



**REPORT ON EXAMINATION  
OF  
UTICA FIRST INSURANCE COMPANY  
AS OF DECEMBER 31, 2022**

**EXAMINER:  
DATE OF REPORT:**

**JIAWEI YE  
DECEMBER 13, 2023**

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KATHY HOCHUL  
Governor



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ADRIENNE A. HARRIS  
Superintendent

December 13, 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 32472 dated February 8, 2023, attached hereto, I have made an examination into the condition and affairs of Utica First Insurance Company as of December 31, 2022, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Utica First 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 Utica First Insurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2017. This examination covered the five-year period from January 1, 2018 through December 31, 2022. 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
- Holding company description
- 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 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

Utica First Insurance Company was organized under the laws of the State of New York on November 18, 1903 as the Utica First Insurance Company of Oneida County N.Y. It became licensed and commenced business on November 18, 1903.

On March 1, 1942, the Company was authorized to issue non-assessable policies.

Under Agreements of Merger approved by this Department, the Company merged with the Colonial Co-operative Fire Insurance Company, of Newburgh, New York, and the Dwelling Insurance Association of Central New York, of Ilion, New York in 1941 and 1956, respectively, under the title and charter of Utica Fire Insurance Company of Oneida County N.Y.

Effective January 1, 1994, the Company was authorized by this Department to adopt its current name.

### 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. On December 31, 2022, the board of directors was comprised of the following ten members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Gregory Peter Evans Clinton, New York	Chief Executive Officer, Indium Corp.
Lawrence Michael Fitzgerald New Hartford, New York	Consultant, Fitzgerald, DePietro & Wojnas
Kirk Buol Hinman Rome, New York	Retired
Camille Tauroney Kahler Rome, New York	Partner, Saunders Kahler, LLP
James Patrick McCarthy Fayetteville, New York	President, Northland Communications

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Scott Andrew Shatraw Clinton, New York	President and Chief Executive Officer, Utica First Insurance Company
Louis Bashier Tehan Utica, New York	Retired
Randall Jay VanWagoner New Hartford, New York	President, Mohawk Valley Community College
Eve M Van De Wal New Hartford, New York	President, Excellus BlueCross BlueShield
John Adam Zawadzki Manlius, New York	Retired

As of December 31, 2022, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Scott Andrew Shatraw	President, Chief Executive Officer, and Treasure
Francis Xavier Matt III	Secretary
Kyle Clark Burch	Vice President
David Bruce Jarvis	Vice President
Melissa Lynn Mann	Vice President
John Christopher Burns	Vice President
Shawn Michael Kain	Vice President
Michael Elliott Siedlecki	Vice President

B. Territory and Plan of Operation

As of December 31, 2022, the Company was licensed to write business in the following ten states: Connecticut, Florida, Maryland, Massachusetts, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, and Virginia.

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

<u>Paragraph</u>	<u>Line of Business</u>
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
12	Collision
13	Personal injury liability
14	Property damage liability
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland only)

In accordance with Section 6606 of the New York Insurance Law, the Company may also accept and cede reinsurance of the kind or kinds of insurance it is licensed to do directly.

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 \$1,200,000.

The following schedule shows the direct premiums written 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>
2018	\$175,385,057	\$65,523	\$175,450,580
2019	\$194,007,166	\$62,394	\$194,069,560
2020	\$211,106,118	\$58,178	\$211,164,296
2021	\$223,285,133	\$48,152	\$223,333,285
2022	\$226,511,906	\$53,741	\$226,565,647

The Company primarily provides commercial multiple perils products to businessowners including artisan contractors, restaurants, auto repair shops, and other various types of small businessowners. It also provides personal line products to homeowners, condominium owners, apartment owners, and tenants/renters. The commercial multiple peril and the homeowners multiple peril lines of business account for 81% and 16%, respectively, of the 2022 total direct written premium. The Company provides these products through agents and agency networks in multiple states, including, but not limited to, New York, New Jersey, Connecticut, Pennsylvania, and Massachusetts.

### C. Reinsurance Ceded

As of December 31, 2022, the Company primarily utilized excess of loss contracts in its reinsurance program to limit any one risk to \$300,000. The Company structured its 2022 ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Multi-Peril Lines (both Property and Casualty)</u> <u>Multi-Line Excess of Loss</u>	For Property (three layers): covers \$3,700,000 in excess of \$300,000 each and every risk; For Casualty (excluding businessowner policies with limit of \$2,000,000, four layers): covers \$4,700,000 in excess of \$300,000 each occurrence; For Casualty (Businessowner policies with limit of \$2,000,000; four layers): covers \$5,700,000 in excess of \$300,000 each occurrence.
<u>Property Lines</u> <u>Property Catastrophe Excess of Loss</u> (five layers)	Covers loss up to \$178,000,000 in excess of \$5,000,000, with additional retention of \$5,000,000, if the occurrence reaches the fifth layer.
<u>Terrorism Property Excess of Loss</u>	Covers \$25,000,000 in excess of \$5,000,000 each loss occurrence.
<u>Businessowner Property Per Risk Automatic</u> <u>Facultative</u>	Covers any businessowner property loss up to \$9,000,000 in excess of \$1,000,000 each risk, each loss.
<u>Casualty Lines</u> <u>Casualty Excess and Umbrella Quota Share</u>	Covers the 95% of the first \$1,000,000, and any net losses in excess of \$1,000,000, up to \$5,000,000 as respects any one policy, any one occurrence.
<u>Umbrella Facultative</u>	Covers up to 95% of the first \$1,000,000 and 100% up to \$4,000,000 in excess of the first \$1,000,000 loss under policies classified by the Company as Personal, Farm, and Commercial Umbrella Liability.
<u>Cyber Liability Quota Share</u>	Covers 100% of losses, loss adjustment expenses and extra contractual obligations under insurance endorsements classified by the Company as cyber liability.



<u>Type of Treaty</u>	<u>Cession</u>
<u>Equipment Breakdown (Commercial)</u>	Covers 100% of the equipment breakdown liability as respects accidents and electronic circuitry impairments up to \$20,000,000 for any one accident and/or any one electronic circuitry impairment, any one policy.
<u>Equipment Breakdown (Personal)</u>	Covers 100% of the equipment breakdown endorsements to homeowners' insurance policies up to \$100,000 on any one risk.
<u>Data Compromise, Employment Practices Liability, and Identity Recovery Coverage</u>	Covers 100% of the gross liability for losses covered under the data compromise coverage form, the employment practices liability insurance coverage endorsement, and the identity recovery coverage endorsement.

As of December 31, 2022, a majority of the Company's ceded reinsurance was to authorized reinsurers. There is no significant change in the mix of cession to authorized and unauthorized companies.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. No material exceptions were noted.

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 following operating ratios, computed as of December 31, 2022, 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	112%
Adjusted liabilities to liquid assets	66%

The Company's two-year overall operating ratio of 103% fell outside the benchmark range.

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	\$453,857,743	77.11%
Other underwriting expenses incurred	182,503,162	31.00%
Net underwriting gain (loss)	<u>(47,743,683)</u>	<u>(8.11)%</u>
Premiums earned	<u>\$588,617,222</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 541.3% at December 31, 2022. 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, 2022, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$216,523,076	\$0	\$216,523,076
Common stocks (stocks)	65,859,254	0	65,859,254
Properties occupied by the company	5,582,665	0	5,582,665
Cash, cash equivalents and short-term investments	18,262,401	0	18,262,401
Investment income due and accrued	1,718,723	0	1,718,723
Uncollected premiums and agents' balances in the course of collection	9,028,263	371,124	8,657,139
Deferred premiums, agents' balances and installments booked but deferred and not yet due	39,304,645	0	39,304,645
Amounts recoverable from reinsurers	18,588,658	0	18,588,658
Current federal and foreign income tax recoverable and interest thereon	2,255,700	0	2,255,700
Net deferred tax asset	4,589,316	0	4,589,316
Electronic data processing equipment and software	98,831	0	98,831
Furniture and equipment, including health care delivery assets	1,042,137	1,042,137	0
Key man life insurance cash surrender value	892,378	0	892,378
FAIR Plan/NAMICO Assets	873,155	74,801	798,354
Miscellaneous Assets	525,973	525,973	0
FAIR Plan Assessment	<u>224,169</u>	<u>0</u>	<u>224,169</u>
Total assets	<u>\$385,369,344</u>	<u>\$2,014,035</u>	<u>\$383,355,309</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$140,856,113
Commissions payable, contingent commissions and other similar charges	5,109,053
Other expenses (excluding taxes, licenses and fees)	3,214,793
Taxes, licenses and fees (excluding federal and foreign income taxes)	860,858
Unearned premiums	82,857,877
Advance premium	1,948,990
Ceded reinsurance premiums payable (net of ceding commissions)	1,723,759
Funds held by company under reinsurance treaties	52,800
Amounts withheld or retained by company for account of others	475,888
Remittances and items not allocated	9,990
Provision for reinsurance	344,000
Reserve for outstanding stale dated checks written off	281,491
Reinsurers in liquidation – Amounts held	<u>620</u>
Total liabilities	\$237,736,232

Surplus and Other Funds

Special contingent surplus	\$ 1,200,000
Surplus notes	6,000,000
Unassigned funds (surplus)	<u>138,419,077</u>
Surplus as regards policyholders	<u>145,619,077</u>
Total liabilities, surplus and other funds	<u>\$383,355,309</u>

Note: The Internal Revenue Service has completed its audits of the Company's federal income tax returns through tax year 2011. There were no material adjustments, if any, made subsequent to the date of examination and arising from said audits. The Internal Revenue Service has not audited tax returns covering tax years 2012 through 2022. 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 \$4,379,294, as detailed below:

Underwriting Income

Premiums earned		\$588,617,222
Deductions:		
Losses and loss adjustment expenses incurred	\$453,857,743	
Other underwriting expenses incurred	<u>182,503,162</u>	
Total underwriting deductions		<u>636,360,905</u>
Net underwriting gain or (loss)		\$(47,743,683)

Investment Income

Net investment income earned	\$ 32,912,382	
Net realized capital gain	<u>13,343,274</u>	
Net investment gain or (loss)		46,255,656

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (4,644,592)	
Finance and service charges not included in premiums	5,783,628	
Miscellaneous income	<u>1,605,480</u>	
Total other income		<u>2,744,516</u>
Net income before federal and foreign income taxes		\$ 1,256,489
Federal and foreign income taxes incurred		<u>(3,122,805)</u>
Net income		\$ <u>4,379,294</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$3,082,878 during the five-year examination period January 1, 2018 through December 31, 2022, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2017			\$142,536,199
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$4,379,294		
Net unrealized capital gains or losses		\$2,306,598	
Change in net deferred income tax	1,452,120		
Change in nonadmitted assets	197,684		
Change in provision for reinsurance		344,000	
Change in surplus notes		1,000,000	
Cumulative effect of changes in accounting Principles	<u>704,378</u>	<u>0</u>	
Total gains and losses	\$6,733,476	\$3,650,598	
Net increase (decrease) in surplus			<u>3,082,878</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2022			<u>\$145,619,077</u>

No adjustments were made to surplus as a result of this examination.

On December 4, 2002, the Company issued a surplus note in the amount of \$7,000,000. The term of the note is 30 years, and the interest rate is floating, not to exceed 12.5%. Pursuant to Section 1307 of the New York Insurance Law, interest and principal payments on the surplus note may only be made with the prior approval of the Superintendent. The Company received approval from the Department to pay down \$3,500,000 of principal and made the payment in 2008. In 2017, the Company received approval from the Department to pay down \$500,000 in principal and made the payment. During the examination period, the Company received approval to pay down \$500,000 of principal in 2019, and, again in 2022, and the Company made both payments.

Additionally, on September 15, 2005, the Company issued a surplus note in the amount of \$4,000,000. The term of this note is 30 years, and the interest rate was fixed at 8.08% for the first seven

years and then changed to a floating rate. Pursuant to Section 1307 of the New York Insurance Law, interest and principal payments on the surplus note may only be made with the prior approval of the Superintendent.

#### 4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$140,856,113 is the same as reported by the Company as of December 31, 2022. 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 one recommendation as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Corporate Governance</u></p> <p>It was recommended that the Company exercise due diligence in filing its Annual Statements and include accurate members of the Board of Directors.</p> <p>The Company has complied with this recommendation.</p>	<p>4</p>

#### 6. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Jiawei Ye  
Financial Services Examiner 2

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

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

\_\_\_\_\_/S/\_\_\_\_\_  
Jiawei Ye

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2024.



*APPOINTMENT NO. 32472*

*NEW YORK STATE*

***DEPARTMENT OF FINANCIAL SERVICES***

*I, Adrienne A. Harris, 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:*

***Jiawei Ye***

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

***Utica First 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 8th day of February 2023*

*ADRIENNE A. HARRIS  
Superintendent of Financial Services*

*By:*

*Joan Riddell*

*Joan Riddell  
Deputy Bureau Chief*

