

REPORT ON EXAMINATION

OF THE

GENESEE PATRONS COOPERATIVE INSURANCE COMPANY

AS OF

DECEMBER 31, 2012

DATE OF REPORT

FEBRUARY 6, 2014

EXAMINER

WAYNE LONGMORE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

February 6, 2014

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
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 31028 dated August 16, 2013, attached hereto, I have made an examination into the condition and affairs of Genesee Patrons Cooperative Insurance Company as of December 31, 2012, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Genesee Patrons Cooperative 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 Company’s home office located at 218 East Main Street, Batavia, New York 14020.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Company, a single-state insurer. The previous examination was conducted as of December 31, 2007. This examination covered the five-year period from January 1, 2008 through December 31, 2012. 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.

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

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements
- Summary of recommendations

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

Genesee Patrons Cooperative Insurance Company was organized on May 3, 1877 as the Genesee County Patrons Fire Relief Association for the purpose of transacting business as an assessment cooperative fire insurance company in Genesee County in New York State. On April 27, 1979, the Company changed its corporate name to Genesee Patrons Cooperative Insurance Company. In April 1995, the Company's license was amended, enabling it to transact business in the entire State of New York, excluding the counties of New York, Kings, Queens, Bronx and Richmond.

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 nine nor more than fifteen members. The board met at least three times and the executive committee at least once during each calendar year, thereby complying with Section 6624(b) of the New York Insurance Law.

At December 31, 2012, the board of directors was comprised of the following eleven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Guy R. Clark Pavilion, NY	Owner, Cedar Street Rentals and Cub Cadet Dealership
Charles E. Cook Byron, NY	Owner, Liberty Pumps
Joseph P. Forsyth Batavia, NY	CPA, Gaines, Kriner, Elliot, LLP
Gary C. Gable Hamburg, NY	Retired
William Hirsch, Sr. Alexander, NY	Owner. Hirsch Dairy Farm
Harry A Kelsey Oakfield, NY	Retired
Steven P. Krna Alexander, NY	President and CEO, Genesee Patrons Cooperative Insurance Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Sylvia S. Maskell Stafford, NY	Secretary and Bookkeeper, Genesee Patrons Cooperative Insurance Company
Keith R. Norton Pavillion, NY	Executive Vice President, Genesee Patrons Cooperative Insurance Company
Francis M. Spiotta Batavia, NY	Chairman of the Board, Genesee Patrons Cooperative Insurance Company
Bruce R. Tehan Batavia, NY	Treasurer, Genesee Patrons Cooperative Insurance Company

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 each member has an acceptable record of attendance.

As of December 31, 2012, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Francis M. Spiotta	Chairman of the Board
Steven P. Krna	President and Chief Executive Officer
Sylvia S. Maskell	Secretary
Bruce R. Tehan	Treasurer
Keith R. Norton	Executive Vice President

B. Territory and Plan of Operation

As of December 31, 2012, the Company was licensed to write business in New York only, excluding the counties of Bronx, Kings, New York and Queens and Richmond.

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
9	Boiler and machinery

<u>Paragraph</u>	<u>Line of Business</u>
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability (employers' liability only)
19	Motor vehicle and aircraft physical damage (excluding aircraft physical damage)
20	Marine and inland marine (inland marine only)

Paragraphs 5, 6, 7, 8, 13, 14 and 15 can be written solely in conjunction with fire insurance written under the same policy and covering the same premises. The Company is also licensed to accept and cede reinsurance as provided by Section 6606 of the New York Insurance Law.

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

<u>Calendar Year</u>	<u>Direct Written Premiums</u>
2008	\$4,465,371
2009	\$4,389,161
2010	\$4,473,225
2011	\$4,486,218
2012	\$4,730,834

Based on 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.

The Company's predominant lines of business are Homeowners Multiple Peril, Commercial Multiple Peril, and Farmowners Multiple peril, which accounted for 44%, 35% and 10%, respectively of the 2012 direct premium writings. The business is produced through approximately 116 independent agents and approximately 5 brokers.

C. Reinsurance

Assumed reinsurance

The Company did not report any assumed reinsurance business during the examination period.

Ceded reinsurance

The Company has structured its ceded reinsurance program as of December 31, 2012 as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Property and Casualty Combination Excess</u> 100% Authorized or Certified Property Business (Layer 1)	\$400,000 excess \$100,000 each loss, each risk; limit \$925,000 each loss occurrence.
Casualty Business (Layer 1)	\$440,000 excess \$60,000 each loss occurrence.
Casualty Business (Layer 2)	\$500,000 excess \$500,000 each loss occurrence.
Casualty and Property combined	In the event of a loss occurrence involving at least one property and one casualty policy: \$60,000 excess \$100,000 each loss occurrence.
<u>Casualty Clash Excess of Loss</u> 100% Authorized or Certified	\$1 million excess \$1 million ultimate net loss per occurrence. With respect to Workers' Compensation Insurance required by subsection (j) of Section 3420 of the New York Insurance Law, no claim shall be made unless the Company shall have first sustained an ultimate net loss in excess of \$2 million. The reinsurer shall then reimburse the Company the whole of such excess.
<u>Property Catastrophe Excess (3 layers)</u> <u>Layer 1</u> 100% Authorized or Certified	95% of \$1,250,000 excess \$250,000 ultimate net loss each loss occurrence (three or more risks involved).
<u>Layer 2</u> 100% Authorized or Certified	100% of ultimate net loss excess \$1,500,000 each loss occurrence (three or more risks involved).
<u>Aggregate Excess of Loss</u> 100% Authorized or Certified	95% of the ultimate net loss over and above an initial ultimate net loss equal to 70% of the Company's gross net earned premium income for the term of the contract, subject to a limit of liability to the reinsurer of \$950,000 (being 95% of \$1 million).
<u>Casualty Excess Facultative</u> 100% Authorized or Certified	\$1 million excess \$1 million each loss occurrence, each policy. Subject to an annual aggregate limit of \$2 million, inclusive of loss adjustment expense during the term of the contract for all acts of terrorism as covered by the contract.

Type of TreatyCession

Property Facultative Pro Rata
100% Authorized or Certified

Covers policies classified by the Company as Comprehensive Personal Liability, Farmowners Comprehensive Liability, Commercial General Liability and Farmowners Commercial General Liability.

Cessions to this contract shall be limited to an amount equal to four times the Company's net retention plus the amount ceded to the Company's working reinsurance contracts, subject to a minimum net retention of \$200,000 and to a maximum cession of \$750,000 on any one risk.

Equipment Breakdown Quota Share
(Commercial Multi-peril policies and other policies as agreed)

100% of the company's net retained liability. For business other than Homeowners, cessions limited to \$5,000,000 any one risk. For Homeowners business, cessions limited to \$50,000 any one risk.

100% Authorized

All of the Company's cessions during the period under examination were to authorized reinsurers. The Company's retention has increased from \$60,000 to \$100,000 on the property lines of business and has remained unchanged at \$60,000 on the casualty lines.

Section 1308(e)(1)(A) of the New York Insurance Law ("NYIL") provides, that during any period of twelve consecutive months, without the Superintendent's permission, no domestic insurer, except life, shall by any reinsurance agreement or agreements cede an amount of its insurance on which the total gross reinsurance premiums are more than fifty percent of the unearned premiums on the net amount of its insurance in force at the beginning of such period.

In 2010, 2011, and 2012 the amount of reinsurance premium ceded by the Company exceeded fifty percent of the Company's reported unearned premiums at the beginning of each year; however, the Company did not file all applicable reinsurance contracts with the Department for these years in accordance Section 1308(e)(1)(A).

It is recommended that the Company comply with Section 1308(e)(1)(A) of the New York Insurance Law and file its reinsurance contracts and any amendments thereto with the Department for review in accordance with Section 1308(e)(1)(A) of the New York Insurance Law. A similar observation was made in the previous report on examination.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed. Except as noted herein, these contracts were found to contain the required clauses, including insolvency clause 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 annual statement was found to accurately reflect its material reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62R. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Treasurer (Chief Financial Officer) pursuant to the NAIC Annual Statement Instructions. Additionally, 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 in SSAP No. 62R.

D. Holding Company System

The Company was not part of a holding company system at December 31, 2012.

Genesee Patrons Insurance Agency, a former wholly owned subsidiary of the Company, was dissolved by filing with the New York Department of State on November 1, 2012 with Consent to Dissolution by the NYS Department of Taxation and Finance issued October 22, 2012.

The directors of the agency, at the annual meeting on April 19, 2011, voted to dissolve the corporate entity, which was completed in 2012.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2012, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	89%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	47%
Premiums in course of collection to surplus as regards policyholders	2%

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:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$11,066,554	71.66%
Other underwriting expenses incurred	4,822,079	31.23
Net underwriting loss	<u>(445,711)</u>	<u>(2.89)</u>
Premiums earned	<u>\$15,442,922</u>	<u>100.00%</u>

F. Accounts and Records

i. Cash reconciliations

Certain differences were noted during the review of the Company's cash accounts reported on Schedule E Part 1 of the 2012 filed annual statement. Those differences were immaterial in total as such no examination changes were made.

It is recommended that the Company perform monthly reconciliations of its cash accounts. Such reconciliations should be dated and include the initials of both the preparer and reviewer.

ii. Approval of investments pursuant to New York Insurance Law (NYIL) Section 1411(a)

The Company was unable to document board approval for certain investment transactions listed in the 2012 filed annual statement.

NYIL section 1411(a) states:

No domestic insurer shall make any loan or investment, except as provided in subsection (h) hereof, 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 next meeting."

It is recommended that the Company ensure that all investment transactions are approved by its board of directors or a committee thereof, and that all investment transactions being approved are included with the board minutes pursuant to the requirements of Section 1411(a) of the New York Insurance Law.

iii. Allocation of expenses

Statement of Statutory Accounting Principles No. 70 paragraph 6 states in part that:

Allocation to the above categories {Loss adjustment expenses, Investment expenses, and Other underwriting expenses} should be based on a method that yields the most accurate results. Specific identification of an expense with an activity that is represented by one of the categories above will generally be the most accurate method. Where specific identification is not feasible allocation of expenses should be based upon pertinent factors or ratios such as studies of employee activities, salary ratios or similar analyses.”

The Company maintains a summary sheet with the allocation percentages; however, time studies supporting the information contained in the summary sheet were not kept. Therefore, the Company could not adequately support the methodology used to allocate expenses on the Underwriting and Investment Exhibit, Part 3 – Expenses of the 2012 filed Annual Statement.

It is recommended that the Company comply with SSAP No. 70, paragraph 6 and apportion expenses between expense groups using the method that yields the most accurate results and retain records so that this allocation can be verified. A similar observation was made in the previous report on examination.

iv. Expense reimbursements and NYIL Section 1217 compliance

During the review of employee expense reimbursements the following observations were noted:

- In some instances the payee appeared to be reviewing their own expenses since there is no sign-off by another reviewer.
- The forms being completed for employee reimbursements are not consistently dated and signed by the payee and do not properly disclose consistently the business purpose of the expense.

Section 1217 of the NYIL states in part that “No domestic insurance company shall make any disbursement of one hundred dollars or more unless evidenced by a voucher signed by or on behalf of

the payee as compensation for goods or services rendered for the company, and correctly describing the consideration for the payment.”

Given the above observations, the following recommendations are being made:

- a. It is recommended that someone other than the payee review and sign-off on their own expenses as this is a good internal control.
- b. It is recommended that all future employee/director/officer expenses being reimbursed by the Company be signed off on and dated by both the payee and the reviewer and include a proper description of the business nature of the expense pursuant to Section 1217 of the New York Insurance Law.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2012 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$4,155,346	\$ 0	\$4,155,346
Preferred stocks	77,759	0	77,759
Common stocks	1,616,702	0	1,616,702
Real Estate: Properties occupied by the company	23,548	0	23,548
Cash, cash equivalents and short-term investments	100,082	0	100,082
Other invested assets	435,236	0	435,236
Investment income due and accrued	50,111	0	50,111
Uncollected premiums and agents' balances in the course of collection	67,893	2,993	64,900
Deferred premiums, agents' balances and installments booked but deferred and not yet due	614,634	0	614,634
Current federal and foreign income tax recoverable and interest thereon	116,272	0	116,272
Net deferred tax asset	146,431	0	146,431
Furniture and equipment, including health care delivery assets	266,539	266,539	0
Cash surrender value life insurance	18,162	0	18,162
Other receivable	<u>1,534</u>	<u>0</u>	<u>1,534</u>
Total assets	<u>\$7,690,249</u>	<u>\$269,532</u>	<u>\$7,420,717</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses		\$ 710,748
Commissions payable, contingent commissions and other similar charges		162,407
Other expenses (excluding taxes, licenses and fees)		91,779
Taxes, licenses and fees (excluding federal and foreign income taxes)		1,562
Unearned premiums		2,343,060
Advance premium		76,429
Ceded reinsurance premiums payable (net of ceding commissions)		65,009
Remittances and items not allocated		<u>8,964</u>
Total liabilities		\$3,459,958

Surplus and Other Funds

Required Surplus	\$ 100,000	
Unassigned funds (surplus)	<u>3,860,759</u>	
Surplus as regards policyholders		<u>3,960,759</u>
Total liabilities, surplus and other funds		<u>\$7,420,717</u>

Note: The Internal Revenue Service (“IRS”) has not performed any audits of the Company’s Federal Income Tax returns for the period under examination. 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 \$143,242 during the five-year examination period January 1, 2008 through December 31, 2012, detailed as follows:

Underwriting Income

Premiums earned		\$15,442,922
Deductions:		
Losses and loss adjustment expenses incurred	\$11,066,554	
Other underwriting expenses incurred	<u>4,822,079</u>	
Total underwriting deductions		<u>15,888,633</u>
Net underwriting gain or (loss)		\$ (445,711)

Investment Income

Net investment income earned	\$ 444,779	
Net realized capital gain	<u>395,242</u>	
Net investment gain or (loss)		840,021

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$3,152	
Finance and service charges not included in premiums	310,439	
Aggregate write-ins for miscellaneous income	<u>12,093</u>	
Total other income		<u>325,684</u>
Net income before federal and foreign income taxes		\$ 719,994
Federal and foreign income taxes incurred		<u>123,369</u>
Net Income		<u>\$ 596,625</u>

Surplus as regards policyholders per report on examination as of December 31, 2007			\$3,817,517
	Gains in <u>Surplus</u>	Losses in <u>Surplus</u>	
Net income	\$596,625		
Net unrealized capital gains or (losses)		\$454,683	
Change in net deferred income tax	242,928		
Change in nonadmitted assets		235,313	
Cumulative effect of changes in accounting principles	5,262		
Aggregate write-ins for gains and losses in surplus	<u>0</u>	<u>11,577</u>	
Total gains and losses in surplus	<u>\$844,815</u>	<u>\$701,573</u>	
Net increase (decrease) in surplus			<u>143,242</u>
Surplus as regards policyholders per report on examination as of December 31, 2012			<u>\$3,960,759</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$710,748 is the same as reported by the Company as of December 31, 2012. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55 (“SSAP No. 55”).

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 more precise scope of a market conduct investigation, which is the responsibility of the Market Conduct Unit of the Property Bureau of this Department.

This general review was directed at determining the Company’s compliance with certain recommendations included in the previous report on examination concerning:

- A. Termination of agents
- B. Personal lines non-renewals
- C. Commercial lines non-renewals

i. Termination of agents

During the examination period, the Company terminated one agent. The termination notice included the specific reason for termination as required pursuant to Part 218.4 of Department Regulation 90; however, it did not include the following required wording, which must be clearly and prominently set out in boldface type on the front, pursuant to Part 218.5 of Department Regulation 90:

If you have any questions in regard to this termination, please contact this company's representative at (company phone number, name of company representative, company address).

The New York Insurance Law prohibits insurers from engaging in redlining practices based upon geographic location of the risk or the producer. If you have reason to believe that we have acted in violation of such law, you may file your complaint with the Department either on its website at <http://www.dfs.ny.gov/consumer/fileacomplaint.htm> or by writing to the State of New York Department of Financial Services, Consumer Assistance Unit, Financial Frauds and Consumer Protection Division, at either One State Street, New York, NY 10004 or One Commerce Plaza, Albany, NY 12257.

It is recommended that the Company ensure that all agent or broker termination notices comply with all provisions of Department Regulation 90. It is noted that a similar recommendation was included in the prior report on examination.

ii. Personal lines non-renewals

A sample of personal lines non-renewal notices was reviewed for compliance with Section 3425(d)(1) of the New York Insurance Law, which states, in part:

Unless the insurer, at least forty-five but not more than sixty days in advance of the end of the policy period, mails or delivers to the named insured, at the address shown in the policy, a written notice of its intention not to renew a covered policy, or to condition its renewal upon change of limits or elimination of any coverages, the named insured shall be entitled to renew the policy upon timely payment of the premium billed to the insured for the renewal. The specific reason or reasons for nonrenewal or conditioned renewal shall be stated in or shall accompany the notice.

The review indicated that the Company complied with the advance notice requirements; however, it did not comply with the requirement to provide the specific reason or reasons for nonrenewal.

It is recommended that the Company include the specific reason or reasons for nonrenewal of personal lines policies pursuant to the provisions of Section 3425(d)(1) of the New York Insurance Law. It is noted that a similar recommendation was included in the prior report on examination.

iii. Commercial lines non-renewals

A sample of commercial lines non-renewal notices was reviewed for compliance with Section 3426(e)(2) of the New York Insurance Law, which states, in part:

A nonrenewal notice as specified in subparagraph (a), a conditional renewal notice as specified in subparagraph (B), and the second notice described in subparagraph (c) of paragraph one of this subsection shall contain the specific reason or reasons for nonrenewal...

The review indicated that the Company did not comply with the requirement to provide the specific reason or reasons for nonrenewal.

It is recommended that the Company include the specific reason or reasons for nonrenewal of commercial lines policies pursuant to the provisions of Section 3426(e)(2) of the New York Insurance Law. It is noted that a similar recommendation was included in the prior report on examination.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. It was recommended that the Company comply with Section 1308(e)(1)(A) of the New York Insurance Law and file its reinsurance contracts and any amendments thereto with the Department for review in accordance with Section 1308(e)(1)(A) of the New York Insurance Law.</p> <p>The Company has not complied with this recommendation. A similar recommendation is contained in this report.</p>	8
<p>B. It was recommended that the Company comply with the NAIC Annual Statement Instructions and complete Schedule F - Part 3 correctly in all future filings with this Department.</p> <p>The Company has complied with this recommendation.</p>	8
<p>C. It was recommended that the Company comply with its own Employee Handbook and have each director and employee complete a conflict of interest form each year.</p> <p>The Company has complied with this recommendation.</p>	10
<p>D. It was recommended that for all contingent obligations due to structured settlements that the Company comply with SSAP No. 65, paragraph 19.a. and disclose the amount of reserves no longer carried and the extent to which the Company is contingently liable should the issuer of the annuity relating to the structured settlement fail to perform under the terms of the annuity.</p> <p>The Company has complied with this recommendation.</p>	10
<p>E. It was recommended that the Company periodically review its fidelity bond coverage and when necessary increase coverage amounts in order to comply with the requirements of the NAIC Financial Condition Examiners Handbook.</p> <p>The Company has complied with this recommendation.</p>	11
<p>F. It was recommended that the Company comply with SSAP No. 70, paragraph 6 and apportion expenses between expense groups using the</p>	11

method that yields the most accurate results and retain records so that this allocation can be verified.

The Company has not complied with this recommendation. A similar recommendation is contained in this report.

- G. It was recommended when sending out notices of termination of agent's or broker's contracts or accounts that the Company ensure that all requirements of Department Regulation 90 are complied with henceforth. The prior report on examination contained a similar recommendation regarding specific reasons. 16

The Company has not complied with this recommendation. A similar recommendation is contained in this report.

- H. It was recommended that the Company comply with Section 3425(d)(1) of the New York Insurance Law and include the specific reason or reasons for non-renewal on personal line non-renewal notices. 17

The Company has not complied with this recommendation. A similar recommendation is contained in this report.

- I. It was recommended that the Company comply with Section 3426(e)(2) of the New York Insurance Law and include the specific reason or reasons for non-renewal on commercial line non-renewal notices. 17

The Company has not complied with this recommendation. A similar recommendation is contained in this report.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
It is again recommended that the Company comply with Section 1308(e)(1)(A) of the New York Insurance Law and file its reinsurance contracts and any amendments thereto with the Department for review in accordance with Section 1308(e)(1)(A) of the New York Insurance Law.	7
B. <u>Accounts and Records</u>	
i. It is recommended that the Company perform monthly reconciliations of its cash accounts. Such reconciliations should be dated and include the initials of both the preparer and reviewer.	9
ii. It is recommended that the Company ensure that all investment transactions are approved by its board of directors or a committee thereof, and that all investment transactions being approved are included with the board minutes pursuant to the requirements of Section 1411(a) of the New York Insurance Law.	10
iii. It is again recommended that the Company comply with SSAP No. 70, paragraph 6 and apportion expenses between expense groups using the method that yields the most accurate results and retain records so that this allocation can be verified.	10
iv. It is recommended that someone other than the payee review and sign-off on their own expenses as this is a good internal control.	11
vi. It is recommended that all future employee/director/officer expenses being reimbursed by the Company be signed off on and dated by both the payee and the reviewer and include a proper description of the business nature of the expense.	11
C. <u>Market Conduct</u>	
i. It is recommended that the Company ensure that all agent or broker termination notices comply with all provisions of Department Regulation 90.	16
ii. It is recommended that the Company include the specific reason or reasons for nonrenewal of personal lines policies pursuant to the provisions of Section 3425(d)(1) of the New York Insurance Law.	17
iii. It is recommended that the Company include the specific reason or reasons for nonrenewal of commercial lines policies pursuant to the provisions of Section 3426(e)(2) of the New York Insurance Law.	17

Respectfully submitted,

Wayne Longmore,
Senior Insurance Examiner

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

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

Wayne Longmore

Subscribed and sworn to before me

this _____ day of _____, 2014.

APPOINTMENT NO. 31028

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **BENJAMIN M. LAWSKY**, 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:

Wayne Longmore

as a proper person to examine the affairs of the

Genesee Patrons Cooperative Insurance Company

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

COMPANY

with such other information as she shall deem requisite.

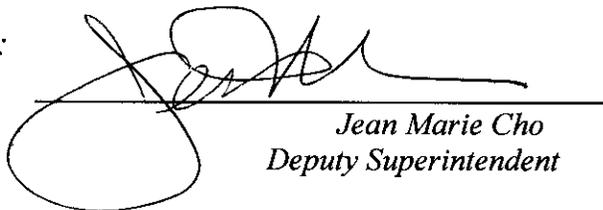
In Witness Whereof, I have hereunto subscribed by name and affixed the official Seal of the Department at the City of New York

this 16th day of August, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services



By:



Jean Marie Cho
Deputy Superintendent