

REPORT ON EXAMINATION
OF THE
GOLDSTREET INSURANCE COMPANY
(Formerly GoldStreet Syndicate)
AS OF
DECEMBER 31, 2003

DATE OF REPORT

JUNE 2, 2005

EXAMINER

JIMMIE NEWSOME

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

June 2, 2005

Honorable Howard Mills
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 22243 dated July 7, 2004, attached hereto, I have made an examination into the condition and affairs of the GoldStreet Insurance Company as of December 31, 2003 and submit the following report thereon.

Wherever the designations “the Company” or “GoldStreet” appear herein without qualification, it should be understood to indicate the GoldStreet Insurance Company. Whenever the designation “Department” appears herein without qualification, it should be understood to indicate the New York Insurance Department.

The examination was conducted at the administrative office of the Company’s manager, Chilmington International Inc. located at 100 Commons Way, Holmdel, New Jersey 07733.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1999. This examination covers the four-year period from January 1, 2000, through December 31, 2003. Transactions occurring subsequent to this period were reviewed where deemed appropriate, by the examiner.

The examination comprised a complete verification of assets and liabilities as of December 31, 2003, a review of income and disbursements deemed necessary to accomplish such verification, and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants. 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 the Company
- Management and control
- Corporate records
- Fidelity bonds and other insurance
- Territory and plan of operation
- Growth of the Company
- Business in force
- Loss experience
- Reinsurance
- Market conduct activities
- 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 made in the prior report on examination.

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

2. DESCRIPTION OF COMPANY

GoldStreet Insurance Company (formerly GoldStreet Syndicate) was incorporated in New York State on March 5, 1996. It was formed and licensed to assume all of the assets, liabilities and obligations of GoldStreet Syndicate Corporation (“Syndicate”) through a transfer and assumption agreement. This transfer was made to facilitate the closure of the New York Insurance Exchange (“Exchange”), which had entered into liquidation effective September 30, 1996. The Syndicate was dissolved in October 1996.

Ownership of the Company (Sequa Corporation 70.18% and Republic Insurance Company 29.82%) remained the same as that of the Syndicate.

In March 2002, the Company filed with the Superintendent of Insurance, a certificate of amendment of charter, in compliance with Section 1206 of the New York Insurance Law to change the amount of capital from \$1,000,000 consisting of 10,000 shares common stock with a par value of \$100 per share to \$700,000 consisting of 7,000 shares common stock with a par value of \$100 per share. This amendment was approved by the Department on April 12, 2002.

During 2002, the Company repurchased and retired 3,000 shares of its common stock and thereby reduced its common stock outstanding by \$300,000. The Company’s board of directors and the Department approved the plan for the purchase and cancellation of certain common shares of the capital stock. At December 31, 2003, the capital paid in was \$700,000, consisting of 7,000 shares of common stock with a par value of \$100 per share. The Company’s and gross paid-in and contributed surplus was \$6,792,676 as of December 31, 2003.

As of December 31, 1999, the date of the immediately preceding examination, the Company’s gross paid-in and contributed surplus was \$9,492,676. The following reduction to the Company’s surplus were made during the current examination period:

<u>Date</u>	<u>Contributor</u>	<u>Type</u>	<u>Amount</u>
12/02	GoldStreet Insurance Company	Retired Treasury Stock	\$(3,000,000)

A. Management

Pursuant to the Company's charter and by-laws, as amended, management of the Company is vested in a board of directors, consisting of not less than thirteen nor more than nineteen members. As of the examination date, the board of directors was comprised of thirteen members. The board met once during each calendar year. The directors as of December 31, 2003, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Jesse Battino Upper Saddle River, NJ	Vice President, Sequa Corporation
Michael Blickensderfer Englewood, NJ	Vice President, Sequa Corporation
Robert D. Devito Lincoln Park, NJ	Vice President, Sequa Corporation
Kenneth A. Drucker Weston, CT	Vice President & Treasurer, Sequa Corporation
Michael Gurrieri Hartsdale, NY	Director, Corporate Claims, Sequa Corporation
William P. Ksiazek Jr. Montvale, NJ	Retired, Consultant
Linda G. Kyriakou Rocky Point, NY	Vice President, Sequa Corporation
James P. Langelotti North Salem, NY	Assistant Treasurer, Sequa Corporation
<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John B. Madden Hazlet, NJ	Vice President, Chilington International
Mark Mishler Larchmont, NY	Manager, Taxes, Sequa Corporation

John J. Van Decker
Passaic, NJ

Assistant Controller,
Sequa Corporation

Ellen Wiese
Brooklyn, NY

Director, Risk Management,
Sequa Corporation

Donald H. Wustrow
Aberdeen, NJ

Chief Operating Officer,
Chiltington International

The minutes of all meetings of the board of directors and committees thereof held during the examination period were reviewed. Overall, the attendance of the board of directors was adequate during the period of examination.

However, it appears that the Company is not in compliance with its by-laws, as amended, wherein Section 7 of Article 3 states, “regular meetings of the board of directors shall be held annually.” Prior to an amendment to its by-laws effective July 1, 2001, the Company was required to hold four (4) regular meetings annually on a quarterly basis. It was noted that the board of directors did not hold the required number of meetings pursuant to such provision two out of the four years covered by this examination.

The minutes of the board of directors’ meetings contained no information as to the direction of the Company on a going forward basis nor an indication on past results. Also, the minutes did not include the election of executive officers or the approval of investment transactions made on behalf of the Company. The examiner was unable to ascertain and provide reasonable assurances that members of the board of directors were willing and maintaining an active role into the corporate management of GoldStreet Insurance Company.

It should also be noted that the Company was unable to provide the minutes of the annual shareholders’ meetings held during the period covered by this examination. The purpose of such meetings is to elect the board of directors of GoldStreet Insurance Company. This examination was

unable to ascertain that the members of the board of directors were being elected pursuant to the provisions of the Company's charter.

It is recommended that the Company's shareholders hold annual meetings for the purpose of electing the members of the board of directors of GoldStreet Insurance Company as set forth in the Company's charter.

Section 312(b) of the New York State Insurance Law states in part,

"A copy of the report shall be furnished by such insurer or other person to each member of its board of directors and each such member shall sign a statement which shall be retained in the insurer's files confirming that such member has received and read such report..."

The Company is not in compliance with this section. The Company indicated that the report was sent to each director but a signed statement from each director on the board of directors was not obtained confirming that they had received and read the prior report on examination of GoldStreet Insurance Company as of December 31, 1999.

It is recommended that the Company obtain and maintain signed statements from each director on the board of directors confirming that such member has received and read such report as per Section 312 (b) of the New York Insurance Law.

Section 1411 (a) of the New York Insurance Law states in part,

"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..."

A review of the board of directors' minutes during this examination period did not indicate that the investments made by GoldStreet Insurance Company were approved by the board of directors in accordance with Section 1411 (a) of the New York Insurance Law.

It is recommended that the Company adhere to the provisions of Section 1411 (a) of the New York Insurance Law.

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

<u>Name</u>	<u>Title</u>
Kenneth A. Drucker	President
James P. Langelotti	Treasurer
Ellen Wiese	Vice President and Corporate Secretary
William P. Ksiazek Jr.	Vice President

Conflict of Interest

The Company has a procedure to distribute conflict of interest questionnaires to its board of directors, executive officers and to all principal employees on a yearly basis. A review of the Company's records was made for the period covered by this examination. This review was confined to the board of directors listed in the annual statements covered by this examination period. The Company was unable to provide conflict of interest questionnaires for years 2002 and 2003.

Although the Company has a procedure for disclosing to its board of directors any material interest or affiliation on the part of its directors, officers or employees, which is in or is likely to conflict with the official duties of such person. It was noted that the Company has not established procedures to permit the board of directors to properly oversee and handle any conflicts of interest disclosed. The Company's policy does not detail the steps the board would take in case a conflict was ever disclosed.

The Company has a fiduciary responsibility to its members to ensure that its directors, officers and employees do not use their official positions to promote some interest, which is distinct from that of the Company.

It is recommended that the Company exercise due diligence in obtaining and maintaining signed conflict of interest questionnaires from its board of directors, officers and employees.

It is recommended that the Company establish a procedure for enforcing such a policy and permit the board of directors to properly oversee and handle any conflicts disclosed.

It is recommended that the board of directors maintain complete minutes of its proceedings on such matters.

B. Territory and Plan of Operation

As of the December 31, 2003, GoldStreet Insurance Company was only licensed in the State of New York. The Company was organized to accept only the runoff of assumed business from the dissolved GoldStreet Syndicate. Pursuant to Section 1203 of the New York Insurance Law, the Company would need prior approval from the Superintendent to resume an insurance business, since they have ceased writing any insurance business for more than one year continuously.

As of December 31, 2003, 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>Kind of Insurance</u>
3	Accident and health
4	Fire
5	Miscellaneous property damage
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine

21 Marine protection and indemnity

The Company is also authorized to transact such workers' compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113 (a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended).

Based upon 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 \$1,450,000.

GoldStreet Insurance Company has no employees. The Company's operations are being serviced by Chilmington International Inc. pursuant to a management agreement. The Company's business consists of the runoff of assumed reinsurance business from the dissolved GoldStreet Syndicate. The business consisted of assumed reinsurance treaties and facultative certificates for calendar years 1987 and prior.

C. Reinsurance

GoldStreet Insurance Company's business primarily consists of the runoff of assumed reinsurance business from the dissolved GoldStreet Syndicate Corporation. The business consisted of assumed reinsurance treaties and facultative certificates for calendar years 1981 through 1987. Approximately eighty-six percent (86%) of the business assumed is from Republic Insurance Company. Most of such assumptions reflect the Company's participation in the Pan Atlantic Group Reinsurance Syndicate ("PAG Syndicate") written through Republic Insurance Company.

Effective January 1, 1983, the Company entered into a pro rata treaty agreement with Republic Insurance Company, whereby the Company agreed to assume its pro rata portion of the business written in the Pan Atlantic Group Reinsurance Syndicate. On December 31, 1986, the agreement was terminated on a runoff basis. It is noted that Article 7 of such agreement states in part,

“The Reinsured shall prepare quarterly accounts in such manner and in such detail as is customarily required by insurance companies and deliver the same to the Reinsurer sixty (60) days after the close of the quarter. Settlement of the account shall be made to the Reinsurer ninety (90) days after the end of each quarter.”

Examination review indicated that accounts are not being rendered as called for in the reinsurance agreement and that a 90 to 180 day lag occurs between Republic Insurance Company’s reporting of its outstanding loss reserves, paid losses and loss adjustment expenses to the Company. The last statement received from Republic as of the examination date was for the second quarter of 2003.

It is recommended that the Company endeavor to obtain all current accountings from its reinsured as called for in the executed reinsurance agreement.

Relative to its ceded reinsurance program, the Company retrocedes less than one (1%) percent of its assumed reinsurance business. The majority of the cessions are to authorized companies.

The examiner reviewed all ceded reinsurance contracts in effect during the examination period. This review found that all contracts contained the required standard clauses including insolvency clauses meeting the requirements of Section 1308 of the New York Insurance Law.

D. Holding Company System

The Company is controlled by Sequa Corporation, a Delaware industrial corporation that owns 70.18% of the outstanding shares. Republic Insurance Company, a Texas corporation owns 29.82% of the remaining outstanding shares of GoldStreet Insurance Company. Republic Insurance Company had

filed and received a determination of non-control of GoldStreet Insurance Company from the Department pursuant to the provisions of Section 1501 (c) of the New York Insurance Law.

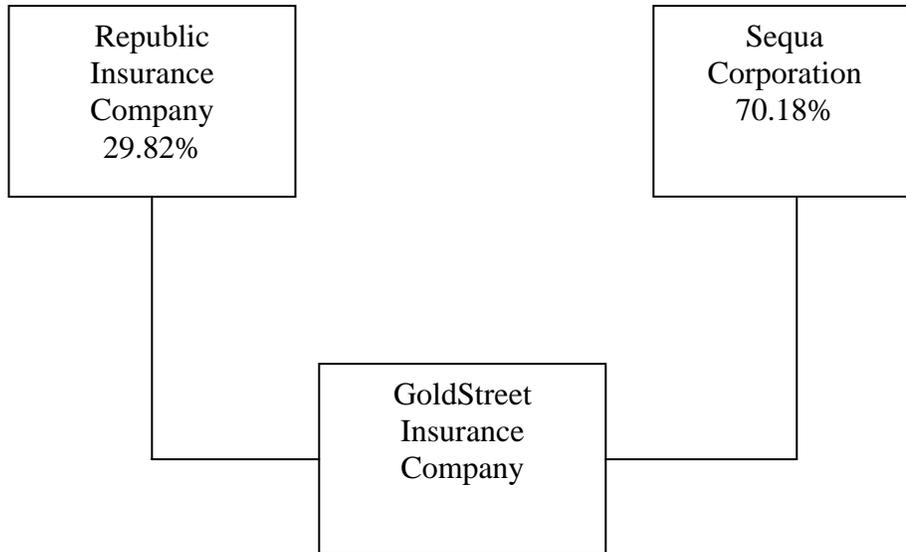
GoldStreet Insurance Company became a controlled insurer of Sequa Corporation on September 25, 1996. GoldStreet Syndicate Corporation was the last remaining active member of the New York Insurance Exchange (“Exchange”). The Exchange was closed and GoldStreet Syndicate Corporation was forced to withdraw. In connection with those events, the majority shareholder of GoldStreet Syndicate Corporation, Sequa Corporation, applied for and received from the Department an insurance company license under the name of GoldStreet Insurance Company. Upon approval, GoldStreet Syndicate Corporation transferred all of its assets and liabilities to the Company.

Examination review indicated that the Company did not file the holding company registration statements for the calendar years 2000, 2002 and 2003 within the time frame set forth in Part 80.4 of Department Regulation 52. Pursuant to Part 80.4 of Department Regulation No. 52, all controlled insurers are required to file an annual holding company registration statement (Form HC 1) within 120 days following the end of its ultimate holding company’s fiscal year.

Subsequent to the examination date, on August 12, 2004 the Company filed the required holding company registration statements for years 2002 and 2003.

It is recommended that the Company make the required holding company filings, as registrant, pursuant to the requirements of Article 15 of the New York Insurance Law and Department Regulation No. 52 in a timely manner.

The following is a chart of the Company’s holding company system as of December 31, 2003:



E. 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 Company's abandoned property reports for the period covered by this examination were all filed in a timely manner pursuant to the provisions of Section 1316 of the New York Abandoned Property Law, except the reports for the years ended 2002 and 2003.

In addition, the examiner requested a written description of the Company's accounting policy and procedures with respect to all unclaimed checks. The Company indicated that there are no formal written guidelines or controls in maintaining the accountability of all unclaimed checks.

It is recommended that the company comply with Section 1316 of the New York Abandoned Property Law in filing the required abandoned property reports with the New York State Comptroller's Office.

It is recommended that the Company establish formal written guidelines and adequate controls in maintaining the accountability of all unclaimed checks, in accordance with Section 1315 of the New York Abandoned Property Law.

F. Custodian Agreements

As of December 31, 2003, the Company maintained a custodian agreement with Fleet Bank (now known as Bank of America). The Company answered in the affirmative in the Annual Statement to General Interrogatory No. 23 that the custodian agreement was in compliance with Part 1 – General, Section IV.H – Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook. However, a review of the custodian agreement revealed that it contained some but not all of the conditions required by Part 1 – General, Section IV.H – Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook.

It is recommended that the Company amend their custodian agreement to comply with Part 1 – General, Section IV.H – Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook.

In addition, the Company is required to deposit securities with the Superintendent of Insurance of the State of New York in trust for the security of the Company's policyholders within the United States. The Company maintained such account with Fleet Bank pursuant to the provisions of Section 1314 of the New York Insurance Law.

G. Audited Financial Statements

A review of the Company's audited financial statements was made to determine its compliance with Department Regulation 118 and Section 307(b) of the New York Insurance Law Department. Section 89.2 of Insurance Department Regulation 118 requires an insurer retain an independent certified public accountant ("CPA") who agrees by written contract with such insurer to comply with the provisions of Section 307 (b) of the New York Insurance Law.

The Company was unable to provide the examiners with the written engagement contracts entered into with its CPAs for the years covered by this examination period.

It is recommended that the Company comply with the provisions of Section 307 (b) of the New York Insurance Law and Department Regulation 118.

H. 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	.01 to 1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	55.94%
Premiums in course of collection to surplus as regards policyholders	N/A

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 incurred	\$ 2,486,231	103,205.9%
Loss adjustment expenses incurred	1,358,091	56,375.7
Other underwriting expenses incurred	330,401	13,715.3
Net underwriting gain (or loss)	<u>(4,174,723)</u>	<u>(173,296.9)</u>
Premiums earned	<u>\$2,409</u>	<u>100.00%</u>

I. Investment Management Agreement

The Company has had an informal investment management agreement with Scudder Insurance Asset Management, now known as Deutsche Asset Management (“Deutsche”) since 1995. This agreement was previously with GoldStreet Syndicate Corporation prior to its dissolution and was in effect since 1992. The agreement was effected through resolutions, which were adopted by the board of directors of GoldStreet Syndicate Corporation on July 24, 1992.

Under the terms of the agreement, Deutsche agrees to manage on a continuous basis an investment account (“account”) in the Company’s name and is authorized to take such action for the account as Deutsche, in their sole discretion, may consider appropriate for the operation of the account including, the power to buy, sell and exchange and otherwise deal in all securities, which may at any time form part of the account.

It is recommended that the Company formalize a written investment management agreement with Deutsche Asset Management for its investment services.

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.

<u>Assets</u>	<u>Assets</u>	<u>Not Admitted Assets</u>	<u>Net Admitted Assets</u>	<u>Surplus Increase (Decrease)</u>
Bonds	\$16,985,818		\$16,985,818	\$
Cash and short-term investments	1,079,866		1,079,866	
Investment income due and accrued	136,203		136,203	
Uncollected premiums and agents' balances in course of collection	471,538	\$471,538	0	
Amounts recoverable from reinsurers	<u>944,883</u>	<u> </u>	<u>944,883</u>	<u> </u>
Total assets	<u>\$19,618,307</u>	<u>\$471,538</u>	<u>\$19,146,770</u>	<u>\$ 0</u>

	<u>Examination</u>	<u>Company</u>	<u>Surplus Increase (Decrease)</u>
Losses and loss adjustment expenses	\$10,537,120	\$8,943,120	\$ (1,594,000)
Reinsurance payable on paid losses and loss adjustment expenses	898,168	898,168	
Other expenses	25,000	25,000	
Provision for reinsurance	<u>315,471</u>	<u>315,471</u>	
	<u>\$11,775,589</u>	<u>\$10,181,759</u>	<u>\$ (1,594,000)</u>
Total Liabilities			
 <u>Surplus and Other Funds</u>			
Common capital stock	\$700,000	\$700,000	
Gross paid-in and contributed surplus	6,792,676	6,792,676	
Unassigned funds (surplus)	<u>(121,665)</u>	<u>1,472,335</u>	<u>\$ (1,594,000)</u>
Surplus as regards policyholders	<u>\$ 7,371,011</u>	<u>\$ 8,965,011</u>	<u>\$ (1,594,000)</u>
Total Liabilities, Surplus and Other Funds	<u>\$19,146,770</u>	<u>\$19,146,770</u>	

Note: In September 1998, the Internal Revenue Service determined that the Company is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased \$360,555 during the four-year examination period, (January 1, 2000, through December 31, 2003) detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$2,409
Deductions:		
Losses incurred	\$ 2,486,231	
Loss adjustment expenses incurred	1,358,091	
Other underwriting expenses incurred	330,377	
Miscellaneous expenses	<u>24</u>	
Total underwriting deductions		<u>4,174,723</u>
Net underwriting gain or (loss)		\$(4,172,314)

Investment Income

Net investment income earned	\$ 3,260,697	
Net realized capital gains or (losses)	<u>149,243</u>	
Net investment gain or (loss)		3,409,940

Other Income

Miscellaneous income	<u>\$2,203</u>	
Total other income		<u>2,203</u>
Net income		<u>\$ (760,171)</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 1999, per report on examination			\$7,731,566
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income or (loss)		\$ 760,171	
Change in non-admitted assets	43,123		
Change in provision for reinsurance	<u>356,493</u>	_____	
Total gains and losses	<u>\$ 399,616</u>	<u>\$ 760,171</u>	
Net increase to surplus as regards policyholders			<u>360,555</u>
Surplus as regards policyholders, December 31, 2003, per report on examination			<u>\$7,371,011</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability of \$10,537,120 is \$1,594,000 more than the amount reported by the Company as of the examination date. 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 statement.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

A review was made into the actions taken by the Company with regards to the comments and recommendations contained in the prior report on examination. The item letters and page numbers shown below refers to that of the prior report:

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
i. It is recommended that the Company comply with its by-laws and the board should have at least four regular meetings annually.	5
<p>The Company has not complied with this recommendation. The Company did not hold the required number of meetings two out of the four years covered by this examination. The by-laws were subsequently amended to require one annual meeting.</p>	
ii. It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.	6
<p>The Company has complied with this recommendation. Based on the board of directors' meetings held, the attendance of the board members were adequate during the period covered by this examination.</p>	
iii. It is recommended that the Company comply with Section 1411(a) of the New York Insurance Law.	6
<p>The Company has not complied with this recommendation. A review of the board of directors' minutes during this examination period did not indicate that the investments made by GoldStreet Insurance Company were approved by the Company's board of directors in accordance with Section 1411 (a) of the New York Insurance Law. A similar recommendation is contained in this report.</p>	
B. <u>Reinsurance</u>	
It is recommended that the Company take proper care when completing Schedule F and all other parts of the annual statement, and ensure that all data in the annual statement is correct before submitting it to the Department.	9
<p>The Company has complied with this recommendation. The Schedule F data contained in the Company's annual statements covered by this examination was found to accurately reflect its reinsurance transactions.</p>	
C. <u>Holding Company System</u>	
It is recommended that the Company make the appropriate filing for every year as required by Article 15 of the New York Insurance Law and Department Regulation 52.	10

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The Company has not complied with this recommendation. The Company did not make the appropriate filings pursuant to Article 15 of the New York Insurance Law three out of the four years covered by this examination. A similar recommendation is contained in this report.

D. Accounts and Records

It is recommended that the Company take proper care when completing interrogatories of the annual statement before filing it with the New York Insurance Department.

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The Company has complied with this recommendation. A review of the interrogatories of the annual statement contained no discrepancies.

E. Abandoned Property Law

It is recommended that the Company comply with provisions of Sections 1315 and 1316 of the New York State Abandoned Property Law, and file the proper forms with the State Comptroller's Office.

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Subsequent to the examination date the Company received the required forms and has filed them with the State Comptroller's Office for the year 2000.

The Company has not complied with this recommendation. The Company did not file the required forms two out the four years covered by this examination as set forth in Sections 1315 and 1316 of the New York State Abandoned Property Law. A similar recommendation is contained in this report.

F. Bonds

It is recommended that the Company substitute the appropriate investments in its Section 1314 account.

17

The Company has complied with this recommendation. On July 9, 2001, the Company purchased a U.S. Treasury Note pursuant to the provisions of Section 1318 and 1402 (b) of the New York Insurance Law to satisfy its requirements as per Section 1314 of the New York Insurance Law.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
i. It is recommended that the Company's shareholders hold annual meetings for the purpose of electing the members of the board of directors of GoldStreet Insurance Company as set forth in the Company's charter.	6
ii. It is recommended that the Company obtain and maintain signed statements from each director on the board of directors confirming that such member has received and read such report as per Section 312 (b) of the New York Insurance Law.	6
iii. It is recommended that the Company adhere to the provisions of Section 1411 (a) of the New York Insurance Law.	7
iv. It is recommended that the Company exercise due diligence in obtaining and maintaining signed conflict of interest questionnaires from its board of directors, officers and employees.	8
v. It is recommended that the Company establish a procedure for enforcing such a policy and permit the board of directors to properly oversee and handle any conflicts disclosed.	8
vi. It is recommended that the board of directors maintain complete minutes of its proceedings on such matters.	8
B. <u>Reinsurance</u>	
i. It is recommended that the Company endeavor to obtain all current accountings from its reinsured as called for in the executed reinsurance agreement.	10
C. <u>Holding Company System</u>	
It is recommended that the Company make the required holding company filings, as registrant, pursuant to the requirements of Article 15 of the New York Insurance Law and Department Regulation No. 52 in a timely manner.	11

<u>ITEM</u>	<u>PAGE NO.</u>
D. <u>Abandoned Property Law</u>	

- It is recommended that the Company comply with Section 1316 of the New York Abandoned Property Law in filing the required abandoned property reports with the New York State Comptroller's Office. 13
- It is recommended that the Company establish formal written guidelines and adequate controls in maintaining the accountability of all unclaimed checks, in accordance with Section 1315 of the New York Abandoned Property Law. 13
- E. Custodian Agreements
- It is recommended that the Company amend their custodian agreement to comply with Part 1 – General, Section IV.H – Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook. 13
- F. Audited Financial Statements
- It is recommended that the Company comply with the provisions of Section 307 (b) of the New York Insurance Law and Department Regulation 118. 14
- G. Investment Management Agreement
- It is recommended that the Company formalize a written investment management agreement with Deutsche Asset Management for its investment services. 15

Appointment No. 22243

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:

Jimmie Newsome

as proper person to examine into the affairs of the

GOLDSTREET INSURANCE COMPANY

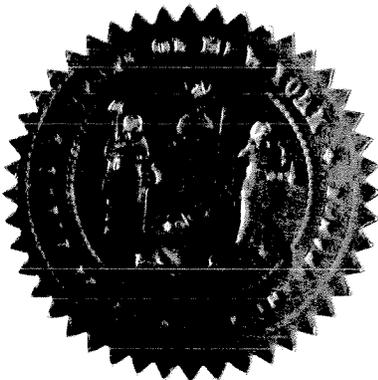
and to make a report to me in writing of the condition of the said

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 7th day of July, 2004




GREGORY V. SERIO
Superintendent of Insurance