

REPORT ON EXAMINATION

OF

MEREDITH INSURANCE COMPANY

AS OF

DECEMBER 31, 2018

DATE OF REPORT

NOVEMBER 26, 2019

EXAMINER

SHEIK H. MOHAMED

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## Department of Financial Services

**KATHY HOCHUL**  
Governor

**ADRIENNE A. HARRIS**  
Acting Superintendent

October 1, 2021

Honorable Adrienne A. Harris  
Acting Superintendent  
New York State Department of Financial Services  
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31967 dated July 16, 2019, attached hereto, I have made an examination into the condition and affairs of Meredith Insurance Company as of December 31, 2018, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Meredith 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 Department located at One Commerce Plaza, Albany, New York 12257.

## 1. SCOPE OF EXAMINATION

The Department has performed an examination of the Company, a single-state insurer. The previous examination was conducted as of December 31, 2013. This examination covered the five-year period from January 1, 2014 through December 31, 2018. Transactions occurring subsequent to this period were reviewed when deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company including corporate governance. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with New York laws, statutory accounting principles, and annual statement instructions.

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

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

A review was also made to ascertain what action was taken by the Company with regard to the 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

Meredith Insurance Company was organized on February 20, 1862, for the purpose of transacting business as an assessment co-operative fire insurance company in the Town of Meredith, Delaware County, New York.

Effective January 12, 1993, the Company's charter and license were amended to extend the territories in which the Company writes to include all the counties of New York State, excluding the counties of New York, Kings, Queens, Bronx, and Richmond.

A. Corporate Governance

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 thirteen members. The board meets six times during each calendar year. At December 31, 2018, the board of directors was comprised of the following ten members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Bryan Boyer Delhi, NY	President, Meredith Insurance Company Vice President, Delaware National Bank of Delhi
John Bramley Delhi, NY	Vice President, Meredith Insurance Company
Jean Humphries Delhi, NY	Insurance Agency Employee, John Bramley & Associates, Inc
Carolyn June Delhi, NY	Case Worker, Delaware County Mental Health Department
Barbara MacClintock East Meredith, NY	Vice President, Meredith Insurance Company
Michael MacClintock East Meredith, NY	Facilities Manager, Community Bank
Herman Menke Treadwell, NY	Retired
Terry Mostert East Meredith, NY	Secretary and Treasurer, Meredith Insurance Company
Bette B. Shaw Delhi, NY	Retired

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Joan Tubridy Delhi, NY	Retired

As of December 31, 2018, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Bryan Boyer	President
Terry Mostert	Secretary and Treasurer
John Bramley	Vice President
Barbara MacClintock	Vice President
Michael MacClintock	Vice President

B. Territory and Plan of Operation

As of December 31, 2018, the Company was licensed as an assessment cooperative insurance company to transact business within all the counties of New York State, except the counties of New York, Kings, Queens, Bronx 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

Paragraphs 5, 6, 7, and 8 can be written solely in conjunction with fire insurance written under the same policy and covering the same premises and insurance against loss or damage to property caused by aircraft or vehicle. The Company is also licensed to accept and cede reinsurance as provided in Section 6606 of the New York Insurance Law.

Based upon 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 following schedule shows the total gross premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Total Gross Premiums</u>
2014	\$33,533
2015	\$32,230
2016	\$30,126
2017	\$29,633
2018	\$28,638

The Company writes predominantly in Delaware County, New York through its director-agents. Policies are issued for a term of three years covering farms, residential, and commercial risks, including contents, livestock, produce and machinery. Policies are issued against specified perils that include fire and windstorm. Applications for insurance are received by directors of the Company and all risks are inspected at least every three years on or prior to the renewal dates of the policies. The Company did not assume business during the examination period.

C. Reinsurance Ceded

The Company places reinsurance with reinsurers that hold an A.M. Best financial strength rating of A- or higher. The Company has structured its ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Property</u>	\$70,000 excess of \$14,000 ultimate net loss, each loss, each risk, subject to a limit of liability to the reinsurer of \$210,000 each loss occurrence.
<u>Windstorm Catastrophe</u>	100% of the ultimate net loss over and above an ultimate net loss equal to 10% of the Company's policyholders' surplus. However, no claim shall be made hereunder unless the loss occurrence involves three or more risks.

All reinsurance was placed with authorized reinsurers. 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. 62R. Representations were supported by an attestation from the Company's President and Secretary/Treasurer 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 is not a member of a holding company system. As of December 31, 2018, the Company was independent with no affiliations.

E. Significant Ratios

The Company's two year overall operating ratio of 398.4%, computed as of December 31, 2018, falls outside the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC. The unusual value is due to a high expense ratio and a low return on investments.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	1.5%
Adjusted liabilities to liquid assets	2.4%
Two-year overall operating	398.4%

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$ 21,917	26.54%
Other underwriting expenses incurred	203,923	246.90%
Net underwriting gain (loss)	<u>(143,246)</u>	<u>(173.43)%</u>
Premiums earned	<u>\$ 82,594</u>	<u>100.00%</u>

F. Accounts and Records

i. Compliance with the NAIC annual statement instructions

Upon review of the Schedule D, Part 1 contained in the Company's filed 2018 annual statement, it was noted that the Company reported incorrect NAIC designations for its bonds held. This was also a prior report recommendation. It is again recommended that the Company accurately complete Schedule D of its filed annual statements in compliance with NAIC annual statement instructions.

ii. Recording of bond acquisition dates

A review of broker's advices for securities purchased during the examination period indicated that the Company reported the settlement date as the date of acquisition of securities in its Schedule D of its annual statement. Pursuant to paragraph 6 of SSAP No. 26R, "a bond acquisition or disposal shall be recorded on the trade date, not settlement date ..." This was also a prior report recommendation. It is again recommended that the Company report the trade date as the date of acquisition of securities in Schedule D, pursuant to paragraph 6 of SSAP No. 26R.

iii. Amortized cost

Pursuant to paragraph 9 of SSAP No.26R, "amortization of bond premium or discount shall be calculated using the scientific (constant yield) interest method ..." It is noted on Schedule D, Part 1 that the Company's fair value, par value, and book/adjusted carrying value are the same. It is recommended that the Company amortize its bonds pursuant to paragraph 9 of SSAP No.26R.

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2018 as reported by the Company:

#### Assets

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$891,583	\$0	\$891,583
Cash, cash equivalents and short-term investments	<u>36,471</u>	<u>0</u>	<u>36,471</u>
Total assets	<u>\$928,054</u>	<u>\$0</u>	<u>\$928,054</u>

#### Liabilities, Surplus and Other Funds

#### Liabilities

Losses and loss adjustment expenses	\$ 475
Unearned premiums	<u>21,422</u>
Total liabilities	\$ 21,897

#### Surplus and other funds

Minimum surplus to policyholders	\$100,000
Unassigned funds (surplus)	<u>806,157</u>
Surplus as regards policyholders	<u>906,157</u>
Total liabilities, surplus and other funds	<u>\$928,054</u>

Note: The Company is exempt from filing income tax returns with the Internal Revenue Service.

B. Statement of Income

The net loss for the examination period as reported by the Company was \$68,579 as detailed below:

Underwriting Income

Premiums earned		\$82,594
Deductions:		
Losses and loss adjustment expenses incurred	\$ 21,917	
Other underwriting expenses incurred	<u>203,923</u>	
Total underwriting deductions		<u>225,840</u>
Net underwriting gain or (loss)		\$(143,246)

Investment Income

Net investment income earned	<u>\$73,578</u>	
Net investment gain or (loss)		73,578

Other Income

Finance and service charges not included in premiums	\$ 116	
New York State fire insurance fee	<u>973</u>	
Total other income		<u>1,089</u>
Net income or (loss)		<u>\$(68,579)</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$58,159 during the five-year examination period January 1, 2014 through December 31, 2018 as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2013			\$964,316
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income		\$68,579	
Net unrealized capital gains or (losses)	\$ 195	0	
Surplus adjustments transferred from capital	10,227	0	
Adjustment for rounding	<u>0</u>	<u>2</u>	
Total gains and losses	\$10,422	\$68,581	
Net increase (decrease) in surplus			<u>(58,159)</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2018			<u>\$906,157</u>

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

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$475 is the same as reported by the Company as of December 31, 2018.

## 5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Accounts and Records</u>	7
i. It was recommended that the Company accurately complete Schedule D of its filed annual statements in compliance with NAIC annual statement instructions	
The Company has not complied with this recommendation. A similar comment is made in this report.	
ii. It was recommended that the Company report the trade date as the date of acquisition of securities in Schedule D, pursuant to paragraph 4 of SSAP No. 26.	7
The Company has not complied with this recommendation. A similar comment is made in this report.	

## 6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Accounts and Records</u>	
i. It is again recommended that the Company accurately complete Schedule D of its filed annual statements in compliance with NAIC annual statement instructions.	7
ii. It is again recommended that the Company report the trade date as the date of acquisition of securities in Schedule D, pursuant to paragraph 6 of SSAP No. 26R.	7
iii. It is recommended that the Company amortize its bonds pursuant to paragraph 9 of SSAP No.26R.	7

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Sheik H. Mohamed, CPA  
Associate Insurance Examiner

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

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

\_\_\_\_\_/S/\_\_\_\_\_  
Sheik H. Mohamed

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, Linda A. Lacewell, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

**Sheik Mohamed**

as a proper person to examine the affairs of the

**Meredith Insurance Company**

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

**COMPANY**

with such other information as he shall deem requisite.

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

this 16th day of July, 2019

LINDA A. LACEWELL  
Superintendent of Financial Services



By:

*Joan P. Riddell*

Joan Riddell  
Deputy Bureau Chief