

REPORT ON EXAMINATION

OF THE

WASHINGTON COUNTY COOPERATIVE INSURANCE COMPANY

AS OF

DECEMBER 31, 2012

DATE OF REPORT

SEPTEMBER 27, 2013

EXAMINER

SUSAN WEIJOLA

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

September 27, 2013

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 30997 dated April 8, 2013, attached hereto, I have made an examination into the condition and affairs of Washington County 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 Washington County 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 33-35 Main Street, Greenwich, NY 12834.

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.

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 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
- Statutory deposits
- 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

The Company was organized on March 30, 1858 as the Easton Mutual Insurance Company for the purpose of transacting business as an assessment co-operative fire insurance company in the Town of Easton, Washington County, New York.

Under an agreement of merger dated January 23, 1961, the corporate title of the Company was changed to the Washington County Co-operative Fire Insurance Company. On May 7, 1986, the Department approved an amendment to the certificate of incorporation to change the corporate title of the Company to Washington County Co-operative Insurance Company. Between 1961 and 2005, the Company merged with various insurance companies through merger agreements approved by the Department. The latest merger between the Company and Salem Mutual Town Fire Insurance Company became effective on March 31, 2005.

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 eleven nor more than twenty members. The board meets four times during each calendar year. At December 31, 2012, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Neil Adams Shushan, NY	Farmer
Eric Allen Schaghticoke, NY	Farm machinery repair
Raymond Earl Horton Cambridge, NY	Farmer Director of NYS Tractor Pullers
Louis Marchaland Greenwich, NY	Retired Farmer

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Douglas Maxwell Cambridge, NY	Farmer
James McClay Greenwich, NY	Retired Teacher
Brian Mercure Granville, NY	Farmer
Michael Nolan Cambridge, NY	Farmer
Travis Rea Cambridge, NY	Farmer
James Reeve Valley Falls, NY	Retired Farmer/Truck Driver
Donald Skellie Greenwich, NY	Farmer
Clifford Stewart Greenwich, NY	Farmer
Bruce Whitney Fort Ann, NY	Farmer/County Worker

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 board member had 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>
James Reeve	President
Scott MacNeil	Executive Vice President/Manager
James McClay	Secretary
Donald Skellie	Treasurer
Clifford Stewart	Vice President

B. Territory and Plan of Operation

As of December 31, 2012, 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
6	Water damage
7	Burglary and theft
8	Glass
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine

The Company was also licensed, as of December 31, 2012, to accept and cede reinsurance as provided in Section 6606 of the Insurance Law of the State of New York.

Based on 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>Direct Premiums Written</u>
2008	\$2,430,530
2009	\$2,432,235
2010	\$2,541,634
2011	\$2,582,726
2012	\$2,602,799

The Company's major lines of business are homeowners multiple peril, farmowners multiple peril and fire, which accounted for 45%, 21% and 18%, respectively. The Company writes mainly through 10 agents and brokers concentrated in the eastern central part of New York State in close proximity to the Company's home office.

C. Reinsurance

The Company did not assume any reinsurance during the examination period. As of December 31, 2012, the Company has structured its ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Cession</u>
Multiple Line Excess of Loss (2 Layers)	
Layer 1 - Property 100% Authorized	\$175,000 in excess of \$75,000 ultimate net loss, each loss, each risk, subject to a limit of liability of \$350,000 each loss occurrence.
Layer 1 - Casualty 100% Authorized	\$175,000 in excess of \$75,000 ultimate net loss each loss occurrence.
Layer 1 – Property and Casualty Combined 100% Authorized	\$75,000 in excess of \$75,000 ultimate net loss each loss occurrence, involving at least one casualty policy and at least one property policy subject to the contract.
Layer 2 - Property 100% Authorized	\$250,000 in excess of \$250,000 ultimate net loss, each loss, each risk; subject to a limit of liability of \$500,000 each loss occurrence.
Layer 2 - Casualty 100% Authorized	\$250,000 in excess of \$250,000 ultimate net loss, each loss occurrence.
Casualty Excess of Loss 100% Authorized	\$500,000 in excess of \$500,000 ultimate net loss, each loss occurrence.
Casualty Clash Excess of Loss 100% Authorized	\$1,000,000 in excess of \$1,000,000 ultimate net loss each loss 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 \$2,000,000. The Reinsurer shall then reimburse the Company for the whole of such excess.
Property Catastrophe Excess (2 Layers)	
Layer 1 100% Authorized	95% of \$900,000 in excess of \$100,000 ultimate net loss each loss occurrence which involves three or more risks.
Layer 2 100% Authorized	100% ultimate net loss in excess of \$1,000,000 each loss occurrence which involves three or more risks.
Property Facultative Pro Rata 100% Authorized	Cessions shall be limited to an amount equal to two times the Company's net retention plus the amount ceded to the Company's working reinsurance

Type of TreatyCession

	contracts, subject to a minimum net retention of \$250,000 and to a maximum cession hereunder of \$1,000,000 on any one risk.
Casualty Excess of Loss Facultative 100% Authorized	\$1,000,000 in excess of \$1,000,000 ultimate net loss, each loss occurrence, each policy. This coverage is subject to an aggregate limit of \$2,000,000, inclusive of loss adjustment expenses during the term of the contract, for all acts of terrorism.

In each of the years during the examination period, the amount of reinsurance premiums ceded by the Company exceeded 50% of its unearned premiums reported at the beginning of such period.

Section 1308(e)(1)(A) of the New York Insurance Law states:

During any twelve consecutive months, without the superintendent's permission:

(A) 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.

The Company did not submit any new reinsurance contracts or amendments to its contracts, nor did it obtain the superintendent's permission to cede more than fifty percent of its reported unearned premium reserves during the exam period.

Accordingly, it is recommended that the Company submit to the Department any new reinsurance contracts or amendments to its reinsurance contracts whenever the amount of its total gross reinsurance premiums exceeds fifty percent of its unearned premiums at the beginning of the year, pursuant to the provisions of Section 1308(e)(1) of the New York Insurance Law. It is noted that a similar comment was included in the prior report on examination.

Upon review of Schedule F Part 3 in the Company's 2012 annual statement, it was noted that the Company was reporting reinsurance recoverable balances due from various reinsurers; however, the corresponding reinsurers were not reporting any reinsurance balances payable to the Company on Schedule F Part 1 of their respective annual statements. It was determined that the Company has not

been furnishing its reinsurers with the information needed by them in order to complete their annual statements, as required pursuant to the terms of the reinsurance contracts.

It is recommended that the Company comply with the requirements set forth in their reinsurance contracts and provide each reinsurer with such information as may be required for completion of the reinsurer's NAIC annual statement.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and 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. 62.

D. Holding Company System

As of December 31, 2012, the Company was not a member of any holding company system. The Company was independent with no affiliations or pooling agreements in place.

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	29%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	31%
Premiums in course of collection to surplus as regards policyholders	1%

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	\$4,998,464	70.66%
Other underwriting expenses incurred	2,250,772	31.82
Net underwriting loss	<u>(175,500)</u>	<u>(2.48)</u>
Premiums earned	<u>\$7,073,736</u>	<u>100.00%</u>

F. Accounts and Records

i. Designation of Securities

An examination review of Schedule D Part 1 of the 2012 filed annual statement indicated that the Company assigned incorrect NAIC designations to securities per the provisions of the NAIC Security Valuation Office (“SVO”) Purposes and Procedures Manual and the NAIC Annual Statement Instructions. Therefore, it is recommended that the Company assign proper NAIC designations to its owned securities reported in Schedule D Part 1 of its filed annual statements in order to comply with the SVO Purposes and Procedures Manual and the NAIC Annual Statement Instructions.

ii. Non-compliance with Department Regulation 64 (NYCRR Part 216)

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 with regard to claims handling practices and compliance with Parts 216.4, 216.6 and 216.11 of Department Regulation 64.

Failure to acknowledge pertinent communications

During the review of claim files, it was discovered that for some claims, there was no record of an acknowledgement having been sent to the insured and/or claimant nor was there any notation of an acknowledgement in the claim file.

Part 216.4(a) of Department Regulation 64 states:

Every insurer, upon notification of a claim, shall, within 15 business days, acknowledge the receipt of such notice. Such acknowledgement may be in writing. If an acknowledgement is made by other means, an appropriate notation shall be made in the claim file of the insurer. Notification given to an agent of an insurer shall be notification to the insurer. If notification is given to an agent of an insurer, such agent may acknowledge receipt of such notice.

It is recommended that the Company implement proper internal controls that will ensure each claim file contains evidence that the Company is in compliance with the requirements of Part 216.4(a) of Department Regulation 64.

Standards for prompt, fair and equitable settlements

During the review of claim files, it was discovered that releases broader than the scope of the settlement were included on third-party claims. Part 216.6(g) of Department Regulation 64 states:

No insurer shall require execution of a release on a first or third-party claim that is broader than the scope of the settlement.

It is recommended that the Company implement proper internal controls that will ensure compliance with the requirements of Part 216.6(g) of Department Regulation 64.

Maintenance of claim files

During the review of claim files, it was discovered that the claim adjustment sheets contained within some claim files did not include the date a reserve was set up. Additionally, payment instructions on the claim adjustment sheet for a claim indicated the mortgagee should be included on the claim payment check. However, there was no indication of the check payment document that the mortgagee was included on the check nor was there any notation in the claim file that the mortgagee was included on the check.

Part 216.11 of Department Regulation 64 states:

To enable department personnel to reconstruct an insurer's activities, all insurers subject to this Part must maintain within each claim file all communications, transactions, notes and work papers relating to the claim. All communications and transactions, whether written or oral, emanating from or received by the insurer shall be dated by the insurer. Claim files must be so maintained that all events relating to a claim can be reconstructed by the Insurance Department examiners. Insurers shall either make a notation in the file or retain a copy of all forms mailed to claimants.

It is recommended that the Company maintain claim files in a manner that will facilitate compliance with the requirements of Part 216.11 of Department Regulation 64. It is also recommended that the Company implement proper internal controls that will ensure that both the claim file and the electronic database reflect all communications and transactions relating to the claim.

G. Risk Management and Internal Controls

A risk-focused assessment and review of the Company's controls was performed in accordance with NAIC requirements as outlined in the Examiners' Handbook. As a result of the review, it was noted that a few controls identified by the Company were not fully documented.

It is recommended that the Company fully document each risk mitigation strategy in order for examiners to evaluate the existence of controls in place at the Company and to determine whether the control procedures are operating as expected, applied throughout the entire period of reliance, and performed on a timely basis.

A risk-focused assessment and review of the Company's Information Technology ("IT") general controls was performed in accordance with NAIC requirements as outlined in the Examiners' Handbook. As a result of the review, numerous deficiencies were noted.

It is recommended that the Company strengthen its IT controls.

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	\$6,266,864	\$ 0	\$6,266,864
Common stocks	6,759	0	6,759
Properties occupied by the company	43,773	0	43,773
Cash, cash equivalents and short-term investments	320,345	0	320,345
Investment income due and accrued	64,350	0	64,350
Uncollected premiums and agents' balances in the course of collection	33,222	4,002	29,220
Deferred premiums, agents' balances and installments booked but deferred and not yet due	247,478	0	247,478
Amounts recoverable from reinsurers	2,004	0	2,004
Current federal and foreign income tax recoverable and interest thereon	4,351	0	4,351
Net deferred tax asset	253,881	136,505	117,376
Electronic data processing equipment and software	19,884	19,884	0
Furniture and equipment, including health care delivery assets	12,340	12,340	0
Aggregate write-ins for other than invested assets	<u>33,392</u>	<u>0</u>	<u>33,392</u>
Total assets	<u>\$7,308,643</u>	<u>\$172,731</u>	<u>\$7,135,912</u>
 Liabilities, surplus and other funds			
Losses and loss adjustment expenses			\$ 740,270
Commissions payable, contingent commissions and other similar charges			89,234
Other expenses (excluding taxes, licenses and fees)			50,635
Unearned premiums			1,161,839
Advance premium			35,270
Ceded reinsurance premiums payable (net of ceding commissions)			60,890
Amounts withheld or retained by company for account of others			969
Aggregate write-ins for liabilities			<u>182,928</u>
Total liabilities			<u>\$2,322,035</u>
Minimum required surplus			\$ 100,000
Unassigned funds (surplus)			<u>4,713,877</u>
Surplus as regards policyholders			<u>\$4,813,877</u>
Totals liabilities and surplus			<u>\$7,135,912</u>

Note: The Internal Revenue Service has not yet begun its audit of the Company's Federal Income Tax Returns through tax year 2012. 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 \$534,222 during the five-year examination period January 1, 2008 through December 31, 2012, detailed as follows:

Underwriting Income

Premiums earned		\$7,073,736
Deductions:		
Losses and loss adjustment expenses incurred	\$4,998,464	
Other underwriting expenses incurred	<u>2,250,772</u>	
Total underwriting deductions		<u>7,249,236</u>
Net underwriting gain or (loss)		\$ (175,500)

Investment Income

Net investment income earned	\$1,111,784	
Net realized capital gain	<u>(257,650)</u>	
Net investment gain or (loss)		\$ <u>854,134</u>

Other Income

Finance and service charges not included in premiums	\$ <u>84,410</u>	
Total other income		\$ <u>84,410</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$ 763,044
Dividends to policyholders		<u>121,400</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$ 641,644
Federal and foreign income taxes incurred		<u>26,649</u>
Net Income		\$ <u>614,995</u>

Surplus as regards policyholders per report on examination as of January 1, 2008			\$4,279,655
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$614,995		
Net unrealized capital gains or (losses)	71,925		
Change in net deferred income tax		\$189,798	
Change in nonadmitted assets	120,083		
Aggregate write-ins for gains and losses in surplus	<u>0</u>	<u>82,983</u>	
Total gains (losses) in surplus	<u>\$807,003</u>	<u>\$272,781</u>	
Net increase (decrease) in surplus			<u>534,222</u>
Surplus as regards policyholders per report on examination as of December 31, 2012			<u>\$4,813,877</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$740,270 is the same as reported by the Company as of December 31, 2012. 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. **COMPLIANCE WITH PRIOR REPORT ON EXAMINATION**

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

<u>ITEM</u>	<u>PAGE NO.</u>
A.	4
It was recommended that Neal Rea should either improve his attendance at the board of directors' meetings or be replaced.	
The Company has complied with this recommendation.	
5	
It was recommended that the terms of the Company's directors be maintained in three groups as nearly equal as possible to comply with the provisions of its charter and by-laws.	
The Company has complied with this recommendation.	
5	
It was recommended that the Company maintain minutes of future meetings of the nominating committee to comply with Section 6611(a)(3) of the New York Insurance Law.	
The Company has complied with this recommendation.	
5	
It was recommended that the Company establish a procedure for disclosure to its board of directors any material interest or affiliation on the part of any officer, director or responsible employee that is in conflict or likely to conflict with the official duties of such person.	
The Company has complied with this recommendation.	
8	
B. It was recommended that the Company submit to the Department any new reinsurance contracts or amendments to its reinsurance contracts whenever the amount of its gross reinsurance premiums exceeds fifty percent of its unearned premiums at the beginning of the year, pursuant to the provisions of Section 1308(e)(1) of the New York Insurance Law.	
The Company has not complied with this recommendation. A similar recommendation is made in this report.	
10	
C. It was recommended that the Company comply with Section 6611(a)(4)(C) of the New York Insurance Law regarding the signatory requirements on checks.	
The Company has complied with this recommendation.	
10	
It was recommended that the Company make necessary disclosures regarding unsecured reinsurance recoverables in future filed annual statements to comply with SSAP No. 62 and the NAIC Annual	

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Statement Instructions.

The Company has complied with this recommendation.

It was recommended that the Company either maintain, and provide upon examination, detailed documentation to support the rate used based upon rental rates of like property in the same area, or that it use the calculation called for in SSAP No. 40, which includes a return on investment. 11

The Company has complied with this recommendation.

It was recommended that the Company record the trade date as the acquisition/disposal date for bonds acquired or disposed of in order to comply with SSAP No. 26. 11

The Company has complied with this recommendation.

It was recommended that the Company assign proper NAIC designations to its owned securities reported in Schedule D Part 1 of its filed annual statements in order to comply with the SVO Purposes and Procedures Manual and the NAIC Annual Statement Instructions. 11

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

It was recommended that the Company make the required disclosures in the annual statement regarding its investments subject to repurchase agreements in order to comply with the NAIC Annual Statement Instructions. 12

The Company has complied with this recommendation.

It was recommended that the Company comply with SSAP No. 91 when entering into repurchase agreements. 12

The Company has complied with this recommendation.

It was recommended that the Company comply with SSAP No. 10 and the NAIC Annual Statement Instructions and provide support for all figures used in the calculation and admittance of its Net deferred tax asset. 12

The Company has complied with this recommendation.

D. It was recommended that the Company include the required redlining wording in notices of termination sent to agents and brokers and that it provide specific reasons for termination to comply with Parts 218.5 and 16

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218.4 of Department Regulation 90.

This recommendation is not applicable as the Company did not terminate any agents or brokers during the exam period.

It was recommended that the Company maintain the documentation necessary to verify compliance with Part 216.9 of Department Regulation 64.

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The Company has complied with this recommendation.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Reinsurance</u> It is again recommended that the Company submit to the Department any new reinsurance contracts or amendments to its reinsurance contracts whenever the amount of its gross reinsurance premiums exceeds fifty percent of its unearned premiums at the beginning of the year, pursuant to the provisions of Section 1308(e)(1) of the New York Insurance Law.	5
ii.	It is recommended that the Company comply with the requirements set forth in their reinsurance contracts and provide each reinsurer with such information as may be required for completion of the reinsurer's NAIC annual statement.	5
B.	<u>Accounts and Records</u>	
i.	It is again recommended that the Company assign proper NAIC designations to its owned securities reported in Schedule D Part 1 of its filed annual statements in order to comply with the SVO Purposes and Procedures Manual and the NAIC Annual Statement Instructions.	9
ii.	It is recommended that the Company implement proper internal controls that will ensure each claim file contains evidence that the Company is in compliance with the requirements of Part 216.4(a) of Department Regulation 64.	9
iii.	It is recommended that the Company implement proper internal controls that will ensure the Company is in compliance with the requirements of 216.6(g) of Department Regulation 64.	9
iv.	It is recommended that the Company maintain claim files in a manner that will facilitate compliance with the requirements of Part 216.11 of Department Regulation 64. It is also recommended that the Company implement proper internal controls that will ensure that both the claim file and the electronic database reflect all communications and transactions relating to the claim.	9
C.	<u>Risk Management and Internal Controls</u>	
i.	It is recommended that the Company fully document each risk mitigation strategy in order for examiners to evaluate the existence of controls in place at the Company and to determine whether the control procedures are operating as expected, applied throughout the entire period of reliance, and performed on a timely basis.	11
ii.	It is recommended that the Company strengthen its IT controls.	11

Respectfully submitted,

_____/s/
Susan Weijola
Senior Insurance Examiner

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

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

_____/s/
Susan Weijola

Subscribed and sworn to before me

this _____ day of _____, 2013.

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:

Susan Weijola

as a proper person to examine the affairs of the

Washington County Co-operative 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.

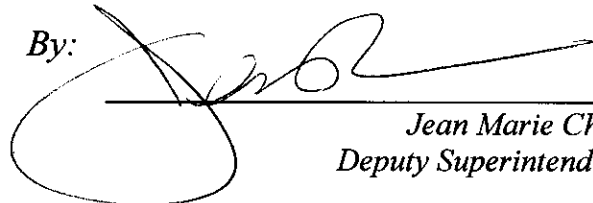
In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 8th day of April, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services



By:



Jean Marie Cho
Deputy Superintendent