



**REPORT ON EXAMINATION  
OF  
DRYDEN MUTUAL INSURANCE COMPANY  
AS OF DECEMBER 31, 2022**

**EXAMINER:  
DATE OF REPORT:**

**SABU CHERIAN  
DATE: MAY 16, 2024**

## 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	12
7.	Compliance with prior report on examination	12
8.	Summary of comments and recommendations	13

KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

May 16, 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 32477 dated February 8, 2023, attached hereto, I have made an examination into the condition and affairs of Dryden Mutual 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 Dryden Mutual 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 Dryden Mutual Insurance Company, a multi-state insurer. The Company is licensed in New York only; however, it is considered a multi-state insurer as it assumes reinsurance business that covers risks residing in states other than New York. The previous examination was conducted as of December 31, 2022. 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

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

Dryden Mutual Insurance Company became licensed on March 28, 1860, and commenced business on May 7, 1860. The Company was incorporated under the laws of the State of New York on December 14, 1910, as the Dryden and Groton Mutual Fire Insurance Company for the purposes of transacting

business as an assessment cooperative fire insurance association in the towns of Dryden and Groton, Tompkins County, New York. On April 1, 1984, the Company converted to an advance premium corporation and changed its name to Dryden Mutual 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 seven nor more than 15 members. The board meets four times during each calendar year. At December 31, 2022, the board of directors was comprised of the following 13 members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Jacob Carlin Centerville, Massachusetts	Retired
Jerome Frederick Denton Dundee, New York	Retired
Mark Joseph Hagan Penn Yan, New York	Member, Hagan Consulting, LLC
Madelyn Hale Hornstein Syracuse, New York	Member, Dermody, Burke & Brown, CPAs, LLC
William James Kaminski Romulus, New York	Retired
Frank J. Lamphier Locke, New York	Retired
Matthew Joseph McSherry Cortland, New York	Partner, Port, Kashdin & McSherry
William Joseph Simmons Syracuse, New York	Executive Director, Syracuse Housing Authority
Kevin Michael Smith Geneva, New York	Retired
Peter John Vercillo Syracuse, New York	President and Chief Executive Officer, Dryden Mutual Insurance Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Jeffrey Martin Wesche Ithaca, New York	IT Enterprise Architect, Tompkins Financial Corp
Gary Lee Wood Dryden, New York	Retired
Briana Kristine Wright Syracuse, New York	Partner, Hancock Estabrook, LLP

It was noted that the Company's filed annual statement and quarterly statements did not list Matthew Joseph McSherry as a board director of the Company under "Directors or Trustees" of the Jurat Page. Subsequent to the examination date, the Company refiled the 2022 Annual Statement Jurat Page, therefore a recommendation will not be made.

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

<u>Name</u>	<u>Title</u>
Peter John Vercillo	President and Chief Executive Officer
Matthew Joseph McSherry	Chairman of the Board
Gary Lee Wood	Secretary and Treasurer
Samuel John Crisalli	Vice President and Claims Manager
Scott Zachary Prasek	Vice President of IT and CIO
Laurie Lee Horton	Vice President and Underwriting Manager
Janet Wassenaar Johnson	Vice President and Chief Financial Officer
Shelley Arlene Mancini	Assistant Vice President and Product Development Manager

B. Territory and Plan of Operation

As of December 31, 2022, 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

<u>Paragraph</u>	<u>Line of Business</u>
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland only)

The Company was 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 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$625,000.

The following schedule shows the direct written premiums 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	\$66,923,324	\$637,688	\$67,561,012
2019	\$71,074,116	\$714,381	\$71,788,497
2020	\$74,444,630	\$742,881	\$75,187,511
2021	\$81,325,205	\$821,993	\$82,147,198
2022	\$91,457,026	\$958,484	\$92,415,510

The major product lines written as of December 31, 2022, were in commercial multiple peril, homeowner's multiple peril, fire, and other liability-occurrence which accounted for 52.61%, 19.1%, 11.62%, and 8.97% respectively. The other-occurrence product lines include fire liability coverage attached to commercial, and residential policies. The Company's business is produced through 297 agents throughout New York State.

Assumed reinsurance accounted for approximately 1.04% of the Company's gross premium written as of December 31, 2022. The Company is obligated to assume pooled financial risk on a certain layering order due to its participation in the National Association of Mutual Insurance Companies' Director and Officers and Insurance Company Professional Liability Programs. Since the Company participates and

purchases catastrophe reinsurance from the Mutual Reinsurance Bureau, it is obligated to assume pooled property catastrophe risk.

C. Reinsurance Ceded

The Company places reinsurance with reinsurers that hold an A. M. Best financial rating of A- or higher.

The Company has structured its ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Property Excess of Loss</u> (2 layers)	\$4,000,000 excess of \$1,000,000 of ultimate net loss as respects each risk in any one loss occurrence, limit \$8,000,000 all risks in each loss occurrence.
<u>Casualty Excess of Loss</u>	\$1,000,000 excess of \$1,000,000 ultimate net loss as respects any one loss occurrence. This coverage applies to policies with a \$2,000,000 per occurrence limit.
<u>Property Catastrophe Excess of Loss</u> (4 layers)	\$55,000,000 excess of \$5,000,000 ultimate net loss in any one loss occurrence with a total annual aggregate loss limit of \$55,000,000. This coverage applies only to policies issued by the Company and, as respects the Company's share of the New York Fair plan losses only, policies issued by the New York Property Insurance Underwriting Association.
<u>Equipment breakdown 100% quota share</u>	\$100,000,000 on any one risk as respects commercial multi-peril policies.

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, 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	41%
Adjusted liabilities to liquid assets	36%
Two-year overall operating	84%

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	\$164,727,067	44.95%
Other underwriting expenses incurred	162,368,839	44.30
Net underwriting gain (loss)	<u>39,405,727</u>	<u>10.75</u>
Premiums earned	<u>\$366,501,633</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 1,734.1% at December 31, 2022. 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, 2022, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$216,941,236	\$ 0	\$216,941,236
Preferred stocks (stocks)	985,000	0	985,000
Common stocks (stocks)	62,601,805	0	62,601,805
Properties occupied by the company	1,293,615	0	1,293,615
Cash, cash equivalents and short-term investments	16,895,002	0	16,895,002
Other invested assets	81,311	81,311	0
Investment income due and accrued	2,030,727	0	2,030,727
Uncollected premiums and agents' balances in the course of collection	3,370,035	359,590	3,010,445
Deferred premiums, agents' balances and installments booked but deferred and not yet due	15,443,491	0	15,443,491
Funds held by or deposited with reinsured companies	761,102	0	761,102
Other amounts receivable under reinsurance contracts	(7,778)	0	(7,778)
Current federal and foreign income tax recoverable and interest thereon	133,059	0	133,059
Net deferred tax asset	922,769	0	922,769
Electronic data processing equipment and software	172,831	147,215	25,616
Furniture and equipment, including health care delivery assets	327,638	327,638	0
Equities and Pools Association	51,543		51,543
Company Owned Life Insurance	<u>25,156,523</u>	<u>0</u>	<u>25,156,523</u>
Total assets	<u>\$347,159,909</u>	<u>\$915,754</u>	<u>\$346,244,155</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and Loss Adjustment Expenses	\$ 60,332,222
Commissions payable, contingent commissions and other similar charges	6,067,401
Other expenses (excluding taxes, licenses and fees)	1,255,879
Taxes, licenses and fees (excluding federal and foreign income taxes)	160,126
Unearned premiums	46,364,869
Advance premium	787,295
Ceded reinsurance premiums payable (net of ceding commissions)	685,326
Amounts withheld or retained by company for account of others	1,562,829
Retiree Health Benefits Liability	<u>6,388,937</u>
 Total liabilities	 \$123,604,884

Surplus and Other Funds

Special Surplus Funds	\$ 650,000
Unassigned funds (surplus)	<u>221,989,272</u>
 Surplus as regards policyholders	 <u>\$222,639,272</u>
 Total liabilities, surplus and other funds	 <u>\$346,244,156</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2018 and 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 \$64,520,558, as detailed below:

Underwriting Income

Premiums earned		\$366,501,633
Deductions:		
Losses and loss adjustment expenses incurred	\$164,727,067	
Other underwriting expenses incurred	162,368,839	
Total underwriting deductions		<u>327,095,906</u>
Net underwriting gain or (loss)		\$ 39,405,727

Investment Income

Net investment income earned	\$ 24,471,388	
Net realized capital gain	<u>9,280,392</u>	
Net investment gain or (loss)		\$ 33,751,780

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (1,054,631)	
Finance and service charges not included in premiums	3,963,495	
Company Owned Life Insurance Interest	<u>3,302,178</u>	
Total other income		<u>6,211,042</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$ 79,368,549
Net income after dividends to policyholders but before federal and foreign income taxes		\$ 79,368,549
Federal and foreign income taxes incurred		<u>14,847,991</u>
Net income		\$ <u>64,520,558</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$77,943,365 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			\$144,695,907
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$64,520,559*		
Net unrealized capital gains or (losses)	4,487,124		
Change in net deferred income tax	1,906,013		
Change in nonadmitted assets	2,664,066		
Change in Retiree Health Benefits Liability	<u>4,365,603</u>	\$0	
Total gains and losses	\$ 77,943,365	\$0	
Net increase (decrease) in surplus			<u>77,943,365</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2022			<u>\$222,639,272</u>

\*Rounding difference of \$1

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 \$60,332,222 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. The reserves are concentrated in the commercial multiple peril line of business.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained no recommendations.

**6. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report on examination does not contain any recommendations.

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Sabu Cherian  
Senior Insurance Examiner

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

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

\_\_\_\_\_/S/\_\_\_\_\_  
Sabu Cherian

Subscribed and sworn to before me

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



*APPOINTMENT NO. 32477*

*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:*

***Sabu Cherian***

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

***Dryden Mutual 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*

