REPORT ON EXAMINATION

OF THE

STRATHMORE INSURANCE COMPANY

AS OF

DECEMBER 31, 2008

DATE OF REPORT	JANUARY 6, 2010
EXAMINER	FE ROSALES, CFE

TABLE OF CONTENTS

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

January 6, 2010

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30304 dated February 23, 2009 attached hereto, I have made an examination into the condition and affairs of Strathmore Insurance Company as of December 31, 2008, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Strathmore Insurance Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the Company's home office located at 200 Madison Avenue, New York, NY 10016.

1. SCOPE OF EXAMINATION

The Department has performed an association examination of Strathmore Insurance Company. The previous examination was conducted as of December 31, 2003. This examination covered the five-year period from January 1, 2004 through December 31, 2008. 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 ("Handbook"), which requires that we plan and perform the examination to evaluate the financial condition and identify 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 Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examiners also relied upon audit work performed by the Company's independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Financial Condition Examiners Handbook of the NAIC:

Significant subsequent events
Company history
Corporate records
Management and control
Territory and plan of operation
Growth of Company
Loss experience
Reinsurance
Accounts and records
Statutory deposits
Financial statements
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

Strathmore Insurance Company was incorporated under the laws of the State of New York on November 17, 1998 and commenced business on March 22, 2000.

The Company is a wholly-owned subsidiary of Greater New York Mutual Insurance Company ("GNY"). The Company pools its premiums, losses, and expenses under a reinsurance pooling agreement with its parent (GNY) and affiliates, the Insurance Company of Greater New York ("INSCO"), and GNY Custom Insurance Company ("GNYCIC"), as discussed under the caption "Intercompany Pooling Agreement" (refer to Item 2C of this report).

The Company has an authorized capital of $5,000,000 consisting of 50,000 shares of common stock at $100 par value per share. On November 5, 1999, the Company issued 50,000 shares of common stock to Greater New York Mutual for a consideration of $11,000,000, of which $5,000,000 was paid in capital and $6,000,000 was gross paid-in and contributed surplus. Paid in capital and gross paid in and contributed surplus has not changed during the examination period.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors of not less than thirteen nor more than fifteen members. The board met at least four times during each calendar year.

At December 31, 2008, the board of directors was comprised of the following thirteen members:

Name and Residence	Principal Business Affiliation
Donald T. DeCarlo Douglaston, NY	Retired
Larry L. Forrester Bloomington, IN	Retired
Warren W. Heck New York, NY	Chairman of the Board and Chief Executive Officer, Greater New York Mutual Insurance Company
Carol T. Ivanick New York, NY	Partner, Dewey, Ballantine LLP
Charles F. Jacey Belle Mead, NJ	Retired, Former Vice Chairman & Partner of Coopers & Lybrand.
Robert P. Lewis, PhD Santa Fe, NM	Retired
Lance M. Liebman New York, NY	Professor and Director, Columbia Law School
Travis M. MacMillian Plymouth, MA	President & Chief Operating Officer, Greater New York Mutual Insurance Company
Henry G. Miller Bronxville, NY	Senior Partner, Clark, Gagliardi & Miller LLP
Arthur W. Murphy New York, NY	Professor, Columbia Law School
James D. Rosenthal Miami Beach, FL	Vice-President, Douglas Elliman
Paul Segal New York, NY	Architect, Paul Segal Associates
Thomas W. Synnott, PhD Brooklyn, NY	Retired

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member had an acceptable record of attendance.

As of December 31, 2008, the principal officers of the Company were as follows:

Name	Title
Warren William Heck	Chairman and Chief Executive Officer
Travis Matthew MacMillian	President and Chief Operating Officer
Thomas Donald Hughes	Executive Vice President, Secretary and General Counsel
Elizabeth Heck	Executive Vice President, Treasurer and Chief Financial Officer

B. Territory and Plan of Operation

As of December 31, 2008, the Company was licensed to write business in thirteen states and the District of Columbia.

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
3	Accident & health
4	Fire
5	Miscellaneous property
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 damage
20	Marine and inland marine
21	Marine protection and indemnity

Pursuant to Section 6302 of the New York Insurance Law, the Company is also licensed to write special risks in the "Free Trade Zone."

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13, 41 and 63 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $4,400,000.

The following schedule shows the direct premiums written by the Company both in total and in New York for the period under examination:

Calendar Year	New York State	Total Premiums	Premiums Written in New York State as a Percentage of Total Premium
2004	$ 8,081,827	$ 9,610,399	84.09%
2005	$ 4,580,430	$ 6,496,057	70.51%
2006	$ 4,875,748	$11,778,644	41.39%
2007	$12,726,896	$23,256,407	54.72%
2008	$22,485,313	$38,759,361	58.01%

The majority (approximately 93%) of the Company's business is written in New York, Connecticut, Pennsylvania, New Jersey and Massachusetts. Commercial multiple peril ("CMP") is the Company's dominant line of business which comprised approximately 94% of total direct business written. Most of the business originates through independent brokers. The Company maintains branch offices in Glastonbury, CT; East Brunswick, NJ; Quincy, MA; Hunt Valley, MD and Albany, NY. Each office handles underwriting function for its specific territory. Claims are generally handled out of the corporate office with a smaller operation in East Brunswick.

C. Reinsurance

Assumed Reinsurance

The Company is primarily a direct writer. Assumed reinsurance accounted for 21.8% of the Company's gross premium written at December 31, 2008. The Company's assumed reinsurance program consists mainly of business obtained through a pooling agreement with its parent Greater New York Mutual Insurance Company ("GNY") and its affiliates: Insurance Company of Greater New York ("INSCO"), and GNY Custom Insurance Company ("GNYCIC"). The

Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62 for all of its assumed reinsurance business.

Intercompany Pooling Agreement

The Company, its parent (GNY) and affiliates (INSCO and GNYCIC) operate under an inter-company pooling agreement, which has been in place since January 1968. The pooling agreement originally included only the GNY and INSCO as participants; the Company was added effective January 1, 2000, and GNYCIC was added effective January 1, 2008. As of the examination date, the pooling participation percentages were 84% GNY, 10% INSCO, 5% the Company and 1% GNYCIC.

Ceded Reinsurance

The Company, its parent and affiliates have structured their ceded reinsurance program to limit their maximum exposure to any one risk as follows:

Property

The Company's ceded reinsurance program for its property business limits its maximum exposure in any one risk to $500,000. The Company maintains several excess of loss coverage treaties for standard losses, catastrophe related losses, and terrorism related losses. Its standard excess of loss treaties for property consists of five layers with the following layers of coverage:

Type of Treaty	Cession
Property Excess of Loss - Five layers as follows:	$69,500,000 excess of $500,000 per risk.
1st Layer – 100% authorized	$4,500,000 excess of $500,000 per risk.
2nd Layer – 100% authorized	$5,000,000 excess of $5,000,000 per risk.
3rd Layer – 56% authorized	$15,000,000 excess of $10,000,000 per risk.
4th Layer – 100% authorized	$15,000,000 excess of $25,000,000 per risk.
5th Layer – 61% authorized	$30,000,000 excess of $40,000,000 per risk.

The Company also maintains excess of loss coverage for property losses resulting from catastrophe events consisting of three layers whereby the Company cedes 95% of losses in excess of $15,000,000 each and every loss occurrence.

Type of Treaty	Cession
Property Catastrophe excess of Loss – Three layers as follows:	95% of $225,000,000 excess of $15,000,000 per occurrence.
1st Layer – 23% authorized	95% of $25,000,000 excess of $15,000,000.
2nd Layer – 29% authorized	95% of $75,000,000 excess of $40,000,000.
3rd Layer – 37% authorized	95% of $125,000,000 excess of $115,000,000.

In addition, the Company and its subsidiaries are party to two terrorism aggregate excess of loss agreements. The Companies' retention on the first layer is $15 million each occurrence with the reinsurers liable for $45 million above retention. The second layer covers 15% of $190 million excess $60 million, or $28.5 million. The business on both layers was ceded approximately 56% to authorized reinsurers.

Casualty

The Company has structured its ceded reinsurance program for its casualty lines of business to limit its maximum exposure in any one risk to $500,000. The Company maintains four layers of excess of loss treaties consisting of the following layers of coverage:

Type of Treaty	Cession
Casualty Excess of Loss - Four layers as follows:	$49,500,000 excess of $500,000 per occurrence.
1st Layer – 100% Authorized	$1,500,000 excess of $500,000.
2nd Layer – 100% Authorized	$3,000,000 excess of $2,000,000.
3rd Layer – 100% Authorized	$15,000,000 excess of $5,000,000.
4th Layer – 88.5% Authorized	$30,000,000 excess of $20,000,000.

The Company also maintains the following reinsurance treaties:

Type of Treaty	Cession
Umbrella Liability – Quota Share, provided in 2 parts as follows:	
Part 1 – 100% Authorized	95% per policy not exceeding $1,000,000.
Part 2 – 100% Authorized	95% per policy of the first $1,000,000; 100% cession $14,000,000 excess of $1,000,000.
Fidelity and Surety Quota Share 100% Authorized	80% per policy up to $1,000,000.

Type of Treaty	Cession
Boiler and Machinery Quota Share 100% Authorized	100% cession.
Employment Practices Liability	100% up to $100,000 per policy.
Identity Recovery Coverage	100% up to $15,000 annual aggregate per policy.

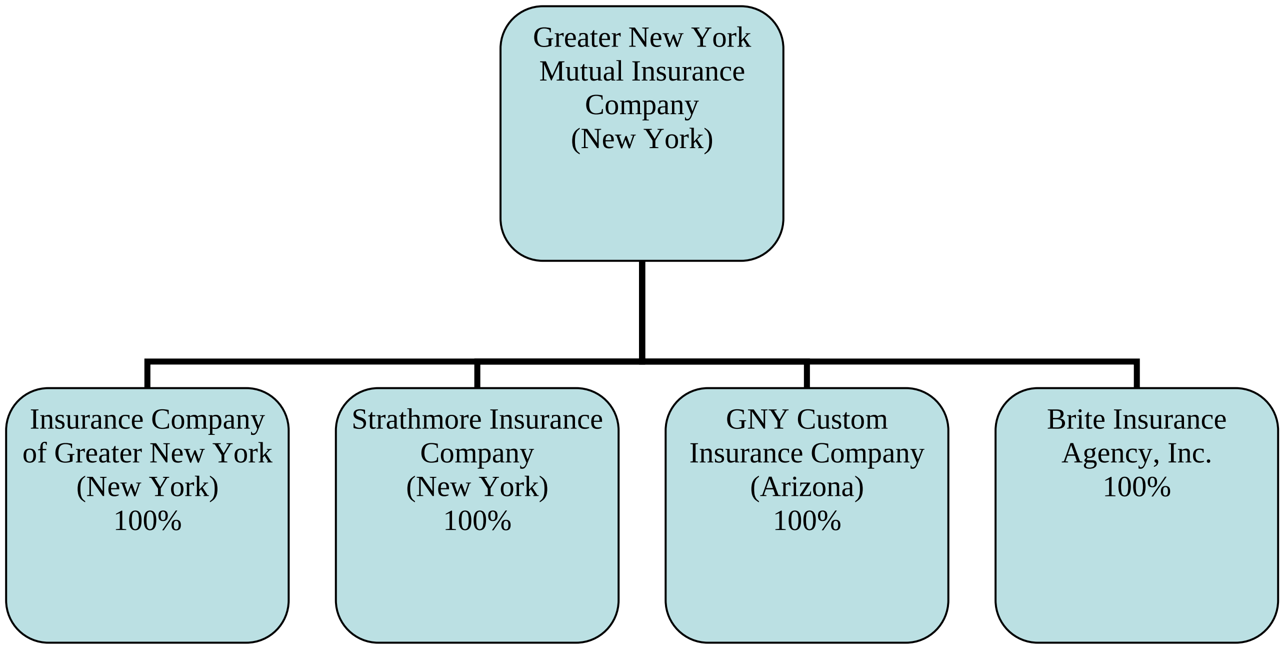
All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's chief executive 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 paragraphs 18 through 25 of SSAP No. 62.

D. Holding Company System

The Company is owned 100% by Greater New York Mutual Insurance Company as of December 31, 2008.

The following is a chart of the holding company system at December 31, 2008:



At December 31, 2008, the Company was party to the following agreements:

1. A pooling agreement with its parent and affiliates which has been filed with and non-objected to by the Department.

2. A tax allocation agreement with its parent and affiliates. This agreement is in accordance with Department Circular Letter No. 33 (1979).

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2008, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	55%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	59%
Premiums in course of collection to surplus as regards policyholders	8%

All of 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 and loss adjustment expenses incurred	$36,810,907	62.68%
Other underwriting expenses incurred	18,271,910	31.11
Net underwriting gain	3,647,783	6.21
Premiums earned	$58,730,600	100.00%

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2008 as determined by this examination and as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$39,229,425	$ 0	$39,229,425
Cash, cash equivalents and short-term investments	2,342,661	0	2,342,661
Investment income due and accrued	308,301	0	308,301
Uncollected premiums and agents' balances in the course of collection	1,604,933	69,218	1,535,715
Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,335,614	6,172	2,329,442
Amounts recoverable from reinsurers	157,706	0	157,706
Net deferred tax asset	702,026	0	702,026
Total assets	$46,680,666	$75,390	$46,605,276

Liabilities, Surplus and Other Funds

Liabilities		
Losses and loss adjustment expenses		$19,346,369
Commissions payable, contingent commissions and other similar charges		23,597
Other expenses (excluding taxes, licenses and fees)		369,198
Taxes, licenses and fees (excluding federal and foreign income taxes)		(2,336)
Current federal and foreign income taxes		232,952
Unearned premiums		6,844,035
Policyholders (dividends declared and unpaid)		50,368
Ceded reinsurance premiums payable (net of ceding commissions)		(4,249)
Payable to parent, subsidiaries and affiliates		177,173
Total liabilities		$27,037,107
Surplus and Other Funds		
Common capital stock	$ 5,000,000	
Gross paid in and contributed surplus	6,000,000	
Unassigned funds (surplus)	8,568,169	
Surplus as regards policyholders		19,568,169
Total liabilities, surplus and other funds		$46,605,276

NOTE: The Internal Revenue Service has not commenced any audits of the Company's consolidated Federal income tax returns. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased $7,886,812 during the five-year examination period January 1, 2004 through December 31, 2008, detailed as follows:

Underwriting Income		
Premiums earned		$58,730,600
Deductions:		
Losses incurred	$27,496,331	
Loss adjustment expenses incurred	9,314,576	
Other underwriting expenses incurred	18,271,910	
Total underwriting deductions		55,082,817
Net underwriting gain or (loss)		$ 3,647,783
Investment Income		
Net investment income earned	$ 7,728,130	
Net investment gain or (loss)		7,728,130
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (308,657)	
Finance and service charges not included in premiums	33,982	
Aggregate write-ins for miscellaneous income	24,722	
Total other income		(249,953)
Net income before dividends to policyholders and before federal and foreign income taxes		$11,125,960
Dividends to policyholders		423,696
Net income after dividends to policyholders but before federal and foreign income taxes		$10,702,264
Federal and foreign income taxes incurred		2,962,980
Net income		$ 7,739,284

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2003			$11,681,357
Net income	$7,739,284		
Change in net deferred income tax	11,526		
Change in nonadmitted assets	136,002	0	
Total gains and losses in surplus	$7,886,812	$ 0	
Net increase in surplus			7,886,812
Surplus as regards policyholders per report on examination as of December 31, 2008			$19,568,169

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $19,346,369 is the same as reported by the Company as of December 31, 2008. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company’s internal records and in its filed annual statements.

5. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed to encompass the more precise scope of a market conduct investigation, 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 area of complaint handling.

The examination review of the complaints handling function noted that the Company failed to respond to five out of the thirty-five complaints (approximately 14%) forwarded by the Department within the time provided by Department Regulation 64, Section 216(d) which states:

> "Every insurer, upon receipt of any inquiry from the Insurance Department respecting a claim, shall, within 10 business days, furnish the department with the available information requested respecting the claim."

It is again recommended that the Company comply with Department Regulation 64 and respond to all complaints forwarded by the Department within ten business days.

It should be noted that this is a repeat recommendation as a similar comment was contained in the prior report on examination.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained thirteen recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Management	
i.	It was recommended that the Company maintain fifteen board members as required by its charter and by-laws or amend said documents.	4
	The Company has complied with this recommendation.	
ii.	It was recommended that the Company amend its by-laws to indicate that nine directors are required to constitute a quorum in order to reflect the intent of the Company.	5
	The Company has complied with this recommendation.	
B.	Reinsurance	
i.	It was recommended that the Company either amend the pooling agreement to reflect the fact that the Company and INSCO cede their writings on a gross basis rather than net or adjust the annual statement presentation to reflect the cessions on a net basis, pursuant to the current terms of the pooling agreement.	7
	The Company has complied with this recommendation.	

ITEM		PAGE NO.
ii.	It was recommended that the Company either amend the pooling agreement to indicate that the Company will cede 100% of its gross writings to GNY or adjust its annual statement presentation to reflect the current terms of the pooling agreement. The Company has complied with this recommendation.	8
iii.	It was recommended that the Company amend Article 4 of its pooling agreement by replacing the language penalty imposed for "unauthorized reinsurance" with the term "provision for reinsurance." The Company has complied with this recommendation.	8
C.	Abandoned Property Law It was recommended that the Company develop formal procedures for monitoring outstanding checks that may be escheatable. Subsequent to the examination date of the 2003 examination, but prior to the completion of their field work, the Company complied with this recommendation.	10
D. i.	Accounts and Records It was recommended that the Company comply with Part 110.1 of Department Regulation 13-A and non-admit future installment premiums where a prior installment premium is over 90 days past due. The Company has complied with this recommendation.	13
ii.	It was recommended that the Company amend its custodial agreement to include all relevant provisions set forth in the NAIC Financial Condition Examiners Handbook. The Company has complied with this recommendation.	13
iii.	It was recommended that the Company include the provisions required by Department Regulation 118 in all future contracts written to engage CPA firms. The Company has complied with this recommendation.	15
E. i.	Market Conduct Activities It was recommended that the Company comply with Department Regulation 64 and include in its complaint log all complaints referred to it by the Department and all complaints referred directly to the Company. The Company has complied with this recommendation.	20

ITEM		PAGE NO.
ii.	It was recommended that the Company comply with Department Regulation 64 and respond to all complaints forwarded by the Department within ten business days. The Company has not complied with this recommendation. A similar comment is included in the current report.	21
iii.	It was recommended that the Company maintain its complaint log in the format outlined in Department Circular Letter No. 11 (1978). The Company has complied with this recommendation.	22
iv.	It was recommended that the Company prepare quarterly reports from its complaint logs and forward such reports to the heads of the Company's operating units and to the company president as required by Department Circular Letter No. 11 (1978). The Company has complied with this recommendation.	22

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Market conduct Activities	
	It is again recommended that the Company comply with Department Regulation 64 and respond to all complaints forwarded by the Department within ten business days.	16

Respectfully submitted,

_____________/s/___________
Fe Rosales, CFE
Associate Insurance Examiner

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

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

_____________/s/___________
Fe Rosales

Subscribed and sworn to before me

this__________ day of ____________________, 2010.

Appointment No. 30304

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, Eric R. Dinallo, *Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Fe Rosales

as proper person to examine into the affairs of the

STRATHMORE INSURANCE COMPANY

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

Company

with such other information as she 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 23rd *day of* February, *2009*

ERIC R. DINALLO
Superintendent of Insurance