

REPORT ON EXAMINATION

OF THE

GOLDSTREET INSURANCE COMPANY
(formerly Goldstreet Syndicate Corporation)

AS OF

DECEMBER 31, 2009

DATE OF REPORT

APRIL 30, 2010

EXAMINER

JOHN CONLEY

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

April 30, 2010

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30339 dated May 19, 2009 attached hereto, I have made an examination into the condition and affairs of GoldStreet Insurance Company as of December 31, 2009, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate GoldStreet Insurance Company.

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

The examination was conducted at the administrative office of the Company's manager, Chilton International Inc., located at 100 Commons Way, Suite 210, Holmdel, NJ 07733.

1. SCOPE OF EXAMINATION

The Department has completed a single-state examination of GoldStreet Insurance Company. The previous examination was conducted as of December 31, 2003. This examination covered the six-year period from January 1, 2004 through December 31, 2009. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination comprised a complete verification of assets and liabilities as of December 31, 2009, 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 ("NAIC").

- History of the Company
- Management and control
- Corporate records
- Fidelity bonds and other insurance
- Territory and plan of operation
- Business in force
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements
- Statutory deposits
- Significant subsequent events
- Summary and recommendations

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

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

2. DESCRIPTION OF COMPANY

GoldStreet Insurance Company (formerly GoldStreet Syndicate Corporation) was incorporated under the laws of the State of New York 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, which had entered into liquidation effective September 30, 1996. The Syndicate was dissolved in October 1996. Ownership of the Company remained the same as that of the Syndicate, with Sequa Corporation and Republic Insurance Company owning 70.18% and 29.82%, respectively. The Syndicate ceased accepting new or renewal insurance business in December 1987.

On November 13, 2009, Sequa Corporation sold its 70.18% interest in the Company to Randall & Quilter America Holdings, Inc. (“Randall & Quilter America”). On December 11, 2009, the remaining 29.82% of the Company was sold to Randall & Quilter America. Randall & Quilter America is a wholly-owned subsidiary of Randall & Quilter Investment Holdings, plc.

Capital paid in is \$700,000 consisting of 7,000 shares of common stock at \$100 par value per share. Gross paid in and contributed surplus is \$6,792,676. Gross paid in and contributed surplus did not change during the examination period.

A. Management

Prior to the purchase of the Company by Randall & Quilter America, its operations were managed by Chilton International, Inc. pursuant to a management agreement. Pursuant to the Company’s amended charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen, nor more than nineteen members. At December 31, 2009, the board of directors was comprised of the following 13 members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Kevin Dean Apple Bow, NH	Vice President, R & Q USA Inc.
William George Bouvier Chester Springs, PA	Vice President, R & Q USA Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Leonard Dome Roslyn Heights, NY	Attorney, Mound, Cotton, Wollan & Greengrass
John William Fischer Portland, Maine	Assistant Vice President, R & Q USA Inc.
Lawrence Greengrass Great Neck, NY	Partner, Mound, Cotton, Wollan, & Greengrass
Susan Elizabeth Grondine Scituate, MA	General Counsel and Assistant Secretary, R & Q USA Inc.
Lloyd Gura Bellmore, NY	Partner, Mound, Cotton, Wollan, & Greengrass
Pamela Susan Sellers-Hoelsken Quincy, MA	Treasurer & Chief Operating Officer, R & Q USA Inc.
Andrew William McCarthy Hope Valley, RI	Vice President, R & Q USA Inc.
Robert Edward McCoy Little Burstead, Essex, UK	Chief Executive Officer, Cavell Management Services Limited
Annette Marie Mullen North Easton, MA	Assistant Vice President, R & Q USA Inc.
Alan Kevin Quilter Langdon Hills, Essex, UK	Director, Randall & Quilter Consultants, Limited
Kenneth Edward Randall East Malling, Kent, UK	Chairman, Randall & Quilter Investment Holdings plc

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

The Company's charter provides for an annual shareholders meeting to be held each year. The review of the shareholders minutes revealed that the annual shareholders meetings were not held in 2004 and 2009.

It is recommended that the Company comply with its charter by holding an annual shareholders' meeting.

As of December 31, 2009, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Robin Edward McCoy	President and Chief Executive Officer
Alan Kevin Quilter	Vice President and Finance Director
Pamela Susan Sellers-Hoelsken	Treasurer and Chief Operating Officer
Michael Logan Glover	Secretary
John William Fischer	Assistant Treasurer
Susan Elizabeth Grondine	Assistant Secretary

Investments

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 the examination period did not indicate that the investments made by the Company were approved by its 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.

Conflict of Interest

The Company stated in the General Interrogatories of its 2009 Annual Statement that it has an established procedure for disclosure to its board of directors of any material interest or affiliation on the part of any of its officers, directors, or responsible employees that is in conflict or is likely to conflict with the official duties of such person. However, the Company was unable to provide its conflict of interest policy, procedures or conflict of interest questionnaires. Therefore, the Company has not established that it has procedures that permit the board of directors to properly oversee and handle any conflicts of interest.

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 establish a conflict of interest policy and have its directors, officers and key employees complete and sign conflict of interest questionnaires on an annual basis. It is further recommended that the completed conflict of interest questionnaires be reviewed by the Company's board of directors.

B. Territory and Plan of Operation

As of December 31, 2009 GoldStreet Insurance Company was only licensed in New York State.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident & health
4	Fire
5	Miscellaneous property
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 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 \$1,450,000.

C. Reinsurance

GoldStreet Insurance Company's business consists of the runoff of assumed and ceded reinsurance business from the dissolved GoldStreet Syndicate Corporation. The business consisted of assumed reinsurance treaties and facultative certificates for calendar years 1981 through 1987, as well as ceded reinsurance contracts that protect GoldStreet for amounts excess of \$150,000 per occurrence.

As a condition of the sale of the Company to Randall and Quilter America in December 2009, the Company entered into a commutation and release agreement to commute business previously assumed from Republic Insurance Company ("Republic") when Republic was a contract issuing company for the PAG Syndicate (the "Republic PAG Cession"), pursuant to a Memorandum of Agreement effective January 1, 1983. Additionally, the commutation and release agreement commutes business previously ceded by GoldStreet Syndicate Corporation to Republic (the "GoldStreet Retrocession"). In consideration of the settlement of the commuted liabilities under the Republic PAG Cession and the GoldStreet Retrocession, the Company paid Republic \$4.8 million. The net impact of the commutation was a loss of \$62,000 to the Company.

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 Company did not enter into any reinsurance agreements during the examination period.

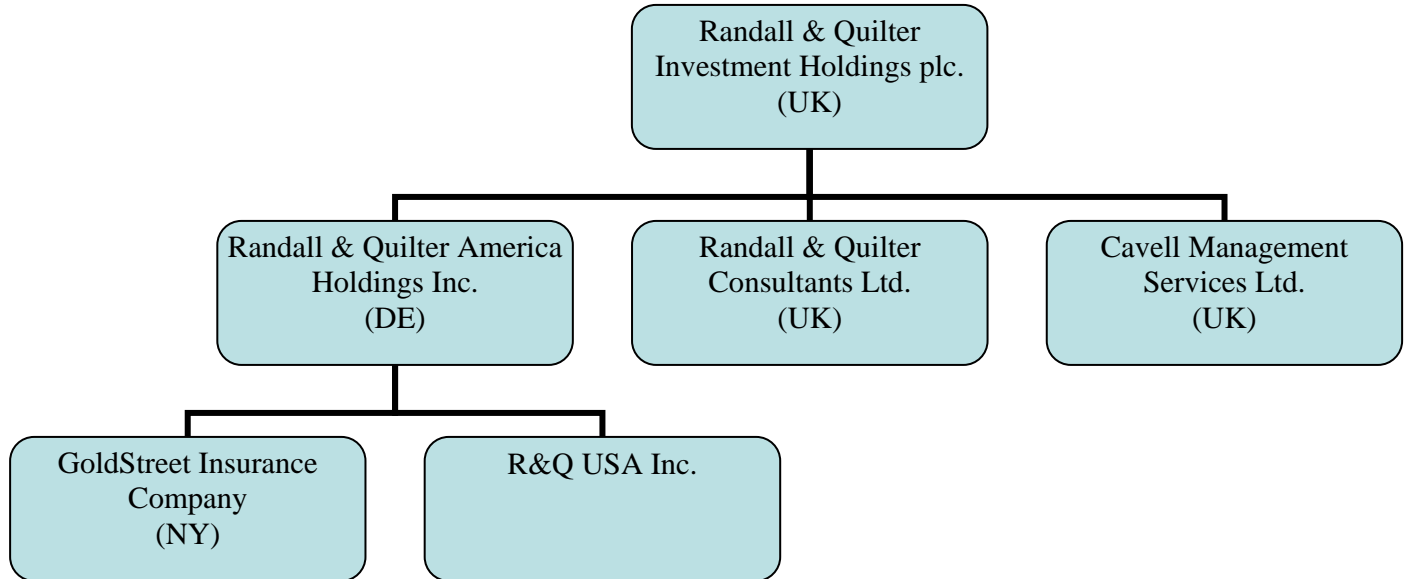
D. Holding Company System

On November 13, 2009, after receiving approval from the Department, Randall & Quilter America purchased the outstanding shares of the Company held by Sequa Corporation. On December 18, 2009, Randall & Quilter America purchased the remaining outstanding shares of the Company.

The Company is 100% owned by Randall & Quilter America, a Delaware corporation, which is ultimately controlled by Randall & Quilter Investment Holdings, plc, a U.K. corporation.

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 an abbreviated chart of the holding company system at December 31, 2009:



At December 31, 2009, the Company was party to the following agreement with another member of its holding company system:

Oversight Agreement

Effective November 13, 2009, the Company entered into an oversight agreement with Randall & Quilter Investment Holdings, plc. (“R&Q Investment”). Pursuant to the terms of the agreement R&Q Investment will provide general management services, accounting, legal and compliance services.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2009, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	N/A
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	28.73%
Premiums in course of collection to surplus as regards policyholders	N/A

The second ratio falls within the benchmark ranges set forth in the Insurance Regulatory Information System (“IRIS”) of the National Association of Insurance Commissioners.

The premium based IRIS ratios and the underwriting ratios are not applicable because the Company has been in run-off since its inception in 1996.

F. Accounts and records

Custodian Agreement

The Company answered in the affirmative in the Annual Statement to General Interrogatory No. 26 that its custodian agreements were in compliance with Section 3, III Conducting Examinations, F – Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook. The Company stated that it has agreements with Bank of America and JP Morgan Chase that comply with the NAIC Financial Condition Examiners Handbook. The review of the custodian agreement with Bank of America revealed that it did not contain any of the safeguards and controls required by the Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements, of the NAIC Financial Condition Examiners Handbook. The custodian agreement with JP Morgan Chase was not provided for review.

It is recommended that the Company amend the custodian agreement with Bank of America to comply with the NAIC Financial Condition Examiners Handbook.

It is recommended that the Company enter into a custodian agreement with JP Morgan Chase that complies with the NAIC Financial Condition Examiners handbook.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2009 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 9,270,869	\$ 0	\$ 9,270,869
Cash, cash equivalents and short-term investments	3,546,212		3,546,212
Investment income due and accrued	56,255		56,255
Uncollected premiums and agents' balances in the course of collection	449,154	449,154	0
Amounts recoverable from reinsurers	31,595		31,595
Current federal and foreign income tax recoverable and interest thereon	23,937		23,937
Net deferred tax asset	<u>457,451</u>	<u>457,451</u>	<u>0</u>
Total assets	<u>\$13,835,475</u>	<u>\$906,605</u>	<u>\$12,928,868</u>

Liabilities, Surplus and Other Funds

Liabilities

Losses		\$ 3,042,086
Reinsurance payable on paid losses and loss adjustment expenses		310,706
Loss adjustment expenses		222,491
Other expenses (excluding taxes, licenses and fees)		25,000
Provision for reinsurance		<u>81,540</u>
Total liabilities		\$ 3,681,823

Surplus and Other Funds

Common capital stock	\$ 700,000	
Gross paid in and contributed surplus	6,792,676	
Unassigned funds (surplus)	<u>1,754,370</u>	
Surplus as regards policyholders		<u>9,247,046</u>
Total liabilities, surplus and other funds		<u>\$12,928,868</u>

NOTE: The Internal Revenue Service did not audit the Company's federal income tax returns for the years under examination. 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 \$1,876,035 during the six-year examination period January 1, 2004 through December 31, 2009, detailed as follows:

Underwriting Income

Premiums earned		\$ (25,278)
Deductions:		
Losses incurred	\$469,925	
Loss adjustment expenses incurred	924,368	
Other underwriting expenses incurred	<u>565,410</u>	
Total underwriting deductions		<u>1,959,703</u>
Net underwriting gain or (loss)		\$(1,984,981)

Investment Income

Net investment income earned	\$3,562,075	
Net realized capital gains or (losses)	<u>(134,185)</u>	
Net investment gain or (loss)		3,427,890

Other Income

Miscellaneous income	\$ <u>152,874</u>	
Total other income		<u>152,874</u>
Net income before federal and foreign income taxes		\$ 1,595,783
Federal and foreign income taxes incurred		<u>(23,937)</u>
Net income		\$ <u>1,619,720</u>

Capital and Surplus Account

Surplus as regards policyholders per report on examination as of December 31, 2003			\$7,371,011
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$1,619,720		
Change in net deferred income tax	457,451		
Change in non-admitted assets		435,067	
Change in provision for reinsurance	<u>233,931</u>	<u>0</u>	
Total gains or losses in surplus	<u>\$2,311,102</u>	<u>\$435,067</u>	
Net increase (decrease) in surplus			<u>1,876,035</u>
Surplus as regards policyholders per report on examination as of December 31, 2009			<u>\$9,247,046</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$3,264,577 is the same as reported by the Company as of December 31, 2009. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<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
<p>The Company complied with this recommendation in 2005, 2006, 2007, and 2008, but not in 2004 and 2009. A similar comment is made in this report.</p>	
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
<p>The Company has complied with this recommendation.</p>	
iii. It is recommended that the Company adhere to the provisions of Section 1411 (a) of the New York Insurance Law.	7
<p>The Company has not complied with this recommendation. A similar comment is made in this report.</p>	
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
<p>The Company has not complied with this recommendation. The Company has not shown that it has a conflict of interest policy in place. A similar comment is made in this report.</p>	
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
<p>The Company has not complied with this recommendation. A similar comment is made in this report.</p>	

<u>ITEM</u>	<u>PAGE NO.</u>	
vi.	<p>It is recommended that the board of directors maintain complete minutes of its proceedings on such matters.</p> <p>The Company has not complied with this recommendation. A similar comment is made in this report.</p>	8
B.	<p><u>Reinsurance</u></p> <p>It is recommended that the Company endeavor to obtain all current accountings from its reinsured as called for in the executed reinsurance agreement.</p> <p>The Company has complied with this recommendation.</p>	10
C.	<p><u>Holding Company System</u></p> <p>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.</p> <p>The Company has complied with this recommendation.</p>	11
D.	<p><u>Abandoned Property Law</u></p> <p>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.</p> <p>The Company has complied with this recommendation.</p> <p>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.</p> <p>The Company has complied with this recommendation.</p>	13
E.	<p><u>Custodian Agreements</u></p> <p>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.</p> <p>The Company has not complied with this recommendation. The custody agreement between the Company and Bank of America does not include any of the NAIC recommended safeguards and controls. A similar comment is made in this report.</p>	13

<u>ITEM</u>	<u>PAGE NO.</u>
F. <u>Audited Financial Statements</u> It is recommended that the Company comply with the provisions of Section 307(b) of the New York Insurance Law and Department Regulation 118. The Company has complied with this recommendation.	14
G. <u>Investment Management Agreement</u> It is recommended that the Company formalize a written investment management agreement with Deutsche Asset Management for its investment services. The Company has complied with this recommendation.	15

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
i. It is recommended that the Company comply with its charter by holding an annual shareholders' meeting.	4
ii. It is recommended that the Company adhere to the provisions of Section 1411(a) of the New York Insurance Law.	5
iii. It is recommended that the Company establish a conflict of interest policy and have its directors, officers and key employees complete and sign conflict of interest questionnaires on an annual basis.	6
iv. It is recommended that the completed conflict of interest questionnaires be reviewed by the Company's board of directors.	6
B. <u>Custodial Agreements</u>	
i. It is recommended that the Company revise its custodial agreement with Bank of America to include the protective safeguards and controls in accordance with Section 3, III Conducting Examinations, F – Custodial or Safekeeping agreements, of the NAIC Financial Condition Examiner's Handbook.	9
ii. It is recommended that the Company enter into a custodian agreement with JP Morgan Chase that complies with the NAIC Financial Condition Examiners handbook.	9

Respectfully submitted,

_____/s/
John Conley
Senior Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

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

_____/s./
John Conley

Subscribed and sworn to before me

this _____ day of _____, 2010.

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, Eric R. Dinallo, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

John Conley

as proper person to examine into the affairs of the

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 19th day of May, 2009

A handwritten signature in black ink, appearing to read "Eric R. Dinallo".

ERIC R. DINALLO
Superintendent of Insurance