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SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION-MERCER COUNTY
DOCKET NO. MER-C-

KENNETH E. KOBYLOWSKI,)
ACTING COMMISSIONER OF THE)
DEPARTMENT OF BANKING AND)
INSURANCE OF NEW JERSEY,)
)
Plaintiff,)
)
v.)
)
GARDEN STATE INDEMNITY)
COMPANY, INC.,)
)
Defendant.)

Civil Action

**CERTIFICATION OF RAYMOND K.
CONOVER**

RAYMOND K. CONOVER, of full age, hereby certifies and
says:

1. I am the Chief Insurance Examiner of the Office of Solvency Regulation for the New Jersey Department of Banking and Insurance ("Department"). I have held this position since 2010. From 2004 to 2010, I held the position of Assistant Commissioner of the Office of Solvency Regulation for the Department. Prior to 2004, I held the position of Chief Insurance Examiner for the Department. My responsibilities include monitoring the financial condition of all insurance entities transacting business in New Jersey. I make this certification to explain the business of Garden State Indemnity Company, Inc. ("GSIC") and the reasons why GSIC needs to be placed into liquidation.

HISTORY OF GSIC

2. GSIC is a New Jersey domiciled property/casualty insurer licensed to transact insurance business in New Jersey. GSIC was originally formed on October 4, 1985 and commenced business on November 20, 1986. Originally the company wrote professional liability coverage for accountants and lawyers pursuant to N.J.S.A. 17:17-1 et seq.

3. Due to serious reserve deficiencies and its poor financial condition, GSIC was placed under consensual administrative supervision pursuant to N.J.S.A. 17:51A-1 et seq.

on June 29, 1998.¹ In July 1999, the Department approved GSIC's plan to withdraw from the business of insurance. GSIC began withdrawing policies effective August 1999, and went into run-off status.

4. On May 24, 2010, pursuant to N.J.S.A. 17:27A-2, the Commissioner approved the acquisition of control of GSIC by Alfred Morelli, the principal owner of Taxisure Exchange ("Taxisure"). Taxisure was a reciprocal insurance exchange organized and authorized to transact business pursuant to N.J.S.A. 17:50-1 et seq. Taxisure was originally authorized to transact business on October 31, 2003 and operated as a commercial automobile insurer specifically for taxicabs.

5. As a part of the plan for the acquisition of control approved by the Commissioner, on May 27, 2010, GSIC completed a statutory merger with Taxisure, under which Taxisure surrendered its New Jersey Certificate of Authority to transact business and left GSIC as the surviving entity (with the

¹The administrative supervision of insurers is confidential under N.J.S.A. 17:51A-4a; however, given the nature of GSIC's financial condition and the nature of the relief sought in this proceeding, the Commissioner deems the disclosure of the existence of GSIC's administrative supervision to be in the best interest of the public under N.J.S.A. 17:51A-4d. The Commissioner presently deems it appropriate to maintain the statutory confidentiality of any hearings, notices, correspondence, reports, records, and other information in the Department's possession relating to GSIC's administrative supervision.

administrative supervision continuing in force). Subsequently GSIC's Certificate of Authority was amended to include automobile liability and automobile liability property damage coverage.

6. Based upon the most recently information provided by GSIC to the Department, GSIC had 452 policies in force as of June 30, 2011. On July 1, 2011, the Department directed GSIC to cease writing new business effective July 1, 2011, and to cease renewals of existing business with effective dates after September 1, 2011 (later modified to October 1, 2011.)

INSOLVENCY AND FAILURE TO MAINTAIN REQUIRED CAPITAL AND SURPLUS

7. Pursuant to N.J.S.A. 17:23-1, "[e]very insurance company transacting business in this State shall annually, on or before March first, file in the [D]epartment a statement ... showing its financial condition at the close of business on December thirty-first of the year last preceding ... in the format adopted by the National Association of Insurance Commissioners ["NAIC"] and in use at the time the statement is due."

8. Pursuant to N.J.S.A. 17:17-6, GSIC is required to maintain a minimum of capital and surplus of \$2,000,000.

9. Despite the merger, GSIC's financial condition continued to deteriorate. As shown on its 2010 annual statement filed with the Department, GSIC's policyholder surplus, or net worth, was \$2,029,457 as of December 31, 2010, a 51.6% decline from the \$4,190,195 surplus as of December 31, 2009. This information is set forth in the annual statement at Page 3, Liabilities, Surplus and Other Funds, Line 37, Surplus as regards policyholders, and a copy of this page is attached as Exhibit A.

10. GSIC's financial condition has deteriorated to the point where its assets are now less than its liabilities and required reserves. As shown on its 2011 annual statement filed with the Department, GSIC's policyholder surplus, or net worth, was (\$490,949) as of December 31, 2011. This information is set forth in the 2011 annual statement at Page 3, Liabilities, Surplus and Other Funds, Line 37, Surplus as regards policyholders, and a copy of this page is attached as Exhibit B.

HAZARDOUS FINANCIAL CONDITION

11. The provisions of N.J.A.C. 11:2-27.1 et seq., a subchapter entitled "DETERMINATION OF INSURERS IN A HAZARDOUS FINANCIAL CONDITION", provide guidelines to determine whether an insurer is in a hazardous financial condition.

12. N.J.A.C. 11:2-27.3(a) sets forth 29 factors to be considered "... either singly or in a combination of two or more, in determining whether an insurer is in a hazardous financial condition[.]"

13. N.J.A.C. 11:2-27.3(a)6 involves "[a] finding that the insurer's operating loss in the last 12 month period or any shorter period of time, including, but not limited to, net capital gain or loss, change in non-admitted assets and cash dividends paid to shareholders, is greater than 50 percent of such insurer's remaining surplus as regards policyholders in excess of the minimum required[.]"

14. Based upon GSIC's 2010 annual statement, GSIC'S net operating loss for 2010 was (\$1,435,848). This information is set forth in the 2010 annual statement at Page 4, Statement of Income, Line 8, Net underwriting gain or (loss), and a copy of this page is attached as Exhibit C.

15. The 2010 net operating loss of (\$1,435,848) is 4,874.4% of \$29,457, the balance of policyholders' surplus in excess of the statutorily required \$2,000,000 minimum capital and surplus (see Paragraph 9 above).

16. Based upon GSIC's 2011 annual statement, GSIC'S net operating loss for 2011 was (\$2,192,730). This information is set forth in the 2011 annual statement at Page 4, Statement

of Income, Line 8, Net underwriting gain or (loss), and a copy of this page is attached as Exhibit D.

17. As set forth in Paragraph 10 above, GSIC has no remaining policyholders' surplus. Accordingly, the 2011 net operating loss of (\$2,192,730) is greater than 50% of the balance of policyholders' surplus in excess of the statutorily required \$2,000,000 minimum capital and surplus.

18. Accordingly, the Commissioner has determined that GSIC is in a hazardous financial condition pursuant to N.J.A.C. 11:2-27.3(a)6.

19. N.J.A.C. 11:2-27.3(a)18 involves "[a] finding that the insurer does not possess the minimum capital and surplus ... required by statute to be maintained ...[.]"

20. Pursuant to N.J.S.A. 17:17-6 et seq., GSIC's current minimum capital and surplus requirement is \$2,000,000.

21. As more particularly set forth in Paragraphs 7 to 10 above, GSIC's capital and surplus is less than \$2,000,000 as of its most recent annual statements.

22. Accordingly, the Commissioner has determined that GSIC does not possess the minimum capital and surplus required by statute and that GSIC is in a hazardous financial condition pursuant to N.J.A.C. 11:2-27.3(a)18.

FAILURE TO FILE ANNUAL AUDITED FINANCIAL REPORT

23. Pursuant to N.J.A.C. 11:2-26.4(a), "All insurers... shall have an annual audit by an independent certified public accountant on or before June 1 for the year ended December 31 immediately preceding."

24. Pursuant to N.J.A.C. 11:2-26.1(a), "[t]he purpose of this subchapter [ANNUAL AUDITED FINANCIAL REPORTS] is to improve the Department's surveillance of the financial position of insurers...."

25. On May 24, 2011, GSIC wrote to the Department requesting an extension to June 30, 2011 (original due date: June 1, 2011) to file its 2010 Annual Audited Financial Report, which extension was granted by the Department on June 1, 2011.

26. On June 15, 2011, GSIC wrote to the Department requesting a second extension to file its 2010 Annual Audited Financial Report pending the completion of a due diligence period in connection with a possible sale of the company. On July 26, 2011, the Department granted GSIC a second extension to September 1, 2011 to file the Report.

27. On August 15, 2011, GSIC wrote to the Department requesting a third extension to September 30, 2011 to file its 2010 Annual Audited Financial Report. A copy of the Department's August 19, 2011 letter denying a third extension is annexed

hereto as Exhibit E.

28. GSIC did not file its 2010 Annual Audited Financial Reports with the Department by September 1, 2011.

29. As of the date of this certification, GSIC's 2010 Annual Audited Financial Report still has not been filed with the Department.

AUTHORITY FOR ORDER OF LIQUIDATION

30. N.J.S.A. 17:30C-1 to -31 governs the rehabilitation, liquidation, and conservation of insurers in New Jersey. Under N.J.S.A. 17:30C-3, only the Commissioner can institute proceedings seeking the liquidation of an insurer.

31. N.J.S.A. 17:30C-8 provides that the Commissioner "may apply to the court for an order directing him to liquidate the business of a domestic insurer ... regardless of whether or not there has been [a] prior order directing him to rehabilitate such insurer, upon any of the grounds set forth in [N.J.S.A. 17:30C-6] ...".

32. Pursuant to N.J.S.A. 17:30C-6a, the impairment or insolvency of an insurer constitutes grounds for rehabilitation.

33. N.J.S.A. 17:30C-1a defines "impairment or insolvency" to mean "... the capital of a stock insurer ... shall be deemed to be impaired and the insurer shall be deemed

to be insolvent, when such insurer is not possessed of assets at least equal to all liabilities and required reserves together with its total issued and outstanding capital stock ...".

34. As discussed in Paragraphs 7 to 10 above, GSIC's assets are less than equal to its liabilities and required reserves together with its statutorily required minimum capital and surplus.

35. Accordingly, GSIC is insolvent pursuant to N.J.S.A. 17:30C-1a, establishing grounds for a declaration of insolvency and grounds for liquidation pursuant to N.J.S.A. 17:30C-8 and N.J.S.A. 17:30C-6a.

36. Pursuant to N.J.S.A. 17:30C-6f, a finding that an insurer is in a hazardous financial condition constitutes grounds for rehabilitation.

37. As discussed in Paragraphs 11 to 22 above, the Commissioner has found that GSIC is operating in a hazardous financial condition.

38. Accordingly, the finding that GSIC is operating in a hazardous financial condition constitutes grounds for liquidation pursuant to N.J.S.A. 17:30C-8 and N.J.S.A. 17:30C-6f.

39. Pursuant to N.J.S.A. 17:30C-6b, an insurer's refusal to submit its books, records, accounts, or affairs to

the reasonable examination of the Commissioner constitutes grounds for rehabilitation.

40. Pursuant to N.J.S.A. 17:30C-6g, an insurer's willful violation of any law of this State constitutes grounds for rehabilitation.

41. As discussed in Paragraphs 23 to 29 above, GSIC is required by N.J.A.C. 11:2-26.4(a) to file an Annual Audited Financial Report for 2010 with the Department. Despite the grant by the Department of two extensions of the time to file the 2010 Report, GSIC has not filed the Report.

42. Accordingly, GSIC's failure to file its 2010 Annual Audited Financial Report with the Department as required by law constitutes grounds for liquidation pursuant to N.J.S.A. 17:30C-8 and N.J.S.A. 17:30C-6b and g.

43. Given GSIC's history of ongoing financial difficulties and its current financial status, the Commissioner has determined that any attempt to rehabilitate GSIC would be useless and would only result in increased expenses of administration and increased delays in the administration of claims contrary to the best interests of GSIC's policyholders, creditors, and the public.

44. Accordingly, the Commissioner has determined that GSIC must be placed in liquidation.

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.



RAYMOND K. CONOVER
CHIEF INSURANCE EXAMINER

Dated: April 24, 2012

EXHIBIT A

LIABILITIES, SURPLUS AND OTHER FUNDS

		1	2
		Current Year	Prior Year
1.	Losses (Part 2A, Line 35, Column 8)	1,663,610	2,084,865
2.	Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)		
3.	Loss adjustment expenses (Part 2A, Line 35, Column 9)	228,300	305,000
4.	Commissions payable, contingent commissions and other similar charges		
5.	Other expenses (excluding taxes, licenses and fees)	38,577	42,290
6.	Taxes, licenses and fees (excluding federal and foreign income taxes)	5,000	20,000
7.1	Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses))		
7.2	Net deferred tax liability		
8.	Borrowed money \$.....0 and interest thereon \$.....0		
9.	Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....539,567 and including warranty reserves of \$.....0)	639,567	689,244
10.	Advance premiums		
11.	Dividends declared and unpaid:		
11.1	Stockholders		
11.2	Policyholders		
12.	Ceded reinsurance premiums payable (net of ceding commissions)	465,397	509,191
13.	Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	1,325,273	1,072,527
14.	Amounts withheld or retained by company for account of others		
15.	Remittances and items not allocated		
16.	Provision for reinsurance (Schedule F, Part 7)		
17.	Net adjustments in assets and liabilities due to foreign exchange rates		
18.	Drafts outstanding		
19.	Payable to parent, subsidiaries and affiliates		
20.	Derivatives		
21.	Payable for securities		
22.	Payable for securities lending		
23.	Liability for amounts held under uninsured plans		
24.	Capital notes \$.....0 and interest thereon \$.....0		
25.	Aggregate write-ins for liabilities	10,097	691
26.	TOTAL Liabilities excluding protected cell liabilities (Lines 1 through 25)	4,375,821	4,723,816
27.	Protected cell liabilities		
28.	TOTAL Liabilities (Lines 26 and 27)	4,375,821	4,723,816
29.	Aggregate write-ins for special surplus funds		
30.	Common capital stock	2,000,000	2,000,000
31.	Preferred capital stock		
32.	Aggregate write-ins for other than special surplus funds		
33.	Surplus notes		
34.	Gross paid in and contributed surplus	6,415,358	6,414,583
35.	Unassigned funds (surplus)	(6,385,901)	(4,224,388)
36.	Less treasury stock, at cost:		
36.10 shares common (value included in Line 30 \$.....0)		
36.20 shares preferred (value included in Line 31 \$.....0)		
37.	Surplus as regards policyholders (Lines 29 to 35, minus 36) (Page 4, Line 39)	2,029,457	4,190,195
38.	TOTALS (Page 2, Line 28, Column 3)	6,405,278	8,944,011
DETAILS OF WRITE-INS			
2501.	Unallocated Cash	9,301	
2502.	Escheat	691	691
2503.	Association fees payable	105	
2598.	Summary of remaining write-ins for Line 25 from overflow page		
2599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	10,097	691
2901.		
2902.		
2903.		
2998.	Summary of remaining write-ins for Line 29 from overflow page		
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201.		
3202.		
3203.		
3298.	Summary of remaining write-ins for Line 32 from overflow page		
3299.	TOTALS (Lines 3201 through 3203 plus 3298) (Line 32 above)		

EXHIBIT B

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8)	1,818,187	1,663,610
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	144,000	228,300
3. Loss adjustment expenses (Part 2A, Line 35, Column 9)		
4. Commissions payable, contingent commissions and other similar charges	146,959	38,577
5. Other expenses (excluding taxes, licenses and fees)	1,379	5,000
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$.....0 and interest thereon \$.....0		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....392,197 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act)	392,196	639,567
10. Advance premiums		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	308,185	465,397
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	1,612,230	1,325,273
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates		
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending		
23. Liability for amounts held under uninsured plans		
24. Capital notes \$.....0 and interest thereon \$.....0	(1,821)	10,097
25. Aggregate write-ins for liabilities	4,421,315	4,375,821
26. TOTAL Liabilities excluding protected cell liabilities (Lines 1 through 25)	4,421,315	4,375,821
27. Protected cell liabilities		
28. TOTAL Liabilities (Lines 26 and 27)	4,421,315	4,375,821
29. Aggregate write-ins for special surplus funds	2,000,000	2,000,000
30. Common capital stock		
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes	6,415,358	6,415,358
34. Gross paid in and contributed surplus	(8,906,307)	(6,385,901)
35. Unassigned funds (surplus)		
36. Less treasury stock, at cost:		
36.10 shares common (value included in Line 30 \$.....0)		
36.20 shares preferred (value included in Line 31 \$.....0)		
37. Surplus as regards policyholders (Lines 29 to 35, minus 36) (Page 4, Line 39)	(490,949)	2,029,457
38. TOTALS (Page 2, Line 28, Column 3)	3,930,366	6,405,278
DETAILS OF WRITE-INS		
2501. Unallocated Cash	(2,512)	9,301
2502. Escheat	691	691
2503. Association fees payable		105
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above)	(1,821)	10,097
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. TOTALS (Lines 3201 through 3203 plus 3298) (Line 32 above)		

EXHIBIT C

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	1,352,853	1,952,813
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7)	1,611,750	1,724,020
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	242,350	899,912
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	934,601	1,064,550
5. Aggregate write-ins for underwriting deductions	2,788,701	3,688,482
6. TOTAL Underwriting Deductions (Lines 2 through 5)		
7. Net income of protected cells	(1,435,848)	(1,735,669)
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)		
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	400,545	579,159
10. Net realized capital gains (losses) less capital gains tax of \$.....0 (Exhibit of Capital Gains (Losses))	20,628	(31,404)
11. Net investment gain or (loss) (Lines 9 + 10)	421,173	547,755
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0)	41,642	44,885
13. Finance and service charges not included in premiums	2,954	
14. Aggregate write-ins for miscellaneous income	44,596	44,885
15. TOTAL Other Income (Lines 12 through 14)		
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(970,079)	(1,143,029)
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(970,079)	(1,143,029)
19. Federal and foreign income taxes incurred	(970,079)	(1,143,029)
20. Net income (Line 18 minus Line 19) (to Line 22)		
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	4,190,195	4,342,827
22. Net income (from Line 20)	(970,079)	(1,143,029)
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0		
25. Change in net unrealized foreign exchange capital gain (loss)	15,852	25,658
26. Change in net deferred income tax	(10,745)	9,005
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets Line 28, Column 3)		56,782
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:	775	790,808
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		(250,000)
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Line 36.1 and 36.2, Column 2 minus Column 1)	(1,196,541)	(241,854)
37. Aggregate write-ins for gains and losses in surplus	(2,160,738)	(732,632)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	2,029,457	4,190,195
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)		
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	2,954	
1401. Miscellaneous Income		
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page	2,954	
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	(696,541)	
3701. Extraordinary Dividend to Great Republic Corporation		(241,854)
3702. Prior period adjustment for FIT recoverable	(500,000)	
3703. Reversal of Receivable		
3798. Summary of remaining write-ins for Line 37 from overflow page	(1,196,541)	(241,854)
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Lines 37 above)		

EXHIBIT D

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	1,319,370	1,352,853
DEDUCTIONS		
2. Losses incurred (Part 2, Line 35, Column 7)	2,282,596	1,611,750
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	222,841	242,350
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	1,006,663	934,601
5. Aggregate write-ins for underwriting deductions	3,512,100	2,788,701
6. TOTAL Underwriting Deductions (Lines 2 through 5)		
7. Net income of protected cells	(2,192,730)	(1,435,848)
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)		
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	183,738	400,545
10. Net realized capital gains (losses) less capital gains tax of \$ 0 (Exhibit of Capital Gains (Losses))	(142,425)	20,628
11. Net investment gain or (loss) (Lines 9 + 10)	41,313	421,173
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0)	39,733	41,642
13. Finance and service charges not included in premiums	718	2,954
14. Aggregate write-ins for miscellaneous income	40,451	44,596
15. TOTAL Other Income (Lines 12 through 14)		
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(2,110,966)	(970,079)
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(2,110,966)	(970,079)
19. Federal and foreign income taxes incurred	(2,110,966)	(970,079)
20. Net income (Line 18 minus Line 19) (to Line 22)		
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	2,029,457	4,190,195
22. Net income (from Line 20)	(2,110,966)	(970,079)
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0		
25. Change in net unrealized foreign exchange capital gain (loss)	(231,263)	15,852
26. Change in net deferred income tax	25,053	(10,745)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets Line 28, Column 3)		
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		775
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Line 36.1 and 36.2, Column 2 minus Column 1)	(203,230)	(1,196,541)
37. Aggregate write-ins for gains and losses in surplus	(2,520,406)	(2,160,738)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(490,949)	2,029,457
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)		
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	718	2,954
1401. Miscellaneous Income		
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	718	2,954
3701. Extraordinary Dividend to Great Republic Corporation	(203,230)	
3702. Prior period adjustment for Payable to Corporate Star per Audit		(500,000)
3703. Reversal of Receivable		
3798. Summary of remaining write-ins for Line 37 from overflow page	(203,230)	(1,196,541)
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Lines 37 above)		

EXHIBIT E



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE
PO BOX 325
TRENTON, NJ 08625-0325

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

THOMAS B. CONSIDINE
Commissioner

DOUGLAS A. WHEELER
Director

TEL (609) 292-8844
FAX (609) 292-3144

August 19, 2011

Fred Morelli
Garden State Indemnity Company, Inc.
4810 Belmar Boulevard
Suite 101
Wall, NJ 07753

Re: Further Extension Request for the 2010 Annual Audited Financial Report for Garden State Indemnity Company, Inc. ("GSI")


Dear Mr. Morelli:

The Company's request dated August 15, 2011, for a further extension for filing the 2010 Annual Audited Financial Report for December 31, 2010 pursuant to N.J.A.C. 11:2-26.4(b) has been received and reviewed.

Please be advised that the Department is denying your request for a further extension until September 30, 2011. The Department believes that the 2010 Annual Audited Financial Report should essentially be complete at this point except for possibly the Subsequent Event footnote. As a result, the 2010 Annual Audited Financial Report must be filed with the Department on or before September 1, 2011.

If you have any questions, please contact Erica Brimmer at (609) 292-5350, extension 50321.

Very truly yours,


Douglas A. Wheeler
Director, Division of Insurance

Cc: Raymond Conover
Boris Privman
Russell Jones
Steve Kerner
Roy Gutowski
Erica Brimmer