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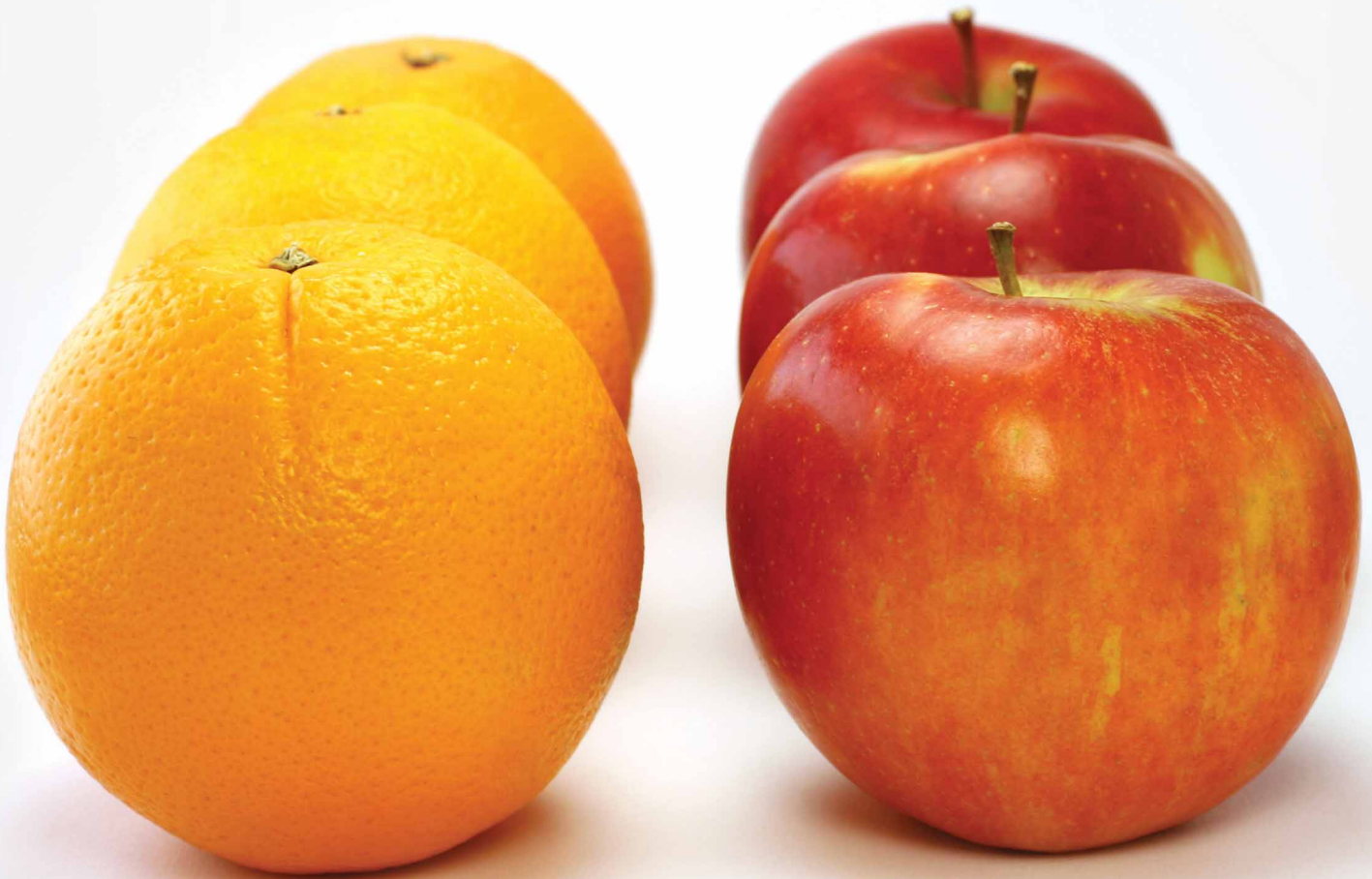
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INSURANCE ADVOCATE

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Demotech's New York State "Specialists" Ratings



Demotech's New York State "Specialists" Ratings

Demotech's Approach...

The major features of the review and analysis process underlying Demotech's rating assignment process are focused upon the fundamentals necessary to sustain balance sheet integrity.

These factors include:

1. Liquidity - as measured by the readily realizable value of invested assets.
2. Asset quality - The integrity of balance sheet assets is critically important.
3. Loss and loss adjustment expense reserve adequacy.
4. Quality and quantity of realizable reinsurance.
5. Pricing integrity.

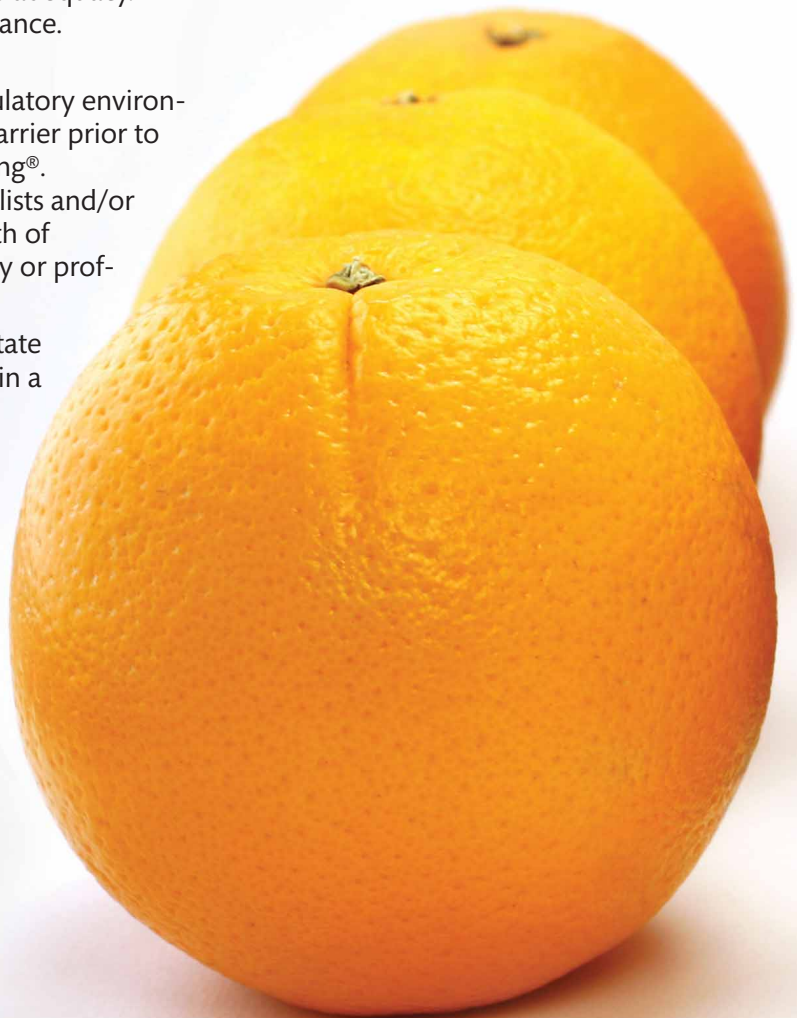
Demotech, Inc. explicitly considers the regulatory environment(s) and line(s) of insurance written by a carrier prior to assigning a Preliminary Financial Stability Rating®. By doing so, Demotech evaluates State Specialists and/or Coverage Specialists based upon their "strength of schedule" in addition to balance sheet integrity or profitability.

In its review and analysis process, a single state carrier focused on a difficult line of insurance in a regulatory environment that requires prior approval of rates or forms may be considered financially stable based upon its expertise and rigorous commitment to the integrity of its balance sheet and high quality reinsurance despite sporadic profitability related to a difficult line of insurance or regulatory rush.

Conversely, an insurer writing popular personal lines of business in jurisdictions that permit rates and forms to be filed and used will be expected to have balance sheet integrity and a reinsurance program consistent with its needs and exposure.

Joseph L. Petrelli

Joseph L. Petrelli
President



The Demotech Company Classification System: New York State Specialist P&C Carriers Identified – June 30, 2010 Update

In 2007, Demotech, Inc. created an industry-wide, objective classification system for property and casualty insurance companies. The Demotech Company Classification System categorizes all property and casualty insurers into one of eleven categories based on Demotech's analysis of the data reported by the companies to the National Association of Insurance Commissioners.

The eleven categories in the Demotech Company Classification System are Nationals, Near Nationals, Super Regionals, Regionals, State Specialists, Coverage Specialists, Strategic Subsidiaries, Risk Retention Groups, Surplus Lines Carriers, Reinsurers and companies with less than \$1 million in direct premium written.

To be categorized as a State Specialist, a carrier must be an individual, active company reporting data to the NAIC using the P&C annual statement format at 12/31/2009. It must write at least \$1,000,000 at 12/31/2009 with 90 percent or more in one state.

Further, it cannot be a surplus lines company, risk retention group or reinsurance company.

State Specialists focus on their particular state and develop expertise in that market. This expertise allows State Specialists to effectively compete against more widely licensed insurers by knowing their state better than those competitors.

In New York, there were 72 companies identified as State Specialists based on 12/31/2009 data. For the year ending 2009, New York State Specialists accounted for approximately \$3.4 billion in direct premium written. For the period ending 6/30/2010, New York State Specialists have increased direct premium written as compared to 6/30/2009 by 2.4 percent to over \$1.6 billion.

In total, 843 companies were categorized as State Specialists for 2010. This is more than thirty percent of the nearly 2,800 companies reporting 12/31/2009 data. This group wrote approximately 14.4 percent of the industry's direct premium written in 2009. [A]

Joseph L. Petrelli is the President and Founder of Demotech, Inc. Demotech, Inc. is a Columbus, Ohio based financial analysis firm. Demotech provides Financial Stability Ratings® (FSRs) and consulting services to property and casualty insurance companies, title underwriters and specialty insurers of any size. FSRs of A or better are recognized by the secondary mortgage marketplace, virtually all mortgage lenders, several premium finance companies, an increasing number of umbrella insurance markets and several insurance agent's errors and omissions insurers. Demotech is committed to leveling the playing field of insurers of all sizes. For more information, visit www.demotech.com.

2010 New York State Specialists - 6/30/2010 Update

NAIC #	Company Name	Group	(000s Omitted)				
			2010 FSR*	2010 PFSR**	Total Direct Premium Written		
			6/30/10	6/30/09	12/31/09		
11105	A Central Insurance Company	Central Service Group		A'	32,234	24,790	53,087
42544	Academic Health Professionals Insurance Association	N/A			31,573	27,433	45,293
12583	Adirondack Insurance Exchange	N/A	A		75,489	87,874	169,318
44318	Admiral Indemnity Company	WR Berkley Corp Group		A"	31,864	29,877	55,888
30970	Allegany Co-Op Insurance Company	N/A	A"		6,012	6,167	12,965
13366	American Steamship Owners Mutual Protection & Indemnity Association, Inc	N/A			96,722	95,202	109,907
16616	American Transit Insurance Company	N/A			124,607	133,249	131,490
16489	Associated Mutual Insurance Cooperative	N/A		A'	4,021	4,216	8,546
34479	AutoOne Select Insurance Company	White Mountain Group		A'	2,024	8,172	9,625
40754	Blue Ridge Indemnity Company	QBE Insurance Group			2,036	2,294	4,420
10371	Broome Co-Operative Insurance Company	N/A	A'		2,697	2,755	5,795
43800	Callicoon Co-Operative Insurance Company	N/A	A"		2,716	2,731	5,989
43826	Central Co-Operative Insurance Co	N/A		A'	2,490	2,544	5,419
10372	Chautauqua Patrons Insurance Company	N/A	A"		3,751	3,705	8,046
25771	CIFG Assurance North America, Inc	CIFG Group			8,671	13,875	26,959
22004	CIM Insurance Corporation	GMAC Insurance Holding Group			332	2,641	3,513
33480	Clermont Insurance Company	WR Berkley Corp Group		A"	4,322	2,989	5,046
10025	Community Mutual Insurance Company	N/A			1,830	1,921	3,870
10839	Country-Wide Insurance Company	N/A			62,642	50,685	91,794
10645	Drivers Insurance Company	N/A			1,364	1,700	3,527
13919	Dryden Mutual Insurance Company	N/A		A"	21,029	20,693	41,691
43320	Eastern Mutual Insurance Company	Union Mutual Fire Insurance Group			3,361	3,404	7,099
10374	Erie and Niagara Insurance Association	N/A		A"	24,439	24,139	51,163
11037	Eveready Insurance Company	N/A			12,110	7,410	14,008
13608	FDM Preferred Insurance Company, Inc	Fire Districts NY Group			4,577	1,279	2,020
88625	Fiduciary Insurance Company of America Inc	N/A			42,094	38,702	37,974
43842	Finger Lakes Fire and Casualty Company	N/A		A'	4,617	4,554	9,495
13610	Fire Districts Insurance Company, Inc	Fire Districts NY Group			3,941	526	1,110
37400	Fire Districts of New York Mutual Insurance Company, Inc	Fire Districts NY Group		A	6,149	12,620	14,197
26760	Fulmont Mutual Insurance Company	N/A	A		2,756	2,006	4,940
10364	Genesee Patrons Cooperative Insurance Company	N/A	A'		2,068	2,023	4,389
11092	Global Liberty Insurance Company of New York	N/A	A		21,519	21,921	31,789
31135	Great American Security Insurance Company	American Financial Group		A	2,484	2,603	6,166
33235	Harleysville Insurance Company of New York	Harleysville Group		A'	66,458	66,438	127,313
12519	Healthcare Professionals Insurance Company, Inc	HMHSI Trust Group			2,633	83	30,305
24309	Hereford Insurance Company	N/A			62,143	65,060	75,330
10986	Homesite Insurance Company of New York	Alleghany Group	A'		9,041	7,154	16,871
30317	Hospitals Insurance Company Inc	N/A			128,595	118,379	153,124
14311	Interboro Insurance Company	N/A	A		23,871	17,177	40,220
10088	Kensington Insurance Company	N/A			3,491	4,123	8,566
13668	Kingstone Insurance Company	N/A	A		16,593	13,383	26,955
10380	Leatherstocking Cooperative Insurance Company	N/A		A'	2,864	2,689	5,905
30449	Madison Mutual Insurance Company	N/A		A'	1,770	1,830	3,836
36030	Maya Assurance Company	N/A			13,669	13,787	14,748
12041	MBIA Insurance Corporation	MBIA Group			177,692	210,193	407,062
34231	Medical Liability Mutual Insurance Company	MLMIC Group			50,553	34,104	600,211
35866	Mid-Hudson Co-Operative Insurance Company	N/A	A		3,043	2,981	6,308
26835	Midrox Insurance Company	N/A		A	1,855	1,872	3,642
26818	Midstate Mutual Insurance Company	N/A	A"		7,198	6,348	12,716
14834	New York Central Mutual Fire Insurance Company	Central Service Group		A'	204,466	198,045	414,677
20690	New York Municipal Insurance Reciprocal	N/A		A"	27,863	30,060	42,348
34843	New York Schools Insurance Reciprocal	N/A		A"	2,500	2,444	78,272
43869	North Country Insurance Company	N/A	A'		3,580	3,840	8,925
22870	Ontario Insurance Company	N/A		A'	2,094	2,119	4,366
43850	Oswego County Mutual Insurance Company	N/A		A'	2,823	3,059	5,752
30350	Otsego County Patrons Co-Operative Fire Relief Association	N/A			812	871	1,805
14915	Otsego Mutual Fire Insurance Company	N/A		A"	7,769	7,461	16,930
13049	Park Insurance Company	N/A			10,372	4,712	12,118
10287	PMI Insurance Co	PMI Group			4,100	4,157	8,373
36250	Radian Asset Assurance Inc	Radian Group			22,734	21,011	42,839
31275	Republic Mortgage Insurance Company of North Carolina	Old Republic Group			5,780	7,043	13,358
38300	Samsung Fire & Marine Insurance Co, Ltd (US branch)	N/A		A	9,116	9,215	15,632
15113	Security Mutual Insurance Company	N/A		A'	16,863	16,547	36,719
25275	State-Wide Insurance Company	Commerce Inc Group		A'	19,165	19,817	37,736
15210	Sterling Insurance Company	N/A		A"	21,127	21,557	47,499
13666	Syncora Capital Assurance Inc	Syncora Holdings Group			15,762	N/A	33,490
38857	Traders & General Insurance Company	White Mountain Group		A	5,887	729	5,115
23060	Tri State Consumer Ins Co	N/A		A'	18,808	18,434	37,082
16250	United Frontier Mutual Insurance Company	N/A		A'	1,487	1,563	3,162
10881	Unitrin Advantage Insurance Company	Unitrin Group		A	3,266	2,647	5,927
10370	Washington County Co-Op Insurance Company	N/A	A		1,196	1,153	2,432
43290	Wayne Cooperative Insurance Company	N/A	A'		5,741	5,598	12,122
Total					\$1,633,121	\$1,594,383	\$3,406,329

Data source: The National Association of Insurance Commissioners, Kansas City, Missouri, by permission. Information derived from a Highline Data product. The NAIC and Highline Data do not endorse any analysis or conclusion based upon the use of its data.

* 2010 FSR - Financial Stability Rating® was finalized by company.
 ** 2010 PFSR - Preliminary Financial Stability Rating® was/will be forwarded to company.