



**REPORT ON EXAMINATION
OF
ERIE INSURANCE COMPANY OF NEW YORK
AS OF DECEMBER 31, 2020**

**EXAMINER:
DATE OF REPORT:**

**LEON TAMBUE
MAY 25, 2022**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

May 25, 2022

Honorable Adrienne A. Harris
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 32241 dated April 26, 2021, attached hereto, I have made an examination into the condition and affairs of Erie Insurance Company of New York as of December 31, 2020, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Erie Insurance Company of New York.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

Due to the COVID-19 pandemic, the examination was conducted remotely.

1. SCOPE OF EXAMINATION

The Department has performed an examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2015. This examination covered the five-year period from January 1, 2016 through December 31, 2020. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with the Commonwealth of Pennsylvania, which was the lead state of the Erie Insurance Group. The examination was performed concurrently with the examinations of the following Pennsylvania-domiciled insurers: Erie Insurance Exchange; Erie Family Life Insurance Company; Erie Insurance Company; Erie Insurance Property & Casualty Company, and Flagship City Insurance Company.

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

A review was also made to ascertain what action was taken by the Company with regard to the recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations, or rules that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Erie Insurance Company of New York was incorporated under the laws of the State of New York on September 1, 1885 as the Co-operative Insurance Company of Western New York and commenced operations the same day. In 1982, the Company became an advance premium co-operative. On May 18, 1992, the board of directors adopted a plan of demutualization for the Company; the Department approved the plan on April 20, 1994. The Company became a wholly owned subsidiary of Erie Insurance Company, a Pennsylvania-domiciled property and casualty insurer, in April 1994, and adopted its current title.

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 21 members. The board meets four times during each calendar year. At December 31, 2020, the board of directors was comprised of the following eight members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Brian William Bolash Fairview, PA	Senior Vice President, Secretary and General Counsel Erie Insurance Company of New York
James Ernest Caflisch Clymer, NY	Clerk, Chautauqua County Legislature
Gregory John Gutting Erie, PA	Executive Vice President and Chief Financial Officer, Erie Insurance Company of New York
Jonathan Hirt Hagen Erie, PA	Chairman of the Board, Erie Insurance Company of New York
Robert Coleman Ingram, III Erie, PA	Executive Vice President and Chief Information Officer, Erie Insurance Company of New York
Christina Marie Marsh Erie, PA	Vice President, Erie Insurance Company of New York
Robert Wayne McNutt	Vice President and Corporate Treasurer, Erie Insurance Company of New York

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Timothy Gerard NeCastro Erie, PA	President and Chief Executive Officer Erie Insurance Company of New York

As of December 31, 2020, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Timothy Gerard NeCastro	President and Chief Executive Officer
Gregory John Gutting	Executive Vice President and Chief Financial Officer
Robert Coleman Ingram, III	Executive Vice President and Chief Information Officer
Lorianne Feltz	Executive Vice President
Douglas Edward Smith	Executive Vice President
Dionne Wallace Oakley	Executive Vice President
Bradley Clay Eastwood	Senior Vice President and Chief Actuary
Julie Marie Pelkowski	Senior Vice President and Controller
Brian William Bolash	Senior Vice President, Secretary, and General Counsel
Ronald Steven Habursky	Senior Vice President and Chief Investment Officer
Marc Cipriani	Senior Vice President - Underwriting
Robert Wayne McNutt	Vice President and Corporate Treasurer
Scott William Beilharz	Vice President and Assistant Treasurer
Ross Clark Fonticella	Vice President - Actuarial Pricing

B. Territory and Plan of Operation

As of December 31, 2020, the Company was licensed to write business in 12 states and the District of Columbia.

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
10	Elevator
11	Animal
12	Collision

<u>Paragraph</u>	<u>Line of Business</u>
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
26(B)	Motor vehicle lessee/debtor gap

Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$3,500,000.

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

<u>Calendar Year</u>	<u>Direct Premiums</u>	<u>Assumed Premiums</u>	<u>Total Gross Premiums</u>
2016	\$133,196,937	\$31,269,725	\$164,466,662
2017	\$142,536,256	\$33,145,049	\$175,681,305
2018	\$158,621,655	\$35,457,495	\$194,079,150
2019	\$169,993,334	\$37,391,948	\$207,385,282
2020	\$168,142,871	\$38,420,279	\$206,563,150

The Company primarily writes workers' compensation, private passenger auto liability and physical damage, and homeowners multiple peril which accounted for 51.8%, 32.2%, and 15.9% respectively, of the 2020 total direct written premiums. Business is written through approximately 7,500 independent agents throughout the United States.

All of the Company's assumed business was derived from its participation in an inter-company pooling agreement described below. Due to the pooling agreement, the net exposure of the Company is different than its direct and assumed exposure.

C. Reinsurance Ceded

Inter-company Pooling Agreement

Effective January 1, 1995, the Company entered into an inter-company pooling agreement with Erie Insurance Exchange ("the Exchange"), and Erie Insurance Company ("EIC"), whereby the Company and EIC cede 100% of their insurance business to the Exchange. The Exchange then retrocedes 5% and 0.5%

of all its insurance business to EIC and the Company, respectively. The agreement was amended and restated in 2007, and further amended effective July 1, 2012, to reflect changes in the termination provision. The agreement and amendment were approved by this Department and have not changed since the last examination.

Ceded Reinsurance Program

The Company and its affiliates are parties to a ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Property Catastrophe Excess of Loss</u> 1 st layer	\$100,000,000 excess of \$400,000,000 each loss occurrence, limit of \$200,000,000 all losses, 35% placed.
2 nd layer	\$300,000,000 excess of \$500,000,000 each loss each occurrence, limit of \$600,000,000 all losses, 100% placed.
3 rd layer	\$300,000,000 excess of \$800,000,000 each loss each occurrence, limit of \$600,000,000 all losses, 60% placed.
4 th layer	\$25,000,000 excess of \$1,100,000,000 each loss each occurrence with a limitation of \$50,000,000 all losses, 100% placed.
<u>Property Per Risk ("PPR") Excess of Loss</u>	\$15,000,000 excess of \$25,000,000 each loss, each risk with a limitation of \$30,000,000 all losses, 90% placed.
<u>Automatic Facultative Property Per Risk Excess of Loss</u>	\$100,000,000 excess of \$40,000,000 to reflect the PPR underlying treaty.
<u>Equipment Breakdown</u> 100% Quota Share	\$100,000,000 per accident, any one policy.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles (“SSAP”) No. 62R. 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 SSAP No. 62R.

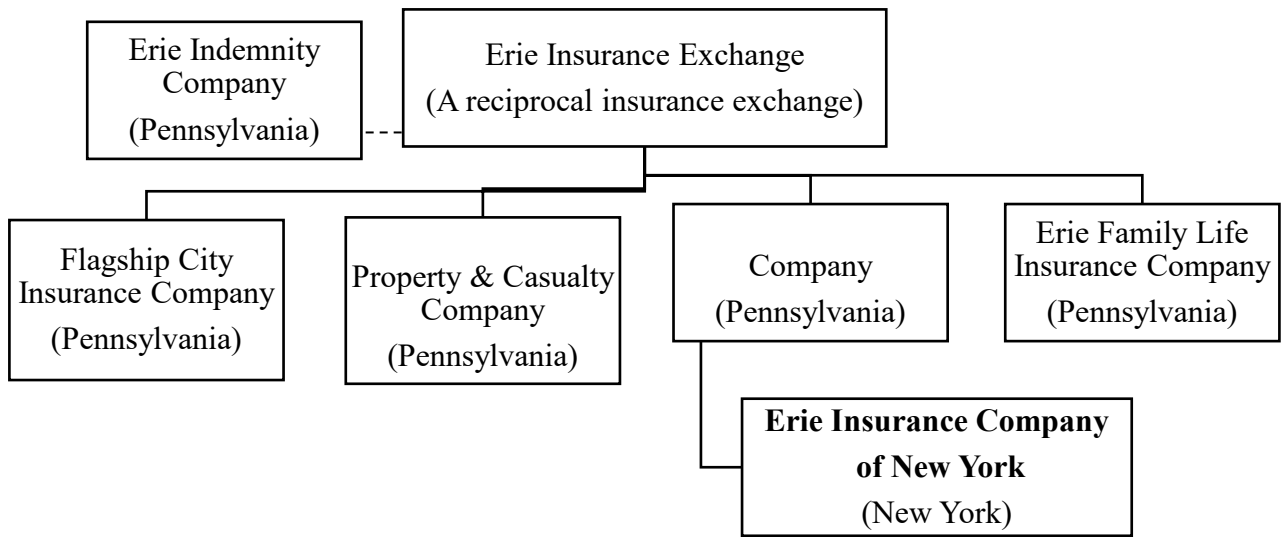
D. Holding Company System

The Company is a member of the Erie Insurance Group (“the Group”). The Company is 100% owned by Erie Insurance Company (“EIC”), a Pennsylvania-domiciled property and casualty insurer, which is wholly owned by Erie Insurance Exchange (“the Exchange”), a subscriber-owned (or policyholder-owned) Pennsylvania-domiciled reciprocal insurer.

Erie Indemnity Company (“Indemnity”) is a Pennsylvania corporation formed in 1925 to act as the attorney-in-fact for the Exchange. Indemnity’s principal business activity consists of managing the affairs of the Exchange. The H.O. Hirt Trusts owns 92.05% of the voting common stock (Class B) of Indemnity.

A review of the Holding Company Registration Statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2020:



Holding Company Agreements

At December 31, 2020, the Company was party to the following agreements with other members of its holding company system:

Service Agreement

Effective January 1, 1995, the Company entered into a service agreement with Indemnity. Indemnity agreed to provide all necessary and appropriate management services for the day-to-day operations of the Company including, underwriting, claims, investment and generally managing and conducting the business affairs of the Company. This agreement was approved as part of the demutualization package submitted to the Department.

Tax Sharing Agreement

Effective December 19, 2017, the Company entered into an amended and restated tax sharing agreement with other members of the Group. The agreement sets forth the process to be used to determine the tax liability of each member. This agreement was approved by the Department on July 17, 2017.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2020, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	104%
Adjusted liabilities to liquid assets	56%
Two-year overall operating	95%

Underwriting Ratios

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

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$121,625,766	70.78%
Other underwriting expenses incurred	48,181,517	28.04%
Net underwriting gain (loss)	<u>2,018,826</u>	<u>1.17%</u>
Premiums earned	<u>\$171,826,109</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, 2020, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 69,899,594	\$ 0	\$ 69,899,594
Common stocks	31,472	0	31,472
Cash, cash equivalents and short-term investments	1,411,071	0	1,411,071
Investment income due and accrued	695,246	0	695,246
Uncollected premiums and agents' balances in the course of collection	4,706,722	136,883	4,569,839
Deferred premiums, agents' balances and installments booked but deferred and not yet due	52,363,395	0	52,363,395
Amounts recoverable from reinsurers	4,645	0	4,645
Funds held by or deposited with reinsured companies	9,487	0	9,487
Net deferred tax asset	462,832	0	462,832
Receivables from parent, subsidiaries and affiliates	377,493	0	377,493
Equity and deposits in pools and association	5,755	0	5,755
Premium tax credits & other	4,481	0	4,481
Other accounts receivable	<u>6,730</u>	<u>0</u>	<u>6,730</u>
Total assets	<u>\$129,978,923</u>	<u>\$136,883</u>	<u>\$129,842,040</u>

Liabilities, Surplus, and Other FundsLiabilities

Losses and loss adjustment expenses	\$23,928,570
Commissions payable, contingent commissions and other similar charges	533
Other expenses (excluding taxes, licenses and fees)	2,971
Taxes, licenses and fees (excluding federal and foreign income taxes)	197,505
Current federal and foreign income taxes	22,202
Unearned premiums	15,942,592
Advance premium	226,991
Policyholders (dividends declared and unpaid)	46,328
Ceded reinsurance premiums payable (net of ceding commissions)	47,274,086
Amounts withheld or retained by company for account of others	65,933
Remittances and items not allocated	5,170
Payable to parent, subsidiaries and affiliates	4,542,160
Payable for securities	<u>682,772</u>
Total liabilities	\$92,937,813

Surplus and Other Funds

Common capital stock	\$ 2,350,000
Gross paid in and contributed surplus	9,150,000
Unassigned funds (surplus)	<u>25,404,227</u>
Surplus as regards policyholders	<u>36,904,227</u>
Total liabilities, surplus and other funds	<u>\$129,842,040</u>

Note: The Company is unaware of any potential exposure to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net income for the examination period as reported by the Company was \$6,050,725 as detailed below:

Underwriting Income

Premiums earned		\$171,826,109
Deductions:		
Losses and loss adjustment expenses incurred	\$121,625,766	
Other underwriting expenses incurred	48,117,555	
Other underwriting deductions – LAD program expense	<u>63,962</u>	
Total underwriting deductions		<u>169,807,283</u>
Net underwriting gain or (loss)		\$ 2,018,826

Investment Income

Net investment income earned	\$8,543,000	
Net realized capital gain	<u>71,825</u>	
Net investment gain or (loss)		8,614,825

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$(840,077)	
Miscellaneous income	<u>24,968</u>	
Total other income		<u>(815,109)</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$9,818,542
Dividends to policyholders		<u>1,251,288</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$8,567,254
Federal and foreign income taxes incurred		<u>2,516,529</u>
Net income		<u>\$6,050,725</u>

C. Capital and Surplus

Capital paid in is \$2,350,000 consisting of 23,500 shares of \$100 par value per share common stock. Gross paid in and contributed surplus is \$9,150,000. Capital paid in and gross paid in and contributed surplus did not change during the examination period.

Surplus as regards policyholders increased \$7,172,594 during the five-year examination period January 1, 2016, through December 31, 2020, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2015			\$29,731,633
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$6,050,726		
Net unrealized capital gains or (losses)	5,635		
Change in net unrealized foreign exchange capital gain (loss)		\$ 952	
Change in net deferred income tax	1,150,182		
Change in nonadmitted assets	<u>0</u>	<u>32,997</u>	
Total gains and losses	\$7,206,543	\$33,949	
Net increase (decrease) in surplus			<u>7,172,594</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2020			<u>\$36,904,227</u>

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

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$23,928,570 is the same as reported by the Company as of December 31, 2020. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including SSAP No. 55.

5. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus (“COVID-19”) pandemic. The COVID-19 pandemic has continued to develop, with uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination’s review noted that there has not been a significant impact to the Company. The Department has been in communication with the Company regarding the impact of COVID-19. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
i. It was recommended that the Company have all officers, directors and key employees sign a conflict-of-interest statement annually as required in its conflict-of-interest policy.	5
The Company has complied with this recommendation.	
ii. It was also recommended that the Company maintain a record of the signed statements for Department review in accordance with the provisions of New York Department Regulation 152.	5
The Company has complied with this recommendation.	

7. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report on examination contains no comments or recommendations.

Respectfully submitted,

_____/S/_____
Leon Tambue
Senior Insurance Examiner

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

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

_____/S/_____
Leon Tambue

Subscribed and sworn to before me

this _____ day of _____, 2022

APPOINTMENT NO. 32241

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:

Leon Tambue

as a proper person to examine the affairs of the

Erie Insurance Company of New York

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 26th day of April, 2021

LINDA A. LACEWELL
Superintendent of Financial Services

By:

Joan Riddell

Joan Riddell
Deputy Bureau Chief

