



**REPORT ON EXAMINATION  
OF  
A. CENTRAL INSURANCE COMPANY  
AS OF DECEMBER 31, 2020**

**EXAMINER:  
DATE OF REPORT:**

**JOANNE CAMPANELLI  
APRIL 28, 2022**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

April 28, 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 32277 dated July 13, 2021, attached hereto, I have made an examination into the condition and affairs of A. Central Insurance Company as of December 31, 2020, and submit the following report thereon.

Wherever the designation "the Company" or "ACIC" appears herein without qualification, it should be understood to indicate A. Central 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 remotely.

## 1. SCOPE OF EXAMINATION

The Department has performed an examination of A. Central Insurance Company, a single-state insurer. The previous examination was conducted as of December 31, 2020. 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 of the Company was performed concurrently with the examination of the New York Central Mutual Fire Insurance Company (“NYCMFIC”), a New York domiciled insurer.

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 recommendation 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

A. Central Insurance Company was incorporated under the laws of the State of New York on December 21, 2000 and became licensed on April 17, 2001. On January 24, 2001, NYCM Holdings, Inc. (“Holdings”), a wholly owned subsidiary of NYCMFIC, was incorporated for the purpose of acting as an intermediate holding company to hold all of its issued and outstanding voting shares of the Company. On February 22, 2001, NYCMFIC acquired 100% of the 100 issued shares of Holdings for consideration of \$5,100,000. On February 23, 2001, Holdings acquired 100% of the 3,000 issued shares of \$1,000 par value common stock of the Company for consideration of \$5,050,000. The Company is ultimately controlled by NYCMFIC, a New York domiciled advance premium co-operative property casualty insurance company.

### 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 11 nor more than 15 members. The board meets four times during each calendar year. At December 31, 2020, the board of directors was comprised of the following 12 members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Patricia Dolores Thannhauser Civil Marcellus, New York	Certified Public Accountant and Retired Partner, PricewaterhouseCoopers, LLP
Daryl Robert Forsythe Norwich, New York	Retired
Edward Gozigian Cooperstown, New York	Attorney at Law, Gozigian, Washburn & Clinton
Jennifer Robinson Haack Penn Yan, New York	Private Investor
Benjamin Clark Nesbitt Laurens, New York	Retired
Albert Pylinski, Jr. Edmeston, New York	Secretary, NYCM Holdings, Inc.
VanNess Daniel Robinson Edmeston, New York	Chairman, NYCM Holdings, Inc. Vice President, NYCM Insurance Agency, Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
VanNess Daniel Robinson II Oneonta, New York	President, Albert F. Stager, Inc. President, NYCM Holdings, Inc. President, NYCM Insurance Agency
Charles Raymond Schanz Cooperstown, New York	Retired
William Francis Streck, M.D. Cooperstown, New York	Chief Clinical Officer, Canton & Co.
Scott Donald White Unadilla, New York	President, Bank of Cooperstown, a unit of USNY Bank
Bruce Clayton Wratten Leonardsville, New York	Retired

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

<u>Name</u>	<u>Title</u>
VanNess Daniel Robinson II	President
Cheryl Lynn Robinson	Executive Vice President and Chief Operations Officer
Michael Anthony Perrino	Treasurer, Chief Financial Officer and Chief Risk Officer
Albert Pylinski, Jr.	Secretary
John Eric Holdorf	Senior Vice President

B. Territory and Plan of Operation

As of December 31, 2020, the Company was licensed to write business solely in New York State.

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
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 (inland only)

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 \$3,300,000.

The following schedule shows the direct written premiums and premiums assumed 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	\$36,074,045	\$49,874,428	\$85,948,473
2017	\$47,902,088	\$52,573,252	\$100,475,340
2018	\$61,423,886	\$57,123,365	\$118,547,251
2019	\$64,195,215	\$60,393,414	\$124,588,629
2020	\$62,868,778	\$61,702,888	\$124,571,666

The Company writes private passenger auto liability and auto physical damage insurance, which account for 57.79% and 42.21% respectively, of the Company's 2020 direct written premiums. Due to the pooling agreement described further herein, the Company's net exposure is different than its direct and assumed exposure.

As of December 31, 2020, the Company wrote business through approximately 1,339 agency codes. The Company maintains a home office in Edmeston, New York, and three branch offices within the following locations in New York: Buffalo, Canajoharie, and Sherburne.

C. Reinsurance Ceded

Net Pooling Reinsurance Agreement

The Company entered into a net pooling reinsurance agreement (“Pooling Agreement”) with NYCMFIC effective July 1, 2001. The Pooling Agreement and all subsequent amendments were submitted to the Department. As of the examination date, the participation percentage in the net combined pooled business between the Company and NYCFMIC was 10% and 90% respectively. These pooled participation percentages changed over the years since the inception of this agreement in 2001.

All lines of business that both companies are authorized to write are included in the Pooling Agreement and are ceded 100% to NYCMFIC, after all, non-affiliated ceded reinsurance has been recorded. In addition, this Pooling Agreement allows the pooling of certain assets, liabilities, income, and expense items as listed within the agreement. NYCMFIC cedes business to non-affiliated reinsurers prior to pooling between the companies.

Ceded Reinsurance Program

The Company had the following ceded reinsurance contracts in effect at December 31, 2020:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Casualty – Excess of Loss</u>	\$4,000,000 excess of \$1,000,000 each occurrence, subject to a limit of \$8,000,000 all occurrences.
<u>Property Catastrophe</u> (4 layers)	\$268,000,000 excess of \$12,000,000 each and every occurrence. No loss shall be covered hereunder unless it involves two or more risks.

The majority of the ceded business was to authorized reinsurers. The above ceded reinsurance agreements were reviewed and found to contain the required clauses, including an insolvency clause, meeting the requirements of Section 1308 of the New York Insurance Law. Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62R. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's President and Treasurer pursuant to the NAIC Annual Statement Instructions. Additionally, examination review indicated



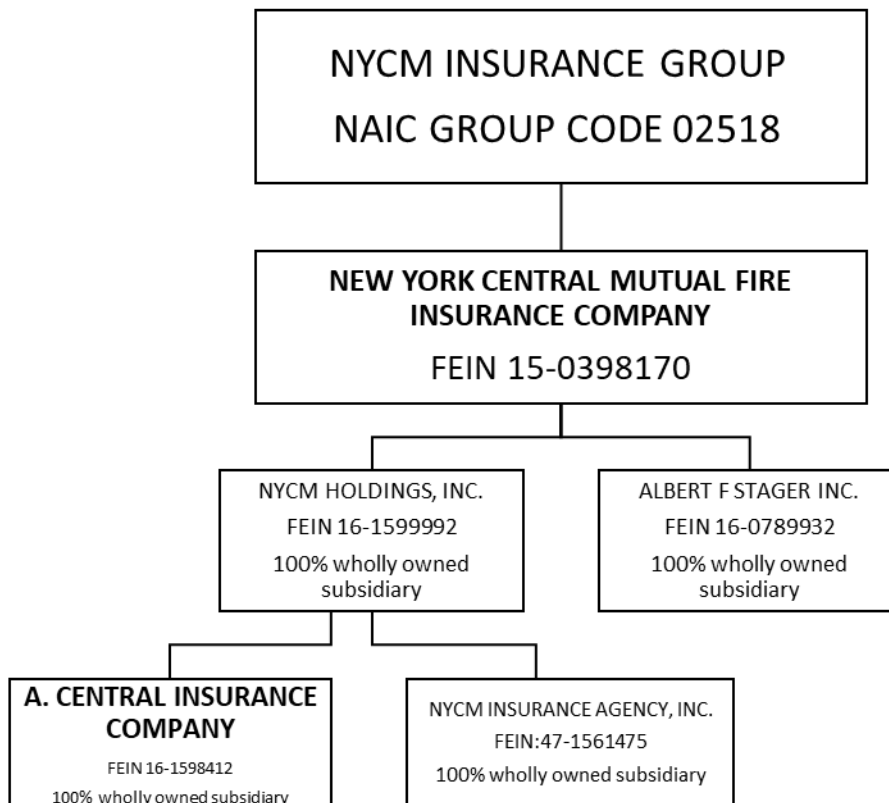
that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

D. Affiliated Group

The Company is a member of the NYCM Insurance Group. The Company is wholly owned by NYCMFIC, a New York domiciled advance premium co-operative property and casualty insurance company, which is owned by its members. NYCM Insurance Group was formed for combined statement filing purposes only.

Because the ultimate controlling party of the affiliated group is an authorized insurer, it is exempt from the requirements of Article 15 of the New York Insurance Law and Department Regulation 52. However, it is subject to the requirements of Article 16 of the New York Insurance Law and Department Regulation 53. A review of the annual filings made by NYCM 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, 2020:



## Affiliated Group Agreements

At December 31, 2020, the Company was party to the following agreements with other members of its affiliated group:

### Cost Allocation Agreement between the Company and NYCM Holdings, Inc.

Effective July 1, 2001, the Company entered into the agreement with Holdings. Pursuant to the agreement, the Company makes available to Holdings, at cost, the services of its personnel, office space, the use of office equipment, and data processing services. Shared expenses are to be allocated pursuant to Department Regulation 30 using actual usage or the weighted time method as the basis of allocation.

Amounts due under the agreement shall be determined at the end of each month by the Company on an estimated basis and if necessary, there shall be a quarterly adjustment of such amounts. Holdings shall pay all charges under this agreement to the Company within fifteen days following the receipt of each billing.

### Agency Agreement between the Company and NYCMFIC and NYCM Insurance Agency, Inc.

Effective February 2, 2015, the Company and NYCMFIC entered into an agency agreement with NYCM Insurance Agency, Inc. Pursuant to the agreement, NYCM Insurance Agency, Inc. may solicit, receive and accept proposals for insurance and bind, issue, and deliver policies of insurance, covering such classes of risks as the Company may, from time to time, authorize to be insured; cancel such policies of insurance when directed by the Company to do so, and collect and receive premiums on such policies of insurance. The agents are considered independent contractors and not employees of the Company. The agents agree to forward to the Company within five business days and without deduction or offset, all premiums collected.

## 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	125%
Adjusted liabilities to liquid assets	67%
Two-year overall operating	96%

### 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	\$183,538,156	66.86%
Other underwriting expenses incurred	93,255,166	33.97%
Net underwriting gain (loss)	<u>(2,272,306)</u>	<u>(0.83)%</u>
Premiums earned	<u>\$274,521,016</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 693.8% at December 31, 2020. The RBC score 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. There were no financial adjustments in this report that impacted the Company's RBC score.

#### F. Accounts and Records

Section 89.4(b) of Department Regulation No. 118 states, in pertinent part:

"The company shall obtain a letter from the CPA, and file a copy with the Superintendent, stating that the CPA is aware of the provisions of the insurance law and the regulations thereunder of the state of domicile that relate to accounting..."

The Company did not obtain awareness letters during 2019 and 2020. It is recommended that the Company obtain an awareness letter from the CPA on an annual basis.

### 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	\$ 67,480,385	\$ 0	\$67,480,385
Preferred stocks (stocks)	1,636,238	0	1,636,238
Common stocks (stocks)	30,522,336	0	30,522,336
Cash, cash equivalents and short-term investments	8,535,695	0	8,535,695
Investment income due and accrued	504,674	0	504,674
Uncollected premiums and agents' balances in the course of collection	4,873,561	52,067	4,821,494
Deferred premiums, agents' balances and installments booked but deferred and not yet due	15,049,851	0	15,049,851
Amounts recoverable from reinsurers	4,107,289	0	4,107,289
Current federal and foreign income tax recoverable and interest thereon	241,289	0	241,289
Net deferred tax asset	1,972,520	360,770	1,611,750
Cash surrender value (split life)	2,279,105	0	2,279,105
Equities and deposits in pools and associations	(100)	0	(100)
Accounts receivable - other	<u>117,039</u>	<u>58,437</u>	<u>58,602</u>
Total assets	<u>\$137,319,882</u>	<u>\$471,274</u>	<u>\$136,848,608</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 37,315,599
Reinsurance payable on paid losses and loss adjustment expenses	2,733,406
Commissions payable, contingent commissions and other similar charges	2,124,302
Other expenses (excluding taxes, licenses and fees)	803,492
Taxes, licenses and fees (excluding federal and foreign income taxes)	217,000
Unearned premiums	31,204,652
Advance premium	590,466
Ceded reinsurance premiums payable (net of ceding commissions)	4,224,419
Amounts withheld or retained by company for account of others	3,868,534
Payable to parent, subsidiaries and affiliates	2,787,940
Liability for pension transition	<u>1,563,030</u>
 Total liabilities	 \$ 87,432,838

Surplus and Other funds

Common capital stock	\$ 3,000,000
Gross paid in and contributed surplus	42,050,000
Unassigned funds (surplus)	<u>4,365,769</u>
 Surplus as regards policyholders	 \$ <u>49,415,769</u>
 Total liabilities, surplus and other funds	 \$ <u>136,848,608*</u>

\* Net rounding difference of \$1

Note: The Internal Revenue Service has not completed audits of the Company during the current examination period. 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 income for the examination period as reported by the Company was \$10,085,401, as detailed below:

Underwriting Income

Premiums earned		\$274,521,016
Deductions:		
Losses and loss adjustment expenses incurred	\$183,538,156	
Other underwriting expenses incurred	<u>93,255,166</u>	
Total underwriting deductions		<u>276,793,322</u>
Net underwriting gain or (loss)		\$(2,272,306)

Investment Income

Net investment income earned	\$11,151,998	
Net realized capital gain	<u>961,037</u>	
Net investment gain or (loss)		12,113,035

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (85,510)	
Finance and service charges not included in premiums	2,904,234	
Miscellaneous service charge expense	(1,319,020)	
Pools and associations – miscellaneous income	61	
Miscellaneous other income	<u>(17,377)</u>	
Total other income		\$ <u>1,482,387</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$11,323,116
Federal and foreign income taxes incurred		<u>1,237,715</u>
Net income		<u>\$10,085,401</u>

C. Capital and Surplus

Capital paid in is \$3,000,000 consisting of 3,000 shares of \$1,000 par value per share common stock. Gross paid in and contributed surplus is \$42,050,000. Capital paid in and gross paid in and contributed surplus did not change during the examination period.

Surplus as regards policyholders increased \$10,646,339 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			\$38,769,432
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$10,085,401		
Net transfers (to) from protected cell accounts			
Net unrealized capital gains or (losses)	3,182,545		
Change in net deferred income tax		\$ 441,708	
Change in nonadmitted assets	1,087,425		
Liability for pension transition		3,815,606	
Liability for postretirement transition	<u>548,283</u>	<u>0</u>	
Total gains and losses	\$14,903,654	\$4,257,314	
Net increase (decrease) in surplus			<u>10,646,340</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2020			<u>\$49,415,769</u> *

\* Rounding difference of \$3

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 \$37,315,599 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 significant 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 on its business operations and financial position. 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 one recommendation as follows (page numbers refer to the prior report):

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Affiliated Group</u> It was recommended that the Company implement procedures to comply fully with all of the provisions of its intercompany agreements and that settlements be had in a timely manner  The Company has complied with this recommendation.	10

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Accounts and Records</u> It is recommended that the Company obtain an awareness letter from the CPA on an annual basis.	9

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Joanne Campanelli, CFE  
Senior Insurance Examiner

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

Joanne Campanelli, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

\_\_\_\_\_/S/\_\_\_\_\_  
Joanne Campanelli

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

*APPOINTMENT NO. 32277*

*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:*

***Joanne Campanelli***

*as a proper person to examine the affairs of the*

***A. Central Insurance Company***

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

***COMPANY***

*with such other information as she 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 13th day of July, 2021*

***LINDA A. LACEWELL***  
*Superintendent of Financial Services*

*By:*

*Joan Riddell*

\_\_\_\_\_  
*Joan Riddell*  
*Deputy Bureau Chief*

