REPORT ON EXAMINATION
OF
COUNTRY-WIDE INSURANCE COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: **JAMES WANG, CFE**
DATE OF REPORT: **AUGUST 5, 2025**

TABLE OF CONTENTS

November 4, 2025

Honorable Kaitlin Asrow
Acting 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 32601 dated March 1, 2024 attached hereto, I have made an examination into the condition and affairs of Country-Wide Insurance Company as of December 31, 2023, and submit the following report thereon.

Wherever the designation "the Company" or "CWIC" appear herein without qualification, it should be understood to indicate Country-Wide 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 Country-Wide 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
Significant subsequent events
Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and 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

Country-Wide Insurance Company was incorporated under the laws of the State of New York on December 23, 1963. It became licensed and commenced business on April 15, 1964.

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 11 nor more than 17 members. The board meets four times during each calendar year. At December 31, 2023, the board of directors was comprised of the following 12 members:

Name and Residence	Principal Business Affiliation
Cynthia Appelblatt New York, New York	Senior Vice President & General Counsel, Country-Wide Insurance Company
William David Bierman Closter, New Jersey	Attorney, Price-Meese Shulman and D'Arminio
Alan Theodore Blutman East Meadow, New York	Attorney, Costello Shea & Gaffney LLP
Adam Craig Cheven Port Washington, New York	Senior Vice President & Chief Underwriting Officer, Country-Wide Insurance Company
Zachary Michael Cheven New York, New York	Executive Vice President, Private Passenger and Commercial Automobile Underwriting, Country-Wide Insurance Company
Nicholas Filacouris Dix Hills, New York	President, Chief Operating Officer and Treasurer, Country-Wide Insurance Company
Dorothy Elizabeth Goldberg Portland, Oregon	Retired Partner, Grand Elm Associates
Heidi Dina Jaffe Sands Point, New York	Secretary & Proprietor, Small Business Party Favors & More Ltd.
Michael David Jaffe Sands Point, New York	Chairman & Chief Executive Officer, Country-Wide Insurance Company
Sam Jaffe Port Washington, New York	Executive Counsel, Country-Wide Insurance Company
Dominick Vicari Seaford, New York	Chief Financial Officer, Country-Wide Insurance Company
Giselle Tova Weinstein New York, New York	Retired Office Manager & Marketing Administrator, Weinstein Insurance Brokerage

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

Name	Title
Michael David Jaffe	Chairman and Chief Executive Officer
Nicholas Filacouris	President, Chief Operating Officer & Treasurer
Heidi Dina Jaffe	Secretary
Zachary Michael Cheven	Executive Vice President, Private Passenger and Commercial Automobile Underwriting
Cynthia Appelblatt	Senior Vice President & General Counsel
Adam Craig Cheven	Senior Vice President & Chief Underwriting Officer
Dominick Vicari	Senior Vice President & Chief Financial Officer

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
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' 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 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $1,050,000.

The following schedule shows the direct premiums written by the Company for the period under examination. The Company did not assume any premium during the examination period:

Calendar Year	Direct Premiums
2019	$103,245,875
2020	$ 95,074,834
2021	$ 94,017,293
2022	$ 87,680,244
2023	$ 97,080,785

During the examination period, the Company wrote three lines of auto business and net premiums written were distributed among the lines as follows:

Private passenger auto liability – 65.7%,
Commercial auto liability – 15.5%
Auto physical damage – 18.8%

The Company writes business primarily through a network of approximately 300 independent brokers. The brokers are authorized to submit applications to the Company for its Private Passenger and Commercial Automobile programs. The Company actively markets to all its independent brokers, but it expends extra efforts with the brokers who have exhibited more profitable historical loss ratios and who are more active in the auto insurance sphere.

The Company primarily writes substandard auto liability and auto physical damage coverage for private passenger automobiles and trucks. The Company's business is concentrated mainly in the five boroughs of New York City and consists mostly of policies written at the minimum liability limits required by New York State. Often, the Company is the only automobile insurance market available to these producers and their working-class customer base. Therefore, the Company can be characterized as a niche company that serves a relatively small but significant group of inner-city New Yorkers.

C. Reinsurance Ceded

The Company has structured its ceded reinsurance program as follows:

Type of Treaty	Cession
Casualty Excess of Loss 2 layers	$900,000 in excess of $100,000 ultimate net loss, each loss occurrence, each policy.
Property Per Risk Excess of Loss	$50,000 in excess of $50,000 Ultimate net loss, each risk, each loss occurrence. Subject to a maximum any one loss occurrence of $100,000.
Property Catastrophe Excess of Loss 2 layers	$3,500,000 in excess of $500,000 Ultimate net loss, each and every loss occurrence.

As of December 31, 2023, the Company ceded premiums to authorized and unauthorized reinsurers. The Company took credit for reinsurance recoverable for reinsurance from unauthorized reinsurers in the amount of $4,212,000 and from certified reinsurers in the amount of $100,000.

Effective January 1, 2024, the Company non-renewed the first layer of the Casualty Excess of Loss treaty. As a result, the cession after January 1, 2024, would be $750,000 in excess of $250,000 ultimate net loss, each loss occurrence, each policy.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulation 133.

Section 79.2 of 11 NYCRR 79 (Regulation 133) states in part,

> "For a letter of credit to be acceptable, it must:
> (i). state that it is subject to and governed by the Laws of the State of New York and the 1993 revision of the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce (Publication 500)[FN*] and that, in the event of any conflict, the Laws of the State of New York will control. If the beneficiary is a foreign insurer, then such insurer's state of domicile may be substituted for New York. The letter of credit must contain a provision for an extension of time, of not less than 30 days after resumption of business, to draw against the letter of credit in the event that one or more of the occurrences described in article 17 of Publication 500 occurs."

It was noted that one letter of credit, dated March 22, 2023, issued by Comerica Bank for the benefit of the Company did not include the required provision that it is subject to and governed by the Laws of the State of New York and in the event of any conflict, the Laws of the State of New York will control.

During the examination upon notifying the Company of this finding, the Company later amended such letter of credit issued by Comerica to include the language required under Regulation 133. Nonetheless, it is recommended that in the future the Company ensure that letters of credit issued for the benefit of the Company fully comply with all the required provisions of Regulation 133.

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.

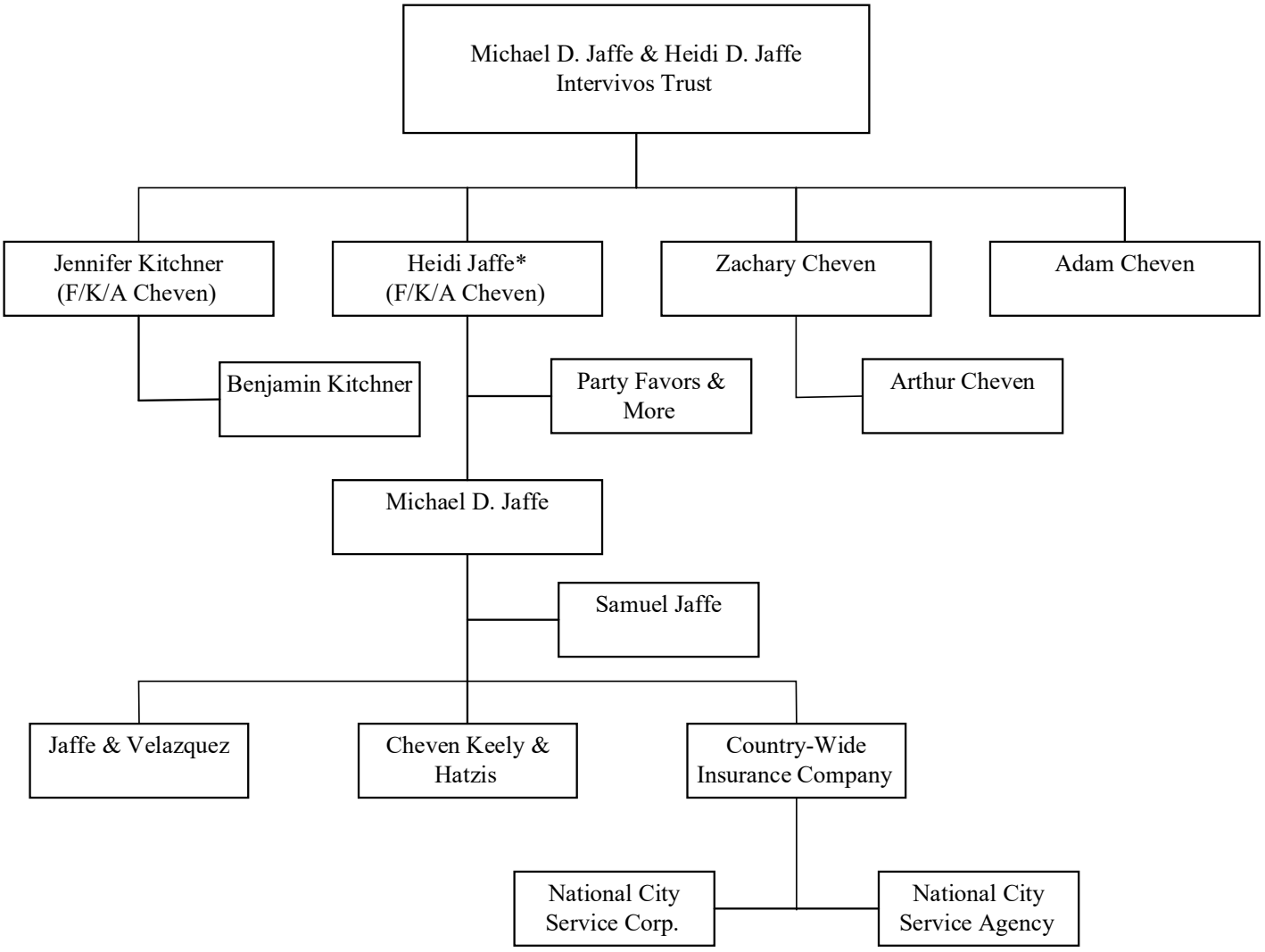
D. Holding Company System

The Company is a member of the Barbara Cheven Affiliated Group. Prior to February 27, 2020, Barbara Cheven was deemed the ultimate controlling person of the Company. After Barbara A. Cheven's passing on February 27, 2020, her ownership interest in the Company was transferred to Heidi D. Jaffe (Daughter) and Michael D. Jaffe (Son-in-law) through their trust, Michael D. Jaffe and Heidi D. Jaffe Intervivos Trust. The following chart shows the direct and indirect shares controlled by Michael D. Jaffe and Heidi D. Jaffe Intervivos Trust at December 31, 2023, and the relationship of each entity/person to Barbara Cheven.

	Shareholder	**Number of Shares**	**Percentage of Total**	**Relationship**
A	Michael D. Jaffe and Heidi D. Jaffe Intervivos Trust	64,424.50	24.33%	Ultimate Controlling Person
B	Zachary Cheven	34,798.00	13.14%	Son of Barbara Cheven
C	Adam Cheven	32,947.50	12.44%	Son of Barbara Cheven
D	Jennifer Kitchner	25,816.00	9.75%	Daughter of Barbara Cheven
E	Benjamin Kitchner	475.00	0.18%	Son of (D)
F	Zachary Cheven and Arthur Cheven as joint tenants	125.00	0.05%	
	Other Beneficial Owners	106,240.50	40.12%	
	Total Outstanding Shares	264,826.50	100.00%	

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 Article 15 of the New York Insurance Law and Department Regulation 52.

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



*: Heidi Jaffe is also the president of Party Favors & More, Ltd, a New York company that supplies stationery and related items to Countrywide Insurance Company at a discounted rate.

Holding Company Agreements

At December 31, 2023, the Company was party to the following agreements with members of its holding company system. All the agreements and amendments thereto were submitted to and approved by the Department pursuant to the requirements of Section 1505 of the New York Insurance Law:

National City Service Corporation

National City Service Corporation ("NCSC") is a licensed insurance brokerage and a wholly-owned subsidiary of the Company. Michael Jaffe is Chairman of the Board, President and Treasurer; and Nick Filacouris is the Executive Vice President, Director and Secretary. Effective November 1, 1986, the Company entered into an agreement with NCSC to share and occupy space in its leased premises as may be necessary for the operation of NCSC's business. As of December 31, 2023, NCSC, was inactive.

National City Service Agency, Inc

National City Service Agency ("NCSA") is a licensed insurance brokerage and a wholly-owned subsidiary of the Company. Michael Jaffe is Chairman of the Board and Treasurer; Zachary Cheven is President, Treasurer and Director; and Nick Filacouris is the Executive Vice President, Director and Secretary. Effective October 1, 1992, the Company entered into an agreement with NCSA where it permitted NCSA to share and occupy space in the Company's leased premises as necessary for the operation of NCSA's business. NCSA agrees to pay the Company, and the Company agrees to accept, a sum equal to the costs incurred by the Company on behalf of NCSA. In 2004, NCSA began operating as a managing general agent ("MGA"), providing underwriting services for business produced by outside brokers and written by outside insurers. The Company's resources are used to carry out the subsidiary's operating function as an MGA and/or third-party administrator. NCSA reimburses the Company for a percentage of the underwriting expenses incurred in producing the MGA business. Underwriting expenses are allocated based on direct premium written for a particular calendar year. NCSA reimbursed the Company a total of $16,028 during 2023 under the agreement.

Cheven Keely & Hatzis

Cheven Keely & Hatzis ("CK&H") is a law firm partnership in which Barbara Cheven was a partner. Effective August 1, 2011, the Company entered into an allocation agreement with CK&H in which the Company provides CK&H with the use of office space, equipment, supplies, and the services of the insurer's personnel. CK&H has no employees, and, other than the partners, uses only employees of the

Company for both services provided to the Company, and services provided to third parties. The agreement states that the Company will determine the cost of providing such space, equipment, supplies and services, and allocate such costs pursuant to the provisions of Department Regulation No. 30. Expenses that can be allocated directly will be done so; otherwise, the expenses will be allocated on the basis of time usage. CK&H provides legal services to the Company as its attorney of record, representing and defending its insureds in civil litigation suits. CK&H does not receive a fee for the services it renders to the Company when CK&H is using Country-Wide employees or partners. As for services provided to third parties, the agreement stipulates that CK&H shall be compensated directly by the third parties involved and will reimburse the Company for the use of space, facilities, equipment and personnel.

Jaffe & Velazquez F/K/A Jaffe & Koumourdas

This agreement was amended on November 6, 2018, to reflect the name change only. The Company received the Department's approval to amend the agreement on September 11, 2018.

Jaffe & Velazquez ("J&V") is a law firm partnership in which Michael Jaffe is a partner. Effective August 1, 2011, the Company entered into an allocation agreement with J&V. Pursuant to the agreement, the Company provides J&V with the use of office space, equipment, supplies, and the services of the insurer's personnel. J&V has no employees, and other than the partners, uses only employees of the Company for both services provided to the Company as well as services provided to third parties. The agreement states that the Company will determine the cost of providing such space, equipment, supplies and services, and allocate such costs pursuant to the provisions of Department Regulation No. 30. Expenses that can be allocated directly will be done so; otherwise, allocations will be done on the basis of time usage.

The agreement also provides that J&V will represent the Company in subrogation and collection matters ("recovery representation"). The agreement stipulates that J&V shall not charge the Company for recovery representation performed solely by the Company's employees (which term includes partners of J&V to the extent that they are also receiving a salary from the Company). As for services provided to third parties, the agreement stipulates that J&V shall be compensated directly by the third parties involved and will reimburse the Company for the use of space, facilities, equipment, and personnel.

Tax Allocation Agreement

Effective March 16, 1990, the Company entered into a tax allocation agreement under which it files a consolidated federal income tax return with its wholly owned subsidiaries, NCSC and NCSA. The tax

allocation agreement was submitted to and approved by the Department. The agreement stipulates in part that:

1. The tax due or tax refund allocated to the Parent arising from the filing of a consolidated income tax return by the Parent and Subsidiaries with the Internal Revenue Service shall not be higher than the amount that the Parent would have paid or received if it had filed a separate income tax return with the IRS.

2. All settlements with respect to a consolidated return under this agreement shall be made thirty days after the filing of such consolidated return or estimated income tax payment relating thereto, except where a refund is due the wholly-owned subsidiary, in which case it may defer payment to the parent to within thirty days of receipt of such refund.

Party Favors and More, Ltd.

Party Favors and More, Ltd. ("Party Favors") was identified as a related party of the Company on Schedule Y of the Company's annual statement by virtue of the fact that it is owned by Heidi Jaffe, a controlling party of the Company. Party Favors supplies commercial stationery orders and offers event planning services for the Company. Party Favors supplies commercial stationery orders to the Company on an as needed basis, but no more than 10 times a year. During the examination period, the annual expense of $114,246.34 was incurred by Party Favors for purpose of supplying commercial stationery orders to the Company. The Company reimbursed Party Favors $139,101.72 during the examination period.

There is no service agreement between the Company and Party Favors for the services provided, as required pursuant to the provisions of Section 1505 of the New York Insurance Law ("NYIL"), which states, in part:

> "(d) The following transactions between a domestic controlled insurer and any person in its holding company system 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 such shorter period as he may permit, and he has not disapproved it within such period . . .
>
> (3) rendering of services on a regular or systematic basis; . . . "

It is recommended that the Company and Party Favors enter into an intercompany service agreement for the services provided by Party Favors to the Company, and that such agreement be filed with the superintendent pursuant to Section 1505(d)(3) of the New York Insurance Law.

Payments for services to the Company from NCSA and J&K

Section 3(a) of the Company's service agreement with National City Service Agency, Inc. states in part,

". . . Such compensation shall be paid to COUNTRY-WIDE monthly within fifteen (15) days after the close of each month." (Emphasis added.)

Section 2(c) of the Company's service agreement with Jaffe & Koumourdas states in part,

"Absent objection, J&K shall reimburse the INSURER within 15 days after the receipt of the calculation." (Emphasis added.)

During the review, it was noted that both Jaffe & Koumourdas and National City Service Agency, Inc. did not pay the Company the amount owned within the time specified in the service agreement. The Company stated that since the affiliate's work diminished greatly over time, the Company has settled these balances less frequently since the amounts are insignificant. The Company also stated the expectation that the settlements would occur within 15 days after the end of the month is impracticable, in light of the fact that the Company, in a given month, does not ordinarily close its books until the period between 30 and 45 days after the end of the month.

It is recommended that the Company either comply with the settlement terms specified in the service agreements or refile its service agreements with the Department to specify the correct time that the amount due from/to the affiliates should be settled.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 20*23*, did not 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	367.0%
Adjusted liabilities to liquid assets	90.0%
Two-year overall operating	100.0%

The Company's net premiums written to surplus ratio has risen above 300% beginning in 2022 due to the following:

1. In 2022, the Company eliminated its Quota Share Reinsurance Treaty.
2. The Company is in the midst of a digital transformation and the increase in expenses attributable to the investment in the new system has slowed the growth of surplus.
3. The Company has strengthened its loss reserves in the last several years which has also slowed surplus growth.
4. The dramatic increase in the New York Assigned Risk Plan has strengthened the need for a voluntary underwriter of automobile risks in downstate New York, which the Company has tried to fulfill within its niche market.

Underwriting Ratios

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

	Amounts	Ratio
Losses and loss adjustment expenses incurred	$ 357,990,997	87.96%
Other underwriting expenses incurred	116,673,931	28.67
NY Limited Assignment Distribution Agreements	776,125	0.19
Net underwriting gain (loss)	(68,469,849)	(16.82)
Premiums earned	$406,971,204	100.00%

The Company's reported risk-based capital ("RBC") score was 239.8% 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 was a financial adjustment to the Company's reported loss and loss adjustment expenses based on a reserve deficiency recognized by the Company at December 31, 2024, as described herein under Section 3(d) of this report that impacted the Company's RBC score:

F. Accounts and Records

In July 2020, the Company's CPA firm, Israeloff, Trattner & Co, P.C., merged with G.R. Reid Associates, LLP, and the surviving firm was named Reid CPAs, LLP ("REID"). REID is currently the CPA firm retained by the Company to conduct is annual audits. The address of REID also changed after the

merger. The Company did not inform the Department of the name and address change of its CPA firm, as required pursuant to Section 89.4(a) of 11 NYCRR 90 (Department Regulation 118), which states, in part:

> "(a) Every company that files an annual audited financial report shall inform the superintendent in writing of the name and address of the CPA retained to conduct the annual audit set forth in this Part. The company shall provide the name, address, telephone number and email address of its CPA to the superintendent by March 1, 2010, and updated information within 60 days of any change in CPA thereafter."

In addition to performing the Company's annual audits, the Company also engaged REID to perform tax services for the Company for the years 2020 to 2023. A review of the Company's Board Minutes revealed that the audit committee did not approve in advance, the appointment of REID to perform tax services to the Company as required pursuant to Section 89.5(f) of 11 NYCRR 89 (Department Regulation 118), which states, in part:

> "(f). A company may permit a CPA who performs the audit to engage in non-audit services, including tax and other services, which are not prohibited by subdivision (e)(1) of this section, but only if the activity is approved in advance by the audit committee, in accordance with subdivision (h) of this section."

The CPA's qualification letter stated: "The engagement partner and engagement manager, who are certified public accountants, have 25 years and 20 years, respectively, of experience in public accounting and are experienced in auditing insurance entities. Members of the engagement team were assigned to perform tasks commensurate with their training and experience." The qualification letter failed to mention the detailed experience level of each staff member that is assigned to the engagement and whether each is a CPA.

The qualification letter also stated: "To the best of our knowledge and belief, we are in compliance with the requirements of Section 7 of the NAIC Model Rule (Regulation) Requiring Annual Audited Financial Reports regarding qualifications of independent certified public accounts." However, the qualification letter failed to mention whether the CPA is in compliance with the requirements of Section 89.5 of Department Regulation 118.

Section 89.10 of 11 NYCRR 89 (Department Regulation 118) states in part:

> "Every company subject to this Part shall retain a CPA who agrees by written contract with such company to comply with the provisions of Insurance Law section 307(b) and this Part. The contract must specify:

(b). The background and experience in general, and the experience in audits of companies of the staff assigned to the engagement and whether each is a CPA;
(d). That the CPA consents to the requirements of section 89.11 of this Part and that the CPA consents and agrees to make available the work papers for review by the superintendent; and
(e). A representation that the CPA is in compliance with the requirements of section 89.5 of this Part."

Furthermore, the qualification letter stated: "We will retain the working papers prepared in the conduct of our audit until the New York State Department of Financial Services has filed a Report of Examination, but no longer than seven years." The language is not in compliance with the work paper retention requirement of Section 89.11 of 11 NYCRR 89 (Department Regulation 118), which states in part:

"Every Company shall require the CPA to make available for review by Insurance Department examiners, all work papers prepared in the conduct of the CPA's audit and any communications related to the audit between the CPA and the company, at the office of the company at the Insurance Department of at any other reasonable place designated by the superintendent. Every company shall require that the CPA retain the audit work papers and communications for six calendar years from the date of the audit report or until the filing of the report on examination covering the period of the audit, whichever is longer as required by Part 243 of this Title (Regulation 152).."

It is recommended that the Company take steps to ensure that it is in compliance with all sections of Department Regulation 118.

G. Risk Management and Internal Controls

Section 409 of the New York Insurance Law requires the Company to provide the superintendent with a plan for the detection, investigation and prevention of fraudulent insurance activities in this state. Pursuant to Section 409(c)(3), the plan shall provide for the following:

"in-service education and training for underwriting and claims personnel in identifying and evaluating instances of suspected fraudulent activity in underwriting or claims activities;"

During the Fraud Prevention Plan approval process in 2017, the Department communicated to the Company that it should maintain attendance records for fraud related trainings.

During the current examination, it was revealed that the Company sent out the fraud prevention training package to its staff members in the underwriting and claims unit and required the staff member to acknowledge the receipt of the training package. There are 84 employees (including clerical staff) assigned

to the Claims and Underwriting Departments; however, the Company did not maintain any record of the receipts of the training packages in the year 2020. In years 2021, 2022 and 2023, the Company received 15, 13 and 49 acknowledgements, respectively, of receipts of the fraud prevention training package.

It is recommended that the Company ensure that its underwriting and claims staff participate in fraud prevention training and maintain the attendance or receipt records for the fraud prevention training packages. This is a repeat recommendation from the communication during the plan approval.

A review of the Company's Governance Committee Minutes and further correspondence with the Company indicated that Mr. Paul Isaac, who owned 15% of issued and outstanding shares of Countrywide's voting stock, wished to sell his shares back to the Company. Mr. Paul Isaac obtained the Company's shares from the over-the-counter market using the street name, "The DEPOSITORY, CEDE & CO". Mr. Isaac indicated to the Company that he had accumulated a large amount of stock through purchases using this street name, yet the Company did not find out the actual shares of the ownership until the time that Mr. Paul Isaac indicated his desire to sell his shares. To date, 12.67% of the Company's shares were still held by The DEPOSITORY, CEDE & CO. The Company does not have information on the name of the owner, or the number of shares bought by the owner for the shares held under The DEPOSITORY, CEDE & CO. Ultimately, the shares were transferred to members of the Jaffe/Cheven families.

Section 717 of Business Corporation Law states in part that:

Duties of directors:

> (b) In taking action, including, without limitation, action which may involve or relate to a change or potential change in the control of the corporation, a director shall be entitled to consider, without limitation, (1) both the long-term and the short-term interests of the corporation and its shareholders and (2) the effects that the corporation's actions may have in the short-term or in the long-term upon any of the following: (i) the prospects for potential growth, development, productivity and profitability of the corporation; (ii) the corporation's current employees; (iii) the corporation's retired employees and other beneficiaries receiving or entitled to receive retirement, welfare or similar benefits from or pursuant to any plan sponsored, or agreement entered into, by the corporation; (iv) the corporation's customers and creditors; and (v) the ability of the corporation to provide, as a going concern, goods, services, employment opportunities and employment benefits and otherwise to contribute to the communities in which it does business.

It is recommended that an agreement be written and entered into between the Company and The DEPOSITORY, CEDE & CO, providing that the Company can obtain quarterly reports on the names and

number of shares owned by each shareholder of The DEPOSITORY, CEDE & CO. Such report may assist the Company to understand if there are any potential change in the controls of the corporation.

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	$143,514,373	$ 0	$143,514,373
Preferred stocks	1,218,545	0	1,218,545
Common stocks	832,219	0	832,219
Cash, cash equivalents and short-term investments	5,993,526	0	5,993,526
Investment income due and accrued	989,933	0	989,933
Uncollected premiums and agents' balances in the course of collection	3,299,937	252,411	3,047,526
Deferred premiums, agents' balances and installments booked but deferred and not yet due	25,274,162	0	25,274,162
Amounts recoverable from reinsurers	1,825,386	0	1,825,386
Current federal and foreign income tax Recoverable and interest thereon	100,000		100,000
Net deferred tax asset	2,301,513		2,301,513
Electronic data processing equipment and software	824,178	22,446	801,732
Furniture and equipment, including health care delivery assets	126,412	126,412	0
Receivables from parent, subsidiaries and affiliates	4,801	0	4,801
Taxes, license and fees	23,037	0	23,037
Take out credits	6,636	0	6,636
Territorial credits	869,985	0	869,985
Miscellaneous receivable	22,997	0	22,997
Deposits & Prepaid	2,000	2,000	0
Total assets	$187,229,640	$403,269	$186,826,371

Liabilities, Surplus and Other Funds

Liabilities		
Losses and loss adjustment expenses		$102,103,526
Commissions payable, contingent commissions and other similar charges		2,905,127
Other expenses (excluding taxes, licenses and fees)		3,366,160
Unearned premiums		50,931,886
Advance premium		1,180,672
Ceded reinsurance premiums payable (net of ceding commissions)		45,001
Funds held by company under reinsurance treaties		56,020
Amounts withheld or retained by company for account of others		239,567
Provision for reinsurance		74,366
Drafts outstanding		607,406
Total liabilities		$161,509,731
Surplus and Other Funds		
Common capital stock	$ 1,324,132	
Gross paid in and contributed surplus	365,116	
Unassigned funds (surplus)	23,627,392	
Surplus as regards policyholders		25,316,640
Total liabilities, surplus and other funds		$186,826,371

B. Statement of Income

The net loss for the examination period as reported by the Company was $12,507,358, as detailed below:

Underwriting Income		
Premiums earned		$406,971,204
Deductions:		
Losses and loss adjustment expenses incurred	$350,259,997	
Other underwriting expenses incurred	116,673,931	
NY Limited Assignment Distribution Agreements	776,125	
Total underwriting deductions		467,710,053
Net underwriting gain or (loss)		$(60,738,849)
Investment Income		
Net investment income earned	$16,740,098	
Net realized capital loss	(99,267)	
Net investment gain or (loss)		16,640,831
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (3,715,539)	
Finance and service charges not included in premiums	21,340,968	
ERC Refund	4,376,558	
PPP Loan Forgiveness	3,226,370	
Take Out Credits	246,679	
Claim servicing income	13,078	
Territorial credits	6,344,687	
Miscellaneous	182,209	
Total other income or (loss)		32,015,010
Net income before federal and foreign income taxes		$ (12,083,008)
Federal and foreign income taxes incurred		424,350
Net loss		$ (12,507,358)

C. Capital and Surplus

Capital paid in is $1,324,132 consisting of 264,826.5 shares of $5 par value per share common stock. Gross paid in and contributed surplus is $365,116. Gross paid in and contributed surplus remained the same during the examination period.

Surplus as regards policyholders decreased $12,905,205 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, per report on examination as of December 31, 2018			$38,221,845
	Gains in Surplus	Losses in Surplus	
Net income		$12,507,358	
Net unrealized capital gains or losses		298,589	
Change in net deferred income tax		153,780	
Change in non-admitted assets	$685,024		
Change in provision for reinsurance		74,366	
Dividends to stockholders	0	556,136	
Total gains and losses	$685,024	$13,590,229	
Net increase (decrease) in surplus			(12,905,205)
Surplus as regards policyholders, as reported by the Company as of December 31, 2023			$25,316,640

D. Analysis of Changes to Surplus

Surplus as regards policyholders as of December 31, 2023, as reported by the Company		$25,316,640
	Surplus Decrease	
Examination change in loss and loss adjustment expense reserves	$7,731,000	
Net increase (or decrease) in surplus		(7,731,000)
Surplus as regards policyholders as of December 31, 2023, per report on examination		$17,585,640

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 $109,834,526 for accident years 2023 and prior as of December 31, 2024. This reflects a deficiency of $7,731,000 in comparison to the Company's carried L&LAE reserves of $102,103,526 at year-end 2023. This deficiency represents 30.54% of the Company's surplus at December 31, 2023, and has already been recognized by the Company in both its filed annual statement as of December 31, 2024 and 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. SUMMARY OF COMMENTS AND RECOMMENDATIONS

D Risk Management and Internal Controls

i.	It is recommended that the Company ensure that its underwriting and claims staff participate in fraud prevention training and maintain the attendance or receipt records for the fraud prevention training packages. This is a repeat recommendation from the communication during the plan approval.	16
ii.	It is recommended that an agreement be written and entered into between the Company and The DEPOSITORY, CEDE & CO, providing that the Company can obtain quarterly reports on the names and number of shares owned by each shareholder of The DEPOSITORY, CEDE & CO. Such report may assist the Company to understand if there are any potential change in the controls of the corporation.	16

Respectfully submitted,

_____/S/_____
James Wang
Financial Service Examiner 4

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

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

_____/S/_____
James Wang

Subscribed and sworn to before me

this_____ day of_____, 2025.

APPOINTMENT NO. 32601

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:*

James Wang

as a proper person to examine the affairs of the

Country-Wide 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