



**REPORT ON EXAMINATION  
OF  
WAYNE COOPERATIVE INSURANCE COMPANY  
AS OF DECEMBER 31, 2019**

**EXAMINER:  
DATE OF REPORT:**

**SHEIK MOHAMED  
MARCH 17, 2021**

## TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	2
	A. Corporate governance	3
	B. Territory and plan of operation	4
	C. Reinsurance ceded	6
	D. Holding company system	7
	E. Significant ratios	7
3.	Financial statements	9
	A. Balance sheet	9
	B. Statement of income	11
	C. Capital and surplus	12
4.	Losses and loss adjustment expenses	13
5.	Subsequent events	13
6.	Compliance with prior report on examination	13
7.	Summary of comments and recommendations	13

KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

February 20, 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 32129 dated September 1, 2020, attached hereto, I have made an examination into the condition and affairs of Wayne Cooperative Insurance Company as of December 31, 2019, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Wayne Cooperative 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, 2014. This examination covered the five-year period from January 1, 2015 through December 31, 2019. 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, 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
- Financial statement presentation
- Loss review and analysis
- Significant subsequent events
- Summary of recommendations

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 incorporated under the laws of the State of New York on January 18, 1883, as The Fire Relief Association of Wayne County for the purpose of transacting business as an assessment cooperative fire insurance company in the New York counties of Wayne, Ontario, Seneca, Monroe, and Cayuga.

On June 20, 1980, the Company changed its name to Wayne Cooperative Insurance Company. Effective January 1, 1987, the Company was authorized to write in all counties of New York State, excluding the counties of New York, Kings, Queens, Bronx, and Richmond.

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 15 members. The board meets four times during each calendar year. At December 31, 2019, the board of directors was comprised of the following 13 members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Robert Frank Brisky Lyons, New York	Owner, Parklane Construction, Finger Lakes Garage Door, RB Holdings and 91 Holdings
Clair Joseph Britt, Jr. Lyons, New York	Executive Vice President and Commercial Loan Officer, Lyons National Bank
Kenneth Earl DiSanto Clyde, New York	President and Chief Executive Officer, Clyde Industrial Development Corporation President, Clyde Capital Improvement, LP Owner, Brickoven Restaurant, LLC
Jane Elizabeth Hubbs Clyde, New York	Board Vice Chairperson, Wayne Cooperative Insurance Company
Bradley Edward Keem Baldwinsville, New York	Owner, Keem Appeals, PLLC Independent Contractor, Assistant Conflict Defender Livingston County
Gretta Beth Miles Liverpool, New York	Controller, Carrols Corporation
Michael Walter Palumbos Pittsford, New York	Owner, PS&E LLC and Family Wealth & Legacy, LLC
Jeffrey Wayne Rice Clyde, New York	President and Chief Executive Officer, Wayne Cooperative Insurance Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Wayne Vreeland Rice Clyde, New York	Board Chairman and Treasurer, Wayne Cooperative Insurance Company
William Michael Thompson, Sr. Canandaigua, New York	Owner, Jackson Hewitt Tax Preparation Firm
Michael Alan Virts Wolcott, New York	Operational Consultant, Cahoon Farms Owner, Flex Space, LLC; Oak Park Marina & Resort, LLC; Red Creek Commercial Space, LLC; Sodus Lime & Stone LLC; and Upstate New York Property Development, LLC Real Estate Salesperson, DeAngelis Real Estate, LLC
Richard Adelbert Wadsworth Lyons, New York	Teacher Assistant, Gananda Central School District
Melanie Lipinski Wickham Stanley, New York	Owner, Pick'n Patch and RR Events, LLC

As of December 31, 2019, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Jeffrey Wayne Rice	President and Chief Executive Officer
Kenneth Earl DiSanto	Secretary
Wayne Vreeland Rice	Treasurer
Marsh Joseph Hancock	Executive Vice President
Thomas Joseph Liseno	Vice President, Underwriting
Bryan Jeffrey Rice	Vice President, Chief Technology Officer / Chief Information Security Officer
Laura Marie Harris	Vice President, Consumer Affairs

B. Territory and Plan of Operation

As of December 31, 2019, 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
15	Workers' compensation and employers' liability (excluding workers' compensation)
19	Motor vehicle and aircraft physical damage (excluding aircraft physical damage)
20	Marine and inland marine (inland only)

The Company is also authorized to accept and cede reinsurance as provided in Section 6606 of the Insurance Law of the State of New York insurance as specified in paragraph R of Section 1113(a) 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 \$100,000.

The Company did not assume business during the examination period. The following schedule shows the direct premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Total Direct Premiums</u>
2015	\$15,468,148
2016	\$16,375,413
2017	\$17,045,510
2018	\$17,723,270
2019	\$18,250,489

The Company writes predominantly homeowners' multiple peril, commercial multiple peril and farmowners' multiple peril lines of business, which accounted for 39.0%, 33.0%, and 11.7%, respectively, of the 2019 direct premiums written. The business is produced by approximately 190 independent agents.

C. Reinsurance Ceded

The Company places reinsurance with reinsurers that hold an A.M. Best financial strength rating of A- or higher. There are no significant counter-party risks related to the reinsurance recoverables of the Company. The Company considers its risk appetite and tolerance when determining the reinsurance program.

As of the examination date, the Company has structured its ceded reinsurance program as follows:

Treaty

Cession

Multiple Line Excess of Loss  
(3 layers)

Property - \$1,800,000 excess of \$200,000 each loss, each risk, subject to a maximum Reinsurer's liability of \$2,100,000 ultimate net loss for any one loss occurrence.

Casualty - \$1,800,000 excess of \$200,000 ultimate net loss each loss occurrence, subject to a maximum Reinsurer's liability of \$2,000,000 ultimate net loss each loss occurrence.

Both property and casualty - \$200,000 excess of \$200,000 ultimate net loss each loss occurrence.

Property Per Risk Excess of Loss

\$7,000,000 excess of \$2,000,000 each loss, each risk, provided that the liability of the reinsurers shall not exceed the "Total Sums Insured" (an estimate of the Company's exposure on Business Interruption, Loss of Income and Extra Expense coverages without a stated limit) for each risk times 125% less \$2,000,000. Subject to an aggregate limit of \$21,000,000 ultimate net loss in any one occurrence arising out of or in connection with any Act of Terrorism.

Property Catastrophe

\$14,500,000 excess of \$500,000 ultimate net loss for each loss occurrence.

Property Aggregate Excess of Loss

The Reinsurer shall be liable for the amount by which the Company's aggregate ultimate net losses occurring during the contract term exceed seventy percent (70%) of the Company's net earned premium during the contract term.

Boiler and Machinery

100% cession not exceeding \$25,000,000 any one risk without prior written agreement as respects farmowners' business.

100% cession not exceeding \$100,000 any one risk without prior written agreement as respects



homeowners', mobile home, fire, and landlord business.

Identity Theft

100% of liability for losses covered under the Identity Recovery Coverage form, with a limit of liability to the Reinsurer of \$25,000 as respects each identity recovery insured.

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. All of the ceded business was to authorized reinsurers.

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 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. Holding Company System

As of December 31, 2019, the Company was not a member of a holding company system.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2019, 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	75%
Adjusted liabilities to liquid assets	46%
Two-year overall operating	83%

Underwriting Ratios

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	\$44,920,796	60.51%
Other underwriting expenses incurred	25,026,947	33.71%
Net underwriting gain	<u>4,285,679</u>	<u>5.77%</u>
Premiums earned	<u>\$74,233,422</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 1,385% at December 31, 2019. The RBC 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 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, 2019, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$28,634,075		\$28,634,075
Preferred stocks (stocks)	153,216		153,216
Common stocks (stocks)	3,772,106		3,772,106
Properties occupied by the Company	422,987		422,987
Cash, cash equivalents and short-term investments	2,600,257		2,600,257
Investment income due and accrued	295,469		295,469
Uncollected premiums and agents' balances in the course of collection	139,568		139,568
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,434,868		1,434,868
Current federal and foreign income tax recoverable and interest thereon	250,189		250,189
Net deferred tax asset	367,200		367,200
Electronic data processing equipment and software	132,017	\$ 30,872	101,145
Furniture and equipment, including health care delivery assets	82,119	82,119	0
Company owned life insurance - cash values	<u>1,580,539</u>	<u>0</u>	<u>1,580,539</u>
Total assets	<u>\$39,864,610</u>	<u>\$112,991</u>	<u>\$39,751,619</u>

Liabilities, surplus and other fundsLiabilities

Losses and loss adjustment expenses	\$ 6,657,573
Commissions payable, contingent commissions and other similar charges	748,645
Other expenses (excluding taxes, licenses and fees)	332,071
Unearned premiums	9,454,834
Advance premium	318,683
Ceded reinsurance premiums payable (net of ceding commissions)	9,987
Amounts withheld or retained by company for account of others	379,093
Remittances and items not allocated	<u>14,340</u>
 Total liabilities	 \$17,915,226

Surplus and other funds

Special Contingent Surplus	\$ 150,000
Unassigned funds (surplus)	<u>21,686,393</u>
 Surplus as regards policyholders	 <u>21,836,393</u>
 Total liabilities, surplus and other funds	 <u>\$39,751,619</u>

Note: The Internal Revenue Service has not audited the Company's Federal Income Tax returns since tax year 1986. 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 \$7,737,951, as detailed below:

Underwriting Income

Premiums earned		\$74,233,422
Deductions:		
Losses and loss adjustment expenses incurred	\$44,920,796	
Other underwriting expenses incurred	<u>25,026,947</u>	
Total underwriting deductions		<u>69,947,743</u>
Net underwriting gain		\$ 4,285,679

Investment Income

Net investment income earned	\$ 4,350,419	
Net realized capital gain	<u>133,750</u>	
Net investment gain or (loss)		4,484,169

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ 1,356	
Finance and service charges not included in premiums	1,293,972	
Miscellaneous	18,108	
Change cash value life insurance	<u>320,408</u>	
Total other income		<u>1,633,844</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$10,403,692
Dividends to policyholders		<u>0</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$10,403,692
Federal and foreign income taxes incurred		<u>2,665,741</u>
Net income		\$ <u>7,737,951</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$8,207,762 during the five-year examination period January 1, 2015 through December 31, 2019, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2015	Gains in <u>Surplus</u>	Losses in <u>Surplus</u>	\$13,628,631
Net income	\$7,737,951		
Net unrealized capital gains or (losses)	627,929		
Change in net deferred income tax	0	\$159,500	
Change in nonadmitted assets	<u>1,379</u>	<u>0</u>	
Net increase (decrease) in surplus	<u>\$8,367,262</u>	<u>\$159,500</u>	<u>8,207,762</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2019			<u>\$21,836,393</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 \$6,657,573 is the same as reported by the Company as of December 31, 2019. 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 pandemic presented significant uncertainty to the U.S. and global insurance and reinsurance industry, with the full effect of COVID-19 still unknown. The Department has been in communication with the Company regarding the impact of COVID-19 on its operations and financial position.

**6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION**

There were no comments or recommendations in the prior report on examination.

**7. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report on examination contains no comments or recommendations.

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Sheik H. Mohamed  
Associate Insurance Examiner

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

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

\_\_\_\_\_/S/\_\_\_\_\_  
Sheik H. Mohamed

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 2024.



*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:*

***Sheik Mohamed***

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

***Wayne Cooperative 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 1st day of September, 2020*

*LINDA A. LACEWELL  
Superintendent of Financial Services*

*By:*

*Joan L. Riddell*

*Joan Riddell  
Deputy Bureau Chief*

