



**REPORT ON EXAMINATION
OF
CENTRAL CO-OPERATIVE INSURANCE COMPANY
AS OF DECEMBER 31, 2018**

**EXAMINER:
DATE OF REPORT:**

**LAMIN JAMMEH
SEPTEMBER 13, 2019**

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KATHY HOCHUL
Governor

ADRIENNE A. HARRIS
Superintendent

January 25, 2024

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 31940 dated May 06, 2019, attached hereto, I have made an examination into the condition and affairs of Central Co-operative Insurance Company as of December 31, 2018, 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 State Department of Financial Services.

1. SCOPE OF EXAMINATION

The Department has performed an examination of the Company, a single-state insurer. The previous examination was conducted as of December 31, 2013. This examination covered the five-year period from January 1, 2014 through December 31, 2018. Transactions occurring subsequent to this period were reviewed when deemed appropriate by the examiner.

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
- Holding company description
- Reinsurance
- Financial statement presentation
- Loss review and analysis
- Summary of recommendations

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 under the laws of the State of New York 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.

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 cooperative fire insurance company to an advance premium cooperative insurance company and changed its name to Central Co-operative 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 nine nor more than twenty-two members. The board meets four times during each calendar year. At December 31, 2018, 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, Abbot Farms |
| Richard Bente Brewerton, New York | President, Central Co-operative Insurance Company |
| David W. Frazer Ionia, New York | Retired |
| Gary B. Gardner Syracuse, New York | Retired |
| Richard Herold Marietta, New York | IT, Cornell University |
| Charles J. Hinman Pulaski, New York | Retired |
| Lee R. Hudson Camillus, New York | Partner, Hudson Egg Farm |

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|--|---|
| Andrew O. Metz Tully, New York | Forester, Courtland Forestry, LLC |
| Inghram Plumpton Jamesville, New York | Agricultural Business, Plumpton Farms |
| James E. Seymour Marcelus, New York | Automotive Technician, Wirths Automotive |
| Stuart E. Young Cortland, New York | Agricultural Business, Young Farms |

As of December 31, 2018, the principal officers of the Company were as follows:

| <u>Name</u> | <u>Title</u> |
|---------------------|---|
| Richard Bente | President |
| Norman W. Garrett | Secretary and Vice President Underwriting |
| David W. Fraser | Chairman of the Board |
| Laurie A. Long | Assistant Secretary |
| Gary B. Gardner | Treasurer |
| Warren W. Abbot | Assistant Treasurer |
| Inghram R. Plumpton | Vice Chairman |

B. Territory and Plan of Operation

As of December 31, 2018, the Company was licensed to write business solely in New York.

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 |

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

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, 41, and 66 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$599,426.

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

| <u>Calendar Year</u> | <u>Total Gross Premiums</u> |
|----------------------|-----------------------------|
| 2014 | \$6,292,454 |
| 2015 | \$7,048,839 |
| 2016 | \$8,296,186 |
| 2017 | \$9,019,185 |
| 2018 | \$9,874,247 |

The Company did not assume any premiums during the examination period.

The Company's major lines of business are homeowners' multiple peril, commercial multiple peril, and farmowners' multiple peril, which accounted for 35.65%, 24.90% and 14.50%, respectively. The company deals exclusively with independent agents/brokers. The company currently has agency agreements with 125 agents covering 138 locations throughout the state. Of the 125 agents, approximately 30 have brokers' licenses.

C. Reinsurance Ceded

The Company has structured its ceded reinsurance program as follows:

| <u>Type of treaty</u> | <u>Cession</u> |
|-----------------------|--|
| <u>Property</u> | \$875,000 excess of \$175,000 ultimate net loss, each loss, each risk, subject to a limit of liability to the reinsurer of \$2,625,000 each loss occurrence. |
| <u>Casualty</u> | \$875,000 excess of \$125,000 ultimate net loss, each loss occurrence, for lines other than personal injury liability. \$975,000 excess of \$125,000 ultimate net loss, each loss occurrence, for personal injury liability. |

Property Casualty Combined

If a loss involves at least one property and one casualty policy, \$175,000 in excess of \$175,000 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.

Casualty Clash

\$2,000,000 excess of \$1,050,000 ultimate net loss, each loss occurrence.

Property Catastrophe
3 layers

\$7,100,000 excess of \$400,000 ultimate net loss, each loss occurrence. No claim shall be made unless the loss occurrence involves three or more risks.

Aggregate Excess of Loss

100% of the ultimate net loss over and above an initial ultimate net loss equal to 57.5% of the Company's gross net earned premium income, subject to a limit of liability to the reinsurer of \$1,000,000.

In addition, the Company maintains a quota share coverage whereby it cedes 100% of its net retained liability for its equipment breakdown business.

All the Company's cessions in 2018 were to authorized reinsurers.

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 not a member of a holding company system.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2018, 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 | 62% |
| Adjusted liabilities to liquid assets | 35% |
| Two-year overall operating | 70% |

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 | \$13,907,506 | 42.59% |
| Other underwriting expenses incurred | 13,302,512 | 40.73% |
| Net underwriting gain (loss) | <u>5,447,090</u> | <u>16.68%</u> |
| Premiums earned | <u>\$32,657,108</u> | <u>100.00%</u> |

The Company's reported risk-based capital ("RBC") score was 2,242.70% at December 31, 2018. 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.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2018, as reported by the Company:

Assets

| | <u>Assets</u> | <u>Nonadmitted Assets</u> | <u>Net Admitted Assets</u> |
|--|---------------------|-------------------------------|--------------------------------|
| Bonds | \$14,800,551 | \$ 0 | \$14,800,551 |
| Common stocks (stocks) | 3,406,186 | 0 | 3,406,186 |
| Properties occupied by the company | 145,584 | 0 | 145,584 |
| Cash, cash equivalents and short-term investments | 2,114,156 | 0 | 2,114,156 |
| Investment income due and accrued | 123,177 | 0 | 123,177 |
| Uncollected premiums and agents' balances in the course of collection | 120,747 | 10,632 | 110,115 |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 1,752,686 | 11,351 | 1,741,335 |
| Amounts recoverable from reinsurers | 261,351 | 0 | 261,351 |
| Other amounts receivable under reinsurance contracts | 7,300 | 0 | 7,300 |
| Current federal and foreign income tax recoverable and interest thereon | 56,800 | 0 | 56,800 |
| Net deferred tax asset | 48,873 | 0 | 48,873 |
| Electronic data processing equipment and software | 6,959 | 5,761 | 1,198 |
| Furniture and equipment, including healthcare delivery assets | 11,302 | 11,302 | 0 |
| Funds held fair plan | 18,005 | 7,889 | 10,016 |
| Prepaid software maintenance | <u>36,204</u> | <u>36,204</u> | <u>0</u> |
| Total assets | <u>\$22,909,881</u> | <u>\$83,239</u> | <u>\$22,826,642</u> |

Liabilities, surplus and other fundsLiabilities

| | |
|---|----------------|
| Losses and loss adjustment expenses | \$ 2,507,074 |
| Commissions payable, contingent commissions and other similar charges | 858,776 |
| Other expenses (excluding taxes, licenses and fees) | 129,390 |
| Unearned premiums | 4,976,502 |
| Advance premium | 118,292 |
| Ceded reinsurance premiums payable (net of ceding commissions) | 101,768 |
| Amounts withheld or retained by company for account of others | 6,565 |
| Provision for reinsurance | 52,200 |
| Pension obligation | <u>130,226</u> |
| Total liabilities | \$ 8,880,793 |

Surplus and Other Funds

| | |
|--|---------------------|
| Special contingent surplus | \$ 599,426 |
| Unassigned funds (surplus) | <u>13,346,423</u> |
| Surplus as regards policyholders | <u>\$13,945,849</u> |
| Total liabilities, surplus and other funds | <u>\$22,826,642</u> |

Note: The Internal Revenue Service did not audit of the Company's federal income tax returns during the period 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. Statement of Income

The net income for the examination period as reported by the Company was \$5,578,745 as detailed below:

Underwriting Income

| | | |
|--|-------------------|-------------------|
| Premiums earned | | \$32,657,108 |
| Deductions: | | |
| Losses and loss adjustment expenses incurred | \$13,907,506 | |
| Other underwriting expenses incurred | <u>13,302,512</u> | |
| Total underwriting deductions | | <u>27,210,018</u> |
| Net underwriting gain or (loss) | | \$ 5,447,090 |

Investment Income

| | | |
|-------------------------------|----------------|-----------|
| Net investment income earned | \$ 1,213,714 | |
| Net realized capital gain | <u>306,644</u> | |
| Net investment gain or (loss) | | 1,520,358 |

Other Income

| | | |
|---|----------------|---------------------|
| Net gain or (loss) from agents' or premium balances charged off | \$ 10,586 | |
| Finance and service charges not included in premiums | 475,553 | |
| Loss on sale of vehicles | <u>(9,060)</u> | |
| Total other income | | <u>477,079</u> |
| Net income before federal and foreign incomes taxes | | \$7,444,527 |
| Federal and foreign income taxes incurred | | <u>1,865,782</u> |
| Net income | | \$ <u>5,578,745</u> |

C. Capital and Surplus

Surplus as regards policyholders increased \$5,206,103 during the five-year examination period January 1, 2014 through December 31, 2018 as reported by the Company, detailed as follows:

| Surplus as regards policyholders as reported by the Company as of December 31, 2013 | <u>Gains in Surplus</u> | <u>Losses in Surplus</u> | \$ 8,739,713 |
|--|-----------------------------|------------------------------|---------------------|
| Net income | \$5,578,745 | | |
| Net unrealized capital gains or (losses) | 230,963 | | |
| Change in net deferred income tax | 27,313 | | |
| Change in nonadmitted assets | 17,504 | | |
| Change in provision for reinsurance | | \$ 52,200 | |
| Pension obligation | <u>0</u> | <u>596,189</u> | |
| Total gains and losses | \$5,854,525 | \$648,389 | |
| Net increase (decrease) in surplus | | | <u>5,206,136</u> |
| Surplus as regards policyholders as reported by the Company as of December 31, 2018 | | | <u>\$13,945,849</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 \$2,507,074 is the same as reported by the Company as of December 31, 2018. 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. 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>Accounts and Records</u> | |
| i. It was 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 | 9 |
| The Company has complied with this recommendation. | |
| ii. It was 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. | 9 |
| The Company has complied with this recommendation. | |
| B. <u>Market Conduct</u> | |
| It was 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. | 9 |
| The Company has complied with this recommendation. | |
| C. <u>Pension Obligation</u> | |
| It is recommended that the Company comply with paragraph 25 of SSAP No. 102 by non-admitting the Prepaid pension obligation in all future filings with this Department. | 15 |
| The Company has complied with this recommendation. | |

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination contains no comments or recommendations.

Respectfully submitted,

_____/S/_____
Lamin Jammeh
Financial Services Examiner 2

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

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

_____/S/_____
Lamin Jammeh

Subscribed and sworn to before me

this _____ day of _____, 2024.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Linda A. Lacewell, Acting 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:

Lamin Jammeh

as a proper person to examine the affairs of the

Central Co-operative Insurance Company

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 6th day of May, 2019

LINDA A. LACEWELL
Acting Superintendent of Financial Services



By:

Joan P. Riddell

Joan Riddell
Deputy Bureau Chief