



**REPORT ON EXAMINATION
OF
NORTH COUNTRY INSURANCE COMPANY
AS OF DECEMBER 31, 2022**

**EXAMINER:
DATE OF REPORT:**

**SHEIK H. MOHAMED
AUGUST 2, 2023**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

April 3, 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 32457 dated October 26, 2022, attached hereto, I have made an examination into the condition and affairs of North Country 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 North Country 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 North Country Insurance Company, a single-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

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

North Country Insurance Company was incorporated under the laws of the State of New York on May 2, 1877, and commenced business on August 21, 1877, as the Jefferson County Patron’s Fire Relief Association, for the purpose of transacting business as an assessment cooperative fire insurance association in Jefferson and Lewis Counties, New York.

On March 6, 1958, this Department issued a certificate changing the Association's corporate title to the North Country Co-operative Insurance Company.

The North Country Co-operative Insurance Company merged with the Oneida County Grange Cooperative Fire Insurance Company as approved by this Department on February 2, 1961, to be effective November 30, 1960.

Effective January 1, 1984, the North Country Co-operative Insurance Company merged with the Adirondack Co-operative Insurance Company under a new corporate name, the North Country Adirondack Cooperative Insurance Company ("NCACIC"). On January 1, 1985, NCACIC merged with The Farmers' Fire and Lightning Insurance Company of Oneida County, New York. On January 1, 1987, NCACIC merged with the Westmoreland Co-operative Insurance Association.

Effective October 1, 1991, NCACIC merged with the St. Lawrence County Farmers Insurance Company and adopted its current corporate name, North Country Insurance Company.

On September 1, 1996, the Company converted from an assessment co-operative company to an advance premium company. On January 1, 1997, the Company merged with Chenango Mutual Insurance Company, and on January 1, 1998, it merged with Heritage Mutual Insurance Company. North Country Insurance Company was the surviving company in both mergers.

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 twenty-one members. The board meets at least four times during each calendar year. At December 31, 2022, the board of directors was comprised of the following eight members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Neil Raymond Bartle Oxford, New York	President and Chief Executive Officer, Blueox Energy Products & Services
Cora Arlinda Donahue Westernville, New York	Corporate Secretary, North Country Insurance Company
William Ronald Jesmore Evans Mills, New York	Certified Public Accountant, Jesmore and Associates

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Marc Edgar Ladouceur Watertown, New York	President and Chief Executive Officer, North Country Insurance Company
Michelle Danine Pfaff Dexter, New York	Retired
Robert James Sharlow Wellesley Island, New York	Retired
Arthur Chapman Stever, III Watertown, New York	Retired
John Martin Wicke Massena, New York	Director of Strategic Alliances, State University of New York, Potsdam

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

<u>Name</u>	<u>Title</u>
Marc Edgar Ladouceur	President and Chief Executive Officer
Cora Arlinda Donahue	Secretary
Stephen James Duflo	Treasurer
Neil Raymond Bartle	Vice President

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
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 only)

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 \$650,000.

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

<u>Calendar Year</u>	<u>Total Direct Premiums</u>
2018	\$8,839,090
2019	\$9,048,742
2020	\$8,849,314
2021	\$8,935,826
2022	\$9,161,353

The Company did not assume any business during the period under examination.

The major lines of business written by the Company are homeowners' multi-peril, commercial multi-peril (non-liability portion), commercial multi-peril (liability portion), and farmowners', which accounted for approximately 48.8%, 29.2%, 7%, and 6.9%, respectively, of the 2022 direct written premiums. The Company writes business through approximately 83 active independent agencies located throughout New York.

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.

The Company has structured its ceded reinsurance program as follows:

Treaty

Property and casualty excess of loss

Property coverage

Cession

\$1,075,000 excess of \$225,000 ultimate net loss, each loss, each risk, subject to a limit of liability of \$3,225,000 each loss occurrence.

Casualty coverage	\$1,825,000 excess of \$225,000 ultimate net loss, each loss occurrence.
Casualty and property combined	In the event of a loss occurrence involving one or more property policy and one or more casualty policy: \$225,000 excess of \$225,000 ultimate net loss, each loss occurrence.
<u>Casualty clash excess of loss</u>	\$1,000,000 excess of \$2,050,000 ultimate net loss, each loss occurrence.
<u>Property catastrophe excess of loss</u>	Unlimited excess of \$500,000 ultimate net loss, each loss occurrence. Second event – 100% in excess of \$250,000, per occurrence.
<u>Equipment breakdown 100% quota share</u>	100% of the Company's net retained liability subject to a limit as follows: \$10,000,000 on any one commercial multi-peril or farmowners' risk, \$50,000 on any one homeowners' risk, and \$10,000 any one risk service lines coverage.

All of the business was ceded to authorized reinsurers, and the cessions to authorized companies remained the same since the last examination.

Facultative property coverage is maintained whereby maximum cessions are limited to \$2,500,000 on any one risk, subject to a minimum net retention of \$100,000. For perils other than fire, whenever the Company carries fire liability upon the same risk, it shall cede at least an equal proportion of such fire liability to the contract.

Facultative casualty coverage is also maintained in excess of \$1,000,000 each loss occurrence, each policy, subject to a limit of liability of \$1,000,000 each loss occurrence, each policy and shall not exceed an annual aggregate limit of \$2,000,000 inclusive of loss adjustment expense for all acts of terrorism.

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 Accounting Manager 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; however, as of December 31, 2022, the Company had a wholly-owned subsidiary, Rices Road Corporation (“RRC”). RRC owns the office building, which serves as the Company’s home office in Watertown, New York.

At December 31, 2022, the Company was party to the following agreements with RRC:

Tax Allocation Agreement

Effective January 1, 2008, the Company and RRC entered into a tax allocation agreement to file a consolidated tax return. The agreement stipulates that each entity prepare and furnish a computation of their respective separate federal income tax liability. The agreement was filed with the Department and was non-objected to per letter dated October 26, 2009.

Service Agreement

Effective January 1, 2009, the Company and RRC entered into a service agreement whereby the Company provides accounting, realtor and rental services, and maintenance services to RRC. RRC reimburses the Company based on the actual cost of time and materials needed to complete each service. RRC, in turn, provides rental space to the Company, wherein the Company pays rent on a monthly basis at a fair and equitable rate. The agreement was filed with the Department and was non-objected to per letter dated October 29, 2009.

Lease Agreement

Effective January 1, 2021, the Company and RRC entered into a lease agreement whereby RRC leases to the Company a portion of the premises located at 21170 NYS Route 232, Town of Watertown,

Jefferson County, New York, to be used as business offices. The term of the lease is for a period of five years, which commenced on January 1, 2021, and terminates on December 31, 2025.

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	30%
Adjusted liabilities to liquid assets	28%
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	\$19,262,912	48.42%
Other underwriting expenses incurred	15,611,252	39.24%
Net underwriting gain (loss)	<u>4,908,559</u>	<u>12.34%</u>
Premiums earned	<u>\$39,782,723</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 3,431% 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	\$24,111,250	\$ 0	\$24,111,250
Preferred stocks	91,590	0	91,590
Common stocks	6,144,902	0	6,144,902
Cash, cash equivalents and short-term investments	5,640,497	0	5,640,497
Investment income due and accrued	215,101	0	215,101
Uncollected premiums and agents' balances in the course of collection	161,412	0	161,412
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,123,019	0	1,123,019
Amounts recoverable from reinsurers	105,995	0	105,995
Current federal and foreign income tax recoverable and interest thereon	174,459	0	174,459
Net deferred tax asset	223,438	0	223,438
Electronic data processing equipment and software	14,471	0	14,471
Furniture and equipment, including health care delivery assets	201	201	0
Cash value life insurance	599,312	0	599,312
Equities and deposits in pools and associations	61,710	0	61,710
Deposit on reinsurance	<u>(52,013)</u>	<u>0</u>	<u>(52,013)</u>
Total assets	<u>\$38,615,344</u>	<u>\$201</u>	<u>\$38,615,143</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 4,684,105
Commissions payable, contingent commissions and other similar charges	400,726
Other expenses (excluding taxes, licenses and fees)	316,920
Unearned premiums	4,668,432
Advance premium	131,850
Ceded reinsurance premiums payable (net of ceding commissions)	41,668
Amounts withheld or retained by company for account of others	13,346
Remittances and items not allocated	16
Deferred compensation obligation	<u>619,060</u>
 Total liabilities	 \$10,876,123

Surplus and Other Funds

Special contingent surplus	\$ 650,000
Unassigned funds (surplus)	<u>27,089,020</u>
 Surplus as regards policyholders	 <u>\$27,739,020</u>
 Total liabilities, surplus and other funds	 <u>\$38,615,143</u>

Note: The Internal Revenue Service did not audit the Company's consolidated Federal Income Tax returns covering tax years 2018 through 2021. 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 \$7,112,742, as detailed below:

Underwriting Income

Premiums earned		\$39,782,723
Deductions:		
Losses and loss adjustment expenses incurred	\$19,262,912	
Other underwriting expenses incurred	<u>15,611,252</u>	
Total underwriting deductions		<u>34,874,164</u>
Net underwriting gain or (loss)		\$ 4,908,559

Investment Income

Net investment income earned	\$ 3,850,964	
Net realized capital gain	<u>159,122</u>	
Net investment gain or (loss)		4,010,086

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (68,497)	
Finance and service charges not included in premiums	(91,424)	
Miscellaneous	<u>9,018</u>	
Total other income		<u>(150,903)</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$ 8,767,742
Federal and foreign income taxes incurred		<u>1,655,000</u>
Net income		\$ <u>7,112,742</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$7,503,936 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	\$20,235,084	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>
Net income		\$7,112,742	\$0
Net unrealized capital gains or (losses)		73,321	0
Change in net deferred income tax		105,249	0
Change in nonadmitted assets		<u>212,624</u>	<u>0</u>
Total gains and losses		\$7,503,936	\$0
Net increase (decrease) in surplus			<u>7,503,936</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2022			<u>\$27,739,020</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 \$4,684,105 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 were concentrated in the commercial multiple peril (52.2%) and homeowners'/farmowners' (40.9%) lines of business.

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

The prior report on examination contained no comments or recommendations.

6. **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.

APPOINTMENT NO. 32457

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:

Sheik Mohamed

as a proper person to examine the affairs of the

North Country 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 26th day of October, 2022

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:

Joan Riddell

*Joan Riddell
Deputy Bureau Chief*

