REPORT ON EXAMINATION
OF
CHERRY VALLEY COOPERATIVE INSURANCE COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: **JOHN ROMANO**
DATE OF REPORT: **MAY 16, 2025**

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May 16, 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 32678 dated October 16, 2024, attached hereto, I have made an examination into the condition and affairs of Cherry Valley Cooperative 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 Cherry Valley Cooperative 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 Cherry Valley Cooperative Insurance Corporation, 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 of the Company was performed concurrently with the examination of Erie and Niagara Insurance Association.

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

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 organized on April 17, 1880, for the purpose of transacting business as an assessment cooperative fire insurance company in the Towns of Cherry Valley, Roseboom, and Westfield in Otsego County of New York State.

By means of a charter amendment dated May 3, 1983, the Company changed its name to its current title and increased its territory to include all the counties of New York State, excluding the counties of Bronx, Kings, New York, Queens, and Richmond.

On April 1, 1985, the Company converted to an advance premium corporation. At the time of conversion, the Company became qualified to write non-assessable policies and extended its territory to include all of New York State.

Due to common directors, officers and management with Erie and Niagara Insurance Association ("ENIA"), the Company and ENIA are deemed affiliated.

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 members. The Board meets three times during each calendar year. At December 31, 2023, the board of directors was comprised of the following seven members:

Name and Residence	Principal Business Affiliation
Norman J. Orlowski, Jr. East Amherst, New York	Chief Executive Officer and President, Erie and Niagara Insurance Association Chairman of the Board, Chief Executive Officer and President, Cherry Valley Cooperative Insurance Company
Thomas G. Dambra LeRoy, New York	Chief Executive Officer, Family First of New York Federal Credit Union
James W. Fulmer LeRoy, New York	Director, Cherry Valley Cooperative Insurance Company
Robert M. Hoover East Aurora, New York	Retired, Change Healthcare Chairman of the Board, Erie and Niagara Insurance Association Director, Cherry Valley Cooperative Insurance Company
Maureen A. Mulcahy Geneseo, New York	Vice President, Corporate Relations and Secretary, Erie and Niagara Insurance Association

Name and Residence	Principal Business Affiliation
John A. Noble LeRoy, New York	Vice President, Noblehurst Farms, Inc. Vice Chairman of the Board, Erie and Niagara Insurance Association Director, Cherry Valley Cooperative Insurance Company
Gina M. Cartenuto Clarence Center, New York	Vice President and Treasurer, Erie and Niagara Insurance Association Vice President and Treasurer, Cherry Valley Cooperative Insurance Company

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

Name	Title
Norman John Orlowski, Jr.	Chairman of the Board, Chief Executive Officer and President
Maureen A. Mulcahy	Vice President and Secretary
Gina M. Cartenuto	Vice President and Treasurer

Subsequent to the exam date, Norman J. Orlowski, Jr., announced his retirement as Chief Executive Officer and President. Norman J. Orlowski, Jr., is continuing to serve on the board and through the transition to the next Chief Executive Officer and President. The Board selected Scott M. Stock, the current Vice President of Information Technology of Erie and Niagara Insurance Association to succeed Norman J. Orlowski, Jr. Subsequent to the exam date, Maureen A. Mulcahy, announced her retirement effective February 28, 2025.

B. Territory and Plan of Operation

As of December 31, 2023, 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:

Paragraph	Line of Business
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
12	Collision
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland only)

The Company was also licensed to accept and cede reinsurance as provided in Section 6606 of the New York Insurance Law. Based on 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 $388,164.

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

Calendar Year	Direct Premiums	Assumed Premiums	Total Gross Premiums
2019	$232,185	$336,220	$568,405
2020	$433,342	$364,144	$797,486
2021	$544,290	$325,394	$869,684
2022	$601,681	$362,196	$963,877
2023	$628,057	$407,613	$1,035,670

The Company primarily writes umbrella policies that complement its affiliate's, ENIA's, applicable personal and commercial lines of business. In 2023, E & N Financial Services ("ENFS"), a wholly owned subsidiary of ENIA, controlled approximately 98% of the Company's direct business.

The Company assumes business pursuant to its property per risk reinsurance assumption agreement with ENIA. Pursuant to Endorsement 10, effective January 1, 2021, the Company agreed to indemnify ENIA the ultimate net loss paid by ENIA in excess of $625,000 as a result of property losses, subject to a limit of $25,000 ultimate net loss, each risk, each loss. This agreement and endorsements were submitted to the Department in accordance with Circular Letter No. 10 (2010). In December 2023, the Company submitted Endorsement 11, effective January 1, 2024, which adjusts the agreement to indemnify ENIA, in

excess of $715,000, the ultimate net loss by ENIA as a result of property losses occurring under its policies with liability not to exceed $35,000 each risk, each loss.

C. Reinsurance Ceded

The Company has structured its ceded reinsurance program as follows:

Type of Treaty	Cession
Property Excess of Loss	$635,000 excess of $15,000 each loss, each risk. Subject to a limit of liability to the reinsurer of $635,000 each loss occurrence. Subject to a limit of liability to the reinsurer of $1,905,000
Casualty Excess of Loss	$635,000 excess of $15,000 each loss occurrence
Combined Property and Casualty Excess of Loss	In the event of a loss occurrence involving at least one casualty and one property policy subject to the contract, the reinsurer shall be liable in respect of each loss occurrence for the ultimate net loss over and above an initial ultimate net loss of $15,000 each loss occurrence subject to a limit of liability to the reinsurer of $635,000 each loss occurrence.
Catastrophe Excess of Loss	$200,000 excess of $100,000 each loss occurrence. The reinsurer shall not be liable unless three or more risks are involved in the same occurrence.
Umbrella	95% any one risk.

The Company also has in place an umbrella facultative reinsurance contract. 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 appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC annual

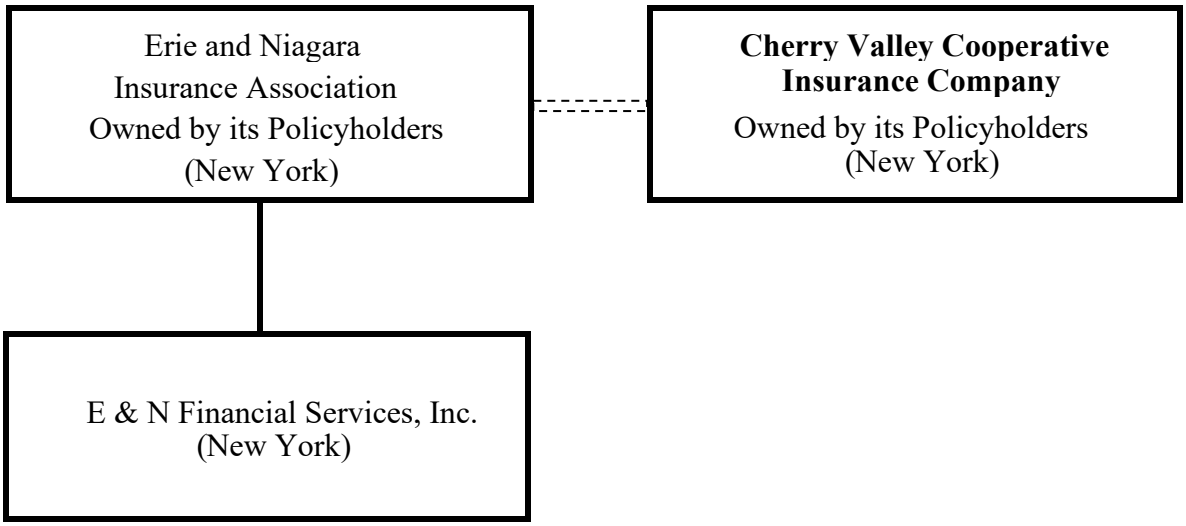
statement instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

D. Affiliated Group

As of December 31, 2023, the Company was affiliated with Erie and Niagara Insurance Association, by virtue of common officers, directors, and management.

The holding company registration statements were submitted to the Department pursuant to Circular Letter No. 10 (2010).

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



Affiliated Agreements

At December 31, 2023, the Company was party to the following agreements with other members of its affiliated group:

Management and Service Agreements

Effective January 1, 2010, the Company entered into an intercompany management and service agreement with its affiliate, ENIA, whereby all of the Company's administrative services are performed by

ENIA. Expenses incurred and paid for by ENIA are to be allocated between the two companies in a manner consistent with Department Regulation 30. The agreement requires intercompany balances to be settled within 30 days. This Department issued a letter of non-objection relative to the implementation of the agreement on January 27, 2010.

E. Significant Ratios

The Company's 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	23%
Adjusted liabilities to liquid assets	20%
Two-year overall operating	89%

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	$1,227,657	60.87%
Other underwriting expenses incurred	668,588	33.15%
Net underwriting gain (loss)	120,608	5.98%
Premiums earned	$2,016,853	100.00%

The Company's reported risk-based capital ("RBC") score was 3,159.3% 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. An RBC score 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, 2023, as reported by the Company:

Assets

	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$1,580,929	$ 0	$1,580,929
Cash, cash equivalents and short-term investments	529,441	0	529,441
Investment income due and accrued	12,286	0	12,286
Uncollected premiums and agents' balances in the course of collection	185,068	766	184,302
Deferred premiums, agents' balances and installments booked but deferred and not yet due	43,637	0	43,637
Current federal and foreign income tax recoverable and interest thereon	4,999	0	4,999
Equities and deposits in pools and associations	590	0	590
Finance Charges Receivable	230	230	0
Total Assets	$2,357,180	$996	$2,356,184

Liabilities, Surplus, and Other Funds

Liabilities

Losses and Loss Adjustment Expenses		$268,106
Commissions payable, contingent commissions and other similar charges		19,130
Other expenses (excluding taxes, licenses and fees)		35,300
Unearned premiums		13,521
Advance premium		11,397
Ceded reinsurance premiums payable (net of ceding commissions)		63,202
Amounts withheld or retained by company for account of others		(124)
Remittances and items not allocated		522
Payable to parent, subsidiaries and affiliates		52,287
Total Liabilities		$463,341

Surplus and Other Funds

Aggregate write-ins for special surplus funds	$ 388,164	
Unassigned funds	1,504,679	
Surplus as regards to policyholders		$1,892,843
Total liabilities, surplus and other funds		$2,356,184

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 income for the examination period as reported by the Company was $260,151, as detailed below:

Underwriting income		
Premiums earned		$ 2,016,853
Deductions:		
Losses and loss adjustment expenses incurred	$1,227,657	
Other underwriting expenses incurred	668,588	
Total underwriting deductions		1,896,245
Net underwriting gain or (loss)		$ 120,608
Investment Income		
Net investment income earned	$ 159,316	
Net investment gain or (loss)		159,316
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (4,454)	
Finance and service charges not included in premiums	18,906	
Total other income		14,452
Net income before dividends to policyholders and before federal and foreign income taxes		$ 294,376
Dividends to policyholders		0
Net income before dividends to policyholders but before federal and foreign income taxes		$ 294,376
Federal and foreign income taxes incurred		34,225
Net income		$ 260,151

C. Capital and Surplus

Surplus as regards policyholders increased $259,280 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			$1,633,563
	Gains in Surplus	Losses in Surplus	
Net income	$260,151	$ 0	
Change in nonadmitted assets	0	871	
Total gains and losses	$260,151	$871	
Net increase (decrease) in surplus			259,280
Surplus as regards policyholders as reported by the Company as of December 31, 2023			$1,892,843

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 $268,106 is the same as reported by the Company as of December 31, 2023. 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 did not contain any comments or recommendations.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

_____/S/_____
John Romano, CPA, CITP, CIA, CFE
Baker Tilly Principal, Examiner-In-Charge on behalf of
New York State Department of Financial Services

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

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

_____/S/_____
John Romano

Subscribed and sworn to before me

this_____ day of _____, 2025.

APPOINTMENT NO. 32678

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:*

John Romano

as a proper person to examine the affairs of the

Cherry Valley Cooperative 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 16th day of October, 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Eileen Fox

Eileen Fox
Assistant Deputy Superintendent