



**REPORT ON EXAMINATION
OF
FIRE DISTRICTS OF NEW YORK MUTUAL INSURANCE
COMPANY, INC.**

AS OF DECEMBER 31, 2022

**EXAMINER:
DATE OF REPORT:**

**SHEIK H. MOHAMED
AUGUST 8, 2024**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

August 8, 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 32566 dated August 10, 2023, attached hereto, I have made an examination into the condition and affairs of Fire Districts of New York Mutual Insurance Company, Inc. as of December 31, 2022, and submit the following report thereon.

Wherever the designations “the Company” or “FDM” appear herein without qualification, they should be understood to indicate Fire Districts of New York Mutual Insurance Company, Inc.

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 Fire Districts of New York Mutual Insurance Company, Inc., a single-state insurer. The previous examination was conducted as of December 31, 2018. This examination covered the four-year period from January 1, 2019, 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 examinations of the following insurers: Fire Districts Insurance Company (“FDI”) and FDM Preferred Insurance Company, Inc. (“FPI”). Collectively, the three insurers are referred to as Fire Districts Group (“FDG”).

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 comments and 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

Fire Districts of New York Mutual Insurance Company, Inc. was incorporated under the laws of the State of New York on November 2, 1977. It became licensed on November 28, 1978 and commenced business on December 20, 1978. Business originated with the joining of various fire districts within New York State to form a mutual insurance company to provide volunteer firefighters with the benefits afforded under workers' compensation and employers' liability insurance, including insurances provided under the Volunteer Firefighters' Benefit Law ("VFBL").

The Company was granted tax-exempt status by the Internal Revenue Service on September 23, 1981, pursuant to Section 115(1) of the Internal Revenue Code, and by the New York State Department of Taxation and Finance on April 30, 1980, pursuant to Article 33 of Section 1512(a)(1) of the New York State Tax Law. All premiums paid to the Company are derived from tax dollars allocated to the fire districts.

The New York Compensation Insurance Rating Board sets the loss costs component of rates used by workers' compensation writers. In an effort to achieve more appropriate pricing for its insureds, on December 21, 2007, the Company formed two wholly-owned stock subsidiaries: FPI and FDI. Both subsidiaries were licensed on March 16, 2009, and commenced business that same day. The Company designed a three-tier pricing format: the Company writes standard risks, FPI writes preferred risks at discounted rates and FDI writes substandard risks at surcharged rates.

A. Corporate Governance

Pursuant to the Company's by-laws, management of the Company is vested in a board of directors consisting of thirteen members, and in no case, shall there be less than nine members. The board meets four times during each calendar year. At December 31, 2022, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Craig P. DeBaun Oceanside, NY	Retired
Roberta G. Doremus Tallman, NY	Retired
John J. Egan Selden, NY	District Manager, Selden Fire Department

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael H. Geoghan Bayport, NY	President, Fire Districts of New York Mutual Insurance Company, Inc.
Dominick D. Greene Newburgh, NY	Retired
Thomas E. Herlihy, Jr. Tully, NY	Secretary, Fire Districts of New York Mutual Insurance Company, Inc.
John LoScalzo Huntington, NY	Retired
John Manzi West Babylon, NY	Retired
Ralph Raymond North Massapequa, NY	Commissioner, North Massapequa Fire Department
Randall J. Rider Tonawanda, NY	Treasurer, Fire Districts of New York Mutual Insurance Company, Inc.
Amy Speach Baldwinsville, NY	District Secretary, Belgium Cold Springs Fire Department
William L. VanGorder Johnston, NY	Insurance Account Agent, NBT Insurance Agency, LLC
Michael L. White Clay, NY	Vice President, Fire Districts of New York Mutual Insurance Company, Inc. Marketing Agent, McNeil & Company, Inc

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

<u>Name</u>	<u>Title</u>
Michael H. Geoghan	President
Thomas E. Herlihy Jr.	Secretary
Randall J. Rider	Treasurer
Michael L. White	Vice President
Kendall K. Willis	Executive Vice President and Chief Financial Officer
Royal Denny	Executive Vice President and Chief Operating Officer

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 paragraph of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
15	Workers' compensation and employers' liability

Based upon the line 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 \$300,000.

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>
2019	8,412,429	\$8,804,533	\$17,216,962
2020	8,101,030	\$7,610,220	\$15,711,250
2021	8,025,544	\$7,885,951	\$15,911,495
2022	6,724,044	\$8,293,724	\$15,017,768

Effective April 1, 2009, the Company entered into an intercompany pooling agreement with its subsidiaries, FPI and FDI. The three companies agreed to pool all insurance risks and to participate by means of intercompany reinsurances at a fixed percentage basis, with the Company's lead participation being 75%, and FPI's and FDI's participations being 10% and 15%, respectively. The pooling and participation are for premiums earned and losses incurred on or after April 1, 2009. The agreement was submitted to and approved by the Department pursuant to the provisions of Section 1505(d) of the New York Insurance Law.

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.

Ceded Reinsurance Program

The Company has an excess of loss treaty in place with the following coverage: \$19,000,000 in excess of \$1,000,000. The agreement is comprised of four layers with a different limit within each layer.

As of December 31, 2022, reinsurance recoverables of approximately \$20.9 million and \$8.2 million were attributable to Fletcher Reinsurance Company (“Formerly Maiden Reinsurance North America, Inc.”) and Swiss Reinsurance America Corporation. Additionally, the reinsurance recoverables from both of these authorized reinsurers represent more than 34% of the Company’s surplus to policyholders. The Company has a trust agreement with Maiden Re whereby the reinsurer deposits funds into the trust to cover outstanding case reserves, unpaid balances and IBNR. The trust agreement is for the benefit of all companies in the Fire Districts Group. As of December 31, 2022, the market value of the trust was \$12,550,472.

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 an attestation from the Company's Chief Operating 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.

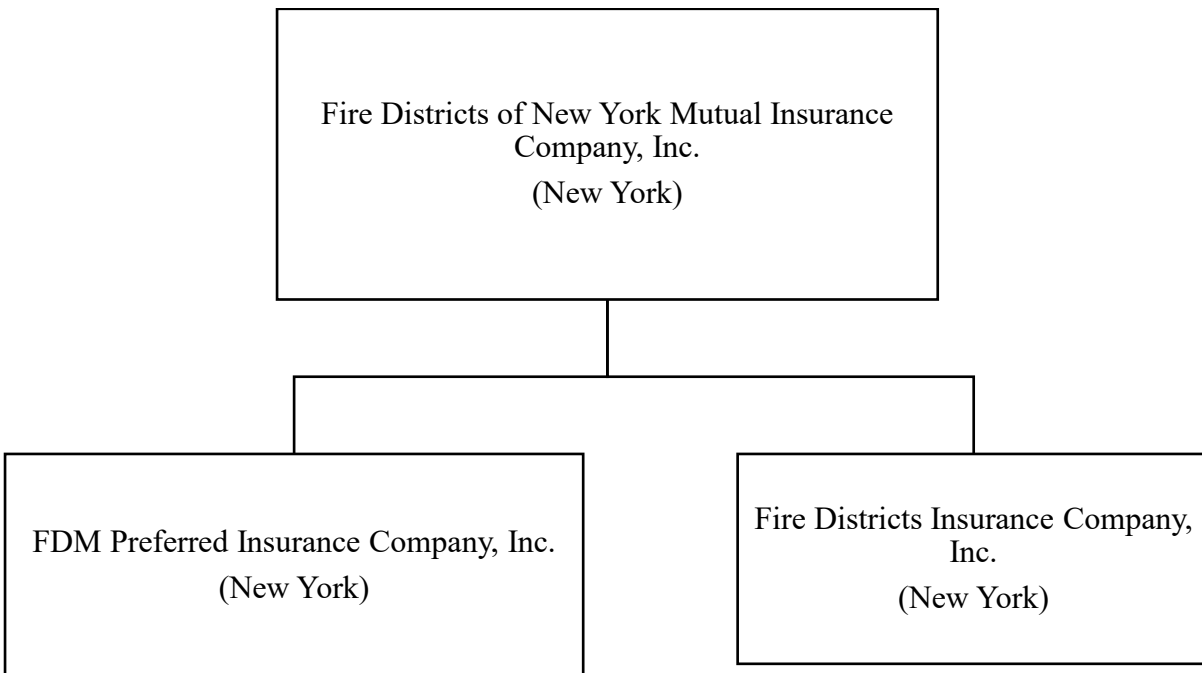
During the examination period, the Company ceded more than 50% of its written premium. The Company received approval to do so, pursuant to the provisions of Section 1308(e)(1)(A) of the New York Insurance Law.

D. Affiliated Group

The Company wholly-owns FDI and FPI. Because the ultimate controlling party of the affiliated group is the Company, an authorized insurer, it is exempt from the requirements of Article 15 of the New York Insurance Law and Department Regulation 52. The Company is subject to the requirements of Article

16 of the New York Insurance Law; however, it received a waiver for the filing requirements of Department Regulation 53, because all affiliates are insurance companies subject to Articles 3 and 16 of the New York Insurance Law.

The following is an unabridged chart of the affiliated group at December 31, 2022:



In addition to the intercompany pooling agreement, the Company was party to the following agreement with other members of its affiliated group as of December 31, 2022:

Service and Cost Allocation Agreement

Effective January 30, 2009, the Company entered into a service and cost allocation agreement with FDI and FPI, whereby the Company agrees to provide personnel services, and makes available its property, equipment, and facilities. Pursuant to the agreement, FDI and FPI agree to reimburse the Company in accordance with the requirements of Department Regulation 30. This agreement was filed with the Department pursuant to Article 16 of the New York Insurance Law and was non-disapproved.

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	12%
Adjusted liabilities to liquid assets	40%
Two-year overall operating	21%

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the four-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$14,937,434	33.30%
Other underwriting expenses incurred	11,398,770	25.41%
Net underwriting gain (loss)	<u>18,525,489</u>	<u>41.29%</u>
Premiums earned	<u>\$44,861,693</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 2,488.2% 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	\$ 90,598,992	\$ 0	\$ 90,598,992
Common stocks	28,844,570	0	28,844,570
Cash, cash equivalents and short-term investments	5,894,878	0	5,894,878
Investment income due and accrued	537,193	0	537,193
Uncollected premiums and agents' balances in the course of collection	143,685	0	143,685
Deferred premiums, agents' balances and installments booked but deferred and not yet due	721,522	0	721,522
Amounts recoverable from reinsurers	751,405	0	751,405
Electronic data processing equipment and software	39,517	39,517	0
Furniture and equipment, including health care delivery assets	95,991	95,991	0
Receivables from parent, subsidiaries and affiliates	1,107,016	0	1,107,016
Other assets	<u>288,382</u>	<u>288,382</u>	<u>0</u>
Total assets	<u>\$129,023,151</u>	<u>\$423,890</u>	<u>\$128,599,261</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 39,083,908
Reinsurance payable on paid losses and loss adjustment expenses	1,182,448
Commissions payable, contingent commissions and other similar charges	144,840
Other expenses (excluding taxes, licenses and fees)	346,870
Unearned premiums	2,882,613
Ceded reinsurance premiums payable (net of ceding commissions)	(874,449)
Payable to parent, subsidiaries, and affiliates	154,934
Other liabilities	<u>356,124</u>
Total liabilities	\$ 43,277,288

Surplus and Other Funds

Special contingent surplus	\$ 300,000
Unassigned funds (surplus)	<u>85,021,973</u>
Surplus as regards policyholders	\$ <u>85,321,973</u>
Total liabilities, surplus and other funds	\$ <u>128,599,261</u>

B. Statement of Income

The net income for the examination period as reported by the Company was \$28,778,781, as detailed below:

Underwriting Income

Premiums earned		\$44,861,693
Deductions:		
Losses and loss adjustment expenses incurred	\$14,937,434	
Other underwriting expenses incurred	<u>11,398,770</u>	
Total underwriting deductions		<u>26,336,204</u>
Net underwriting gain or (loss)		\$18,525,489

Investment Income

Net investment income earned	\$ 8,618,586	
Net realized capital gain	<u>1,634,706</u>	
Net investment gain or (loss)		<u>10,253,292</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$28,778,781
Dividends to policyholders		<u>0</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$28,778,781
Federal and foreign income taxes incurred		<u>0</u>
Net income		<u>\$28,778,781</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$38,067,977 during the four-year examination period January 1, 2019 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, 2018			\$47,253,996
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$28,778,781		
Net unrealized capital gains or (losses)	9,401,250		
Change in nonadmitted assets	<u>0</u>	<u>\$112,054</u>	
Total gains and losses	\$38,180,031	\$112,054	
Net increase (decrease) in surplus			<u>38,067,977</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2022			<u>\$85,321,973</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 \$39,083,908 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. 100% of the Company's reserves were in the workers' compensation line of business.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Corporate Governance</u>	
i. It was recommended that the Company comply with the provisions of Section 312(b) of the New York Insurance Law and ensure that a copy of the report on examination is furnished to each board member and that the requisite board member statement is available for review.	4
The Company has complied with this recommendation.	
ii. It was recommended that the Company require all of its directors, officers and key employees to complete a Code of Business Conduct and Ethics Disclosure statement on an annual basis and ensure that all questionnaires are completed accurately, signed, maintained and available for review.	5
The Company has complied with this recommendation.	

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. 32566

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 Mohammed

as a proper person to examine the affairs of the

Fire Districts of New York Mutual Insurance Company, Inc.

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 10th day of August, 2023

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:

Joan Riddell

*Joan Riddell
Deputy Bureau Chief*

