

REPORT ON EXAMINATION

OF THE

CHERRY VALLEY COOPERATIVE INSURANCE COMPANY

AS OF

DECEMBER 31, 2008

DATE OF REPORT

MARCH 31, 2010

EXAMINER

WAYNE LONGMORE

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

March 31, 2010

Honorable James J. Wrynn
Superintendent of Insurance
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 30367 dated August 3, 2009 attached hereto, I have made an examination into the condition and affairs of Cherry Valley Cooperative Insurance Company as of December 31, 2008, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Cherry Valley Cooperative 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 office located at 8800 Sheridan Drive, Williamsville, New York 14221.

1. SCOPE OF EXAMINATION

The Department has performed a single-state examination of Cherry Valley Cooperative Insurance Company. The previous examination was conducted as of December 31, 2003. This examination covered the five-year period from January 1, 2004 through December 31, 2008. 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 Financial Condition Examiners Handbook of the NAIC:

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

This examination report also includes a summary of significant findings regarding market conduct activities.

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 April 17, 1880, for the purpose of transacting business as an assessment cooperative fire insurance company in the Towns of Cherry Valley, Roseboom, and Westfield in Otsego County of New York State. In 1915, this Department permitted the Company to extend its territory to include Montgomery, Otsego and Schoharie Counties of this State.

By means of a charter amendment dated May 3, 1983, the Company changed its name to the Cherry Valley Cooperative Insurance Company and increased its territory to include all the counties of this state, excluding the counties of New York, Kings, Queens, Bronx and Richmond.

This charter amendment also authorized the Company to write those kinds of insurance specified in subsections (a), (b) and (c) of Section 6605 of the New York Insurance Law.

On April 1, 1985, the Company converted to an advance premium corporation. At the time of conversion, the Company became qualified to write non-assessable policies, extended its territorial limits to include the entire State of New York and, wherever authorized by law, any other state and the District of Columbia.

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 or more than fifteen members.

Two board and two executive committee meetings were held during each of the years under examination, thereby complying with Section 6624(b) of the New York Insurance Law. At December 31, 2008, the board of directors was comprised of the following nine members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Gordon Paul Assad East Aurora, NY	Chairman of the Board and President/Chief Executive Officer, Cherry Valley Cooperative Insurance Company Director and President/Chief Executive Officer, Erie and Niagara Insurance Association Director and President/Chief Executive Officer, E&N Financial Services, Inc.
Donald Raymond Crosby Williamsville, NY	Vice President, The Notable Corporation
James Walter Fulmer LeRoy, NY	Vice Chairman, Tompkins Financial Corporation Director, Erie and Niagara Insurance Association
Robert Harmon Lowe Geneseo, NY	Vice President/Secretary, Cherry Valley Cooperative Insurance Company Director and Vice President/Secretary, Erie and Niagara Insurance Association Director and Vice President/Secretary, E&N Financial Services, Inc.
John Alan Noble Pavilion, NY	President, Noblehurst Farms Chairman of the Board, Erie and Niagara Insurance Association
Linwood Dean Poelma East Amherst, NY	Vice President, M&T Bank Director, Erie and Niagara Insurance Association
Philip Stanley Sandler Williamsville, NY	Financial Planner, DBA Philip Stanley Sandler
Robert Louis Scramlin Cherry Valley, NY	Retired
Everett Gordon Yerdon Roseboom, NY	Mechanic, Otsego County Highway Department

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 has an acceptable record of attendance.

As of December 31, 2008, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Gordon Paul Assad	Chairman of the Board, President/Chief Executive Officer
Robert Harmon Lowe	Vice President/Secretary
Norman John Orłowski, Jr.	Vice President/Treasurer

Conflict of Interest Statements

The Company has in place a procedure to have its board of directors and officers complete conflict of interest questionnaires annually. Based upon the review of signed conflict of interest statements for the period under examination: 2004 through 2008, it was noted that certain conflicts were not being disclosed.

It is recommended that the Company exercise due care in obtaining, verifying for accuracy and completeness, and maintaining signed conflict of interest questionnaires from its board of directors, officers and key employees.

B. Territory and Plan of Operation

As of December 31, 2008, the Company was licensed to write business in New York State 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

<u>Paragraph</u>	<u>Line of Business</u>
14	Property damage liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland marine only)

The Company was also licensed as of December 31, 2008, 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 \$378,810.

At December 31, 2008, the Company wrote insurance through one primary independent agent and through E&N Financial Services, Inc. the wholly owned subsidiary of Erie and Niagara Insurance Association (“Erie and Niagara”), an affiliate company.

The Company’s predominant lines of business are homeowners multiple peril, commercial multiple peril and other liability, which accounted for 13.86%, 20.46% and 65.38%, respectively, of the Company’s 2008 direct written business.

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

<u>Calendar Year</u>	<u>Total Premiums</u>
2004	\$226,819
2005	\$228,534
2006	\$281,851
2007	\$273,006
2008	\$264,019

C. Reinsurance

Assumed

The Company assumed business during the examination period from its affiliate, the Erie and Niagara Insurance Association. As of December 31, 2008, the property per risk excess of loss contract provided for the assumption, on the part of the Company from Erie and Niagara, of \$25,000 in excess of \$275,000 each risk, each loss. The business assumed from Erie and Niagara during 2008 amounted to \$206,350, or 43.87% of the Company's 2008 gross premiums written.

Ceded

The Company ceded to authorized reinsurers only during the period under examination.

Since the date of the prior examination, December 31, 2003, the Company's net retention decreased from \$40,000 to \$15,000 on property business and on casualty business the Company's net retention decreased from \$25,000 to \$15,000.

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 New York Insurance Law.

The Company had the following reinsurance in effect at December 31, 2008:

<u>Type of Contract</u>	<u>Cession</u>
Property 3 layers	\$1,985,000 in excess of \$15,000 each risk, each loss. The first, second and third layers have a maximum reinsurer liability limit for all risks involved in one occurrence as follows: First – \$855,000 Second--\$600,000 and Third--\$4,500,000.
Casualty 3 layers	\$985,000 in excess of \$15,000 each occurrence. The first, second and third layers of the property and casualty coverage noted above are subject to an NBCR Terrorist Activity Aggregate Limit for all loss, cost or expense caused directly or indirectly by NBCR Terrorist Activity as follows: First property and casualty – \$855,000, Second property and casualty -\$600,000 and Third property and casualty - \$4,500,000 ultimate net loss in the aggregate for all occurrences each agreement year.

<u>Type of Contract</u>	<u>Cession</u>
Combined Property and Casualty Occurrence	In the event the property and casualty business covered under the first property layer and the first casualty layer noted above are both involved in the same loss, the Company retains only the first \$15,000 of the combined ultimate net loss in respect of both classes, provided that respects property business, only one risk may be combined in the same occurrence. Such loss and the Company's retention thereon shall be apportioned to each class in the same proportion that the Company's ultimate net loss for each class bears to the Company's combined ultimate net loss from both classes. The reinsurer shall reimburse the Company for the difference between the Company's first \$15,000 of ultimate net loss under each class and the Company's pro rated retention on each class. For the second property and casualty layers the amount increases to \$300,000.
Casualty Clash	\$1,500,000 in excess of \$1,000,000 each occurrence. The reinsurer's liability for ultimate net loss from casualty business is further limited to the following NBCR Terrorist Activity Annual Aggregate Limit for all loss, cost or expense caused directly or indirectly by NBCR Terrorist Activity: \$1,500,000 ultimate net loss in the aggregate for all occurrences each agreement year.

As of December 31, 2008, the Company also maintained catastrophe excess of loss coverage on a per occurrence basis:

<u>Type of Contract</u>	<u>Cession</u>
Property	\$200,000 in excess of \$100,000.

At December 31, 2008, the Company had a personal and farm umbrella liability quota share agreement providing coverage of 97.5% of the first \$2,000,000 of the Company's net loss resulting from each occurrence or offense.

Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its 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, Statements of Statutory

Accounting Principles (“SSAP”) No. 62. Representations were supported by 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 paragraph 26 and 27 of SSAP No. 62 as of December 31, 2008.

D. Holding Company System

As of December 31, 2008, the Company was affiliated with the Erie and Niagara Insurance Association, of Williamsville, New York by virtue of common officers, directors and management.

The two insurers entered into a service agreement, effective July 2, 1990, whereby Erie and Niagara provides specified services to the Company. The agreement further provides that expenses incurred and paid for by Erie and Niagara in the course of providing services under this agreement are to be allocated between the two companies in a manner consistent with the Department’s Regulation 30. This Department issued a letter of non-objection relative to the implementation of the agreement on August 23, 1990.

During the course of the current examination the Company entered into a new service agreement with Erie and Niagara as of January 1, 2010, that contained only minor changes from the previous agreement. The new service agreement was non-objected to by the Department in a letter dated January 27, 2010.

The Company assumed business during the examination period from its affiliate, Erie and Niagara Insurance Association. See section 2(C) Reinsurance of this report for additional information.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2008, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	25%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	17%
Premiums in course of collection to surplus as regards policyholders	0%

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	\$ 924,257	72.15%
Other underwriting expenses incurred	536,643	41.89
Net underwriting loss	<u>(179,843)</u>	<u>(14.04)</u>
Premiums earned	<u>\$1,281,057</u>	<u>100.00%</u>

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2008 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	\$ 320,443	\$ 0	\$ 320,443
Cash, cash equivalents and short-term investments	899,895	0	899,895
Investment income due and accrued	8,841	0	8,841
Uncollected premiums and agents' balances in the course of collection	1,838	0	1,838
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,514	0	1,514
Amounts recoverable from reinsurers	2,425	0	2,425
Aggregate write-ins for other than invested assets	<u>1,846</u>	<u>0</u>	<u>1,846</u>
Total assets	<u>\$1,236,802</u>	<u>\$ 0</u>	<u>\$1,236,802</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 120,895
Commissions payable, contingent commissions and other similar charges	5,256
Other expenses (excluding taxes, licenses and fees)	969
Unearned premiums	48,155
Advance premium	12,597
Ceded reinsurance premiums payable (net of ceding commissions)	4,161
Amounts withheld or retained by company for account of others	(70)
Payable to parent, subsidiaries and affiliates	<u>14,330</u>
 Total liabilities	 \$ 206,293

Surplus and Other Funds

Aggregate write-ins for special surplus funds	\$378,810
Unassigned funds (surplus)	<u>651,699</u>
 Surplus as regards policyholders	 <u>1,030,509</u>
 Totals liabilities, surplus and other funds	 <u>\$1,236,802</u>

NOTE: The Internal Revenue Service did not audit the Company's federal income tax returns for the years under examination. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased \$216,750 during the five-year examination period January 1, 2004 through December 31, 2008, detailed as follows:

Underwriting Income

Premiums earned		\$1,281,057
Deductions:		
Losses and loss adjustment expenses incurred	\$924,257	
Other underwriting expenses incurred	<u>536,643</u>	
Total underwriting deductions		<u>1,460,900</u>
Net underwriting loss		\$ (179,843)

Investment Income

Net investment income earned	\$101,901	
Net realized capital gains	<u>0</u>	
Net investment gain		101,901

Other Income

Net loss from agents' or premium balances charged off	\$ (1,431)	
Finance and service charges not included in premiums	12,242	
Aggregate write-ins for miscellaneous income	<u>1</u>	
Total other income		<u>10,812</u>
Net loss before federal income taxes		\$ (67,130)
Federal income taxes incurred		<u>0</u>
Net loss		\$ <u>(67,130)</u>

Surplus as regards policyholders per report on examination as of December 31, 2003			\$1,247,259
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net loss	\$ 0	\$ 67,130	
Change in nonadmitted assets	380		
Change in surplus notes	<u>0</u>	<u>150,000</u>	
Total gains or losses in surplus	<u>\$380</u>	<u>\$217,130</u>	
Net decrease in surplus			<u>(216,750)</u>
Surplus as regards policyholders per report on examination as of December 31, 2008			<u>\$1,030,509</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$120,895 is the same as reported by the Company as of December 31, 2008. 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. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants.

The review was general in nature and is not to be construed to encompass the generally more precise scope of a market conduct investigation.

The general review was directed at practices of the Company in the following areas:

- 1) Sales and advertising
- 2) Underwriting
- 3) Rating
- 4) Treatment of policyholders and claimants

Except as noted below, no unfair practices were encountered.

Section 3425 - Personal lines "Non-Renewals"

The previous report on examination (December 31, 2003) includes the following recommendation:

"It is recommended that the Company comply with the requirements of Section 3425(e) of the New York Insurance Law and not non-renew personal lines policies midterm for other than the statutory reasons put forth in Section 3425(c)(2) of the New York Insurance Law. It is noted that a similar recommendation regarding compliance with Section 3425(e) of the New York Insurance Law was included in the prior report."

The current examination review of "non-renewed" personal lines business revealed that the Company terminated some personal lines policies prior to the end of the required three-year policy period specified by Section 3425(a)(7) of the New York Insurance Law for other than the statutory reasons set forth in Section 3425(c)(2) of the New York Insurance Law, which is in violation of Section 3425(e) of the New York Insurance Law.

It is recommended that the Company comply with the requirements of Section 3425(e) of the New York Insurance Law and not non-renew personal lines policies midterm for other than the statutory reasons set forth in Section 3425(c)(2) of the New York Insurance Law.

Automatic Inflation Protection ("AIP")

Cherry Valley Cooperative Insurance Company has been providing policyholders with automatic inflation protection for various personal lines of business for the past ten plus years. Management was unable to provide an exact date of when they started this practice. The value of the covered property was automatically increased each year by a certain percentage. No policy form was included as part of the policy indicating that the annual automatic adjustment would be taking place. Thus, the increase in coverage was not arising from the terms of the policy itself. Therefore, the Company was changing the value assigned to the property insured during the required three-year policy period on the affected personal lines policies and no evidence was provided that it was being done with the consent of the insured. The Company failed to conditionally renew the various policies at the renewal date and inform the insureds of the coverage changes associated with the inclusion

of this automatic inflation protection (“AIP”) coverage. The premiums on the policies in question could fluctuate because of the increase in the value of the property coverage. During the course of the examination, the Company brought this issue to the attention of the Department.

Section 3425(d)(1) of the New York Insurance Law states, in part, that:

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

Department Regulation 129 states that:

“No rate filing, whether made by an insurer or by a rate service organization, and whether or not prior approval is required, shall remain effective for use (or deviation) by insurers more than three years after the effective date of the particular insurer's or rate service organization's rate filing. Every insurer and rate service organization shall update each of its rate filings, or file a statement with the department that its analysis indicates that no updating is appropriate, at least once every three (3) years.”

Section 2314 of the New York Insurance Law states that:

“No authorized insurer shall, and no licensed insurance agent, no employee or other representative of an authorized insurer, and no licensed insurance broker shall knowingly, charge or demand a rate or receive a premium which departs from the rates, rating plans, classifications, schedules, rules and standards in effect on behalf of the insurer, or shall issue or make any policy or contract involving a violation thereof.”

Department Regulation 57 states, in part, that:

“Insurers shall establish adequate procedures to minimize the occurrence of improperly charged rates and shall in fact pursue such procedures...”

It was noted that, despite having procedures in place, they were not sufficient to detect the Company's charging of rates that deviated from those filed.

Since the increase in coverage was not arising from the terms of the policy itself, nor addressed in rates filed with the Department and the Company failed to conditionally renew the various policies at the renewal date and inform the insureds of the coverage changes associated with the AIP coverage, the following recommendations are being made:

It is recommended that the Company comply with the requirements of Section 3425(d)(1) of the New York Insurance Law, henceforth.

It is recommended that the Company comply fully with the review requirements of Department Regulation 129 Part 161.7(c) and thoroughly review the rates being charged for consistency with the rates in effect and make any necessary three (3) year update filings as opposed to just filing a statement that no updating is appropriate.

It is recommended that the Company comply with Section 2314 of the New York Insurance Law by charging rates that do not depart from the rates, rating plans, classifications, schedules, rules and standards it has in effect. This is a repeat recommendation since the Company was constructively charging insureds for increased coverage caused by the automatic inflation protection that deviated from the rates that were filed with the Department.

It is recommended that the Company comply with Department Regulation 57 Part 160.2(g) and implement additional periodic testing procedures to further minimize the occurrence of improperly charged rates as opposed to mainly testing at the inception of rate changes.

Per the Company, in December 2009 the programming logic related to the AIP increase was removed from the Company's computer rating program.

The Company indicated that in April 2010, it received approval from the Department for two AIP endorsement forms to be used on an optional basis. The insured, via the agent, can request that the appropriate endorsement form be added to their policy.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
It was recommended that the Company adhere to all the provisions of its by-laws, henceforth.	5
The Company has complied with this recommendation.	
B. <u>Reinsurance</u>	
It was recommended that the Company accurately complete the Schedule F's filed with this Department.	7
The Company has complied with this recommendation.	
C. <u>Accounts and Records</u>	
i. It was recommended that the Company comply with the requirements of Section 1411(a) of the New York Insurance Law by having all of its investments authorized or approved as indicated in such section.	11
The Company has complied with this recommendation.	
ii. It was recommended that the Company ensure that its contracts with its CPA firm covering all future audit years meet the requirements of Department Regulation 118.	11
The Company has complied with this recommendation.	
D. <u>Losses</u>	
It was recommended that the Company complete future Schedule P's filed with this Department in accordance with the annual statement instructions regarding claim counts.	17
The Company has complied with this recommendation.	
E. <u>Market Conduct Activities</u>	
i. It was recommended that the Company comply with the requirements of Section 3425(e) of the New York Insurance Law and not non-renew	18

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personal lines policies midterm for other than the statutory reasons put forth in Section 3425(c)(2) of the New York Insurance Law. It is noted that a similar recommendation regarding compliance with Section 3425(e) of the New York Insurance Law was included in the prior report.

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

- ii. It was recommended that the Company comply with Section 2314 of the New York Insurance Law by charging rates that do not depart from the rates, rating plans, classifications, schedules, rules and standards it has in effect. 19

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

- iii. It was recommended that the Company comply with the requirements of Department Regulation 64 Part 216.11 regarding the dating of all communications and transactions. 19

The Company has complied with this recommendation.

7. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

ITEMPAGE NO.

A. Management

It is recommended that the Company exercise due care in obtaining, verifying for accuracy and completeness, and maintaining signed conflict of interest questionnaires from its board of directors, officers and key employees. 5

B. Market Conduct Activities

- i. It is recommended that the Company comply with the requirements of Section 3425(e) of the New York Insurance Law and not non-renew personal lines policies midterm for other than the statutory reasons put forth in Section 3425(c)(2) of the New York Insurance Law. It is noted that a similar recommendation regarding compliance with Section 3425(e) of the New York Insurance Law was included in the two prior reports. 15

<u>ITEM</u>		<u>PAGE NO.</u>
ii.	It is recommended that the Company comply with the requirements of Section 3425(d)(1) of the New York Insurance Law, henceforth.	17
iii.	It is recommended that the Company comply fully with the review requirements of Department Regulation 129 Part 161.7(c) and thoroughly review the rates being charged for consistency with the rates in effect and make any necessary three (3) year update filings as opposed to just filing a statement that no updating is appropriate.	17
iv.	It is recommended that the Company comply with Section 2314 of the New York Insurance Law by charging rates that do not depart from the rates, rating plans, classifications, schedules, rules and standards it has in effect. It is noted that this is a repeat recommendation.	17
v.	It is recommended that the Company comply with Department Regulation 57 Part 160.2(g) and implement additional periodic testing procedures to further minimize the occurrence of improperly charged rates as opposed to mainly testing at the inception of rate changes.	17

Respectfully submitted,

_____/s/
Wayne Longmore
Senior Insurance Examiner

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

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

_____/S/
Wayne Longmore

Subscribed and sworn to before me
this _____ day of _____, 2011.

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, Kermitt J. Brooks Acting Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

Wayne Longmore

as proper person to examine into the affairs of the

Cherry Valley Cooperative Insurance Company

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

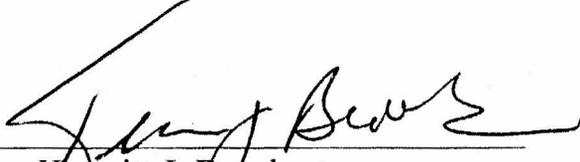
Company

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 3rd day of August 2009





Kermitt J. Brooks
Acting Superintendent of Insurance