REPORT ON EXAMINATION
OF
CENTRAL CO-OPERATIVE INSURANCE COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: **SHEIK H. MOHAMED**
DATE OF REPORT: **MARCH 14, 2025**

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March 14, 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 32607 dated March 1, 2024, attached hereto, I have made an examination into the condition and affairs of Central Co-operative 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 Central 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 Central Co-operative 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
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 organized under the laws of the State of New York in 1883 for the purpose of transacting business as a cooperative fire insurance corporation in Onondaga County, New York. On August 11, 1970, this Department issued a certificate approving a change in the name of the Company to Onondaga Co-operative Insurance Company.

Effective January 1, 1990, the Company merged with Cortland Co-operative Insurance Company. Concurrently, the surviving corporation, Onondaga Co-operative Insurance Company, converted from an assessment cooperative fire insurance company to an advance premium cooperative insurance company and changed its name to Central Co-operative Insurance 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 nine nor more than twenty-two members. The board meets four times during each calendar year. At December 31, 2023, the board of directors was comprised of the following eleven members:

Name and Residence	Principal Business Affiliation
Warren Windsor Abbott Baldwinsville, New York	Owner, Abbot Farms
Richard Bente Brewerton, New York	President, Central Co-operative Insurance Company
David Wallace Frazer Ionia, New York	Retired
Gary Bernard Gardner Syracuse, New York	Retired
Richard Sattler Herold Marietta, New York	IT, Cornell University
Charles Jewell Hinman Pulaski, New York	Retired
Lee Russell Hudson Camillus, New York	Partner, Hudson Egg Farm
Andrew Otis Metz Tully, New York	Forester, Courtland Forestry, LLC
Inghram Robert Plumpton Jamesville, New York	Agricultural Business, Plumpton Farms
James Seymour Marcellus, New York	Automotive Technician, Wirths Automotive

Name and Residence	Principal Business Affiliation
Stuart Edwin Young Cortland, New York	Agricultural Business, Young Farms

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

Name	Title
Richard Bente	President
Norman Walter Garrett Jr.	Secretary and Vice President
Laurie Ann Long	Assistant Secretary
Gary Bernard Gardner	Treasurer
Warren Windsor Abbott	Assistant Treasurer
David Wallace Frazer	Chairman of the Board
Inghram Robert Plumpton	Vice Chairman and Vice President

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
9	Boiler and machinery
12	Collision
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland 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, 41, and 66 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $700,000.

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

Calendar Year	Direct Premiums
2019	$10,709,034
2020	$10,884,439
2021	$11,319,911
2022	$11,987,102
2023	$13,780,676

The Company did not assume any business during the period under examination.

The Company's major lines of business are homeowners' multiple peril, commercial multiple peril (non-liability portion), and farmowners' multiple peril, which accounted for 31.1%, 29.1% and 10.1%, respectively. The company deals exclusively with independent agents/brokers. The company currently has agency agreements with 87 agents covering 110 locations throughout the state. Of the 87 agents, approximately 21 have brokers' licenses.

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 2 layers	$1,750,000 excess of $250,000 ultimate net loss, each loss, each risk, subject to a limit of liability to the reinsurer of $3,000,000 each loss occurrence.
Casualty 2 layers	$1,750,000 excess of $250,000 ultimate net loss, each loss occurrence, for lines other than umbrella policies.
Casualty and Property Combined	If a loss involves at least one casualty and one property policy, $250,000 in excess of $250,000 ultimate net loss each loss occurrence.

Casualty and Umbrella Combined	If a loss involves at least one casualty and one umbrella policy, $50,000 in excess of $250,000 ultimate net loss each loss occurrence.
Personal liability	$1,100,000 excess of $1,000,000 ultimate net loss, each loss occurrence.
Casualty Clash Excess of Loss	$2,000,000 excess of $1,000,000 ultimate net loss, each loss occurrence.
Property Catastrophe	The Reinsurer shall be liable in respect of each loss occurrence, for 100% of the ultimate net loss over and above an initial ultimate net loss of $400,000 each loss occurrence. However, no claim shall be made hereunder unless the loss occurrence involves three or more risks.
Property Facultative Pro Rata	$3,000,000 excess of $2,000,000 each and every loss, each and every risk.
Aggregate Excess of Loss	$1,000,000 in excess of ultimate net loss over and above 60% of gross net earned premium income.
Equipment breakdown 100% quota share	100% of the Company's net retained liability subject to a limit as follows: $5,000,000 on any one commercial or farmowners' risk, $100,000 on any one homeowners' risk.

In addition, the Company has in place other facultative reinsurance.

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

The Company is not a member of a holding company system.

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 NAC.

Operating Ratios	Result
Net premiums written to policyholders' surplus	47%
Adjusted liabilities to liquid assets	28%
Two-year overall operating	78%

Underwriting Ratios

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

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$22,118,904	45.64%
Other underwriting expenses incurred	18,584,200	38.34%
Net underwriting gain (loss)	7,763,675	16.02%
Premiums earned	$48,466,779	100.00%

The Company's reported risk-based capital ("RBC") score was 2,651.8% at December 31, 2023. 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

Completion of Schedule D

The Company misclassified a large number of its NAIC designations on its 2023 Schedule D Part 1. Also, the reported NAIC administrative symbol does not match the year-end information found on NAIC Automated Valuation Service+.

The misclassification of the bonds had no effect on their admitted value; however, it is recommended that the Company properly classify its bonds on Schedule D of its annual statement pursuant to the NAIC Annual Statement Instructions and the Purposes and Procedures Manual of the NAIC Investment Analysis Office.

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	$25,653,651	$ 0	$25,653,651
Common stocks (stocks)	4,018,708	0	4,018,708
Properties occupied by the company	310,724	0	310,724
Cash, cash equivalents and short-term investments	3,046,216	0	3,046,216
Investment income due and accrued	185,438	0	185,438
Uncollected premiums and agents' balances in the course of collection	118,168	13,573	104,595
Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,399,780	31,732	2,368,048
Amounts recoverable from reinsurers	11,832	0	11,832
Electronic data processing equipment and software	18,218	18,218	0
Furniture and equipment, including health care delivery assets	61,437	61,437	0
Funds held by Fair Plan	23,656	12,181	11,475
Prepaid software maintenance	5,713	5,713	0
Total assets	$35,853,541	$142,854	$35,710,687

Liabilities, Surplus and Other Funds

Liabilities

Losses and loss adjustment expenses		$ 2,692,526
Commissions payable, contingent commissions and other similar charges		1,216,419
Other expenses (excluding taxes, licenses and fees)		240,472
Current federal and foreign income taxes		27,000
Net deferred tax liability		89,908
Unearned premiums		6,831,706
Advance premium		170,980
Ceded reinsurance premiums payable (net of ceding commissions)		208,715
Amounts withheld or retained by company for account of others		14,587
Total liabilities		$11,492,313

Surplus and Other Funds

Special surplus funds	$ 600,000	
Unassigned funds (surplus)	23,618,374	
Surplus as regards policyholders		$24,218,374
Total liabilities, surplus and other funds		$35,710,687

Note: The Internal Revenue Service did not audit the Company's Federal Income Tax 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 $8,724,606, as detailed below:

Underwriting Income		
Premiums earned		$48,466,779
Deductions:		
Losses and loss adjustment expenses incurred	$22,118,904	
Other underwriting expenses incurred	18,584,200	
Total underwriting deductions		40,703,104
Net underwriting gain or (loss)		$ 7,763,675
Investment Income		
Net investment income earned	$ 2,393,792	
Net realized capital gain	1,188,982	
Net investment gain or (loss)		3,582,774
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ 21,446	
Finance and service charges not included in premiums	517,544	
Pension termination	(1,063,435)	
Total other income		$ (524,445)
Net income before dividends to policyholders and before federal and foreign income taxes		$10,822,004
Federal and foreign income taxes incurred		2,097,398
Net income		$ 8,724,606

C. Capital and Surplus

Surplus as regards policyholders as reported by the Company as of December 31, 2018			$13,945,849
	Gains in Surplus	Losses in Surplus	
Net income	$ 8,724,606	$ 0	
Net unrealized capital gains or (losses)	707,975	0	
Change in net deferred income tax	49,414	0	
Change in nonadmitted assets	0	$59,615	
Change in provision for reinsurance	52,200	0	
Fair plan pension obligation	(44,300)	0	
Change in minimum pension liability	842,245	0	
Total gains and losses	$10,332,140	$59,615	
Net increase (decrease) in surplus			10,272,525
Surplus as regards policyholders as reported by the Company as of December 31, 2023			$24,218,374

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 $2,692,526 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.

The reserves were concentrated in the homeowners'/farmowners' (44.7%), other liability – occurrence (29.5%), and commercial multiple peril (18.9%) 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

ITEM		PAGE NO.
A.	Accounts and Records	
	It is recommended that the Company properly classify its bonds on Schedule D of its annual statement pursuant to the NAIC Annual Statement Instructions and the Purposes and Procedures Manual of the NAIC Investment Analysis Office.	8

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. 32607

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

Central 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 1st day of March 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Joan Riddell

Joan Riddell
Deputy Bureau Chief