

REPORT ON EXAMINATION

OF

ROCHDALE INSURANCE COMPANY

AS OF

DECEMBER 31, 2008

DATE OF REPORT

JANUARY 8, 2010

EXAMINER

MARIBEL C. NUÑEZ, CPCU

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

January 8, 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 30328 dated April 2, 2009, attached hereto, I have made an examination into the condition and affairs of Rochdale Insurance Company as of December 31, 2008, and submit the following report thereon.

Wherever the designations “the Company” or “Rochdale” appear herein without qualification, they should be understood to indicate Rochdale 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 administrative offices located at 59 Maiden Lane, New York, NY 10004.

1. SCOPE OF EXAMINATION

The Department has performed a multi-state examination of Rochdale 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. This examination also included a review and evaluation of the Company’s own control environment assessment and an evaluation based upon the Company’s Sarbanes Oxley documentation and testing. 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
- Fidelity bonds and other insurance
- 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

Rochdale Insurance Company was incorporated under the laws of the State of New York on June 29, 1955 and began business on September 14, 1955. Duncanson & Holt, Inc., a New York underwriting management firm, acquired sole ownership of the Company on December 22, 1976.

Following the Department's approval dated July 20, 1992, the Company's ownership was transferred to Rochdale Capital Corporation, a privately held company incorporated in the State of New York.

On October 19, 1999, because the Company's surplus level went below the minimum amount required by Section 4103 of the New York Insurance Law, the Company was served with a court order of rehabilitation and went under the control of the New York Insurance Department Liquidation Bureau.

On June 5, 2000, AmTrust Financial Services, Inc., ("AmTrust") acquired all of the Company's issued and outstanding stock. In addition to the purchase price of the Company, AmTrust contributed \$2,730,923 to Rochdale's capital and paid in surplus, increasing the Company's surplus to the minimum amount required by the Department. The superintendent was discharged as rehabilitator of Rochdale on June 8, 2000.

On December 29, 2000, Technology Insurance Company, a wholly-owned subsidiary of AmTrust acquired all of Rochdale's issued and outstanding common stock from AmTrust in satisfaction of an indebtedness from AmTrust.

At December 31, 2008, capital paid in was \$1,900,000 consisting of 19,000 shares of common stock at \$100 par value per share. Gross paid in and contributed surplus was \$17,274,246. Gross paid in and contributed surplus increased by \$7,000,000 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2003	Beginning gross paid in and contributed surplus	\$10,274,247
2004	Capital contribution	\$4,000,000
2005	Capital contribution	<u>3,000,000</u>
	Total surplus contributions	<u>7,000,000</u>
2008	Ending gross paid in and contributed surplus	<u>\$17,274,247</u>

A. Management

Pursuant to its charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen, nor more than twenty-one members. As of the examination date, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Donald T. DeCarlo Lake Success, NY	Attorney, Self-employed
George Karfunkel Brooklyn, NY	Executive Vice-President, American Stock Transfer & Trust Co.
Leah Karfunkel Brooklyn, NY	Director, Rochdale Insurance Company
Michael Karfunkel Brooklyn, NY	President, American Stock Transfer & Trust Co.
Renee Karfunkel Brooklyn, NY	Director, Rochdale Insurance Company
Herbert J. Lemmer Brooklyn, NY	General Counsel, American Stock Transfer & Trust Co.
Jay J. Miller New York, NY	Attorney, Self-employed
Ann Neuberger New York, NY	Senior Strategist, National Security Agency
Henry Reinhold Brooklyn, NY	Treasurer, American Stock Transfer & Trust Co.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Eli Tisser Brooklyn, NY	Consultant, Self-employed
Stephen Ungar New York, NY	General Counsel, AmTrust Financial Services Inc.
Barry D. Zyskind Brooklyn, NY	President, AmTrust Financial Services
Esther Zyskind Brooklyn, NY	Director, Rochdale Insurance Company

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:

<u>Name</u>	<u>Title</u>
Barry D. Zyskind	President
Stephen B. Ungar	Secretary
Harry Schlachter	Treasurer

B. Territory and Plan of Operation

As of December 31, 2008, the Company was licensed to write business in fifteen 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:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident and health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery

<u>Paragraph</u>	<u>Line of Business</u>
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
24	Credit unemployment
26	Gap
28	Service contract reimbursement
29	Legal service
30	Involuntary unemployment

The Company is also empowered to transact such workers' compensation insurance as may be incident to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurance described in the Longshoremen's and Harbor Workers' Compensation Act (Public law 803, 69th Congress as amended; 33 USC Section 901 et. seq. as amended). In addition, the Company is licensed to write Special Risk Insurance pursuant to Article 63 of the New York Insurance Law.

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 \$9,200,000.

The Company primarily writes mono-line workers' compensation insurance, geared to small to medium sized businesses with low hazard operations. They also write a small volume of surety and inland marine business. Most of the Company's business is in highly competitive markets. The Company business is produced by independent agents.

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

<u>Calendar Year</u>	<u>New York State</u>	<u>Total United States</u>	<u>Premiums Written in New York State as a Percentage of United States Premium</u>
2004	\$18,234,929	\$ 49,287,401	37.00%
2005	\$22,292,917	\$ 58,997,340	37.79%
2006	\$31,272,155	\$ 90,977,023	34.37%
2007	\$30,862,960	\$ 99,141,142	31.13%
2008	\$55,714,155	\$112,671,858	49.45%

C. Reinsurance

AmTrust Intercompany Reinsurance Agreement

The Company participates in the captioned agreement with four affiliated insurers, who are all subsidiaries of AmTrust Financial Services, Inc. (“AmTrust”), for the purpose of allocating the premiums and losses among the participants on a quota share basis. Pursuant to the agreement, the ultimate net loss of each participating company is ceded to the reinsuring companies as follows:

<u>Ceding Company</u>	<u>Reinsuring Companies</u>
Technology Insurance Company	70% to AmTrust International Insurance Company and 10% to Rochdale Insurance Company.
Rochdale Insurance Company	70% to AmTrust International Insurance Company and 20% to Technology Insurance Company.
Wesco Insurance Company	70% to AmTrust International Insurance Company and 20% to Technology Insurance Company.
Associated Industries Insurance Company	70% to AmTrust International Insurance Company and 20% to Technology Insurance Company.
All Companies’ memberships in or reinsurance of any assigned risk or similar plans	100% to AmTrust International Insurance Company.

Assumed Reinsurance

Assumed reinsurance accounted for approximately 25% of the Company’s gross premium written in calendar year 2008. The Company’s assumed reinsurance business has increased since the last examination.

The majority of the Company's assumed business derives from its participation in the AmTrust Intercompany Reinsurance Agreement, which is described above. Additionally, the Company assumes a small volume of business by virtue of its participation in various mandated pools. The Company utilizes reinsurance accounting as defined in the NAIC Accounting Practices and Procedures Manual, Statements of Statutory Accounting Principles ("SSAP") No. 62 for all of its assumed reinsurance business.

Ceded Reinsurance

In addition to cessions made pursuant to the AmTrust Intercompany Reinsurance Agreement described previously, the Company had the following ceded reinsurance program in place at December 31, 2008:

<u>Type of Treaty</u>	<u>Coverage</u>
Property per risk excess of loss	1 st layer: \$3 million excess of \$2 million per risk; limit \$6 million per occurrence and \$9 million for all occurrences. 2 nd layer: \$10 million excess of \$5 million per risk; limit \$10 million per occurrence and \$20 million for all occurrences.
Property catastrophe excess of loss	1 st layer: \$11 million excess of \$4 million each occurrence; limit \$22 million for all occurrences. 2 nd layer: \$50 million excess of \$15 million each occurrence; limit \$100 million for all occurrences.
3 rd Event property catastrophe excess of loss	\$11 million excess of \$4 million in excess of \$22 million otherwise recoverable under the property catastrophe excess of loss treaty; limit \$11 million for all occurrences.
Casualty excess of loss	1 st layer: \$3 million excess of \$2 million each occurrence; limit \$12 million for all occurrences. 2 nd layer: \$7 million excess of \$5 million each occurrence; limit \$21 million for all occurrences. 3 rd layer: \$20 million excess of \$12 million each occurrence; limit \$40 million for all occurrences.
Workers' Compensation excess of loss (AmTrust Group)	Workers' compensation: \$9 million excess of \$1 million each occurrence. Employers' liability: \$4 million excess of \$1 million each occurrence.

<u>Type of Treaty</u>	<u>Coverage</u>
Workers' Compensation excess of loss	\$10 million excess of \$10 million each occurrence, limit \$20 million for all occurrences.
Workers' Compensation catastrophe excess of loss	1 st layer: Other than acts of terrorism - \$30 million excess of \$20 million each occurrence. Acts of terrorism - \$30 million excess of \$20 million in the aggregate. Limit \$60 million for all losses. 2 nd layer: Other than acts of terrorism - \$30 million excess of \$50 million each occurrence. Acts of terrorism - \$30 million excess of \$50 million in the aggregate. Limit \$60 million for all losses. 3 rd layer: Other than acts of terrorism - \$50 million excess of \$80 million each occurrence. Acts of terrorism - \$30 million excess of \$50 million in the aggregate. Limit \$100 million for all losses.
<u>Captive Program – Workers' Compensation and Employers' Liability</u>	
NuCorp Program	25% quota share of the first \$350,000 each occurrence up to the reinsurer's aggregate retention (100% of the reinsurer's quota share participation of actual gross written premium) and 25% quota share of the first \$350,000 each occurrence after aggregate losses of \$2 million in excess of the reinsurer's aggregate retention.
Oryx Insurance Brokerage Program	5% quota share of the first \$600,000 each occurrence up to the reinsurer's aggregate retention (95% of the reinsurer's quota share participation of actual gross written premium) and 5% quota share of the first \$600,000 each occurrence after aggregate losses of \$1 million in excess of reinsurer's aggregate retention.
International Risk Consultants Program	10% quota share of the first \$500,000 each occurrence up to the reinsurer's aggregate retention (95% of the reinsurer's quota share participation of actual gross written premium) and 10% quota share of the first \$500,000 each occurrence after aggregate losses of \$1.5 million in excess of reinsurer's aggregate retention.
National Insurance Alliance Limited ("NIAL") Program	25% quota share of the first \$500,000 each occurrence up to the reinsurer's aggregate retention (100% of the reinsurer's quota share participation of actual gross written premium) and 25% quota share

Type of TreatyCoverage

	of the first \$500,000 each occurrence after aggregate losses of \$2.5 million in excess of reinsurer's aggregate retention.
Advantage Comp Program	25% quota share of the first \$500,000 each occurrence (reinsured with Transatlantic Reinsurance Company).
Member/ALU Commercial Property and Casualty Program	25% quota share of the first \$1 million each occurrence up to the reinsurer's aggregate retention (95% of the reinsurer's quota share participation of actual gross written premium) and 25% quota share of the first \$1 million each occurrence after aggregate losses of \$1 million in excess of reinsurer's aggregate retention.
HRH Lumber Commercial Umbrella Program Automatic Facultative	1st layer: 90% quota share of the first \$1 million each policy, each occurrence. 2 nd layer: \$4 million excess of \$1 million each policy, each occurrence.
Bysis Commercial Insurance Services Inc. Program	\$4 million excess of \$1 million each loss, limit \$4 million each occurrence and \$16 million for all loss occurrences during the term of the agreement.
<u>Captive Program Brokerage Corporation ("PBC")</u>	
PBC Real Estate ("MaQu") General Liability Program	10% quota share participation of the ultimate net loss and allocated loss expenses each occurrence up to the reinsurer's aggregate retention (100% of the reinsurer's quota share participation of actual gross written premium) and 10% quota share participation of ultimate net loss and allocated loss expenses each occurrence after aggregate losses of \$2 million in excess of reinsurer's aggregate retention.
PBC Real Estate ("BxBk") General Liability Program	10% quota share participation of the ultimate net loss and allocated loss expenses each occurrence up to the reinsurer's aggregate retention (100% of the reinsurer's quota share participation of actual gross written premium) and 10% quota share participation of ultimate net loss and allocated loss expenses each occurrence after aggregate losses of \$2 million in excess of reinsurer's aggregate retention.

<u>Type of Treaty</u>	<u>Coverage</u>
PBC Restaurant General Liability Program	50% quota share of the first \$25,000 each occurrence up to the reinsurer's aggregate retention of \$1 million and 50% quota share of the first \$25,000 each occurrence after aggregate losses of \$1 million in excess of the reinsurer's aggregate retention.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. However, the Company could not produce a letter of credit for Ubermae Fidei that was utilized to take credit for reinsurance recoverable balances due from unauthorized reinsurers. The amount was not material; therefore, no examination change was made. However, it is recommended that the Company retain all letters of credit that are being used to take credit for reinsurance recoverable balances due from unauthorized reinsurers.

All 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 SSAP No. 62.

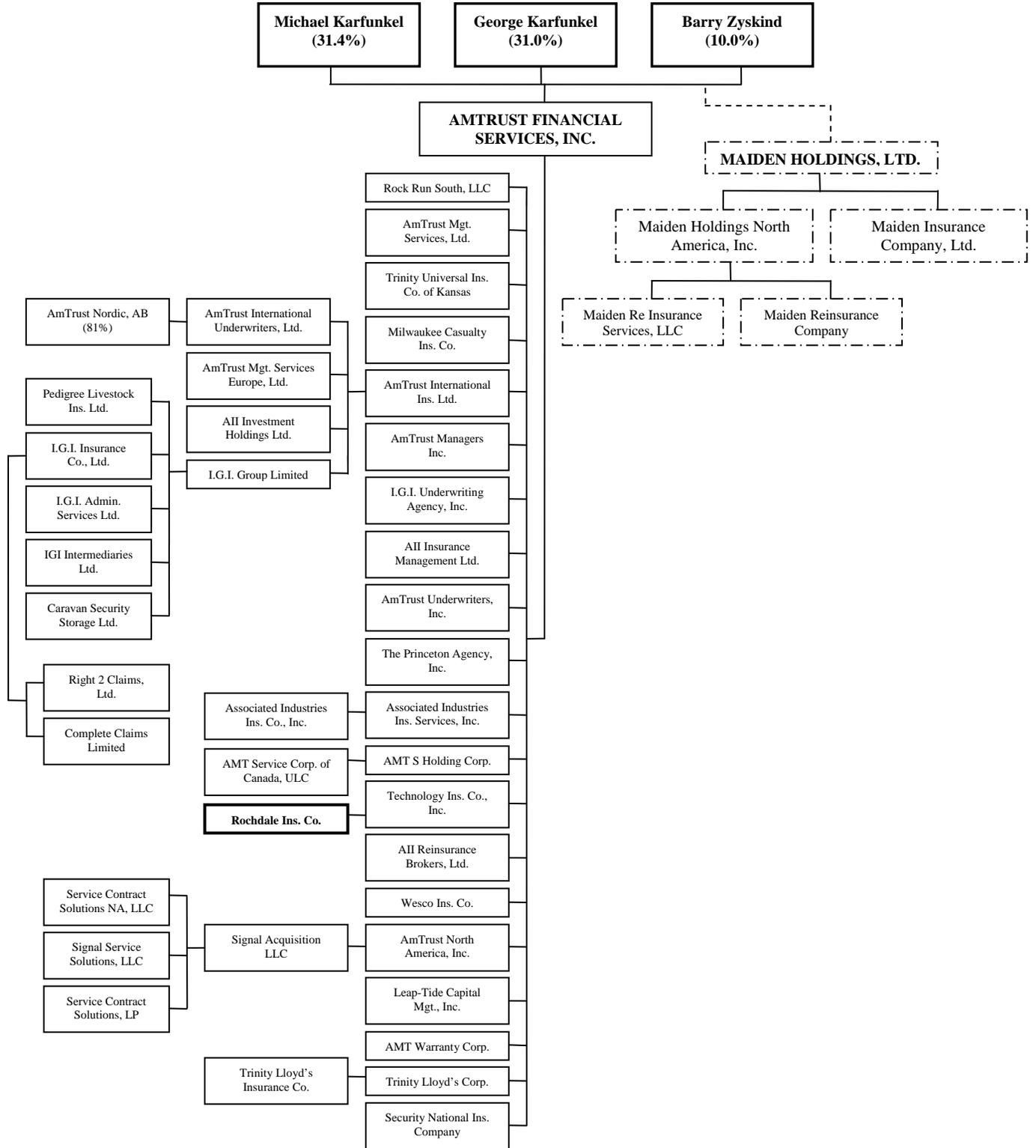
The Company continues to run-off its property and casualty exposures in-force as of the date it entered rehabilitation.

D. Holding Company System

The Company is a member of the AmTrust Financial Services, Inc Group. The Company is 100% owned by Technology Insurance Company, a New Hampshire corporation, which is ultimately, controlled by AmTrust Financial Services, Inc., a Delaware corporation. As of December 31, 2008, Messrs. Michael Karfunkel, George Karfunkel and Barry Zyskind own 31.4%, 31.0%, and 10.0%, respectively, of the issued and outstanding common stocks of AmTrust Financial Services Inc. and are considered the ultimate controlling persons of the Company.

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



At December 31, 2008, the Company was party to the following agreements with other members of its holding company system:

1. Inter-company Management Agreement

Effective January 1, 2001, AmTrust Financial Services, Inc. (“AmTrust”) provides management services to the Company and its parent, Technology Insurance Company, Inc. (“TIC”). Pursuant to the agreement, AmTrust provides all required financial, administrative, underwriting and accounting services including premium collections and refunds for the Company and TIC. The Company and TIC each pay AmTrust a fee equal to the lesser of 2% of their respective written premiums or \$500,000.

The inter-company management agreement was approved by the Department pursuant to Section 1505(d) of the New York Insurance Law.

2. General Agency Agreement

Effective July 1, 2002, the Company entered into a general agency agreement with Technology Insurance Company and AmTrust North America Inc. (“ANA”), whereby ANA perform the underwriting functions, marketing and administrative services with regard to all policies issued by the Company. Furthermore, ANA and its agent solicit and accept applications for policies and perform certain processing functions in full conformance with all laws and regulations pertaining to the appointment of general agents. On January 1, 2008, this agreement was amended to provide that ANA is also responsible for providing and overseeing claims administration for the Company.

The general agency agreement and the amendment were approved by the Department pursuant to the provisions of Section 1505(d) of the New York Insurance Law.

3. Claim Service Agreement

Effective January 1, 2001, the Company entered into a claim service agreement with AmTrust Financial Services Inc., whereby AmTrust administers the run-off of the business written by the Company prior to June 8, 2000, as well as certain types of specialty products and surety bonds written by the Company thereafter. The Company retains compromise and settlement authority over claims subject to this agreement and has ultimate control and supervision over the entire claim process.

The claim service agreement was approved by the Department pursuant to Section 1505(d) of the New York Insurance Law.

4. Tax Allocation Agreement

Effective July 1, 2002, the Company entered into a tax allocation agreement with AmTrust Financial Services Inc. Pursuant to the agreement, the Company shall be included in the consolidated federal income tax return of the group. The tax liability or refund under the agreement represents the amount the Company would pay or receive if it had filed a separate return with the Internal Revenue Service.

The tax allocation agreement was filed with the Department and approved pursuant to 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	135%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	92%
Premiums in course of collection to surplus as regards policyholders	35%

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:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$ 77,904,769	61.05%
Other underwriting expenses incurred	31,201,445	24.45
Net underwriting gain	<u>18,493,708</u>	<u>14.49</u>
Premiums earned	<u>\$127,599,922</u>	<u>100.00%</u>

F. Accounts and Records

Expense Sharing Agreement

The review of the Company's intercompany transactions revealed that payroll salaries and claims expenses from Covenant Management, Princeton Agency, AmTrust Underwriting ("AUI"), and AmTrust South Inc. ("ASI") are allocated to Rochdale, Technology, and Wesco based on net premium written. These entities conduct all their business through AmTrust North America ("ANA").

The Company is operating without an approved expense sharing agreement that consists of the current members of its holding company system. Department Regulation 30 requires that any holding company group that shares expenses and salaries with other members of the holding company submit an expense sharing agreement to this Department for review and approval.

It is recommended that the Company comply with Department Regulation 30 and submit to the Department an expense sharing agreement that is consistent with the requirements of Department Regulation 30.

G. Abandoned Property Law

Section 1316 of the New York Abandoned Property Law provides that amounts payable to a resident of this state from a policy of insurance, if unclaimed for three years, shall be deemed to be abandoned property. Such abandoned property shall be reported to the comptroller on or before the first day of April each year. Such filing is required of all insurers regardless of whether or not they have abandoned property to report.

The Company has not filed abandoned property reports pursuant to the provisions of Section 1316 of the New York Abandoned Property Law. It is recommended that the Company file abandoned property reports pursuant to the provisions of Section 1316 of the New York Abandoned Property Law.

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:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$44,692,095	\$ 0	\$44,692,095
Preferred stocks	338,372	0	338,372
Common stocks	634,785	0	634,785
Cash, cash equivalents and short-term investments	16,248,196	0	16,248,196
Other invested assets	581,338	0	581,338
Investment income due and accrued	288,386	0	288,386
Uncollected premiums and agents' balances in the course of collection	11,813,328	1,000,558	10,812,770
Deferred premiums, agents' balances and installments booked but deferred and not yet due	44,541,986	0	44,541,986
Amounts recoverable from reinsurers	381,265	0	381,265
Funds held by or deposited with reinsured companies	110,440	0	110,440
Net deferred tax asset	4,197,901	1,750,724	2,447,177
Furniture and equipment, including health care delivery assets	6,010	6,010	0
Receivables from parent, subsidiaries and affiliates	11,380,070	0	11,380,070
Aggregate write-ins for other than invested assets	<u>319,737</u>	<u>0</u>	<u>319,737</u>
Totals assets	<u>\$135,533,909</u>	<u>\$2,757,292</u>	<u>\$132,776,617</u>

Liabilities, Surplus and Other FundsLiabilities

Losses		\$35,443,138
Reinsurance payable on paid losses and loss adjustment expenses		694,264
Loss adjustment expenses		3,024,399
Other expenses (excluding taxes, licenses and fees)		235,146
Taxes, licenses and fees (excluding federal and foreign income taxes)		569,293
Unearned premiums		23,531,234
Advance premium		1,127,449
Ceded reinsurance premiums payable (net of ceding commissions)		2,858,813
Funds held by company under reinsurance treaties		14,700,072
Provision for reinsurance		140,421
Payable for securities		1,674
Aggregate write-ins for liabilities		<u>19,749,019</u>
Total liabilities		\$102,074,922

Surplus and Other Fund

Common capital stock	\$1,900,000	
Gross paid in and contributed surplus	17,274,246	
Unassigned funds (surplus)	<u>11,527,449</u>	
Surplus as regards policyholders		<u>30,701,695</u>
Total liabilities, surplus and other funds		<u>\$132,776,617</u>

NOTE: The Internal Revenue Service has not completed any audits of the Company's consolidated Federal Income Tax returns through tax year 2008. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2004 through 2008. 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 \$25,608,750 during the five-year examination period January 1, 2004 through December 31, 2008, detailed as follows:

Underwriting Income

Premiums earned		\$127,599,922
Deductions:		
Losses incurred	\$67,075,148	
Loss adjustment expenses incurred	10,829,621	
Other underwriting expenses incurred	31,107,014	
Aggregate write-ins for underwriting deductions	<u>94,431</u>	
Total underwriting deductions		<u>109,106,214</u>
Net underwriting gain or (loss)		\$18,493,708

Investment Income

Net investment income earned	\$10,897,167	
Net realized capital gain	<u>59,600</u>	
Net investment gain or (loss)		<u>10,956,767</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$29,450,475
Federal and foreign income taxes incurred		<u>11,966,679</u>
Net income		<u>\$17,483,796</u>

Surplus as regards policyholders per report on examination as of December 31, 2003			\$5,092,945
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$17,483,796		
Net unrealized capital gains or (losses)		\$366,549	
Change in net deferred income tax	3,895,843		
Change in non-admitted assets		2,419,086	
Change in provision for reinsurance	14,746		
Surplus adjustments paid in	<u>\$7,000,000</u>	<u>0</u>	
Total gains and losses	<u>\$28,394,385</u>	<u>\$2,785,635</u>	
Net increase (decrease) in surplus			<u>25,608,750</u>
Surplus as regards policyholders per report on examination as of December 31, 2008			<u>\$30,701,695</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$38,467,537 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. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM

PAGE NO.

A. **Management**

It was recommended that the Company's board of directors hold regular meetings and limit its practice of authorizing its business decisions and corporate resolutions by written consent in lieu of a meeting as authorized by its by-laws and the Department.

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The Company has complied with this recommendation.

ITEMPAGE NO.B. Holding Company SystemClaims Services

It was recommended that the Company submit a claim service agreement with Covenant Management Inc. to the Department in accordance with Section 1505(d)(3) of the New York Insurance Law. 10

The Company has complied with this recommendation.

C. Abandoned Property Law

It was recommended that the Company files abandoned property reports on a timely basis pursuant to the provisions of Section 1316 of the New York Abandoned Property Law. 13

The Company has not complied with this recommendation. A similar comment is made in this report.

D. Accounts and Recordsi. CPA Engagement Letter

It was recommended that the Company amend its CPA engagement letter to incorporate the record retention clause pursuant to Part 89.2(c) of Department Regulation 118. 14

The Company has complied with this recommendation.

ii. Claims Files

It was recommended that the Company maintain its imaged claims files pursuant to the provisions of Section 4117(f) of the New York Insurance Law and Part 243.3 of Department Regulation 152. 16

The Company has Complied with this recommendation.

iii. Schedule P Discrepancies

It was recommended that the Company exercise greater care in the preparation of Schedule P for future annual statements. 16

The Company has complied with this recommendation.

iv. Custodian Agreements

It was recommended that the Company amend its custodian agreements to incorporate the appropriate covenants in accordance with Part 1 Section IV J of the NAIC Financial Condition Examiners Handbook. 17

The Company has complied with this recommendation.

<u>ITEM</u>	<u>PAGE NO.</u>
v. <u>Net Deferred Tax Assets</u>	
It was recommended that the Company exercise greater care in the calculation of its net deferred tax assets in future annual statements.	18
The Company has complied with this recommendation.	

6. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
It is recommended that the Company retain all letters of credit that are being used to take credit for reinsurance recoverable balances due from unauthorized reinsurers.	11
B. <u>Expense Sharing Agreement</u>	
It is recommended that the Company comply with Department Regulation 30 and submit to this Department an expense sharing agreement that is consistent with the requirements of Department Regulation 30.	16
C. <u>Abandoned Property Law</u>	
It is recommended that the Company file abandoned property reports pursuant to the provisions of Section 1316 of the New York Abandoned Property Law.	16

Appointment No. 30328

**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:

Maribel Nunez

as proper person to examine into the affairs of the

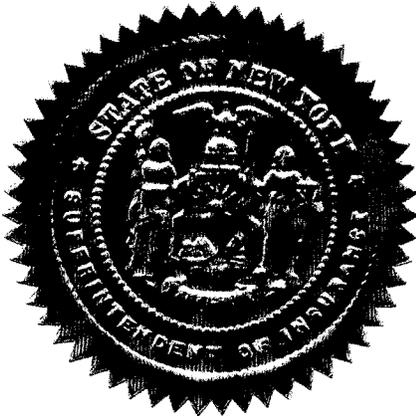
ROCHDALE INSURANCE COMPANY

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 2nd day of April, 2009

A handwritten signature in black ink that reads "Eric Dinallo".

ERIC R. DINALLO
Superintendent of Insurance