REPORT ON EXAMINATION

OF THE

SELECTIVE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2007

DATE OF REPORT	AUGUST 15, 2008
EXAMINER	JOHN CONLEY

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

August 15, 2008

Honorable Eric R. Dinallo
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 22730 dated January 9, 2008 attached hereto, I have made an examination into the condition and affairs of Selective Insurance Company of New York as of December 31, 2007, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Selective Insurance Company of New York.

Wherever the term "Group" appears herein without qualification, it should be understood to mean the Selective Insurance Group, Inc.

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 40 Wantage Avenue, Branchville, New Jersey, 07890.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 2002. This examination covered the five-year period from January 1, 2003 through December 31, 2007. 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, 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 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 evaluation based upon the Company's Sarbanes Oxley ("SOX") 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
Pensions, stock ownership and insurance plans
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, which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

A concurrent examination was made of the Selective Insurance Company of America, Selective Way Insurance Company, Selective Auto Insurance Company of New Jersey, and Selective Insurance Company of New England by their respective state insurance departments. Subsequent to the start of the examination, two of the Company's affiliates, Selective Insurance Company of South Carolina and Selective Insurance Company of the Southeast were redomesticated to Indiana. The Indiana Department of Insurance will perform its own financial examination of those companies. The systems and practices of conducting business are integrated and all companies operate under common management.

The state of domicile of each affiliate is as follows:

Company	State
Selective Insurance Company of America ("SICA")	New Jersey
Selective Way Insurance Company ("SWIC")	New Jersey
Selective Auto Insurance Company of New Jersey ("SAICNJ")	New Jersey
Selective Insurance Company of the Southeast ("SICSE")	Indiana
Selective Insurance Company of South Carolina ("SICSC")	Indiana
Selective Insurance Company of New England ("SICNE")	Maine

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of the State of New York on April 30, 1914, as the Exchange Mutual Indemnity Insurance Company and commenced business on July 1, 1914. It was organized for the purpose of transacting the business of workers' compensation and employers' liability insurance.

On May 28, 1956, the Company changed its name to Exchange Mutual Insurance Company and later added additional property and casualty underwriting powers to its charter.

In 1984, the Company merged with Saratoga Mutual Insurance Company of Round Lake, New York, with the Company as the surviving entity.

In 1985, the Company amended its articles of incorporation, pursuant to Section 7307 of the New York Insurance Law to become a stock company and the Company’s name was changed to Exchange Insurance Company.

On August 27, 1992, the Selective Insurance Group, Inc. (“SIGI”) acquired all of the issued and outstanding shares of the Company’s parent, Niagara Exchange Corporation (“Niagara”), a Delaware corporation. Effective June 19, 1997, the Company’s name was changed to Selective Insurance Company of New York.

On October 20, 2005, the Company became a direct subsidiary of SIGI when Niagara was dissolved and all of the Company’s outstanding shares of common stock were transferred to SIGI. Prior to the dissolution of Niagara, the Company had a surplus note with an outstanding balance in the amount of $2,000,000 from Niagara. As part of the dissolution of Niagara, the surplus note was relieved in December 2005 by SIGI. All of the above transactions were approved by the Department.

As of December 31, 2007, capital paid in was $3,575,156 consisting of 357,515.6 shares of common stock at $10 par value per share. Gross paid in and contributed surplus is $23,763,401. Gross paid in and contributed surplus increased by $4,000,000 during the examination period, as follows:

Year	Description		Amount
2003	Beginning gross paid in and contributed surplus		$19,763,401
2004	Surplus contribution	$2,000,000	
2005	Surplus contribution	2,000,000	
	Total Surplus Contributions		4,000,000
2007	Ending gross paid in and contributed surplus		$23,763,401

A. Management

Pursuant to the Company’s charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen nor more than twenty members. The board met four times during each calendar year. At December 31, 2007, the board of directors was comprised of the following thirteen members:

Name and Residence	Principal Business Affiliation
Richard Francis Connell Milford, PA	Senior Executive Vice President, Selective Insurance Group, Inc.
Sharon Rose Cooper Hamburg, NJ	Senior Vice President, Selective Insurance Group, Inc.
Victor Neil Daley Simsbury, CT	Executive Vice President, Selective Insurance Group, Inc.
Kerry Allan Guthrie Sparta, NJ	Executive Vice President, Selective Insurance Group, Inc.
Jeffrey Francis Kamrowski Warwick, NY	Senior Vice President, Selective Insurance Company of America
Michael Haran Lanza Jamestown, RI	Executive Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer, Selective Insurance Group, Inc.
Gregory Jude Massey Warwick, NY	Vice President, Selective Insurance Company of America.
Gregory Edward Murphy Sparta, NJ	Chairman, President and Chief Executive Officer Selective Insurance Group, Inc.
Charles Anthony Musilli III Wantage, NJ	Senior Vice President, Selective Insurance Company of America
Jamie Ochiltree III Dingmans Ferry, PA	Senior Executive Vice President, Selective Insurance Group, Inc.
Eduard John Pulkstenis Lafayette, NJ	Executive Vice President, Selective Insurance Company of America
Dale Allen Thatcher Sparta, NJ	Executive Vice President, Chief Financial Officer and Treasurer, Selective Insurance Group, Inc.
Ronald Joseph Zaleski Sr. Andover, NJ	Executive Vice President, Selective Insurance Group, Inc.

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 has an acceptable record of attendance.

As of December 31, 2007, the principal officers of the Company were as follows:

Name	Title
Gregory Edward Murphy	Chief executive officer
Jeffrey Francis Kamrowski	President
Michael Haran Lanza	Secretary
Dale Allen Thatcher	Treasurer
Richard Francis Connell	Senior executive vice president
James Ochiltree, III	Senior executive vice president
Kerry Allan Guthrie	Executive vice president
Ronald Joseph Zaleski, Sr.	Executive vice president
Victor Neil Daley	Executive vice president
William James Eckert, IV	Vice president

B. Territory and Plan of Operation

As of December 31, 2007, the Company was licensed to write business in the following states: Arizona, Colorado, Idaho, Maine, Massachusetts, Michigan, New Jersey, New Mexico, New York, Pennsylvania, South Carolina, Utah, and Vermont.

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

Paragraph	Line of Business
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity
29	Legal services insurance
32	Substantially similar kind

The Company was also licensed as of December 31, 2007, to transact such workers' compensation insurance as may be incident to coverages 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 No. 80, 69th Congress as amended; 33 USC Section 901 et seq. as amended).

Additionally, the Company is licensed to conduct the business of 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 $4,400,000.

As of December 31, 2007, direct premium income of the Company and its insurance affiliates is produced by approximately 880 independent agents. The majority of the Company's direct premium writings consist of the following lines of business: allied lines (30.2%), other liability-occurrence (25.3%), commercial auto liability (16.3%), other liability-claims made (10.4%) and auto physical damage (4.3%).

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 United States	Premiums Written in New York State as a Percentage of United States Premiums
2003	$25,883,746	$26,789,126	96.62%
2004	$26,164,017	$27,646,253	94.64%
2005	$24,739,142	$26,753,713	92.47%
2006	$26,760,627	$29,279,521	91.40%
2007	$26,988,483	$30,308,931	89.04%

C. Reinsurance

Reinsurance Agreements with Affiliates

Since 1992, the Company participates in a reinsurance pooling agreement ("the Agreement") with its affiliates Selective Insurance Company of America, Selective Way Insurance Company, Selective Insurance Company of the Southeast, Selective Insurance Company of South Carolina, Selective Auto Insurance Company of New Jersey and Selective Insurance Company of New England (collectively called "pool members"). Under this agreement, each pool member cedes 100% of its net premiums to Selective Insurance Company of America ("SICA"), and SICA then retrocedes premiums back to each pool member based on each pool members participation percentage. All losses, loss adjustment expenses and other underwriting and administrative expenses less all salvage and similar recoveries and less all losses and loss adjustment expenses recovered under reinsurance ceded other than under the Agreement are prorated among each party on the basis of their respective percentage.

The pooled percentages as of December 31, 2007, by Company are as follows:

Selective Insurance Company of America	49.5%
Selective Way Insurance Company	21.0%
Selective Insurance Company of South Carolina	9.0%
Selective Insurance Company of the Southeast	7.0%
Selective Insurance of New York	7.0%
Selective Auto Insurance Company of New Jersey	6.0%
Selective Insurance Company of New England	0.5%

Reinsurance Agreements with Non-Affiliates

Assumed

During the examination period, the Company assumed a small amount of reinsurance from its participation in the New York Special Risk Distribution Program and Maine School Management Association Property & Casualty Trust.

Ceded

The Pool had the following reinsurance program in effect at December 31, 2007:

Casualty

2007 Casualty per Occurrence Excess of Loss Treaties (various reinsurers)

Cession	Limit
Workers' Compensation only	$3,000,000 excess of $2,000,000 per occurrence, limit $18,000,000 in the aggregate.
Clash Layer 1	$7,000,000 excess of $5,000,000 per occurrence, limit $28,000,000 in the aggregate.
Clash Layer 2	$9,000,000 excess of $12,000,000 per occurrence, limit $27,000,000 in the aggregate.
Clash Layer 3	$9,000,000 excess of $21,000,000 per occurrence, limit $18,000,000 in the aggregate.
Clash Layer 4	$20,000,000 excess of $30,000,000 per occurrence, limit $40,000,000 in the aggregate.
Clash Layer 5	75% of $40,000,000 excess of $50,000,000 per occurrence, limit $80,000,000 in the aggregate.

Property

2007 Property per Risk Excess of Loss Treaty (various reinsures)

Cession	Limit
First Layer	$8,000,000 excess of $2,000,000 per risk, limit $24,000,000 per occurrence.
Second Layer (A)	$15,000,000 excess of $10,000,000 per risk, limit $22,500,000 per occurrence.
Second Layer (B) – policies written on a blanket limit basis only	$5,000,000 excess of $25,000,000 per risk, limit $5,000,000 per occurrence.

2007 Property Catastrophe Excess of Loss (various reinsurers)

Cession	Limit
First Layer	95% of $60,000,000 excess of $40,000,000 per occurrence.
Second Layer	95% of $75,000,000 excess of $100,000,000 per occurrence.
Third Layer	95% of $150,000,000 excess of $175,000,000 per occurrence.
Fourth Layer	95% of $50,000,000 excess of $325,000,000 per occurrence.

Other Reinsurance

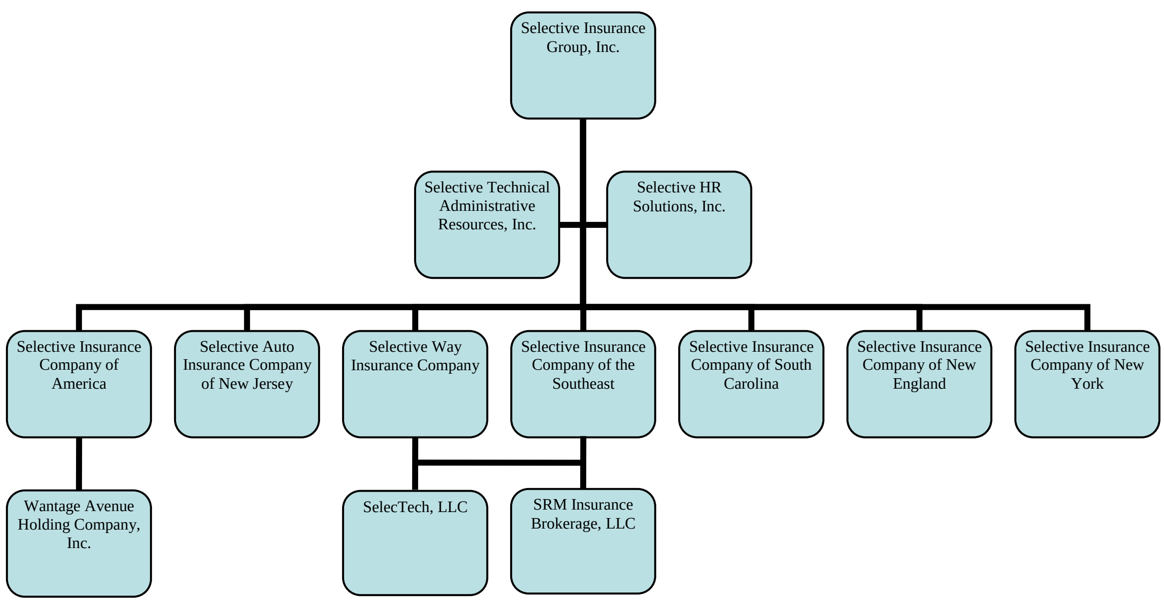
2007 Surety and Fidelity Excess of Loss

Cession	Limit
First Layer	90% of $3,000,000 excess of $1,000,000 per occurrence, limit $9,000,000 in the aggregate.
Second Layer	
Contract Surety	90% of $5,000,000 excess of $4,000,000 per occurrence, limit $10,000,000 in the aggregate.
Commercial Surety	90% of $2,000,000 excess of $4,000,000 per occurrence, limit $10,000,000 in the aggregate.

D. Holding Company System

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, 2007:



At December 31, 2007, the Company was party to the following agreements with other members of its holding company system:

(1) Investment Services Agreement

Effective July 1, 1993, the Company entered into an investment services agreement with Selective Insurance Company of America ("SICA"). Pursuant to the terms of the agreement, SICA provides various services relative to the management of the Company's investment portfolio.

(2) Tax Allocation Agreement

Effective July 1, 1995, the Company entered into a tax allocation agreement which covers the allocation, settlement and financial statement presentation of current federal income taxes among companies in the consolidated income tax return of the Selective Insurance Group Inc. and its subsidiaries.

The Company amended its tax allocation agreement on January 1, 2004 to add Selective Insurance Company of New England and on July 1, 2006 to add Selective Auto Insurance Company of New Jersey. The Company did not submit these amendments to the Department as required by Section 1505(d) of the New York Insurance Law. It is recommended that the Company comply with Section 1505(d) of the New York Insurance Law and submit to the Department all amendments to intercompany agreements.

Non-affiliated agreements

Securities Lending Agreement

Effective July 22, 1994, the Company entered into a securities lending agreement with State Street Bank. NAIC Accounting Practices and Procedures Manual, Statements of Statutory Accounting Principles ("SSAP") 91 requires collateral at least equal to 102% of the fair value of the loaned securities and 105% if foreign securities are loaned. The agreement states that collateral from borrowers to secure the obligations shall have a market value of "not less than 100% of the market value of the loaned securities." It is recommended that the Company change the collateral requirements in the securities lending agreement with State Street Bank to comply with SSAP 91. Specifically, the required market value of collateral should be increased from 100% to 102% (105% for foreign securities) of the market value of loaned securities.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2007, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	1.47:1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	79%
Premiums in course of collection to surplus as regards policyholders	18%

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	$321,958,517	65.79%
Other underwriting expenses incurred	156,060,283	31.89
Net underwriting gain	11,331,521	2.32
Premiums earned	$489,350,321	100.00%

F. Accounts and Records

Certified Public Accounts ("CPA") Engagement Letter

The CPA engagement letter dated does not meet the following requirements of Part 89.2 of Department Regulation 118:

"Such contract must specify that:

a) on or before May 31st, the CPA shall provide an audited financial statement of such insurer together with an opinion on the financial statements for the prior calendar year and an evaluation of the accounting procedures and internal control systems as are necessary to the furnishing of the opinion;

b) any determination by the CPA that the insurer has materially misstated its financial condition as reported to the superintendent or that the insurer does not meet minimum capital or surplus to policyholder requirements set forth in the Insurance Law shall be given by the CPA, in writing, to the superintendent within 15 calendar days following such determination; and

c) the workpapers and any communications between the CPA and the insurer relating to the audit of the insurer shall be made available for review by the superintendent at the offices of the insurer, at the Insurance Department or at any other reasonable place designated by the superintendent. The CPA must retain for review such workpapers and communications in accordance with the provisions of Part 243 of this Title (Regulation 152). More specifically, such workpapers and communications must be retained by the CPA for the period specified in sections 243.2(b)(7) and (c) of this Title. For purposes of this subdivision, the workpapers and communications shall be deemed to have been created on the date the filing required by section 89.2(a) of this Part was submitted to the superintendent."

It is recommended that the Company comply with Department Regulation 118 by entering into contracts with its independent certified public accountant that contain the requisite provisions.

Evaluation of Controls in Information Systems

The information systems ("IS") infrastructure for all of the companies is maintained by Corporate Technology Management ("CTM"), and smaller IS groups within the various business units. CTM is responsible for maintaining the Company's overall technology infrastructure utilized for data processing by the business units within the Company, and for overall information systems standards, while business unit information technology ("IT") is responsible for developing and maintaining their respective business applications. CTM is independent of the business units and its organization includes two data centers.

The IS portion of the examination was performed in accordance with the NAIC Financial Condition Handbook. The review of IS controls included IS management and organizational controls; application and operating system software change controls; system and program development controls; overall systems documentation; logical and physical security controls; contingency planning; local and wide area networks, personal computers, and mainframe controls.

Group has an internal audit department ("IAD") which is independent of management and reports directly to the audit committee of the board of directors of Group ("the Audit Committee", which is comprised entirely of external, independent directors). The IAD assists all levels of management by reviewing and testing financial and operational controls and processes established by management to ensure compliance with laws, regulations, and company policies.

An evaluation was performed of the control testing conducted by the Company's risk management function, IAD, and PricewaterhouseCoopers ("PWC"), and performed testing of end-user computing and IS outsourcing controls. As a result of the procedures performed, the IT examination team obtained reasonable assurance that IT general controls and general application controls were functioning as management intended and that an effective system of controls is in place and conducive to the accuracy and reliability of financial information processed and maintained by the Company. There are no reportable items related to the review of IS controls.

G. Risk Management and Internal Controls

The Company has adopted an enterprise risk management ("ERM") framework for proactively addressing and mitigating risks, including prospective business risks. Exhibit M of the NAIC Financial Condition Handbook was utilized by the examiners as guidance for assessing corporate governance. Overall, it was determined that the Company's corporate governance structure is effective. The corporate governance framework sets an appropriate "tone at the top," supports a proactive approach to operational risk management, and contributes to an effective system of internal control. It was found that the Board and key executives encourage integrity and ethical behavior throughout the Company and senior management promotes a corporate culture that acknowledges, understands, and maintains an effective control environment.

Management has a strong and effective approach to identifying and mitigating risks across the Company, including prospective business risks. The Company deals proactively with its areas of risk and is knowledgeable about mitigation strategies. Management discusses the significant issues and reacts to changes in the environment with a clear commitment to address risk factors and manage the business accordingly. The Company's overall risk management process is well-defined and takes a proactive approach to identifying, tracking, and dealing with current significant and emerging risk factors.

Overall, it was determined that the Company's internal audit function is adequate but there are areas that need improvement such as ensuring recommendations are implemented and auditing "high-risk" areas on an annual basis. The Company's SOX testing is performed by the individual business units, and the IAD serves primarily in an advisory role regarding SOX compliance efforts. Therefore, the examiners did not rely upon the work performed by the IAD.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2007 as determined by this examination and as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$220,348,213	$ 0	$220,348,213
Common stocks	22,904,988		22,904,988
Cash, and short-term investments	10,458,728		10,458,728
Receivable for securities	1,040		1,040
Investment income due and accrued	2,439,095		2,439,095
Uncollected premiums and agents' balances in the course of collection	13,574,272	316,615	13,257,657
Deferred premiums, agents' balances and installments booked but deferred and not yet due	28,345,659	294,276	28,051,383
Accrued retrospective premiums	361,979	16,290	345,689
Amounts recoverable from reinsurers	395,453		395,453
Net deferred tax asset	7,442,778	1,423,056	6,019,722
Guaranty funds receivable or on deposit	157,214		157,214
Prepaid pension cost	1,289,393	631,533	657,860
Equities and deposits in pools and associations	720,500		720,500
Other assets	998,781	541,094	457,687
South Carolina facility recoupments receivable	8,266	0	8,266
Total assets	$309,446,359	$ 3,222,864	$306,223,495

Liabilities		
Losses		$136,777,173
Reinsurance payable on paid losses and loss adjustment expenses		3,844,082
Loss adjustment expenses		25,068,812
Commissions payable, contingent commissions and other similar charges		4,212,454
Other expenses (excluding taxes, licenses and fees)		3,123,665
Taxes, licenses and fees (excluding federal and foreign income taxes)		1,859,341
Current federal and foreign income taxes		572,956
Unearned premiums		53,141,593
Advance premium		232,628
Policyholders (dividends declared and unpaid)		395,559
Ceded reinsurance premiums payable (net of ceding commissions)		1,086,450
Amounts withheld or retained by company for account of others		289,207
Payable to parent, subsidiaries and affiliates		289,541
Checks not presented for escheatment		82,445
Return retrospective premium		54,796
Liability for stock redemption		13,676
Maine WCP escrow		7,593
Commercial auto insurance procedure premium deficiency reserve		1,442
Total liabilities		$231,053,413
Surplus and Other Funds		
Common capital stock	$ 3,575,156	
Gross paid in and contributed surplus	23,763,401	
Unassigned funds (surplus)	47,831,525	
Surplus as regards policyholders		75,170,082
Total liabilities, surplus and other funds		$306,223,495

NOTE: The Internal Revenue Service has completed its audits of the Company's consolidated federal income tax returns through tax year 2003. 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 the tax returns covering tax years 2004 through 2007. 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 $34,031,764 during the five-year examination period January 1, 2003 through December 31, 2007, detailed as follows:

Underwriting Income		
Premiums earned		$489,350,321
Deductions:		
Losses incurred	$267,169,638	
Loss adjustment expenses incurred	54,788,879	
Other underwriting expenses incurred	155,451,824	
Aggregate write-ins for underwriting deductions	608,459	
Total underwriting deductions		478,018,800
Net underwriting gain		$ 11,331,521
Investment Income		
Net investment income earned	$ 41,860,696	
Net realized capital gain	4,469,422	
Net investment gain		46,330,118
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (821,268)	
Finance and service charges not included in premiums	1,234,877	
Aggregate write-ins for miscellaneous income	203,881	
Total other income		617,490
Net income before dividends to policyholders and before federal and foreign income taxes		$ 58,279,129
Dividends to policyholders		1,970,148
Net income after dividends to policyholders but before federal and foreign income taxes		$ 56,308,981
Federal and foreign income taxes incurred		15,318,630
Net income		$ 40,990,351

Capital and Surplus Account

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2002			$41,138,318
Net income	$40,990,351		
Net unrealized capital gains or (losses)	6,371,404		
Change in net deferred income tax	2,293,765		
Change in non-admitted assets	817,575		
Change in provision for reinsurance	278,047		
Change in surplus notes		$ 3,000,000	
Surplus adjustments paid in	4,000,000		
Dividends to stockholders		16,469,708	
Aggregate write-ins for gains and losses in surplus		1,249,670	
Total gains and losses	$54,751,142	$20,719,378	
Net increase in surplus			34,031,764
Surplus as regards policyholders per report on Examination as of December 31, 2007			$75,170,082

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $161,845,985 is the same as reported by the Company as of December 31, 2007. 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 two recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Reinsurance	
	It was recommended that all information regarding Schedule F be properly entered in the annual statement.	12
	The Company has complied with this recommendation.	
B.	Holding Company	
	The Company was in violation of Section 1505(d)(1) of the New York Insurance Law for failing to notify the Superintendent of its intention to loan funds to members of its holding company system.	13
	The Company has complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Tax Allocation Agreement	
	It is recommended that the Company comply with Section 1505(d) of the New York Insurance Law and submit to the Department all amendments to intercompany agreements.	11
B.	Securities Lending Agreement	
	It is recommended that the Company change the collateral requirements in the securities lending agreement with State Street Bank to comply with SSAP 91. Specifically, the required market value of collateral should be increased from 100% to 102% (105% for foreign securities) of the market value of loaned securities.	11
C.	CPA Engagement Letter	
	It is recommended that the Company comply with Department Regulation 118 by entering into contracts with its independent certified public accountant that contain the requisite provisions.	13

Respectfully submitted,

_______/S/_________________
John Conley
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
)
COUNTY OF NEW YORK)

JOHN CONLEY, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____________/S/___________
John Conley

Subscribed and sworn to before me

this__________ day of ____________________, 2008.

Appointment No. 22730

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:*

John Conley

as proper person to examine into the affairs of the

SELECTIVE INSURANCE COMPANY OF NEW YORK

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 9th *day of* January, *2008*

ERIC R. DINALLO
Superintendent of Insurance