

REPORT ON EXAMINATION  
OF THE  
CHAUTAUQUA PATRONS' INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2005

DATE OF REPORT

DECEMBER 18, 2006

EXAMINER

NYANTAKYI AKUOKO



STATE OF NEW YORK  
INSURANCE DEPARTMENT  
ONE COMMERCE PLAZA  
ALBANY, NEW YORK 12257

Eliot S. Spitzer  
Governor

Eric R. Dinallo  
Superintendent

December 18, 2006

Honorable Eric R. Dinallo  
Superintendent of Insurance  
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with instructions contained in Appointment Number 22536 dated August 7, 2006, I have made an examination into the condition and affairs of Chautauqua Patrons' Insurance Company as of December 31, 2005, and submit the following report thereon.

Wherever the designations "the Company" or "CPIC" appear herein without qualification, they should be understood to indicate Chautauqua Patrons' Insurance Company.

Wherever the term "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 offices located at 529 West Third Street, Jamestown, New York 14701.

## TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of company	2
	A. Management	3
	B. Territory and plan of operation	5
	C. Reinsurance	6
	D. Holding company system	8
	E. Abandoned Property Law	8
	F. Significant operating ratios	9
	G. Accounts and records	9
3.	Financial statements	12
	A. Balance sheet	12
	B. Underwriting and investment exhibit	14
4.	Losses and loss adjustment expenses	15
5.	Market conduct activities	15
6.	Compliance with prior report on examination	17
7.	Summary of comments and recommendations	18

## 1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 2000. This examination covered the five-year period from January 1, 2001 through December 31, 2005, and was limited in scope to these balance sheet items considered by this Department to require analysis, verification or description, including: invested assets, inter-company balances, loss and loss adjustment expense reserves and the provision for reinsurance. Transactions occurring subsequent to this period were reviewed, where deemed appropriate by the examiner. The examination included a review of income, disbursements and company records deemed necessary to accomplish such analysis or verification and utilized, to the extent considered appropriate, work performed by the Company's independent public accountants.

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, which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

## 2. DESCRIPTION OF COMPANY

The Company was organized in 1877 as "The Chautauqua County Patrons' Fire Relief Association" for the purpose of transacting business as an assessment co-operative fire insurance corporation in Chautauqua County, New York.

On December 27, 1910, a certificate was issued by this Department authorizing the Company to continue business as an assessment co-operative fire insurance company in the above named county. Effective February 26, 1976, the Company was authorized to change its name to Chautauqua Patrons' Insurance Association.

The Department authorized a change in the Charter of the Company as of November 26, 1999 extending the territorial limits to include all of the counties of this State, except the counties of New

York, Kings, Queens, Bronx and Richmond; and all of the counties of the States of Pennsylvania and Ohio. The Company is licensed to write insurance business only in the state of New York.

On July 17, 2002, the Department approved a change in the Company's charter to change its name from Chautauqua Patrons' Insurance Association to Chautauqua Patrons' Insurance Company, and to add boiler and machinery to the lines of business that it was authorized to write.

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 twenty-nine members. The full board met at least once each calendar year, with the executive committee meeting at least three times a year, to comply with Section 6624(b) of the New York Insurance Law ("NYIL"). At December 31, 2005, the board of directors was comprised of the following ten members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Gaius W. Becker Brocton, NY	Insurance Agent
Douglas A. Bowen Ripley, NY	Insurance Agent
Salvatore Caruso Portland, NY	Insurance Agent
Allen S. Chase Cassadaga, NY	Vice President, CPIC & Insurance Agent
Joe Edwards, Jr. Panama, NY	President , CPIC & Insurance Agent
Brenda Ireland Panama, NY	Insurance Agent
David I. Lipsey Bemus, NY	Secretary/Treasurer, CPIC & Insurance Agent
Ernest J. Rammelt Westfield, NY	Owner, Chautauqua Energy, Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
William R. Reynolds, III Ashville, NY	Sales Representative, Holiday Harbor Marine
Charles S. Sundquist Jamestown, NY	Chairman of the Board, CPIC & Retired Insurance Agent

A review of the minutes of the board of directors' and executive committee 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, 2005, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Charles S. Sundquist	Chairman of the Board
Joe Edwards, Jr	President
Allen S. Chase	Vice President
David I. Lipsey	Secretary and Treasurer

During the review of the minutes of the board of directors and the executive committee meetings, it was determined that the Company appointed three non-director employees as officers. The appointment of the employees was to enable them sign checks in fulfillment of the requirements of Section 6611(a)(4)(C) of the NYIL and also, to comply with the prior examination recommendation on check signing procedures. However, Article III, Section 1 of the Company's by-laws provides that officers of the Company shall be "chosen by the Board of Directors from its members at the annual meeting to serve a term of one year and until their successors shall be elected and qualified." The board's action to appoint the three non-director employees as officers violated Article III, Section 1 of its by-laws. Consequently, it is recommended that the Company comply with Article III, Section 1 of its by-laws and appoint officers from among its board members or amend its by-laws to provide for the appointment of officers otherwise.

B. Territory and Plan of Operation

As of December 31, 2005, 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 NYIL:

<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
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability (excluding workers' compensation)
19	Motor vehicle and aircraft physical damage (excluding aircraft physical damage)
20	Marine and inland marine (inland marine only)

The Company was also licensed as of December 31, 2005, to accept and cede reinsurance as provided in Section 6606 of the NYIL

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

<u>Calendar Year</u>	<u>Direct Premiums Written (000's)</u>
2001	\$5,738
2002	7,082
2003	7,925
2004	8,461
2005	8,888

Based on the lines of business for which the Company is licensed and pursuant to the requirements of Articles 13 and 66 of the NYIL, the Company is required to maintain a minimum

surplus to policyholders in the amount of \$100,000. CPIC underwrites predominantly commercial multiple peril and homeowners multiple peril lines of business, which accounted for 43% and 40% respectively, of the 2005 direct premium writings. The Company writes direct business through independent agents and director-agents.

C. Reinsurance

CPIC did not assume reinsurance premiums written as of December 31, 2005.

The Company has structured its ceded reinsurance program to limit its maximum exposure to any one risk as follows:

Property Excess of Loss (3 layers)	\$1,125,000 excess of \$75,000 ultimate loss each risk, not exceeding \$350,000, \$500,000 and \$700,000 ultimate net loss any one occurrence for each respective layer.  For loss occurrence involving at least one casualty policy and one property policy, \$925,000 excess of \$75,000.
Casualty lines (4 layers)	\$925,000 excess of \$75,000 ultimate net loss occurrence.
Casualty Clash	\$1,000,000 excess of \$1,000,000 ultimate net loss per occurrence.
Property Catastrophe Excess of Loss (2 layers)	95% of \$1,375,000 excess of \$125,000 ultimate net loss, any one loss occurrence, involving three or more risks.  100% ultimate net loss excess of \$1,500,000.
Aggregate Excess of Loss	95% of \$650,000 of aggregate net losses, any one contract year in excess of 75% of the net premium earned.
Boiler and Machinery	100% cession not exceeding \$25,000,000 any one accident.

In addition to its treaty reinsurance program, the Company also obtained facultative reinsurance coverage. The maximum cession for the program is three times the net retained liability of the Company, after a minimum retention of \$350,000 and a maximum cession of \$500,000 as <http://www.ins.state.ny.us>



respects any one risk. With respect to perils other than fire, and wherever the Company carries fire upon the same risk, an equal proportion of such fire shall be ceded. In addition to the property facultative coverage, the Company obtained special casualty excess of loss reinsurance coverage, which covered casualty risks in excess of \$500,000.

Since the previous examination, the Company's retention has increased from \$40,000 to \$75,000 on property business and \$30,000 to \$75,000 on casualty business.

The Schedule F's data as contained in the Company's filed annual statement was found to accurately reflect its reinsurance transactions, except for the years 2002 and 2003. (See Section G (i) of this report)

On examination it was noted that the Company failed to file with this Department, pursuant to Section 1308(e) of the NYIL, all of its reinsurance contracts entered into during the five years covered by the examination.

It is recommended that, in the future, the Company comply with Section 1308(e) of the NYIL.

All 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 NYIL.

All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in paragraphs 25 and 26 of the NAIC Accounting Practices and Procedures Manual ("SSAP") No. 62.

In 2003, the Company ceded reinsurance to Farm Mutual Insurance Plan, a Canadian-based reinsurer not authorized to write business in New York. Section 6606(a)(2) of the NYIL states in part that, "Unless otherwise permitted by the superintendent, an assessment corporation may ...cede reinsurance to any other licensed insurer if such insurer is authorized to reinsure such kind or kinds of insurance in this state..." Therefore, it is recommended that the Company comply with Section

6606(a)(2) of the NYIL and obtain the permission of the superintendent before ceding to an unauthorized reinsurer.

The Company's Equipment breakdown reinsurance treaty with Factory Mutual Insurance Company is mediated by Guy Carpenter & Company, Inc. An examination review of the treaty indicated that the reinsurance intermediary clause therein did not include a provision whereby the reinsurer assumes all credit risks of the intermediary relative to payments to the intermediary, pursuant to Part 32.1(b)(1) of Department Regulation 98.

It is recommended that the Company comply with Part 32.1(b)(1) of Department Regulation 98 and amend its Equipment breakdown reinsurance treaty to include the reinsurer's assumption of all credit risk of the reinsurance intermediary as put forth in the said Regulation.

D. Holding Company System

As of December 31, 2005, the company owned 100% of the outstanding shares of Chautauqua Patrons' Insurance Agency, Inc. The Agency was incorporated to furnish an outlet for CPIC's agents for those kinds of insurance not provided by the Company. As of December 31, 2005, the Agency was dormant.

E. Abandoned Property Law

Section 1316 of the New York State Abandoned Property Law provides that amounts payable to a resident of this state from a policy of insurance, if unclaimed for three years, shall be deemed abandoned property. Such abandoned property shall be reported to the comptroller on or before the first day of April each year. Such filing is required of all insurers regardless of whether or not they have any abandoned property to report. For the five year examination period, the Company filed abandoned property reports to comply with the law.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2005, based upon the result of this examination:

Net premiums written to surplus as regards policyholders	98%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	52%
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 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	\$14,150,176	55.62%
Other underwriting expenses incurred	9,187,095	36.11%
Net underwriting gain (loss)	<u>2,102,908</u>	<u>8.27%</u>
Premiums earned	<u>\$25,440,179</u>	<u>100.00%</u>

G. Accounts and Records

i. Annual Statement Instructions

During the examination review of annual statement schedules and exhibits, it was determined that the Company has not been complying with the NAIC Annual Statement Instructions regarding the completion of Schedule F and the Supplemental Compensation Exhibit. Schedule F of the 2002 and 2003 filed annual statements did not contain the complete listing of all of the reinsurers to which reinsurance premiums were ceded. Also, the Company has not been accurately providing the names, positions, and compensations paid to officers and some highest paid employees, as required by the annual statement instructions for completion of the Supplemental Compensation Exhibit. It is

recommended that the Company comply with the NAIC Annual Statement Instructions and accurately complete Schedule F and the Supplemental Compensation Exhibit in future annual statements filed with the Department.

ii. Custodial Agreement

The prior report on examination contained a recommendation in which the Company was asked to comply with Circular Letter No. 2 (of 1977), with regards to provisions in the custodial agreement. The Company complied with the recommendation subsequent to the filing of the report. However, during the latter part of 2004, the Company changed custodians and obtained a new custodial agreement. With the adoption of codification by New York State in 2001, new provisions and safeguards were required for custodial agreements. The Company's new agreement was reviewed to determine if it contained the provisions and safeguards put forth in the NAIC Financial Examiners Handbook, Part 1 Section IV.J. It was determined from the review that this agreement did not contain any of the suggested provisions and safeguards.

During the course of examination, the Company began a process to amend its custodial agreement to include the NAIC-suggested provisions and safeguards; nevertheless, it is recommended that the Company amend its custodial agreement to comply with the NAIC Financial Condition Examiners Handbook Part 1 Section IV.J.

iii. Recording of acquisition dates of bonds and stocks

An examination review of the custodian confirmation of securities and broker's advice of selected securities revealed that the Company has been recording settlement dates as acquisition dates in the Schedule D of the annual statements. The NAIC Accounting Practices and Procedures Manual ("SSAP") No. 26, paragraph 4 and SSAP No. 30, paragraph 5 require that the acquisition or disposal of bonds and common stocks should be recorded on the trade date. Therefore, it is recommended that

the Company comply with SSAP No. 26 paragraph 4 and SSAP No. 30 paragraph 5 and report acquisition and disposal dates of bonds and stocks in the annual statement Schedule D in accordance with the SSAP's.

iv. Misclassification of assets

During the examination review of bank statements and bank confirmation, it was determined that the Company's investments in the Victory Federal Money Market Funds and the MTB US Treasury Fund A, which were included in the Schedule E, Part 1 of the 2005 filed annual statement as cash, were money market instruments. SSAP No. 2, paragraphs 10 and 11 require that investments in money market instruments, depending on the type of the fund, should be reported as short-term investments or as common stocks. Consequently, it is recommended that the Company comply with SSAP No. 2, paragraphs 10 and 11 and report money market investments accordingly.

v. Regulation 30

Part 109.2 of Department Regulation 30 provides general procedures for allocating expenses for salaries to companies, expense groups and lines of business. On examination it was determined that the Company has been allocating salaries on the basis of time studies. In 2005 the Company performed a time study however; the results of the study were not summarized and analyzed for subsequent utilization. As a result, the records supporting the bases of allocation of salaries to the expense groups within the 2005 Underwriting and Expense Exhibit, Part 3, were not readily available for examination. Accordingly, it is recommended that the Company comply with Part 109.2(b)(2) of Department Regulation 30 and ensure that all records supporting the bases of allocation be kept in clear and legible form and be readily available for examination.

3. FINANCIAL STATEMENTSA. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2005, as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Examination</u>		
	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 6,462,920	\$ 0	\$ 6,462,920
Common stocks	3,617,063	0	3,617,063
Properties occupied by the company	320,441	0	320,441
Cash, cash equivalents and short-term investments	<u>1,792,609</u>	<u>0</u>	<u>1,792,609</u>
Subtotals, cash and invested assets	\$12,193,033	\$ 0	\$12,193,033
Investment income due and accrued	69,035	0	69,035
Uncollected premiums and agents' balances in the course of collection	126,880	5,442	121,438
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,627,759	0	1,627,759
Amounts recoverable from reinsurers	87,871	0	87,871
Current federal and foreign income tax recoverable and interest thereon	8,000	0	8,000
Net deferred tax asset	332,498	77,498	255,000
Furniture and equipment, including health care delivery assets	45,622	45,622	0
Aggregate write-ins for other than invested assets	<u>21,501</u>	<u>21,501</u>	<u>0</u>
Totals	<u>\$14,512,199</u>	<u>\$150,063</u>	<u>\$14,362,136</u>

Liabilities, surplus and other funds

Losses and loss adjustment expenses		\$ 2,336,263
Commissions payable, contingent commissions and other similar charges		741,232
Other expenses (excluding taxes, licenses and fees)		38,815
Taxes, licenses and fees (excluding federal and foreign income taxes)		5,731
Unearned premiums		4,611,111
Advance premium		148,228
Ceded reinsurance premiums payable (net of ceding commissions)		(54,592)
Remittances and items not allocated		<u>4,957</u>
Total liabilities		\$ 7,831,745
Required surplus	\$ 100,000	
Unassigned funds (surplus)	<u>6,430,391</u>	
Surplus as regards policyholders		<u>6,530,391</u>
Totals		<u>\$14,362,136</u>

Note: The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2001 through 2005. 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. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$2,617,104 during the five-year examination period, January 1, 2001 through December 31, 2005, detailed as follows:

Underwriting Income

Premiums earned		\$25,440,179
-----------------	--	--------------

Deductions:

Losses and loss adjustment expenses incurred	\$14,150,176	
--	--------------	--

Other underwriting expenses incurred	9,187,095	
--------------------------------------	-----------	--

Total underwriting deductions		<u>23,337,271</u>
-------------------------------	--	-------------------

Net underwriting gain or (loss)		\$2,102,908
---------------------------------	--	-------------

Investment Income

Net investment income earned	\$1,159,843	
------------------------------	-------------	--

Net realized capital gain	<u>(107,094)</u>	
---------------------------	------------------	--

Net investment gain or (loss)		1,052,749
-------------------------------	--	-----------

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$(38,422)	
---	------------	--

Finance and service charges not included in premiums	305,799	
--	---------	--

Aggregate write-ins for miscellaneous income	<u>13,577</u>	
--	---------------	--

Total other income		<u>280,954</u>
--------------------	--	----------------

Net income before dividends to policyholders and before federal and foreign income taxes		\$3,436,611
--	--	-------------

Dividends to policyholders		<u>0</u>
----------------------------	--	----------

Net income after dividends to policyholders but before federal and foreign income taxes		\$3,436,611
---	--	-------------

Federal and foreign income taxes incurred		<u>1,249,107</u>
---	--	------------------

Net income		<u>\$2,187,504</u>
------------	--	--------------------



Capital and Surplus

Surplus as regards policyholders per report on examination as of December 31, 2000			\$3,913,287
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$2,187,504	\$ 0	
Net unrealized capital gains or (losses)	0	173,143	
Change in net deferred income tax	405,465	0	
Change in non-admitted assets	0	88,033	
Cumulative effect of changes in accounting principles	285,311	0	
Aggregate write-ins for gains and losses in surplus	<u>0</u>	<u>0</u>	
Net increase (decrease) in surplus			<u>2,617,104</u>
Surplus as regards policyholders per report on examination as of December 31, 2005			<u><u>\$6,530,391</u></u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$2,336,263 is the same as the amount reported by the Company as of December 31, 2005. The examination analysis was conducted in accordance with generally accepted actuarial principles and was based on statistical information contained in the Company's internal records and in its filed annual statements.

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.

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

Except as noted below, no unfair practices were encountered.

#### The New York Standard Mortgagee Clause

The New York Mortgagee Clause, which is reinforced by Section 3404(e)(68-73) and Circular Letter 17 of 1976, requires insurers to provide mortgagees with a ten day prior written notice upon cancellation of an insured's policy. An examination review of the notices of cancellation and non-renewals indicated that the Company has not been providing such notices to mortgagees, especially in cases where cancellation or non-renewal was requested by the insured. Therefore, it is recommended that the Company comply with the New York Mortgagee Clause as put forth in Section 3404(e)(68-73) and Circular Letter 17 of 1976 and provide mortgagees with the ten days advance written notices of cancellations and non-renewals, no matter the reason for the cancellation.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
-------------	-----------------

- |    |   |   |
|----|---|---|
| A. | It was recommended that the Company adopt a procedure whereby the conflict of interest questionnaire will be properly completed by its directors. | 8 |
|----|---|---|

The Company has complied with this recommendation.

- |    |  |     |
|----|--|-----|
| B. | It was recommended that the Company comply with Section 6611(a)(4)(C) of the New York Insurance Law. | 8-9 |
|----|--|-----|

The Company did not fully comply with this recommendation (see Section 2A of this report).

- |    |  |   |
|----|--|---|
| C. | It was recommended that the Company comply with the Department Circular Letter No. 2 (1977) and sign an acceptable custodial agreement with its current new banking institution. | 9 |
|----|--|---|

The Company did not fully comply with this recommendation (see Section 2G(ii) of this report)

- |    |  |    |
|----|--|----|
| D. | It was recommended that the Company comply with Section 3425(d)(1) and 3426(e)(2) of the New York Insurance Law and give a more detailed description of the reason for the cancellation. | 13 |
|----|--|----|

The Company has complied with this recommendation.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
It is recommended that the Company comply with Article III, Section 1 of its by-laws and appoint officers from among its board members or amend its by-laws to provide for the appointment of officers otherwise.	4
B. <u>Reinsurance</u>	
i. It is recommended that, in the future, the Company comply with Section 1308(e) of the NYIL.	7
ii. It is recommended that the Company comply with Section 6606(a)(2) of the NYIL and obtain the permission of the superintendent before ceding to an unauthorized reinsurer.	7 - 8
iii. It is recommended that the Company comply with Part 32.1(b)(1) of Department Regulation 98 and amend the Equipment breakdown reinsurance treaty to include the reinsurer's assumption of all credit risk of the reinsurance intermediary, as put forth in the said Regulation.	8
C. <u>Accounts and Records</u>	
i. It is recommended that the Company comply with the NAIC Annual Statement Instructions and accurately complete Schedule F and the Supplemental Compensation Exhibit in future annual statements filed with the Department.	9 - 10
ii. It is recommended that the Company amend its' custodial agreement to comply with the NAIC Financial Condition Examiners Handbook, Part 1 Section IV.J.	10
iii. It is recommended that the Company comply with SSAP No. 26, paragraph 4 and SSAP No. 30, paragraph 5 and report acquisition and disposal dates of bonds and stocks in the annual statement Schedule D in accordance with the SSAP's.	10 – 11
iv. It is recommended that the Company comply with SSAP No. 2, paragraphs 10 and 11 and report money market fund investments accordingly.	11

- v. It is recommended that the Company comply with Part 109.2(b)(2) of Department Regulation 30 and ensure that all records supporting the bases of allocation be kept in clear and legible form and be readily available for examination. 11

D. Market Conduct

It is recommended that the Company comply with Section 3404(e)(68-73) and Circular Letter 17 of 1976 and provide mortgagees with the ten days advance written notices of cancellations and non-renewals, no matter the reason for the cancellation. 15 - 16

Respectfully submitted,

15/10/06  
Nyantakyi Akuoko  
Senior Insurance Examiner

STATE OF NEW YORK     )  
  )SS:  
  )  
COUNTY OF ALBANY     )

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

15/10/06  
Nyantakyi Akuoko

Subscribed and sworn to before me  
this 18TH day of DECEMBER, 2006.

15/10/06  
DIANNE M. BURKE  
Notary Public, State of New York  
Qualified in Albany County  
No. 01BU5076509  
Commission Expires April 21, 2007

Appointment No 22536

STATE OF NEW YORK  
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,  
pursuant to the provisions of the Insurance Law, do hereby appoint:

*Nyantayki Akuoko*

*as proper person to examine into the affairs of the*

**Chautauqua Patrons 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 7<sup>th</sup> day of August 2006*



A handwritten signature in cursive script, appearing to read "Howard Mills".

---

HOWARD MILLS  
*Superintendent of Insurance*