



**REPORT ON EXAMINATION
OF
BROOME CO-OPERATIVE INSURANCE COMPANY
AS OF DECEMBER 31, 2022**

**EXAMINER:
DATE OF REPORT:**

**SABU CHERIAN
SEPTEMBER 17, 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	5
	D. Holding company system	6
	E. Significant ratios	7
3.	Financial statements	8
	A. Balance sheet	8
	B. Statement of income	10
	C. Capital and surplus	11
4.	Losses and loss adjustment expenses	12
5.	Compliance with prior report on examination	12
6.	Summary of comments and recommendations	12

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

September 17, 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 32478 dated February 8, 2023, attached hereto, I have made an examination into the condition and affairs of Broome Co-Operative 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 Broome Co-Operative 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 Broome Co-Operative 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

The Company was incorporated under the laws of the State of New York as the Broome County Farmers’ Fire Relief Association (“Association”) on January 20, 1887, for the purpose of transacting the business as an assessment cooperative fire insurance association in Broome County of New York State.

In 1951, the Association merged with Broome County Patrons' Fire Relief Association of Whitney Point, New York and surviving corporation resulting from said merger became the Broome County Co-Operative Fire Insurance Company.

On March 27, 2002, approval was given by the Department, for the Company to change its name from "Broome County Co-Operative Fire Insurance Company" to "Broome Co-Operative 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 10 members. The board meets 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>
John Paul Cavatio Owego, New York	Retired
Steven Domonic Contento Windsor, New York	Retired
Siobhan Growney Davey Vestal, New York	President, Broome Co-Operative Insurance Company
Michael Thomas Decker Whitney Point, New York	Real Property Tax Director III and Tax Enforcement Officer, Broom County
Ralph Eugene Kelsey Endicott, New York	Retired
Lisa Wrobleski Lee Endicott, New York	Owner, North Pointe Technology
James Robert Shea Fayetteville, New York	CEO, Cyber Defense Institute, Inc.
Steven Dennis Szubert Naperville, Illinois	Controller, Columbian Financial Group

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

<u>Name</u>	<u>Title</u>
Siobhan Growney Davey	President
Steven Dennis Contento	Secretary & Treasurer
Ian Thomas Coffey	Chief Financial Officer
Robert Warren Barnes	Vice President
Valarie Michele Casey	Assistant Vice President

Note: Subsequent to the examination period, effective March 15, 2024, Ian Thomas Coffey, Chief Financial Officer resigned and was replaced by Rachel Mastin, Vice President Financial and Operations.

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
15	Workers' compensation and employers' liability (excluding workers' compensation)
19	Motor vehicle and aircraft physical damage (excluding 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 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 \$100,000.

The Company did not assume any business during the examination period. The following schedule shows the total gross premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Total Gross Premiums</u>
2018	\$8,425,206
2019	\$8,580,228
2020	\$8,632,599
2021	\$8,806,371
2022	\$9,454,382

The Company predominantly wrote homeowners multiple peril (46.52%) and commercial multiple peril (45.13%) in 2022. The Company's business is produced through a network of 67 independent agents throughout the New York State excluding the counties of New York, Kings, Queens, Bronx, and Richmond.

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)	\$8,000,000 excess of \$1,000,000 of ultimate net loss, each risk in any one loss occurrence, limit \$24,000 with respect to all Ultimate Net Loss for all risks involved in any one Loss Occurrence arising out of or in connection with any Act of Terrorism during the term of the contract.
<u>Casualty Excess of Loss</u>	\$1,000,000 excess of \$1,000,000 ultimate net loss each occurrence.
<u>Property Multiple Line Excess of Loss</u> (2 layers)	\$800,000 excess of \$200,000 ultimate net loss, each loss occurrence, subject to a limit of \$2,400,000 each loss occurrence.
<u>Casualty Multiple Line Excess of Loss</u> (2 layers)	\$800,000 excess of \$200,000 ultimate net loss, each loss occurrence.

Property & Casualty Combined Multiple Line Excess of Loss

\$200,000 excess of \$200,000 ultimate net loss each loss occurrence.

Property Catastrophe Excess of Loss (2 layers)Property Cat First Layer First Event

\$500,000 excess of \$500,000 for the first occurrence.

Property Cat First Layer Second Event

\$750,000 excess of \$250,000 each subsequent loss occurrence, subject to an aggregate limit of \$1,250,000 from all losses.

Property Cat Second Layer

\$9,000,000 excess of \$1,000,000 each loss occurrence, subject to an aggregate limit of \$18,000,000 from all losses.

All cessions were made to authorized reinsurers. The majority of reinsurance recoverables reported by the Company on Schedule F – Part 3 are \$1.21 million from Grinnell Mutual Reinsurance Company, \$1.08 million from Arch Reinsurance Company and \$782 thousand from Renaissance Reinsurance US Inc.

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	39%
Adjusted liabilities to liquid assets	32%
Two-year overall operating	95%

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	\$19,226,344	52.32%
Other underwriting expenses incurred	14,029,979	38.18
Net underwriting gain (loss)	<u>3,493,308</u>	<u>9.50</u>
Premiums earned	<u>\$36,749,631</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 1,416.1% 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.

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	\$19,298,095	\$ 0	\$19,298,095
Common stocks	7,987,500	0	7,987,500
Properties occupied by the Company	735,105	0	735,105
Cash, cash equivalents and short-term investments	1,018,070	0	1,018,070
Reinsurance profit sharing receivable	14,126	0	14,126
Company-owned life insurance	273,390	0	273,390
Investment income due and accrued	116,898	0	116,898
Uncollected premiums and agents' balances in the course of collection	129,800	8,628	121,172
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,167,709	0	1,167,709
Amounts recoverable from reinsurers	8,636	0	8,636
Current federal and foreign income tax recoverable and interest thereon	29,372	0	29,372
Net deferred tax asset	254,796	0	254,796
Electronic data processing equipment and software	195,090	195,090	0
Prepaid commissions	<u>29,319</u>	<u>29,319</u>	<u>0</u>
Total assets	<u>\$31,257,906</u>	<u>\$233,037</u>	<u>\$31,024,869</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 4,437,674
Commissions payable, contingent commissions and other similar charges	506,710
Other expenses (excluding taxes, licenses and fees)	259,328
Taxes, licenses and fees (excluding federal and foreign income taxes)	4,488
Unearned premiums	4,894,159
Advance premium	158,045
Ceded reinsurance premiums payable (net of ceding commissions)	<u>(16,550)</u>
Total liabilities	\$10,243,854

Surplus and Other Funds

Unassigned funds (surplus)	<u>\$20,781,016</u>
Surplus as regards policyholders	<u>\$20,781,016</u>
Total liabilities, surplus and other funds	<u>\$31,024,870*</u>

* Rounding difference of \$1

Note: The Internal Revenue Service has not audited tax returns covering tax years 2018 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 \$7,120,575, as detailed below:

Underwriting Income

Premiums earned		\$36,749,631
Deductions:		
Losses and loss adjustment expenses incurred	\$19,226,344	
Other underwriting expenses incurred	<u>14,029,979</u>	
Total underwriting deductions		<u>33,256,323</u>
Net underwriting gain or (loss)		\$ 3,493,308

Investment Income

Net investment income earned	\$ 1,904,768	
Net realized capital gain	<u>2,394,770</u>	
Net investment gain or (loss)		\$ 4,299,538

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ 8,964	
Finance and service charges not included in premiums	537,342	
Other income	908	
Gain/(loss) on sale of fixed assets	14,803	
Company-owned life insurance	<u>(53,806)</u>	
Total other income		<u>508,211</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$ 8,301,057
Net income after dividends to policyholders but before federal and foreign income taxes		\$ 8,301,057
Federal and foreign income taxes incurred		<u>1,180,482</u>
Net income		\$ <u>7,120,575</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$5,882,727 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			\$14,898,289
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$7,120,574*		
Net unrealized capital gains or (losses)		\$1,426,841	
Change in net deferred income tax	325,386		
Change in nonadmitted assets	<u>0</u>	<u>136,392</u>	
Total gains and losses	\$7,445,960	\$1,563,233	
Net increase (decrease) in surplus			<u>5,882,727</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2022			<u>\$20,781,016</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 \$4,437,674 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 commercial multiple peril and homeowners 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 comments or 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.

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

Broome Co-Operative 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*

