REPORT ON EXAMINATION

OF THE

COUNTRYWAY INSURANCE COMPANY

AS OF

DECEMBER 31, 2009

DATE OF REPORT	MAY 3, 2011
EXAMINER	FRANK P. SCHIRALDI

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

May 3, 2011

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30567 dated May 22, 2010 attached hereto, I have made an examination into the condition and affairs of Countryway Insurance Company as of December 31, 2009, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Countryway Insurance Company.

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

The examination was conducted at the Company’s home office located at 224 Harrison Street, Syracuse, New York 13202.

1. SCOPE OF EXAMINATION

The Department has performed a multi-state examination of Countryway Insurance Company. The previous examination was conducted as of December 31, 2004. This examination covered the five year period from January 1, 2005 through December 31, 2009. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("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 Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examiners also relied upon audit work performed by the Company's independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Financial Condition Examiners Handbook of the NAIC:

Significant subsequent events
Company history
Corporate records
Management and control
Territory and plan of operation
Growth of Company
Loss experience
Reinsurance
Accounts and records
Statutory deposits
Financial statements
Summary of recommendations
Market conduct activities

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

Countryway Insurance Company was incorporated in 1954 under the laws of the State of New York as the Grange League Federation Insurance Company ("GLF") to write insurance on the properties and risks of its parent company, the Cooperative Grange League Federation Exchange, Inc. In 1964, the Cooperative Grange League Federation Exchange, Inc. merged with two other cooperatives to form the parent company, Agway Inc., a Delaware corporation. In 1966, GLF changed its name to Agway Insurance Company. Effective August 28, 2002, the Agway Insurance Company was acquired by United Farm Family Mutual Insurance Company and the Company was renamed Countryway Insurance Company.

At December 31, 2009, capital paid in was $5,300,000 consisting of 265,000 shares of common stock at $20 par value per share. Gross paid in contributed surplus was $31,258,729. Gross paid in and contributed surplus increased by $3,091,746 during the examination period as follows:

Year	Description		Amount
2005	Beginning gross paid in and contributed surplus		$28,166,983
2006	Surplus contribution	$3,000,000	
2009	Surplus contribution	$91,746	
	Total Surplus Contributions		3,091,746
2009	Ending gross paid in and contributed surplus		$31,258,729

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen members. The board met approximately four times during each of the years under examination. At December 31, 2009, the board of directors was comprised of the following thirteen members:

Name and Residence	Principal Business Affiliation
Mark E. Bacon Milroy, IN	Farmer
Joseph Jerry Canada Indianapolis, IN	Executive Vice President and Chief Executive Officer, United Farm Family Mutual Insurance Company
Kendall Culp Rensselaer, IN	Farmer
Leanne Frances Fiscoe Camillus, NY	Senior Vice President of Operations, Countryway Insurance Company
Jeffrey Neal Freeman Fishers, IN	Chief Operating Officer, Countryway Insurance Company
Jeffrey Allen Gormong Farmersburg, IN	Farmer
Larry John Jernas Knox, IN	Farmer
Randall Charles William Kron Evansville, IN	Farmer
Kevin T. Murphy Avon, IN	Chief Actuary, United Farm Family Mutual Insurance Company
Michael Charles Phillips Baldwinsville, NY	Vice President of Claims, Countryway Insurance Company
Robert L. Schickel Lanesville, IN	Farmer
Donald Bruce Villwock Edwardsport, IN	Farmer
David Lee Wyeth North Salem, IN	Farmer

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and that each board member had an acceptable record of attendance.

As of December 31, 2009, the principal officers of the Company were as follows:

Name	Title
Donald Bruce Villwock	President
Lynn Brundage Jongleux	Secretary
Joseph Alan Martin	Treasurer

B. Territory and Plan of Operation

As of December 31, 2005, the Company was licensed to write business in seventeen states.

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:

Paragraph	Line of Business
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company was also authorized to write such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law.

Based on 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 $2,200,000.

The majority (approximately 77%) of the Company's business is written in New York, Kentucky and Pennsylvania. The three largest lines of business are farmowners multiple peril (40.4%), homeowner's multiple peril (17.6%) and private passenger auto liability (17.4%). The business originates through about 300 independent agents.

The following schedule shows the direct premiums written by the Company both in total and in New York for the period under examination:

Calendar Year	New York State	Total Premiums	Premiums Written in New York State as a Percentage of Total Premium
2005	$11,173,510	$41,950,350	26.64%
2006	$11,778,703	$43,106,109	27.32%
2007	$11,225,720	$39,600,678	28.35%
2008	$11,124,572	$37,594,245	29.59%
2009	$10,844,658	$37,232,841	29.13%

C. Reinsurance

Assumed reinsurance accounted for 1.8% of the Company's gross premium written at December 31, 2009. During the period covered by this examination, the Company's assumed reinsurance business has increased since the last examination. The Company's assumed reinsurance program consists mainly of property coverage assumed on a quota share basis, pursuant to the terms of treaty agreements with an authorized cedant. Additionally, the Company's participation in various mandated pools is also reflected in its assumed reinsurance activity.

The Company has structured its ceded reinsurance program to limit its maximum exposures as follows:

Type of Treaty	Cession
Property 2 Layers 100% Authorized	$2,750,000 excess of $250,000 ultimate net loss each risk, each loss occurrence, subject to a loss event limit of $5,500,000.
Property and Automobile Catastrophe First two layers 100% authorized	95% of $7,500,000 in excess of $1,500,000 each loss occurrence for losses due to all perils.
3rd layer 100% authorized	95% of $14,000,000 in excess of $9,000,000 each loss occurrence for losses due only to earthquake and any fire following.
Terrorism Catastrophe 100% authorized	$1,000,000 excess of $500,000, each loss, subject to an aggregate limit of liability of $1,000,000.
Casualty 7 Layers 100% Authorized	$30,450,000 excess of $300,000 each policy, each loss event, subject to a loss event limit of $5,500,000 and a total limit for each casualty risk of $1,500,000.
Umbrella First layer 100% authorized	85% of the first $1,000,000, each loss, any one loss event.
Umbrella 4 layers 100% authorized	100% of $4,000,000 excess $1,000,000 each loss, any one loss event.
Farm Pollution Liability 100% authorized	100% of $1,350,000 excess of $150,000 any one policy, any one risk.
Boiler and Machinery 100% authorized	100% of $25,000,000 of equipment breakdown liability; solely in conjunction with farmowners lines of business.

The Company also has in place facultative treaties for that portion of all property policies that exceed $3,000,000 in coverage.

Since the last examination the Company has changed its net retention of $175,000 and $150,000 for property and casualty business, respectively, to $250,000 and $300,000.

During the period covered by this examination, the Company did not commute any reinsurance agreements.

The examiner reviewed all of the ceded reinsurance contracts in effect at December 31, 2009. The contracts contained the required standard clauses including insolvency clauses meeting the requirements of Section 1308 of the New York Insurance Law.

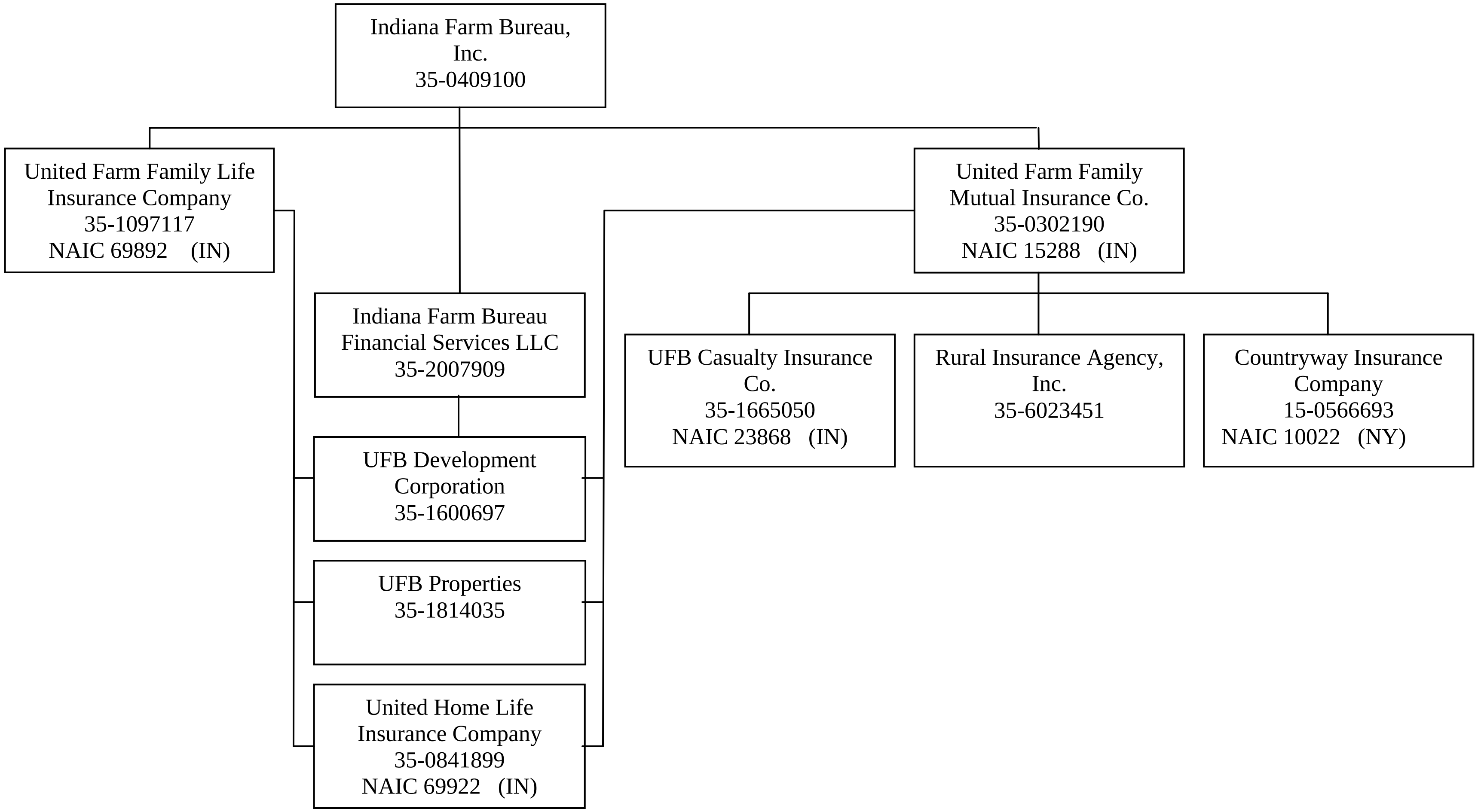
Examination review of the Schedule F data reported by the Company in its filed 2009 annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statements of Statutory Accounting Principles ("SSAP") No. 62. Representations were supported by appropriate risk transfer analysis and an attestation from the Company's chief executive officer and chief financial officer pursuant to the NAIC Annual Statement Instructions. Additionally, the examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth of SSAP No. 62.

D. Holding Company System

The Company is a member of the Indiana Farm Bureau Group. The Company is a wholly-owned subsidiary of United Farm Family Mutual Insurance Company ("UFFMIC"), an Indiana corporation, which is ultimately controlled by Indiana Farm Bureau, Inc.

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, 2009:


Indiana Farm Bureau, Inc.
35-0409100
United Farm Family Life Insurance Company
35-1097117
NAIC 69892 (IN)
Indiana Farm Bureau Financial Services LLC
35-2007909
United Farm Family Mutual Insurance Co.
35-0302190
NAIC 15288 (IN)
UFB Casualty Insurance Co.
35-1665050
NAIC 23868 (IN)
Rural Insurance Agency, Inc.
35-6023451
Countryway Insurance Company
15-0566693
NAIC 10022 (NY)
UFB Development Corporation
35-1600697
UFB Properties
35-1814035
United Home Life Insurance Company
35-0841899
NAIC 69922 (IN)

At December 31, 2009, the Company was party to the following agreements with other members of its holding company system:

1. Service Agreement

The Company and UFFMIC entered into a services agreement, whereby UFFMIC provides the Company with access to various support services including, but not limited to, actuarial, payroll and benefit administration, legal and electronic data processing/information services. This agreement became effective August 29, 2002, and was non-disapproved by the Department on August 21, 2002 as part of the application for acquisition of control by UFFMIC.

2. Tax Allocation Agreements

The Company has a written tax allocation agreement with its Parent, UFFMIC. The tax allocation is based upon separate return calculations. The Company has filed the tax allocation agreement with the Department in accordance with Department Circular Letter No. 33 (1979).

Also, effective August 29, 2002, the Company entered into an escrow agreement with UFFMIC. The tax allocation agreement was amended in order to more fully comply with Department Circular Letter No. 33 (1979) regarding the set up of the escrow account and the naming of the Company as the beneficiary for this account. This amendment was non-disapproved by the Department on July 13, 2009 and became effective on that date.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2009, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	1.57:1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	67%
Premiums in course of collection to surplus as regards policyholders	12%

All of 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 covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$129,408,574	73.96%
Other underwriting expenses incurred	64,541,545	36.88
Net underwriting loss	(18,968,943)	(10.84)
Premiums earned	$174,981,176	100.00%

F. 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, which is the responsibility of the Market Conduct Unit of the Property Bureau of this Department.

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

A. Sales and advertising
B. Underwriting
C. Rating
D. Claims and complaint handling
E. Privacy

(i) Conditional Renewals or Non-Renewals

Section 3426(5)(C)(i) of the New York Insurance Law states, in part:

> "In the event that a late conditional renewal notice or a late non-renewal is provided by the insurer on or after the expiration of the policy, coverage shall remain in effect on the same terms and conditions of the expiring policy for another required policy period…unless the insured has replaced the coverage or elects to cancel. . . ."

Upon examination, it was noted during the review of commercial policies that the Company non-renewed a policy using late renewal notices and did not provide coverage for another required policy period.

It is recommended that the Company comply with Section 3426(5)(C)(i) of the New York Insurance Law by continuing coverage for another required policy period in the event that it sends a late non-renewal notice on or after the expiration date of any commercial policy.

(ii) Prevention of Improperly Charged Rates

Part 160.2(g) of Department Regulation 57 states, in part:

> "(g). . . .Prevention of improperly charged rates - Insurers shall establish adequate procedures to minimize the occurrence of improperly charged rates and shall in fact pursue such procedures."

Upon examination, it was noted that the manual rating of the thirteen motor home portions of personal automobile policies in effect at December 31, 2009, were rated using rates from a prior period instead of the current approved rates.

It is recommended that the Company comply with Part 160.2(g) of Department Regulation 57 by establishing adequate procedures to minimize the occurrence of improperly charged rates and then actually following these procedures.

(iii) Reporting of Rates

Part 161.7(c) of Department Regulation 129 states:

> "No rate filing whether made by an insurer or by a rate service organization, and whether or not prior approval is required, shall remain effective for use by insurers more than three years after the effective date of the particular insurer's or service organization's filing. Every insurer or rate service organization shall update each of its filings, or file a statement with this Department that its analysis indicates that no updating is appropriate, at least every three years."

Upon examination, it was noted that the Company had not updated each of its filings or filed a statement with this Department stating that its analysis indicates that no updating is appropriate at least once every three years.

It is recommended that the Company comply with Part 161.7(c) of Department Regulation 129 by either filing rates or letting the Department know that its analysis shows that no new rates are needed at least every three years for all applicable line of business.

G. Accounts and Records

A review of the Company's accounts, records and annual statement reporting revealed the following:

Certified Public Accountant ("CPA") Contract

A review of the Company's contract with its independent CPA firm revealed that the contract does not comply with the requirements specified in Section 89.2 of Department Regulation 118 and with Section 243.2 of Department Regulation 152.

Section 89.2 of Department Regulation 118 states, in part:

> (c) "the workpapers and any communications between the CPA and the insurer relating to the audit of the insurer shall be made available for review by the superintendent at the offices of the insurer, at the Insurance Department or at any other reasonable place designated by the superintendent. The CPA must retain such workpapers and communications in accordance with the provisions of Part 243 of this Title (Regulation 152). More specifically, such workpapers and communications must be retained by the CPA for the period specified in Sections 243.2(b)(7) and (c) of this Title. . ."

It is recommended that the Company revise its current and all future contracts with its independent certified public accountant to include all provisions required by Part 89.2 of Department Regulation 118.

FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2009 as determined by this examination and as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$42,882,731	$ 0	$42,882,731
Common stocks	875,200		875,200
Cash, cash equivalents and short-term investments	3,236,685		3,236,685
Investment income due and accrued	557,704		557,704
Uncollected premiums and agents' balances in the course of collection	2,530,641	126,709	2,403,932
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,582,883		6,582,883
Amounts recoverable from reinsurers	19,991		19,991
Current federal and foreign income tax recoverable and interest thereon	797,200		797,200
Net deferred tax asset	2,392,014	413,309	1,978,705
Electronic data processing equipment and software	486,797	486,797	0
Furniture and equipment, including health care delivery assets	282,641	282,641	0
Miscellaneous accounts receivable	67,775	36,542	48,411
Equities and deposits in pools and associations	17,178	1,345,998	59,383,442
Total assets	$60,729,439	$1,345,998	$59,383,441

Liabilities, Surplus and Other Funds

Liabilities		
Losses and loss adjustment expenses		$16,331,925
Commissions payable, contingent commissions and other similar charges		752,956
Other expenses (excluding taxes, licenses and fees)		470,881
Taxes, licenses and fees (excluding federal and foreign income taxes)		590,370
Unearned premiums		17,815,323
Advance premium		324,086
Ceded reinsurance premiums payable (net of ceding commissions)		1,637,540
Amounts withheld or retained by company for account of others		117,639
Remittances and items not allocated		325
Payable to parent, subsidiaries and affiliates		427,776
Payable for securities		150,000
Total liabilities		$38,618,821
Surplus and Other Funds		
Common capital stock	$ 5,300,000	
Gross paid in and contributed surplus	31,258,729	
Unassigned funds (surplus)	(15,794,107)	
Surplus as regards policyholders		20,764,622
Total liabilities, surplus and other funds		$59,383,443

NOTE: The Internal Revenue Service has completed its audits of the Company's consolidated federal income tax returns of tax year 2006, 2007 and 2008. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. The Internal Revenue Service has not yet begun to audit tax returns covering any other years. 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

Surplus as regards policyholders increased $1,022,784 during the five year examination period January 1, 2005 through December 31, 2009, detailed as follows:

Underwriting Income		
Premiums earned		$174,981,176
Deductions:		
Losses and loss adjustment expenses incurred	$129,408,574	
Other underwriting expenses incurred	64,541,545	
Total underwriting deductions		193,950,119
Net underwriting gain or (loss)		$(18,968,943)
Investment Income		
Net investment income earned	$ 13,965,764	
Net realized capital gains	(155,726)	
Net investment gain or (loss)		13,810,038
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (914,943)	
Finance and service charges not included in premiums	2,110,260	
Aggregate write-ins for miscellaneous income	145,861	
Total other income		1,341,178
Net income before dividends to policyholders and before federal and foreign income taxes		$ (3,817,727)
Dividends to policyholders		0
Net income after dividends to policyholders but before federal and foreign income taxes		$ (3,817,727)
Federal and foreign income taxes incurred		(1,397,941)
Net (loss)		$ (2,419,786)

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2004			$19,741,838
Net loss		$2,419,785	
Net unrealized capital gains or (losses)		73,239	
Change in net deferred income tax		190,131	
Change in non-admitted assets	$ 478,673		
Change in provision for reinsurance	2,732		
Surplus adjustments paid in	3,091,746		
Aggregate write-ins for gains and losses in surplus	132,788		
Total gains and losses	$3,705,939	$2,683,155	
Net increase (decrease) in surplus			1,022,784
Surplus as regards policyholders per report on examination as of December 31, 2009			$20,764,622

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $16,331,925 is the same as reported by the Company as of December 31, 2009. The examination 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.

5. SUBSEQUENT EVENTS

Subsequent to the examination date, the Company was sold by its parent, United Farm Family Mutual Insurance Company, to Virginia Farm Bureau Mutual Insurance Company ("Virginia Farm Bureau Mutual") pursuant to the terms of a stock purchase agreement dated January 3, 2011, for a purchase price of approximately $25,500,000, which is equal to the Company's surplus to policyholders as of the closing date of the acquisition plus $5,000,000. The Company will become a wholly-owned subsidiary of Virginia Farm Bureau Mutual upon completion of the sale. The transaction was approved by this Department pursuant to the provisions of Section 1506 of the New York Insurance Law and Department Regulation 52 on April 26, 2011.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained fifteen recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Reinsurance	
i.	It is recommended that in the future the Company ensure that all ceded reinsurance agreements containing broad rights to offset include the language required by this Department	8
	The Company has complied with this recommendation.	
ii.	It is recommended that in the future the Company comply with the requirements of SSAP No. 62, paragraph 8(c) and ensure that all ceded reinsurance contracts to which it is a party include an entire contract clause.	9
	The Company has complied with this recommendation.	
B.	Holding Company System	
i.	It is recommended that the Company file its annual holding company registration statements in a timely manner pursuant to the provisions of Part 80-1.4 of Department Regulation 52.	10
	The Company has complied with this recommendation.	
ii.	It is recommended that the escrow agreement be amended to provide that escrow assets be held in a separate escrow account naming the Company as the beneficiary.	12
	The Company has complied with this recommendation.	
iii.	It is further recommended that such escrow account be established naming the Company as beneficiary and that the escrow assets be placed in the account.	12
	The Company has complied with this recommendation.	
C.	Abandoned Property Law	
i.	It is recommended that the Company comply with Section 1316(3) of the New York Abandoned Property Law and publicize a list of such abandoned property by May 1 of each year.	13
	The Company has complied with this recommendation.	

ITEM		PAGE NO.
ii.	It is further recommended the Company comply with Section 1316(3) and Section 702(4) of the New York Abandoned Property Law by notifying the Comptroller's office of publication of this list.	13
	The Company has complied with this recommendation.	
D.	Accounts and Records	
i.	Custodian Agreement	
	It is recommended that the Company correctly respond to all general interrogatory questions in the annual statement.	14
	The Company has complied with this recommendation.	
ii.	Contract with Deloitte and Touche	
	It is recommended that the Company revise its contract with its independent certified public accountant to include such wording as required by Part 89.2 of Department Regulation No. 118.	15
	The Company has not complied with this recommendation. A similar recommendation can be found in this report.	
	It is further recommended that the Company ensure that all future contracts entered into with its independent certified public accountants comply with Department Regulation 118.	15
	The Company has not complied with this recommendation. A similar recommendation can be found in this report.	
	Allocation of Expenses	
iii.	It is recommended that management establish and maintain written documentation supporting the allocation of each expense category to the major expense groups as required by Part 109 of Department Regulation 30.	16
	The Company has complied with this recommendation.	
	It is further recommended that the Company allocate its expenses to each expense category in accordance with Part 109 of Department Regulation 30.	16
	The Company has complied with this recommendation.	

ITEM		PAGE NO.
	Compliance with SSAP No. 6	
iv.	It is recommended that the Company comply with SSAP No. 6 paragraph 7(a) by using the effective date for calculating the non-admitted portion of uncollected premiums and agents' balances in the course of collection for all original and deposit premiums.	16
	The Company has complied with this recommendation.	
E.	Deferred Premiums, Agent' Balances and Installments Booked but Deferred and Not Yet Due	
	It is recommended that the Company comply with SSAP No. 53, paragraph 13 and recognize advance premiums only when the premium has been paid prior to the effective date of the contract.	21
	The Company has complied with this recommendation.	
	It is further recommended that the Company comply with SSAP No. 4 and recognize deferred premiums, agents balances and installments booked but deferred and not yet due only after the policy effective date of the underlying policy/contract.	21
	The Company has complied with this recommendation.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Market Conduct Activities	
i.	It is recommended that the Company comply with Section 3426(5)(C)(i) of the New York Insurance Law by continuing coverage for another required policy period in the event that it sends a late non-renewal notice on or after the expiration date of any commercial policy.	12
ii.	It is recommended that the Company comply with Part 160.2(g) of Department Regulation 57 by establishing adequate procedures to minimize the occurrence of improperly charged rates and then actually following these procedures.	12
iii.	It is recommended that the Company comply with Part 161.7(c) of Department Regulation 129 by either filing rates or letting the Department know that its analysis shows that no new rates are needed at least every three years for all applicable line of business.	12

ITEM		PAGE NO.
B.	Accounts and records	
	It is recommended that the Company revise its current and all future contracts with its independent certified public accountant to include all provisions required by Part 89.2 of Department Regulation 118.	13

Respectfully submitted,

/s/
Frank P. Schiraldi
Senior Insurance Examiner

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

FRANK P. SCHIRALDI, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/
Frank P. Schiraldi

Subscribed and sworn to before me

this__________ day of ___________________, 2011.

Appointment No. 30567

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, James J. Wrynn *Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Frank Schiraldi

as proper person to examine into the affairs of the

COUNTRYWAY 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 22nd *day of* May, *2010*

STATE OF NEW YORK
SUPERINTENDENT OF INSURANCE
EXCELSIOR

JAMES J. WRYNN
Superintendent of Insurance