



**REPORT ON EXAMINATION  
OF  
OTSEGO COUNTY PATRONS CO-OPERATIVE FIRE RELIEF  
ASSOCIATION**

**AS OF DECEMBER 31, 2018**

**EXAMINER:  
DATE OF REPORT:**

**SHEIK H. MOHAMED  
OCTOBER 15, 2020**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

February 21, 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 31986 dated July 18, 2019, attached hereto, I have made an examination into the condition and affairs of Otsego County Patrons Co-operative Fire Relief Association as of December 31, 2018, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Otsego County Patrons Co-operative Fire Relief Association.

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 Company, a single-state insurer. The previous examination was conducted as of December 31, 2013. This examination covered the five-year period from January 1, 2014, through December 31, 2018. Transactions occurring subsequent to this period were reviewed when 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 on November 8, 1913, as Otsego County Patrons Co-operative Fire Relief Association for the purpose of transacting business as an assessment co-operative fire insurance corporation in Otsego, Delaware, Schoharie, and Greene counties of this State. Since its incorporation, the Company has expanded its license to transact business in other New

York counties. During the examination period, it further expanded its license to include all counties within New York State except Bronx, Kings, New York, Queens, and Richmond.

Effective February 27, 2020, the Department approved an extension of the Company's writing powers to include the kinds of insurance specified in subsections (a) and (b) of Section 6605 of the New York Insurance Law.

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 eleven members. The board meets at least four times during each calendar year. At December 31, 2018, the board of directors was comprised of the following ten members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Joanne Andela Maryland, New York	President, Otsego County Patrons Co-operative Fire Relief Association
Richard C. Ballard Sr. Sidney, New York	Retired
Todd Cipperly Central Bridge, New York	Insurance Agent, Todd Cipperly Agency Inc.
Marjorie M. French Schenevus, New York	Retired
Lawrence N. Hickling Edmeston, New York	Dairy Farmer
David C. Maine West Edmeston, New York	Highway Department Worker, Town of Brookfield
Elsie T. Myers Davenport, New York	Retired
Josh Paden Canajoharie, New York	Real Estate Agent, Elegant Homes Real Estate
Walker Stowell Central Bridge, New York	Independent Insurance Agent

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Kenneth E. Zinssar Schoharie, New York	Information Risk and Governance Principal, Capital District Physicians Health Plan, Inc.

As of December 31, 2018, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Joanne Andela	President
Todd Cipperly	Secretary/Treasurer
Elsie T. Myers	1 <sup>st</sup> Vice President
Marjorie M. French	2 <sup>nd</sup> Vice President

B. Territory and Plan of Operation

As of December 31, 2018, 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 marine 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 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 any business during the examination period. The following schedule shows the direct premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Total Direct Premiums</u>
2014	\$1,617,843
2015	\$1,771,043
2016	\$2,034,549
2017	\$2,199,051
2018	\$2,398,967

The Company's largest lines of business are homeowners' multiple peril, commercial multiple peril and fire, which accounted for approximately 48%, 23%, and 12%, respectively, of its 2018 direct premium writings. The business is produced through approximately 42 agents throughout New York State.

#### 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.

As of December 31, 2018, the Company has structured its ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Net Line Quota Share</u>	<p><u>Property Business:</u> limit of \$18,000 (i.e., 45% of \$40,000) any one loss; limit of \$54,000 (i.e., 45% of \$120,000) any one occurrence.</p> <p><u>Property – Specified Catastrophe Perils Business:</u> limit of \$13,500 (i.e., 45% of \$30,000) any one loss, any one risk; limit of \$40,500 (i.e., 45% of \$90,000) any one occurrence.</p> <p><u>Casualty Business:</u> limit of \$13,500 (i.e., 45% of \$30,000) any one loss.</p>
<u>Multiple Line Excess of Loss</u>	<p><u>Property Business (2 layers):</u> \$960,000 ultimate net loss in excess \$40,000 each loss, each risk. The reinsurer's liability from each loss occurrence shall not exceed \$920,000 and \$1,000,000 for the first and second layers, respectively.</p>

Property – Specified Catastrophe Perils Business: \$470,000 ultimate net loss in excess of \$30,000 each loss, each risk; limit of \$940,000 each loss occurrence.

Casualty Business (2 layers): \$970,000 ultimate net loss in excess of \$30,000 each loss occurrence.

Casualty and Property combined: In the event of a loss occurrence involving at least one casualty policy and at least one property policy, \$40,000 ultimate net loss in excess \$40,000 each loss occurrence.

Casualty Clash Excess of Loss

\$1,000,000 ultimate net loss in excess \$1,000,000 per 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. Reinsurer shall then reimburse the Company for the whole of such excess.

Property Catastrophe Excess of Loss (2 layers)

Layer 1: \$425,000 ultimate net loss in excess of \$75,000 each loss occurrence involving 3 or more risks, limit of \$850,000 in respect of all loss occurrences during the term of this contract.

Layer 2: 100% of the ultimate net loss in excess of \$500,000 each loss occurrence involving 3 or more risks.

Property Facultative Pro Rata

\$500,000 on any one risk after a minimum net retention of \$1,000,000.

Equipment Breakdown Quota Share

100% quota share on all policies classified as equipment breakdown.

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 there were no material mis-statements in Schedule F data reported by the Company in its filed annual statement.

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 Principle (“SSAP”) No. 62R. Representations were supported by an attestation from the Company's President 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 any holding company system as of December 31, 2018.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2018, 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	100%
Adjusted liabilities to liquid assets	54%
Two-year overall operating	83%

Underwriting Ratios

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

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$2,079,768	78.05%
Other underwriting expenses incurred	552,120	20.72%
Net underwriting gain (loss)	<u>32,892</u>	<u>1.23%</u>
Premiums earned	<u>\$2,664,780</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 590.39% at December 31, 2018. 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.

F. Accounts and Records

i. Compliance with Audit Committee Charter

The Company's audit committee charter states that "The Insurance Company Audit Committee shall meet a minimum of two times each year." It is noted that the Company's audit committee met only three times during the examination period. It is recommended that the Company's audit committee meet a minimum of two times each year pursuant to the provisions of its audit committee charter or amend the charter.

ii. Compliance with Department Regulation 118

The Company was in violation of the following provisions of Department Regulation 118 Section 89.12:

- (a) The audit committee shall be directly responsible for the appointment, compensation and oversight of the work of any CPA (including resolution of disagreements between management and the CPA regarding financial reporting) for the purpose of preparing or issuing the audited financial report or related work pursuant to this Part. The CPA shall report directly to the audit committee.
- (e) The company shall submit written notification to the superintendent of the selection of its audit committee within 30 days of the effective date of this Part and within 30 days of any change in membership of the audit committee. The notice shall include a description of the reason for the change.
- (f)(1) The audit committee shall require the CPA that performs any audit for a company that is required by this Part to timely report to the audit committee:
  - (i) all significant accounting policies and material permitted practices;
  - (ii) all material alternative treatments of financial information within statutory accounting principles that have been discussed with management officials of the company, ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the CPA; and
  - (iii) other material written communications between the CPA and the management of the company, such as any management letter or schedule of unadjusted differences.

It is recommended that the Company comply with the provisions of Section 89.12 (a), (e) and (f)(1) of Department Regulation 118.

iii. Compliance with Department Regulation 64

A review of 35 of the Company's claim files revealed that 23 of the files contained a release notice that did not comply with Department Regulation 64.

It is recommended that the Company comply with Department Regulation 64 regarding its release notice. Subsequent to the examination period, the Company has complied with this recommendation.

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2018, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$1,164,273	\$ 0	\$1,164,273
Common stocks	309,695	0	309,695
Properties occupied by the company	22,981	0	22,981
Cash, cash equivalents and short-term investments	267,242	0	267,242
Investment income due and accrued	6,285	0	6,285
Uncollected premiums and agents' balances in the course of collection	69,651	7,374	62,277
Deferred premiums, agents' balances and installments booked but deferred and not yet due	254,764	0	254,764
Amounts recoverable from reinsurers	8,000	0	8,000
Current federal and foreign income tax recoverable and interest thereon	7,720	0	7,720
Net deferred tax asset	22,001	1,001	21,000
Furniture and equipment, including health care delivery assets	81,650	81,650	0
Miscellaneous	<u>2</u>	<u>0</u>	<u>2</u>
Total assets	<u>\$2,214,264</u>	<u>\$90,025</u>	<u>\$2,124,239</u>

Liabilities, surplus and other fundsLiabilities

Losses and loss adjustment expenses	\$ 191,179
Commissions payable, contingent commissions and other similar charges	113,653
Other expenses (excluding taxes, licenses and fees)	34,748
Taxes, licenses and fees (excluding federal and foreign income taxes)	322
Unearned premiums	721,483
Advance premium	52,029
Ceded reinsurance premiums payable (net of ceding commissions)	86,710
Amounts withheld or retained by company for account of others	(149)
Rounding	<u>(3)</u>
 Total liabilities	 \$1,199,972

Surplus and other funds

Special contingent reserve	\$100,000
Unassigned funds (surplus)	<u>824,267</u>
 Surplus as regards policyholders	 \$ <u>924,267</u>
 Total liabilities, surplus and other funds	 \$ <u>2,124,239</u>

Note: The Internal Revenue Service has not notified the Company that an audit will be conducted of the Company's tax returns covering tax years 2014 through 2018. 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 \$208,381, as detailed below:

Underwriting Income

Premiums earned		\$2,664,780
Deductions:		
Losses and loss adjustment expenses incurred	\$2,079,768	
Other underwriting expenses incurred	<u>552,120</u>	
Total underwriting deductions		<u>2,631,888</u>
Net underwriting gain or (loss)		\$ 32,892

Investment Income

Net investment income earned	\$ 74,828	
Net realized capital gain	<u>5,219</u>	
Net investment gain or (loss)		80,047

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (3,135)	
Finance and service charges not included in premiums	110,855	
Rounding	<u>2</u>	
Total other income		<u>107,722</u>
Net income before federal and foreign income taxes		\$ 220,661
Federal and foreign income taxes incurred		<u>12,280</u>
Net income		<u>\$ 208,381</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$270,376 during the five-year examination period January 1, 2014, through December 31, 2018, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2013			\$653,891
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$208,381		
Net unrealized capital gains or (losses)	28,080		
Change in net deferred income tax	12,915		
Change in nonadmitted assets	29,116		
Change in accrued vacation paid		\$2,966	
Asset purchase charged to surplus		2,429	
2013 value lease adjustment	179		
Nonadmitted asset depreciation booked through surplus	1,635		
Other adjustment	<u>0</u>	<u>4,535</u>	
Total gains and losses	\$280,306	\$9,930	
Net increase (decrease) in surplus			<u>270,376</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2018			<u>\$924,267</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 \$191,179 is the same as reported by the Company as of December 31, 2018. 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 (47.1%) and commercial multiple peril (34.6%) lines of business.

**5. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Accounts and Records</u>	
i.	It is recommended that the Company's audit committee meet a minimum of two times each year pursuant to the provisions of its audit committee charter or amend the charter.	8
ii.	It is recommended that the Company comply with Section 89.12(a), (e), and (f)(1) of Department Regulation 118.	8
iii.	It is recommended that the Company comply with Department Regulation 64 regarding its release notice. Subsequent to the examination period, the Company has complied with this recommendation.	9



Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Sheik H. Mohamed, CPCU  
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.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Linda A. Lacewell, 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

**Otsego County Patrons Co-operative Fire Relief Association**

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 18th day of July, 2019

LINDA A. LACEWELL  
Superintendent of Financial Services



By:

*Joan P. Riddell*

Joan Riddell  
Deputy Bureau Chief