

REPORT ON EXAMINATION

OF

GOLDSTREET INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

DATE OF REPORT

DECEMBER 11, 2015

EXAMINER

MOHAMMED RAB

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

December 11, 2015

Honorable Maria T. Vullo
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 31249 dated October 29, 2014, attached hereto, I have made an examination into the condition and affairs of Goldstreet Insurance Company as of December 31, 2014, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Goldstreet 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 2 Logan Square, Suite 600, Philadelphia, PA 19103.

1. SCOPE OF EXAMINATION

The Department has participated in a coordinated examination of the Company, a single-state insurer. The previous examination was conducted as of December 31, 2009. This examination covered the five-year period from January 1, 2010 through December 31, 2014. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with the state of Pennsylvania, which was the coordinating state of the Randall & Quilter (“R&Q”) Group. The examination was performed concurrently with the examinations of the following insurers: R&Q Reinsurance Company and Transport Insurance Company. The systems and practices of conducting business are integrated and all Companies operate under common management.

The state of domicile for each affiliate is as follows:

| <u>Company</u> | <u>State</u> | <u>NAIC Code</u> |
|------------------------------|--------------|------------------|
| R&Q Reinsurance Company | Pennsylvania | 22705 |
| Transport Insurance Company | Ohio | 33014 |
| Goldstreet Insurance Company | New York | 10709 |

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify 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 Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review

and evaluation of the Company's own control environment assessment. The examiners also relied upon audit work performed by the Company's independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Handbook:

- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements
- Summary of recommendations

A review was also made to ascertain what actions were taken by the Company with regards 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 that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Goldstreet Insurance Company (formerly Goldstreet Syndicate Corporation) was incorporated under the laws of the State of New York on March 5, 1996. It was formed and licensed to assume all of the assets, liabilities and obligations of Goldstreet Syndicate Corporation ("Syndicate") through a transfer and assumption agreement. This transfer was made to facilitate the closure of the New York Insurance Exchange, which had entered into liquidation effective September 30, 1996. The Syndicate was dissolved in October 1996. Ownership of the Company remained the same as that of the Syndicate, with Sequa Corporation and Republic Insurance

Company owning 70.18% and 29.82%, respectively. The Syndicate ceased accepting new or renewal insurance business in December 1987.

On November 13, 2009, Sequa Corporation sold its 70.18% interest in the Company to Randall & Quilter America Holdings, Inc. (“Randall & Quilter America”). On December 11, 2009, the remaining 29.82% of the Company was sold to Randall & Quilter America. Randall & Quilter America is a wholly-owned subsidiary of Randall & Quilter Investment Holdings, plc.

On May 31, 2012, Randall & Quilter America Holdings Inc. contributed 100% of the outstanding voting common stock of Goldstreet Insurance Company to Transport Insurance Company, an Ohio domiciled company. The Contribution was approved by the Department on April 30, 2012 and by the Ohio Department of Insurance on April 5, 2012.

On April 12, 2013, the Company’s ultimate parent, Randall & Quilter Investment Holdings plc (“R&Q plc”) was replaced by a new Bermuda holding company, Randall & Quilter Investment Holdings Ltd (“R&Q Ltd”).

As of December 31, 2014, capital paid in was \$600,000 consisting of 3,000 shares of common stock at \$200 par value, per share. On October 26, 2010, the Department approved the Company’s request to reduce its capital paid in by \$100,000 by reducing the issued and outstanding shares of common stock from 7,000 at \$100 par value, per share to 3,000 shares of common stock at \$200 par value, per share. This reduction was part of the Company’s overall Stock Redemption and Retirement Plan to purchase and retire 4,000 shares of common stock for \$5,000,000 from its sole shareholder, Randall & Quilter America Holdings Inc.

As of December 31, 2014, gross paid in and contributed surplus was \$1,892,676. Gross paid in and contributed surplus decreased by \$4,900,000 during the examination period, as a result of the above-mentioned Stock Redemption and Retirement Plan.

| <u>Year</u> | <u>Description</u> | <u>Amount</u> |
|-------------|--|----------------------|
| 2010 | Beginning gross paid in and contributed surplus | \$6,792,676 |
| 2010 | Stock Redemption and Retirement Plan | <u>\$(4,900,000)</u> |
| | Total reduction in gross paid in and contributed surplus | <u>(4,900,000)</u> |
| 2014 | Ending gross paid in and contributed surplus | <u>\$1,892,676</u> |

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 seven members nor more than thirteen members. At December 31, 2014, the board of directors was comprised of the following seven members:

| <u>Name and Residence</u> | <u>Principal Business Affiliation</u> |
|---|--|
| Thomas A. Booth, Hamilton, Bermuda | Vice President, R&Q Investment Holdings, Ltd, Bermuda |
| Leonard Dome, Roslyn Heights, NY | Attorney, Mound, Cotton, Wollan, & Greengrass |
| John W. Fisher, Portland, ME | Treasurer, R&Q America Holdings, Inc. |
| William E. Lape, Lake Bluff, IL | Director, R&Q America Holdings, Inc. |
| Christopher W. Reichow Gladwyne, PA | General Counsel, R&Q America Holdings, Inc. |
| Kenneth E. Randall, Kent, UK | Chairman, Randall & Quilter Investment Holdings Ltd |
| Pamela S. Sellers-Hoelsken, Philadelphia, PA | President, Goldstreet 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.

Board Approval of Investments

Section 1411(a) of the New York Insurance Law states in part:

No domestic insurer shall make any loan or investment, unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan. . .

A review of the board of directors' minutes during the examination period did not indicate that the investments made by the Company were approved by its board of directors in accordance with Section 1411(a) of the New York Insurance Law. It is noted that the prior report on examination contained a similar comment.

It is again recommended that the Company adhere to the provisions of Section 1411(a) of the New York Insurance Law. A similar recommendation was made in the prior report on examination.

As of December 31, 2014, the principal officers of the Company were as follows:

| <u>Name</u> | <u>Title</u> |
|----------------------------|--------------|
| Pamela S. Sellers-Hoelsken | President |
| Michael L. Glover | Secretary |
| John W. Fisher | Treasurer |

B. Territory and Plan of Operation

As of December 31, 2014, Goldstreet Insurance Company was only licensed in New York State. The Company is currently in run-off status.

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 |
| 12 | Collision |
| 13 | Personal injury liability |
| 14 | Property damage liability |
| 15 | Workers' compensation and employers' liability |
| 19 | Motor vehicle and aircraft physical damage |
| 20 | Marine and inland marine |
| 21 | Marine protection and indemnity |

The Company is also authorized to transact such workers' compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshore and Harbor Workers' Compensation Act (Public Law No. 803, 69th 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 \$2,400,000.

A review of the Company's filed 2014 Annual Statement reported common capital stock of \$600,000 and surplus of \$4,584,241. However, the examiner's review of the Company's current license, charter, and the financial requirements of Section 4103 of the New York Insurance Law indicated that the Company is required, at all times, to maintain minimum capital of \$1,000,000 and minimum surplus to policyholders of \$2,400,000.

It is recommended that the Company increase its required minimum capital to \$1,000,000 in order to comply with the provisions of Section 4103 of the New York Insurance Law.

C. Reinsurance

Goldstreet Insurance Company's business consists of the runoff of assumed and ceded reinsurance business from the dissolved Goldstreet Syndicate Corporation. The business consisted of assumed reinsurance treaties and facultative certificates for calendar years 1981 through 1987.

All of the Company's ceded reinsurance contracts have been in run-off since 1987 and therefore had no agreements with active cessions at the examination date. The Company took approximately \$269,000 in statutory credits for these ceded reinsurance agreements in run-off.

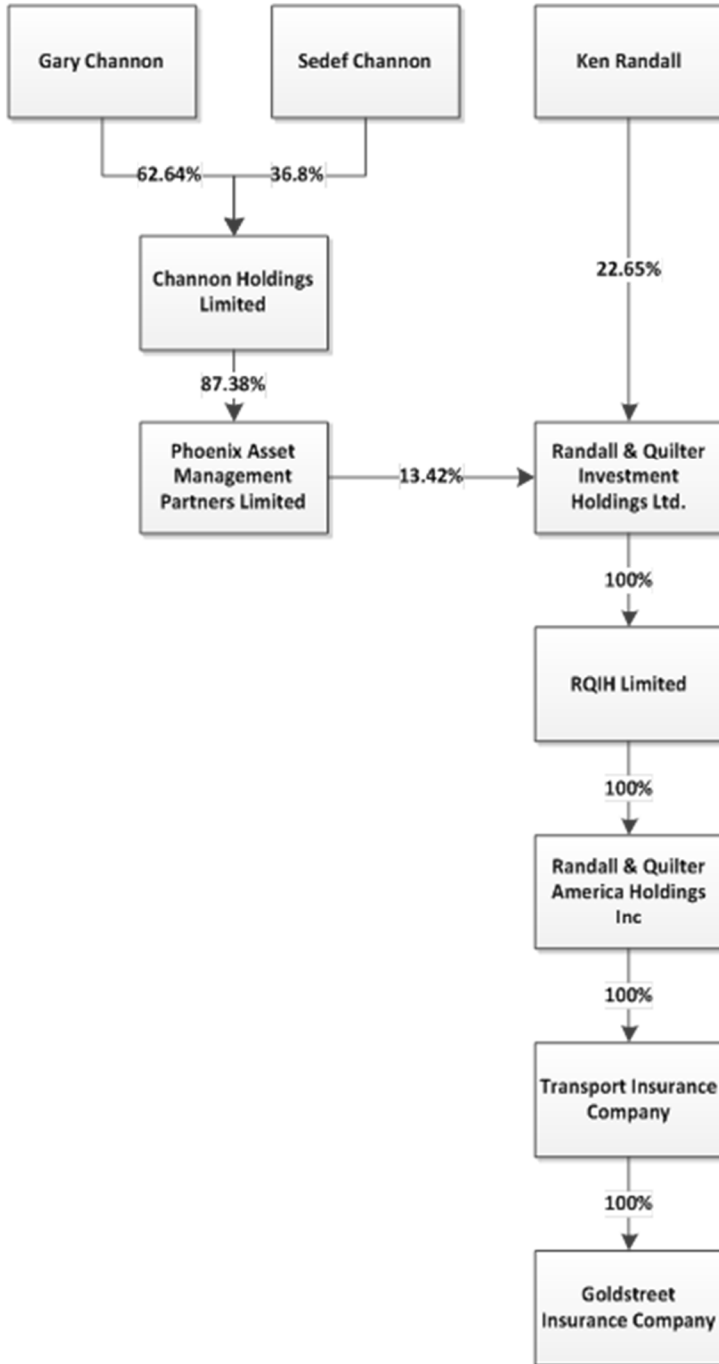
The examination review of Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions.

D. Holding Company System

The Company is 100% owned by Transport Insurance Company, an Ohio domestic insurer, which is owned by Randall & Quilter America Holdings, Inc., a Delaware corporation, which is a wholly owned subsidiary of Randall & Quilter Investment Holdings Limited, a Bermuda domiciled company.

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 Insurance Regulation 52.

The following is an abbreviated chart of the holding company system at December 31, 2014:



As of December 31, 2014, the Company was a party to the following agreements with other members of its holding company system:

Tax Allocation Agreement

The Company entered into a tax allocation agreement with its parent and affiliates effective January 1, 2014. Under the agreement, the Group's consolidated federal and income tax liabilities are allocated equitably to each party based on their relative contribution to such liability.

The agreement was filed with and non-disapproved by the Department in accordance with Section 1505(d)(3) of the New York Insurance Law.

Shared Services & Joint Cost Allocation Agreement

The Company entered into a Shared Services & Joint Cost allocation agreement with its parent Transport Insurance Company and other affiliates, effective October 1, 2014. Under the agreement, affiliated companies provide certain administrative and other services to each other with respect to their operations.

The agreement was filed with and non-disapproved by the Department in accordance with Section 1505(d)(3) of the New York Insurance Law.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2014, based upon the results of this examination:

| | |
|--|------|
| Net premiums written to surplus as regards policyholders | N/A |
| Liabilities to liquid assets (cash and invested assets less investments in affiliates) | 23 % |
| Premiums in course of collection to surplus as regards policyholders | N/A |

The second ratio falls within the benchmark ranges set forth in the Insurance Regulatory Information System (“IRIS”) of the National Association of Insurance Commissioners.

The premium based IRIS ratios and the underwriting ratios are not applicable because the Company has been in run-off since its inception in 1996.

F. Accounts and records

Investments

The examination review of the Company's investments on its filed 2014 Annual Statement indicated that the Company was not in compliance with the minimum capital or minimum surplus to policyholder investments requirements pursuant to the provisions of Section 1402 (a) and (b) of the New York Insurance Law.

It is recommended that the Company, at all times adhere to the provisions of Section 1402 (a) and (b) of the New York Insurance Law.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2014, as reported by the Company.

| <u>Assets</u> | <u>Assets</u> | <u>Assets Not Admitted</u> | <u>Net Admitted Assets</u> |
|---|--------------------|----------------------------|----------------------------|
| Bonds | \$5,546,751 | \$ 0 | \$5,546,751 |
| Cash, cash equivalents and short-term investments | 236,660 | | 236,660 |
| Investment income due and accrued | 38,427 | | 38,427 |
| Uncollected premiums and agents' balances in the course of collection | 37,654 | 37,654 | |
| Current federal and foreign income tax recoverable and interest thereon | 84,381 | | 84,381 |
| Net deferred tax asset | 47,245 | 47,245 | |
| Prepaid assets | <u>5,584</u> | <u>5,584</u> | <u>0</u> |
| Total assets | <u>\$5,996,702</u> | <u>\$90,483</u> | <u>\$5,906,219</u> |

Liabilities, Surplus and Other Funds

Liabilities

| | | |
|---|--|---------------|
| Losses and loss adjustment expenses | | \$1,237,519 |
| Reinsurance payable on paid losses and loss adjustment expenses | | 2,260 |
| Other expenses (excluding taxes, licenses and fees) | | 70,180 |
| Payable to parent, subsidiaries and affiliates | | <u>12,019</u> |
| Total liabilities | | \$1,321,978 |

Surplus and Other Funds

| | | |
|--|------------------|--------------------|
| Common capital stock | \$ 600,000 | |
| Gross paid in and contributed surplus | 1,892,676 | |
| Unassigned funds (surplus) | <u>2,091,565</u> | |
| Surplus as regards policyholders | | <u>4,584,241</u> |
| Total liabilities, surplus and other funds | | <u>\$5,906,219</u> |

Note: The Internal Revenue Service has not audited tax returns covering tax years 2010 through 2014. 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

Net income for the five-year examination period, January 1, 2010 through December 31, 2014, as reported by the Company was \$824,737, detailed as follows:

Underwriting Income

| | | |
|--|------------------|----------------|
| Premiums earned | | \$(402,950) |
| Deductions: | | |
| Losses & Loss adjustment expenses incurred | \$(1,351,363) | |
| Other underwriting expenses incurred | <u>1,457,444</u> | |
| Total underwriting deductions | | <u>106,081</u> |
| Net underwriting gain or (loss) | | (509,031) |

Investment Income

| | | |
|-------------------------------|----------------|-----------|
| Net investment income earned | 755,432 | |
| Net realized capital gain | <u>288,194</u> | |
| Net investment gain or (loss) | | 1,043,626 |

Other Income

| | | |
|--|---------------|------------------|
| Net commutation gain | 245,613 | |
| Reinsurance charge-off for uncollectible | <u>13,574</u> | |
| Total other income | | <u>232,039</u> |
| Net income before dividends to policyholders and before federal and foreign income taxes | | 766,636 |
| Dividends to policyholders | | <u>0</u> |
| Net income after dividends to policyholders but before federal and foreign income taxes | | 766,636 |
| Federal and foreign income taxes incurred | | <u>(58,101)</u> |
| Net income | | <u>\$824,737</u> |

C. Capital and Surplus Account

Surplus as regards policyholders decreased \$4,662,804 during the five-year examination period January 1, 2010 through December 31, 2014, detailed as follows:

| | | | |
|--|-----------------------------|------------------------------|---------------------|
| Surplus as regards policyholders as reported by the Company as of December 31, 2009 | | | \$ 9,247,046 |
| | <u>Gains in Surplus</u> | <u>Losses in Surplus</u> | |
| Net income | \$ 824,737 | | |
| Change in net deferred income tax | | \$ 410,206 | |
| Change in non-admitted assets | 816,125 | | |
| Change in provision for reinsurance | 81,540 | | |
| Common capital stock reduction (from stock redemption and retirement plan) | | 100,000 | |
| Gross paid in and contributed surplus (from stock redemption and retirement plan) | | 4,900,000 | |
| Dividends to stockholders | <u> </u> | <u>975,000</u> | |
| Total gains or losses in surplus | <u>\$1,722,402</u> | <u>\$6,385,206</u> | |
| Net increase (decrease) in surplus | | | (4,622,804) |
| Surplus as regards policyholders as reported by the Company as of December 31, 2014 | | | <u>\$ 4,584,242</u> |

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$1,237,519 is the same as reported by the Company as of December 31, 2014. 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 the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

| <u>ITEM</u> | <u>PAGE NO.</u> |
|--|-----------------|
| A. <u>Management</u> | |
| i. It is recommended that the Company comply with its charter by holding an annual shareholders' meeting. | 4 |
| The Company has complied with this recommendation. | |
| ii. It is recommended that the Company adhere to the provisions of Section 1411(a) of the New York Insurance Law. | 5 |
| The Company has not complied with this recommendation. A similar recommendation is made in this report. | |
| iii. It is recommended that the Company establish a conflict of interest policy and have its directors, officers and key employees complete and sign conflict of interest questionnaires on an annual basis. | 6 |
| The Company has complied with this recommendation. | |
| iv. It is recommended that the completed conflict of interest questionnaires be reviewed by the Company's board of directors. | 6 |
| The Company has complied with this recommendation. | |
| B. <u>Custodial Agreements</u> | |
| v. It is recommended that the Company revise its custodial agreement with Bank of America to include the protective safeguards and controls in accordance with Section 3, III Conducting Examinations, F – Custodial or Safekeeping agreements, of the NAIC Financial Condition Examiner's Handbook. | 9 |
| The Company has complied with this recommendation. | |
| vi. It is recommended that the Company enter into a custodian agreement with JP Morgan Chase that complies with the NAIC Financial Condition Examiners handbook. | 9 |
| The Company has complied with this recommendation. | |

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

| <u>ITEM</u> | | <u>PAGE NO.</u> |
|-------------|---|-----------------|
| A. | <u>Management</u> | |
| i. | It is again recommended that the Company adhere to the provisions of Section 1411(a) of the New York Insurance Law. | 6 |
| B. | <u>Territory and Plan of Operation</u> | |
| i. | It is recommended that the Company increase its required minimum capital to \$1,000,000 in order to comply with the provisions of Section 4103 of the New York Insurance Law. | 7 |
| C. | <u>Accounts and records</u> | |
| i. | It is recommended that the Company, at all times adhere to the provisions of Section 1402 (a) and (b) of the New York Insurance Law. | 11 |

Respectfully submitted,

Mohammed Rab
Senior Insurance Examiner

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

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

Mohammed Rab

Subscribed and sworn to before me

this _____ day of _____, 2018.

APPOINTMENT NO. 31249

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, 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:

Mohammed Rab

as a proper person to examine the affairs of the

Goldstreet Insurance Company

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

COMPANY

with such other information as he 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 29th day of October, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



Rolf Kaumann
Deputy Chief Examiner

