

REPORT ON EXAMINATION

OF THE

ERIE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2005

DATE OF REPORT

MAY 10, 2007

EXAMINER

FRANK P. SCHIRALDI

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

May 10, 2007

Honorable Eric 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 22487 dated April 5, 2006, attached hereto, I have made an examination into the condition and affairs of the Erie Insurance Company of New York as of December 31, 2005, and submit the following report thereon.

Wherever the designations "the Company" or "EICNY" appear herein without qualification, they should be understood to indicate the Erie Insurance Company of New York. Wherever the designation "EIC" appears herein without qualification, it should be understood to indicate the Erie Insurance Company (EICNY's parent). Wherever the designation "EIE" appears herein without qualification, it should be understood to indicate the Erie Insurance Exchange. Wherever the designations "Indemnity" or "IND" appear herein, they should be understood to indicate the Erie Indemnity Company, the attorney-in-fact for EIE. Wherever the designation "EIG" appears herein without qualification, it should be understood to indicate the Erie Insurance Group.

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

The examination was conducted at the Company's administrative offices located at 5300 Knowledge Parkway, Erie, PA 16530.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 2002. This examination covered the three-year period from January 1, 2003 through December 31, 2005. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a verification of assets and liabilities as of December 31, 2005, a review of income, disbursements and company records deemed necessary to accomplish such analysis or verification and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants ("CPA") and the Pennsylvania Insurance Department ("PID"). A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners ("NAIC"):

- History of Company
- Management and control
- Corporate records
- Fidelity bond and other insurance
- Territory and plan of operation
- Growth of Company
- Business in force by states
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters, which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

Concurrent examinations were conducted of the Erie Insurance Company and the Erie Insurance Exchange by the Pennsylvania Insurance Department. These companies along with EICNY are parties to a pooling agreement.

2. DESCRIPTION OF COMPANY

EICNY was incorporated under the laws of the state of New York on September 18, 1885 as the Co-operative Insurance Company of Western New York and commenced operations the same day.

On May 18, 1992, the board of directors adopted a plan of demutualization for the company. This plan was approved by the Department on April 20, 1994 and the company adopted its current title. The company is now a wholly owned subsidiary of Erie Insurance Company, a Pennsylvania Company.

On January 1, 1995, the Company entered into a pooling agreement with EIC and EIE in which it agreed to share the results of property and casualty insurance underwriting operations. Per this agreement, the companies share premium income, losses and expenses as follows:

Erie Insurance Exchange	94.5%
Erie Insurance Company	5.0%
Erie Insurance Company of New York	0.5%

Under this agreement, EICNY and EIC cede 100% of premiums and losses to EIE, and EIE retrocedes 5% of its written and assumed business to EIC and .5% of the written and assumed business to EICNY.

As of the examination date, capital paid in was \$2,350,000 consisting of 2,350 shares of \$100 par value per share common stock. Gross paid in and contributed surplus was \$4,150,000. Capital paid in and gross paid in and contributed surplus were unchanged 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 consisting of not less than thirteen nor more than twenty-one members. The board meets four times during each calendar year. At December 31, 2005, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Ralph Borneman, Jr. Boyertown, PA	President, Body-Borneman Associates, Inc.
John Joseph Brinling, Jr. Erie, PA	Executive Vice President, Erie Insurance Group
James Ernest Caflisch Clymer, NY	Treasurer/Director, Rural Energy Development Corporation
Philip Alan Garcia Erie, PA	Executive Vice President and Chief Financial Officer, Erie Insurance Group
Frank William Hirt Erie, PA	Chairman of the Board of Directors, Erie Insurance Group
Michael Joseph Krahe Erie, PA	Executive Vice President, Erie Insurance Group
George Raymond Lucore Erie, PA	Senior Vice President, Erie Insurance Group
Jeffrey Alan Ludrof Erie, PA	Chief Executive Officer and President, Erie Insurance Group
Charles Adelbert Markham Spencerport, NY	Partner (retired), Markham-Bixby Agency
Thomas Brian Morgan Erie, PA	Executive Vice President, Erie Insurance Group
James Joseph Tanous Elma, NY	Partner, Jaeckle, Fleishmann and Mugel
Jan Reid Van Gorder Erie, PA	Senior Executive Vice President, Secretary and General Counsel, Erie Insurance Group
Douglas Frank Ziegler Erie, PA	Senior Executive Vice President, Treasurer, and Chief Investment Officer, Erie Insurance Group

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.

Review of the minutes of the board of directors revealed that the board did not authorize or approve the making of investment transactions, nor did any committee thereof responsible for making investments approve the investment transactions. Section 1411(a) of the New York State Insurance Law states, in part:

“(a) No domestic insurer shall make any loan or investment, . . . , unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan. The committee’s minutes shall be recorded and a report submitted to the board of directors at its next meeting.”

It is recommended that the Company comply with Section 1411(a) of the New York State Insurance Law and not make any loan or investment unless it is authorized or approved by its board of directors or a committee thereof responsible for making such investment or loan.

As of December 31, 2005, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Frank William Hirt	Chairman of the Board
Jeffrey Alan Ludrof	President and Chief Executive Officer
Jan Reid Van Gorder	Senior Executive Vice President, Secretary and General Counsel
Philip Alan Garcia	Executive Vice President and Chief Financial Officer
Michael Joseph Krahe	Executive Vice President
Thomas Brian Morgan	Executive Vice President
Douglas Frank Ziegler	Senior Vice President, Treasurer and Chief Investment Officer

B. Territory and Plan of Operation

As of December 31, 2005, the Company was licensed to write business in New York, Pennsylvania and Minnesota.

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>
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	Worker's compensation and employer's liability
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland marine only)

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 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$3,300,000.

The Company obtains its business through a network of 401 independent agents as of the examination date. Although the Company is licensed in New York, Pennsylvania and Minnesota, it produces business only in New York and Pennsylvania. The Company writes workers' compensation, private passenger auto liability and auto physical damage insurance. Erie Insurance Group maintains twenty-three claims and underwriting field offices throughout the United States to service the pooled business.

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</u> <u>Year</u>	<u>New York State</u>	<u>Total United States</u>	<u>Premiums Written in New York State as a</u> <u>percentage of United States Premium</u>
2003	\$8,986,585	\$28,339,203	31.71%
2004	\$8,430,563	\$26,010,105	32.41%
2005	\$7,433,130	\$23,282,575	31.93%

C. Reinsurance

Assumed reinsurance accounted for 45.91% of the Company's gross premium written at December 31, 2005. During the period covered by this examination, the Company's assumed reinsurance business has increased since the last examination. The Company's assumed reinsurance program consists mainly of casualty and multi-line coverages assumed pursuant to the terms of the pooling agreement with EIE, an authorized cedant.

The Company utilizes reinsurance accounting as defined in the NAIC Accounting Practices and Procedures Manual Statement of Statutory Accounting Principles ("SSAP") No. 62 for all of its assumed reinsurance business.

Erie Insurance Company of New York participates in an inter-company pooling agreement with EIE and EIC. Under this pooling agreement, premiums, losses and expenses are shared as follows: Erie Insurance Exchange (94.5%), Erie Insurance Company (5%) and EICNY (0.5%). Per this pooling agreement, EIC and EICNY cede all of their premiums and losses to EIE. EIE is also party to agreements with Flagship City Insurance Company and Erie Insurance Property & Casualty Company (two Pennsylvania domestic insurance companies) pursuant to which these two Companies cede all premium and losses to EIE under an intercompany quota share arrangement.

An all-lines aggregate excess-of-loss reinsurance agreement exists between EIC, EICNY and EIE at December 31, 2005. According to the agreement, EIC and EICNY reinsure their net-retained share of the inter-company reinsurance pool such that once EIC and EICNY have sustained ultimate net losses in any applicable accident year that exceed an amount equal to 72.5% of EIC and EICNY's net premiums earned in that period, EIE will be liable for 95% of the amount of such excess, up to but not exceeding an amount equal to 95% of 15% of EIC and EICNY's net premium earned. Losses equal to 5% of the net ultimate loss in excess of the retention under the agreement are retained by EIC and ENY. EIE is an authorized reinsurer. The effects of this excess of loss reinsurance agreement are not subject to the inter-company pooling arrangement.

The Company is ceding 100% of its premium written. Pursuant to the provisions of Section 1308(e) (1) of the New York Insurance Law, the Company has received approval to do so.

This reinsurance agreement with EIE was reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that this affiliated reinsurance agreement was filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

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 Department Circular Letter No. 8 (2005). 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 17 through 24 of SSAP No. 62.

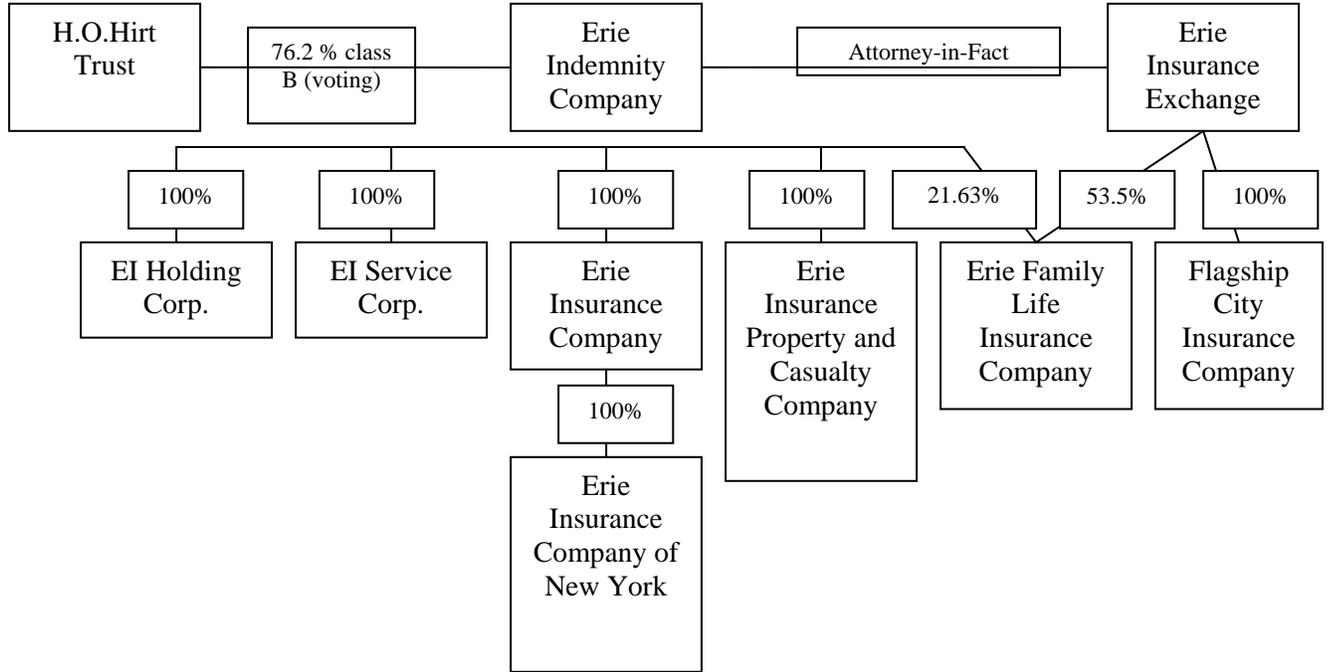
During the period covered by this examination, the company commuted various reinsurance agreements where it is was a ceding/assuming reinsurer.

D. Holding Company System

The Company is a member of the Erie Insurance Group. The Company is a wholly-owned subsidiary of Erie Insurance Company, a Pennsylvania corporation, which is a wholly owned subsidiary of Erie Indemnity Company. These companies are ultimately controlled by H.O. Hirt Trusts, which owns 76.2% of the voting stock of Erie Indemnity 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, 2005:



At December 31, 2005, the Company was party to the following agreements with other members of Erie Insurance Group:

- Service agreement to receive administrative, data processing, claims, underwriting and investment services from Erie Indemnity Company.

This Service agreement became effective January 1, 1995.

This agreement was approved as part of the demutualization package submitted to the Department on April 20, 1994.

E. Abandoned Property Law

Section 1316 of the New York State 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 any abandoned property to report.

The Company's abandoned property reports for the period of this examination were all filed on a timely basis pursuant to the provisions of Section 1316 of the New York State Abandoned Property Law.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2005, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	141%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	72%
Premiums in course of collection to surplus as regards policyholders	22%

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 three-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Loss and Loss adjustment expenses incurred	\$40,972,281	72.81%
Other underwriting expenses incurred	15,698,413	27.90
Net underwriting loss	<u>(396,917)</u>	<u>(0.71)</u>
Premiums earned	<u>\$56,273,777</u>	<u>100.00%</u>

G. Accounts and Records

a. Certified Public Accountant Engagement Letter

Examination of the engagement letter entered into between EIG and Ernst and Young, LLP, its independent auditor, revealed that the contract is not in compliance with Department Regulation 118. Pursuant to Part 89.2 of Department Regulation No. 118, such contract must specify the following:

“(a) On or before May 31st, the CPA shall provide an audited financial statement of such insurer and any subsidiary required by section 307(b)(1) of the Insurance Law together with an opinion on the financial statements of such insurer and any such subsidiary for the prior calendar year and an evaluation of the insurer’s and any such subsidiary’s 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 such workpapers and communication 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 the purposes of this subdivision, the workpapers

shall be deemed to have been created on the date the filing required by section 89(a) of this Part was submitted to the superintendent.”

It is recommended that the Company ensure that the contract entered into with its independent certified public accountant complies with Department Regulation 118.

b. Custodial Agreement

The examination reviewed the custodial agreement between the Company and JP Morgan Chase, the Company’s custodian. The custodial agreement lacked the following safeguards and controls required by Part 1, Section IV(J) of the NAIC Financial Condition Examiners Handbook:

2e. In the event that the custodian gains entry in a clearing corporation through an agent, there should be a written agreement between the custodian and the agent that the agent shall be subjected to the same liability for loss of securities as the custodian. If the agent is governed by laws that differ from the regulation of the custodian, the Commissioner of Insurance of the state of domicile may accept a standard of liability applicable to the agent that is different from the standard liability.

2f. If the custodial agreement has been terminated or if 100% of the account assets in any one custody account have been withdrawn, the custodian shall provide written notification, within three business days of termination or withdrawal, to the insurer’s domiciliary commissioner.

It was further noted that the Company answered “yes” to the General Interrogatory #24 in the filed annual statement as of December 31, 2005, and listed the Chase Manhattan Bank custodial agreement as an agreement that complied with the NAIC Financial Condition Examiners Handbook.

It is recommended that the Company comply with Part 1 Section IV(J) of NAIC Financial Condition Examiners Handbook by revising its custodial agreements to include all of the requisite safeguards and controls.

It is further recommended that the Company respond appropriately to the general interrogatories in all future statements filed with this Department.

c. Directors and Officers Indemnification Insurance

The examination reviewed the directors and officers’ indemnification policy that the Company had at December 31, 2005 for compliance with Department Regulation 110, Part 72. Regulation 110, Parts 72.1(c) states, in part:

“(c) retention amounts and coinsurance are both required, in accordance with this Part, for D&O indemnification policies issued to corporations formed under the Insurance Law,..., where provisions of such laws make such corporations subject to B.C.L. section 727 or N-PCL. Section 727.”

Further, Regulation 110, Part 72.2 states:

“(a) A D&O indemnification policy issued pursuant to B.C.L. section 727(a)(3), N-PCL section 727(a)(3), or B.L. section 7024(a)(3) shall provide for individual and aggregate retention amounts that are no less than the applicable individual and aggregate amounts, respectively, set forth in section 72.4 of this Part;”

The directors and officers indemnification policy as of the examination date did not contain the requisite individual and aggregate retention amounts.

It is recommended that the Company comply with Department Regulation 110 and ensure that the directors and officers’ indemnification policy includes the requisite retention amounts and co-insurance percentages.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of December 31, 2005. This statement is the same as the balance sheet filed by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$33,441,345	\$0	\$33,441,345
Preferred stocks	1,041,070	0	1,041,070
Common stocks	17,371	0	17,371
Cash, cash equivalents and short-term investments	437,909	0	437,909
Investment income due and accrued	456,590	0	456,590
Uncollected premiums and agents' balances in the course of collection	3,074,098	36,387	3,037,712
Deferred premiums, agents' balances and installments booked but deferred and not yet due	8,309,574	0	8,309,574
Amounts recoverable from reinsurers	23,959	0	23,959
Funds held by or deposited with reinsured companies	24,183	0	24,183
Current federal and foreign income tax recoverable and interest thereon	85,991	0	85,991
Net deferred tax asset	831,744	0	831,744
Aggregate write-ins for other than invested assets	<u>229,731</u>	<u>180,751</u>	<u>48,980</u>
Total assets	<u>\$47,973,565</u>	<u>\$217,138</u>	<u>\$47,756,428</u>

Liabilities, surplus and other fundsLiabilities

Losses and Loss adjustment expenses	\$18,425,172
Reinsurance payable on paid losses and loss adjustment expenses	20,675
Commissions payable, contingent commissions and other similar charges	2,711
Other expenses (excluding taxes, licenses and fees)	18,353
Taxes, licenses and fees (excluding federal and foreign income taxes)	230,976
Unearned premiums	7,846,344
Advance premium	141,145
Dividends declared and unpaid - Policyholders	110,782
Ceded reinsurance premiums payable (net of ceding commissions)	6,446,482
Amounts withheld or retained by company for account of others	273,049
Payable to parent, subsidiaries and affiliates	<u>423,965</u>
Total liabilities	\$33,939,654

Surplus and Other Funds

Common capital stock	\$2,350,000
Gross paid in and contributed surplus	4,150,000
Unassigned funds (surplus)	<u>7,316,775</u>
Surplus as regards policyholders	<u>13,816,775</u>
Total liabilities, surplus and other funds	<u>\$47,756,429</u>

NOTE: The Internal Revenue Service has completed its audits of the Company's Federal Income Tax returns through tax year 2000. 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. No audits by the Internal Revenue Service are currently being conducted for the Company. 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 \$2,880,831 during the three-year examination period January 1, 2003 through December 31, 2005, detailed as follows:

Underwriting Income

Premiums earned		\$56,273,777
Deductions:		
Losses and Loss adjustment expenses incurred	\$40,972,281	
Other underwriting expenses incurred	15,622,434	
Aggregate write-ins for underwriting deductions	<u>75,979</u>	
Total underwriting deductions		<u>56,670,694</u>
Net underwriting gain or (loss)		\$(396,917)

Investment Income

Net investment income earned	\$5,051,359	
Net realized capital gain	<u>324,103</u>	
Net investment gain or (loss)		5,375,462

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$(210,067)	
Aggregate write-ins for miscellaneous income	<u>12,663</u>	
Total other income		<u>\$(197,404)</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$4,781,141
Dividends to policyholders		<u>298,856</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$4,482,285
Federal and foreign income taxes incurred		<u>1,474,243</u>
Net Income		<u>\$3,008,042</u>

C. Capital and Surplus Accounts

Surplus as regards policyholders per report on examination as of December 31, 2002			\$10,935,944
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$3,008,041		
Net unrealized capital gains or (losses)		\$80,383	
Change in net deferred income tax	130,589		
Change in nonadmitted assets	_____	<u>177,416</u>	
Total gains and losses	<u>\$3,138,630</u>	<u>\$257,799</u>	
Net increase (decrease) in surplus			<u>2,880,831</u>
Surplus as regards policyholders per report on examination as of December 31, 2005			<u>\$13,816,775</u>

4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$18,425,172 is the same as reported by the Company as of December 31, 2005. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Companies 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 following areas:

- A. Sales and advertising
- B. Underwriting
- C. Rating
- D. Claims and complaint handling

No problem areas were encountered.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained 2 recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Board of Directors</u></p> <p>It was recommended that the Company abide by the requirements of its by-laws and maintain the required number of directors and also have at least three directors that reside in New York State according to Section 1201 (a) (5) (B)(vi) of the New York Insurance Law.</p> <p>The Company has complied with this recommendation.</p>	<p>5</p>
<p>B. <u>Accounts and Records</u></p> <p><u>Minimum Surplus Investments</u></p> <p>It was recommended that the Company monitor its investment portfolio to ensure compliance with all statutory requirements.</p> <p>The Company has complied with this recommendation.</p>	<p>11</p>

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Management</u></p> <p>It is recommended that the Company comply with Section 1411(a) of the New York State Insurance Law and not make any loan or investment unless it is authorized or approved by its board of directors or a committee thereof responsible for making such investment or loan.</p>	<p>5</p>
<p>B. <u>Accounts and Records</u></p> <p><u>Certified Public Accountant Engagement Letter</u></p> <p>It is recommended that the Company ensure that the contract entered into with its independent certified public accountant complies with Department Regulation No. 118.</p>	<p>12</p>

ITEMPAGE NO.Custodial Agreement

- | | | |
|-----|--|----|
| i. | It is recommended that the Company comply with Part 1 Section IV(J) of the NAIC Financial Condition Examiners Handbook by revising its custodial agreements to include all of the requisite safeguards and controls. | 12 |
| ii. | It is further recommended that the Company respond appropriately to the general interrogatories in all future statements filed with this Department. | 12 |

Directors and Officers Insurance Policy

It is recommended that the Company comply with Department Regulation No. 110 and ensure that the directors and officers indemnification policy includes the requisite retention amounts and co-insurance percentages.	13
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Appointment No 22487

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Frank Schiraldi

as proper person to examine into the affairs of the

ERIE INSURANCE COMPANY OF NEW YORK

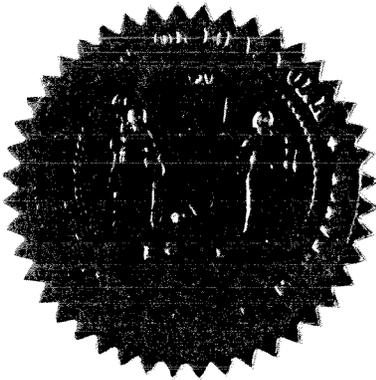
and to make a report to me in writing of the condition of the said

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 5th day of April, 2006



A handwritten signature in cursive script, reading "Howard Mills".

HOWARD MILLS
Superintendent of Insurance