

Examination Warrant Number 21-00000-16934-R1

**Report of Examination of  
Bucks County Contributionship  
Langhorne, Pennsylvania  
As of December 31, 2021**

For Informational Purposes Only

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Harrisburg, Pennsylvania  
April 5, 2023

Honorable Diana L. Sherman  
Acting Deputy Insurance Commissioner  
Commonwealth of Pennsylvania  
Insurance Department  
Harrisburg, Pennsylvania

Dear Madam:

In accordance with instructions contained in Examination Warrant Number 21-00000-16934-R1, dated August 9, 2021, an examination was made of

**Bucks County Contributionship (The), NAIC Code: 16934**

a Pennsylvania domiciled, multi-state, property and casualty, mutual insurance company hereinafter referred to as the “Company.”

A report of this examination is hereby respectfully submitted.

**SCOPE OF EXAMINATION**

The Pennsylvania Insurance Department (“Department”) has performed an examination of the Company, which was last examined as of December 31, 2016. This examination covered the five-year period from January 1, 2017, through December 31, 2021.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”).

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with statutory accounting principles.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, in accordance with 40 P.S. § 323.5(a), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective

conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

For each year of the examination period, the Company was exempt from filing an audited financial statement prepared by a certified public accountant by meeting the criteria outlined in 31 Pa. Code § 147.13(e).

## HISTORY

The Company was incorporated on April 2, 1811, was licensed by the Department on April 2, 1811, and commenced business at its time of organization in 1809.

The Company is currently authorized to transact those classes of insurance described in 40 P.S. § 382, (b)(1) Property and Allied Lines, (b)(2) Inland Marine and Physical Damage, (c)(3) Glass, (c)(5) Boiler & Machinery, (c)(6) Burglary & Theft, and (c)(8) Water Damage.

## MANAGEMENT AND CONTROL

### SURPLUS REQUIREMENTS

The Company's minimum surplus requirement to conduct the business described above, pursuant to 40 P.S. § 386 is \$950,000 in minimum surplus. The Company has met all governing surplus requirements throughout the examination period.

### BOARD OF DIRECTORS

Management of the Company is vested in its Board of Directors ("Board"), which was comprised of the following members as of December 31, 2021:

<b>Name and Address</b>	<b>Principal Occupation</b>
Karen S. Fulton Langhorne, Pennsylvania	Retired Insurance Executive Company
Donald J. Loff Newtown, Pennsylvania	Retired Consultant
Martin G. Lutschaunig Richboro, Pennsylvania	Financial Advisor Janney Montgomery Scott
Ryan J. Parry Doylestown, Pennsylvania	Insurance Agency Principal William B. Parry & Son, Ltd.
William B. K. Parry, Jr. New Hope, Pennsylvania	Insurance Agent/Broker William B. Parry & Son, Ltd.
Terry L. Sager Cranberry Township, Pennsylvania	Director William Penn Bank
Gregory Scozzari Princeton, New Jersey	President V. J. Scozzari & Sons, Inc.

Peter S. Toft  
Newtown, Pennsylvania

Secretary/Treasurer/Partner  
Nottingham Agency, Inc.

Directors are elected at the Annual Meeting of the Company's policyholders and the term of office for each director is three years.

## COMMITTEES

As of December 31, 2021, the following standing committees were appointed by the Board and serving in accordance with the Company's by-laws:

Audit Committee  
Karen S. Fulton  
Donald J. Loff  
Terry L. Sager  
Gregory Scozzari

Executive Committee  
Karen S. Fulton  
Ryan J. Parry  
William B. K. Parry, Jr.  
Terry L. Sager  
Peter S. Toft

## OFFICERS

As of December 31, 2021, the following officers were appointed and serving in accordance with the Company's by-laws:

<b>Name</b>	<b>Title</b>
William B. K. Parry, Jr.	President
Ryan J. Parry	Secretary/Treasurer

## CORPORATE RECORDS

### MINUTES

A compliance review of corporate minutes revealed the following:

- The Annual Meeting of the Company's policyholders were held in compliance with its by-laws.
- The policyholders elect directors at such meetings in compliance with the by-laws.
- The policyholders ratified the prior year's actions of the Company's officers and directors.
- Quorums were present at all Board meetings.
- The Company's investment transactions are approved quarterly by the Board.
- All directors attend Board meetings regularly.

## **CHARTER**

There were no changes to the Company's charter during the examination period.

## **BY-LAWS**

The Company amended its by-laws in their entirety on April 26, 2018. The Company filed the amended and restated by-laws with the Department.

## **SERVICE AND OPERATING AGREEMENTS**

The Company is party to the following service and operating agreements during the examination period:

### **Administrative Services Agreement**

Effective December 11, 2008, the Company entered into an Administrative Services Agreement with William B. Parry & Son, Ltd. ("Parry & Son"). Parry & Son is a related party of the Company as it is owned in part by the officers of the Company. In accordance with the agreement, Parry & Son provides clerical and other administrative services to the Company. Administrative services provided include issuing policies, accounting functions, claims handling, and other services required by the Company that are of routine and typical nature for an insurance company.

### **Lease Agreement**

Effective January 1, 2006, the Company entered into a Commercial Lease with Parry & Son. The Company leases office space located at 107 Corporate Drive East, Langhorne, Pennsylvania from Parry & Son.

## **REINSURANCE**

### **CEDED**

The Company does not utilize reinsurance and as such, did not cede any business during the examination period.

### **ASSUMED**

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

## **TERRITORY AND PLAN OF OPERATION**

The Company is a non-assessable mutual insurance company that writes fire insurance in Pennsylvania and New Jersey. A majority of the Company's business consists of perpetual fire policies written on a premium deposit basis. Premium deposits are fully refundable at policy

termination. All policies that are written by the Company must have outside insurance coverage for the full amount of coverage provided by the Company. The Company's coverage limits are \$15,000 on fire policies. Dividends are declared at the discretion of the Board and policyholders typically receive a yearly dividend. The Company's premium writings are shown below.

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Written Premium	Percentage of Total
<b>December 31, 2021</b>				
Allied lines	\$ 413	\$ 0	\$ 413	100.0%
Totals	<u>\$ 413</u>	<u>\$ 0</u>	<u>\$ 413</u>	<u>100.0%</u>

### SIGNIFICANT OPERATING RATIOS AND TRENDS

The underwriting ratios summarized below are shown on an earned/incurred basis, and encompass the five-year period covered by this examination.

	Amount	Percentage
Premiums earned	\$ 2,790	100.0 %
Losses incurred	0	0.0 %
Other underwriting expenses incurred	602,058	21579.1 %
Net underwriting gain or (loss)	(599,268)	(21479.1)%
Totals	<u>\$ 2,790</u>	<u>100.0 %</u>

The Company's premiums earned, and losses incurred each calendar year are not material due to the nature of the perpetual policies written by the Company and due to no reported claims for more than 10 years.

The Company reported the following net underwriting, investment, and other gains or losses during the period under examination:

	2021	2020	2019	2018	2017
Admitted assets	\$ 8,649,695	\$ 7,872,992	\$ 7,371,817	\$ 6,516,555	\$ 6,955,913
Liabilities	\$ 1,291,203	\$ 1,140,812	\$ 1,062,501	\$ 898,648	\$ 999,567
Surplus as regards policyholders	\$ 7,358,492	\$ 6,732,180	\$ 6,309,316	\$ 5,617,907	\$ 5,956,346
Gross premium written	\$ 413	\$ 594	\$ 823	\$ 283	\$ 516
Net premium written	\$ 413	\$ 594	\$ 823	\$ 283	\$ 516
Underwriting gain/(loss)	\$ (127,043)	\$ (123,815)	\$ (107,771)	\$ (107,892)	\$ (132,747)
Investment gain/(loss)	\$ 386,844	\$ 314,510	\$ 339,636	\$ 365,023	\$ 207,515
Net income	\$ 169,875	\$ 119,499	\$ 160,609	\$ 185,908	\$ 4,884

### PENDING LITIGATION

As of the date of this examination report, Company Management attested that the Company was not involved in any litigation and was not aware of any threatened litigation that could have a material adverse effect on its financial condition.

## FINANCIAL STATEMENTS

The financial condition of the Company, as of December 31, 2021, and the results of its operations for the five-year period under examination, are reflected in the following statements\*:

Comparative Statement of Assets, Liabilities, Surplus and Other Funds;  
Comparative Statement of Income;  
Comparative Statement of Capital and Surplus; and  
Comparative Statement of Cash Flow

\*Note: Some financials shown in this report may contain immaterial differences to those reported in the Company's filed Annual Statements due to rounding differences.

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**Comparative Statement of Assets, Liabilities, Surplus and Other Funds  
As of December 31,**

	2021	2020	2019	2018	2017
Bonds	\$ 355,000	\$ 540,000	\$ 670,000	\$ 759,641	\$ 845,000
Common stocks	7,739,047	7,062,927	6,499,256	5,548,054	6,052,971
Cash, cash equivalents, and short term investments	546,903	255,284	194,867	200,264	48,180
Subtotals, cash and invested assets	8,640,950	7,858,211	7,364,123	6,507,959	6,946,151
Investment income due and accrued	5,895	6,749	7,694	8,446	8,888
Premiums and agents' balances due	0	0	0	150	0
Current federal and foreign income tax recoverable and interest thereon	0	8,032	0	0	874
Aggregate write-ins for other than invested assets	2,850	0	0	0	0
<b>Total</b>	<b>\$ 8,649,695</b>	<b>\$ 7,872,992</b>	<b>\$ 7,371,817</b>	<b>\$ 6,516,555</b>	<b>\$ 6,955,913</b>
Other expenses	\$ 87,119	\$ 62,075	\$ 36,000	\$ 24,000	\$ 12,000
Current federal and foreign income taxes	1,286	0	31,785	19,000	0
Net deferred tax liability	840,700	719,368	638,727	497,628	637,949
Unearned premiums	1,271	1,383	1,323	1,049	1,337
Amounts withheld or retained by company for account of others	837	431	1,186	1,291	94
Aggregate write-ins for liabilities	359,990	357,555	353,480	355,680	348,187
<b>Total liabilities</b>	<b>1,291,203</b>	<b>1,140,812</b>	<b>1,062,501</b>	<b>898,648</b>	<b>999,567</b>
Unassigned funds (surplus)	7,358,492	6,732,180	6,309,316	5,617,907	5,956,346
Surplus as regards policyholders	7,358,492	6,732,180	6,309,316	5,617,907	5,956,346
<b>Totals</b>	<b>\$ 8,649,695</b>	<b>\$ 7,872,992</b>	<b>\$ 7,371,817</b>	<b>\$ 6,516,555</b>	<b>\$ 6,955,913</b>

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### Comparative Statement of Income For the Year Ended December 31,

<b>Underwriting Income</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Premiums earned	\$ 525	\$ 534	\$ 549	\$ 571	\$ 611
Deductions:					
Other underwriting expenses incurred	127,568	124,349	108,320	108,463	133,358
Total underwriting deductions	127,568	124,349	108,320	108,463	133,358
Net underwriting gain or (loss)	(127,043)	(123,815)	(107,771)	(107,892)	(132,747)
<b>Investment Income</b>					
Net investment income earned	166,863	75,825	79,677	231,456	83,645
Net realized capital gains or (losses)	219,981	238,685	259,959	133,567	123,870
Net investment gain or (loss)	386,844	314,510	339,636	365,023	207,515
Net income before dividends to policyholders and before federal and foreign income taxes	259,801	190,695	231,865	257,131	74,768
Dividends to policyholders	89,926	71,196	71,256	71,223	69,884
Net income	<u>\$ 169,875</u>	<u>\$ 119,499</u>	<u>\$ 160,609</u>	<u>\$ 185,908</u>	<u>\$ 4,884</u>

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**Comparative Statement of Capital and Surplus  
For the Year Ended December 31,**

	2021	2020	2019	2018	2017
Surplus as regards policyholders,					
December 31, previous year	\$ 6,732,180	\$ 6,309,316	\$ 5,617,907	\$ 5,956,346	\$ 5,726,921
Net income	169,875	119,499	160,609	185,908	4,884
Net unrealized capital gains or (losses)	456,437	303,365	530,800	(527,874)	228,068
Change in nonadmitted assets	0	0	0	3,527	(3,527)
Change in surplus as regards policyholder for the year	<u>626,312</u>	<u>422,864</u>	<u>691,409</u>	<u>(338,439)</u>	<u>229,425</u>
Surplus as regards policyholders,					
December 31, current year	<u>\$ 7,358,492</u>	<u>\$ 6,732,180</u>	<u>\$ 6,309,316</u>	<u>\$ 5,617,907</u>	<u>\$ 5,956,346</u>

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**Comparative Statement of Cash Flow  
For the Year Ended December 31,**

	2021	2020	2019	2018	2017
<b>Cash from Operations</b>					
Premiums collected net of reinsurance	\$ 413	\$ 594	\$ 973	\$ 346	\$ 984
Net investment income	167,717	76,770	80,330	231,827	81,512
Total income	<u>168,130</u>	<u>77,364</u>	<u>81,303</u>	<u>232,173</u>	<u>82,496</u>
Commissions, expenses paid and aggregate write-ins for deductions	102,524	98,274	96,320	96,463	151,358
Dividends to policyholders	89,926	71,196	71,256	71,223	69,884
Federal and foreign income taxes paid (recovered)	26,904	64,942	19,000	(874)	0
Total deductions	<u>219,354</u>	<u>234,412</u>	<u>186,576</u>	<u>166,812</u>	<u>221,242</u>
Net cash from operations	<u>(51,224)</u>	<u>(157,048)</u>	<u>(105,273)</u>	<u>65,361</u>	<u>(138,746)</u>
<b>Cash from Investments</b>					
Proceeds from investments sold, matured or repaid:					
Bonds	185,000	130,000	150,000	125,000	5,000
Stocks	306,652	358,121	918,458	284,789	287,775
Total investment proceeds	<u>491,652</u>	<u>488,121</u>	<u>1,068,458</u>	<u>409,789</u>	<u>292,775</u>
Cost of investments acquired (long-term only):					
Bonds	0	0	60,000	39,570	270,000
Stocks	148,800	273,975	906,279	295,501	130,829
Total investments acquired	<u>148,800</u>	<u>273,975</u>	<u>966,279</u>	<u>335,071</u>	<u>400,829</u>
Net cash from investments	<u>342,852</u>	<u>214,146</u>	<u>102,179</u>	<u>74,718</u>	<u>(108,054)</u>
<b>Cash from Financing and Miscellaneous Services</b>					
Other cash provided (applied):					
Other cash provided or (applied)	(9)	3,319	(2,303)	12,005	5,799
Net cash from financing and miscellaneous sources	<u>(9)</u>	<u>3,319</u>	<u>(2,303)</u>	<u>12,005</u>	<u>5,799</u>
<b>Reconciliation of cash and short-term investments:</b>					
Net change in cash and short-term investments	291,619	60,417	(5,397)	152,084	(241,001)
Cash and short-term investments:					
Beginning of the year	255,284	194,867	200,264	48,180	289,181
End of the year	<u>\$ 546,903</u>	<u>\$ 255,284</u>	<u>\$ 194,867</u>	<u>\$ 200,264</u>	<u>\$ 48,180</u>

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## SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

## NOTES TO FINANCIAL STATEMENTS

### ASSETS

### INVESTMENTS

As of December 31, 2021, the Company's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 355,000	4.1 %
Common stocks	7,739,047	89.6 %
Cash	546,903	6.3 %
Totals	<u>\$ 8,640,950</u>	<u>100.0 %</u>

The Company's bond portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 355,000	100.0 %
Totals	<u>\$ 355,000</u>	<u>100.0 %</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 145,000	40.8 %
2 to 5 years	210,000	59.2 %
Totals	<u>\$ 355,000</u>	<u>100.0 %</u>

As of December 31, 2021, the Company had 89.6% of its invested assets in common stocks and 6.3% in cash with the remaining 4.1% of its invested assets in bonds. The Company's bond portfolio is comprised of 100.0% investment grade securities which have maturities of 5 years or less.

The Company has a written investment policy as required by 40 P.S. § 653b(b). The investment policy is reviewed and approved on an annual basis by the Board. The Company was following its investment policy as of December 31, 2021.

## LIABILITIES

### LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

The Company reported reserves in the amount of \$0 for losses and \$0 for loss adjustment expenses (“LAE”) on the December 31, 2021 Annual Statement. The Company has not incurred insurance claims during the exam period.

For each year during the period under review, the Company was exempt from the requirement to file an actuarial opinion on the adequacy of its loss reserves as provided in the NAIC *Annual Statement Instructions – Property and Casualty*. This exemption was granted annually to the Company in correspondence received from the Department.

Based on the procedures performed and the results obtained, the examination team obtained sufficient documentation to support the conclusion that the Company’s carried loss and LAE reserve amounts are reasonable as of December 31, 2021.

### AGGREGATE WRITE-INS FOR LIABILITIES

The Company reported aggregate write-ins for liabilities for premium deposits on perpetual fire insurance risks of \$359,990 on the December 31, 2021 Annual Statement.

The Company records a liability for premium deposits on perpetual fire deposits in accordance with NAIC *Statements of Statutory Accounting Principles* (SSAP) No. 53.

## SUBSEQUENT EVENTS

The Department is monitoring the impact of the COVID-19 global pandemic. The Department recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Company. As such, the Department will continue to monitor and share information with the Company as appropriate related to COVID-19 developments.

## RECOMMENDATIONS

### PRIOR EXAMINATION

The prior examination report contained no recommendations.

### CURRENT EXAMINATION

There are no recommendations being made as a result of the current examination.

**CONCLUSION**

As a result of this examination, the financial condition of The Bucks County Contributionship, as of December 31, 2021, was determined to be as follows:

	<b>Amount</b>	<b>Percentage</b>
Admitted assets	\$ 8,649,695	100.0 %
Liabilities	\$ 1,291,203	14.9 %
Surplus as regards policyholders	7,358,492	85.1 %
Total liabilities and surplus	\$ 8,649,695	100.0 %

Since the previous examination, made as of December 31, 2016, the Company's assets increased by \$2,168,912, its liabilities increased by \$537,341, and its surplus increased by \$1,631,571.

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This examination was conducted by David M. Smith, CISA, CPDSE, AES, CFE, and Dennis Williams with the latter in charge.

Respectfully submitted,

*Matthew Milford*

Matthew C. Milford, CFE  
Director  
Bureau of Financial Examinations

*Stephanie Ohnmacht*

Stephanie Ohnmacht, CFE  
Examination Manager

*Dennis Williams*

Dennis Williams  
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.

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