

REPORT ON EXAMINATION

OF

GREATER NEW YORK MUTUAL INSURANCE COMPANY

AS OF

DECEMBER 31, 2018

DATE OF REPORT

DECEMBER 9, 2019

EXAMINER

M. IRENE TRAN, CFE

## TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	3
	A. Corporate governance	3
	B. Territory and plan of operation	4
	C. Reinsurance ceded	6
	D. Affiliated group	8
	E. Significant ratios	10
3.	Financial statements	11
	A. Balance sheet	11
	B. Statement of income	13
	C. Capital and surplus	14
4.	Losses and loss adjustment expenses	15
5.	Subsequent events	15
6.	Compliance with prior report on examination	16
7.	Summary of comments and recommendations	16



## Department of Financial Services

**ANDREW M. CUOMO**  
Governor

**LINDA A. LACEWELL**  
Superintendent

December 9, 2019

Honorable Linda A. Lacewell  
Superintendent  
New York State Department of Financial Services  
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31854 dated December 27, 2018, attached hereto, I have made an examination into the condition and affairs of Greater New York Mutual Insurance Company as of December 31, 2018, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Greater New York Mutual Insurance Company.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

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

## 1. SCOPE OF EXAMINATION

The Department has performed an examination of the Greater New York Mutual Insurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2013. This examination covered the five-year period from January 1, 2014 through December 31, 2018. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

New York was the lead state of the Greater New York Group (“the Group”). The examination was performed concurrently with the examinations of the following insurers: Insurance Company of Greater New York (“INSCO”), Strathmore Insurance Company (“Strathmore”), and GNY Custom Insurance Company (“Custom”). The Company, INSCO, and Strathmore are domiciled in New York. Custom is domiciled in Arizona. Arizona participated in this examination.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Company history
- Management and control
- Territory and plan of operation
- Reinsurance
- Affiliated group description
- Financial statement presentation
- Loss review and analysis
- Significant subsequent events
- Summary of recommendations

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

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

## 2. DESCRIPTION OF COMPANY

Greater New York Mutual Insurance Company was formed under the laws of the State of New York on August 29, 1927, as the Greater New York Taxpayers Mutual Insurance Association. It became licensed on October 29, 1927 and commenced business on November 1, 1927. The Company's operations were conducted for a period of approximately 15 years as a membership corporation. As such, it afforded public liability coverage to property owners in the Greater New York area. The Company's present name was adopted on March 17, 1954.

### A. Corporate Governance

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 seven nor more than thirteen members. The board meets four times during each calendar year. At December 31, 2018, the board of directors was comprised of the following twelve members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Joan Louise Cadd Sarasota, FL	Chartered Professional Accountant, Self-employed
Donald Thomas DeCarlo Douglaston, NY	Attorney, Self-employed
Elizabeth Heck New York, NY	President and Chief Executive Officer, Greater New York Mutual Insurance Company
Warren William Heck New York, NY	Chairman of the Board, Greater New York Mutual Insurance Company
Carol Trencher Ivanick New York, NY	Partner of Counsel, Schulte Roth & Zabel
Charles Frederick Jacey Belle Meade, NJ	Retired
Robert Peter Lewis Santa Fe, NM	Retired

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Lance Malcolm Liebman New York, NY	Dean and Professor, Columbia University Law School
Henry George Miller Bronxville, NY	Senior Partner, Clark, Gagliardi & Miller LLP
Paul Segal New York, NY	Retired
Thomas Whitney Synnott III Brooklyn, NY	Economist, Garrison, Bradford & Associates
James Joseph Wrynn New York, NY	Consultant/Attorney, FTI Consulting, Inc.

As of December 31, 2018, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Elizabeth Heck	President & Chief Executive Officer
Thomas Donald Hughes	Executive Vice President & General Counsel, Secretary
Christopher Thomas McNulty	Executive Vice President, Chief Financial Officer & Treasurer
Gerard Lawrence Ragusa	Executive Vice President
Lucas James Sheldon	Senior Vice President & Chief Underwriting Officer
Margaret Grealis Klein	Vice President
Michael James Meyer	Vice President
Nancy Pearlstein	Vice President
Kathleen Anne Zarzycki	Vice President

B. Territory and Plan of Operation

As of December 31, 2018, the Company was licensed to write business in 45 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>
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

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, the Company is licensed to do within this State the business of special risk insurance pursuant to Article 63 of the New York Insurance Law.

Based upon 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. However, pursuant to Section 6302(c)(1) of the New York Insurance Law, in order to be licensed to write special risks, the Company is required to maintain surplus as regards policyholders of at least 200% of its authorized control level risk-based capital; therefore, the Company was required to maintain a minimum surplus to policyholders in the amount of \$145,427,960 as of December 31, 2018.

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

<u>Calendar Year</u>	<u>Direct Premiums</u>	<u>Assumed Premiums</u>	<u>Total Gross Premiums</u>
2014	\$197,072,231	\$119,030,035	\$316,102,266
2015	\$203,230,143	\$129,235,045	\$332,465,188
2016	\$208,551,581	\$135,379,312	\$343,930,893
2017	\$232,455,090	\$144,304,343	\$376,759,433
2018	\$255,104,872	\$175,830,386	\$430,935,258

The Company is a niche writer of commercial multiple peril insurance. This line of business represents approximately 96% of its total direct business written. The Company is primarily a direct writer; its assumed premiums consists mainly of business obtained through its inter-company pooling agreement with its subsidiaries. The Company assumes a minimal amount of non-affiliated premiums.

A majority (approximately 89%) of the Company's direct business is written in New York, New Jersey, Illinois, Massachusetts, and Pennsylvania. Most of its business originates through independent brokers. The Company maintains branch offices in Glastonbury, CT; East Brunswick, NJ; Quincy, MA; and Hunt Valley, MD. Each office, including the New York home office, handles the underwriting function for a specific territory.

Due to the pooling agreement described below, the net exposure of the Company is significantly different than its direct and assumed exposure.

#### C. Reinsurance Ceded

##### Inter-company Pooling Agreement

The Company is the lead company in a pooling agreement with its subsidiaries. This agreement has been in place since 1968 and was amended on various occasions outside of the examination period. The four insurance companies comprising the Group share business written through a reinsurance pooling agreement with participating percentages as follows:

<u>Pool Participant</u>	<u>Pooling Percentage</u>
The Company	84%
INSCO	10%
Strathmore	5%
Custom	1%

All business is assumed by the Company and then is reinsured externally before being ceded back to affiliates based on their percentage participation. This agreement and all amendments were filed with and non-disapproved by the Department.

##### Ceded Reinsurance Program

The Group has structured its ceded reinsurance program as follows:



<u>Type of Treaty</u>	<u>Cession</u>
<u>Property</u>	
Excess of Loss – four layers	\$149,000,000 in excess of \$1,000,000 per risk.
Boiler and Machinery Quota Share	100% cession.
<u>Catastrophe</u>	
Excess of Loss – four layers	
Layers 1 through 3 (95% placed)	\$225,000,000 in excess of \$15,000,000 per occurrence.
Layer 4 (85% placed)	\$160,000,000 in excess of \$240,000,000.
<u>Terrorism</u>	
Excess of Loss – three layers	\$854,277,777 in excess of \$20,000,000, with 18% participation in losses in excess of \$874,277,777 and the remaining covered by TRIA.
<u>Liability</u>	
Casualty Excess of Loss – three layers	\$49,000,000 in excess of \$1,000,000.
Fidelity, Surety and Crime Quota Share	80% cession.
Umbrella Quota Share	
Part 1	95% for policies not exceeding \$1,000,000.
Part 2	For policies in excess of \$1,000,000 but not exceeding \$25,000,000, 95% for the first \$1,000,000 and 100% in excess of \$1,000,000.

The Company also has in place employment practices liability, identity recovery, data compromise, and cyber risk reinsurance.

As of December 31, 2018, approximately 94% of the Company's ceded business was to authorized reinsurers. There was no recoverable from any one reinsurer that was material to the financial statements.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulation 133. No exceptions were noted.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles (“SSAP”) No. 62R and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC annual statement instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

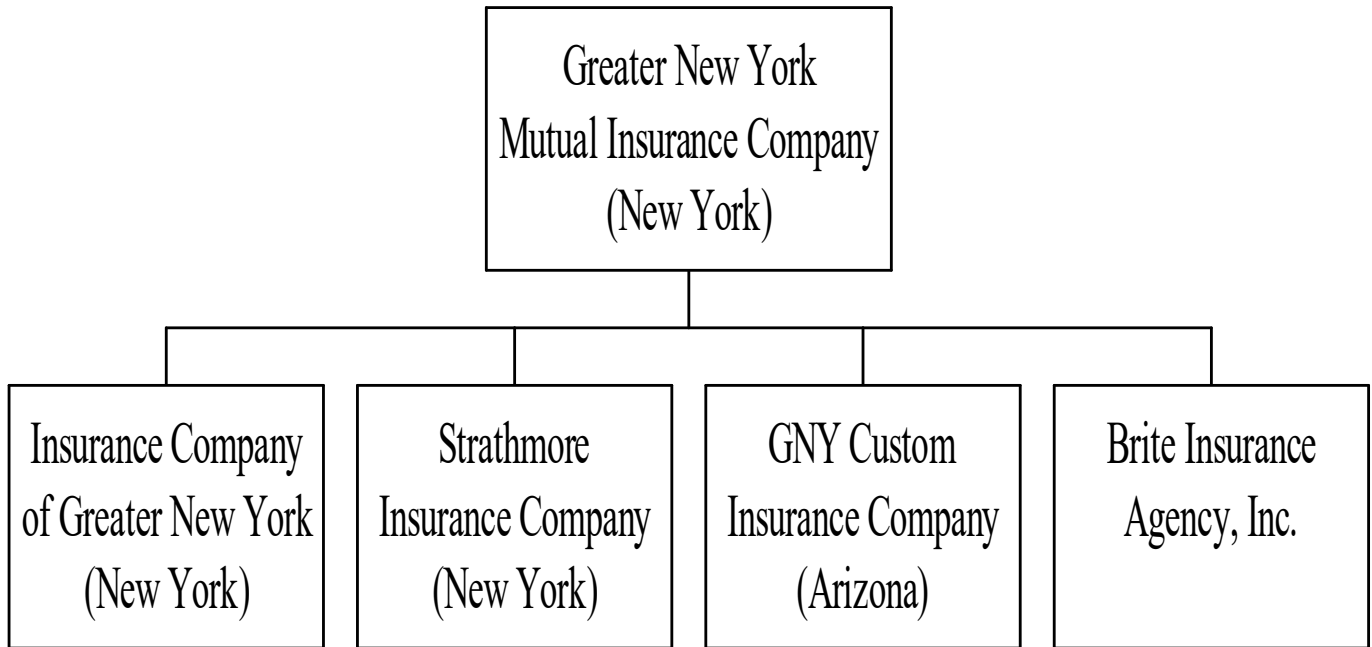
D. Affiliated Group

The Company is a member of the Greater New York Group, and is its ultimate parent. The Company owns 100% of the stock of the following insurers: INSCO, Strathmore, and Custom. Additionally, the Company also owns an insurance agency, Brite Insurance Agency, Inc., which is incorporated in New York.

Pursuant to Section 1502(a) of the New York Insurance Law, the Company is exempt from the filing requirements of Article 15. However, according to Department Circular Letter No. 10 (2010), every domestic insurer that is exempt from the provisions of Article 15 of the New York Insurance Law is required to file with the Department the information contained in NAIC Form B within 120 days following the close of the ultimate company's fiscal year.

A review of the Company's filings of NAIC Form B, Holding Company System Annual Registration Statement, during the examination period indicated that such filings were complete and timely, except for the 2018 NAIC Form B filing. It is recommended that the Company consistently file its annual holding company registration statement in a timely manner pursuant to the provisions of Department Circular Letter No. 10 (2010).

The following is an unabridged chart of the affiliated group at December 31, 2018:



At December 31, 2018, the Company was party to the following agreements with its affiliates:

Investment Expense Cost Sharing Agreement

Effective February 1, 2015, the Company entered into an investment expense cost sharing agreement with INSCO, Strathmore and Custom. The agreement provides for a method of allocating investment expenses amongst the insurers. The expenses that are to be allocated are primarily related to the costs associated with the Company's management and administration of its subsidiaries' investment portfolios. Each insurer is 100% liable for expenses charged by external investment managers and custodial banks that are specifically related to its own investment portfolio. This agreement was filed with and non-disapproved by the Department.

The Company participates in a tax allocation agreement with its subsidiaries, effective June 15, 2001, which has been filed pursuant to the provisions of Department Circular Letter No. 33 (1979), and a management services agreement with Brite Insurance Agency, Inc., dated January 18, 2005, which has been filed and non-objected by the Department.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2018, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	59%
Adjusted liabilities to liquid assets	65%
Two-year overall operating	87%

Underwriting Ratios

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

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$ 799,660,818	67%
Other underwriting expenses incurred	379,820,318	32
Net underwriting gain (loss)	<u>14,835,113</u>	<u>1</u>
Premiums earned	<u>\$1,194,316,249</u>	<u>100%</u>

The Company's reported risk-based capital ("RBC") ratio was 687.7% at December 31, 2018. The RBC is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC of 200% or below can result in regulatory action. There were no financial adjustments in this report that impacted the Company's RBC score.

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2018, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$703,975,054	\$0	\$ 703,975,054
Common stocks (stocks)	234,212,866	28,659	234,184,207
Cash, cash equivalents and short-term investments	35,310,144	0	35,310,144
Investment income due and accrued	3,935,443	0	3,935,443
Uncollected premiums and agents' balances in the course of collection	39,466,112	2,428,160	37,037,952
Deferred premiums, agents' balances and installments booked but deferred and not yet due	62,489,948	766,730	61,723,218
Amounts recoverable from reinsurers	2,898,605	0	2,898,605
Net deferred tax asset	14,631,510	0	14,631,510
Electronic data processing equipment and software	1,664,275	565,395	1,098,880
Furniture and equipment, including health care delivery assets	405,729	405,729	0
Due from Brite Insurance Agency, Inc.	46,608	0	46,608
Prepaid Security Deposit	7,303	7,303	0
Company Owned Life Insurance	23,658,526	0	23,658,526
Reclass entry	<u>3,683,672</u>	<u>0</u>	<u>3,683,672</u>
Total assets	<u>\$1,126,385,795</u>	<u>\$4,201,976</u>	<u>\$1,122,183,819</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 386,903,284
Commissions payable, contingent commissions and other similar charges	2,364,022
Other expenses (excluding taxes, licenses and fees)	6,632,710
Taxes, licenses and fees (excluding federal and foreign income taxes)	706,859
Current federal and foreign income taxes	173,453
Unearned premiums	179,872,659
Policyholders (dividends declared and unpaid)	687,497
Ceded reinsurance premiums payable (net of ceding commissions)	5,686,280
Funds held by company under reinsurance treaties	8,815
Amounts withheld or retained by company for account of others	894,405
Provision for reinsurance	237,208
Payable to parent, subsidiaries and affiliates	1,392,159
Liability for pension and post retirement benefits	13,393,499
Other liabilities	3,063,025
Liability for deferred compensation	<u>913,072</u>
 Total liabilities	 \$ 602,928,947

Surplus and Other Funds

Special contingent surplus	\$ 1,700,000
Unassigned funds (surplus)	<u>517,554,872</u>
 Surplus as regards policyholders	 <u>519,254,872</u>
 Total liabilities, surplus and other funds	 <u>\$1,122,183,819</u>

Note: The Internal Revenue Service has completed its audits of the Company's consolidated federal income tax returns through tax year 2011. The Internal Revenue Service has not audited any tax returns of 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. Statement of Income

The net income for the examination period as reported by the Company was \$85,885,309, as detailed below:

### Underwriting Income

Premiums earned		\$1,194,316,249
Deductions:		
Losses and loss adjustment expenses incurred	\$799,660,818	
Other underwriting expenses incurred	<u>379,820,318</u>	
Total underwriting deductions		<u>1,179,481,136</u>
Net underwriting gain		\$ 14,835,113

### Investment Income

Net investment income earned	\$ 90,325,732	
Net realized capital gain	<u>3,594,053</u>	
Net investment gain		93,919,785

### Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (119,596)	
Finance and service charges not included in premiums	795,824	
Interest on funds	521,909	
Miscellaneous (expense) income	<u>4,016,233</u>	
Total other income		<u>5,214,370</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$ 113,969,268
Dividends to policyholders		<u>1,469,080</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$ 112,500,188
Federal and foreign income taxes incurred		26,614,879
Net income		\$ <u>85,885,309</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$104,722,052 during the five-year examination period January 1, 2014 through December 31, 2018, as reported by the Company, detailed as follows:

Surplus as regards policyholders, as reported by the Company, as of December 31, 2013			\$414,532,820
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$ 85,885,309		
Net unrealized capital gains or (losses)	27,926,766		
Change in net deferred income tax		\$ 8,181,060	
Change in nonadmitted assets	3,854,914		
Change in provision for reinsurance	98,967		
Change in unrecognized net periodic cost for pension and post-retirement benefits	<u>0</u>	<u>4,862,844</u>	
Total gains and losses	\$117,765,956	\$13,043,904	
Net increase in surplus			<u>104,722,052</u>
Surplus as regards policyholders, as reported by the Company, as of December 31, 2018			<u>\$519,254,872</u>

No adjustments were made to surplus as a result of this examination.



**4. LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$386,903,284 is the same as reported by the Company as of December 31, 2018. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including SSAP No. 55.

**5. SUBSEQUENT EVENTS**

Effective January 1, 2020, the Group amended its pooling agreement. Per the amended agreement, the pooling participation percentages for INSCO, Strathmore and Custom have been reduced to zero. The Company will retain 100% (instead of 84%) of business written. The pooling agreement is subject to renewal every four years, with the initial four-year period expiring on the close of business December 31, 2023.

## 6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Holding Company</u>	
	It was recommended that the Company settle expenses with Brite Insurance Agency per the terms of the service agreement.	10
	The Company has complied with this recommendation.	

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Holding Company</u>	
	It is recommended that the Company consistently file its annual holding company registration statements in a timely manner pursuant to the provisions of Department Circular Letter No. 10 (2010).	8

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
My-Nghi Irene Tran, CFE  
Senior Insurance Examiner

STATE OF NEW YORK     )  
  )ss:  
COUNTY OF NEW YORK    )

My-Nghi Irene Tran, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

\_\_\_\_\_/S/\_\_\_\_\_  
My-Nghi Irene Tran

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

**APPOINTMENT NO. 31854**

**NEW YORK STATE**

**DEPARTMENT OF FINANCIAL SERVICES**

I, **Maria T. Vullo**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

**MyNghi Irene Tran**

as a proper person to examine the affairs of the

**Greater New York Mutual Insurance Company**

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

**COMPANY**

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name  
and affixed the official Seal of the Department  
at the City of New York

this 27th day of December 2018

**MARIA T. VULLO**  
Superintendent of Financial Services



By:

*Joan P. Riddell*

Joan Riddell  
Deputy Bureau Chief