



**REPORT ON EXAMINATION
OF
CM INSURANCE COMPANY, INC.**

AS OF DECEMBER 31, 2020

**EXAMINER:
DATE OF REPORT:**

**AUGUST 12, 2021
WEI CAO**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

October 31, 2023

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 32250 dated May 13, 2021, attached hereto, I have made an examination into the condition and affairs of CM Insurance Company, Inc. 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 CM Insurance Company, Inc.

Wherever the designation “the Parent” appears herein without qualification, it should be understood to indicate Columbus McKinnon Corporation.

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

1. SCOPE OF EXAMINATION

The examination covers the period from January 1, 2016, through December 31, 2020, and was limited in its scope to a review or audit of only those balance sheet items considered by this Department to require analysis. Transactions occurring subsequent to this period were reviewed where deemed appropriate. The examination included a review of Company records deemed necessary to accomplish such analysis or verification. Additionally, a review was performed to determine whether the captive insurer was operating within its by-laws, conforming with its plan of operation, as submitted to the Department, and was in compliance with Article 70 of the New York Insurance Law (“the Law”).

Comments and recommendations are limited to procedural recommendations, items requiring financial adjustment, or instances where the Company was not conforming to the application submitted to the Department or Article 70 of the Law.

The report utilized work performed by the Company’s independent certified public accountant and its opining actuary to the extent considered appropriate.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of New York State as a captive insurance company on March 26, 1990 and commenced business on April 1, 1990. The Company is a wholly owned subsidiary of Columbus McKinnon Corporation and provides general, product, and certain professional liability coverage exclusively to the Parent.

A. Articles of Incorporation

The Company is organized to transact the kinds of insurance specified in Section 1113(a) of the New York Insurance Law, subject at all times to the limitations on the business of pure captive insurance companies set-forth in Article 70 of the Law.

B. By-Laws

The examination found that the Company was in compliance with its by-laws in all material respects.

C. Capital Structure

As a pure captive insurance company incorporated as a stock insurer, the Company is required to maintain a total surplus as regards policyholders of not less than \$250,000, of which \$100,000 shall represent paid-in capital pursuant to the provisions of Section 7004(a)(1) of the Law.

As of December 31, 2020, the Company's paid-in capital was \$250,000, consisting of 1,000 shares of common stock with a par value of \$100 per share and an additional paid-in capital amount of \$150,000. The Company had retained earnings of \$11,686,480 for a total capital and surplus (surplus as regards policyholders) of \$11,936,480.

D. Corporate Records

The corporate records reviewed appeared to be substantially accurate and complete in all material respects.

E. Operations

During the period covered by the examination the Company provided the Parent with general & product liability coverage with an aggregate limit of \$5,000,000. The last policy period ran from April 1, 2020, to April 1, 2021.

The Company also provided certain professional liability coverage with a limit of \$2,000,000 per occurrence and an annual aggregate of \$3,000,000.

F. Management and Control

(i) Captive Manager

Section 7003(b)(4) of the Law provides that no captive insurer shall do any captive insurance business in this State unless it utilizes a captive manager resident in this State that is licensed as an agent or broker under the provisions of Article 21 of the Law, or any other person approved by the Superintendent.

During the period covered by this examination, the Company was managed by Marsh Management Services, Inc. ("Marsh"), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement effective April 1, 2014, Marsh's responsibilities include providing the Company with regulatory, underwriting, policyholder, and claim services advice, as well as advice on insurance programs.

(ii) Board of Directors

Pursuant to the Company's by-laws, the business and affairs of the Company shall be managed under the direction of a board of directors. The board shall consist of at least three directors, two of whom must be residents of the state of New York. On December 31, 2020, the board of directors was comprised of the following three members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Alan S. Korman East Amherst, NY	Vice President, General Counsel & Secretary, Columbus McKinnon Corporation
Thomas Oddo East Amherst, NY	Corporate Controller, Columbus McKinnon Corporation
Gregory P. Rustowicz East Amherst, NY	Vice President, Finance & CFO, Columbus McKinnon Corporation

During the period covered by the examination, the board of directors met once each year. A review of their meeting minutes indicated that all the meetings were well attended.

(iii) Officers

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

<u>Name</u>	<u>Title</u>
Gregory P. Rustowicz	President
Alan S. Korman	Vice President and Secretary
Thomas Oddo	Treasurer

G. Certified Public Accountant

Ernst & Young LLP was the Company's independent certified public accounting firm for the period covered by the examination. Ernst & Young LLP expressed that the Company's financial statements presented fairly, in all material respects, the financial position of CM Insurance Company, Inc. on December

31, 2020, and that the results of its operations and its cash flows for the year then ended, was in conformity with generally accepted accounting principles.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America.

Assets

Investment	\$7,924,860	
Cash	35,898	
Restricted cash	250,000	
Premium receivable	727,500	
Deferred tax asset	3,488,487	
Loan to Parent	10,000,000	
Due from Parent	<u>2,725,550</u>	
Total assets		<u>\$25,152,295</u>

Liabilities

Losses and loss adjustment expense reserves	\$12,436,742	
Accounts payable and accrued liabilities	51,573	
Unearned premium	<u>727,500</u>	
Total liabilities		<u>\$13,215,815</u>

Capital and Surplus

Common stock	\$100,000	
Additional paid-in capital	150,000	
Retained earnings	<u>11,686,480</u>	
Total capital and surplus		<u>\$11,936,480</u>
Total liabilities, capital and surplus		<u>\$25,152,295</u>

B. Statement of Income

The Company's net income for the period covered by the examination was \$(657,936) as detailed below:

Underwriting Income

Premiums earned		\$22,133,265
Deductions		
Loss and loss adjustment expense	\$23,194,561	
Underwriting expenses	<u>628,070</u>	
Total operating deductions		<u>23,822,631</u>
Total underwriting income		\$(1,689,366)

Investment Income

Investment income	\$1,127,703	
Net realized gain on investment	770,977	
Interest Income on loan to parent	<u>1,647,363</u>	
Total investment income		3,546,043
Total income before tax		<u>1,856,677</u>
Income tax		2,514,613
Net income		<u>\$(657,936)</u>

C. Capital and Surplus Account

The Company's capital and surplus decreased \$9,021,298 during the period covered by this examination, detailed as follows:

Capital and surplus as of January 1, 2016		\$20,957,778
	<u>Increase in surplus</u>	<u>Decrease in surplus</u>
Net income		\$657,936
Net unrealized appreciate of investment	\$420,932	0
Dividends	<u>0</u>	<u>8,784,294</u>
Total increases and decrease in surplus	<u>\$420,932</u>	<u>\$9,442,230</u>
Net decrease in surplus		<u>(9,021,298)</u>
Capital and surplus as of December 31, 2020		<u>\$11,936,480</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2020, the Company reported outstanding loss and loss adjustment expense reserves of \$12,436,742. The Company's opining actuarial firm, Marsh Management Services Inc., noted in its Statement of Actuarial Opinion that loss and loss adjustment expense provision was computed in accordance with accepted actuarial standards and principles and meet the requirements of the New York insurance law.

5. ARTICLE 70 COMPLIANCE

Article 70 of the New York State Insurance Law is the governing section of the law for the formation and continued operation of captive insurers in New York State. A review was performed to test the Company's compliance with all applicable parts of Article 70. No significant areas of non-compliance were found.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations in this report.

Respectfully submitted,

_____/S/
Wei Cao
Senior Insurance Examiner

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

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

_____/S/
Wei Cao

Subscribed and sworn to before me

this _____ day of _____, 2023.

APPOINTMENT NO. 32250

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:

Wei Cao

as a proper person to examine the affairs of the

CM Insurance Company, Inc.

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 May, 2021

LINDA A. LACEWELL
Superintendent of Financial Services

By:

Joan Riddell

Joan Riddell
Deputy Bureau Chief

