REPORT ON EXAMINATION
OF
COMMUNITY MUTUAL INSURANCE COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: **SABU CHERIAN**
DATE OF REPORT: **MAY 1, 2025**

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March 27, 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 32656 dated December 17, 2024, attached hereto, I have made an examination into the condition and affairs of Community Mutual 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 Community Mutual 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 Community Mutual 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

An organizational meeting of the Bethlehem Mutual Insurance Association was held in 1854. The Company was incorporated on April 9, 1875, for the purpose of transacting business as an assessment co-operative fire insurance company in the town of Bethlehem, Albany County, New York.

The Bethlehem Mutual Insurance Association and the New Scotland Mutual Insurance Company merged effective August 31, 1962. The surviving company was known as the Bethlehem and New Scotland

Mutual Insurance Company. On December 1, 1992, a merger was effected with the Co-operative Fire Insurance Corporation of Bergholz, New York, with the Bethlehem and New Scotland Mutual Insurance Company continuing as the surviving company.

Effective January 1, 1993, the Bethlehem and New Scotland Mutual Insurance Company converted to an advanced premium co-operative property and casualty insurance company and changed its name to Community Mutual Insurance Company.

Effective December 1, 2013, the Company entered into an affiliation agreement with Union Mutual Fire Insurance Company, a Vermont-domiciled 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 seven nor more than eighteen members. The board meets four 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
David William Becker Rensselaer, New York	Owner, Beckers Farm
Mona Smith DeMay Sand Lake, New York	Retired
Jennifer Parker Galfetti Barre, Vermont	President, Community Mutual Insurance Company Chief Operating Officer, Union Mutual Fire Insurance Company
Peter Baird Joslin Jr. Cohoes, New York	Law Partner, O'Connor, O'Connor, Bresee & First, P.C.
Lisa Lynn Keysar South Burlington, Vermont	Chief Executive Officer, Community Mutual Insurance Company President & Chief Executive Officer, Union Mutual Fire Insurance Company
Gary Henry Ouellette Berlin, Vermont	Retired

Name and Residence	Principal Business Affiliation
Schuyler Marie Ryan Albany, New York	Assistant Vice President of Finance, Union Mutual Fire Insurance Company

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

Name	Title
Lisa Lynn Keysar	Chief Executive Officer
Jennifer Parker Galfetti	President & Treasurer
Sarah Robson Jarvis, Esq	Corporate Secretary

B. Territory and Plan of Operation

As of December 31, 2023, the Company was licensed to write business in New York only.

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

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 $527,367.

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

Calendar Year	Total Direct Premiums
2019	$ 5,594,499
2020	$ 5,367,035
2021	$ 3,103,372
2022	$62,304,367
2023	$93,591,630

The Company did not assume any premiums during the examination period.

The major product lines written in calendar year 2023 were in commercial multiple peril (non-liability portion), and commercial multiple peril (liability portion) which accounted for 63.82%, and 35.84%, respectively. The Company's business is produced through a program manager.

C. Reinsurance Ceded

Effective December 1, 2013, the Company entered into a quota share reinsurance agreement with its affiliate, Union Mutual Fire Insurance Company ("Union"), an authorized reinsurer. The Company cedes 100% of its premiums to Union. The agreement indemnifies the Company in respect of the liability that may accrue as result of loss or losses under policies classified by the Company as property and casualty. This agreement covers all policies and coverages written by the Company or renewed prior to the inception of this agreement by or on behalf of the Company. The Company did not have any external reinsurance in place.

LOSS PORTFOLIO TRANSFER/RETROACTIVE REINSURANCE

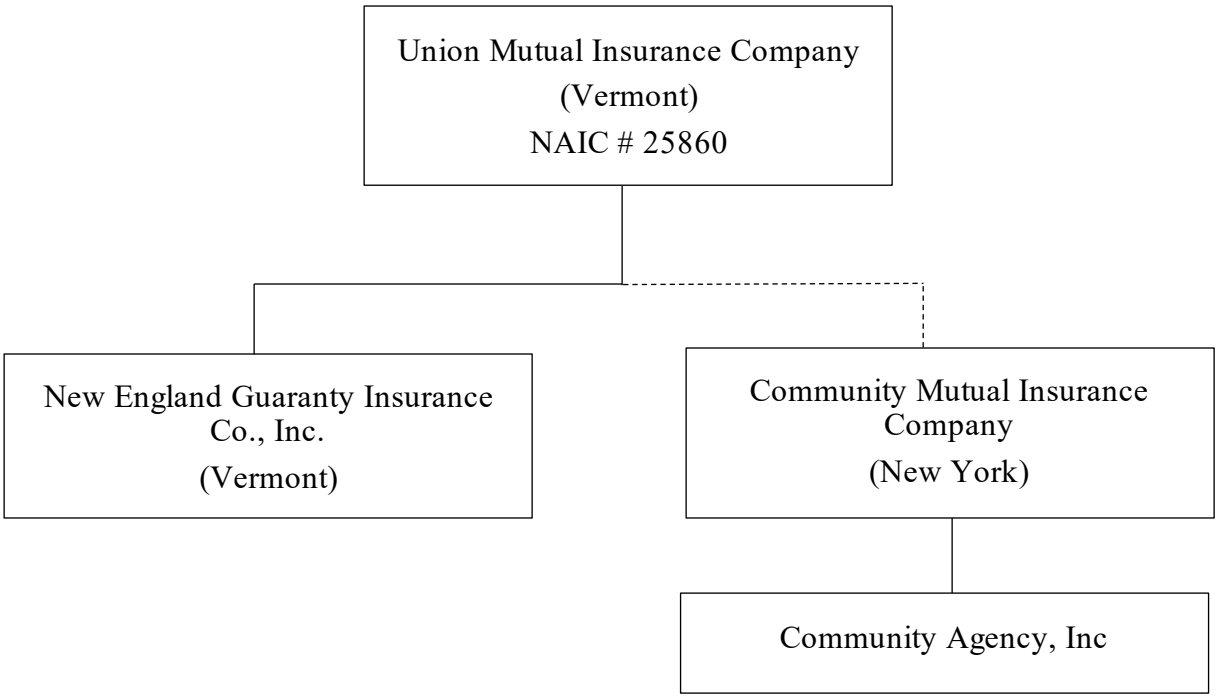
Effective December 1, 2013, the Company entered into a ceded loss portfolio transfer agreement with Union, whereby Union agreed to assume 100% of the Company's loss and loss adjustment expense (allocated and unallocated) reserves, net of prior reinsurance, outstanding as of December 1, 2013. The agreement transferred initial reserves in the amount of $674,092, for which the Company paid an initial consideration of $674,092; thus, there was no initial gain on this contract at inception. The agreement was accounted for by the Company pursuant to the provisions of paragraph 30 and 31 of SSAP No. 62R.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It is noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Circular Letter No. 10 (2010).

D. Affiliated Group

Effective December 1, 2013, the Company became affiliated with Union Mutual Fire Insurance Company, a Vermont-domiciled insurer, by virtue of an affiliation and service agreement, a deposit and control agreement, and common management.

The following is an abridged chart of the holding company system at December 31, 2023:



i. Affiliation with Union Mutual Fire Insurance Company ("Union")

At December 31, 2023, the Company was party to the following agreements with other members of its holding company system:

Affiliation and Services Agreement

Effective December 1, 2013, the Company entered into an Affiliation and Services Agreement with Union. Under the terms of the agreement, Union will provide support services such as strategic, claims, underwriting, accounting, actuarial, data processing, legal, personnel, communications, training, systems, administrative and operational support services to the Company. The agreement further calls for Union to reimburse the Company for all of its ongoing operational expenses (including, without limitation, employee wages), with the exception of investment expenses. This agreement was filed with the Department pursuant to Circular Letter No. 10 (2010).

Deposit and Control Agreement

Effective December 31, 2013, the Company entered into a Deposit and Control agreement with Union. Under the terms of the agreement Union agreed to purchase a $350,000 surplus note from the Company. The surplus note, when combined with the Company's pre-existing surplus to policyholders, shall equal or exceed the statutory minimum surplus to policyholders of the Company required by New York Insurance Law. This agreement mandates that Union purchase additional surplus notes as are necessary for the Company to maintain its statutory minimum surplus to policyholder required by Article 66 of the New York Insurance Law. Any additional purchases are subject to approval from the Vermont Department of Financial Regulation. The Company shall repay all surplus notes purchased under this agreement with interest accruing at a rate equal to the prime rate as published on the first business day of each year in the Wall Street Journal, from the date of deposit(s) to the date of repayment.

The repayment of principal and interest on all surplus notes shall be made out of free and divisible surplus with the approval of the Department in accordance with the provisions of Section 1307(b) of the New York Insurance Law.

In the event that the directors with an affiliation to Union, as designated by Union, shall cease to comprise the majority of the duly elected and seated directors of the Company, the agreement shall terminate immediately and without notice and subject to Section 1307(b) of the New York Insurance Law, the Company shall become obligated to commence repayment of all surplus notes.

Quota Share Reinsurance Contract

In connection with the affiliation agreement, the Company entered into a significant prospective quota share agreement as well as a loss portfolio agreement with Union. This is described in Ceded Reinsurance section 2C.

E. Significant Ratios

The Company's operating ratios, and underwriting ratios normally contained herein are not applicable due to the affiliation and 100% quota share agreement in place with Union. The adjusted liabilities to liquid assets ratio of 68% at December 31, 2023, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

The Company's reported risk-based capital ("RBC") score was 12,124% 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.

F. Accounts and Records

The review of audit committee minutes revealed changes in audit committee members during the exam period. The Department was not made aware of the changes. Department Regulation 11 NYCRR 89 (Regulation 18) states in pertinent part:

> "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."

It is recommended that the Company notify the Department of any changes to its audit committee within 30 days, pursuant to the provisions of Department Regulation 118.

G. Risk Management and Internal Controls

A fraud disclosure notice is required to be included on all claim forms pursuant to Section 403(d) of New York Insurance Law, which states:

> "All applications for commercial insurance, individual, group or blanket accident and health insurance and all claim forms, except as provided for in subsection (e) of this section, shall contain a notice in a form approved by the superintendent that clearly states in substance the following:
>
> Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation."

The Company acknowledged that its claim forms did not include the required fraud disclosure notice. It is recommended that the Company include a fraud disclosure notice on its claim forms pursuant to Section 403(d) of New York Insurance Law.

Subsequent to the examination date, on February 10, 2025, the Company 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, 2023, as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$2,131,136	$ 0	$2,131,136
Common stocks (stocks)	15,915	5,649	10,266
Cash, cash equivalents and short-term investments	1,840,902	0	1,840,902
Investment income due and accrued	13,781	0	13,781
Uncollected premiums and agents' balances in the course of collection	4,967	0	4,967
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,463,332	0	3,463,332
Current federal and foreign income tax recoverable and interest thereon	259,518	0	259,518
Receivables from parent, subsidiaries and affiliates	383,752	0	383,752
Commission Receivable	2,495	0	2,495
Total assets	$8,115,798	$5,649	$8,110,149

Liabilities, Surplus and Other Funds

Liabilities

Other expenses (excluding taxes, licenses and fees)		$ 9,789
Taxes, licenses and fees (excluding federal and foreign income taxes)		71,484
Net deferred tax liability		600
Ceded reinsurance premiums payable (net of ceding commissions)		5,933,342
Remittances and items not allocated		178,975
Total liabilities		$6,194,190
Surplus and Other Funds		
Special contingent surplus	$ 528,124	
Surplus notes	350,000	
Unassigned funds (surplus)	1,037,835	
Surplus as regards policyholders		$1,915,959
Total liabilities, surplus and other funds		$8,110,149

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 $625,181, as detailed below:

Underwriting Income		
Deductions:		
Other underwriting expenses incurred	$(282,904)	
Change in 2003 Aggregate	5,595	
Total underwriting deductions		(277,309)
Net underwriting gain or (loss)		$ 277,309
Investment Income		
Net investment income earned	$ 103,672	
Net realized capital gain	167,058	
Net investment gain or (loss)		$ 270,730
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (9,252)	
Finance and service charges not included in premiums	149,567	
Finance and service charges ceded to affiliate	(52,849)	
Total other income		87,466
Net income before dividends to policyholders and before federal and foreign income taxes		$ 635,505
Net income after dividends to policyholders but before federal and foreign income taxes		$ 635,505
Federal and foreign income taxes incurred		10,324
Net income		$ 625,181

C. Capital and Surplus

Surplus as regards policyholders increased $540,100 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			$1,375,859
	Gains in Surplus	Losses in Surplus	
Net income	$625,182*		
Net unrealized capital gains or (losses)		$ 174	
Change in net deferred income tax		88,071	
Change in nonadmitted assets	3,163	0	
Total gains and losses	$628,345	$88,245	
Net increase (decrease) in surplus			540,100
Surplus as regards policyholders as reported by the Company as of December 31, 2023			$1,915,959

*Rounding difference of $1

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $0 is the same as reported by the Company as of December 31, 2023. All reserves of the Company were ceded to Union Mutual Fire Insurance Company through a loss portfolio transfer agreement and a quota share agreement as described in the reinsurance section of this report.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained no recommendations.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Accounts and Records It is recommended that the Company notify the Department of any changes to its audit committee within 30 days, pursuant to the provisions of Department Regulation 118.	8
B.	Risk Management and Internal Controls It is recommended that the Company include a fraud disclosure notice on its claim forms pursuant to Section 403(d) of New York Insurance Law. Subsequent to the examination date, on February 10, 2025, the Company complied with this recommendation.	8

Respectfully submitted,

_____/S/_____
Sabu Cherian,
Financial Services Examiner 3

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

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

_____/S/_____
Sabu Cherian

Subscribed and sworn to before me

this_____ day of_____, 2025.

APPOINTMENT NO. 32656

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:*

Sabu Cherian

as a proper person to examine the affairs of the

Community Mutual 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 17th day of December, 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Eileen Fox

Eileen Fox
Assistant Deputy Superintendent