

REPORT ON EXAMINATION

OF THE

ASSOCIATED MUTUAL INSURANCE COOPERATIVE

AS OF

DECEMBER 31, 2006

DATE OF REPORT

JANUARY 25, 2008

EXAMINER

WAYNE LONGMORE

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STATE OF NEW YORK  
INSURANCE DEPARTMENT  
ONE COMMERCE PLAZA  
ALBANY, NEW YORK 12257

January 25, 2008

Honorable Eric R. Dinallo  
Superintendent of Insurance  
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 22679 dated September 13, 2007 attached hereto, I have made an examination into the condition and affairs of the Associated Mutual Insurance Cooperative as of December 31, 2006, and submit the following report thereon.

The examination was conducted at the Company's home office located at 39 Broadway, Woodridge, New York 12789.

Wherever the designations "the Company" or "AMIC" appear herein without qualification, they should be understood to indicate the Associated Mutual Insurance Cooperative.

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

**1. SCOPE OF EXAMINATION**

The previous examination was conducted as of December 31, 2001. This examination covered the five-year period from January 1, 2002 through December 31, 2006. 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, 2006. The examination included 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"). 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
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements
- Market conduct activities

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.

## 2. DESCRIPTION OF COMPANY

The Associated Mutual Insurance Company of Woodridge, New York was the surviving company of five closely related cooperatives. These Companies were under the same management and were simultaneously consolidated and converted into a mutual fire insurance company on January 1, 1971 upon meeting the requirements of Sections 6629 and 7306 of the New York Insurance Law. The first of the five cooperatives, known collectively as the Associated Cooperative Fire Insurance Companies of Sullivan and Adjoining Counties, began operations in 1913. The other co-operatives were organized later to enlarge their capacity to meet the growing requirements of their members.

On January 1, 1997, upon meeting the requirements of Section 7306-a of the New York Insurance Law, the Company simultaneously reconverted into an assessment cooperative corporation and then into an advance premium cooperative property/casualty insurance corporation. Also, on January 1, 1997, the name of the corporation was changed to the Associated Mutual Insurance Cooperative, with a new license issued to do property/casualty insurance business within the state of New York.

### 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 nine nor more than fifteen members. As of the examination date, the board of directors was comprised of nine members.

Ten board meetings were held in each of the years during the period under examination, thereby complying with Section 6624(b) of the New York Insurance Law.

The directors as of December 31, 2006, were as follows:

#### Name and Residence

Wallace M. Berkowitz  
Monticello, NY

#### Principal Business Affiliation

President and sole shareholder of NWB  
Affiliates, Inc.;;  
Chairperson of the board of AMIC

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Gary B. Bowers Narrowsburg, NY	Vice President-Finance of AMIC
Hiram H. Frank Liberty, NY	Retired
Irwin R. Gitlin Liberty, NY	Certified Public Accountant Vice Chairperson of the board of AMIC
Robert L. Kaplan Woodridge, NY	Poultry Farmer Secretary-Treasurer of AMIC
William K. Kerrigan Katonah, NY	Attorney
David Levitz Grahamsville, NY	Retired
Zane A. Morganstein Monticello, NY	President and CEO of AMIC
Benjamin Posner South Fallsburg, NY	Retired

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

As of December 31, 2006, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Wallace M. Berkowitz	Chairperson of the Board
Irwin R. Gitlin	Vice Chairperson of the Board
Zane A. Morganstein	President and CEO
Robert L. Kaplan	Secretary-Treasurer
Gary B. Bowers	Vice President-Finance and Human Resources Officer

<u>Name</u>	<u>Title</u>
Joan Collins	Vice President-Underwriting- Personal Lines and Assistant Secretary
Diane Kruk - Sandbothe	Vice President- Claims
Kathy Shapiro	Vice President- Commercial Lines
Celeste Escobar	Assistant Vice President- Commercial Lines
Kathleen V. Giustiniani	Vice President-Marketing
Carl Abramson	Assistant Vice President- Marketing

B. Territory and Plan of Operation

As of December 31, 2006, the Company was licensed to write business in New York only.

The following schedule shows the direct premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Direct Premiums Written (000's)</u>
2002	\$ 9,347
2003	\$10,247
2004	\$11,113
2005	\$11,284
2006	\$10,682

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
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland marine only)

Based upon the lines of business for which the Company is licensed, and pursuant to the requirements of Articles 13, 41 and 66 of the New York Insurance Law, as of December 31, 2006, the Company is required to maintain a minimum surplus to policyholders in the amount of \$800,000.

At December 31, 2006, the Company wrote insurance through independent agents.

The Company's predominate lines of business are commercial multiple peril and homeowners multiple peril, which accounted for 92.7%, and 3.7% respectively of the Company's 2006 direct written business.

C. Reinsurance

Assumed

The Company assumed a minor volume of losses during the examination period, representing its share of the losses of an insurance company that is in rehabilitation.

Ceded

The Company had the following reinsurance program in effect at December 31, 2006:

<u>Type of treaty</u>	<u>Cession</u>
Property Excess of Loss (2 Layers - 100% authorized)	\$900,000 excess of \$100,000 each loss, each risk, limit of \$2,700,000 all risks, each loss occurrence
Casualty Excess of Loss (2 Layers - 100% authorized)	\$900,000 excess of \$100,000 each loss occurrence
Basket (loss common to both property and casualty)	\$100,000 in excess of \$100,000 any one occurrence
Fire Damage Legal Liability- Excess of Loss	\$500,000 excess of \$1,000,000 each loss occurrence. Recoveries under this section shall apply only when the insured purchases liability coverage (Fire Damage Legal Liability) for



<u>Type of treaty</u>	<u>Cession</u>
	property damage caused to premises rented by the Company's policyholders
Casualty Clash - Excess of Loss	\$1,000,000 excess of \$1,000,000 each loss occurrence
Property Catastrophe Excess of Loss (4 Layers - 100% authorized)	97.5% of \$8,200,000 excess \$300,000 each loss occurrence

As of the examination date, the Company also had a property facultative facility available on an offer and acceptance basis.

The Company also had the following casualty excess of loss facultative reinsurance effective at December 31, 2006:

Casualty	\$1,000,000 excess \$1,000,000 each loss occurrence, each policy
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All ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause that met 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 and Chief Financial Officers pursuant to the NAIC's Annual Statement Instructions. 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 42 to 46 of SSAP No. 62.

D. Holding Company System

As of December 31, 2006, the Company was not a member of a holding company system.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2006, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	1.19:1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	71%
Premiums in course of collection to surplus as regards policyholders	4%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$27,485,017	63.94%
Other underwriting expenses incurred	15,283,716	35.56%
Net underwriting gain	<u>215,316</u>	<u>0.50%</u>
Premiums earned	<u>\$42,984,049</u>	<u>100.00%</u>

F. Accounts and Records

i. Backing up of Premium Detail Data

Prior to the commencement of the examination, the Department requested certain electronic data files for written/unearned premiums and premiums in the course of collection.

Separate files should have been provided for the written/unearned premiums and premiums in the course of collection. The Company was unable to provide the aforementioned electronic premium files as of the examination date. Also, the Company was unable to provide the detail, on a policy-by-policy basis, for the liability reported for Advance Premium. It is noted that the Company maintained summary level detail for Unearned Premiums and Advance Premiums as of December 31, 2006. In correspondence from the Company dated November 9, 2007, Management indicated that the respective data files could not be reproduced or provided due to an idiosyncrasy in their policy administration system software. Files were saved and backed up to a remote server at year end, but were inadvertently overwritten. Management further stated that upon discovery of this problem the Company modified its back up practices. Full backups are done nightly to a remote data center where daily backups are retained for seven days, weekly backups are retained for 31 days, and monthly backups are retained for 365 days. In addition, the Company indicated that as of September 2007, all data files are archived at each month end, giving them access to all data for special reporting or data mining. The archives are kept on local storage indefinitely and are also included in the remote backups previously noted, giving the Company unlimited retention.

Nonetheless it is recommended that henceforth, the Company generate a back up of the premium detail data information supporting its annual and quarterly statement filings with this Department and be able to produce same upon examination.

ii. Recording Securities transactions at the Trade Date vs. Settlement date

Trade confirmations were reviewed for a sample of bonds and stocks listed on Schedule D, Part 1 and Schedule D, Part 2, Section 2 respectively of the 2006 filed Annual Statement. A number of the securities reviewed were recorded on the settlement date instead of the trade date.

It is recommended that the Company record bond and stock acquisitions and disposals on the trade date, not the settlement date, except for the acquisition of private placement securities, which should be recorded on the funding date, in accordance with SSAP No. 26, paragraph 4 (for bonds); SSAP No. 30, paragraph 5 (for common stocks); SSAP No. 32, paragraph 10 (for preferred stocks) and SSAP No. 43, paragraph 6 (for loan-backed and structured securities).

This observation was brought to the attention of the Company and in correspondence dated November 27, 2007, management agreed that, in the future, the Company will record security transactions on the trade date, as required by the aforementioned SSAP's.

iii. Custodian Agreement

The Company's custodian agreement with HSBC Bank, USA, dated April 30, 2004, was found to be missing several of the necessary safeguards and controls as detailed in the NAIC Financial Condition Examiners Handbook. This observation was brought to the attention of the Company on November 13, 2007. On November 21, 2007, the Company produced an addendum dated November 19, 2007 that brought the custodian agreement into compliance with the NAIC Financial Condition Examiners Handbook.

It is recommended that the Company remain mindful of the provisions of the NAIC Financial Condition Examiners Handbook for any future custodial agreements being entered into. The Company should also endeavor to correctly complete the Annual Statement General Interrogatories relative to the compliance of its custodial agreement(s) with the requirements of the NAIC Financial Condition Examiners Handbook, henceforth.

iv. Real Estate Appraisal

It was noted that the Company did not maintain an appraisal that is no more than five years old as of the reporting date for the rental property owned by the Company and held for the production of income. SSAP No. 40 paragraph 12 states, in part,

“For all properties held for the production of income, the reporting entity must maintain an appraisal that is no more than five years old as of the reporting date...”

The Company was informed of the observation and Management obtained the necessary appraisal for the aforementioned property.

Nevertheless, it is recommended that the Company comply with the requirements of SSAP No. 40, paragraph 12 and maintain an appraisal that is no more than five years old as of the reporting date for all properties held for the production of income.

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2006 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	\$14,649,955	\$ 0	\$14,649,955
Common stocks	733,323		733,323
Mortgage loans on real estate - First liens	28,082		28,082
Real Estate: Properties occupied by the company	236,854		236,854
Real Estate: Properties held for the production of income	70,890		70,890
Cash, cash equivalents and short-term investments	5,677,187		5,677,187
Investment income due and accrued	128,590		128,590
Uncollected premiums and agents' balances in the course of collection	360,559	15,649	344,910
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,026,845		3,026,845
Amounts recoverable from reinsurers	129,353		129,353
Net deferred tax asset	773,974	262,581	511,393
Electronic data processing equipment and software	34,355		34,355
Furniture and equipment	40,529	40,529	0
Equities and deposits in pools and associations	248,733	0	248,733
Miscellaneous receivable	<u>2,361</u>	<u>2,361</u>	<u>0</u>
Total Assets	<u>\$26,141,590</u>	<u>\$321,120</u>	<u>\$25,820,470</u>

Liabilities, surplus and other fundsLiabilities

Losses and Loss adjustment expenses	\$ 11,302,678
Commissions payable, contingent commissions and other similar charges	404,273
Other expenses (excluding taxes, licenses and fees)	447,584
Taxes, licenses and fees (excluding federal and foreign income taxes)	19,123
Current federal and foreign income taxes	10,091
Borrowed money and interest thereon	8,395
Unearned premiums	5,740,482
Advance premium	86,637
Ceded reinsurance premiums payable (net of ceding commissions)	75,746
Amounts withheld or retained by company for account of others	38,097
Payable for fixed assets	<u>5,100</u>
Total liabilities	\$18,138,206

Surplus and other funds

Minimum and special contingent surplus	\$ 800,000
Unassigned funds (surplus)	<u>6,882,264</u>
Surplus as regards policyholders	<u>7,682,264</u>
Total liabilities, surplus and other funds	<u>\$25,820,470</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 \$3,892,187 during the five-year examination period January 1, 2002 through December 31, 2006, detailed as follows:

Underwriting Income

Premiums earned		\$42,984,049
Deductions:		
Losses and Loss adjustment expenses incurred	\$27,485,017	
Other underwriting expenses incurred	<u>15,283,716</u>	
Total underwriting deductions		<u>42,768,733</u>
Net underwriting gain or (loss)		\$ 215,316

Investment Income

Net investment income earned	\$ 3,356,165	
Net realized capital gain	<u>10,300</u>	
Net investment gain or (loss)		<u>3,366,465</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ 119,332	
Finance and service charges not included in premiums	636,050	
Aggregate write-ins for miscellaneous income	<u>200,786</u>	
Total other income		<u>956,168</u>
Net income before federal and foreign income taxes		\$ 4,537,949
Federal and foreign income taxes incurred		<u>1,255,685</u>
Net Income		<u><u>\$3,282,264</u></u>

Surplus as regards policyholders per report on examination as of December 31, 2001				\$3,790,077
		<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$3,282,264		\$ 0	
Net unrealized capital gains or losses	76,902			
Change in net deferred income tax	180,704			
Change in non-admitted assets			46,309	
Cumulative effect of changes in accounting principles	<u>398,626</u>		<u>0</u>	
Net increase (decrease) in surplus	<u>\$3,938,496</u>		<u>\$46,309</u>	<u>3,892,187</u>
Surplus as regards policyholders per report on examination as of December 31, 2006				<u>\$7,682,264</u>

#### 4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$11,302,678 is the same as reported by the Company as of December 31, 2006. 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. 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



Except as noted below, no unfair practices were encountered.

Department Regulation 90 - Producer Termination Letters

The following recommendation was included in the previous report on examination as of December 31, 2001:

It is recommended that the Company comply with Department Regulation 90 Parts 218.4(a) and 218.5(b) when terminating agent's contracts.

During the current examination, a review of the Company's agent termination notices found that the notices included in the letters reviewed did not include the current required wording, in as much as the Department's website address was missing. Therefore, the Company did not fully comply with the requirements of Regulation 90 Part 218.5(a). It should be noted that during the period under examination Regulation 90 was amended so that the requirements of the previous Part 218.5(b) became the requirements of Part 218.5(a).

When presented with the observation, Company Management was able to produce an updated template demonstrating that the necessary updates were made on December 28, 2006.

It is recommended that the Company ensure that wording included in its producer termination letters fully complies with Part 218.5(a) of Regulation 90 at all times.

## 6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained 19 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 maintain formal minutes of committee meetings, as required by Section 6611(a)(3) of the New York Insurance Law.	5
The Company has complied with this recommendation.	
ii. It is recommended that the Company adhere to all the provisions of Section 712(a) of the New York Business Corporation Law.	5
The Company has complied with this recommendation.	
iii. It is recommended that the Company adhere to all the provisions of its charter and by-laws, henceforth.	5
The Company has complied with this recommendation.	
B. <u>Abandoned Property</u>	
It is recommended that the Company escheat to the State Comptroller's Office of Unclaimed Funds all amounts required by Section 1316 of the New York Abandoned Property Law.	10
The Company has complied with this recommendation.	
C. <u>Accounts and Records</u>	
i. <u>Fidelity Insurance</u>	
It is recommended that the Company maintain fidelity coverage at least equal to the minimum amount recommended by the NAIC, for a company of its size, in order to adequately protect the assets of the Company. A similar recommendation was included in the prior report on examination.	10-11
The Company has complied with this recommendation.	

ITEMPAGE NO.ii. Rental Charge for the Occupancy of its Own Buildings

It is recommended that the Company ensure that the rental charge for the occupancy of its own buildings includes real estate expenses, real estate taxes and real estate depreciation, plus a reasonable investment return thereon. A similar recommendation was included in the prior report on examination.

11

The Company has complied with this recommendation.

iii. CPA Contracts

It is recommended that the Company ensure that its contracts with its CPA firm covering all future audit years meet the requirements of Department Regulation 118 and Section 307(b) of the New York Insurance Law. A similar recommendation was included in the prior report on examination.

11-12

The Company has complied with this recommendation

iv. Allocation of Expenses

Management is directed to establish and maintain written documentation supporting the allocation of each expense category to the major expense groups and allocate expenses of the Company to each expense category as required by this Department's Regulation No. 30.

12

The Company has complied with this recommendation.

v. Amortization of Bond Investments

It is recommended that the Company amortize its bond investments using the scientific (constant yield) interest method as required by Statement of Statutory Accounting Principles No. 26.

13

The Company has complied with this recommendation.

vi. Approval of Investments

It is recommended that the Company comply with the requirements of Section 1411(a) of the New York Insurance Law and ensure that the minutes of board meetings accurately reflect the approval of all the Company's investment transactions.

13

The Company has complied with this recommendation.

<u>ITEM</u>		<u>PAGE NO.</u>
D.	<u>Cash</u>	
	It is recommended that the Company classify cash, cash equivalents and short-term investments in accordance with Statement of Statutory Accounting Principles No. 2, Issue paper No. 28 and the annual statement instructions.	18
	The Company has complied with this recommendation.	
E.	<u>Losses and loss adjustment expenses</u>	
	It is recommended that the Company provide an adequate reserve for unpaid losses and loss adjustment expenses in all future financial statements filed with this Department in order to comply with the requirements of Section 1303 of the New York Insurance Law.	19
	The Company has complied with this recommendation.	
F.	<u>Market Conduct Activities</u>	
i.	It is recommended that the Company maintain copies of all advertisements and that it be able to cross-reference the ad copy to the applicable invoice, so as to provide a means upon examination to determine if its advertisements were in compliance with Section 1313 of the New York Insurance Law and if they were unfair or misleading.	20
	The Company has complied with this recommendation.	
ii.	It is recommended that the Company comply with Department Regulation 90 Parts 218.4(a) and 218.5(b) when terminating agent's contracts.	21
	The Company has not fully complied with this recommendation. A similar recommendation is made in this report regarding Regulation 90 Part 218.5. See section 5 of this report.	
iii.	It is recommended that the Company comply with the requirements of Section 2112(a) of the New York Insurance Law by ensuring that all agents it is doing business with are currently appointed with the Department to represent it.	21
	The Company has complied with this recommendation.	
iv.	It is recommended that the Company comply with the provisions of Department Regulation 64 Sections 216.6(g) and 216.9(a).	22

<u>ITEM</u>		<u>PAGE NO.</u>
	The Company has complied with this recommendation.	
v.	It is recommended that the Company comply with the provisions of Sections 3426(e)(2) and 3426(e)(7) of the New York Insurance Law.	23
	The Company has complied with this recommendation.	
vi.	It is recommended that the Company not issue notices of cancellation using as the reason Section 3426(c)(1)(G), unless the superintendent specifically authorizes the Company to use such reason.	23
	The Company has complied with this recommendation.	
vii.	It is recommended that the Company comply with the provisions of the New York Standard Mortgagee Clause and Department Circular Letter No. 17 (1976).	23
	The Company has complied with this recommendation	

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Accounts and Records</u>	
i. <u>Backing up of Premium Detail Data</u>	
It is recommended that henceforth, the Company generate a back up of the premium detail data information supporting its annual and quarterly statement filings with this Department and be able to produce same upon examination.	9
ii. <u>Recording Securities transactions at the Trade Date vs. Settlement date</u>	
It is recommended that the Company record bond and stock acquisitions and disposals on the trade date, and not on the settlement date, except for the acquisition of private placement securities, which should be recorded on the funding date, in accordance with SSAP No. 26, paragraph 4 (for bonds); SSAP No. 30, paragraph 5 (for common stocks); SSAP No. 32, paragraph 10 (for preferred stocks) and SSAP No. 43, paragraph 6 (for loan-backed and structured securities).	9
iii. <u>Custodian Agreement</u>	
It is recommended that the Company remain mindful of the provisions of the NAIC Financial Condition Examiners Handbook for any future custodial agreements being entered into. The Company should also endeavor to correctly complete the Annual Statement General Interrogatories relative to the compliance of its custodial agreement(s) with the requirements of the NAIC Financial Condition Examiners Handbook, henceforth.	10
iv. <u>Real Estate Appraisal</u>	
It is recommended that the Company comply with the requirements of SSAP No. 40 paragraph 12 and maintain an appraisal that is no more than five years old as of the reporting date, for all properties held for the production of income.	10
B. <u>Market Conduct Activities</u>	
It is recommended that the Company ensure that the wording included in its producer termination letters fully complies with Part 218.5(a) of Regulation 90 at all times. Note that a similar recommendation was made during the previous examination.	15

Respectfully submitted,

\_\_\_\_\_/s/  
Wayne Longmore  
Senior Insurance Examiner

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

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

\_\_\_\_\_/s/  
Wayne Longmore

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

Appointment No 22679

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:

Wayne Longmore

as proper person to examine into the affairs of the

**Associated Mutual Insurance Cooperative**

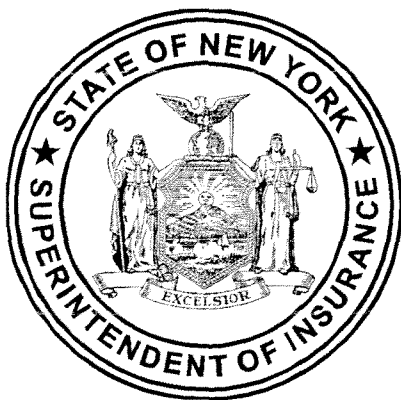
and to make a report to me in writing of the condition of the said

**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 13 day of September 2007



A handwritten signature in black ink, appearing to read "Eric R Dinallo", written over a horizontal line.

**ERIC R DINALLO**

Superintendent of Insurance