors ...". As of examination date, the Company only had eight directors. It is recommended that the Company comply with its charter and by-laws by having 9 to 11 directors.

As of December 31, 2018, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Patrick McBrearty	President
Judith Brown	Secretary and Treasurer
Bart Barown	Vice President

B. Territory and Plan of Operation

As of December 31, 2018, the Company was licensed to write business in New York 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

Based upon 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 \$100,000.

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

<u>Calendar Year</u>	<u>Total Direct Premiums</u>
2018	\$4,097

The Company writes fire insurance for rural residences and farmers. With a decline in farms, the Company has seen an increase in its writings for mobile homes and small seasonal camps. The Company does not use agents or brokers.

C. Reinsurance

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

D. Holding Company System

The Company is not a member of a holding company system as of December 31, 2018.

E. Significant Ratios

The Company's two year overall operating ratio of 164.8%, computed as of December 31, 2018, falls outside the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners. The unusual value is due to a high expense ratio and a low return on investments.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	3.1%
Adjusted liabilities to liquid assets	2.4%
Two-year overall operating	164.8%

Underwriting Ratios

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

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$ 0	0.00%
Other underwriting expenses incurred	5,223	126.07
Net underwriting gain (loss)	<u>(1,080)</u>	<u>(26.07)</u>
Premiums earned	<u>\$ 4,143</u>	<u>100.00%</u>

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2018 as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 64,629	\$0	\$ 64,629
Cash, cash equivalents and short-term investments	<u>72,071</u>	<u>0</u>	<u>72,071</u>
Total assets	<u>\$136,700</u>	<u>\$0</u>	<u>\$136,700</u>
 <u>Liabilities, surplus and other funds</u>			
 <u>Liabilities</u>			
Unearned premiums			\$3,208
Fire fee			<u>20</u>
Total liabilities			<u>\$3,228</u>
 <u>Surplus and other funds</u>			
Minimum surplus to policyholders		\$100,000	
Unassigned funds (surplus)		<u>33,472</u>	
Surplus as regards policyholders			<u>133,472</u>
Total liabilities, surplus and other funds			<u>\$136,700</u>

Note: The Company is exempt from filing income tax returns with the Internal Revenue Service.

B. Statement of Income

The net income for the examination period as reported by the Company was \$748 as detailed below:

Underwriting Income

Premiums earned		\$ 4,143
Deductions:		
Other underwriting expenses incurred	\$ <u>5,223</u>	
Total underwriting deductions		<u>5,223</u>
Net underwriting gain or (loss)		\$(1,080)

Investment Income

Net investment income earned	\$ <u>1,828</u>	
Net investment gain or (loss)		<u>1,828</u>
Net income		\$ <u>748</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$547 during the one-year examination period January 1, 2018 through December 31, 2018 as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2017				\$132,925
	<u>Gains in</u>	<u>Losses in</u>		
	<u>Surplus</u>	<u>Surplus</u>		
Net income	\$748	\$ 0		
Net unrealized capital gains or (losses)	<u>0</u>	<u>201</u>		
Net increase (decrease) in surplus	\$748	\$201	<u>547</u>	
Surplus as regards policyholders as reported by the Company as of December 31, 2018				<u>\$133,472</u>

No adjustments were made to surplus as a result of this examination.

4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$0 is the same as reported by the Company as of December 31, 2018. There were no claims reported during the examination period.

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

The prior report on examination contained no recommendations.

6. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Corporate Governance</u>	
It is recommended that the Company comply with its charter and by-laws by having 9 to 11 directors.	3

Respectfully submitted,

_____/S/
Sheik Mohamed, CPA
Associate Insurance Examiner

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

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

_____/S/
Sheik Mohamed

Subscribed and sworn to before me

this _____ day of _____, 2019.

APPOINTMENT NO. 31864

NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES

I, **Maria T. Vullo**, 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:

Sheik Mohamed

as a proper person to examine the affairs of the

Hartwick Town Insurance Company

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

COMPANY

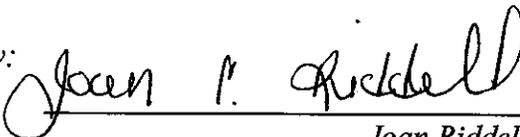
with such other information as he shall deem requisite.

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

this 1st day of February, 2019

MARIA T. VULLO
Superintendent of Financial Services



By: 

Joan Riddell
Deputy Bureau Chief