<u>REPORT ON EXAMINATION</u>

<u>OF</u>

<u>FULMONT MUTUAL INSURANCE COMPANY</u>

<u>AS OF</u>

<u>DECEMBER 31, 2018</u>

<u>DATE OF REPORT</u>	<u>DECEMBER 29, 2021</u>
<u>EXAMINER</u>	<u>LEE PROWELL</u>

TABLE OF CONTENTS

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 31961 dated July 3, 2019, attached hereto, I have made an examination into the condition and affairs of Fulmont Mutual 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 Fulmont Mutual 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 2240 State Highway 29, Johnstown, New York 12095.

This examination has determined that as of December 31, 2018, the Company's minimum required to be maintained surplus of $468,593 was impaired in the amount of $143,405. This impairment was corrected, as noted in the Subsequent Events section of this report.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of Fulmont Mutual Insurance Company, a single-state insurer. The prior filed report on examination encompassed the five-year period ending December 31, 2010. This examination covered the eight-year period from January 1, 2011 through December 31, 2018. 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, 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, 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 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
Reinsurance
Holding company description
Financial statement presentation
Loss review and analysis
Significant subsequent events
Summary of recommendations

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

Fulmont Mutual Insurance Company was incorporated under the laws of the State of New York on August 9, 1853, as the Fulton and Montgomery Counties Farmers Mutual Fire Insurance Association for the purpose of transacting business as an assessment cooperative fire insurance association in Fulton and Montgomery Counties, New York.

A certificate was issued by this Department on December 27, 1910, which authorized the Company to continue the transaction of business in the above-named counties.

On December 31, 1986, the Company converted to an advance premium cooperative insurance company and adopted its current name. At the same time, the Company became qualified to write non-assessable policies and was permitted to extend its territorial limits to include the entire state of New York.

On May 1, 1998, the Company merged with The Mohawk Minden Insurance Company, with the Company being the surviving company.

In 2011, the Company's wholly owned subsidiary, Westport MLM Agency, Inc., merged into FM Scion Service Corp. ("FM Scion"), also wholly owned by the Company, with FM Scion being the surviving entity.

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 seven nor more than ten members. The board meets four times during each calendar year. At December 31, 2018, the board of directors was comprised of the following seven members:

Name and Residence	Principal Business Affiliation
Marlene A. Benton Amsterdam, New York	President, Fulmont Mutual Insurance Company
Terry L. Dufel Fonda, New York	Treasurer, Fulmont Mutual Insurance Company
Joanne E. Gifford Johnstown, New York	Secretary, Fulmont Mutual Insurance Company

Name and Residence	Principal Business Affiliation
Gregory M. Kinowski Johnstown, New York	Licensed agent and owner, Kinowski Insurance Agency
Richard D. Rathbun Cooperstown, New York	Retired
Clayton J. Sitterly Gloversville, New York	Licensed real estate broker, Coldwell Banker Real Estate
Michael W. Smrtic Johnstown, New York	Attorney, Law Office of Michael W. Smrtic, Esq.

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

Name	Title
Marlene A. Benton	President
Joanne E. Gifford	Secretary
Terry L. Dufel	Treasurer

B. Territory and Plan of Operation

As of December 31, 2018**,** the Company was licensed to write business solely in New York.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
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
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (Inland only)

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, 41 and 66 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $468,593.

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

Calendar Year	Direct Premiums
2011	$5,346,536
2012	$5,904,560
2013	$6,414,146
2014	$6,300,992
2015	$5,593,606
2016	$5,143,176
2017	$4,604,397
2018	$4,130,166

At December 31, 2018, the Company wrote insurance through independent agents and its subsidiary, Scion. The Company did not assume any business during the examination period.

The Company's major lines of business are commercial multiple peril and homeowners' multiple peril, which accounted for approximately 40% and 35% respectively, of the Company's 2018 direct written premiums.

C. Reinsurance Ceded

The Company has structured its ceded reinsurance program as follows:

Type of Treaty	Cession
Property (3 layers)	$940,000 in excess of $60,000 each loss, each risk. Per occurrence limits of $120,000 on the first layer; $800,000 on the second layer; and $500,000 on the third layer.

Type of Treaty	Cession
Casualty (3 layers)	$940,000 in excess of $60,000 per occurrence, per policy.
Property and Casualty combined	$40,000 in excess of $60,000 each loss occurrence.
Casualty clash	$1,000,000 in excess of $1,000,000 each loss occurrence involving two or more policies.
	$2,000,000 in excess of $2,000,000 all losses and on workers' compensation losses.
Property Catastrophe (2 layers)	95% of $4,900,000 in excess of $100,000 each loss occurrence. There is no recovery unless two (2) or more risks are involved.

As of December 31, 2018, the Company had an Equipment Breakdown Coverage quota share treaty on boiler and machinery insurance under which the reinsurer obligates itself to accept as reinsurance of the Company, and the Company obligates itself to cede to the reinsurer 100% of the Company's net retained liability as defined in the contract. Cessions under the contract shall not exceed $5,000,000 on any one commercial multi-peril or farm owners' risk without prior agreement with the reinsurer and $50,000 on any one homeowner or mobile homeowner's risk without prior written agreement of the reinsurer.

Most of the business was ceded to authorized unaffiliated reinsurers. At December 31, 2018, the Company ceded business to one unauthorized reinsurer. It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized 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 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 the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles ("SSAP") No. 62R. Representations were supported by an attestation from the Company's President and Treasurer. 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. Affiliated Group

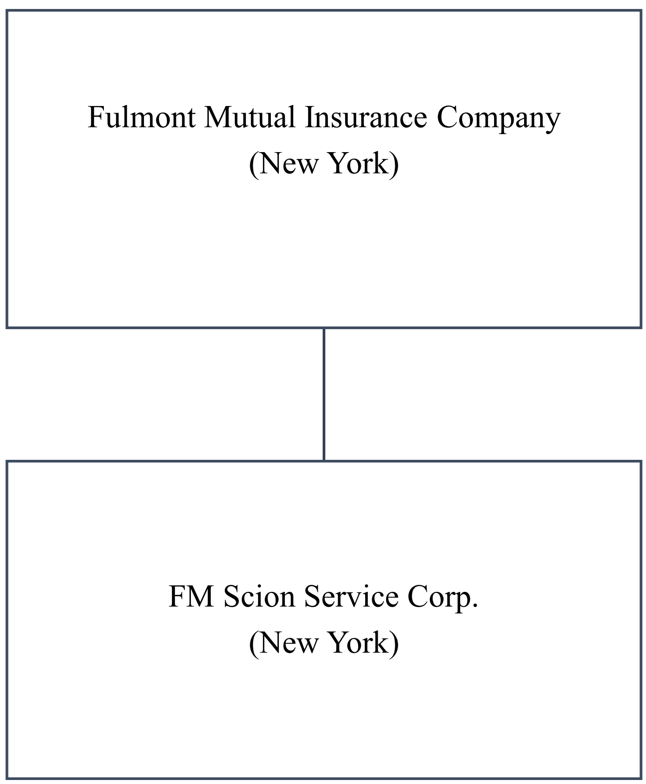
At December 31, 2018, the Company owned 100% of the common stock of FM Scion. Prior to 2011, the Company had two subsidiaries: Westport MLM Agency ("Westport") and FM Scion.

FM Scion was organized for the purpose of providing certain ancillary services to the Company. In 1982, FM Scion expanded its scope to include the business of insurance broker, which provided a vehicle for those agents, who were also brokers, to write coverage that the Company did not write.

Westport was organized in 1987 to conduct business as a general insurance agency and brokerage company. On August 19, 2011, Westport and FM Scion merged, with FM Scion as the surviving company.

A review of the annual filings made pursuant to Department Regulation 53 during the examination period indicated that such filings were complete and were filed in a timely manner

The following is an unabridged chart of the affiliated group at December 31, 2018:



At December 31, 2018, the Company was party to the following agreement with FM Scion:

Expense Allocation

The Company and its subsidiary share operating expenses pursuant to an expense sharing agreement. The agreement is reviewed on an annual basis, and if changes are needed, a new expense allocation agreement is executed. Pursuant to the agreement, FM Scion provides computer equipment and other services to the Company, and pays its proportionate share of operating expenses, employee wages and benefits to the Company. The agreements were filed with the Department and were non-disapproved.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2018, do not fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

Operating Ratios	Result
Net premiums written to surplus as regards policyholders	561%
Adjusted liabilities to liquid assets	122%
Two-year overall operating	118%

Due to the following reasons, the Company's operating ratios fall outside the benchmark ranges:

1) the Company has experienced large underwriting losses;

2) per the examination, the Company's liabilities increased $250,000 due to borrowed money related to the sale-leaseback agreement (see section 5 for further detail);

3) per the examination, the Company's loss and loss adjustment expense liability increased by $278,000 (see section 4 for further detail).

Underwriting Ratios

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

	Amount	Ratio
Losses and loss adjustment expenses incurred	$16,814,658	82.26%
Other underwriting expenses incurred	6,435,914	31.49
Net underwriting gain (loss)	(2,810,792)	(13.75)
Premiums earned	$20,439,780	100.00%

The Company's reported risk-based capital ("RBC") score was 204.40% at December 31, 2018**.** The RBC is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC score of 200% or below can result in regulatory action.

The financial adjustments totaling $528,000, as described under sections 4 and 5 of this report, have negatively impacted the Company's RBC score.

F. Independent Auditors Report and Statement of Actuarial Opinion

Independent Auditors Report

Pursuant to the Company's audited financial statements as of December 31, 2018, the Company's external auditors noted that "certain conditions exist which indicate that the Company may not be able to continue as a going concern". Specifically, the CPA firm cited the following:

1) the Company incurred a reduction in surplus of approximately $70,000 for 2018 and a loss from underwriting of approximately $354,000. The surplus reduction was after a gain of assets sold of $250,000;
2) the Company's unassigned surplus is approximately $397,000 and the Company continues to experience losses from underwriting activities;
3) included in assets is restricted cash of $262,500 which is being used as pledged collateral as a condition of a lease agreement;
4) through the first quarter of 2019, the Company reported an additional reduction in surplus of $228,077.

Furthermore, pursuant to the audited financial statements as of December 31, 2019, the external auditors reiterated that "certain conditions exist which indicate that the Company may not be able to continue as a going concern". Specifically, the CPA firm cited the following:

1) the Company incurred a reduction in surplus of approximately $597,000 for 2019 and a loss from underwriting of approximately $607,000;
2) the Company's unassigned surplus is a deficit of approximately $212,000 and the Company continues to experience losses from underwriting activities;

3) included in assets is restricted cash of $175,441 which is being used as pledged collateral as a condition of a lease agreement;
4) through the first quarter of 2020, the Company reported an additional reduction in surplus of $159,152.

Statement of Actuarial Opinion

The Company's consulting actuary issued the 2018 Statement of Actuarial Opinion indicating that the amounts carried by the Company on loss and loss adjustment expenses reserves are "not consistent with a Determination of Reasonableness Provision". The opinion further states that "the loss and loss adjustment expense reserves carried by the Company, on a gross and net basis, are inadequate" and that the net carried loss and loss expense reserves are $159,000 below the low end of range and $277,000 below the point estimate.

Refer to sections 4 and 5 of this report for further comments on these issues.

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	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	$ 640,568	$ 0	$ 640,568
Common stocks	231,895	0	231,895
First liens - mortgage loans on real estate	53,469	0	53,469
Properties occupied by the company	74,176	0	74,176
Cash, cash equivalents and short-term investments	1,025,216	0	1,025,216
Investment income due and accrued	2,761	0	2,761
Uncollected premiums and agents' balances in the course of collection	105,662	2,300	103,362
Deferred premiums, agents' balances and installments booked but deferred and not yet due	344,741	0	344,741
Amounts recoverable from reinsurers	166,272	0	166,272
Net deferred tax asset	336,828	336,828	0
Receivables from parent, subsidiaries and affiliates	9,745	0	9,745
FAIR Plan	71,062	11,645	59,417
Account receivable other	22,185	0	22,185
Total assets	$3,084,580	$350,773	$2,733,807

Liabilities, Surplus and Other Funds

Liabilities

Losses and loss adjustment expenses		$ 818,533
Commissions payable, contingent commissions and other similar charges		130,223
Other expenses (excluding taxes, licenses and fees)		29,217
Unearned premiums		830,799
Advance premium		78,442
Ceded reinsurance premiums payable (net of ceding commissions)		(45,156)
Amounts withheld or retained by company for account of others		36,561
Provision for reinsurance		2,000
Total liabilities		$1,880,619
Surplus and Other Funds		
NYS required special surplus	$455,712	
Unassigned funds (surplus)	397,476	
Surplus as regards policyholders		853,188
Total liabilities, surplus and other funds		$2,733,807

Note 1: This examination has determined that as of December 31, 2018, the Company's minimum required to be maintained surplus of $468,593 was impaired in the amount of $143,405. This impairment was corrected, as noted in the Subsequent Events section of this report.

Note 2: The Internal Revenue Service has not audited tax returns covering tax years 2011 through 2018. 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

The net loss for the examination period, as reported by the Company, was $1,017,357, as detailed below:

Underwriting Income		
Premiums earned		$20,439,780
Deductions:		
Losses and loss adjustment expenses incurred	$16,536,658	
Other underwriting expenses incurred	6,435,914	
Total underwriting deductions		(22,972,572)
Net underwriting gain or (loss)		$ (2,532,792)
Investment Income		
Net investment income earned	$ 339,231	
Net realized capital gain	9,851	
Net investment gain or (loss)		349,082
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ 89,255	
Finance and service charges not included in premiums	751,457	
FDIC funds received on Certificate of Deposit	41,502	
Gain from sale-leaseback	250,000	
Total other income		1,132,214
Net income before federal income taxes		$(1,051,496)
Federal and foreign income taxes incurred		(34,140)
Net income (loss)		$(1,017,357)*

*Rounding difference of $1

C. Capital and Surplus

Surplus as regards policyholders decreased $907,060 during the eight-year examination period, January 1, 2011 through December 31, 2018, as reported by the Company, detailed as follows:

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders as reported by the Company as of December 31, 2010			$1,760,248
Net income		$1,017,357	
Net unrealized capital gains or (losses)	$101,110		
Change in net deferred income tax	275,809		
Change in non-admitted assets	183,474		
Change in provision for reinsurance		2,000	
Cumulative effect of changes in accounting principles	6,093		
Miscellaneous	1,092		
Change in prior year reinsurance recoverable		12,606	
Other surplus adjustment	18,531		
Change in PY 2016 UEP Transfer		92,985	
Change in vacation pay accruals		7,861	
Adoption of SSAP 101		3,579	
Change in prior year receivable		5,396	
Surplus adjustment - Fair Plan	1,556		
Prior period adjustment		220,847	
Write-off of unrecoverable reinsurance balance	0	132,094	
Total gains and losses	$587,665	$1,494,725	
Net increase (decrease) in surplus			(907,060)
Surplus as regards policyholders, as reported by the Company, as of December 31, 2018			$853,188

D. Analysis of Changes to Surplus

	Surplus Increase	Surplus Decrease	
Surplus as regards policyholders as of December 31, 2018, as reported by the Company			$853,188
Examination reclassification of sale-leaseback transaction from gain on sale of equipment to establishment of liability	$0	$250,000	
Examination change in loss and loss adjustment expense reserves	0	278,000	
Net decrease in surplus			(528,000)
Surplus at December 31, 2018, per Report on Examination			$325,188

This examination has determined that as of December 31, 2018, the Company's minimum required to be maintained surplus of $468,593 was impaired in the amount of $143,405. This impairment was corrected, as noted in the Subsequent Events section of this report.

E. Analysis of Changes to Income

	Income Increase	Income Decrease	
Net income for the examination period, as reported by the Company			$(1,017,357)
Examination reclassification of sale-leaseback transaction from gain on sale of equipment to establishment of liability	$0	$250,000	
Examination change in loss and loss reserves adjustment expense reserves	0	278,000	
Net increase (decrease) in income			(528,000)
Net income (loss) for the examination period, after examination adjustments			$(1,545,357)

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $1,096,533 is $278,000 more than the $818,533 reported by the Company in its December 31, 2018 filed annual statement. 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 SSAP No. 55.

Based on our review, the Department considers the Company's carried reserves as of December 31, 2018 to be materially deficient. It is noted that the largest components of the examination adjustments were in the commercial multiple peril, homeowners/farmowners, and adjusting and other expense reserves.

Section 1303 of the New York Insurance Law states, in part:

> "Every insurer shall . . . maintain reserves in an amount estimated in the aggregate to provide for the payment of all losses or claims incurred on or prior to the date of statement, whether reported or unreported, which are unpaid as of such date and for which such insurer may be liable, and also reserves in an amount estimated to provide for the expenses of adjustment or settlement of such losses or claims."

Further, Paragraph 10 of SSAP No. 55 states, in part:

> "The liability for claim reserves and claim liabilities, unpaid losses, and loss/claim adjustment expenses shall be based upon the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that would modify past experience . . ."

It is recommended that the Company address the reserving inadequacies and increase its carried reserves to an appropriate level, pursuant to the provisions of Section 1303 of the New York Insurance Law and SSAP No. 55.

5. BORROWED MONEY

The Company did not report a liability under this caption as of the examination date. This examination has established the captioned liability in the amount of $250,000.

In December 2018, the Company entered into an agreement, captioned as a master equipment lease agreement, with an unaffiliated third party ("Creditor"). The Company accounted for this as a sale-leaseback transaction. Specifically, recognizing that it received cash proceeds of $250,000 as a result of the sale-leaseback transaction, the Company reported a $250,000 gain on sale of equipment in the income statement at December 31, 2018. Additionally, the Company disclosed in Note 15 of the 2018 Annual Statement that it provided collateral totaling $262,500 to the Creditor.

Per the terms of the agreement, the Company, as lessee, agreed to lease from Creditor, as lessor, specified equipment located at the Company's home office. All rights, title and interest in the equipment was retained by the lessee. As a credit condition to the lease, the Company was required to pledge cash and/or cash equivalents (also referred to as collateral in the agreement) totaling $262,500. As noted above, the Company received cash proceeds of $250,000 from this transaction and reported a $250,000 gain on sale of equipment in its 2018 income statement.

Paragraph 4 of SSAP No. 22 - Leases states, in part:

> "Determining whether an arrangement contains a lease . . . should be based on the substance of the arrangement . . ."

Due to the aforementioned credit condition, wherein the Company provided $262,500 cash collateral to the Creditor, as well as the fact that the rights, title and interest in the equipment remained with the Company, the substance of the arrangement does not appear to describe a sale-leaseback transaction. It appears that the only purpose of this arrangement was to enhance the Company's surplus position. The examiner notes the following:

1) The equipment did not have sufficient value to secure the sale proceeds of $250,000 provided by the Creditor. The insufficient value necessitated the requirement for the Company to securitize the arrangement by providing cash/cash equivalent collateral of $262,500.
2) The cash collateral was disclosed in the 2018 Notes to the Annual Statement.
3) The proceeds of $250,000 provided by the Creditor was recognized as a gain in the Company's 2018 income statement; therefore, surplus increased by $250,000.

Paragraph 44 of SSAP No. 22 indicates that when the lessee provides collateral (other than the property directly involved), the collateral transaction precludes the sale-leaseback transaction from sale-leaseback accounting. Paragraph 44 further states, in part:

> "Depending on the nature and duration of the continuing involvement with the property, those provisions may require a sale-leaseback transaction to be accounted for as a financing . . . . The seller-lessee reports the sales proceeds financing as a liability. . . "

Based on the terms of the agreement, most specifically the credit condition of the Company providing $262,500 cash collateral to the Creditor, the Company is precluded from sale-leaseback accounting. As such, in accordance with paragraph 44 of SSAP No. 22, the Department has declined to recognize the accounting treatment of the $250,000 gain on sale of equipment and has instead recognized a "Borrowed Money" liability of $250,000.

As an alternative to establishing a liability, an acceptable alternate accounting practice can be to non-admit the assets that were used as collateral.

Section 1301(a) of the New York Insurance Law states, in part:

> "In determining the financial condition of a domestic or foreign insurer . . . there may be allowed as admitted assets . . . only the following assets owned by such insurer (1) cash, including legal tender or the equivalent in any office of such insurer or in transit under its control and the true balance of any deposit in a solvent bank . . . (17) other assets . . . available for the payment of losses and claims . . ."

The $262,500 cash collateral that the Company provided to the Creditor in order to effectuate the transaction does not meet the definition of an admitted asset pursuant to Section 1301 of the New York Insurance Law. It is not available for the payment of losses and claims. As such, for the purposes of this report, the Department has determined that establishing a liability represents the best accounting methodology that reflects the economic aspects of the transaction. It is recommended that the Company amend its accounting treatment for the transaction by eliminating the $250,000 enhancement to surplus.

As noted in section 6 of this report, the Company reported in its filed quarterly statement as of September 30, 2021 that the lease has been paid in full; accordingly, no further adjustments are necessary.

6. SUBSEQUENT EVENTS

- In 2021, the Company sold its home office building. The impairment that was created by the examination change noted in sections 3D and 3E of this report was subsequently eliminated by the capital gain recognized on the sale of the Company's home office building.
- The Company has entered into a new Multi-line Per Risk Excess of Loss Reinsurance Agreement. The Company projects to recognize a significant saving in this agreement from the prior year due to favorable loss experience over the past three years which resulted in a 9.09% reduction in the reinsurance rate from 2021 to 2022.
- The Company does not agree with the $278,000 reserve change noted in section 4 of this report. Cumulatively, the Company has subsequently recognized a $110,000 reserve deficiency on 2018 and prior accident years as reflected through its filed quarterly statement as of September 30, 2021. The Company does not agree that there will be an additional $168,000 reserve development.
- In its filed quarterly statement as of September 30, 2021, the Company reported that its lease transaction has been paid in full.
- On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus ("COVID-19") pandemic. The risks and uncertainties surrounding the COVID-19 pandemic may impact the Company's, and its competitors', operational and financial performance. The extent of the impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets. All of these developments are uncertain and cannot be predicted. The related financial impact cannot be reasonably estimated at this time.

7. CONCLUSION

This examination has determined that as of December 31, 2018, the Company's minimum required to be maintained surplus of $468,593 was impaired in the amount of $143,405. It is recommended that the Company cure its impairment.

This impairment was corrected, as noted in the Subsequent Events section of this report.

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Impairment	
	This examination has determined that as of December 31, 2018, the Company's minimum required to be maintained surplus of $468,593 was impaired in the amount of $143,405. It is recommended that the Company cure its impairment.	1, 12, 15, 19
	This impairment was corrected, as noted in the Subsequent Events section of this report.	
B.	Loss and Loss Adjustment Expenses	
	It is recommended that the Company address the reserving inadequacies and increase its carried reserves to an appropriate level, pursuant to the provisions of Section 1303 of the New York Insurance Law and SSAP No. 55.	16
C.	Borrowed Money	
	It is recommended that the Company amend its accounting treatment for the transaction by eliminating the $250,000 enhancement to surplus.	18
	The Company reported in its filed quarterly statement as of September 30, 2021, that the lease transaction has been paid in full; accordingly, no further adjustments are necessary.	

Respectfully submitted,

______________/S/_________________
Lee Prowell
Senior Insurance Examiner

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

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

___________/S/____________
Lee Prowell

Subscribed and sworn to before me

this__________ day of ___________________, 2022.

APPOINTMENT NO. 31961

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:*

Lee Prowell

as a proper person to examine the affairs of the

Fulmont Mutual 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 3rd day of July, 2019

LINDA A. LACEWELL
Superintendent of Financial Services

By:

Joan Riddell
Deputy Bureau Chief