

REPORT ON EXAMINATION

OF

MILLVILLE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2019

DATE OF REPORT

OCTOBER 01, 2020

EXAMINER

LAMIN JAMMEH

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	3
	A. Corporate governance	3
	B. Territory and plan of operation	5
	C. Reinsurance ceded	6
	D. Holding company system	6
	E. Significant ratios	7
3.	Financial statements	8
	A. Balance sheet	8
	B. Statement of income	10
	C. Capital and surplus	10
4.	Losses and loss adjustment expenses	11
5.	Subsequent events	11
6.	Compliance with prior report on examination	11
7.	Summary of comments and recommendations	11



Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

October 01, 2020

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 32081 dated April 30, 2020, attached hereto, I have made an examination into the condition and affairs of Millville Insurance Company of New York as of December 31, 2019, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Millville Insurance Company of New York.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

Due to the Governor’s Executive Order of New York State on PAUSE regarding the COVID-19 pandemic, the examination was conducted remotely.

1. SCOPE OF EXAMINATION

The Department has performed an examination of Millville Insurance Company of New York, a single-state insurer. The previous examination was conducted as of December 31, 2014. This examination covered the five-year period from January 1, 2015 through December 31, 2019. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with the state of Pennsylvania, which was the lead state of the Millville Mutual Group. The examination was performed concurrently with the examination of Millville Mutual Insurance Company. The systems and practices of conducting business are integrated and the two companies operate under common management.

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 New York laws, statutory accounting principles and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Company history
- Management and control
- Territory and plan of operation
- Reinsurance
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Significant subsequent events
- Summary of recommendations

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

The Company was originally incorporated on October 17, 1995 as Adirondack Insurance Company by the Plymouth Rock Company of Boston, Massachusetts. On November 22, 1996, ownership of Adirondack Insurance Company was transferred to Direct Response Corporation (“DRC”). It was organized and granted a certificate of authority pursuant to the New York Insurance Law on May 9, 1997. On September 17, 1997, Adirondack Insurance Company changed its name to Response Indemnity Company. The Company began operations as a direct writer of private passenger automobile on October 15, 1997.

On February 13, 2009, Trinity Universal Insurance Company acquired DRC and its subsidiaries. Trinity Universal Insurance Company is a wholly owned subsidiary of Unitrin, Inc., and, accordingly, Unitrin, Inc. became the ultimate controlling person of DRC and its subsidiaries, which included the Company.

On September 2, 2010, Millville Mutual Insurance Company (the “Millville Mutual”), a Pennsylvania domiciled mutual insurance company, acquired Response Indemnity Company through a stock purchase agreement. On December 23, 2010, the Company received regulatory approval to amend its name to Millville Insurance Company of New York. The Company was in run-off at the time of purchase.

On March 21, 2011, the Company received approval from the Department to perform a quasi-reorganization which generated a reduction of \$2,178,263 in gross paid in and contributed surplus and a corresponding increase to unassigned surplus of the same amount. On March 21, 2011, the Company received approval from the Department to purchase 1,380 shares of stock for \$1,200,990. The par value of the remaining shares was increased from \$230 to \$337.

On May 1, 2012, the Company resumed writing business.

A. Corporate Governance

Pursuant to the Company’s charter and by-laws, management of the Company is vested in a board of directors that shall consist of not less than seven but not more than fifteen members. The board meets four times during each calendar year. At December 31, 2019, the board of directors was comprised of the following twelve members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
William C. Berger Millville, PA	Project Manager, Larson Design Group
Robert D. Beyer Bloomsburg, PA	CPA, Self Employed
Lance O. Diehl Millville, PA	President, CCFNB Bancorp, Inc. and First Columbia Bank
Robert W. Dillon Bloomsburg, PA	President, Dillon Floral Corporation
David W. Hartman Turbotville, PA	Agriculture Extension Agent, Pennsylvania State University
Angela M. Klingerman, CPA Bloomsburg, PA	Associate Vice President of Finance, Geisinger Health Plan
John J. Petruzzi Olean, NY	Principal Owner, Petruzzi Insurance Agency
Patricia A. Porter Elysburg, PA	Retired
Eric M. Raski Bloomsburg, PA	Secretary, Millville Mutual Insurance Company
Matthew P. Raski Millville, PA	President, Millville Mutual Insurance Company
Shaun T. Smith Williamsport, PA	President, Albright Care Services
Anne L. Steinbacher Muncy, PA	Associate Broker, Century 21 Betty Steinbacher

As of December 31, 2019, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Robert W. Dillon	Chairman of the Board and Chief Executive Officer
Matthew P. Raski*	President
Eric M. Raski*	Secretary
Liesl R. Kreischer	Treasurer

*On January 20, 2020, Mr. Matthew P. Raski retired, Mr. Eric M. Raski was appointed as President, and Mr. Dennis Yonkin was appointed as Secretary.

B. Territory and Plan of Operation

As of December 31, 2019, the Company was licensed to write business solely in New York.

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
12	Collision
13	Personal injury liability
14	Property damage liability
20	Marine and inland marine (inland only)

Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$1,600,000.

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

<u>Calendar Year</u>	<u>Total Gross Premiums</u>
2015	\$ 773,147
2016	\$1,109,146
2017	\$1,504,013
2018	\$1,921,549
2019	\$2,452,770

The Company's primary business is providing commercial multiple peril, homeowners multiple peril and fire insurance. The Company primarily markets its business through agency programs of its parent. The Company did not assume business during the examination period.

C. Reinsurance Ceded

Effective April 19, 2012, the Company entered into a quota share reinsurance agreement with its parent, an authorized reinsurer. Pursuant to the agreement, the Company cedes 100% of the losses, loss adjustment expenses, underwriting expenses, and finance and service charges on all business written. The agreement was submitted to the Department for review and non-disapproval as required by Section 1505(d) of the New York Insurance Law.

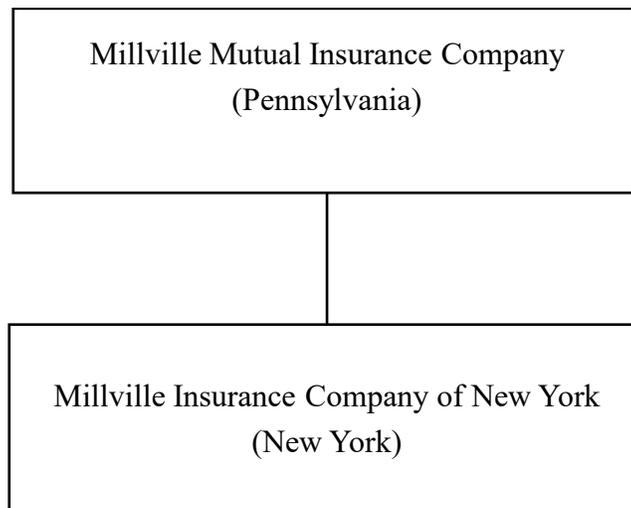
At December 31, 2019, the Company reported approximately \$1,941,000 in reinsurance recoverables from its parent. These recoverables are the Company's most significant financial item and ultimately, the Company's most significant financial risk is its ability to collect on the reinsurance recoverables.

D. Holding Company System

The Company is a wholly owned subsidiary of Millville Mutual Insurance Company, a Pennsylvania domiciled insurer. The primary purpose for the Company is to expand the parent's products and services geographically and profitably and to strengthen the organization.

A review of the Holding Company Registration Statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is a chart of the holding company system at December 31, 2019:



Holding Company Agreements

At December 31, 2019, the Company was party to the following agreements with its parent:

Administrative Services and Property Agreement

Effective January 1, 2011, the Company entered into a service agreement with its parent. Pursuant to the agreement, Millville Mutual provides the Company with all the necessary administrative, production, marketing, underwriting, investment, and accounting functions with respect to its business operations. Expenses directly attributable to the Company are recorded as its expense and paid directly to the parent; expenses that benefit both parties are allocated in accordance with Department Regulation No. 30. The agreement was submitted to the Department for review and non-disapproval as required by Section 1505(d) of the New York Insurance Law.

Intercompany Tax Allocation Agreement

Effective April 12, 2016, the Company entered into a tax allocation agreement with its parent. Pursuant to the terms of the agreement, the parties file consolidated federal income tax returns. The agreement stipulates that the Company's tax liability on a consolidated basis is not to exceed the Company's tax that it would have paid on a stand-alone basis. The agreement was filed with the Department pursuant to Circular Letter No. 33(1979).

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2019, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	0%
Adjusted liabilities to liquid assets	12%
Two-year overall operating	0%

The underwriting ratios were not calculated because they are not meaningful due to the aforementioned 100% quota share reinsurance agreement.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2019, as reported by the Company:

Assets

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$2,604,396	\$ 0	\$2,604,396
Cash, cash equivalents and short-term investments	346,921	0	346,921
Receivables for securities	526	0	526
Investment income due and accrued	14,736	0	14,736
Uncollected premiums and agents' balances in the course of collection	173,153	3,568	169,585
Deferred premiums, agents' balances and installments booked but deferred and not yet due	184,691	0	184,691
Net deferred tax asset	<u>32,482</u>	<u>11,870</u>	<u>20,612</u>
 Total assets	 <u>\$3,356,905</u>	 <u>\$15,438</u>	 <u>\$3,341,467</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$	0
Commissions payable, contingent commissions and other similar charges		105,689
Other expenses (excluding taxes, licenses and fees)		11,249
Taxes, licenses and fees (excluding federal and foreign income taxes)		53,723
Current federal and foreign income taxes		5,420
Advance premium		72,913
Ceded reinsurance premiums payable (net of ceding commissions)		10,924
Payable to parent, subsidiaries and affiliates		<u>278,064</u>
 Total liabilities	 \$	 537,982

Surplus and Other Funds

Common capital stock	\$1,000,890	
Gross paid in and contributed surplus	1,554,550	
Unassigned funds (surplus)	<u>248,045</u>	
Surplus as regards policyholders		<u>\$2,803,485</u>
 Total liabilities, surplus and other funds		 <u>\$3,341,467</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2015 through 2019. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The Company's only source of income was investment income. The net income for the examination period as reported by the Company was \$240,636, as detailed below:

Investment Income

Net investment income earned	\$174,832	
Net realized capital gain	<u>20,314</u>	
Net investment gain		\$195,146
Net income before federal and foreign income taxes		<u>195,146</u>
Federal and foreign income taxes incurred		<u>(45,490)</u>
Net income		<u>\$240,636</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$229,941 during the five-year examination period January 1, 2015 through December 31, 2019, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2014			\$2,573,544
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$240,636		
Change in net deferred income tax		\$137,958	
Change in nonadmitted assets	<u>127,263</u>	<u>0</u>	
Total gains and losses	<u>\$367,899</u>	<u>\$137,958</u>	
Net increase (decrease) in surplus			<u>229,941</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2019			<u>\$2,803,485</u>

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

Capital paid in is \$1,000,890 consisting of 2,970 shares of \$337 par value per share common stock.

Gross paid in and contributed surplus is \$1,554,550.

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, 2019. This \$0 liability is reflective of the 100% quota share agreement with its parent, Millville Mutual.

5. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus (“COVID-19”) pandemic. The risks and uncertainties surrounding the COVID-19 pandemic may impact the Company’s and its competitors’ operational and financial performance. The extent of the impact of the COVID-19 pandemic on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets. All of these developments are uncertain and cannot be predicted. The related financial impact cannot be reasonably estimated at this time

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination did not contain any comments or recommendations

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

_____/S/_____
Lamin Jammeh
Senior Insurance Examiner

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

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

_____/S/_____
Lamin Jammeh

Subscribed and sworn to before me

this _____ day of _____, 2020.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Linda A. Lacewell, 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:

Lamin Jammeh

as a proper person to examine the affairs of the

Millville Insurance Company of New York

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 30th day of April, 2020

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:

Joan L. Riddell

*Joan Riddell
Deputy Bureau Chief*

