REPORT ON EXAMINATION

OF THE

NEW YORK SCHOOLS INSURANCE RECIPROCAL

AS OF

DECEMBER 31, 2003

DATE OF REPORT	DECEMBER 7, 2004
EXAMINER	ROBERT A. VARGAS

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

December 7, 2004

Honorable Gregory V. Serio
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 22214 dated April 23, 2004 attached hereto, I have made an examination into the condition and affairs of the New York Schools Insurance Reciprocal as of December 31, 2003 and respectively submit the following report thereon.

Wherever the designations “the Reciprocal” or “NYSIR” appear herein without qualification, they should be understood to indicate the New York Schools Insurance Reciprocal.

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 offices of Wright Risk Management, the Reciprocal’s manager, located at 333 Earle Ovington Blvd., Uniondale, New York 11553.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1999. This examination covered the four-year period from January 1, 2000 through December 31, 2003, and was limited in scope to the balance sheet items considered by this Department to require analysis, verification or description, including: investments, losses and reinsurance. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

History of Reciprocal
Management and control
Corporate records
Fidelity bond and other insurance
Territory and plan of operation
Market conduct activities
Growth of Reciprocal
Business in force
Loss experience
Reinsurance
Accounts and records
Financial statements

A review was made to ascertain what action was taken by the Reciprocal 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, regulation or rules, or which are deemed to require explanation or description.

2. DESCRIPTION OF RECIPROCAL

The New York Schools Insurance Reciprocal is an insurer, as defined in Section 107(a) (37) of the New York Insurance Law and organized pursuant to the provisions of Article 61 of the New York Insurance Law. As provided by the provisions of Section 6102(b) of the New York Insurance Law, the declaration creating a municipal reciprocal was approved by superintendent on March 29, 1989. The Reciprocal was licensed on June 30, 1989 and commenced operations on July 1, 1989.

The Reciprocal was organized to provide a market source for New York State public school districts and board of cooperative education services organized and existing under the Education Law of the State of New York. NYSIR's policyholders engage in the business of inter-insurance on the reciprocal plan, through an attorney-in-fact. Each policyholder is a subscriber and only policyholders may be subscribers. The subscribers share proportionately in all losses, expenses, and profits of the reciprocal, based on the percentage that their premium represents to the total written premiums by NYSIR. To provide surplus, NYSIR requires each subscriber, as a prerequisite to the initial purchase of an insurance policy, to contribute to surplus of NYSIR in accordance with such plan as developed by its board of governors. Subscribers are required to contribute 20% of their initial surplus contribution or 5% percent of gross premiums in each of the first five years, or at their option, accelerate such contributions.

In accordance with Section 6102(12) of the New York Insurance Law, NYSIR has selected not to be subject to coverage by the Property/Casualty Insurance Security Fund under Article 76 of the New York Insurance Law. Accordingly, NYSIR will issue assessable policies, which provide for unlimited contingent several liability for assessment of its subscribers.

A Management

(i) Board of Governors

Pursuant to a declaration executed by the Superintendent of Insurance, and Section 6102 of the New York Insurance Law, a board of governors was elected to act on behalf of the subscribers with powers to supervise and control the attorney-in-fact and to control investment of the assets of the reciprocal insurer, along with such power as may be conferred by the articles of association and the subscribers' agreement. The articles of incorporation and the subscribers' agreement specify that the board of governors should consist of no fewer than nine members. There were 22 members of the board of governors at December 31, 2003.

As of December 31, 2003, the members of the board of governors together with their residence and principal business affiliations were as follows:

Name and Residence	Principal Business Affiliation
John J. Belmonte Holbrook, NY	Assistant Superintendent for Finance, Sayville C.S.D
Mark L. Betz Harrison, NY	Assistant Superintendent, Bedford C.S.D.
Nancy T. Bocassi Garnerville, NY	Assistant Superintendent, Hendrick Hudson C.S.D
Kimberly Bucci Hawthorne, NY	Assistant Superintendent for Business, Rye Neck U.F.S.D
Anthony A. Cashara Highland Mills, NY	Assistant Superintendent for Business, Clarkstown C.S.D
Karen A. Chapman Merrick, NY	Assistant Superintendent, Hewlett-Woodmere U.F.S.D
George J. Chesterton Mt. Sinai, NY	Superintendent of Business, Oyster-Bay-East Norwich C.S.D
Charles R. Clark Stony Brook, NY	Assistant Superintendent for Finance/ Operations, Smithtown C.S.D.

Name and Residence	Principal Business Affiliation
James S. Fischera Webster, NY	Director of Finance & Facilities, Webster C.S.D
Shelly H.Fitzpatrick Sandy Creek, NY	Business Administrator, Sandy Creek C.S.D
Edwin G. Groshans Floral Park, NY	Assistant Superintendent, Great Neck U.F.S.D
Deborah A. Haab East Hampton, NY	Assistant Superintendent, Great Neck U.F.S.D.
Richard I. Hirt Dix Hills, NY	Assistant Superintendent of Business, Locust Valley C.S.D.
Kurt L. Jaeger Greenfield Center, NY	Assistant Superintendent, Cohoes C.S.D.
Cynthia R. Johnston Keene Valley, NY	Superintendent, Keene C.S.D.
Robert K. Libby Johnstown, NY	Assistant Superintendent, Cohoes C.S.D
Cameron J. Morton Clarence Center, NY	Assistant Superintendent for Human Resources, Kenmore-Tonawanda U.F.S.D.
Stephen B. Pearsall Cortland, NY	Director of Business Services, Cortland City S.D.
Michael J. Senno Stormville, NY	Assistant Superintendent for Business, Elmsford U.F.S.D.
Raymond G. Southard Carmel, NY	Deputy Superintendent, Arlington C.S.D
John J. Staiger Jr. Wallkill, NY	Assistant Superintendent for Business/Mgmt Services, Monroe-Woodbury C.S.D.
Roberta R. Zampolin Valley Cottage, NY	Superintendent, Nyack U.F.S.D

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

The principal officers of the Reciprocal as of December 31, 2003 were as follows:

Name	Title
Richard Ira Hirt	President
John Joseph Belmonte	Vice- President
Michael Joseph Senno	Vice- President
James Salvatore Fischera	Secretary/ Treasurer

(ii) Attorney-in-Fact Agreement

The New York Schools Insurance Foundation, Inc. ("NYSIF"), a New York not-for-profit corporation, was appointed as the attorney-in-fact for NYSIR pursuant to an agreement dated June 27, 1989. The directors and officers of NYSIR are the same directors and officers of NYSIR.

(iii) Management Agreement

Pursuant to a management agreement effective July 1, 1999, covering the period July 1, 1999 through June 30, 2005, Wright Risk Management ("WRM") was appointed to manage the operations of NYSIR and to assist the attorney-in-fact and the board of governors in the performance of their responsibilities pursuant to the subscribers' agreement and the New York Insurance Law. Under the agreement, the general scope of services to be rendered by the Manager includes staffing and facilities, underwriting and policyholders' services, engineering and management services, claims and loss control services and accounting services.

B. Territory and Plan of Operation

As of December 31, 2003, the Reciprocal was licensed to write business in New York only.

As of the examination date, the Reciprocal was licensed in the State of New York pursuant to Article 61 of the New York Insurance Law and 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
4	Fire
5	Miscellaneous property damage
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine

The Reciprocal is licensed to write business only in the State of New York and is prohibited from underwriting the five largest city school systems of New York City, Buffalo, Rochester, Syracuse and Yonkers. The Reciprocal business is produced through brokers and agents, which are charged with contracting all eligible schools districts and effectuating positive membership.

The following schedule shows the direct premiums written by the Reciprocal during the period under examination:

Calendar Year	New York State
2000	$26,302,779
2001	$31,383,171
2002	$45,246,948
2003	$58,179,764

Based on the lines of business for which the Company is licensed and pursuant to the requirements of Article 13 and Article 61 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $1,800,000. The major line of business written is other liability and is produced through brokers.

C. Reinsurance

Assumed

The Company does not assume any reinsurance business.

Ceded

The Schedule F data as contained in the Company's filed annual statement was found to accurately reflect its reinsurance transactions.

The examiner reviewed all ceded reinsurance contracts in effect at December 31, 2003. The contracts all contained the required standard clauses including insolvency clauses meeting the requirements of Section 1308 of the New York Insurance Law.

As of the examination date, the Reciprocal had the following working excess of loss and quota share reinsurance program in place:

Type of Agreement	Limit and Retention
Property	
First Property Excess of Loss	
Four Layers Automatic facultative reinsurance and Property excess of loss 69% Authorized 31% Unauthorized	Limit of $300,000,000 blanket per risk or occurrence excess $1,000,000 per risk or per occurrence.

The captioned property automatic facultative reinsurance treaty provides four layers of coverage. All layers are placed at 100% percent. Layers one and two of this treaty also provide coverage for auto physical damage reinsurance as respect on-road and off road (vehicle storage) exposures.

Type of Agreement	Limit and Retention
Boiler and Machinery	
Equipment Breakdown (Boiler and Machinery) Quota Share Excess of loss Treaty	
100% Authorized	Section A Limit of up to 90% part of $5,000,000 net loss per policy per accident. Section B Limit of $25,000,000 net loss per risk per occurrence excess of $5,000,000 net loss per policy per accident.
Casualty	
First Casualty Excess of Loss (Policy limits less than $1,000,000)	
100% Authorized	Limit of $500,000 ultimate net loss each and every occurrence excess of $500,000 ultimate net loss each and every occurrence.
Education Excess Catastrophe Liability Quota Share and Commercial Umbrella Liability Quota Share (Policy limits greater than $1,000,000)	
Section (I) 100% Authorized Section (ii) 100% Authorized	General Liability Section (I) 90% quota share participation of the Reciprocal's net retained liability as respect the first $5,000,000 each occurrence, products/completed operations each occurrence, and each person or organization personal and advertising injury. Section (ii) 95% quota share participation of the Reciprocal's net retained liability for an amount up to $20,000,000 in excess of $5,000,000 each occurrence, products/ completed operations each occurrence, and each person or organization personal and advertising injury.

Type of Agreement	Limit and Retention
	Automobile Section (I) 90% quota share participation of the Reciprocal's net retained liability as respect the first $5,000,000 each occurrence and the first $5,000,000 policy aggregate. Section (ii) 95% quota share participation of the Reciprocal's net retained liability for an amount up to $20,000,000 in excess of $5,000,000. School Leaders' Errors & Omissions Section (I) 90% quota share participation of the Reciprocal's net retained liability as respect the first $5,000,000 each occurrence and the first $5,000,000 policy aggregate. Section (ii) 95% quota share participation of the Reciprocal's net retained liability for an amount up to $20,000,000 in excess of $5,000,000 each occurrence and amounts up to $20,000,000 in excess of policy aggregate.
Casualty Catastrophe Excess of Loss (clash cover)	
100% Authorized	Limit of $1,000,000 excess of $1,000,000 ultimate net loss each and every occurrence. The reinsurer's liability is limited to $1,000,000 in any one occurrence and is limited to $3,000,000 in respect of all losses in any one contract period.
Claims made (Assessment Protection) Excess of loss or assessment protection reinsurance treaty	
100% Authorized	Limit of up to $3,500,000 net loss any one statutory assessment after a minimum of 50% reduction in surplus as regards policyholders, subject to a minimum reduction as regards policyholders to be no less than $10,000,000.

The Company's retention increased from $250,000 to $1,000,000 and its limits increased from $250,000,000 to $300,000,000 compared with the prior examination period. The percentage of cessions to authorized reinsurers have changed compared with the prior examination period as follows:

- For Casualty-First Casualty Excess of Loss the percentage of authorized insurers decreased from 80% authorized to 69% authorized.

- For Education-Excess Catastrophe Liability Quota Share and Commercial Umbrella Liability Quota Share the percentage of authorized insurers increased from 78.95% to 100% authorized.

Unauthorized Reinsurance

The trust agreements and letters of credit obtained by the Reciprocal in order to take credit for cessions made to unauthorized reinsurers were reviewed for compliance with Department Regulations 114 and 133, respectively. No exceptions were noted.

D. 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 any abandoned property to report.

The Reciprocal's abandoned property reports for the period of this examination were not filed pursuant to the provisions of Section 1316 of the New York State Abandoned Property Law.

It is recommended that the Reciprocal comply with the provisions of the New York abandoned Property Law and file the abandoned property reports accordingly.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2003, based upon the results of this examination:

Net premiums written in 2003 to surplus as regards policyholders	92%
Liabilities to liquid assets (cash and invested assets less investment in affiliates)	64%
Premiums in course of collection to surplus as regards policyholders	0%

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 four-year period covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$82,547,452	85.74%
Other underwriting expenses incurred	28,381,266	29.48
Net underwriting loss	(14,749,977)	(15.32)
Premiums earned	$96,277,139	100.00%

F. Accounts and Records

Management answered affirmatively to the following General Interrogatory:

> "Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?"

However, a review of the Company's custodian and safekeeping agreement indicated that it lacked the following protective covenants, which are evident of good business practices and adequate internal control as stated in the NAIC Financial Examiners Handbook Part1-Section IV-H:

a. “That the national bank, state bank, or trust company, as custodian is obligated to indemnify the insurance company for any insurance company's loss of securities in the custodian's custody, except that, under domiciliary state law, regulation or administrative action otherwise require a stricter standard (Section 2.b. sets forth an example of such a stricter standard), the bank or trust company shall not be so obligated to the extent that such loss was caused by other than the negligence or dishonesty of the custodian;

b. If domiciliary state law, regulation or administrative action requires a stricter standard of liability for custodians of insurance company securities than that set forth in Section 2.a., then such stricter standard shall apply. An example of a stricter standard that may be used is that the custodian is obligated to indemnify the insurance company for any loss of securities of the insurance company in the custodian's custody occasioned by the negligence or dishonesty of the custodian's officers or employees, or burglary, robbery, holdup, theft, or mysterious disappearance, including loss by damage or destruction;

c. That in the event of a loss of the securities for which the custodian is obligated to indemnify the insurance company, the securities shall be promptly replaced or the value of the securities and the value of any loss of rights or privileges resulting from said loss of securities shall be promptly replaced;

d. That the national bank, state bank or trust company as custodian shall not be liable for any failure to take any action required to be taken hereunder in the event and to the extent that the taking of such action is prevented or delayed by war (whether declared or not and including existing wars), revolution, insurrection, riot, civil commotion, act of God, accident, fire, explosions, stoppage of labor, strikes or other differences with employees, laws, regulations, orders or other acts of any governmental authority, or any other cause whatever beyond its reasonable control;

e. That 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;

f. That if the custodial agreement has been terminated or if 100 percent 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;

g. That during regular business hours, and upon reasonable notice, an officer or employee of the insurance company, an independent accountant selected by the insurance company and a representative of an appropriate regulatory body shall be entitled to examine, on the premises of the custodian, its records relating to securities, if the custodian is given written instructions to that effect from an authorized officer of the insurance company;

h. The custodian and its agents, upon reasonable request, shall be required to send all reports which they receive from a clearing corporation or the Federal Reserve book-entry system which the clearing corporation or the Federal Reserve permits to be redistributed and reports prepared by the custodian’s outside auditors, to the insurance company on their respective systems of internal control;

i. To the extent that certain information maintained by the custodian is relied upon by the insurance company in preparation of its annual statement and supporting schedules, the custodian agrees to maintain records sufficient to determine and verify such information.

j. That the custodian shall provide, upon written request from a regulator or an authorized officer of the insurance company, the appropriate affidavits, with respect to the insurance company's securities held by the custodian;

k. That the custodian shall secure and maintain insurance protection in an adequate amount;

l. That the foreign bank acting as a custodian, or a United States (“U.S.”) custodian's foreign agent, or a foreign clearing corporation is only holding foreign securities or securities required by the foreign country in order for the insurer to do business in that country. A U.S. custodian must hold all other securities”.

It is recommended that the Reciprocal amend its custodial agreement to include the aforementioned provisions in order to afford its assets the necessary safeguards and protections.

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, 2003 and as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$100,700,788	$ 0	$100,700,788
Cash, cash equivalents and short-term investments	9,039,555	0	9,039,555
Investment income due and accrued	1,326,504	0	1,326,504
Uncollected premiums and agents' balances in the course of collection	153,861	0	153,861
Amounts recoverable from reinsurers	1,481,544		1,481,544
Other assets non-admitted	115,000	115,000	0
Fees and receivables	(10,974)	0	(10,974)
Total assets	$112,806,278	$115,000	$112,691,278

Liabilities

Losses		$ 37,015,270
Loss adjustment expenses		12,844,702
Other expenses (excluding taxes, licenses and fees)		139,244
Unearned premiums		19,729,824
Ceded reinsurance premiums payable (net of ceding commissions)		1,235,151
Provision for reinsurance		228,800
To adjust losses		(7,556)
Total liabilities		$ 71,185,435

Surplus and Other Funds

Gross paid in and contributed surplus	$ 2,391,991	
Unassigned funds (surplus)	39,113,852	
Surplus as regards policyholders		41,505,843
Totals liability surplus and other funds		$112,691,278

Note: The Reciprocal is exempt from federal, state and local income taxes.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased $1,138,256 during the four year examination period January 1, 2000 through December 31, 2003, detailed as follows:

Underwriting Income		
Premiums earned		$ 96,277,139
Deductions:		
Losses incurred	$45,442,393	
Loss adjustment expenses incurred	37,105,059	
Other underwriting expenses incurred	28,381,266	
Aggregate write-ins for underwriting deductions	98,398	
Total underwriting deductions		111,027,116
Net underwriting gain or (loss)		$(14,749,977)
Investment Income		
Net investment income earned	$17,847,642	
Net realized capital gains	503,803	
Net investment gain or (loss)		18,351,445
Other Income		
Aggregate write-ins for miscellaneous income	$155,468	
Total other income		155,468
Net Income		$ 3,756,936

Capital and Surplus Account

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31,1999			$40,367,587
Net income	$3,756,936		
Change in non-admitted assets	67,939		
Change in provision for reinsurance		$ 193,200	
Cumulative effect of changes in accounting principles	63,000		
Surplus adjustments paid in	435,206		
Aggregate write-ins for gains and losses in surplus		2,991,625	
Total gains and losses	$4,323,081	$3,184,825	
Net increase (decrease) in surplus			1,138,256
Surplus as regards policyholders per report on examination as of December 31, 2003			$41,505,843

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $49,859,972 is the same as reported by the Company as of December 31, 2003. 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.

The examination analysis of the losses and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles 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 nine recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Management	
	It was recommended NYSIR amend its management agreement to include the 1996 board of governor's resolution which adjusted the management fee and file the amendment with the New York Insurance Department.	10
	The Reciprocal has complied with this recommendation	
	The Reciprocal did not submit the revised Schedule H of its current management agreement to the Department. It is again recommended that NYSIR comply with Section A (8) of its management agreement and obtain the approval of the New York Insurance Department before implementing any new amendment or modification to the management agreement.	10-11
	The Reciprocal has complied with this recommendation	

ITEM		PAGE NO.
B.	Reinsurance	
	It was recommended that NYSIR, with reference to its excess of loss agreement, comply with the provisions of Section 1308 of the New York Insurance Law by including the required insolvency clause.	12-13
	The Reciprocal has complied with this recommendation	
	It was recommended that the Reciprocal amend its first casualty excess of loss and casualty excess of loss agreement to include the appropriate offset language pursuant to Section 7427 of the New York Insurance Law.	13
	The Reciprocal has complied with this recommendation	
C.	Abandoned Property Law	
	It was recommended that the Reciprocal comply with the New York Abandoned Property Law and file the required reports.	18
	The Reciprocal has not complied with this recommendation. A similar comment is made in this report.	
D.	Custodian Agreement	
	It was recommended that the Reciprocal amend its custodial agreement to include the provisions as provided in Section 2(F) herein in order to afford its assets the necessary safeguards and protections.	18
	The Reciprocal has not complied with this recommendation. A similar comment is made in this report.	
E.	Accounts and Records	
	It was recommended that the Reciprocal comply with Regulation 30 with respect to the allocation of expenses between expense groups.	19-20
	The Reciprocal has complied with this recommendation.	
	It was recommended that the Reciprocal comply with the NAIC Annual Statement Instructions with respect to the proper classification of expenses.	20
	The Reciprocal has complied with this recommendation.	

ITEM		PAGE NO.
F.	Losses and Loss Adjustment Expenses	
	It was recommended, for the future, that the Reciprocal comply with Section 1303 of the New York Insurance Law regarding establishing reserves for unallocated loss adjustment expenses for both known and IBNR reserves. The Reciprocal has complied with this recommendation.	24-25

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Abandoned Property Law	
	It is recommended that the Reciprocal comply with the New York Abandoned Property Law and file the required reports.	11
B.	Accounts and Records	
	It is recommended that the Reciprocal amend its custodial agreement to include the provisions as provided in Section 2F of this report in order to afford its assets the necessary safeguards and protections.	14

Respectfully submitted,

_______/S/_________________
Robert A. Vargas
Senior Insurance Examiner

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

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

_______/S/_________________
Robert A. Vargas

Subscribed and sworn to before me

this__________ day of ____________________, 2005

Appointment No. 22214

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, *Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Robert Vargas

as proper person to examine into the affairs of the

NEW YORK SCHOOLS INSURANCE RECIPROCAL

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

Reciprocal

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 23rd *day of April, 2004*

GREGORY V. SERIO
Superintendent of Insurance