



**REPORT ON EXAMINATION  
OF  
THE CHURCH INSURANCE COMPANY  
AS OF DECEMBER 31, 2022**

**EXAMINER:  
DATE OF REPORT:**

**JOSEPH A. ROME  
JUNE 24, 2024**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

June 24, 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 32577 dated October 31, 2023, attached hereto, I have made an examination into the condition and affairs of The Church 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 The Church 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 Church 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.

The examination of the Company was performed concurrently with the examination of Church Life Insurance Corporation, a New York domiciled insurance company.

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 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

The Church Insurance Company was incorporated under the laws of the State of New York on April 13, 1929, as The Church Properties Fire Insurance Corporation and commenced business on May 1, 1929. The name was changed to The Church Fire Insurance Corporation on June 3, 1947, and the present title was adopted on January 28, 1966.

The Company is a wholly owned subsidiary of The Church Pension Fund (“CPF”), which was chartered in 1914 in the State of New York. Its incorporator and their successors are authorized to administer the clergy pension system of The Episcopal Church, including pensions, insurance, annuities, and other programs. CPF began operations in 1917, and affiliated corporations were subsequently formed as its activities expanded. As of December 31, 2022, the affiliates included but were not limited to, The Church Insurance Company, Church Publishing Incorporated, Church Life Insurance Corporation, The Church Insurance Agency Corporation, and The Church Insurance Company of Vermont (“CICVT”), a captive insurer. All operations of CPF and affiliates, collectively known as The Church Pension Group (“CPG”), are governed by CPF’s board of trustees.

In 2002, the Company began to move its non-core business segments, such as schools and nursing homes, to unaffiliated product partners with more expertise with these types of risks. At about the same time, most dioceses located outside of the state of New York chose not to renew their insurance with the Company and instead purchased their insurance from CICVT. New York business remained with the Company; however, starting July 1, 2007, the dioceses and parishes located in the state of New York began to not renew their insurance with the Company and instead purchase their insurance from The Church Insurance Company of New York (“CICNY”), a captive insurer. The Company wrote its last policy in 2008, and since December 31, 2008, the Company has been in run-off status. In October 2018, CICNY merged into CICVT, and all of the business is written by CICVT.

### A. Corporate Governance

Pursuant to the Company’s charter, 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 once 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>
Francis P. Armstrong Clark, New Jersey	Executive Vice President and Chief Operating Officer, The Church Insurance Company
Robert F. Flannery Jacksonville, Florida	Vice President and Chief Actuary, The Church Insurance Company
Steven J. Follos Saratoga Springs, New York	Senior Vice President and General Manager, The Church Insurance Agency Corporation
Christopher R. Rourke Farmington, Connecticut	Senior Vice President and General Manager, The Church Insurance Company
Nancy L. Sanborn New York, New York	Executive Vice President and Chief Legal Officer and Secretary, The Church Insurance Company
Roger A. Saylor New Canaan, Connecticut	Executive Vice President, Chief Investment Officer and Managing Director, The Church Insurance Company
Ellen M. Taggart Wyckoff, New Jersey	Executive Vice President and Chief Financial Officer, The Church Insurance Company
Mary K. Wold New York, New York	President and Chief Executive Officer, The Church Insurance Company

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

<u>Name</u>	<u>Title</u>
Mary K. Wold	President and Chief Executive Officer
Nancy L. Sanborn	Executive Vice President, Chief Legal Officer and Secretary
Ellen M. Taggart	Executive Vice President and Chief Financial Officer
Christopher R. Rourke	Senior Vice President and General Manager

B. Territory and Plan of Operation

As of December 31, 2022, the Company was licensed to write business in 33 states. The Company has been in run-off since 2008 and has not written or assumed business during the examination period.

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
10	Elevator
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also empowered to transact such workers' compensation insurance as may be incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et. seq. as amended).

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 \$1,850,000.

C. Reinsurance Ceded

All ceded reinsurance relates to legacy business. As of December 31, 2022, the Company has taken a reinsurance reserve credit of approximately \$8,575,000.

The Company has total unsecured reinsurance recoverable of \$10,588,000. Approximately \$9,784,000 pertains to reinsurance with unaffiliated, authorized reinsurers, with a majority having an “A” rating from Best's Credit Rating. Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions.

See below for a breakdown of top seven authorized reinsurer amounts for 2022 that include both reserve credits and reinsurance recoverable on paid losses and loss adjustment expenses. Except for R&Q Reinsurance Company, the other reinsurers listed below are highly rated by AM Best and collection issues are not considered a problem.

<u>Company:</u>	<u>Recoverable Amount:</u>	<u>AM Best's Rating:</u>
Ace American Insurance Company	\$6,030,730	A++ (superior)
Swiss Reinsurance American Corp	\$975,424	A+ (superior)
R&Q Reinsurance Company*	\$706,936	N/A
SCOR Canada Reinsurance Company	\$585,467	A (Excellent)
Continental Casualty Company	\$503,116	A (Excellent)
Starr Indemnity and Liability Co	\$385,076	A (Excellent)
Brighthouse Life Ins. Co	\$256,526	A (Excellent)

\*At December 31, 2022, R&Q Reinsurance Company has a reported negative surplus of \$12.8 million. Subsequently, on March 23, 2023, R&Q Reinsurance Company was placed in liquidation. Additionally, the Company has written off the entire R&Q Reinsurance Company recoverable remaining in 2023 of \$603,232 and submitted its proof of claim to the liquidator for \$632,997. The December 31, 2022, R&Q reserve credit for reinsurance ceded, both case and IBNR adjustments, was \$502,000. The write-off of the reinsurance recoverable from R&Q Reinsurance Company is included as part of the loss and loss adjustment expense reserve adjustment discussed in Section 4 of this report.

Due to the subsequent write-off of R&Q Reinsurance Company reinsurance recoverable balances, its history of negative surplus and the lack of evidence to suggest that the Company conducted an in-depth review of the financial condition of its reinsurers, the following recommendation is being made to address the oversight over troubled reinsurers.

It is recommended that the Company periodically review the reinsurer's financial statements to identify potential insolvency issues. This proactive approach will help mitigate risks associated with amounts recoverable and show sound financial management practices.

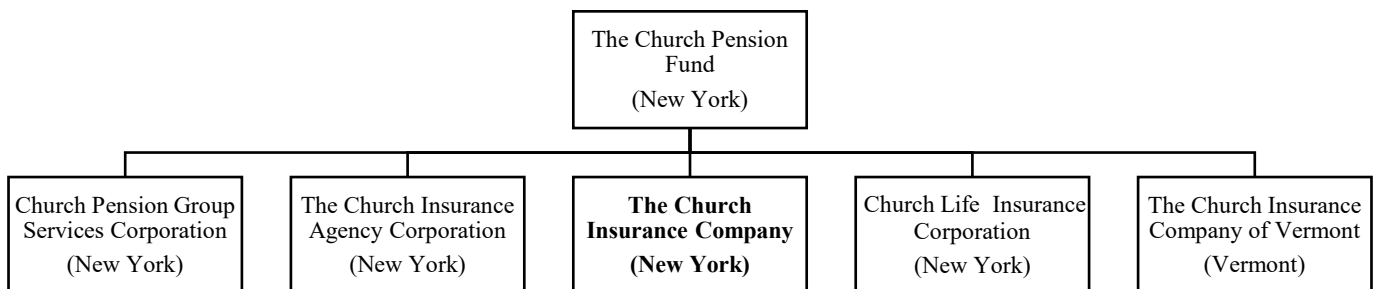


#### D. Holding Company System

The Company is a member of CPG. It is a wholly owned subsidiary of The Church Pension Fund (“CPF”). CPF was chartered by an act of the New York State Legislature, which became law on April 3, 1914, and began its operations on March 1, 1917. CPF is examined by the Department and, therefore, deemed an authorized insurer for certain regulatory purposes. Church Pension Group Services Corporation (“CPGSC”) provides personnel and facilities related services to CPF and its affiliated companies on a cost reimbursement basis.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2022:



#### Holding Company Agreements

On December 31, 2022, the Company was party to the following agreement with other members of its holding company system.

##### Services and Facilities Agreement

Effective January 1, 2017, the Company entered into a services and facilities agreement with its affiliate, Church Pension Group Services Corporation (“CPGSC”). Per the terms of the agreement, CPGSC provides administrative assistance services, and such other services as may be necessary for the operation of the Company.

The services and facilities charges are on a cost basis and are billed monthly within 30 days following the end of the month, and payment is due within 30 days of receipt of the invoices. Service fees paid pursuant to the services and facilities agreement during the examination period were as follows: \$445,855 in 2018, \$346,710 in 2019, \$418,745 in 2020, \$378,546 in 2021, and \$376,072 in 2022.

In its filed Annual Statement as of December 31, 2022, the Company reported expenses attributable to the services and facilities agreement in the amount of \$272,300 on line 24 (“aggregate write-ins for miscellaneous expenses”) of the Underwriting and Investment Exhibit, Part 3 – Expenses, captioned as “support services.” No part of the expenses under this agreement were identified as salaries expense in the Underwriting and Investment Exhibit. The Annual Statement Instructions for Part 3 of the Underwriting and Investment Exhibit states, in part:

“Management, administration, or similar fees should not be reported as a one-line expense. The company may estimate these expense allocations based on a formula or other reasonable basis.”

Additionally, it was noted that the Company classified \$204,225 of this expense as “Other Underwriting Expenses” in column 2 and \$68,075 as “Loss Adjustment Expenses” in column 1. As the Company has been in run-off since 2008, the portion of expenses allocated to Other Underwriting Expenses should be minimal.

It is recommended that the Company classify its general and administrative expenses properly according to the NAIC Annual Statement Instructions. The Company has advised that it will separately report salaries expenses starting in 2024.

#### E. Significant Ratios

The adjusted liabilities to liquid assets ratio of 76%, computed as of December 31, 2022, falls within the benchmark range set forth in the Insurance Regulatory Information System of the NAIC. The Company’s other ratios normally contained herein have not been computed because they are not meaningful due to the Company’s run-off status.

### 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:

#### Assets

	<u>Assets</u>	Assets Not <u>Admitted</u>	Net Admitted <u>Assets</u>
Bonds	\$17,653,495	\$0	\$17,653,495
Cash, cash equivalents and short-term investments	1,877,628	0	1,877,628
Investment income due and accrued	110,134	0	110,134
Amounts Recoverable from Reinsurers	<u>2,062,750</u>	<u>0</u>	<u>2,062,750</u>
Total assets	<u>\$21,704,007</u>	<u>\$0</u>	<u>\$21,704,007</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$11,732,790
Other expenses (excluding taxes, licenses and fees)	43,829
Funds held by company under reinsurance treaties	500,000
Provision for reinsurance	1,227,918
Drafts outstanding	72,684
Payable to parent, subsidiaries and affiliates	36,516
Reserves for doubtful recoveries	<u>248,068</u>
 Total liabilities	 \$13,861,805

Surplus and Other Funds

Common capital stock	\$ 12,790,500
Gross paid in and contributed surplus	39,309,500
Unassigned funds (surplus)	<u>(44,257,798)</u>
 Surplus as regards policyholders	 \$ <u>7,842,202</u>
 Total liabilities, surplus and other funds	 \$ <u>21,704,007</u>

Note: The Company is exempt from federal income tax under the provision of Section 101(6) of the Internal Revenue Code.

B. Statement of Income

The net loss for the examination period as reported by the Company was \$8,753,943, as detailed below:

Underwriting Income

Premiums earned		\$ 89,693
Deductions:		
Losses and loss adjustment expenses incurred	\$10,179,919	
Other underwriting expenses incurred	<u>2,157,802</u>	
Total underwriting deductions		<u>12,337,721</u>
Net underwriting gain or (loss)		\$(12,248,028)

Investment Income

Net investment income earned	\$ 3,265,518	
Net realized capital gain	<u>394,034</u>	
Net investment gain or (loss)		3,659,552

Other Income

Allowance for uncollectible reinsurance	\$ <u>(165,467)</u>	
Total other income or (loss)		\$ <u>(165,467)</u>
Net income (loss)		\$ <u>(8,753,943)</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$9,919,710 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			\$17,761,912
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net loss		\$8,753,943	
Net unrealized capital gains or (losses)	\$3,365		
Change in provision for reinsurance	<u>0</u>	<u>1,169,132</u>	
Total gains and losses	\$3,365	\$9,923,075	
Net increase (decrease) in surplus			<u>(9,919,710)</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2022			\$ <u>7,842,202</u>

Capital paid in is \$12,790,500 consisting of 127,905 shares of \$100 par value per share common stock. Gross paid in and contributed surplus is \$39,309,500. The Company did not have any surplus and/or capital contributions during the examination period.

D. Analysis of Changes to Surplus

Surplus as regards policyholders as of December 31, 2022, as reported by the Company		\$7,842,202
		<u>Surplus Decrease</u>
Increase in losses and loss adjustment expenses		\$1,090,000
Net increase (or decrease) in surplus		<u>(1,090,000)</u>
Surplus as regards policyholders as of December 31, 2022, per report on examination		\$ <u>6,752,202</u>

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

The examination liability for the captioned items of \$12,822,790 is \$1,090,000 more than the \$11,732,790 reported by the Company in its filed annual statement 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 examination change is due to the following:

The examination change reflects the 12-month net loss and loss adjustment expense reserve development reported by the Company in its filed annual statement as of December 31, 2023.

The examination change represents 13.9% of the Company's reported surplus as regards policyholders of \$7.8 million as of December 31, 2022. As the Company has recognized the deficiency in its 12-month loss and loss adjustment expense reserve development, no further changes to the Company's financial statements are required.

The Company has not had 1-year adverse development, as measured by Schedule P, Part 2 Summary, in excess of 5% of surplus in at least three of the last five calendar years. The Company did not report any exceptional values for IRIS ratios 11, 12, or 13 (Reserving ratios).

## 5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained three recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
It was recommended that the Company obtain timely signed statements from each member of its board of directors confirming that each member has received and read the report on examination in accordance with Section 312(b) of the New York Insurance Law.	5
The Company has complied with this recommendation.	
B. <u>Holding Company System</u>	
i. It was recommended that the Company submit Form B to the Department in a timely manner, as required by Article 15 of the New York Insurance Law and Department Regulation 52.	6
The Company has complied with this recommendation.	
ii. It was recommended that the Company abide by the provisions of Section 1505(d) of the New York Insurance Law with respect to service agreements.	8
The Company has complied with this recommendation.	



**6. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Reinsurance Ceded</u>	
	It is recommended that the Company periodically review the reinsurer's financial statements to identify potential insolvency issues.	6
B.	<u>Holding Company System</u>	
	It is recommended that the Company classify its general and administrative expenses properly according to the NAIC Annual Statement Instructions.	8

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Joseph A. Rome, CFE  
Consulting Examiner-In-Charge

STATE OF LOUISIANA     )  
  )ss:  
PARISH OF LIVINGSTON    )

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

\_\_\_\_\_/S/\_\_\_\_\_  
Joseph A. Rome

Subscribed and sworn to before me

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

*APPOINTMENT NO. 32577*

*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:*

***Joseph Rome***

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

***The Church 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 31st day of October, 2023*

*ADRIENNE A. HARRIS  
Superintendent of Financial Services*

*By:*

*Joan Riddell*

*Joan Riddell  
Deputy Bureau Chief*

