

REPORT ON EXAMINATION  
OF THE  
HERMITAGE INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2002

DATE OF REPORT

JANUARY 6, 2004

EXAMINER

JOSEPH REVERS

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

January 6, 2004

Honorable Gregory V. Serio  
Superintendent of Insurance  
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 22079 dated July 8, 2003 attached hereto, I have made an examination into the condition and affairs of Hermitage Insurance Company as of December 31, 2002, and submit the following report thereon.

The examination was conducted at the Company's administrative offices located at 1311 Mamaroneck Ave, Suite 135, White Plains, New York 10605.

Wherever the designations "the Company" or "Hermitage" appear herein without qualification, they should be understood to indicate Hermitage Insurance Company. In addition, where the designations "QFHL" and "QHI" appear herein without qualification, they should be understood to indicate Queensway Financial Holdings, Limited and Queensway Holdings, Inc. respectively.

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, 1998. This examination covered the four-year period from January 1, 1999 through December 31, 2002. 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, 2002. 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:

- History of Company
- Management and control
- Corporate records
- Fidelity bond and other insurance
- Territory and plan of operation
- 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

Hermitage Insurance Company was incorporated under the laws of the State of New York in 1984 and commenced writing business in December 1985.

The Company has been a wholly owned subsidiary of Queensway Financial Holdings Ltd. (“QFHL”) since 1995. QFHL is a Toronto based financial services holding company formed in February 1993. The primary business of the parent company's insurance subsidiaries is the underwriting of personal and commercial property and casualty insurance in Ontario, Canada and throughout various regions of the United States.

In December 1997, the Company completed the acquisition of Kodiak Insurance Company, a property and casualty insurance company domiciled in New Jersey. Vantage Data Corporation, a computer operation services company, was acquired on December 1, 2000.

On May 18, 2001, QFHL was placed in receivership by order of the Ontario Superior Court of Justice (the “Receivership Court”). Ernst and Young was appointed interim receiver of QFHL by the Receivership Court. Trilon Bank (“Trilon”) is a senior debt holder of QFHL as a result of loans made to QFHL pursuant to a credit agreement in the amount of approximately \$44.1 million. QFHL has defaulted on the credit agreement. Subsequently, QFHL and Trilon submitted a proposed agreement whereby ownership of the Company would be transferred to a subsidiary of Trilon as a satisfaction of the outstanding loans. This Department has not approved the proposed agreement.

On October 8, 2002, different parties submitted a new application for the acquisition of control of the Company. The application was denied by the Department due to the acquiring parties' failure to provide sufficient information in its application for the acquisition of control.

At December 31, 2002, common and preferred capital stock totaled \$6,101,040. Gross paid in and contributed surplus remained unchanged from the previous examination.

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 thirteen nor more than fifteen members. The board meets four times during each calendar year. At December 31, 2002, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Bernard S Aaron Etobicoke, Ontario	President, Coachman Insurance
Lorne Anisman Toronto, Ontario	Self employed
Mark F. Boland Newtown, CT	President, Hermitage Insurance Company
Erina Connors Guilford, CT	President, Inc & Agency Intermediaries of Massachusetts
Thomas Corteville Bronxville, NY	Vice President, Hermitage Insurance Company
Robert W. Eager Sullivan's Island, SC	Senior Vice President, General Reinsurance Corporation
Gordon J. Hoyt Queensbury, NY	President, Hermitage Insurance Company
Daniel J. Kearney Mokena, IL	Vice President, Hermitage Insurance Company
Carol J. Popp	Secretary,

Ridgefield, CT	Hermitage Insurance Company
Michael A. Orlando Manhasset, NY	President, North Island Facilities, Ltd.
Myron S. Ross Huntington Station, NY <u>Name and Residence</u>	President, Chief Executive Officer, Ross & Ross, CPA <u>Principal Business Affiliation</u>
Richard A. Ryan Branford, CT	Senior Vice President, National Reinsurance Company
Thomas F. Smith, III Ridgefield, CT	Vice President, Hermitage Insurance Company

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 as required by Section 1215 of the New York Insurance Law.

Subsequent to the examination period, the number of directors significantly decreased below the required number of directors, due to the resignation of seven directors. In two board of directors' meetings held in 2003, six directors attended the meetings and no directors were reported absent in these meetings' minutes. This has been discussed with the management of the Company, and the Company was advised to comply with its by-laws and Section 1202 (a)(5)(B)(v) of the New York Insurance Law.

As of December 31, 2002, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Mark Frederick Boland	President
Carol Juliano Popp	Secretary
Thomas Daryl Corteville	Treasurer

B. Territory and Plan of Operation

As of December 31, 2002, the Company was licensed to write business in the states of Georgia, New Jersey, New York, Pennsylvania and Rhode Island. Hermitage also operates as a surplus line writer in twenty-six states and the District of Columbia.

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 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 employers' liability
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine

In addition, the Company is licensed to transact such workers' compensation insurance as may be incident to coverages relating to ocean marine contemplated under paragraph 20 and 21 of Section 1113(a), including insurances described in the Longshoremen and Harbor Workers' Compensation Act (Public law No. 803, 69<sup>th</sup> 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 \$3,300,000.

The following schedule shows the direct premiums written by the Company during the examination period, the direct premiums written in New York State, and the percentage that the New York premiums bear to the total United States premiums:

DIRECT PREMIUMS WRITTEN

<u>Calendar Year</u>	<u>New York State</u>	<u>Total United States</u>	<u>Premiums Written in New York State</u>
1999	\$11,841,235	\$21,819,678	54.26%
2000	\$12,547,461	\$24,063,694	52.14%
2001	\$16,692,093	\$32,014,822	52.14%
2002	\$20,385,224	\$42,425,262	48.05%

Hermitage markets its business through over ninety contracted wholesale brokers, who in turn, obtain business from retail brokers. The Company services its brokers from its main office located in White Plains, NY and two additional regional offices located in Hartford, CT and Atlanta, GA. The Hartford office was opened in 1998 and the Atlanta office in 1988. The former Chicago, IL office was closed on September 27, 2002. The Company specializes in habitational risks, products and miscellaneous professional liability insurance, property insurance for small commercial buildings and properties under rehabilitation. Commercial multiple-peril business represents almost half of Hermitage's net writings, with the next largest portion being other liability, followed by products liability.

C. Reinsurance

Assumed

The Company does not assume any reinsurance business.

Ceded

The Schedule F data as contained in the Company's 2002 filed annual statement was found to accurately reflect its reinsurance transactions.

The examiner reviewed all ceded reinsurance contracts in effect at December 31, 2002. The contracts all contained the required standard clauses, including insolvency clauses meeting the requirements of Section 1308 of New York Insurance Law. However, all of the arbitration clauses failed to state that the arbitration should be governed by New York Law. At the examiner's recommendation, the Company amended all its reinsurance agreements to reflect that arbitration will be governed by New York Law. It is recommended that the Company continue to include wording in all future reinsurance contracts that the arbitration shall be governed by New York Law.

The Company had the following ceded reinsurance program in effect at December 31, 2002:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Property / Casualty:</u>	
Property Multiple line Excess of Loss 2 layers 100% Authorized	\$800,000 excess of \$200,000 per risk.
Casualty Multiple line Excess of Loss 2 layers 100% Authorized	\$800,000 excess of \$200,000 per occurrence.
Clash Cover 2 layers 100% Authorized	\$2,000,000 excess of \$1,000,000 • 100% ceded
Property Catastrophe (Excess of Loss) 3 Layers	\$7,000,000 excess of \$1,000,000

100% Authorized

- 95% ceded.

The above catastrophe contract reinsured both Hermitage Insurance Company and Kodiak Insurance Company. The examiner received copies of the property catastrophe reinsurance contracts, however, the contract was not signed by all of the participants. It is recommended that the Company take the necessary steps to ensure that its reinsurance agreements are signed by all participants in a timely manner.

During the period under examination, the Company ceded no business to affiliated companies. The Company transacted its reinsurance business with New York authorized reinsurance companies.

The Company's retention increased from \$150,000 to \$200,000, and its limits remained the same compared with the prior examination period. The percentage of cessions to authorized reinsurers has remained the same compared with the prior examination period.

In addition to its excess of loss reinsurance program, the Company also obtained facultative reinsurance coverage. In general, the Company obtains facultative reinsurance for risks above \$1,000,000. Facultative cessions represented 11% of the Company's total premiums ceded in 2002.

D.  Holding Company System

The Company is a member of the Queensway Financial Holdings Limited holding company system. The Company is 100% owned by of Queensway Holdings, Inc., a Delaware corporation, which is

ultimately controlled by Queensway Financial Holdings Limited. QFHL was placed in receivership by the Ontario Superior Court of Justice, Canada on May 18, 2001.

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 a chart of the holding company system at December 31, 2002:

Queensway Financial Holdings Limited

Organizational Chart

2002

At December 31, 2002, the Company was party to the following agreements with other members of its holding company system:

1. Tax Allocation Agreement

Effective December 5, 1997, the Company entered into a tax allocation agreement with several members of its holding company group to jointly file consolidated federal income tax returns. The agreement was submitted to and approved by the Department.

2. Expense Sharing Agreement

On January 1, 1998, the company entered into an expense sharing agreement between Hermitage, Kodiak Insurance Company and Vantage Data Corporation. The agreement provides for the sharing of rental expenses based upon the square footage used by each corporation and service fees or salaries proportionately allocated based upon the proportionate share of the services rendered. The agreement was approved by the Department.

3. Electronic Data Processing Service Agreement

The Company is a party to an electronic data processing service agreement with an affiliated company, Vantage Data Corporation. The Company could not provide the examiner with a copy of the current agreement with Vantage for review. It is recommended that the Company keep a signed copy of its electronic data processing service agreement with Vantage at the Company's premises and have it readily available upon request by the New York State Insurance Department.

4. Investment Management Agreement

Effective December 26, 1996, the Company entered into an investment management agreement with Queensway Holdings, Inc. ("QHI"). The agreement provides for the company to grant QHI full authority as attorney-in-fact to direct the investment of its portfolio. The agreement further provides that

the amount of assets to be managed should be at least \$5,000,000. The agreement was filed with this Department pursuant to Section 1505(d)(3) of the New York Insurance Law.

All the available agreements were reviewed and no problem areas were encountered.

E. Abandoned Property Law

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

The Company's abandoned property reports for the period of this examination were all filed as required by Section 1316 of the New York Abandoned Property Law.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2002, based upon the results of this examination:

Net Premiums written in 2002 to surplus as regards to policyholders	1.88 to 1
Liabilities to liquid assets (cash and invested assets less investment in affiliates)	76.94%
Premiums in course of collection to surplus as regards policyholders	34.02%

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

	<u>Amounts</u>	<u>Ratios</u>
Losses incurred	\$ 41,571,308	46.43%
Loss adjustment expenses incurred	19,897,051	22.22
Other underwriting expenses incurred	41,137,265	45.95
Net underwriting gain (loss)	<u>(13,072,495)</u>	<u>(14.60)</u>
Premiums earned	<u>\$ 89,533,129</u>	<u>100.00%</u>

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of December 31, 2002 and reported by the Company:

	<u>Examination</u>		<u>Company</u>		Surplus Increase  (Decrease)
	Ledger Assets	Not- Admitted Assets	Admitted Assets	Assets	
<u>Assets</u>					
Bonds	\$46,937,821		\$46,937,821	\$46,937,821	
Preferred stocks	1,656,340		1,656,340	1,656,340	
Common stocks	7,006,194		7,006,194	7,006,194	
Cash on hand and on deposit	17,098,635		17,098,635	17,098,635	
Premiums, agents' balances in course of collection	4,461,774	1,039,756	3,422,018	3,422,018	0
Premiums, agents' balances and installments booked but deferred and not yet due	112,237		112,237	112,237	0
Reinsurance recoverable on paid losses	50,943		50,943	50,943	0
Federal income tax recoverable	4,023,167	2,617,014	1,406,153	1,432,808	\$ (26,655)
EDP equipment	77,264	77,264		77,264	(77,264)
Interest, dividends and real estate income due and accrued	549,672		549,672	549,672	0
Receivable from parent, subsidiaries and affiliates	247,320		247,320	247,320	0
Other assets nonadmitted	219,136	219,136		0	0
Aggregate write-ins for other than invested assets	<u>102,216</u>	<u>102,216</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total assets	<u>\$82,542,719</u>	<u>\$4,055,386</u>	<u>\$78,487,333</u>	<u>\$78,591,252</u>	<u>\$ (103,919)</u>

<u>Liabilities</u>	<u>Examination</u>	<u>Company</u>	<u>Surplus Increase (Decrease)</u>
Losses	\$27,158,995	\$25,478,995	\$(1,680,000)
Loss adjustment expenses	12,767,701	12,767,701	
Contingent Commissions	2,952,801	2,952,801	
Other expenses	800,563	800,563	
Taxes, licenses and fees	571,687	571,687	
Unearned premiums	14,656,324	14,656,324	
Ceded reinsurance premiums payable	1,634,878	1,634,878	
Amounts withheld or retained by company for account of others	25,000	25,000	
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$60,567,949</u>	<u>\$58,887,949</u>	<u>\$(1,680,000)</u>
 <u>Surplus and Other Funds</u>			
Common capital stock	\$3,101,040	\$3,101,040	
Preferred capital stock	3,000,000	3,000,000	
Gross paid in and contributed surplus	10,453,959	10,453,959	
Unassigned funds	1,364,385	3,148,304	\$(1,783,919)
	<hr/>	<hr/>	<hr/>
Surplus as regards policyholders	<u>\$17,919,384</u>	<u>\$19,703,303</u>	<u>\$(1,783,919)</u>
Total liabilities and surplus and other funds	<u>\$78,487,333</u>	<u>\$78,591,252</u>	

Note: The Internal Revenue Service has not conducted an audit of the Company's federal income tax returns for the tax years 1999 through 2002. 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 decreased \$1,712,775 during the four-year examination period January 1, 1999 through December 31, 2002, detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$89,533,129
Deductions:		
Losses incurred	\$41,571,308	
Loss adjustment expenses incurred	19,897,051	
Other underwriting expenses incurred	<u>41,137,265</u>	
Total underwriting deductions		<u>102,605,629</u>
Net underwriting loss		\$(13,072,495)

Investment Income

Net investment income earned	\$8,720,574	
Net realized capital gains	<u>3,443,696</u>	
Net investment gain		12,164,270

Other Income

Net gain (loss) in agents' balances	\$(14,375)	
Miscellaneous income (loss)	<u>(62,829)</u>	
Total other income (loss)		<u>(77,204)</u>

Net income before dividends to policyholders and federal and foreign income taxes		\$(985,429)
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Federal and foreign income taxes incurred		<u>787,627</u>
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Net income		<u>\$(1,773,056)</u>
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C. Capital and Surplus Account

Surplus as regards policyholders, per report on examination, as of December 31, 1998			\$19,632,159
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income		\$1,773,056	
Net unrealized capital gains/losses	1,594,144		
Change in net deferred income tax		393,866	
Change in nonadmitted assets		3,333,136	
Change in provision for reinsurance	1,380,558		
Cumulative effect of changes in accounting principles	2,371,581		
Dividends to stockholders	<u>                    </u>	<u>1,559,000</u>	
Total gains and losses	<u>\$5,346,283</u>	<u>\$7,059,058</u>	
Net increase (decrease) in surplus as regards policyholders			<u>(1,712,775)</u>
Surplus as regards policyholders per report on examination, as of December 31, 2002			<u>\$17,919,384</u>

4. **FEDERAL AND FOREIGN INCOME TAXES RECOVERABLE**

The examination admitted asset of \$1,406,153 is \$26,655 less than the \$1,432,808 reported by the Company at December 31, 2002. The adjustment was due to the Company's miscalculation of the deferred tax asset. The Company's accounting department reversed the tax recoverable entry in the 2003 second quarterly statement.

5. **ELECTRICAL DATA PROCESSING EQUIPMENT (“EDP”) & SOFTWARE**

The admitted asset in the amount of \$77,264 was reported by the Company was eliminated by this examination. The Company reported the purchase of some EDP equipment and software as admitted in the 2002 annual statement. The examiner noted these purchases did not reflect the statutory required for admissibility as set forth in Section 1301 (a)(18) of the New York Insurance Law. It is recommended that the Company comply with Section 1301(a)(18) of the New York Insurance Law when reporting EDP equipment and software as admitted assets.

The company made the appropriate adjustment in this account in the 2003 third quarterly statement.

6. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$39,926,696 is \$1,680,000 more than the \$38,246,696 reported by the Company in its December 31, 2002, filed annual statement.

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.

7. **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

No problem areas were encountered.

## 8. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Territory and Plan of Operation</u></p> <p>It was recommended that the Company comply with Section 1102(b) of the New York Insurance Law by underwriting business outside of this state only of the kinds authorized to write in this state.</p> <p>The Company has complied with this recommendation.</p>	<p>7</p>
<p>B. <u>Reinsurance</u></p> <p>i. It was recommended that the Company make certain that its reinsurance agreements contain the required insolvency clause wording before such agreements become effective.</p> <p>The Company has complied with this recommendation.</p> <p>ii. It was recommended that the Company maintain adequate records to support all its reinsurance transactions.</p> <p>The Company has complied with this recommendation.</p> <p>iii. It was recommended that the Company formalize its procedures to specify the premium and loss allocation among the affiliates. Such agreement should be submitted to the Department for review pursuant to Section 1505(d) of the New York Insurance Law.</p>	<p>8-12</p>

ITEMPAGE NO.

The Company has complied with this recommendation.

- iv. It was recommended that the Company perform cash flow analyses so that it enables Hermitage to demonstrate that its reinsurance agreements satisfy risk transfer requirements.

The Company has complied with this recommendation.

C. Holding Company System

- i. It was recommended that the Company follow the terms of its expense sharing agreement to properly calculate the rent expense charge to its affiliates 12-14

The Company has complied with this recommendation.

- ii. It was recommended that the Company comply with Section 1505(c) of the New York Insurance Law by requesting prior approval before effectuating any subject to such section.

The Company has complied with this recommendation.

D. Accounts and Records

- i. It was recommended that the Company remove the name of Queensway Investment Council or of any other outside party, from its investment accounts. 17-19

The Company has complied with this recommendation.

- ii. It was recommended that the Company comply with Section 1409(a) of the New York Insurance Law by not having investments in excess of 10% of its admitted assets in any one institution.

The Company has complied with this recommendation.

- iii. It was recommended that the Company comply with Section 1403(d)(7)(C) of the New York Insurance Law when considering engaging in transactions involving hedging activities.

ITEMPAGE NO.

The Company has complied with this recommendation.

- iv. It was recommended that the Company continue submitting the required annual filings to the SVO for valuation of the common stock of its subsidiary as prescribed in the NAIC Accounting Practices and Procedures Manual.

The Company has complied with this recommendation.

- v. It was recommended that the Company develop a written plan that would enable Hermitage Personnel to respond effectively to an incident that may disrupt normal business activities and system processing. Once this plan is formalized, the Company should perform periodic testing to ensure that formulated procedures will operate as intended.

The Company has complied with this recommendation.

E. Losses

It was recommended that the Company complete the analysis of the claim counts data and make certain that the historical data reported in its schedules is accurate.

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The Company has complied with this recommendation.

F. Provision for Reinsurance

It was recommended that the Company adhere to the annual statement instructions in regard the calculation of the liability, provision for reinsurance.

24

The Company has complied with this recommendation.

**9. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
The Company has been advised to comply with Section 1202(a)(5)(3) of the New York Insurance Law as well as its by-laws relative to the number of directors required on its board.	5
B. <u>Reinsurance</u>	
i. It is recommended that the Company continue to require that all future reinsurance contracts contain a provision that the arbitration shall be governed by New York Law.	8
ii. It is recommended that the Company take the necessary steps to ensure that all reinsurance agreements are signed by all participants in a timely manner.	9
C. <u>Holding Company System</u>	
It is recommended that the Company keep a signed copy of its electronic data processing service agreement with Vantage at the Company's premises and have it readily available upon request by the Department.	12
D. <u>Electronic Data Processing Equipment ("EDP") and Software</u>	
It is recommended that the Company comply with Section 1301(a)(18) of the New York Insurance Law when reporting EDP equipment and software as admitted assets.	19



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:

**Joseph Revers**

*as proper person to examine into the affairs of the*

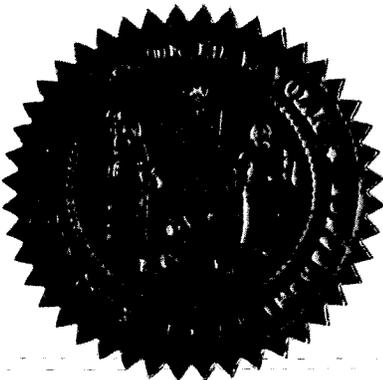
**HERMITAGE INSURANCE COMPANY**

*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 8th day of July, 2003*

  
\_\_\_\_\_  
GREGORY V. SERIO  
Superintendent of Insurance