

REPORT ON EXAMINATION

OF THE

CENTRAL CO-OPERATIVE INSURANCE COMPANY

AS OF

DECEMBER 31, 2008

DATE OF REPORT

JANUARY 15, 2010

EXAMINER

FRANK P. SCHIRALDI

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

January 15, 2010

Honorable James J. Wynn
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 30372 dated August 14, 2009 attached hereto, I have made an examination into the condition and affairs of the Central Co-operative 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 Central Co-operative 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 6 Southgate Road, Baldwinsville, New York 13027.

1. SCOPE OF EXAMINATION

The Department has performed a single-state examination of Central Co-operative 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
- Pensions and insurance plans
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records
- Statutory deposits
- 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 in 1883 for the purpose of transacting business as a cooperative fire insurance corporation in Onondaga County, New York. On August 11, 1970, this Department issued a certificate approving a change in the name of the Company to Onondaga Co-operative Insurance Company.

Under Agreement of Merger approved by this Department, effective January 1, 1990, the Company merged with Cortland Co-operative Insurance Company. The surviving corporation, Onondaga Co-operative Insurance Company, at the same time converted from an assessment co-operative fire insurance company to an advance premium cooperative insurance company with a change of name to the Central Co-operative Insurance Company.

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-two members. As of the examination date the board of directors was comprised of eleven members, divided into three groups as evenly as possible, with one group being elected at each annual policyholders' meeting for a term of three years.

Each person insured by the Company is entitled to one vote in person at each of its annual meetings and no one may vote by proxy. The annual meeting of the board of directors is held immediately after the annual meeting of the Company. The board met four times during each calendar year. At December 31, 2008, the board of directors was comprised of the following eleven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Warren W. Abbott Baldwinsville, New York	Owner, Retail Store
David W. Fraser Ionia, New York	President, Central Co-operative Insurance Company
Gary B. Gardner Syracuse, New York	Cattle Consultant
Charles J. Hinman Pulaski, New York	President and Chief Executive Officer, Oswego County Mutual Insurance Company
Lee R. Hudson Camillus, New York	Farmer
Ronald G. Masters Preble, New York	Farmer, Vice Chairman of the Board, Central Co-operative Insurance Company
Inghram R. Plumpton Jamesville, New York	Farmer
Hugh R. Riehlman Homer, New York	Agricultural Consultant
John E. Seymour Marietta, New York	Chairman of the Board, Central Co-operative Insurance Company
Roy E. Smith Lafayette, New York	Farmer
Stuart E. Young Cortland, New York	Farmer

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>
David W. Fraser	President
Norman W. Garrett, Jr.	Vice President and Secretary
Earl S. Crego	Treasurer
John E. Seymour	Chairman of the Board
Ronald G. Masters	Vice Chairman of the Board

B. Territory and Plan of Operation

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

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

<u>Paragraph</u>	<u>Line of Business</u>
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
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 marine only)

The Company is also authorized to accept and cede reinsurance as provided in Section 6606 of the New York Insurance Law.

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

<u>Calendar Year</u>	<u>Direct Premium Written (000's)</u>
2004	\$4,914
2005	\$5,240
2006	\$5,357
2007	\$5,436
2008	\$5,320

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 \$575,868.

The Company underwrites predominantly the homeowners multiple peril and the farmowners multiple peril lines of business, which accounted for 33% and 26%, respectively, of the 2008 direct premium writings.

The Company obtains business through approximately 95 independent producers.

C. Reinsurance

During the current period under examination, the Company did not assume any reinsurance.

As of December 31, 2008, the Company had the following multi-line excess of loss reinsurance program in place:

<u>Type of treaty</u>	<u>Cession</u>
Property 4 layers	\$1,400,000 in excess of \$100,000 ultimate net loss, each loss, each risk, and subject to a limit of liability to the Reinsurer for each layer, respectively of \$300,000, \$900,000, \$1,000,000 and \$750,000 in respect of each loss occurrence.
Casualty 3 layers	\$900,000 in excess of \$100,000 ultimate net loss, each loss occurrence, subject to a limit of liability to the Reinsurer for each layer, respectively of \$100,000, \$300,000 and \$500,000.
Casualty clash	\$1,000,000 in excess of \$1,000,000 ultimate net loss, each loss occurrence, subject to a limit of liability to the reinsurer of \$1,000,000.
Property Casualty Combined	If a loss occurrence involves at least one property and one casualty policy, \$100,000 in excess of \$100,000 ultimate net loss each loss occurrence. Recoveries under the Property and Casualty coverages above shall reduce the ultimate net loss subject to the combined coverage.
Aggregate excess of loss	100% of the ultimate net loss over and above an initial ultimate net loss equal to 62.5% of the Company's Net Earned Premium Income for the term of the contract, subject to a limit of liability to the reinsurer of \$1,000,000.

As of December 31, 2008, the Company had the following property facultative reinsurance program in place:

<u>Treaty</u>	<u>Cessions</u>
Property Facultative	Cessions limited to six (6) times the Company's net retention plus the amount ceded to the Company's working reinsurance contracts, subject to a minimum net retention of \$125,000 and to a maximum cession hereunder of \$1,000,000 on any one risk covered hereunder.

However, if the property facultative cession is greater than \$250,000, the maximum cession as respects any one animal shall not exceed \$250,000.

As of December 31, 2008, the Company had the following property catastrophe reinsurance program in place:

<u>Treaty</u>	<u>Cession</u>
First catastrophe, first layer	95% of \$800,000 in excess of \$200,000 each loss occurrence, subject to limit of liability to reinsurer of \$760,000. No claim shall be made unless the loss occurrence involves three or more risks.
Other catastrophe(s), first layer	In the event that the Company experiences an ultimate net loss of at least \$200,000 for any one loss occurrence during the contract, the reinsurer shall be liable in respect of any other loss occurrence during the term of this contract for 95% of \$900,000 in excess of \$100,000 each loss occurrence subject to limit of liability to the reinsurer of \$855,000, and further subject to an aggregate limit of liability from all loss occurrences to the reinsurer of \$1,625,000. No claim shall be made unless the loss occurrence involves three or more risks.
Second Layer	95% of \$1,000,000 in excess of \$1,000,000 each loss occurrence, subject to limit of liability to the reinsurer of \$950,000 each loss occurrence. No claim shall be made unless the loss occurrence involves three or more risks.
Third Layer	95% of \$1,500,000 in excess of \$2,000,000 each loss occurrence, subject to a limit of liability to the reinsurer of \$1,425,000 each loss occurrence. No claim shall be made unless the loss occurrence involves three or more risks.

As of December 31, 2008, the Company ceded 100% of its boiler and machinery net liability.

All of the Company's cessions in 2008 were to authorized or accredited reinsurers. It is noted that the Company's retention has increased from \$40,000 to \$100,000 on both its property and casualty lines of business during the examination period.

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 Schedule F - Part 3 reported by the Company in its filed annual statement at December 31, 2008 was found to be inaccurate. In particular, the Company did not report known case loss adjustment expense reserves recoverable from certain reinsurers. In addition, loss reserve amounts recoverable from White Mountain Reinsurance Company and Hartford Fire Insurance Company, were incorrectly reported as due from Folksamerica and Hartford Reinsurance Company. It is noted that the total reported amounts of reinsurance recoverable in 2008 was correct.

In addition, in its filed annual statements of 2004 and 2006, premium ceded to certain reinsurers was not reported correctly; certain reinsurers were left off the schedule and the amounts ceded to them were combined with totals for other reinsurers. It is noted that the total reported amounts of premium ceded in these years was correct.

Thus, it is recommended that the Company comply with the NAIC Annual Statement Instructions by completing Schedule F - Part 3 correctly by reinsurer in all future filings with this Department.

Management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in Statement of Statutory Accounting Principles (“SSAP”) No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC Annual Statement Instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in paragraphs 18 through 27 of SSAP No. 62.

D. Holding Company System

The Company was not a member of any holding company system as of December 31, 2008.

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	1.01:1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	51%
Premiums in course of collection to surplus as regards policyholders	1%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

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

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$ 9,272,717	52.33%
Other underwriting expenses incurred	6,979,095	39.38%
Net underwriting gain	<u>1,469,408</u>	<u>8.29%</u>
Premiums earned	<u>\$17,721,220</u>	<u>100.00%</u>

F. Accounts and Records

i. Approval of Investments

The review of minutes of committee meetings revealed that there were many instances in which neither the board of directors nor any committee thereof approved investment transactions as required by Section 1411(a) of the New York Insurance Law which states, in part:

“No domestic insurer shall make any loan or investment, except as provided in subsection (h) hereof, unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan...”

It is recommended that the Company comply with Section 1411(a) of the New York Insurance Law by having its board of directors or a committee thereof responsible for supervising or making such investments, approve all investment transactions henceforth.

ii. Signing of Checks - Section 6611(a)(4)(C)

Section 6611(a)(4)(C) of the New York Insurance Law states, “All checks issued shall be signed either by two officers or by one officer upon the written order of another officer, except as otherwise provided by resolution of the corporation’s board of directors or in its by-laws for handling of miscellaneous expenses.” The examination review of compliance with Section 6611(a)(4)(C) of the New York Insurance Law revealed that only one officer signed all claim checks while this section of the law requires that all checks be signed by two officers or by one officer upon the written order of another officer.

It is recommended that the Company comply with Section 6611(a)(4)(C) of the New York Insurance Law by either having two officers sign all checks, or having one officer sign checks upon the written order of another officer, except as otherwise provided by resolution of the Company’s board of directors or in its by-laws for handling of miscellaneous expenses.

iii. Allocation of expenses

The examination review of allocation of expenses revealed that the Company did not comply with Part 107.4 of Department Regulation 30. In particular, the Company used an allocation method based on salary allocation from previous years instead of the current year allocation, which was available. Also, the Company did not include some employees in the time study and the basis for the allocation of the salaries for these employees was made using estimates made by management that were not supported by any documentation.

It is recommended that the Company comply with Part 107.4 of Department Regulation No. 30 by using the method to allocate expenses to expense groups that yields the most accurate result. It is noted that a similar recommendation was included in the prior report on examination. It is further recommended that the Company maintain documentation for the method used.

iv. Non-admitted Premium Due

The review of non-admitted premium due reported at December 31, 2008, revealed that the Company was not in compliance with SSAP No. 6, paragraph 9. a. In particular, the Company failed to non-admit future installment amounts, to the extent that there was no related unearned premium, that were recorded on policies for which one installment had been due more than ninety days.

It is recommended that the Company comply with SSAP No. 6, paragraph 9. a. by non-admitting all future premium amounts due, to the extent that there is no related unearned premium, that were recorded on policies for which one installment was more than ninety days past due.

v. Earned but Unbilled Premium

The review of premium earned but unbilled (EBUB) during the examination period revealed that the Company was not in compliance with SSAP No. 53, paragraphs 9 through 12. In particular, the Company did not accrue any EBUB as required. In addition, the Company did not record any related liabilities, nor did it non-admit the 10% of EBUB as required.

It is recommended that the Company comply with SSAP No. 53, paragraphs 9 through 12 by recording an estimated amount of EBUB for those policies which are audited upon completion of the policy period. It is also recommended that the Company establish all requisite liabilities associated with this asset, and that the Company non-admit 10% of the EBUB in excess of any collateral held for each of these policies.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2008. This statement is the same as the balance sheet filed by the Company. Due to rounding the columns may not total.

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$6,458,028	\$ 0	\$6,458,028
Common stocks	620,544		620,544
Real Estate: Properties occupied by the company	128,748		128,748
Cash and short-term investments	831,985		831,985
Investment income due and accrued	64,203		64,203
Uncollected premiums and agents' balances in course of collection	68,459	12,004	56,455
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,040,272		1,040,272
Amounts recoverable from reinsurers	274		274
Net deferred tax asset	295,763	82,539	213,224
Electronic data processing equipment and software	18,144	18,144	0
Furniture and equipment, including health care delivery assets	2,334	2,334	0
Funds held by Fair Plan	83,263		83,263
Vehicles	<u>17,346</u>	<u>17,346</u>	<u>0</u>
Total assets	<u>\$9,629,365</u>	<u>\$132,368</u>	<u>\$9,496,997</u>

Liabilities, Surplus and Other FundsLiabilities

Loss and loss adjustment expenses	\$1,660,371
Commissions payable, contingent commissions and other similar charges	455,943
Other expenses (excluding taxes, licenses and fees)	35,241
Taxes, licenses and fees (excluding federal and foreign income taxes)	2,144
Current federal and foreign income taxes	79,576
Unearned premiums	2,765,944
Advance premium	64,705
Ceded reinsurance premiums payable (net of ceding commissions)	5,169
Amounts withheld or retained by company for account of others	5,640
Aggregate write-ins for liabilities	<u>52,500</u>
Total liabilities	\$5,127,233

Surplus and Other Funds

Required surplus	\$ 575,868
Unassigned funds (surplus)	<u>3,793,895</u>
Surplus as regards policyholders	<u>4,369,763</u>
Total liabilities, surplus and other funds	<u>\$9,496,996</u>

NOTE: The Internal Revenue Service did not audit the Company's federal income tax returns for the years under examination. Audits covering subsequent tax years have yet to commence. 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 \$2,051,104 during the five-year examination period January 1, 2004 through December 31, 2008, detailed as follows:

Underwriting Income

Premiums earned \$17,721,220

Deductions:

Losses and loss adjustment expenses incurred \$9,272,717

Other underwriting expenses incurred 6,979,095

Total underwriting deductions 16,251,812

Net underwriting gain \$ 1,469,408

Investment Income

Net investment income earned \$ 903,228

Net realized capital gains 1,461

Net investment gain or (loss) 904,689

Other Income

Net gain from agents' or premium balances charged off \$ 26,872

Finance and service charges not included in premiums 397,540

Total other income 424,412

Net income before federal and foreign income taxes \$ 2,798,509

Federal and foreign income taxes incurred 971,840

Net income \$ 1,826,669

Surplus as regards policyholders per report on examination as of December 31, 2003			\$2,318,659
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$1,826,669	\$ 0	
Net unrealized capital losses		97,064	
Change in net deferred income tax	322,487		
Change in nonadmitted assets		106,309	
Aggregate write-ins for gains in surplus	<u>105,321</u>	<u>0</u>	
Total gains or losses in surplus	<u>\$2,254,477</u>	<u>\$203,373</u>	
Net increase in surplus			<u>2,051,104</u>
Surplus as regards policyholders per report on examination as of December 31, 2008			<u>\$4,369,763</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$1,660,371 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 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

i. Personal Lines Cancellations

The review of cancellations of personal lines policies revealed that the Company was not in compliance with Section 3425(c)(2)(E) of the New York Insurance Law when it cancelled certain personal lines policies. This section allows for cancellation of personal lines policies after the covered policy has been in effect for sixty days based on,

“(E) physical changes in the property insured occurring after issuance or last annual anniversary date of the policy which result in the property becoming uninsurable in accordance with the insurer’s objective, uniformly applied underwriting standards in effect at the time the policy was issued or last voluntarily renewed...”

The Company cancelled several policies when the property had become unoccupied, stating that this constituted a physical change in the property. This is contrary to the guidance in Department Circular Letter No. 23 (2008) which states, in part:

“The fact that the insured is not occupying a residence does not constitute a physical change to the premises within the meaning of Section 3425(c)(2)(E).”

It is recommended that the Company comply with Section 3425(c)(2)(E) of the New York Insurance Law by only cancelling policies under this section when there is a physical change in the property.

ii. Updating of Rate Filings

The review of the updating of rate filings revealed that the Company did not comply with Part 161.7(c) of Department Regulation 129, which states:

“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.” The Company did not update its rate filings every three years, nor file a statement with the Department indicating that its analysis had shown that no updating was required.

It is recommended that the Company comply with Part 161.7(c) of Department Regulation 129 by either updating its rate filings at least once every three years, or filing a statement with the Department indicating that its analysis had shown that no updating was required.

iii. Testing of Rates

The examination review of compliance with Part 160.2(g) of Department Regulation 57 revealed that the Company was not in compliance with this section. This section states, in part, that “Insurers shall establish adequate procedures to minimize the occurrence of improperly charged rates and shall in fact pursue such procedures...” The Company indicated that it did not maintain the records of the testing done, regarding rates, in order to minimize the occurrence of improperly charged rates.

It is recommended that the Company comply with Part 160.2(g) of Department Regulation 57 by establishing adequate procedures to minimize the occurrence of improperly charged rates including maintaining documentation of any testing that is done.

iv. Reporting of Fire Claims to Property Insurance Loss Register (“PILR”)

The examination review of compliance with Part 62.2(b) of Department Regulation 96 revealed that the Company is not in compliance with this section in all instances. Part 62.2(b) of Regulation 96 states, in part, that:

“Insurers shall report all fire losses in excess of \$1,000 involving applicable property, except losses to vehicles registered for use on public highways, to PILR within five business days following receipt of notice of loss...” The Company did not report several fire losses that exceeded \$1,000 to PILR within five business days of receipt of notice of these losses.

It is recommended that the Company comply with Part 62.2(b) of Department Regulation 96 by reporting all fire losses that exceed \$1,000 to PILR within five business days following receipt of notice of loss.

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. <u>Management</u>	
It was recommended that Director Gardner increase his attendance at the board of director meetings or the Company should consider replacing him with someone more active in the affairs of the Company.	4

<u>ITEM</u>	<u>PAGE NO.</u>
The Company has complied with this recommendation.	
B. <u>Annual Statement</u>	
It was recommended that the Company report its reinsurance ceded by line in accordance with the annual statement instructions when submitting future financial statements to this Department.	8
The Company has complied with this recommendation.	
C. <u>Accounts and Records</u>	
i. It was recommended that the Company comply with Section 6611(a)(1) and develop a system that will accurately report premium written.	8
The Company has complied with this recommendation.	
ii. It was recommended that the Company adhere to the provisions of Regulation 30 as the basis for allocation of expenses.	9
The Company has not complied with this recommendation. A similar recommendation is made in this report.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
It is recommended that the Company comply with the NAIC Annual Statement Instructions by completing Schedule F - Part 3 correctly by reinsurer in all future filings with this Department.	8
B. <u>Accounts and Records</u>	
i. It is recommended that the Company comply with Section 1411(a) of the New York Insurance Law by having its board of directors or a committee thereof responsible for supervising or making such investments, approve all investment transactions henceforth.	9
ii. It is recommended that the Company comply with Section 6611(a)(4)(C) of the New York Insurance Law by either having two officers sign all checks or having one officer sign checks upon written order of another officer, except as otherwise provided by resolution of the Company's board of directors or in its by-laws for handling of miscellaneous expenses.	10

<u>ITEM</u>	<u>PAGE NO.</u>
iii. It is recommended that the Company comply with Part 107.4 of Department Regulation No. 30 by using the method to allocate expenses to expense groups that yields the most accurate results. It is noted that a similar recommendation was included in the prior report on examination.	10
iv. It is further recommended that the Company maintain documentation for the method used.	10
v. It is recommended that the Company comply with SSAP No. 6, paragraph 9. a. by non-admitting all future premium amounts due, to the extent that there is no related unearned premium, that were recorded on policies for which one installment was more than ninety days passed due.	11
vi. It is recommended that the Company comply with SSAP No. 53, paragraphs 9 through 12 by recording an estimated amount of EBUB for those policies which are audited upon completion of the policy period.	11
vii. It is also recommended that the Company establish all requisite liabilities associated with this asset, and that the Company non-admit 10% of the EBUB in excess of any collateral held for each of these policies.	11
C. <u>Market Conduct</u>	
i. It is recommended that the Company comply with Section 3425(c)(2)(E) of the New York Insurance Law by only cancelling policies under this section when there is a physical change in the property.	16
ii. It is recommended that the Company comply with Part 161.7(c) of Department Regulation 129 by either updating its rate filings at least once every three years, or filing a statement with the Department indicating that its analysis had shown that no updating was required.	16
iii. It is recommended that the Company comply with Part 160.2(g) of Department Regulation 57 by establishing adequate procedures to minimize the occurrence of improperly charged rates including maintaining documentation of any testing that is done.	17
iv. It is recommended that the Company comply with Part 62.2(b) of Department Regulation 96 by reporting all fire losses that exceed \$1,000 to PILR within 5 business days following receipt of notice of loss.	17

Appointment No 30372

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:

Frank Schiraldi

as proper person to examine into the affairs of the

Central Co-operative Insurance Company

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

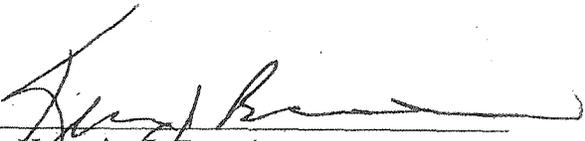
Company

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 14th day of August 2009.




Kermitt J. Brooks
Acting Superintendent of Insurance