REPORT ON EXAMINATION
OF
MID-HUDSON CO-OPERATIVE INSURANCE COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: **DILBRINA BELGRAVE**
DATE OF REPORT: **JUNE 12, 2025**

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June 12, 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 32604 dated March 1, 2024, attached hereto, I have made an examination into the condition and affairs of Mid-Hudson Co-Operative Insurance Company as of December 31, 2023, and submit the following report thereon.

Wherever the designation "the Company" or appears herein without qualification, it should be understood to indicate Mid-Hudson 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 Mid-Hudson Co-Operative Insurance Company, a multi-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.

New York is the lead state of the Mid-Hudson Claverack Co-op Group (the "Group"), which consists of the Company and Claverack Cooperative Insurance Company ("Claverack"). The examination of the Company was performed concurrently with the examinations of the following New York domiciled insurers: Claverack and Midrox Insurance Company ("Midrox").

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
Affiliated group 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 the 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

The Company was incorporated as an assessment cooperative on April 19, 1900 under the laws of the State of New York as The Westchester and Putnam Patrons' Fire Relief Association. It commenced business on September 1, 1900. On November 10, 1965, the Company changed its name to its current title.

Effective April 2, 2015, the Company and Claverack entered into an affiliation agreement.

Effective March 31, 2017, the Company converted from an assessment cooperative to an advance premium cooperative property/casualty company.

In November 2017, Statewide Underwriter Agency, Inc. ("Statewide") became a wholly owned subsidiary of the 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 15 members. The board of directors meets four times during each calendar year, in compliance with Section 6624(b) of the New York Insurance Law. At December 31, 2023, the board of directors was comprised of the following ten members:

Name and Residence	Principal Business Affiliation
Marc C. Baez[1] Liberty, New York	Chief Executive Officer and President, The Sullivan County Partnership for Economic Development
Katherine M. Buckley[2] Hudson, New York	Retired
Catherine M. Coombe[1] Grahamsville, New York	Partner, Coombe, Bender & Company Financial Advisors
Greg M. Cooper[1] Montgomery, New York	Vice President and Treasurer Mid-Hudson Co-Operative Insurance Company
Elizabeth A. Dolan[1] Hudson, New York	Retired
Raymond J. Enright[2] Stanfordville, New York	Retired

Name and Residence	Principal Business Affiliation
Edward N. Harper[1] Niskayuna, New York	President and Chief Executive Officer, Mid-Hudson Co-Operative Insurance Company
Alan R. Lewis[2] Newburgh, New York	Principal, Alan R. Lewis Law Office
Fred J. Morse[1] Margaretville, New York	President, Midrox Insurance Company
Kristin Plaia[2] Hudson, New York	School Psychologist, Hudson School District

[1]Also serves as a director on Claverack's and Midrox's board of directors
[2]Also serves as a director on Claverack's board of directors

A review of the Company's charters for its committees noted the following:

- The audit committee charter states that "the committee shall meet no fewer than two times per year …and shall maintain minutes of all meetings..."
- The investment committee charter states that "the committee shall meet no fewer than three times per year… and shall maintain minutes of all meetings".

Based on the review of the committee meeting minutes, it was noted that the Company held the required number of audit committee meetings pursuant to its audit committee charter only in 2016. However, for all years under review, the investment committee did not hold the required number of meetings pursuant to its investment committee charter.

It is recommended that the Company comply with its committee charters by holding all required meetings pursuant to such charter. A similar recommendation was made in the prior report on examination.

Part 89.12(e) of Department Regulation No. 118 states:

> "The Company shall provide 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."

Based on a review of the audit committee meetings, there were changes to the audit committee membership for all years under review. However, the Company did not notify the Department of the changes in membership to the audit committee.

It is recommended that the Company ensure compliance with Part 89.12(e) of Department Regulation No. 118 and notify the Department of all changes in the audit committee membership within 30 days. A similar recommendation was made in the prior report on examination.

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

Name	Title
Edward N. Harper[3]	President and Chief Executive Officer
Greg M. Cooper[3]	Vice President
Catherine M. Coombe[4]	Secretary and Treasurer

[3] Also a principal officer of both Claverack and Midrox
[4] Also a principal officer of Claverack

B. Territory and Plan of Operation

As of December 31, 2023, the Company was licensed to write business in the following three states: Delaware, Indiana, and 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:

Paragraph	Line of Business
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)

The Company is also authorized to accept and cede reinsurance as provided in Section 6606(a)(1) of the New York Insurance Law.

Based upon the lines of business for which the Company is licensed, 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 $1,398,513.

The following schedule shows the direct written premiums and premiums assumed by the Company for the period under examination:

Calendar Year	Direct Premiums	Assumed Premiums	Total Gross Premiums
2019	$18,985,354	$ 8,726,276	$27,711,630
2020	$20,442,556	$ 9,289,481	$29,732,037
2021	$21,146,478	$ 8,835,568	$29,982,046
2022	$23,604,370	$ 9,357,776	$32,962,146
2023	$23,930,774	$21,426,103	$45,356,877

The Company predominantly writes commercial multiple peril, homeowners multiple peril, and fire policies, which accounted for 77%, 14% and 4%, respectively, of the 2023 direct premiums written. The business is produced through approximately 260 independent agents.

The Company assumes 100% of the business from Claverack and Midrox pursuant to reinsurance agreements that were approved by the Department. Additionally, in 2023, the Company began assuming business from an insurance association domiciled in Iowa, and from two Indiana domiciled mutual insurance companies.

C. Reinsurance Ceded

The Company has structured its reinsurance program as follows:

Type of Treaty	Cession
Property and Casualty Combination Excess of Loss:	
Property and Casualty (2 layers)	$1,700,000 excess $300,000 each loss, each risk; property occurrence limit of $2,100,000 each loss occurrence for the first layer and $2,000,000 for the second layer.
Casualty and Property Combined	$300,000 excess $300,000.
Casualty and Umbrella Combined	$500,000 excess $300,000.
Casualty Clash Excess of Loss	$1,000,000 excess $2,000,000 each loss occurrence.

Property:	
Property Catastrophe Excess of Loss	100% of the ultimate net loss excess $750,000 each loss occurrences for loss occurrence involving three or more risks.
Property Facultative Excess of Loss	$3,000,000 excess $2,000,000 for each loss and risk.
Non-New York Business	100% quota share.
Boiler & Machinery	100% quota share.

The Company's ceded business is to authorized reinsurers and to one unauthorized reinsurer. It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. The trust account obtained by the Company to take credit for its cession to the unauthorized reinsurer was reviewed for compliance with Department Regulation 114.

Part 126.3(a) of Title 11 New York Codes, Rules and Regulations (known as Department Regulation 114) states, in part:

> "The agreement must be in the form of a trust agreement made and entered into among the beneficiary, the grantor and a bank. The bank must be either a member of the Federal Reserve System, or a New York state-chartered bank or trust company…"

It was noted that the bank, although insured with the FDIC, is not a member of the Federal Reserve System or a New York state-chartered bank or trust company. It is recommended that the Company comply with Part 126.3(a) of Department Regulation 114 by ensuring the bank that is party to the trust agreement is either a member of the Federal Reserve System or a New York state-chartered bank or trust company.

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.

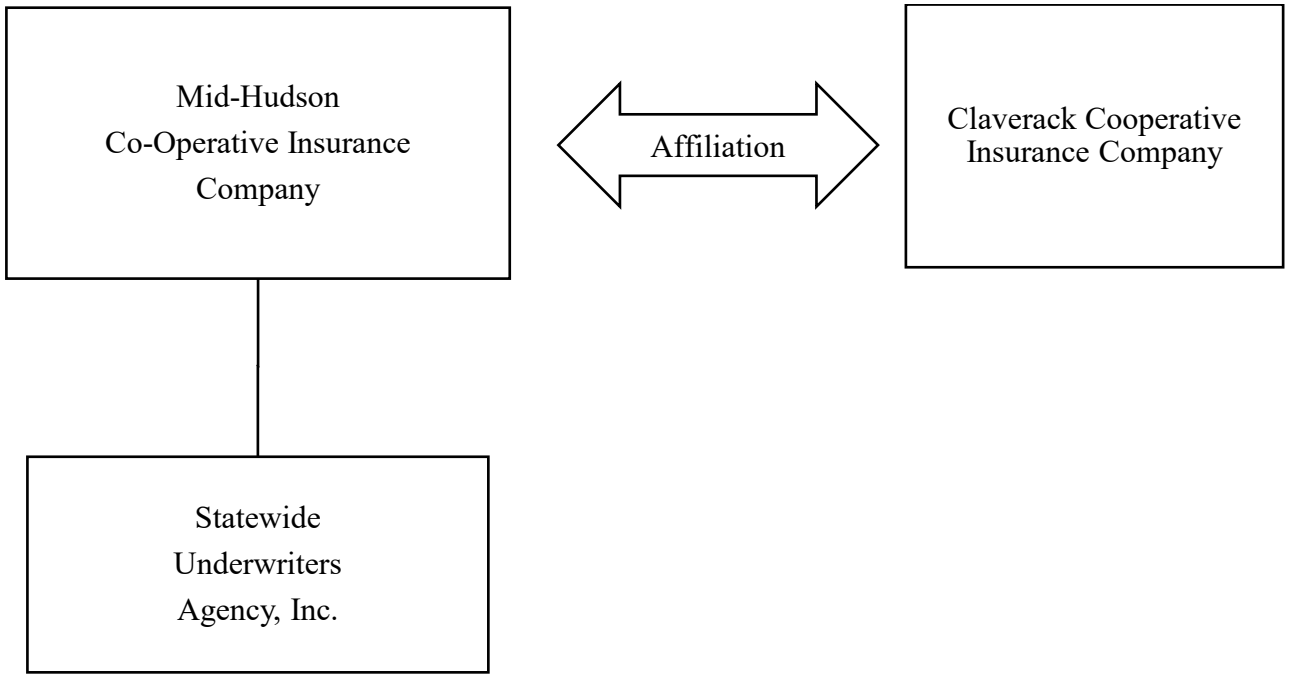
Examination review of the Schedule F data, reported by the Company in its filed annual statement, was found to accurately reflect its material reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as 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 President and Vice President. 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. Affiliated Group

In 2015, the Company and Claverack entered into an affiliation agreement, whereby the companies operate under a common management team and board of directors. The agreement was approved by the Department.

The following is an unabridged chart of the affiliated system at December 31, 2023:



The Company owns 100% of the shares of Statewide Underwriters Agency, Inc ("Statewide", and formerly known as Midrox Agency Inc.).

The Company entered into a Management Services Agreement with Statewide, effective January 1, 2022. This agreement replaced the Management Services Agreement with Statewide, effective January 1, 2019. Under the terms of the agreement, for a fee based on gross written premium, Statewide shall provide all underwriting, marketing, and claims services, as well as specified accounting services. This agreement was approved by the Department.

Effective January 1, 2021, the Company entered into another Management Services Agreement with Statewide. Under the terms of the agreement, for a fee based on gross written premium, Statewide is authorized to research, select, implement and manage certain insurance IT software. This agreement was not filed with the Department.

Section 1608(e) of the New York Insurance Laws states, in part:

> "The following transactions between a domestic controlled insurer and any subsidiary may not be entered into unless the insurer has notified the Superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or with regard to reinsurance treaties or agreements at least forty-five days prior thereto, or such shorter period as the Superintendent may permit, and the superintendent has not disapproved it within such period . . . (4) management agreements, service contracts, tax allocation agreements, guarantees, and all cost-sharing arrangements. . . ."

It is recommended the Company timely file with the Department its affiliated management agreements pursuant to Section 1608(e)(4) of the New York Insurance Law.

Furthermore, based on the review of the 2023 annual statement, the following was noted:

a) The Company did not report its common stock shares of Statewide in Schedule D - Part 2 - Section 2;
b) The Company did not report management services fees paid to Statewide pursuant to the terms of the two management services agreements noted above in Schedule Y - Part 2.

It is recommended that the Company properly reflect its ownership of Statewide in Schedule D - Part 2 - Section 2, and properly disclose transactions with its subsidiary in Schedule Y - Part 2 in accordance with the NAIC Annual Statement Instructions. A similar recommendation was made in the prior report on examination.

Tax Allocation Agreement

In 2016, the Company entered into a tax allocation agreement with Statewide. Examination review of the agreement revealed that it is consistent with the guidelines contained in Department Circular Letter No. 33 (1979). The Department had no objection to the implementation of the agreement.

Pursuant to Section 1502(a) of the New York Insurance Law, the Company is exempt from the filing requirements of Article 15. However, according to Department Circular Letter No. 10 (2010), every domestic insurer that is exempt from the provisions of Article 15 of the New York Insurance Law is required

to file with the Department the information contained in NAIC Form B within 120 days following the close of the ultimate company's fiscal year. A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Department Circular Letter 10 (2010).

E. Significant Ratios

The following operating ratios, computed as of December 31, 2023, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

Operating Ratios	Result
Net premiums written to policyholders' surplus	209%
Adjusted liabilities to liquid assets	85%

The Company's two-year overall operating ratio of 111% falls outside the benchmark range due to increases in loss and loss adjustment expenses and less than anticipated underwriting performance.

Underwriting Ratios

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

	Amount	Ratio
Losses and loss adjustment expenses incurred	$76,628,261	71.81%
Other underwriting expenses incurred	41,292,919	38.70%
Net underwriting gain (loss)	(11,208,305)	(10.50)%
Premiums earned	$106,712,875	100.00%

The Company's reported risk-based capital ("RBC") score was 301.0% at December 31, 2023. The RBC score 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. There was a financial adjustment in this report (refer to section 3D) that impacted the Company's the RBC score. An RBC of 200% or below can result in regulatory action.

F. Accounts and Records

Based on a review of the annual statement, it was noted that the Company misclassified management fees associated with the aforementioned management agreements noted in Section D of this report.

Part 105 of Title 11 New York Codes, Rules and Regulations (known as Department Regulation 30) establishes uniformity in classifications of expenses of property/casualty insurers that are recorded in statements and reports filed with the Department.

It is recommended that the Company classify its management fees pursuant to Part 105 of Department Regulation 30.

Additionally, during the examination, the examiner found several errors in the preparation of the 2023 annual statement. The Company did not properly report the following:

- Its ownership in Statewide in Note 10 of the Notes to the Financial Statement.
- Its ownership of Statewide in Schedule Y – Part 1 and Part 2 (refer to Section D of this report).
- Its common stock shares of Statewide in Schedule D - Part 2 – Section 2, (refer to Section D of this report).
- The names of two board members on the Jurat Page.
- Reported it was licensed in Illinois in Schedule T.
- Disclose its investment advisor in number 29.01 of the General Interrogatories.
- Disclose its custodian in number 29.05 of the General Interrogatories.

It is recommended that the Company exercise greater care in the preparation of its annual statement in all future filings with this Department. A similar recommendation was made in the prior report on examination.

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:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$25,760,303	$0	$25,760,303
Common stocks (stocks)	5,842,113	0	5,842,113
Properties occupied by the company	222,574	0	222,574
Cash, cash equivalents and short-term investments	5,643,546	0	5,643,546
Receivables for securities	161,704	0	161,704
Investment income due and accrued	171,869	0	171,869
Uncollected premiums and agents' balances in the course of collection	876,103	52,940	823,163
Deferred premiums, agents' balances and installments booked but deferred and not yet due	5,102,969	0	5,102,969
Amounts recoverable from reinsurers	238,644	0	238,644
Current federal and foreign income tax recoverable and interest thereon	277,753	0	277,753
Net deferred tax asset	517,567	283,128	234,439
Receivables from parent, subsidiaries and affiliates	2,425,576	0	2,425,576
Prepaid expense	46,654	46,654	0
Receivable	286,542	286,542	0
Life insurance policy	226,863	0	226,863
Fronting fee receivable	336,840	0	336,840
Total assets	$48,137,620	$669,264	$47,468,356

Liabilities, Surplus and Other Funds

Liabilities

Losses and Loss Adjustment Expenses		$18,719,432
Reinsurance payable on paid losses and loss adjustment expenses		99,611
Commissions payable, contingent commissions and other similar charges		1,392,694
Other expenses (excluding taxes, licenses and fees)		40,600
Taxes, licenses and fees (excluding federal and foreign income taxes)		81,670
Unearned premiums		15,683,436
Advance premium		366,980
Ceded reinsurance premiums payable (net of ceding commissions)		34,837
Remittances and items not allocated		27,078
Aggregate write-ins for liabilities (Abandoned Property)		118,377
Total liabilities		$36,564,715

Surplus and Other Funds

Special surplus funds	$1,150,000	
Unassigned funds (surplus)	9,753,641	
Surplus as regards policyholders		$10,903,641
Total liabilities, surplus and other funds		$47,468,356

Note: The Internal Revenue Service has not audited tax returns covering tax years 2019 through 2023. 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 loss for the examination period as reported by the Company was $1,531,410, as detailed below:

Underwriting Income		
Premiums earned		$106,712,875
Deductions:		
Losses and loss adjustment expenses incurred	$75,969,261	
Other underwriting expenses incurred	41,292,919	
Total underwriting deductions		117,262,180
Net underwriting gain or (loss)		$(10,549,305)
Investment Income		
Net investment income earned	$2,554,562	
Net realized capital gain	5,027,028	
Net investment gain or (loss)		7,581,590
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$(164,428)	
Finance and service charges not included in premiums	873,181	
Aggregate write-ins for miscellaneous income	162,078	
Total other income		870,831
Net income before dividends to policyholders and before federal and foreign income taxes		$(2,096,884)
Dividends to policyholders		0
Net income after dividends to policyholders but before federal and foreign income taxes		$(2,096,884)
Federal and foreign income taxes incurred		(565,474)
Net income		$(1,531,410)

C. Capital and Surplus

Surplus as regards policyholders increased by $84,374 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			$10,819,267
	Gains in Surplus	Losses in Surplus	
Net income		$1,531,410	
Net unrealized capital gains or (losses)		862,880	
Change in net deferred income tax	$1,384,119		
Change in nonadmitted assets	1,094,548		
Aggregate write-ins for gains and losses in surplus	0	3	
Total gains and losses	$2,478,667	$2,394,293	
Net increase (decrease) in surplus			84,374
Surplus as regards policyholders as reported by the Company as of December 31, 2023			$10,903,641

D. Analysis of Changes to Surplus

Surplus as regards policyholders as reported by the Company as of December 31, 2023	$10,903,641
Change to surplus due to examination change in loss and loss adjustment expenses at December 31, 2023 (refer to section 4 of this report for further detail)	(659,000)
Surplus as regards policyholders as of December 31, 2023, per examination	$10,244,640

E. Analysis of Changes to Income

Net income (loss) for the examination period, as reported by the Company	$(1,531,410)
Increase (decrease) in income due to reversal of prior examination change in loss and loss adjustment expense reserves	1,522,000
Increase (decrease) in income due to current examination change in loss and loss adjustment expense reserves	(659,000)
Net income (loss) for the examination period ending December 31, 2023, per examination	$ (668,410)

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The Department performed a review of the Company's loss and loss adjustment expense ("L&LAE") reserves as of December 31, 2023. The Department accepts the carried reserve liability of $19,378,432 for accident years 2023 and prior as of March 31, 2025. This reflects a deficiency of $659,000 in comparison to the Company's carried L&LAE reserves of $18,719,432 at year-end 2023. This deficiency represents 6.0% of the Company's surplus and 3.5% of net L&LAE reserves at December 31, 2023, and has already been recognized by the Company in its quarterly statement as of March 31, 2025. 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.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM		PAGE NO.
A.	Corporate Governance	
i.	It was recommended that the Company comply with its committee charters by holding all required meetings pursuant to such charter. The Company has not complied with this recommendation. A similar recommendation is made in this report on examination.	4
ii.	It was recommended that the Company ensure compliance with Department Regulation No. 118 by notifying the Superintendent of all changes in audit committee membership within 30 days. The Company has not complied with this recommendation. A similar recommendation is made in this report on examination.	5
iii.	It was recommended that the Company comply with the provisions of Section 312(b) of the New York Insurance Law and provide a copy of the report on examination to each member of its board of directors, and maintain a statement signed by each board member indicating that he/she has received and read the report. The Company has complied with this recommendation.	5
B.	Affiliated Group	
	It was recommended that the Company correctly complete its investment schedules in its filed annual statements with information pertaining to its subsidiary, Statewide. The Company has not complied with this recommendation. A similar recommendation is made in this report on examination.	8
C.	Accounts and Records	
	It was recommended that the Company exercise greater care in the preparation of its annual statement in all future filings with this Department. The Company has not complied with this recommendation. A similar recommendation is made in this report on examination.	10

D. Loss and Loss Adjustment Expense

It was recommended that the Company address the ongoing reserving inadequacies and increase its carried reserves to an appropriate level, pursuant to the provisions of Section 1303 of the New York Insurance Law and SSAP No. 55. 15

The Company has complied with this recommendation.

E. Market Conduct

It was recommended that the Company comply with all the requirements of Part 216.6(h) of Department Regulation No. 64 when issuing notices rejecting any element of a claim involving personal property insurance. 16

The Company has complied with this recommendation.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

Respectfully submitted,

_____/S/_____
Dilbrina Belgrave, AFE, CISA, PIR
Financial Services Specialist 4

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

Dilbrina Belgrave, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

_____/S/_____
Dilbrina Belgrave

Subscribed and sworn to before me

this_____ day of _____, 2025.

APPOINTMENT NO. 32604

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:*

Dilbrina Belgrave

as a proper person to examine the affairs of the

Mid-Hudson Co-operative Insurance Company

and to make a report to me in writing of the condition of said

COMPANY

with such other information as she 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 1st day of March 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Joan Riddell

Joan Riddell
Deputy Bureau Chief