REPORT ON EXAMINATION
OF
HUDSON VALLEY INSURANCE COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: RIBKAKEFLAY
DATE OF REPORT: MAY 19, 2026

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May 19, 2026

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 32741 dated January 2, 2025, attached hereto, I have made an examination into the condition and affairs of Hudson Valley 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 Hudson Valley Insurance Company. Wherever the designation "the Parent" appears herein without qualification, it should be understood to indicate PepsiCo, Inc.

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

Pursuant to Section 7007 of the New York Insurance Law ("the Law"), the Department conducted an examination of the Company covering the period from January 1, 2017, through December 31, 2021. The period covered by the examination was subsequently extended through December 31, 2023, to include the resolution of a matter involving the cession of business to the Company's immediate parent. Although the matter had been identified during the prior examination period and disclosed as a subsequent event in the prior report on examination, final resolution was not completed until 2023.

The Department determined that extending the period covered by the current examination period was necessary to appropriately reflect the ultimate accounting treatment of the matter and assess its impact on the Company's financial condition and operations. The extension was attributable solely to the protracted resolution of this specific issue.

The examination was limited in its scope to a review or audit of only those balance sheet items considered by this Department to require analysis. Transactions occurring subsequent to this period were reviewed where deemed appropriate. The examination included a review of Company records deemed necessary to accomplish such analysis or verification. Additionally, a review was performed to determine whether the captive insurer was operating within its by-laws, conforming with its plan of operation, as submitted to the Department, and was in compliance with Article 70 of the Law.

Comments and recommendations are limited to those items requiring financial adjustment, procedural recommendations, or instances where the Company was not conforming to the application submitted to the Department or Article 70 of the Law.

The report utilized work performed by the Company's independent certified public accountant and its opining actuary to the extent considered appropriate.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of New York State as a captive insurance company on November 8, 2011, and commenced business on January 1, 2012. The Company is a wholly owned subsidiary of its immediate parent, Mountainview Insurance Company, Inc. ("Mountainview"), which is in turn wholly owned by the Parent.

A. Article of Incorporation

The Company is organized to transact the kinds of insurance specified in Section 1113(a) of the New York Insurance Law, subject at all times to the limitations on the business of pure captive insurance companies set forth in Article 70 of the Law.

B. By-Laws

The examination found that the Company was in compliance with its by-laws in all material respects.

C. Capital Structure

As a pure captive insurance company incorporated as a stock insurer, the Company is required to maintain a total surplus as regards to policyholders of not less than $250,000, of which $100,000 shall represent paid-in capital, pursuant to the provisions of Section 7004(a)(1) of the Law.

As of December 30, 2023, the Company's paid-in capital was $943,021,000 consisting of 100,000 shares of common stock with a par value of $1 per share and additional paid-in capital of $942,921,000. The Company had retained earnings of $143,771,000 for total capital and surplus (surplus as regards policyholders) of $1,086,792,000.

D. Corporate Records

The corporate records reviewed appeared to be substantially accurate and complete in all material respects.

E. Operations

As of December 30, 2023, the Company provided the Parent, its subsidiaries and controlled affiliates, with deductible, self-insured retention and indemnification coverage for several lines of business including workers' compensation, automobile liability, and general and product liability. Coverage limits included automobile liability coverage of $15 million per occurrence, general and product liability coverage of $5 million per occurrence, and workers' compensation coverage of $5 million per occurrence. All coverages were effective for the period January 1, 2023, through January 1, 2024.

The Company historically ceded 80% of its risk to Mountainview under a quota share reinsurance agreement. Effective December 31, 2022, the Company and Mountainview entered into a commutation

agreement followed by an assumption agreement. Under these agreements, all policies issued during the 2008 through 2022 policy years were first commuted to terminate the existing 80/20 quota share arrangement and subsequently assumed in full by Mountainview. Effective December 30, 2023, the Company and Mountainview entered into a commutation agreement followed by an assumption agreement. Under these agreements, the policy issued for the 2023 policy year was first commuted to terminate the existing 80/20 quota share arrangement and subsequently assumed in full by Mountainview. As a result, Mountainview assumed 100% of the related obligations and liabilities, both known and unknown, thereby removing all associated reinsurance contract liabilities from the Company's books for the applicable years.

F. Management and Control

(i) Captive Manager

Section 7003(b)(4) of the Law provides that no captive insurer shall do any captive insurance business in this State unless it utilizes a captive manager resident in this State who is licensed as an agent or broker under the provisions of Article 21 of the Law, or any other person approved by the Superintendent.

During the period covered by this examination, the Company was managed by Marsh Management Service Inc. ("Marsh"), which is authorized to act as a manager for captive insurance companies by the Department.

Pursuant to a management agreement, effective January 1, 2012, Marsh has the responsibility for providing the Company with underwriting, policyholder, claims, and other general management and operational services for a fee. The responsibility also includes assisting the Company in complying with the rules, regulations and requirements of the Law and maintaining true and complete books of account and records of all business conducted under this agreement.

The management agreement was amended during the period covered by the examination to reflect updated compensation fees.

(ii) Board of Directors

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 three nor more than ten members, at least two of whom shall be residents of New York State. On December 31, 2023, the board of directors was comprised of the following four members:

Name and Residence	Principal Business Affiliation
Cindy Harm New York	Vice President & Assistant Treasurer, Risk Management, PepsiCo, Inc.
Kevin Gould New Jersey	Vice President & Assistant Controller, Financial Reporting, PepsiCo, Inc.
Ryan Zenga Connecticut	Senior Director, Corporate Tax Planning, PepsiCo, Inc.
Stephen Karp New York	Legal Director, PepsiCo, Inc.

During the period covered by the examination, the board of directors met at least once each year pursuant to Section 7003(b)(2) of the Law. A review of the meeting minutes indicated that each meeting was well attended.

(iii) Officers

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

Name	Title
Cindy Harm	President
Ryan Zenga	Vice President
Michael Shea	Treasurer
Stephen Karp	Vice President& Secretary

G. Certified Public Accountant ("CPA")

KPMG LLP was the Company's independent certified public accounting firm for the entire period covered by this examination. The CPA stated that, in its opinion, the Company's audited financial statements presented fairly, in all material respects, the financial position of Hudson Valley Insurance Company as of December 30, 2023.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America.

Assets		
Cash	$20,425,000	
Investments in affiliates	1,092,924,000	
Insurance premiums receivable	207,000	
Prepaid premium taxes	54,000	
Federal income tax receivable	1,280,000	
Total assets		$1,114,890,000
Liabilities		
Amounts due to affiliates	$28,098,000	
Total liabilities		$28,098,000
Capital and Surplus		
Common stock	$100,000	
Additional paid in capital	942,921,000	
Retained earnings	143,771,000	
Total capital and surplus		$1,086,792,000
Total liabilities and capital and surplus		$1,114,890,000

B. Statement of Income

The Company's net income for the period covered by the examination was $132,285,000 as detailed below:

Underwriting Income		
Net premiums earned	$170,561,000	
Ceding commission-reinsurance agreements	7,000,000	
Total underwriting income		$177,561,000
Deductions:		
Losses and loss adjustment expenses	$162,909,000	
General and administrative	4,844,000	
Other underwriting expenses	2,928,000	
Total operating deductions		170,681,000
Net underwriting income		6,880,000
Investment income		164,370,000
Net income before taxes		171,250,000
Total income taxes		38,965,000
Net income		$132,285,000

C. Capital and Surplus Account

The Company's capital and surplus increased $1,058,079,000 during the period covered by this examination, detailed as follows:

Capital and surplus as of January 1, 2017			$28,713,000
	Increase in surplus	Decrease in surplus	
Net income	$132,285,000	$0	
Surplus adjustment	925,794,000	_	
Total increase and decreases in surplus	$1,058,079,000	$0	
Net increase in surplus			$1,058,079,000
Capital and surplus as of December 30, 2023			$1,086,792,000

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 30, 2023, the Company reported no carried reserves for loss and loss adjustment expenses. The Company's opining actuarial firm, Oliver Wyman, stated in its Statement of Actuarial Opinion that the Company's reserves met the requirements of the Law and were computed in accordance with accepted loss reserving standards and principles. The actuary further concluded that the reserves carried by the Company made a reasonable provision, in the aggregate, for all unpaid loss and loss adjustment expense obligations arising under the terms of the Company's contract and agreements.

5. ARTICLE 70 COMPLIANCE

Article 70 of the New York State Insurance Law is the governing section of the law for the formation and continued operation of captive insurers in New York State. A review was performed to test the Company's compliance with all applicable parts of Article 70. No significant areas of non-compliance were found.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations in this report.

Respectfully submitted,

/S/
Ribka Keflay
Senior Insurance Examiner

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

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

/S/
Ribka Keflay

Subscribed and sworn to before me

this_____ day of_____, 2026.

APPOINTMENT NO. 32741

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:*

Ribka Keflay

as a proper person to examine the affairs of the

Hudson Valley Insurance Company

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

COMPANY

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name and affixed the official Seal of the Department at the City of New York

this 2nd day of January 2025

ADRIENNE A. HARRIS
Superintendent of Financial Services

By:

Eileen Fox

Eileen Fox
Assistant Deputy Superintendent