



**REPORT ON EXAMINATION  
OF  
FRANKLIN FIRE INSURANCE COMPANY**

**AS OF DECEMBER 31, 2023**

**EXAMINER:  
DATE OF REPORT:**

**OSCAR CASTRO  
JANUARY 17, 2025**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

January 17, 2025

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 32720 dated October 29, 2024, attached hereto, I have made an examination into the condition and affairs of Franklin Fire Insurance Company as of December 31, 2023, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Franklin Fire 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 Franklin Fire Insurance Company, a single-state insurer. The previous examination was conducted as of December 31, 2018. This examination covered the five-year period from January 1, 2019, through December 31, 2023. 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
- 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

Franklin Fire Insurance Company was incorporated under the laws of the State of New York on May 7, 1881, for the purpose of transacting business as an assessment cooperative fire insurance in the town of Franklin, Delaware County, New York.

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 nine nor more than thirteen members. The board meets six times during each calendar year. At December 31, 2023, the board of directors was comprised of the following eleven members:

| <u>Name and Residence</u>              | <u>Principal Business Affiliation</u>                                   |
|--|---|
| Burton Barnes<br>Treadwell, New York   | Treasurer,<br>Franklin Fire Insurance Company                           |
| Thomas Barnes<br>Treadwell, New York   | President,<br>Franklin Fire Insurance Company                           |
| Richard Blackman<br>Walton, New York   | Farmer  |
| Kyle Buel<br>Unadilla, New York        | Conservation Technician,<br>Delaware County Soil and Water Conservation |
| James Carey<br>Oneonta, New York       | Vice President,<br>Franklin Fire Insurance Company                      |
| Sarah Cleaveland<br>Franklin, New York | Self-employed   |
| Beverly Koopman<br>Treadwell, New York | Farmer  |
| Heather Ross<br>Oneonta, New York      | Secretary,<br>Franklin Fire Insurance Company                           |
| Ruth Sickler<br>Franklin, New York     | Farmer  |
| Donald Smith<br>Franklin, New York     | Farmer  |
| Patricia Terry<br>Unadilla, New York   | Retired   |

As of December 31, 2023, the principal officers of the Company were as follows:

| <u>Name</u>   | <u>Title</u>   |
|---------------|----------------|
| Thomas Barnes | President      |
| Heather Ross  | Secretary      |
| Burton Barnes | Treasurer      |
| James Carey   | Vice President |

B. Territory and Plan of Operation

As of December 31, 2023, the Company was licensed as an assessment cooperative insurance company to write business in the following counties of New York only: Broome, Chenango, Delaware, Greene, Otsego, Schoharie, and Sullivan.

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                   |

Paragraph 5, 6, 7 and 8 can be written solely in conjunction with fire insurance written under the same policy and covering the same premises. 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 66 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 business during the exam period. 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> |
|----------------------|------------------------------|
| 2019                 | \$ 48,156                    |
| 2020                 | \$ 47,362                    |
| 2021                 | \$ 44,515                    |
| 2022                 | \$ 47,355                    |
| 2023                 | \$ 47,488                    |

The Company writes fire and allied lines through its director-agents. Policies are issued for a term of three years covering farms, residential and commercial risks, including contents, livestock, produce and machinery. Policies are issued against specified perils that include fire and windstorm. Applications for insurance are reviewed by directors of the Company and all risks are inspected at least every three years, on or prior to the renewal dates of policies.

### C. Reinsurance Ceded

The Company places reinsurance with a reinsurer that hold an A.M Best financial strength rating of A (Excellent). The Company has structured its ceded reinsurance program as follows:

| <u>Type of Coverage</u>                        | <u>Cession</u>   |
|--|--|
| <u>Property Per Risk</u><br>Excess of loss     | \$75,000 excess of \$15,000 ultimate net loss, each loss, each risk. Limit of \$225,000 each loss occurrence.  |
| <u>Windstorm Catastrophe</u><br>Excess of Loss | 100% of the ultimate net loss over and above an ultimate net loss equal to 10% of the Company's policyholders' surplus. However, no claim shall be made hereunder unless the loss occurrence involves three or more risks. |

The Company's ceded business was to an authorized reinsurer. The ceded reinsurance agreement in effect as of the examination date was 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 transaction. Additionally, management has represented that the ceded reinsurance agreement transfers both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principle ("SSAP") No. 62R. Representations were supported by attestation from the Company's Secretary and Treasurer pursuant

to the NAIC annual statement instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. The ceded reinsurance agreement was accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

D. Holding Company System

The Company is not a member of any holding company system. As of December 31, 2023, the Company was independent with no affiliations.

E. Significant Ratios

The Company's two year overall operating ratio of 138%, computed as of December 31, 2023, falls outside the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC. The unusual value is due to high expense ratio and low return on investments.

| <u>Operating Ratios</u>                        | <u>Result</u> |
|--|---------------|
| Net premiums written to policyholders' surplus | 2%            |
| Adjusted liabilities to liquid assets          | 2%            |
| Two-year overall operating                     | 138%          |

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 | \$ 25,528         | 18.56%           |
| Other underwriting expenses incurred         | 295,694           | 214.94%          |
| Net underwriting gain (loss)                 | <u>(183,654)</u>  | <u>(133.50)%</u> |
| Premiums earned                              | \$ <u>137,568</u> | <u>100.00%</u>   |



### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2023, as reported by the Company:

| <u>Assets</u>                                     | <u>Assets</u>      | <u>Assets Not Admitted</u> | <u>Net Admitted Assets</u> |
|---|--------------------|----------------------------|----------------------------|
| Bonds   | \$ 998,773         | \$ 0                       | \$ 998,773                 |
| Cash, cash equivalents and short-term investments | 174,570            | 0                          | 174,570                    |
| Investment income due and accrued                 | <u>5,055</u>       | <u>0</u>                   | <u>5,055</u>               |
| Total assets                                      | <u>\$1,178,398</u> | <u>\$ 0</u>                | <u>\$1,178,398</u>         |

#### Liabilities, surplus and other funds

##### Liabilities

|                                     |               |
|-------------------------------------|---------------|
| Losses and loss adjustment expenses | \$ 1,000      |
| Unearned premiums                   | <u>23,450</u> |
| Total liabilities                   | \$ 24,450     |

##### Surplus and other funds

|  |                    |
|--|--------------------|
| Restricted policyholders' surplus          | \$ 100,000         |
| Unassigned funds (surplus)                 | <u>1,053,948</u>   |
| Surplus as regards policyholders           | <u>1,153,948</u>   |
| Total liabilities, surplus and other funds | <u>\$1,178,398</u> |

Note: The Company is exempt from federal income tax with the Internal Revenue Service.

B. Statement of Income

The net loss for the examination period as reported by the Company was \$ 82,002, as detailed below:

Underwriting Income

|  |                |                |
|--|----------------|----------------|
| Premiums earned                              |                | \$ 137,568     |
| Deductions:                                  |                |                |
| Losses and loss adjustment expenses incurred | \$ 25,528      |                |
| Other underwriting expenses incurred         | <u>295,694</u> |                |
| Total underwriting deductions                |                | <u>321,222</u> |
| Net underwriting gain or (loss)              |                | \$ (183,654)   |

Investment Income

|  |              |                     |
|--|--------------|---------------------|
| Net investment income earned                       | \$101,919    |                     |
| Net realized capital gain                          | <u>(266)</u> |                     |
| Net investment gain or (loss)                      |              | \$ <u>101,653</u>   |
| Net income before federal and foreign income taxes |              | \$ (82,001)         |
| Federal and foreign income taxes incurred          |              | <u>0</u>            |
| Net income or (loss)                               |              | \$ <u>(82,002)*</u> |

\*rounding adjustment of \$1

C. Capital and Surplus

Surplus as regards policyholders decreased \$81,598 during the five-year examination period January 1, 2019 through December 31, 2023, as reported by the Company, detailed as follows:

|   |                 |                  |                     |
|---|-----------------|------------------|---------------------|
| Surplus as regards policyholders as reported by the Company as of December 31, 2018 |                 |                  | \$ 1,235,546        |
|   | <u>Gains in</u> | <u>Losses in</u> |                     |
|   | <u>Surplus</u>  | <u>Surplus</u>   |                     |
| Net income  |                 | \$82,002         |                     |
| Net unrealized capital gains or (losses)  | \$ <u>404</u>   | <u>0</u>         |                     |
| Total gains and losses  | \$ 404          | \$82,002         |                     |
| Net increase (decrease) in surplus  |                 |                  | <u>(81,598)</u>     |
| Surplus as regards policyholders as reported by the Company as of December 31, 2023 |                 |                  | \$ <u>1,153,948</u> |

No adjustments were made to surplus as a result of the examination.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$1,000 is the same as reported by the Company as of December 31, 2023.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination did not contain any comments or recommendations.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination contains no comments or recommendations.

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Oscar Castro, PIR  
Financial Services Examiner 2

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

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

\_\_\_\_\_/S/\_\_\_\_\_  
Oscar Castro

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

*APPOINTMENT NO. 32720*

*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:*

***Oscar Castro***

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

***Franklin Fire 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 29th day of October, 2024*

***ADRIENNE A. HARRIS***  
*Superintendent of Financial Services*

*By: Eileen Fox*

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*Eileen Fox*  
*Assistant Deputy Superintendent*

