EXAMINATION OF THE

PUBLIC SERVICE MUTUAL INSURANCE COMPANY

AS OF

DECEMBER 31, 1999

DATE OF REPORT	DECEMBER 13, 2000
EXAMINER	KENNETH MERRITT

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

December 13, 2000

Honorable Neil Levin
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to instructions contained in Appointment Number 21533 dated May 3, 2000, I have made an examination into the condition and affairs of the Public Service Mutual Insurance Company, as of December 31, 1999 and submit the following report thereon.

Where the designation "Company" appears herein without qualification, it should be understood to indicate the Public Service Mutual Insurance Company.

Where the designation "Magna Carta Companies" appears herein without qualification, it should be understood to indicate the Public Service Mutual Insurance Company and its wholly-owned subsidiaries, PSM Holding Corporation, Paramount Insurance Company, Creative Intermediaries, Magna Carta Companies, Inc. and Western Select Insurance Company.

1. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1994. This examination covered the five year period from January 1, 1995 through December 31, 1999 and was limited in its scope to a review or audit of only those balance sheet items considered by this Department to require analysis, verification or description, including: invested assets, inter-company balances, loss and loss adjustment expense reserves and provision for reinsurance. The examination included a review of income, disbursements and Company records deemed necessary to accomplish such analysis or verification and, utilized, to the extent considered appropriate, work performed by the Company's independent public accountant. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

History of Company
Management and control
Corporate records
Fidelity bonds and other insurance
Territory and plan of operation
Market conduct activities
Growth of Company
Business in force by states
Reinsurance
Accounts and records
Financial statements

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 which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

A concurrent limited scope examination was conducted of the Company's wholly-owned subsidiary Paramount Insurance Company ("Paramount"), a domestic stock insurer. The examinations were conducted at the Companies' main and administrative offices located at One Park Ave, New York, New York 10016-5802.

2. DESCRIPTION OF COMPANY

The Company was incorporated in the State of New York on June 24, 1925 and received subsequent licensing authority from the State on July 20, 1925 under the initial name, Public Service Mutual Casualty Corporation. The name Public Service Mutual Casualty Corporation was amended in 1940 to Public Service Mutual Casualty Company, Inc. and again in 1944 to its present name of Public Service Mutual Insurance Company ("PSMIC").

Effective June 30, 1965, the Company merged with the General Mutual Insurance Company, Albany, New York, with PSMIC emerging as the surviving insurer.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company shall be vested in a board of directors consisting of a minimum of fifteen (15) members up to a maximum of twenty-four (24) at any time. Each director shall serve on the board for a term of three years following his or her election by a majority vote of the Company's policyholders during their annual meeting.

As of December 31, 1999, the following fifteen directors were included on the Company's board:

Name and Residence	Principal Business Affiliation
Charles Lanham Crouch, III La Canada, California	Partner, Perkins Cole, LLP
Andrew Lawrence Furgatch New York, New York	Chairman of the Board and President, Magna Carta Companies
Julius Gantman White Plains, New York	Attorney, Tellerman, Taticoff & Greenberg
Anita Davis Goodman Hartsdale, New York	Real Estate Broker, Julia B. Fee, Inc.
John David Hatch Ocala, FL	President, John D. Hatch, P.C.
Donald Henderson Aromas, CA	Consultant, Donald Henderson
John Thomas Hill II Trenton, NJ	Chief Financial Officer/Treasurer, Magna Carta Companies
Harold Norman London Malverne, New York	Partner, Freeman & Davis, LLP
Stanley Joseph Mastrogiacomo Warwick, New York	Consultant, Stanley J. Mastrogiacomo
Michael Moody Los Angeles, CA	Senior Vice-President, Magna Carta Companies
Milton Peckman Coconut Creek, Florida	Executive Vice President & Secretary, Magna Carta Companies
Paul Steven Schweitzer Potomac, Maryland	Senior Directing Manager, Julian J. Studley, Inc.
Leslie Wilfred Seldin, D.D.S. New York, New York	Dentist, Dental Practice

Name and Residence	Principal Affiliation
Lewis James Spellman, Ph. D. Austin, Texas	Professor, Department of Finance University of Texas
Irwin Young Manhasset, New York	Chairman of the Board, Du Art Film Labs, Inc.

The Company also has executive, investment and compensation committees comprising of three board members per committee. Designated board members serve on their committees for one year at a time and are elected annually by majority votes of the board of directors.

The board met four times annually during the examination period as stipulated in the Company's by-laws. All meetings were well attended by the board members.

Several board members have consulting services agreements with the Company. One of these agreements involves a certain director being in-charge with the overall responsibility of establishing and managing the Company's Western United States insurance operations. However, there were at least two directors who did not have such written agreements stipulating their provided services and related compensation.

It is recommended that the Company maintain for each director rendering outside consulting services to the Company individual formal written agreements approved by the board of directors.

The following individuals served as Company officers as of December 31, 1999:

Name	Title
Andrew L. Furgatch	Chairman of the Board and President
John Thomas Hill II	Chief Financial Officer/Treasurer
David Lawless	Vice-President
Gregory Vincent Martino	Senior Vice-President/Underwriting
Louis Masucci	Vice-President
Earl Irvin Miller	Senior Vice President
Michael Moody	Senior Vice President/Corporate Development
Milton Peckman	Executive Vice President/Secretary
Daniel Tagliaferro	Vice-President

B. Territory and Plan of Operation

As of December 31, 1999, the Company was licensed to transact the kinds of insurance as specified in the following paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
3(i)	Accident and health
4	Fire
5	Miscellaneous property damage
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical
20	Marine and inland marine
21	Marine protection and indemnity

In addition, the Company is licensed to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a), including coverage described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended). The Company is also licensed to transact the kinds of insurance and reinsurance as defined in Section 4102(c) of the New York Insurance Law.

Based upon the lines of business for which the Company is licensed, and pursuant to the requirements of Article 41 of the New York Insurance Law, Public Service Mutual Insurance Company is required to maintain a minimum surplus to policyholders in the amount of $35,000,000.

The Company is also licensed to write special risk insurance pursuant to Article 63 of the New York Insurance Law.

As of the examination date, the Company was licensed in forty-nine states with Oklahoma and the District of Columbia being the two United States jurisdictions in which the Company did not possess licensing authority.

The following schedule shows the relationship between the Company's direct premiums written countrywide to its State of New York direct writings for the five calendar years covered by this examination:

Year	Countrywide	New York	Percentage of Total
1995	$154,552,080	$73,847,725	47.78%
1996	$130,225,618	$58,835,877	45.17%
1997	$129,530,691	$52,216,393	40.31%
1998	$133,138,424	$48,397,757	36.35%
1999	$118,059,700	$36,884,398	31.24%

The majority of the Company's direct premiums written during the examination period occurred in the States of New York, New Jersey, Massachusetts and Pennsylvania.

The Company's average net premiums written during the years 1997 through 1999 as compared to the corresponding average of net premiums written during the years 1995 and 1996 revealed a decrease in Company writing during the latter three years of approximately 33%. The Company attributed such decrease to reduced workers' compensation insurance writings due primarily to state mandated rate cuts.

Business is developed through independent agents and brokers.

The Company primary insurance lines are commercial multiple peril and workers' compensation approximating 61.3% and 30.3% respectively of the Company's 1999 net written premiums. The commercial multiple peril is comprised primarily of premises operations (e.g., restaurants, mercantile, etc.) and owners, landlords and tenants (e.g., habitational) risks. A small amount of business is produced by mandatory participation in the FAIR plans of several states.

C. Reinsurance

The major portion of assumed reinsurance represents business acquired from Paramount Insurance Company ("PIC") under a pooling agreement. In addition, the Company assumes business from the FAIR plans of several states and from a number of involuntary pools.

The agreement, which was approved by the New York Insurance Department and has been in effect since January 1, 1992, provides for the Company to assume 100% of the net writings of PIC. Ten percent of the combined net writings, excluding voluntary assumed reinsurance business, are retroceded to the PIC. All losses, claims expenses and underwriting expenses are pooled between the Company and PIC according to their pooling percentages, 90% and 10% respectively. All underwriting assets and liabilities are share in their respective percentages.

The Schedule F data contained in the Company’s annual statements filed for the years within the examination period was found to accurately reflect its reinsurance transactions.

The examiner reviewed all ceded reinsurance contracts effected during the examination period. These contracts all contained the required standard clauses including insolvency clauses meeting the requirements of Section 1308 of the New York Insurance Law.

The Company has in effect the following ceded reinsurance contracts at December 31, 1999:

Type of Contract	Cession
Property	
First Surplus-fire, allied lines, commercial multiple peril and inland marine	Up to 5 times the minimum net retention of $250,000 per risk subject to a maximum cession of $12,000,000 per any one risk. Maximum occurrence limit of $36,000,000.
Per Risk Excess of Loss (2 layers)-fire, allied lines, homeowners’ multiple peril, commercial multiple peril and inland marine	$9,700,000 excess of $300,000 each and every loss occurrence.
Catastrophe Excess of Loss-fire (5 layers), Allied lines, homeowners’ multiple peril, commercial multiple peril, inland marine, automobile physical damage other than collision and garage keeper’s legal liability	95% of $54,000,000 excess $3,000, 000 each and every loss occurrence.
Casualty	
Excess of Loss (2 layers)	$10,500,000 ultimate net loss excess of $500,000 per occurrence with $500,000 annual aggregate deductible.
Casualty Clash	$14,000,000 excess of $11,000,000.

Type of Contract	Cession
Casualty	
Workers' compensation excess	$35,000,000 each event excess of $5,000,000 each event.
West Coast commercial umbrella quota share	95% share of the Company's net retained insurance liability up to $1,000,000 and 100% of loss $9,000,000 excess of $1,000,000.

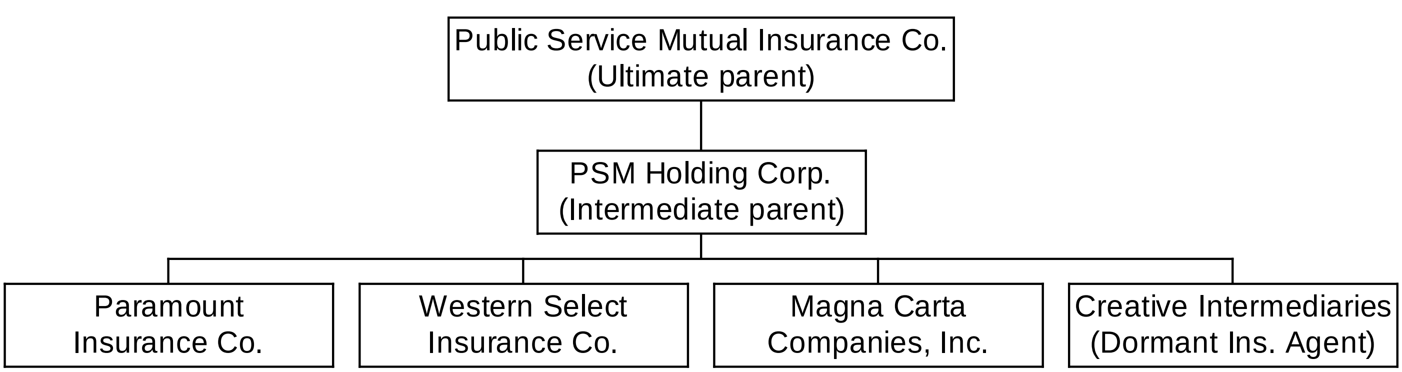
The Company's ceded reinsurance program remains basically unchanged since the prior examination, with relatively minor fluctuations in the ratios of business ceded to authorized and unauthorized reinsurers participating.

Approximately 95% of all Company's cessions were transacted with authorized reinsurers.

The Company has effected commutation agreements pertaining to its reinsurance assumed business that was written in 1986 and prior.

D. Affiliated Companies

Below is an organizational chart of the Company as of December 31, 1999:



PSMIC is the ultimate parent company and is a domestic mutual insurance company. Therefore, it is not subjected to Article 15 of the New York Insurance Law.

On September 11, 1998, the Company formed a legal entity called Magna Carta Companies, Inc. ("MCCI"). This subsidiary was incorporated in the state of Delaware and it is presently dormant in terms of its operations. With respect to MCCI's formation, no formal filing was made with the Department pursuant to Section 1603 of the New York Insurance Law which states in part the following:

> "No acquisition of a majority of any corporation's outstanding common shares shall be made pursuant to this article unless a notice of intention of such proposed acquisition shall have been filed with the superintendent not less than ninety days, or such shorter period as may be permitted by the superintendent, in advance of such proposed acquisition,………."

It is recommended that the Company file the formation of MCC as a subsidiary with the Department for review pursuant to Section 1603 of the New York Insurance Law. In addition, it is further recommended that the Company comply with Section 1603 of the New York Insurance Law in the future by notifying the Department prior to the formation of such a subsidiary.

Pursuant to the Department's April 27, 1999 approval, PSMIC, through PSM, acquired Western Select Insurance Company ("Western Select") by purchasing all 87,000 shares of Western Select's $30 par value per share for a total purchase price of $10,005,000. While Western Select, a California domiciled insurer, was not authorized in the State of New York through the 2000 year-end, management indicated the Company would seek a New York license in the future.

In January 1, 2000, PSMIC and its subsidiaries ceased using the trade name PSM Insurance Companies and commenced marketing under the name, Magna Carta Companies ("MCC").

In addition to the existing Inter-company Pooling Reinsurance Agreement between PSMIC and Paramount Insurance Company, the following inter-company agreements in effect as of December 31, 1999 between PSMIC and its related parties, were filed with, and approved, by the Department:

1. <u>Consolidated Federal Income Tax Liability Allocation (“ Tax Agreement”)</u>.

   Based upon a review of the existing Tax Agreement on file, it has not been amended to reflect the Company’s most recently acquired affiliates, Magna Carta Companies, Inc. and Western Select Insurance Company. In addition, the Tax Agreement also includes various dissolved entities that are no longer affiliates of the Company. Pursuant to the New York Insurance Department’s Circular Letter No. 33 (1979), notification to this Department should be given within thirty days of any amendment to a tax allocation agreement.

   It is recommended that the parent company comply with Circular Letter No. 33 (1979) by filing an amended tax allocation agreement with the Department reflecting Magna Carta Companies, Inc. and Western Select Insurance Company parties therein. In addition, it is further recommended that the Company remove those entities no longer affiliated with the Group.

2. <u>Quota Share Reinsurance Agreement effective July 27, 1999 between PSMIC and Western Select Insurance Company (Western Select)</u>

   Under the Quota Share Reinsurance Agreement, PSMIC will assume 90% of Western Select’s gross unexpired liabilities relative to its policies, certificates, binders, agreements and other evidence of insurance issued by the Ceding Company for all authorized lines of insurance.

3. <u>Inter-company Service and Quota Share Reinsurance Agreements effective July 27, 1999 between PSMIC and WSIC effective July 27, 1999</u>

   These agreements state that the State of California has legal governance and enforceability rights.

   It is recommended that the Company revise its current inter-company service agreement to refer to the State of New York instead of the State of California, consistent with this State’s public policy for the protection of its policyholders.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 1999, based upon the results of this examination:

Net premiums written in 1999 to surplus as regards policyholders	.75 : 1
Liabilities to Liquid assets (cash and invested assets less investment in affiliates)	88.60%
Premiums in course of collection to surplus as regards policyholders	14.11%

The above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

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

	Amounts	Ratios
Losses incurred	$371,688,487	54.87%
Loss adjustment expenses incurred	105,905,280	15.64
Other underwriting expenses incurred	234,150,184	34.57
Net underwriting loss	(34,430,829)	(5.08)
Premiums earned	$677,313,122	100.0%

F. Abandoned Property Law

Section 1316 of the New York State Abandoned Property Law requires certain unclaimed insurance proceeds to be reported to the State of New York Office of Comptroller by April 1 of each year. The examination review indicated that the Company has made the required filings on a timely basis.

A review of the Company's records indicated abandoned property filings were submitted as required during the examination period. However, it was noted that in filing years 1997 and 1998, there were a significant number of cases whereby the Company escheated unclaimed funds to the State, without providing the claimants' names.

It is recommended that the Company maintain its records adequately to ensure that all claimants' names will be on record during each year in which unclaimed funds are escheated to the State, in accordance with Section 1316 of the New York State Abandoned Property Law.

G. Accounts and Records

The following was noted in conjunction with the review of the accounts and records maintained by the Company:

1. Unavailability of Records

Certain company records namely consulting agreements, lease agreements, agents' records, and Departmental questionnaires etc. were not readily available upon request and were delayed throughout the examination process. This resulted in a delay of the completion of the examination. Section 310 of the New York Insurance Law states that the examiners shall be given convenient access to all books, records and files of such insurer.

It is recommended that all Company records be available upon request in a timely manner in order to facilitate future examinations.

2. Bonds Account

Discrepancies were noted in the Company bonds account due to inconsistencies in the securities reported between Schedule D-Part 1 of the Annual Statement and the Company's custodial bank report. Due to immateriality, no financial change was made. In addition, the Company was unable to account for certain broker trade tickets or advices for bonds transactions selected for review by the examiners.

It is recommended that the Company prepare routine reconciliations of its invested accounts between the Company's general ledger and its custodial bank statements.

3. Cash Accounts

A review of the cash accounts indicated that there is approximately two to four months lag between each month's cut-off period and the time in which the Company actually completes its reconciliation with its bank statements for certain cash accounts (i.e. claims and general operating accounts).

It is recommended that the Company reconcile all its cash accounts to the bank statements in a timely manner.

4. Loss Portfolio Transfer

The examination liability of $(29,138,952) is the same as reported by the Company as of December 31, 1999.

Pursuant to the terms of the agreement, the Company is required to bill the reinsurer within ninety days following the end of each calendar year. A review of the Company's records revealed that the Company did not bill the reinsurer within the ninety days as required under the agreement.

It is recommended that the Company bill the reinsurer within the specified time called for in the agreement.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined per this examination which account balances are the same as reported by the Company as of December 31, 1999.

Assets	Ledger Assets	Non-Ledger Assets	Not-Admitted Assets	Net-Admitted Assets
Bonds	$452,966,970	$	$	$452,966,970
Stocks	30,056,589		(10,853,594)	40,910,183
Cash on hand and on deposit	2,465,877			2,465,877
Short-term investments	11,906,750			11,906,750
Agents' balances	13,213,888		3,649,347	9,564,541
Funds held by or deposited with reinsured companies	5,348,510			5,348,510
Reinsurance recoverable on loss and loss adjustment expense payments	8,952,125			8,952,125
Interest and dividend income due and accrued		5,242,749		5,242,749
Receivable from parent, subsidiaries, and affiliates	1,967,752			1,967,752
Equities and deposits in pools and associations	1,485,176			1,485,176
Equipment, furniture and supplies	708,555			708,555
Other assets non-admitted	937,661		937,661	
Other assets	5,238,249		443,113	4,795,136
Total assets	$535,248,102	$ 5,242,749	$(5,823,473)	$546,314,324

Liabilities	Company
Losses	$303,920,120
Reinsurance payable on paid losses and loss adjustment expenses	16,589,522
Loss adjustment expenses	41,122,412
Contingent commissions	1,017,000
Other expenses	1,436,435
Taxes, licenses and fees	6,850,017
Federal and foreign income taxes	1,830,997
Unearned premiums	54,568,988
Dividends declared and unpaid to policyholders	108,581
Funds held by company under reinsurance treaties	564,699
Amounts withheld or retained by company for account of others	(2,318)
Provision for reinsurance	6,775,593
Excess of statutory reserves over statement reserves	4,012,200
Net adjustment in assets and liabilities due to foreign exchange rates	379,610
Other liabilities	738,440
Loss portfolio transfer	(29,138,952)
Total liabilities	$410,773,344
Surplus and Other Funds	
Special surplus funds: Loss portfolio transfer account	$ 19,900,000
Special contingent surplus	1,350,000
Unassigned funds	114,290,980
Surplus to policyholders	$ 135,540,980
Total liabilities and surplus	$546,314,324

Note: The Company's tax returns have never been audited by the Internal Revenue Service. The examiner is unaware of any potential exposure of the Company to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased $68,910,370 during the five year period covered by this examination period, January 1, 1995 through December 31, 1999, detailed as follows:

Statement of Income

Underwriting Income		
Premiums earned		$677,313,122
Deductions:		
Losses incurred	$371,688,487	
Losses adjustment expenses incurred	105,905,280	
Other underwriting expenses incurred	233,583,212	
Other deduction- LAD Program	566,972	
Total underwriting deductions		711,743,951
Net underwriting loss		$(34,430,829)
Investment Income		
Net investment income earned	$152,754,664	
Net realized capital gains	6,255,761	
Net investment gain		159,010,425
Other Income		
Net loss from agents' balances charged off	$(5,092,168)	
Finance and service charges	464,614	
Loss portfolio transfer	(30,100,000)	
Deferred compensation	(9,618)	
Gain from sale of equipment and realized gain from foreign exchange	(265,564)	
Miscellaneous income	3,087,942	
Total other income		(31,914,794)
Net income before dividends to policyholders and federal income taxes		$92,664,802
Dividends to policyholders		20,356,442

Net income before federal income taxes	$72,308,360
Federal income taxes	9,420,708
Net income	$62,887,652

Capital and Surplus Account

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders, per December 31, 1994 report on examination			$66,630,610
Net income (loss)	$62,887,652	$	
Net unrealized capital gains	8,394,475		
Change in not admitted assets		472,997	
Change in provision for reinsurance		156,064	
Change in foreign exchange adjustment	424,176		
Change in excess of statutory reserves over statement reserves		2,166,872	
Total gains and losses	$71,706,303	$2,795,933	
Net increase in surplus as regards policyholders			68,910,370
Surplus as regards policyholders per December 31, 1999 report on examination			$135,540,980

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liabilities of $303,920,120 and $41,122,412 for loss and loss adjustment expenses reserves respectively, are the same amounts as reported by the Company as of December 31, 1999.

The examination reserves were calculated in accordance with generally accepted actuarial principles and practices and were based upon statistical information contained in the Company’s internal records and its filed and sworn to annual statements. The examination reserve for allocated loss adjustment expenses was developed in accordance with generally accepted actuarial principles and practices and was based upon statistical information contained in Schedule P of the Company’s filed annual statements.

Examination review indicated that there were discrepancies in the cumulative claim counts reported in the various insurance lines in Schedule P of the 1998 and 1999 annual statements. It is recommended that the Company report accurate claim counts data in Schedule P of the filed annual statement.

5. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed to encompass the generally more precise scope of a market conduct examination, which is the responsibility of the Market Conduct Unit of the Property Bureau of this Department.

The general review was directed at practices of the Company in the following major areas:

A. Sales and advertising
B. Underwriting
C. Rating
D. Claims

No problem areas were encountered.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

ITEM		PAGE NO.
A.	It is recommended that the directors elect a person other than the president to the position of executive vice president or that the corporate by-laws be amended accordingly. The Company has complied with this recommendation.	5
B.	It is recommended that the Company comply with the settlement provisions of the inter-company pooling agreement. The Company has complied with this recommendation.	11
C.	It is recommended that the Company report all leasehold improvements as not admitted assets in future statement filings with this Department. The Company has complied with this recommendation.	16

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Management	
	It is recommended that the Company maintain for each director rending outside consulting services to the Company individual formal written agreements approved by the board of directors.	5
B.	Affiliated comp	
1.	It is recommended that the parent company file with the Insurance Department, the formation of the subsidiary, Magna Carta Companies Inc., pursuant to Section 1603 of the New York Insurance Law. In addition, it is recommended that the Company comply with the said statute in the future by notifying the Department prior to the formation of a subsidiary.	11

ITEM		PAGE NO.
2.	It is recommended that the parent company comply with Circular Letter No. 33 (1979) by filing with the Insurance Department an amended tax allocation agreement reflecting Magna Carta Companies, Inc. and Western Select Insurance Company as parties therein. In addition, it is recommended that those entities no longer affiliated with the Group be removed.	5
3.	It is recommended that the Company revise its inter-company service agreement to refer to the State of New York instead of the State of California.	12
C.	Abandoned Property Law	
	It is recommended that the Company maintain its records adequately to ensure that all claimants' names will be on record during each year in which unclaimed funds are escheated to the State, in accordance with Section 1316 of the New York State Abandoned Property Law.	14
D.	Account and records	
1.	It is recommended that all Company records be available upon request in a timely manner in order to facilitate future examinations.	14
2.	It is recommended that the Company prepare routine reconciliations of its invested asset accounts between the Company and custodial bank records.	15
4.	It is recommended that the Company reconcile all its cash accounts to the bank statements in a timely manner.	15
5.	It is recommended that the Company bill the reinsurer within the specified time called for in the agreement.	15
D.	Loss reserves	
	It is recommended that the Company report accurate claim counts data in Schedule P of the filed annual statement.	20

Respectfully submitted,

Kenneth Merritt

Kenneth Merritt
Senior Insurance Examiner

STATE OF NEW YORK)
)SS.
)
COUNTY OF NEW YORK)

KENNETH MERRITT, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

Kenneth Merritt

Kenneth Merritt

Subscribed and sworn to before me

this 28TH day of MARCH 2001.

SAMUEL A. WACHTEL
Notary Public, State of New York
No. 41-4764998
Qualified in Nassau County
Commission Expires April 30, 2002

Appointment No 21533

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, NEIL D. LEVIN *, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Kenneth Merritt

as proper person to examine into the affairs of the

Public Service Mutual Insurance Company

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

Company

with such other information as he shall deem requisite.

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

this 3rd *day of* *May, 2000*

NEIL D. LEVIN
Superintendent of Insurance