



**REPORT ON EXAMINATION
OF
WASHINGTON COUNTY CO-OPERATIVE INSURANCE
COMPANY**

AS OF DECEMBER 31, 2022

**EXAMINER:
DATE OF REPORT:**

**SHEIK H. MOHAMED
JANUARY 10, 2025**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

January 10, 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 32589 dated January 3, 2024, attached hereto, I have made an examination into the condition and affairs of Washington County 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 Washington County 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 Washington County 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

Washington County Co-operative Insurance Company was organized on March 30, 1858, as the Easton Mutual Insurance Company for the purpose of transacting business as an assessment co-operative fire insurance company in the Town of Easton, Washington County, New York.

Under an agreement of merger dated January 23, 1961, the corporate title of the Company was changed to the Washington County Co-operative Fire Insurance Company. On May 7, 1986, the Department

approved an amendment to the certificate of incorporation to change the corporate title of the Company to Washington County Co-operative Insurance Company. Between 1961 and 2005, the Company merged with various insurance companies through merger agreements approved by the Department. The latest merger between the Company and Salem Mutual Town Fire Insurance Company became effective on March 31, 2005.

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 11 nor more than 20 members. The board meets four times during each calendar year. At December 31, 2022, the board of directors was comprised of the following 13 members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Neil Adams Shushan, New York	Farmer
Eric Allen Schaghticoke, New York	Farm Machinery Repair
Kevin Armitage Greenwich, New York	Agriculture Equipment Dealer, President
Raymond Earl Horton Cambridge, New York	Farmer
Douglas Maxwell Cambridge, New York	Farmer
James McClay Greenwich, New York	Retired Teacher
Brian R. Mercure Granville, New York	Farmer
Michael Nolan Cambridge, New York	Farmer
Sandra Quinn Schaghticoke, New York	Farmer

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Travis Rea Cambridge, New York	Farmer
James Reeve Valley Falls, New York	Retired Farmer/Truck Driver
Tricia Stewart Greenwich, New York	Agriculture Science Teacher
Bruce Whitney Fort Ann, New York	Retired Farmer/County Employee

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

<u>Name</u>	<u>Title</u>
James Reeve	President
Scott MacNeil	Executive Vice President/Manager
James McClay	Secretary
Raymond Earl Horton	Treasurer
Bruce Whitney	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
15	Workers' compensation and employers' liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine

In accordance with Section 6606 of the New York State 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, 41 and 66 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$150,000.

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>
2018	\$2,996,848
2019	\$2,992,160
2020	\$3,013,861
2021	\$3,094,110
2022	\$3,124,641

The Company's major lines of business are homeowners' multiple peril, fire and farmowners' multiple peril, which accounted for 43.8%, 20.3% and 18%, respectively, of premiums written in 2022. The Company writes mainly through 14 agents and brokers concentrated in the northeastern part of New York State in close proximity to the Company's home office.

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 structured its ceded reinsurance program as follows:

Treaty

Cession

Property and Casualty Combination Excess of Loss - Multiple Line Excess of Loss

A) Property (2 layers)

\$900,000 excess of \$100,000 ultimate net loss, each loss, each risk, subject to a limit of liability of

\$1,200,000 and \$1,000,000 each loss occurrence for Layer 1 and Layer 2, respectively.

- B) Casualty (2 Layers) \$925,000 excess of \$75,000 ultimate net loss each loss occurrence.
- C) Property and Casualty Combined \$75,000 excess of \$100,000 ultimate net loss each loss occurrence, involving at least one casualty policy and at least one property policy subject to the contract.
- D) Casualty Clash Excess of Loss \$1,000,000 excess of \$1,000,000 ultimate net loss each loss occurrence. With respect to Workers' Compensation, no claim shall be made unless the Company shall have first sustained an Ultimate Net Loss in excess of \$2,000,000. The Reinsurer shall then reimburse the Company for the whole of such excess.
- E) Property Catastrophe Excess 100% ultimate net loss over and above an initial ultimate net loss \$100,000 each loss occurrence which involves three or more risks.
- Property Facultative Pro Rata \$1,500,000 excess of \$250,000 on any one risk for policies classify as property.
- Casualty Excess of Loss Facultative \$1,000,000 in excess of \$1,000,000 ultimate net loss, each loss occurrence, each policy classified by the Company as comprehensive personal liability, farmowners comprehensive personal liability, commercial general liability and farmowners commercial general liability.
- For workers compensation, ultimate loss over and above an initial ultimate net loss of \$2,000,000 each loss occurrence each policy.
- Equipment breakdown 100% quota share 100% of the Company's net retained liability subject to a limit of \$5,000,000 on any one commercial or farmowners' risk, and \$100,000 on any one homeowners' risk.

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 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

As of December 31, 2022, the Company was not a member of any 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	28%
Adjusted liabilities to liquid assets	27%
Two-year overall operating	87%

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	\$6,172,985	63.31%
Other underwriting expenses incurred	3,262,332	33.46%
Net underwriting gain (loss)	<u>315,100</u>	<u>3.23%</u>
Premiums earned	<u>\$9,750,417</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 2,862.6% 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	\$8,674,995	\$ 0	\$8,674,995
Common stocks (stocks)	11,432	0	11,432
Properties occupied by the company	360,944	0	360,944
Cash, cash equivalents and short-term investments	321,269	0	321,269
Investment income due and accrued	62,205	0	62,205
Uncollected premiums and agents' balances in the course of collection	32,666	2,168	30,498
Deferred premiums, agents' balances and installments booked but deferred and not yet due	269,097	0	269,097
Amounts recoverable from reinsurers	22,705	0	22,705
Current federal and foreign income tax recoverable and interest thereon	19,834	0	19,834
Net deferred tax asset	124,773	43,901	80,872
Electronic data processing equipment and software	15,786	192	15,594
Furniture and equipment, including health care delivery assets	<u>6,904</u>	<u>6,904</u>	<u>0</u>
Total assets	<u>\$9,922,610</u>	<u>\$53,165</u>	<u>\$9,869,445</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 571,879
Commissions payable, contingent commissions and other similar charges	116,258
Other expenses (excluding taxes, licenses and fees)	55,466
Unearned premiums	1,580,689
Advance premium	50,408
Ceded reinsurance premiums payable (net of ceding commissions)	55,347
Amounts withheld or retained by company for account of others	1,218
Pension plan liability	<u>283,716</u>
 Total liabilities	 \$2,714,981

Surplus and Other Funds

Special surplus funds	\$ 100,000
Unassigned funds (surplus)	<u>7,054,464</u>
 Surplus as regards policyholders	 <u>\$7,154,464</u>
 Total liabilities, surplus and other funds	 <u>\$9,869,445</u>

Note: The Internal Revenue Service did not audit the Company's federal income tax returns during the period under examination. 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 \$1,102,178, as detailed below:

Underwriting Income

Premiums earned		\$9,750,417
Deductions:		
Losses and loss adjustment expenses incurred	\$6,172,985	
Other underwriting expenses incurred	<u>3,262,332</u>	
Total underwriting deductions		<u>9,435,317</u>
Net underwriting gain or (loss)		\$ 315,100

Investment Income

Net investment income earned	\$ 973,536	
Net realized capital gain	<u>100,438</u>	
Net investment gain or (loss)		1,073,974

Other Income

Finance and service charges not included in premiums	\$ <u>3,494</u>	
Total other income		\$ <u>3,494</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$1,392,568
Dividends to policyholders		<u>0</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$1,392,568
Federal and foreign income taxes incurred		<u>290,390</u>
Net income		<u>\$1,102,178</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$1,349,289 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			\$5,805,174
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$1,102,178	\$ 0	
Net unrealized capital gains or (losses)	1,925		
Change in net deferred income tax		39,642	
Change in nonadmitted assets	14,946	0	
Change in unassigned funds for pension liability adjustments	<u>269,882</u>	<u>0</u>	
Total gains and losses	<u>\$1,388,931</u>	<u>\$39,642</u>	
Net increase (decrease) in surplus			<u>1,349,289</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2022			<u>\$7,154,464</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 \$571,879 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 homeowners'/farmowners' (54.9%) and other liability – occurrence (31.0%) 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 _____, 2025.

APPOINTMENT NO. 32589

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

Washington County 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 3rd day of January, 2024

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:

Joan Riddell

*Joan Riddell
Deputy Bureau Chief*

