REPORT ON EXAMINATION

OF THE

GREATER NEW YORK MUTUAL INSURANCE COMPANY

AS OF

DECEMBER 31, 2003

DATE OF REPORT JULY 1, 2005

EXAMINER MARC ALLEN

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

July 1, 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 22252 dated September 10, 2004 attached hereto, I have made an examination into the condition and affairs of Greater New York Mutual Insurance Company as of December 31, 2003, and submit the following report thereon.

Wherever the designations "the Company" or "GNY" appear herein without qualification, they should be understood to indicate the Greater New York Mutual Insurance Company.

Whenever the term "Department" appears in this report, it should be understood to mean the New York State Insurance Department.

The examination was conducted at the Company's home office located at 200 Madison Avenue, New York, NY 10016.

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

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

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

2. DESCRIPTION OF COMPANY

The Company was incorporated on August 19, 1927, as a membership corporation under the laws of the State of New York as the "Greater New York Taxpayers Mutual Insurance Association." As such it afforded public liability coverage to property owners in the Greater New York area. Its present name was adopted on March 17, 1954.

A. Management

The Company's by-laws provide that its business affairs are to be managed and controlled by a board of directors consisting of at least fifteen directors.

At December 31, 2003, the board of directors was composed of fourteen members as follows:

Name and Residence	Principal Business Affiliation
Max Freund New York, NY	Retired Partner, Rosenman & Colin
Warren William Heck New York, NY	Chairman of the Board and Chief Executive Officer, Greater New York Mutual Insurance Company
Carol Trencher Ivanick New York, NY	Partner, Dewey, Ballantine LLP
Charles Frederick Jacey Belle Mead, NJ	Retired
Robert Peter Lewis New York, NY	Retired
Lance Malcolm Liebman New York, NY	Dean and Professor, Columbia Law School
Jeffrey Stuart Maurer Kings Point, NY	President, United States Trust Company

Name and Residence	Principal Business Affiliation
Henry George Miller Scarsdale, NY	Partner, Clark, Gagliardi & Miller
Arthur William Murphy New York, NY	Professor, Columbia Law School
Robert Frances O'Leary Naples, FL	Retired
James David Rosenthal New York, NY	Vice President, Douglas Elliman
Paul Segal New York, NY	Architect, Paul Segal and Associates
Max Solomon New York, NY	Retired
Dominick Vicari Seaford, NY	President, Greater New York Mutual Insurance Company

A review of the meetings of the board of directors held during the four-year examination period indicated that all meetings were well attended.

The examiner noted that the Company has failed to maintain the fifteen board members required by its by-laws. The Company has had only fourteen board members since May, 2002.

It is recommended that the Company maintain fifteen board members as required by its by-laws or amend its by-laws.

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

Name	Title
Warren William Heck	Chairman and Chief Executive Officer
Dominick Vicari	President
John B. Minner	Senior Vice President and Treasurer

B. Territory and Plan of Operation

As of December 31, 2003, the Company was licensed to write business in all states and the District of Columbia except Alaska, California, Florida, Hawaii, Maine, and Texas.

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:

Paragraph	Line of Business
3(i)	Accident & health
3(ii)	Non-cancelable disability
4	Fire
5	Miscellaneous property damage
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Worker's compensation and employer's liability
16	Fidelity and surety
17	Credit
18	Title
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also empowered to transact workers' compensation business as may be incident to coverages contemplated under paragraph 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 803, 69th Congress, as amended; USC Section 901 et seq. as amended).

The Company is also licensed to transact the kinds of insurance and reinsurance as defined in Section 4102(c) of the New York Insurance Law. Furthermore, pursuant to Section 6302 of the New York Insurance Law, the Company is licensed to write special risks in the "Free Trade Zone".

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 $35,000,000.

The following schedule shows the direct premiums written by the Company both in total and in New York for the period under examination:

Calendar Year	New York Premiums	Total Premiums	Percentage of Premiums Written in New York Total United States
2000	$ 58,384,040	$ 78,406,104	74.46%
2001	$ 75,549,446	$109,152,242	69.21%
2002	$104,491,797	$159,960,374	65.32%
2003	$119,628,486	$193,300,731	61.89%

The majority (more than 98%) of the Company's business is written in New York, New Jersey, Connecticut, Massachusetts, and Pennsylvania. Most of the business originates through independent agents and brokers. The Company maintains branch offices in Glastonbury, CT, East Brunswick, NJ, and Quincy, MA. Each office handles both underwriting and claims functions for its specific territory. Commercial multiple peril is the Company's dominant business followed by workers compensation.

C. Reinsurance

Assumed

The Company is primarily a direct writer. The major portion of assumed reinsurance represents business obtained through a pooling agreement with its subsidiaries, the Insurance Company of Greater New York ("INSCO") and Strathmore Insurance Company ("Strathmore'). In addition, a minimal amount of assumed business is generated by mandated participation in the FAIR plans of several states.

(i). Pooling Agreement with Subsidiaries

The Company and its subsidiaries (INSCO and Strathmore) operate under an inter-company pooling agreement, which has been in place since January, 1968. The pooling agreement originally included only the Company and INSCO as participants; Strathmore was added effective January 1, 2000. As of the examination date, the pooling participation percentages are 85% GNY, 10% INSCO, and 5% Strathmore.

Article 2 of the pooling agreement states the following with respect to the Company (referred to in the agreement as "Mutual") and INSCO (referred to in the agreement as "Stock"):

> "[INSCO] agrees to cede to [the Company] and [the Company] agrees to assume from [INSCO] one hundred percent (100%) of the net policy liability of [INSCO] assumed by [INSCO] on or after 12:01 A.M. January 1, 1968 during the continuation of this agreement." (Emphasis added)

This article was amended effective January 1, 2000 to add Strathmore as a party to the agreement.

The examination review of the group's annual statement reporting indicated that INSCO and Strathmore cede 100% of their gross writings to the Company, rather than their net writings as indicated in the pooling agreement. The Company then cedes to its subsidiaries their respective pooling percentages of losses and expenses net of external reinsurance.

It is recommended that the Company either amend the pooling agreement to reflect the fact that INSCO and Strathmore cede their writings on a gross basis rather than net or adjust the annual statement presentation to reflect the cessions on a net basis, pursuant to the current terms of the pooling agreement.

Pursuant to the terms of the pooling agreement, each company is required to report its respective participating share of the underwriting assets and related liabilities of the pooled business. On December 31, 2001, Article 4a of the pooling agreement was amended for the purpose of adding Strathmore to the agreement and simplifying the accounting by having the Company maintain the entire provision for reinsurance liability on its balance sheet. The amendment to Article 4a reads as follows:

> "…It is further agreed that five percent (5%) of all underwriting assets and related liabilities of [the Company] and [INSCO] arising after 12:01AM on the 1st day of January 2000, shall be apportioned to Strathmore, except that any penalty imposed for unauthorized reinsurance shall be assumed 100% by [the Company]."

It is noted that the amendment, as written, provides that the Company will assume the penalty imposed for unauthorized reinsurance only for Strathmore, and not INSCO. In practice, the Company is reporting 100% of the provision for reinsurance for both subsidiaries. Furthermore, the "penalty imposed for unauthorized reinsurance" is only one component of the provision for reinsurance liability; in practice, the Company is reporting 100% of the entire provision for reinsurance liability.

It is recommended that the Company amend the pooling agreement as follows:

1. The term “penalty imposed for unauthorized reinsurance” should be amended to read “provision for reinsurance” to reflect the actual practice and original intent of the amendment; and

2. Article 4a should be amended to indicate that the Company will assume 100% of the provision for reinsurance for both INSCO and Strathmore, to reflect the actual practice and original intent of the amendment.

Ceded Reinsurance Program

At December 31, 2003 the Company and its subsidiaries had the following reinsurance agreements in place:

Type of Treaty	Cession
Property Excess of Loss-five layers Layer 1-100% authorized Layer 2-56.50% authorized Layer 3-42.80% authorized Layer 4-100% authorized Layer 5-39.25% authorized	$49,800,000 excess of $200,000, per risk.
Property Catastrophe excess of Loss-five layers Layer 1-35% authorized Layer 2-36% authorized Layer 3-40% authorized Layer 4-42.95% authorized Layer 5-100% unauthorized	$53,500,000 excess of $1,500,000, per occurrence.

Type of treaty	Cession
Casualty excess of Loss-six layers All layers 100% authorized	$49,700,000 excess of $300,000 per occurrence.
Terrorism excess of loss 92% authorized	$15,000,000 excess of $5,000,000, per occurrence.
Fidelity and Surety Quota Share 100% authorized	80% per policy up to $1,000,000.
Umbrella Liability-Quota Share 100% authorized	95% per policy for the first $1,000,000. 100% cession 14,000,000 excess of $1,000,000.
Boiler and Machinery Quota Share 100% authorized	100% cession.

(i) Review of Ceded Reinsurance Contracts

The Company's reinsurance contracts, with one exception, were either placed through reinsurance intermediary Guy Carpenter or placed directly with Swiss Reinsurance America Corporation. The one exception was the boiler and machinery quota share treaty which was placed with Factory Mutual Insurance Company.

All ceded reinsurance contracts in effect at the examination date were reviewed for required and standard clauses. It was noted that the reinsurance treaties with Swiss Reinsurance America Corporation ("Swiss Re") and one of the treaties placed through Guy Carpenter included special termination provisions. The Swiss Re provisions allow the reinsurer to immediately terminate the treaty upon the entry of an order of liquidation, rehabilitation, receivership, or conservatorship. The provisions also allow the reinsurer to cancel with 30 days notice if there is a reduction in 50% or more of the Company's policyholder surplus during any calendar year.

The special termination provision in the treaty placed by Guy Carpenter allows a reinsurer to terminate with 90 days notice due to insolvency, impairment of capital, bankruptcy, liquidation, or rehabilitation.

It is against Department policy to allow for clauses providing for the unilateral right of the reinsurer to terminate a reinsurance contract based on the financial condition of the ceding insurer. There are several reasons for this policy including but not limited to the following:

- A clause allowing a reinsurer to unilaterally terminate an agreement based on the financial condition of a ceding insurer is contrary to the foundation of a reinsurance relationship. This foundation is the understanding that the reinsurer will share in the insurance fortunes of the Company per the terms of the reinsurance agreement.

- The clauses are against public policy as they would put any regulator dealing with an insolvent company in a difficult position where the Company's reinsurance contracts would be terminated at a time where they would most likely be impossible to replace.

- The clause would put a financially distressed Company in a difficult position where it would lose reinsurance coverage that would either be impossible or extremely expensive to replace.

It is recommended that all clauses allowing for early termination of a reinsurance contract, by the reinsurer, due to the financial condition of the Company be removed from all future reinsurance agreements. Subsequent to the examination date, but prior to the completion of the field work, the Company complied with this recommendation.

The Swiss Re treaties and the Guy Carpenter treaty have other objectionable special termination provisions. The Swiss Re treaties allow the reinsure to terminate the treaty with 30 days prior written notice if there is a transfer of control by a change in ownership or otherwise. The Guy Carpenter treaty allow for termination with 90 days notice if the Company should cease writing new or renewal business. It is recommended that the Company, if it chooses to include these provisions in future reinsurance contracts, indicate that the termination options would not apply if the change in control or the failure to write new or renewal business is due to a regulatory action. Subsequent to the examination date, but prior to the completion of the field work, the Company complied with this recommendation.

Both the Guy Carpenter and the Swiss Re treaties incorporate the language of Section 1308(a)(2)(B)(i) of the New York Insurance Law which states that payments made by the assuming insurer should be made directly to the ceding insurer, its liquidator, receiver, or statutory successor. Both treaties added the following wording:

"…except as provided in Sections … 1114(c) of the New York Insurance Law."

The reference to Section 1114(c) does not make sense as this section of the New York Insurance law does not provide an exception to Section 1308(a)(2)(A)(i). Section 1114(c) merely defines the conditions by which an insurer authorized to engage in fidelity and surety insurance or a reinsurance business may also guarantee performance of contracts insuring against physical damage to property in favor of mortgagees or other loss payees. The exceptions to Section 1308(a)(2)(A)(i) come from Department Circular Letter No. 5 of 1988 which states in part:

> "Another condition of Section 1308 requires that a reinsurance agreement be payable directly to the ceding insurer or to its liquidator, receiver or statutory successor. The Insurance Law provides that the only exceptions to this condition are:
>
> (I) Where an actual novation takes place…
> (II) Certain fidelity and surety reinsurance agreements, as provided in Section 4118(a)(1)(A); and

(III) Where an insurer guarantees performance of a contract insuring against physical damage to property for the benefit of mortgages or other loss payees named in such contract, provided all the conditions in Section 1114(c) have been met."

The Company should remove the reference to Section 1114(c) as this section does not provide an exception to Section 1308(a)(2)(A)(i). It is recommended that the Company incorporate the language in paragraph III above which properly defines an exception to Section 1308(a)(2)(A)(i) of the New York Insurance Law. Subsequent to the examination date, but prior to the completion of the field work, the Company complied with this recommendation.

It was noted that the insolvency clauses in both the Guy Carpenter treaties and the Swiss Re treaties included an additional offset provision within the insolvency clause. Section 1308 of the New York Insurance Law does not provide for the inclusion of a separate offset provision within the insolvency clause.

It is recommended that the Company remove all offset provisions included as part of the insolvency clause. Subsequent to the examination date, but prior to the completion of the field work, the Company complied with this recommendation.

Both the Guy Carpenter and Swiss Re treaties included an offset clause in addition to the provision included in the insolvency clauses. The offset clause in the Guy Carpenter reinsurance agreements provide for the right of offset for balances due under all reinsurance agreements between the Company and the reinsurer involved. The offset clause further states:

"…in the event of insolvency of a party hereto, offsets shall only be allowed in accordance with the laws of the insolvent party's state of domicile."

The reference to the laws of other states is not acceptable. Furthermore the offset clause failed to indicate that all offsets would be in compliance with Section 7427 of the New York Insurance Law. It is the Department's position that when offset clauses are included in reinsurance contracts that the clause includes the language of Section 7427 of the New York Insurance Law or incorporate such section by reference.

It is recommended that all future reinsurance agreements placed through Guy Carpenter include the language of Section 7427 of the New York Insurance Law or indicate that all offsets would be in

compliance with Section 7427 of the New York Insurance Law. Subsequent to the examination date, but prior to the completion of the field work, the Company complied with this recommendation.

It is the Department's position that all reinsurance contracts must contain an "entire contract" clause, which states that the contract represents the entire agreement between the parties and that no separate written or oral agreements exist between the parties. All of the Company's reinsurance contracts failed to include an entire contract clause.

It is recommended that the Company include an "entire contract" clause in all of its future reinsurance agreements. Subsequent to the examination date, but prior to the completion of the field work, the Company complied with this recommendation.

The insolvency clauses in the Swiss Re treaties make reference to a novation. Circular letter No. 5 (1988) states the following in reference to a novation:

> "Any references to such an event in the reinsurance agreement should indicate that, prior to the implementation of a novation, the certificate of assumption on New York risks would have to be approved by the Superintendent…"

It is recommended that the Company include the above referenced language from Circular Letter No. 5 (1988) in all reinsurance contracts which make reference to a novation. Subsequent to the examination date, but prior to the completion of the field work, the Company complied with this recommendation.

It was noted that one of the Guy Carpenter treaties failed to include a "service of suit" clause even though one of the reinsurers on the treaty was an alien reinsurer. It is a standard safeguard to include such a clause when reinsurers domiciled outside of the United States are involved.

It is recommended that the Company include a service of suit clause in all reinsurance treaties with alien insurers. Subsequent to the examination date, but prior to the completion of the field work, the Company complied with this recommendation.

The insolvency clause in the reinsurance agreement with Factory Mutual Insurance Company states in part:

> "In the event of the insolvency of the Company, the reinsurance under this treaty shall be payable by the reinsurer to the Company or to its liquidator, receiver, or statutory successor on the basis of the liability of the Company under the policy or policies reinsured without diminution because of the insolvency of the Company in accordance with the provisions of any state law which may be involved…".

The reference to the laws of any state which may be involved is not provided for under Section 1308 of the New York Insurance Law. The insolvency clauses included in ceded reinsurance contract agreements entered into by New York domiciled insurance companies should not make reference to the laws of any state other than New York.

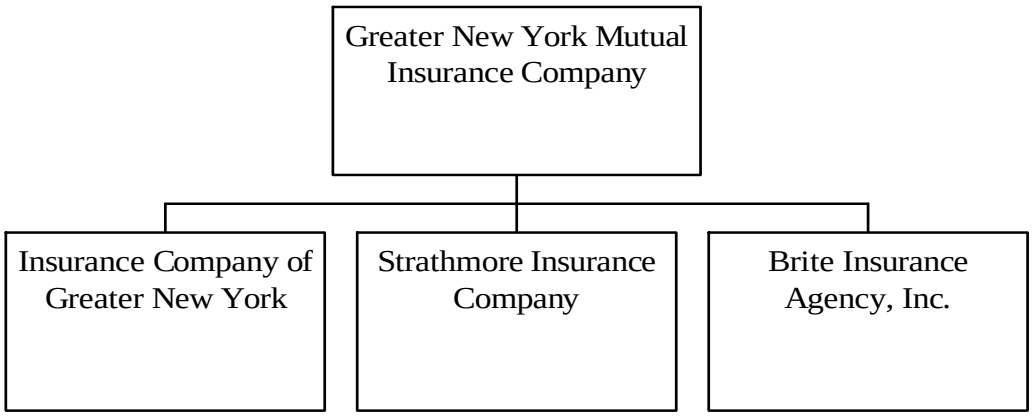
It is recommended that the Company remove the reference to the laws of other states in the above referenced reinsurance agreement. Subsequent to the examination date, but prior to the completion of the field work, the Company complied with this recommendation.

D. Holding Company System

The Company owns 100% of the stock of two insurance companies the Insurance Company of Greater New York and Strathmore Insurance Company. All of the companies are New York domiciled.

Since Greater New York is the ultimate parent and a domestic mutual insurance company, it is not subject to Article 15 of the New York Insurance Law.

The following a chart of the holding company system at December 31, 2003:



At December 31, 2003 the Company was a party to:

1. A pooling agreement with its subsidiaries (see section 2C of this report) which has been approved by the Department.

2. A tax allocation agreement with its subsidiaries. The agreement is in accordance with Circular Letter No. 33 (1979).

3. A service agreement with Brite Insurance Agency, detailed below.

The Company provides administrative support services to its subsidiary, Brite Insurance Agency. During the examination period, the Company had no written agreement in place to document the services to be provided by the Company and the amount for which it was to be compensated. Good business practices dictate that any service arrangements between two parties should be reduced to written form. Further, Section 1608(c) of the New York Insurance Law, which deals with relationships and transactions between parent and subsidiary, states:

> "The books, accounts and records of each party to all such transactions shall be so maintained as to clearly and accurately disclose the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties."

In addition Section 1608(a) of the New York Insurance Law states:

> "The business operations, corporate proceedings and fiscal and accounting records of subsidiaries organized or acquired pursuant to this article shall be conducted or maintained so as to assure the separate legal and operating identities of the parent and subsidiary,…"

Subsequently, the Company entered into a written service agreement; however, in the future, it is recommended that the Company prepare a written agreement before entering into any service arrangements with its subsidiaries in compliance with Section 1608(a) and Section 1608(c) of the New York Insurance Law.

E. Abandoned Property Law

Section 1316 of the New York State Abandoned Property Law provides that amounts payable to a resident of this state from a policy of insurance, if unclaimed for three years, shall be deemed to be abandoned property. Such abandoned property shall be reported to the comptroller on or before the first day of April each year. Such filing is required of all insurers regardless of whether or not they have any abandoned property to report.

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

A review of the Company's abandoned property procedures revealed that the Company does not have procedures in place for monitoring outstanding checks that may be escheatable. It is recommended that the Company develop formal procedures for monitoring outstanding checks that may be escheatable. Subsequent to the examination date, but prior to the completion of the field work, the Company complied with this recommendation.

F. Significant Operating Ratios

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

Net premiums written to surplus as regards policyholders	90.23%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	75.12%
Premiums in course of collection to surplus as regards policyholders	14.93%

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	$356,061,093	77.78%
Other underwriting expenses incurred	156,740,887	34.24
Net underwriting loss	(54,999,636)	(12.01)
Premiums earned	$457,802,344	100.00%

G. Accounts and Records

(i) Agent's Balances or Uncollected Premiums

The Company tracks its premiums written and premiums receivable through the "WINS" system. A majority of the Company's premiums receivable is due from agents. A review of the programming for the WINS system indicated that there was no programming in place to disallow future installment premiums due when a previous installment is over 90 days past due.

Part 110.1 of Department Regulation 13-A states in part:

> "…If any installment of any premium…,has been due and unpaid for more than 90 days at the date of determination, no unpaid installment of such premium shall be allowed as an admitted asset…"

Due to immateriality of the amount involved, no additional premium receivables have been non-admitted by this examination. However, it is recommended that the Company comply with Part 110.1 of Department Regulation 13-A in the future.

Prior to the date of this report, the Company subsequently complied with this recommendation.

(ii) Cash

A review of the Company's December 31, 2003 bank reconciliations revealed the existence of a large volume of checks outstanding going back several years.

It is recommended that the Company put in place procedures to remove dated outstanding checks from the outstanding check list and place them in a separate control account. This control account should then be reviewed and the dated checks should be reversed to cash, set up as a liability as potential abandoned property, or surrendered as abandoned property.

(iii) Custodian Agreement

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, examination review indicated that the Company's custodial agreement did not contain all of the protective covenants set forth in Section IV.H of the NAIC Financial Condition Examiners Handbook. It is recommended that the Company amend its custodial agreement to incorporate the following provisions:

- The custodian is obligated to indemnify the insurance company for any insurance company's loss of securities in the custodian's custody, except that, unless domiciliary state law, regulation, or administrative action otherwise require a stricter standard (paragraph below 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

- 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 above paragraph, 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.

- 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.

- The 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.

- 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.

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

- 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.

- 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.

- 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.

- The custodian shall secure and maintain insurance protection in an adequate amount.

(iv) Certified Public Accountant (“CPA”) Written Contract

The written contracts by which the Company engaged its CPA firm for the years 2000 through 2003 did not contain all of the provisions required by Department Regulation 118, part 89.2 which states in part:

"Every insurer subject to this Part shall retain an independent Certified Public Accountant who agrees by written contract with such insurer to comply with the provisions of Section 307(b) of the Insurance Law, this part and the Code of ethics and professional standards adopted by the American Institute of Certified Public Accountants ("AICPA"). Such contract must specify:

a. on or before May 31, the CPA shall provide an audited financial statement and opinion for the prior calendar year and an evaluation of the insurer's accounting procedures and internal control systems as are necessary to the furnishing of the opinion;

b. any determination by the CPA that the insurer has materially misstated its financial condition as reported to the superintendent or that the insurer does not meet minimum capital and surplus requirements set forth in the Insurance Law shall be given by the CPA, in writing, to the Superintendent within 15 calendar days following such determination; and

c. the workpapers and any communications between the CPA and the insurer relating to the audit of the insurer shall be made available for review by the superintendent at the offices of the insurer, at the Insurance Department or at any other reasonable place designated by the superintendent. The CPA must retain for review such workpapers and communications for a period of not less than five years."

It is recommended that the Company include all provisions required by Department Regulation 118 in all future contracts written to engage CPA firms.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2003 as determined by this examination and as reported by the Company:

Assets	Assets	Examination Assets Not Admitted	Net Admitted Assets	Company Net Admitted Assets	Surplus Increase (Decrease)
Bonds	$431,792,301	$ 0	$431,792,301	$431,792,301	
Common stocks	47,344,741	3,825,000	43,519,741	47,344,741	(3,825,000)
Cash, cash equivalents and short-term investments	23,245,857		23,245,857	23,245,857	
Investment income due and accrued	4,695,719		4,695,719	4,695,719	
Uncollected premiums and agents' balances in the course of collection	34,383,137	3,593,656	30,789,481	30,789,481	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	41,520,735		41,520,735	41,520,735	
Amounts recoverable from reinsurers	4,255,435		4,255,435	4,255,435	
Current federal and foreign income tax recoverable and interest thereon	49,621		49,621	49,621	
Net deferred tax asset	11,738,500		11,738,500	11,738,500	
Electronic data processing equipment and software	407,703		407,703	407,703	
Furniture and equipment, including health care delivery assets	609,484	609,484		0	
Due from Brite Insurance Agency, Inc.	50,000		50,000	50,000	
Due from Amreco	1,942,528		1,942,528	1,942,528	
Total assets	$602,035,761	$8,028,140	$594,007,621	$597,832,621	$(3,825,000)

Liabilities, surplus and other funds	Examination	Company	Surplus Increase (Decrease)
Losses	$211,655,779	$189,980,779	$(21,675,000)
Loss adjustment expenses	33,150,000	33,150,000	
Commissions payable, contingent commissions and other similar charges	3,885,180	3,885,180	
Other expenses (excluding taxes, licenses and fees)	3,257,914	3,257,914	
Taxes, licenses and fees (excluding federal and foreign income taxes)	313,809	313,809	
Unearned premiums	115,628,282	115,628,282	
Policyholders (dividends declared and unpaid)	2,598,432	2,598,432	
Ceded reinsurance premiums payable (net of ceding commissions)	11,106,373	11,106,373	
Amounts withheld or retained by company for account of others	3,073,916	3,073,916	
Payable to parent, subsidiaries and affiliates	2,580,195	2,580,195	
Minimum pension liability	600,402	600,402	
Total liabilities	$387,850,282	$366,175,282	$(21,675,000)
Surplus and Other Funds			
Special Contingent Surplus	$ 1,700,000	$ 1,700,000	$ 0
Unassigned funds (surplus)	204,457,339	229,957,339	(25,500,000)
Surplus as regards policyholders	$206,157,339	$231,657,339	$(25,500,000)
Total liabilities surplus and other funds	$594,007,621	$597,832,621	

NOTE: The Internal Revenue Service has not audited the Company's tax returns for the examination period. 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 $15,757,273 the four-year examination period January 1, 2000 through December 31, 2004, detailed as follows:

Underwriting Income		
Premiums earned		$457,802,344
Deductions:		
Losses incurred	$279,480,017	
Loss adjustment expenses incurred	76,581,076	
Other underwriting expenses incurred	156,740,887	
Total underwriting deductions		512,801,980
Net underwriting gain or (loss)		$ (54,999,636)
Investment Income		
Net investment income earned	$ 85,856,402	
Net realized capital gain	840,689	
Net investment gain or (loss)		86,697,091
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (945,364)	
Finance and service charges not included in premiums	126,167	
Aggregate write-ins for miscellaneous income	485,617	
Total other income		(333,580)
Net income before dividends to policyholders and before federal and foreign income taxes		$ 31,363,875
Dividends to policyholders		10,087,663
Net income after dividends to policyholders but before federal and foreign income taxes		$ 21,276,212
Federal and foreign income taxes incurred		20,028,254
Net Income		$ 1,247,958

C. Capital and Surplus Accounts

Surplus as regards policyholders per report on examination as of December 31, 1999			$190,400,066
	Gains in Surplus	Losses in Surplus	
Net income	$1,247,958		
Net unrealized capital gains or (losses)	7,377,587		
Change in net deferred income tax	4,208,500		
Change in nonadmitted assets		$3,840,931	
Change in provision for reinsurance	2,283,141		
Cumulative effect of changes in accounting principles	6,985,147		
Minimum Pension Liability and Deferred Annuities		2,504,129	
Total gains and losses	$22,102,333	$6,345,060	
Net increase (decrease) in surplus			15,757,273
Surplus as regards policyholders per report on examination as of December 31, 2003			$206,157,339

4. INVESTMENT IN SUBSIDIARIES

The examination asset for Common stocks of $43,519,741 is $3,825,000 less than the $47,344,741 reported by the Company in its December 31, 2003 filed annual statement.

The examination decrease represents the change in value of the Company's investment in its subsidiaries, INSCO and Strathmore. The change in value reflects the adjustments made by the examiner to the loss reserve liabilities of the two subsidiaries in their December 31, 2003 report on examination.

5. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $244,805,779 is $21,675,000 more than the $223,130,779 reported by the Company in its December 31, 2003, filed annual statement. The examination change reflects the Company's reported 18 month loss and loss adjustment expense runoff for accident years 2003 and prior.

The examination analysis of the loss 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.

6. 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. Underwriting
B. Claims and complaint handling

The examination review of the claims and complaint handling function noted the following:

(i) The Company's complaint log failed to include all of the complaints forwarded to the Company by the Department. It also failed to include any complaints referred directly to the Company. This is not in compliance with Department Regulation 64, Section 216.4(e) which states:

> "As part of its complaint handling function, an insurer's consumer services department shall maintain an ongoing central log to register and monitor all complaint activity."

It is recommended that the Company comply with Department Regulation 64 and include in its complaint log all complaints referred to it by the Department and all complaints referred directly to the Company.

(ii) The Company failed to respond to all of the complaints forwarded to it by the Department within the time frame provided by Department Regulation 64, Section 216.4(e) which states:

> "Every insurer, upon receipt of any inquiry from the Insurance Department respecting a claim, shall, within 10 business days, furnish the department with the available information requested respecting the claim."

It is recommended that that the Company comply with Department Regulation 64 and respond to all complaints forwarded by the Department within ten business days.

(iii) Department Circular Letter No. 11 (1978) requires that the Company maintain its complaint log in a columnar form listing the following:

- The date the complaint was received in-house.
- The name of the complainant and the policy or claim file number.
- The New York State Insurance Department file number.
- The responsible internal division.
- The person in the company with whom the complainant has been dealing.
- The person in the company to whom the matter has been referred for review.
- The date of such referral.
- The dates of acknowledgment substantive response, and further contacts with the Insurance Department.
- The subject matter of the complaint.
- The results of the complaint investigation and the action taken.
- Remarks about internal remedial action taken as a result of the investigation.

The Company's log only included the date of the complaint, the name of the complainant, and the Department file number.

It is recommended that the Company maintain its complaint log in the format outlined in Circular Letter No. 11 (1978).

(iv) New York Insurance Department Circular Letter No. 11 (1978) states the following with reference to the complaint log.

> "The log is to be used as a tool to identify any problem areas within the company. Quarterly reports from the complainant logs should be prepared and forwarded to the heads of the respective operating units and to the company president."

The Company has not prepared quarterly reports from the complaint logs as specified in Circular Letter No. 11 (1978).

It is recommended that the Company prepare quarterly reports from its complaint logs and forward such reports to the heads of the Company's operating units and to the Company president as required by Circular Letter No. 11 (1978).

7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM		PAGE NO.
A.	Intercompany Pooling Agreement	
	It was recommended that the Company report a provision for reinsurance equal to ninety percent of the pooled liability as reported by the Group or amend the pooling agreement to delete the pooling of reinsurance recoverable and related liabilities (including the provision for reinsurance).	9
	The Company complied with this recommendation	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Management	
	It is recommended that the Company maintain fifteen board members as required by its by-laws or amend the by-laws.	4
B.	Reinsurance	
i.	It is recommended that the Company either amend the pooling agreement to indicate that the Company will assume 100% of the gross writings of INSCO and Strathmore or adjust its annual statement presentation to reflect the current terms of the pooling agreement.	7
ii.	It is recommended that the Company amend Article 4 of its pooling agreement by replacing the language “penalty imposed for unauthorized reinsurance” with “provision for reinsurance”.	8
iii.	It is recommended that the Company amend Article 4 of its pooling agreement to indicate that INSCO and Strathmore share of the provision for reinsurance will be assumed by the Company.	8
iv.	It is recommended that all clauses allowing for early termination of a reinsurance contract, by the reinsurer, due to the financial condition of the Company be removed from all future reinsurance agreements. Subsequent to the examination date, but prior to the completion of the field work, the Company complied with this recommendation.	10

Respectfully submitted,

_____
Marc Allen
Associate Insurance Examiner

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

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

_____
Marc Allen

Subscribed and sworn to before me

this_____ day of _____, 2006.

Appointment No 22252

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:*

Marc Allen

as proper person to examine into the affairs of the

Greater New York Mutual Insurance Company

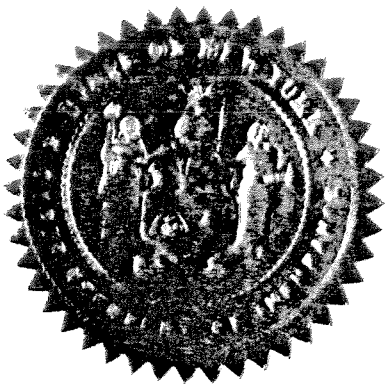
and to make a report to me in writing of the condition of the said

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 10th *day of* September, 2004



GREGORY V. SERIO
Superintendent of Insurance