



**REPORT ON EXAMINATION  
OF  
FINGER LAKES FIRE AND CASUALTY COMPANY  
AS OF DECEMBER 31, 2019**

**EXAMINER:  
DATE OF REPORT:**

**SHEIK MOHAMED  
JANUARY 14, 2021**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

February 21, 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 32105 dated June 22, 2020, attached hereto, I have made an examination into the condition and affairs of Finger Lakes Fire and Casualty 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 Finger Lakes Fire and Casualty 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

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

Finger Lakes Fire and Casualty Company was incorporated under the laws of the State of New York on January 1, 1876, as the Patrons Fire Relief Company of Seneca County, New York for the purpose of transacting business as a co-operative fire insurance corporation in the counties of Seneca, Ontario and

Schuyler in this state. It became licensed on December 23, 1876 and commenced business on January 1, 1876. On November 14, 1967, the Department issued a certificate approving a change in the name of the Company to Seneca Co-operative Insurance Company.

On November 7, 1985, the Department approved an agreement of merger between the Company and the Finger Lakes Co-operative Insurance Company, with the Company as the surviving corporation. Pursuant to the agreement of merger, the corporate title of the Company was changed to Finger Lakes-Seneca Co-operative Insurance Company, effective January 1, 1986.

Effective June 1, 1994, the Department approved the conversion of the Company into a nonassessable advance premium co-operative and issued the Company's license to do business as an advance premium co-operative.

Effective April 3, 1995, the Department approved the change of the Company's name to Finger Lakes Fire and Casualty 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 seven nor more than 21 members. The board meets four times during each calendar year. At December 31, 2019, the board of directors was comprised of the following nine members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Thomas R. Ball Dryden, New York	President, Chief Executive Officer and Consumer Services Officer, Finger Lakes Fire and Casualty Company
Valerie J. Bassett Interlaken, New York	Retired,
John W. Benedict Burdett, New York	Treasurer and Vice Chairman of the Board, Finger Lakes Fire and Casualty Company
Anthony Iozzo Tully, New York	Auditor II, Office of the New York State Comptroller
Thomas L. Kime Geneva, New York	Chairman of the Board, Finger Lakes Fire and Casualty Company Bank Officer, Lyons National Bank

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Stephen Mastin Canandaigua, New York	IT Director – Technology Infrastructure, CVS Health
Douglas R. Thornton Spencer, New York	Retired,
Ray G. Van De Bogart Willseyville, New York	Retired,
Allan VanDeMark Ithaca, New York	Attorney, Williamson, Clune & Stevens

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

<u>Name</u>	<u>Title</u>
Thomas L. Kime	Chairman of the Board
Thomas R. Ball	President
Marlene K. Stein	Secretary and Vice President
John W. Benedict	Treasurer and Vice Chairman of the Board
Rodney D. Woods	Vice President
Shelly A. Winkleblack	Assistant Vice President

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
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland marine only)

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 \$700,000.

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>
2015	\$11,620,627	\$35,901	\$11,656,528
2016	\$12,065,172	\$ 0	\$12,065,172
2017	\$12,175,451	\$ 0	\$12,175,451
2018	\$12,380,947	\$ 0	\$12,380,947
2019	\$12,376,790	\$ 0	\$12,376,790

The Company writes predominantly commercial multiple peril and homeowners multiple peril lines of business which accounted for 47.0% and 29.4% respectively, of the 2019 direct written business. The Company writes through approximately 111 independent agents.

The assumed premiums in the amount of \$35,901 reported by the Company in 2015 represent state-mandated business assumed from the New York FAIR Plan.

#### 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:

Type of TreatyCessionMultiple line excess of loss1<sup>st</sup> layer

(2 layers)

Property and Inland Marine business:

100% authorized

\$250,000 excess of \$250,000 each risk, each occurrence, subject to a limit from all risks of \$750,000 each occurrence.

Casualty business:

\$250,000 excess of \$250,000 each occurrence.

In the event that there are Property, Inland Marine and Casualty losses involved in the same loss occurrence (provided there is only one Property risk included in the same loss occurrence), the reinsurer shall be liable for \$500,000 excess of \$250,000 of the combined ultimate net loss, each occurrence.

2<sup>nd</sup> layerProperty and Inland Marine business:

\$500,000 excess of \$500,000 each risk, each occurrence, subject to a limit from all risks of \$1,500,000 each loss occurrence.

Casualty business:

\$500,000 excess of \$500,000 each occurrence.

Property per risk excess of loss

\$2,000,000 in excess of \$1,000,000 ultimate net loss as respects each risk, each loss occurrence, subject to an aggregate limit of \$4,000,000 each loss occurrence.

100% authorized

Property catastrophe excess of loss

1<sup>st</sup> layer: \$1,000,000 excess of \$500,000 each loss occurrence, subject to an aggregate limit from all loss occurrences of \$2,000,000 during the term of the agreement.

(2 layers)

2<sup>nd</sup> layer: \$6,000,000 excess of \$1,500,000 each loss occurrence, subject to an aggregate limit of from all loss occurrence of \$12,000,000 during the term of the agreement.

100% authorized

Casualty clash excess of loss

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

100% authorized

Umbrella quota share

1<sup>st</sup> layer – 95% quota share of the first \$1,000,000 net loss, each loss occurrence.

(2 layers)

2<sup>nd</sup> layer – 100% of \$2,000,000 in excess of \$1,000,000 net loss, each loss occurrence.

100% authorized



Boiler and machinery  
100% authorized

100% cession not exceeding \$5,000,000 any one risk without prior written agreement as respects commercial lines.

100% cession not exceeding \$50,000 any one risk without prior written agreement as respects personal lines.

100% cession not exceeding \$10,000 any one risk without prior written agreement as respects underground utility line coverage.

All 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 an attestation from the Company's President and Treasurer and Vice Chairman of the Board 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 any 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	31%
Adjusted liabilities to liquid assets	29%
Two-year overall operating	91%

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>Ratio</u>
Losses and loss adjustment expenses incurred	\$28,155,429	57.10%
Other underwriting expenses incurred	18,069,452	36.64%
Net underwriting gain	<u>3,087,900</u>	<u>6.26%</u>
Premiums earned	<u>\$49,312,781</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 1,853.3% 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	\$23,628,996	\$ 0	\$23,628,996
Preferred stocks	797,899	0	797,899
Common stocks	19,731,362	0	19,731,362
Properties occupied by the company	208,050	0	208,050
Cash, cash equivalents and short-term investments	938,260	0	938,260
Investment income due and accrued	146,989	0	146,989
Uncollected premiums and agents' balances in the course of collection	586,320	58	586,262
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,720,687	0	1,720,687
Amounts recoverable from reinsurers	121,551	0	121,551
Current federal and foreign income tax recoverable and interest thereon	330,763	0	330,763
Electronic data processing equipment and software	7,961	0	7,961
Furniture and equipment, including health care delivery assets	79,429	79,429	0
Cash value of life insurance	202,769	0	202,769
Equities and deposits in pools and associations	<u>29,850</u>	<u>0</u>	<u>29,850</u>
Total assets	<u>\$48,530,886</u>	<u>\$79,487</u>	<u>\$48,451,399</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 5,537,690
Commissions payable, contingent commissions and other similar charges	792,101
Other expenses (excluding taxes, licenses and fees)	397,563
Taxes, licenses and fees (excluding federal and foreign income taxes)	25,586
Net deferred tax liability	1,376,400
Unearned premiums	6,330,189
Advance premium	180,003
Ceded reinsurance premiums payable (net of ceding commissions)	48,900
Amounts withheld or retained by company for account of others	<u>6,836</u>
 Total liabilities	 \$14,695,268

Surplus and Other Funds

Special contingent surplus – Article 41 and 4109	\$ 650,000
Unassigned funds (surplus)	<u>33,106,131</u>
 Surplus as regards policyholders	 <u>\$33,756,131</u>
 Total liabilities, surplus and other funds	 <u>\$48,451,399</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2015 through 2019. 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 \$6,000,602, as detailed below:

Underwriting Income

Premiums earned		\$49,312,781
Deductions:		
Losses and loss adjustment expenses incurred	\$28,155,429	
Other underwriting expenses incurred	<u>18,069,452</u>	
Total underwriting deductions		<u>46,224,881</u>
Net underwriting gain or (loss)		\$ 3,087,900

Investment Income

Net investment income earned	\$ 3,436,034	
Net realized capital gain	<u>667,552</u>	
Net investment gain or (loss)		4,103,586

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (104,485)	
Finance and service charges not included in premiums	789,490	
Miscellaneous	86,854	
Gain on Sale of Fixed Assets	<u>10,381</u>	
Total other income or (loss)		<u>782,240</u>
Net income before dividends to policyholders and before federal income taxes		\$ 7,973,726
Dividends to policyholders		<u>0</u>
Net income after dividends to policyholders but before federal income taxes		\$ 7,973,726
Federal and foreign income taxes incurred		<u>1,973,124</u>
Net income		\$ <u>6,000,602</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$9,826,703 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, 2014			\$23,929,428
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$ 6,000,602		
Net unrealized capital gains or (losses)	4,014,342		
Change in net deferred income tax	0	\$146,400	
Change in nonadmitted assets	<u>0</u>	<u>41,841</u>	
Total gains and losses	<u>\$10,014,944</u>	<u>\$188,241</u>	
Net increase (decrease) in surplus			<u>9,826,703</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2019			<u>\$33,756,131</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 \$5,537,690 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.

The reserves were concentrated in the commercial multiple peril (77.1%) and homeowners/farmowners (26.3%) lines of business.

## 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

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>Corporate Governance</u> It was recommended that the Company maintain conflict of interest statements for each year subject to examination and have it available for examination review.  The Company has complied with this recommendation.	4
B. <u>Accounts and Records</u>	
i. It was recommended that the Company make the required disclosures regarding unsecured reinsurance recoverables in future filed annual statements to comply with SSAP No. 62R and the NAIC annual statement instructions.  The Company has complied with this recommendation.	8
ii. It was recommended that the Company properly classify its bonds on Schedule D of its annual statement pursuant to the NAIC annual statement instructions and the Purposes and Procedures Manual of the NAIC Investment Analysis Office.  The Company has complied with this recommendation.	9
iii. It was recommended that the Company maintain trade tickets for bond purchases and exercise greater care when completing its annual and quarterly statements filed with the Department. Also, it is recommended that the Company amortize bond premiums according to SSAP No. 26 Paragraph 6.  The Company has complied with this recommendation.	9

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report 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*

***Finger Lakes Fire and Casualty 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 22nd day of June, 2020*

*LINDA A. LACEWELL  
Superintendent of Financial Services*

*By:*

*Joan L. Riddell*

*Joan Riddell  
Deputy Bureau Chief*

