REPORT ON EXAMINATION

OF THE

NEW YORK TRANSPORTATION INSURANCE CORPORATION

AS OF

DECEMBER 31, 2008

DATE OF REPORT	JANUARY 8, 2010
EXAMINER	DILBRINA BELGRAVE

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

January 8, 2010

Honorable James J. Wrynn
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 30340 dated May 19, 2009, and attached hereto, I have made an examination into the condition and affairs of New York Transportation Insurance Corporation as of December 31, 2008, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate New York Transportation Insurance Corporation.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the Company's home office located at 55-10 37th Avenue, Woodside, New York 11377.

Based on the Company's lack of credible loss and loss adjustment expense data as noted in items 2.F(ii), (iv), and (ix) of this report, the long-tail nature of workers' compensation insurance, and the Company's unlimited liability due to its lack of reinsurance, the Department is unable to opine on the adequacy of the Company's loss and loss adjustment expense reserves. The balance sheet included herein indicates that as of December 31, 2008, the Company's required to be maintained surplus of $600,000 was impaired in the amount of $86,808. However, it should be noted that since we were unable to opine on the adequacy of the Company's loss and loss adjustment expense reserves, it is possible that the surplus impairment may be larger.

1. SCOPE OF EXAMINATION

The Department has performed a single-state examination of New York Transportation Insurance Corporation. This is the first financial examination of the Company after the report on organization, which was conducted as of June 14, 2005. This examination covered the period from June 15, 2005 through December 31, 2008. Transactions occurring subsequent to this period were reviewed where deemed appropriate.

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 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. An 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 accounts and activities of the Company were considered in accordance with the risk-focused examination process. 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 Financial Condition Examiners Handbook of the NAIC:

Significant subsequent events
Company history
Corporate records
Management and control
Fidelity bonds and other insurance
Pensions, stock ownership and insurance plans
Territory and plan of operation
Growth of Company
Loss experience
Reinsurance
Accounts and records
Statutory deposits
Financial statements
Summary of recommendations

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

2. DESCRIPTION OF COMPANY

New York Transportation Insurance Corporation was incorporated under the laws of the State of New York on January 24, 2003. It became licensed and commenced business on July 8, 2005.

On June 13, 2005, the Company issued 60,000 shares of $10 par value per share common stock for consideration of $1,999,800; therefore, its capital paid in was $600,000 and its gross paid in and contributed surplus was $1,399,800. However, beginning with the first quarterly statement filed after its organization, the Company reported its gross paid in and contributed surplus as $1,200,000. The Company could not provide any explanation for the change in gross paid in and contributed surplus. It is noted that the only way that gross paid in and contributed surplus can be decreased is through a stock redemption plan or a quasi-reorganization, which must be approved by the superintendent. Therefore, the financial statements contained herein have been adjusted to reflect gross paid in and contributed surplus restated to $1,399,800.

A. Management

Pursuant to the Company’s charter and by-laws, management of the Company is vested in a board of directors consisting of thirteen members. The board meets four times during each calendar year. At December 31, 2008, the board of directors was comprised of the following thirteen members:

Name and Residence	Principal Business Affiliation
Arun Agarwal Syosset, NY	President, New York Transportation Insurance Corporation
Rachita Agarwal New York, NY	Legal Consultant, New York Transportation Insurance Corporation
Ranjana Agarwal Syosset, NY	Owner and Manager, Deer Park Tennis and Fitness Center
Anita Gupta Chicago, IL	Medical Researcher, Forensics and Pathology, Northwestern Memorial Hospital

Name and Residence	Principal Business Affiliation
Harendra K. Gupta, Forest Park, IL	Teacher, Chicago Board of Education
Nidhi Gupta River Forest, IL	Pharmacy Technician, Osco Drug Store
Nittin K Gupta River Forest, IL	Student, DePaul University
Raj R. Gupta, Forest Park, IL	Teacher, Schurz High School
Susan Javer, Dix Hill, NY	Manager, Deer Park Tennis and Fitness Center
Elliott Roth, Suffern, NY	Certified Public Accountant, Practicing Accountant
Anna Yuspa, Brooklyn, NY	Beautician, Self-Employed
Marat Yuspa, Brooklyn, NY	Vice President, New York Transportation Insurance Corporation
Steven B. Yuspa, Brooklyn, NY	Analyst, Citigroup

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally not well attended. In fact, it was noted that each meeting was attended by only two directors, Arun Agarwal and Ranjana Agarwal. Section 4 of Article 2 of the Company's By-laws states in part:

> The presence, at any meeting, of seven of the directors constituting the entire Board of Directors shall be necessary and sufficient to constitute a quorum for the transaction of business, but in no event shall these By-laws be amended to provide that a quorum shall be less than five directors . . .

Members of the board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the insurer. It is essential that board members attend meetings consistently and set forth their views on relevant matters so that the board may reach appropriate decisions. Individuals who fail to attend at least one-half of the regular meetings do not fulfill such criteria.

It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced. Additionally, it is recommended that at least seven members, constituting a quorum, must be present at each meeting of the board of directors in conformity with the Company's By-laws.

It was further noted that the minutes of the board of directors' meetings did not indicate that the investments made by the Company were approved by the board of directors. 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. The committee's minutes shall be recorded and a report submitted to the board of directors at its next meeting.

It is recommended that the Company's board of directors approve all investment transactions pursuant to Section 1411(a) of the New York Insurance Law.

As of December 31, 2008, the principal officers of the Company were as follows:

Name	Title
Arun Agarwal	President and Treasurer
Marat Yuspa	Vice President and Secretary

i. Conflict of Interest

A review was made of the Company's procedure for disclosure to its board of directors of any material potential conflicts of interest on the part of any of its officers, directors or key employees. It was noted that while the Company has a conflict of interest policy, it does not require its officers, directors or key employees to complete annual conflict of interest questionnaires to disclose any potential conflicts. It is recommended that the Company require all officers, directors and key employees to complete conflict of interest questionnaires on an annual basis and submit such completed questionnaires to the Company's board of directors for review.

ii. Fidelity Bond Coverage

The Company did not maintain the minimum fidelity insurance coverage recommended by the NAIC Financial Condition Examiners' Handbook. It is recommended that the company obtain adequate fidelity bond coverage commensurate with its exposure.

B. Territory and Plan of Operation

As of December 31, 2008, the Company was licensed to write business in New York only. As of that date, it was authorized to transact workers' compensation and employers' liability as defined in paragraph 15 of Section 1113(a) of the New York Insurance Law:

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 $600,000.

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

Calendar Year	Direct Premiums Written
2005	$901,770
2006	$2,259,246
2007	$1,885,995
2008	$246,468

Prior to November 2007, the Company utilized a network of brokers for the production of business. The majority of the Company's business was written through its affiliate A&M Insurance Brokerage Inc. Pursuant to the provisions of Department Regulation 52-A, A&M Insurance Brokerage Inc. was deemed a controlling producer of the Company.

The Company is currently in run-off since it voluntarily discontinued writing new and renewal business in November 2007 and March 2008 respectively. However, the Company will earn a small portion of premium through March 2009. Pursuant to Section 1203(b) of the New York Insurance Law, any domestic insurer which ceases to do any insurance business for more than one year continuously shall forfeit its right to resume an insurance business, except with the prior approval of the Superintendent.

C. Reinsurance

As of December 31, 2008, the Company did not have a reinsurance program in place.

D. Holding Company System

The Company is wholly-owned and controlled by Mr. Arun Agarwal.

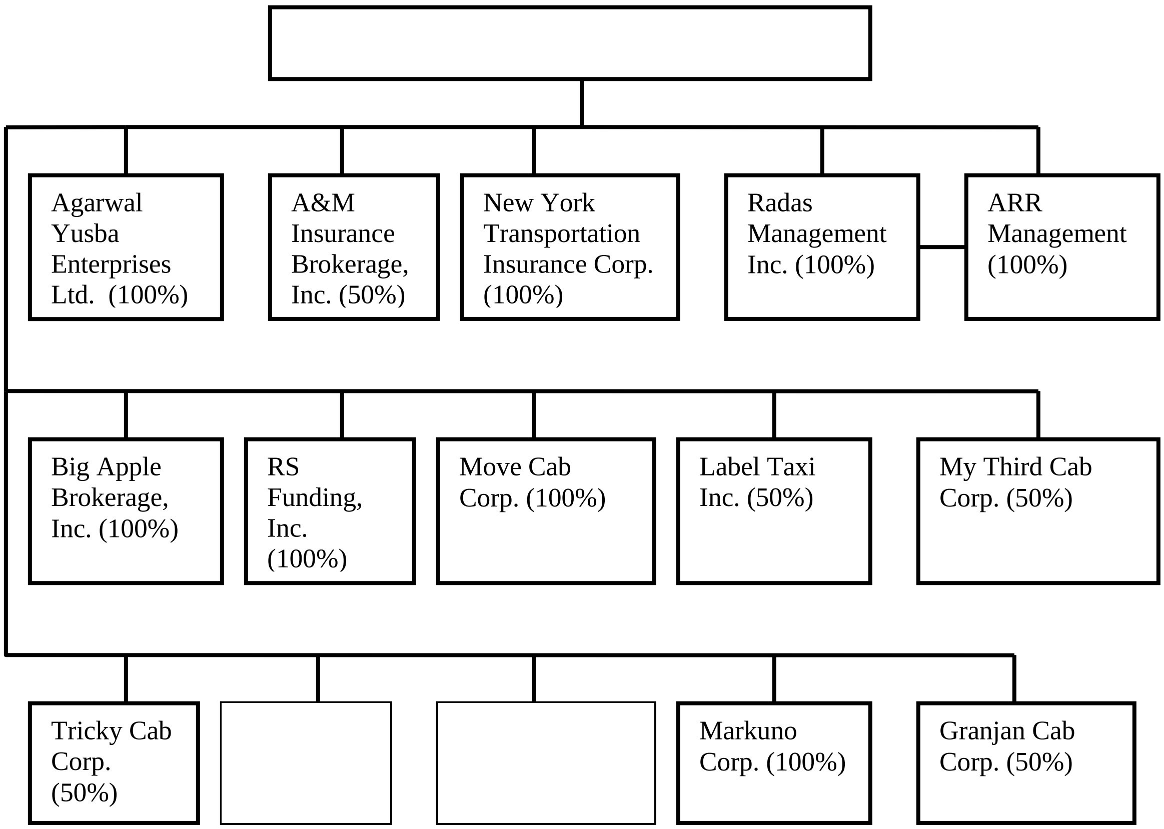
During 2007, A&M Insurance Brokerage Inc. produced $496,999 of written premiums for the Company, which represented 12.3% of its reported admitted assets of $4,036,989 as of September 30, 2006. Based on the amount of premiums produced for the Company by A&M Insurance Brokerage Inc., the Company is a producer-controlled insurer pursuant to Part 80-2.2 of Department Regulation 52-A, which states:

> The provisions of this section shall apply if, in any calendar year, the aggregate amount of gross written premium on insurance business placed with a controlled insurer by a controlling producer is equal to or greater than five percent of the admitted assets of the controlled insurer, as reported in the controlled insurer's quarterly statement filed as of September 30 of the prior year.

A review of the holding company registration statements filed with this Department indicated that the Company failed to file the required report pursuant to Part 80-2.2(c) of Department Regulation 52-A for the year 2007. The Company discontinued writing business in March 2008 and was therefore no longer required to file this report after that date.

The holding company chart contained in Schedule Y of the Company’s 2008 filed annual statement appears to be incomplete. Certain affiliates listed in the Company’s holding company organization chart were not included in the holding company chart reported in Schedule Y Part 1. It is recommended that the Company adhere to the NAIC Annual Statement Instructions when completing Schedule Y – Part 1.

The following is a chart of the holding company system at December 31, 2008:



At December 31, 2008, the Company was party to the following agreements with other members of its holding company system:

Brokerage Agreement

Effective July 26, 2004, the Company entered into an agreement with its controlling producer, A&M Brokerage, Inc., to place business for the Company. This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law.

Cost Allocation Agreement

Effective May 18, 2005, the Company and certain of its affiliates: Agarwal Yusba Enterprises Ltd, A&M Insurance Brokerage Inc., Radas Management Inc. and Big Apple Brokerage Inc., entered into a cost allocation agreement. Under the terms of this agreement, the companies agree to allocate expenses for services rendered, to be calculated at an approximate percentage of each company's share of the total salary attributable to each employee. Upon review of the Company's expenses, it appears that the Company is not allocating expenses pursuant to its cost allocation agreement.

This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law.

Lease Agreement

Effective January 1, 2005, the Company entered into a lease agreement with Agarwal Yusba Enterprises, Ltd. Under the terms of this agreement, the Company agreed to lease the rear office on the first floor of 55-10 37th Ave, Woodside, NY 11377, in consideration for a monthly fee. The Company is responsible for all utilities and services incurred in connection with the premises. The agreement was not filed with this Department pursuant to Section 1505 of the New York Insurance Law. It is recommended that the Company file its lease agreement with the Department in accordance with Section 1505(d) of the New York Insurance Law.

A review of the Company's expenses indicated that the Company is not paying the monthly rent or the utilities and services in connection with the premises in accordance with its lease agreement. It is recommended that the Company allocate expenses in accordance with its cost allocation and lease agreements.

Affiliated Companies Expenses

Upon further review of the Company's expenses, it was determined that the Company had defrayed the costs of several affiliated companies expenses which were unrelated to the Company. Section 1507(a) of the New York Insurance Law states:

> "Notwithstanding the control of an authorized insurer by any person, the insurer's officers and directors shall not thereby be relieved of any obligation or liability to which they would otherwise be subject by law, and the insurer shall be managed so as to assure its separate operating identity."

It is recommended that the Company comply with Section 1507(a) of the New York Insurance Law and ensure that the Company maintains a separate operating identity.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2008, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	51%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	87%
Premiums in course of collection to surplus as regards policyholders	0%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

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

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$5,841,306	111.09%
Other underwriting expenses incurred	1,896,080	36.06
Net underwriting loss	(2,479,104)	(47.15)
Premiums earned	$5,258,282	100.00%

F. Accounts and Records

During the period under this examination, the following discrepancies were noted:

(i) Annual and Quarterly Statements

It was noted that the Company did not file a quarterly statement as of September 30, 2007 or an annual statement as of December 31, 2007. Section 307(a)(1) of the New York Insurance law states in part:

> Every insurer and every fraternal benefit society which is authorized to do an insurance business in this state. . . shall file in the office of the superintendent, annually on or before the first day of March, a statement, to be known as its annual statement, executed in duplicate, verified by the oath of at least two of its principal officers, showing its condition at last year-end . . . .

Additionally, Section 308(b) of the New York Insurance Law states:

> In addition to the other reports required by this article, the superintendent may also require the filing of quarterly or other statements, which shall be in such form and shall contain such matters as the superintendent shall prescribe.

It is recommended that the Company file its annual and quarterly statements with the superintendent pursuant to the provisions of Sections 307(a)(1) and 308(b) of the New York Insurance Law.

(ii) Audited Financial Statement

It was noted that the Company did not file an audited financial statement with this Department in 2007. Notwithstanding certain exceptions, Section 307(b) of the New York Insurance law states in part:

> Every licensed insurer . . . shall be required to file within five months of the end of such calendar year, an annual financial statement . . . together with an opinion thereon of an independent certified public accountant on the financial statement of such insurer . . . .

It is recommended that the Company comply with Section 307(b) of the New York Insurance Law by filing an audited financial statement within five months of the end of each calendar year.

(iii) Annual Statement Discrepancies

Upon review of the Company's filed 2008 annual statement, the following was noted:

- The Company failed to disclose in its Notes to Financial Statements, its lease agreement with an affiliate for office space.

- The Company stated in its 2008 annual statement general interrogatories that it is not a member of an insurance holding company system. It is noted that the Company is wholly-owned and controlled by Mr. Arun Agarwal; therefore, it is deemed a member of a holding company system.

- The Company incorrectly reported Merrill I. Rosen, CPA as their independent certified public accountant. However, their independent certified public accountant as of December 31, 2008 was Bharat C. Shah, CPA.

- The Company stated in its 2008 annual statement general interrogatories that the purchase and sale of all investments were passed upon by either the board of directors or a subcommittee thereof. However, the minutes of the meetings of the board of directors did not indicate that the investment transactions were approved by the board of directors or by a subcommittee thereof.

- The Company stated in its 2008 annual statement general interrogatories that the Company securities are not held pursuant to a custodial agreement in accordance with Section 3, III Conducting Examination, F – Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook.

- The Company indicated that it was not licensed in New York in Schedule T of its 2008 annual statement.

- Paid loss and loss adjustment expenses ("LAE") reported in Schedule P did not reconcile to the corresponding amounts in the Underwriting and Investment Exhibits in accordance with the NAIC Annual Statement Instructions.

It is recommended that the Company exercise greater care and complete its annual statement in accordance with the NAIC Annual Statement Instructions.

(iv) Supporting Documentation

Upon review of the Company's books and records, it was noted that the Company was either unable to provide supporting documentation or supporting documentation did not reconcile to amounts reported in its filed annual statement for the period covered by this examination. It is recommended that the Company maintain supporting documentation and implement procedures to ensure that supporting documentation reconciles to its filed annual statements.

(v) Claims Data

A review of the Company's claim data files indicated several discrepancies including, but not limited to, missing claims data and discrepancies between hard copy and electronic claim files.

It is recommended that the Company exercise due care in maintaining complete and accurate claim data.

(vi) Expenses

During a review of the Company's expenses, it was noted that the Company had misclassified numerous expenses. It is recommended that the Company classify expenses in accordance with Part 105 of Department Regulation 30. It was further determined that the Company had defrayed the cost of several personal expenses which were unrelated to the business. The amount of the personal expenses paid by the Company was not material; nevertheless, it is recommended that the Company seek reimbursement for all personal expenses that were erroneously included as business expenses and institute procedures to ensure that only business related expenses are being incurred by the Company.

(vii) Unsupported Expenditures

The Company made several disbursements of $100 or more without the evidence of signed vouchers as required by Section 1217 of the New York Insurance Law. It is recommended that the Company comply with Section 1217 of the New York Insurance Law by maintaining signed vouchers for disbursements of $100 or more.

(viii) Taxes, Licenses and Fees

The Company reported a liability in the amount of $19,090 under the caption “taxes, licenses and fees.” This amount represents the Company workers' compensation board assessments.

Department Circular Letter No. 5 (1994) states in part:

> “For Annual Statement filing purposes, however, such assessments shall continue to be recorded as part of loss or loss adjustment expenses, and reserved for accordingly. As such, these assessments will flow through Schedule P.”

It is recommended that the Company comply with Department Circular Letter No. 5 (1994) and report workers’ compensation board assessments as part of losses or loss adjustment expenses.

(ix) Federal Income Taxes

Upon review of the Company's tax returns filed during the period under examination, it was noted that the Company did not file its 2007 and 2008 tax returns in a timely manner. According to the Company, late tax filings were due to lack of adequate accounting personnel. It was further noted that the Company filed incorrect tax returns and was required by the IRS to resubmit its tax returns. Upon review of the resubmitted 2008 tax return, it was noted that there were numerous errors in the federal tax return. The Company did not incur any penalties as a result of the late filings and incorrect forms being used, and the errors noted on the 2008 federal income tax return did not affect the Company’s tax liability; however, it is recommended that the Company implement procedures to ensure that the Company's taxes are filed accurately and on a timely basis.

(x) Loss Reserves

Upon review of the Company's claims reserves at December 31, 2008, it was noted that the Company reported 72 open claims with reserves of $0. A review of subsequent activity through June 30, 2009 on those 72 claims indicated that 21 had payments totaling $63,182 and case reserves established in the amount of $168,481. Therefore, it appears that the Company did not establish adequate case reserves on its reported claims at December 31, 2008 pursuant to Section 1303 of the New York Insurance Law, which states, in part:

> Every insurer shall . . . maintain reserves in an amount estimated in the aggregate to provide for the payment of all losses or claims incurred on or prior to the date of statement, whether reported or unreported, which are unpaid as of such date and for which such insurer may be liable, and also reserves in an amount estimated to provide for the expenses of adjustment or settlement of such losses or claims.

It is recommended that the Company establish adequate case reserves for all reported claims pursuant to Section 1303 of the New York Insurance Law.

G. Risk Management and Internal Controls

(i) Reinsurance

The Company's lack of reinsurance was identified as a major risk factor by its independent actuary.

(ii) Material Weakness noted in Audited Financial Statement

The Company's 2008 audited financial statement stated the following as a material weakness:

> The books of account were not maintained by competent fiscal personnel to ensure proper accounting of all transactions and the procedures to close the books at the end of each fiscal year were not followed. This resulted in numerous errors and omissions in processing of transactions, non-performance of needed reconciliations and reviews, lack of control over payments and minimal evidence of proper authorization.

It is recommended that the Company ensure proper accounting of all transactions and establish procedures to close its books at the end of each fiscal year.

(iii) Accounting System

The Company uses an accounting software package for its cash flow and general ledger activities. The review of this system revealed a major internal control weakness. While this system uses a single password to deter access, several individuals have knowledge of the password. The weakness has exposed the system to unauthorized changes in financially significant information, issuance of unauthorized checks and other irregularities. It is recommended that the Company implement control procedures to mitigate the risk of unauthorized activities which could compromise the integrity of its general ledger accounting system.

(iv) Claims Handling

During the review of the claims handling process, it was noted that there were several weaknesses with regard to the Company’s internal controls. First, there are no established and enforced written claims handling authorization limits. Additionally, there appears to be limited managerial supervision over claim payments where the claims processing system has the ability to automatically generate pre-stamped checks with the president’s signature. The lack of such control guidance and managerial oversight has led to improper approval of claims activity. It is recommended that the company establish and enforce written claims handling authorization levels, controls and procedures.

(v) Control and Procedure Manual

The Company does not maintain a proper manual describing the controls and procedures required to complete operational tasks assigned. The Company realizes the importance of having a manual in place and is in the process of developing such a manual. It is recommended that the Company maintain the necessary manuals that describe its proper controls and procedures.

(vi) Risk Based Capital (“RBC”)

The Company reported a risk based capital ratio of 167.7% for the period ended December 31, 2008, which represented a company action level pursuant to Section 1324 of the New York Insurance Law. Pursuant to Section 1324(d) of the New York Insurance Law, the Company was required to submit a Risk Based Capital (“RBC”) plan to the superintendent within 45 days after the occurrence of the company action level event, which would identify the conditions that contributed to the action level event and contain proposals of corrective actions that the Company would need to take in order to eliminate the action level event. As of the date of this report, the Company had not submitted its RBC plan to the Department. It is recommended that the Company submit a risk based capital plan pursuant to Section 1324 of the New York Insurance Law.

3. FINANCIAL STATEMENTS

A Balance Sheet

Based on the Company's lack of credible loss and loss adjustment expense data as noted in items 2.F(ii), (iv), and (ix) of this report, the long-tail nature of workers' compensation insurance, and the Company's unlimited liability due to its lack of reinsurance, the Department is unable to opine on the adequacy of the Company's loss and loss adjustment expense reserves. The balance sheet included herein indicates that as of December 31, 2008, the Company's required to be maintained surplus of $600,000 was impaired in the amount of $86,808. However, it should be noted that since we were unable to opine on the adequacy of the Company's loss and loss adjustment expense reserves, it is possible that the surplus impairment may be larger.

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2008 as determined by this examination (excluding losses and loss adjustment expenses) and as reported by the Company:

	Examination			Company	
Assets	Assets	Assets Not Admitted	Net Admitted Assets	Net Admitted Assets	Surplus Increase (Decrease)
Bonds	$1,011,161	$11,145	$1,000,016	$1,011,161	($11,145)
Cash, cash equivalents and short-term investments	2,707,272	18,602	2,688,670	2,707,272	(18,602)
Investment income due and accrued	13,660	0	13,660	13,660	0
Uncollected premiums and agents' balances in the course of collection	40,105	40,105	0	0	0
Net deferred tax asset	205,085	205,085	0	0	0
Health care and other amounts receivable	11,400	11,400	0	11,400	(11,400)
Total assets	$3,988,683	$286,337	$3,702,346	$3,743,493	($41,147)

Liabilities, Surplus and Other Funds	Examination	Company	Surplus Increase (Decrease)
Losses	$2,374,793	$2,374,793	$ 0
Loss adjustment expenses	671,909	671,909	0
Other expenses (excluding taxes, licenses and fees)	10,277	10,277	0
Taxes, licenses and fees (excluding federal and foreign Income taxes)	72,652	19,090	(53,562)
Unearned premiums	35,197	35,197	0
Aggregate write-ins for liabilities	24,326	0	(24,326)
Total liabilities	$3,189,154	$3,111,266	$ (77,888)
Surplus and Other Funds			
Common capital stock	$ 600,000	$600,000	$ 0
Gross paid in and contributed surplus	1,399,800	1,200,000	199,800
Unassigned funds (surplus)	(1,486,608)	(1,167,773)	(318,832)
Surplus as regards policyholders	$ 513,192	$632,227	$(119,035)
Total liabilities, surplus and other funds	$3,702,346	$3,743,493	$ (41,147)

NOTE: The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2005 through 2008. 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 $1,336,417 during the four year examination period June 15, 2005 through December 31, 2008, detailed as follows:

Underwriting Income		
Premiums earned		$5,258,282
Deductions:		
Losses incurred	$4,431,252	
Loss adjustment expenses incurred	1,410,054	
Other underwriting expenses incurred	1,896,080	
Total underwriting deductions		7,737,386
Net underwriting gain or (loss)		$(2,479,104)
Investment Income		
Net investment income earned	$421,303	
Net realized capital gain	(1,018)	
Net investment gain or (loss)		420,285
Other Income		
Finance and service charges not included in premiums	$ 8,785	
Total other income		8,785
Net income to policyholders before federal and foreign income taxes		$(2,050,034)
Federal and foreign income taxes incurred		(14,424)
Net income		$(2,035,610)

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of June 14, 2005			$1,849,609
Net income		$2,035,610	
Change in nonadmitted assets		286,337	
Aggregate write-ins for gains and losses in surplus	$985,530	0	
Total gains and losses	$985,530	$2,321,947	
Net increase (decrease) in surplus			(1,336,417)
Surplus as regards policyholders per report on examination as of December 31, 2008			$ 513,192

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

Based on the Company's lack of credible loss and loss adjustment expense data as noted in items 2.F(ii), (iv), and (ix) of this report, the long-tail nature of workers' compensation insurance, and the Company's unlimited liability due to its lack of reinsurance, the Department is unable to opine on the adequacy of the Company's loss and loss adjustment expense reserves.

5. BONDS

The examination admitted asset for the captioned item of $1,000,016 is $11,145 less than the $1,011,161 reported by the Company in its December 31, 2008, filed annual statement. The examination change is due to the following:

The Company reported its bonds at fair market value. Statement of Statutory Accounting Principles ("SSAP") No. 26, paragraph 7 of the NAIC Accounting Practices and Procedures Manual states in part:

> Bonds that are designated highest-quality and high-quality (NAIC designations 1 and 2, respectively) shall be reported at amortized cost.

It is recommended that the Company report its securities in accordance with SSAP No. 26 of the NAIC Accounting Practices and Procedures Manual.

6. CASH AND CASH EQUIVALENTS

The examination admitted asset for the captioned item of $2,688,670 is $18,602 less than the $2,707,272 reported by the Company in its December 31, 2008, filed annual statement. The examination change is due to the following:

The Company recorded a deposit in transit on July 14, 2008 in the amount $18,602 in its bank reconciliation. As of December 31, 2008, that amount remained in transit. Section 1302(b) of the New York Insurance Law in part states:

> All non-admitted assets and all other assets of doubtful value or character included as ledger or non-ledger assets in any statement by an insurer to the superintendent, or in any examiner's report to him, shall also be reported, to the extent of the value disallowed, as deductions from the gross assets of such insurer.

It is recommended that the Company comply with Section 1302(b) of the New York Insurance Law and non-admit assets of doubtful value.

7. HEALTH CARE AND OTHER AMOUNTS RECEIVABLE

The Company reported an admitted asset in the amount of $11,400 as of the examination date. Pursuant to this examination, the admitted asset has been eliminated. The examination change is due to the following:

The Company reported health care and other amounts receivable which represents credits for overpaid penalties to the Workers' Compensation Board ("Board").

According to the Board, this amount will only be refunded when the Company is no longer a member of the Board. In order for the Company to be licensed, it must maintain its membership with the Board.

Section 1302(a)(2) states in part:

> . . . the following shall not be allowed as admitted assets of a domestic or foreign insurer or the United States branch of an alien insurer in any determination of its financial condition:
>
> (2) Prepaid or deferred charges for expenses

It is recommended that the Company comply with Section 1302(a)(2) of the New York Insurance Law and non-admit any expenses that are prepaid for future expenses.

8. TAXES, LICENSES AND FEES

The examination liability for the captioned item of $72,652 is $53,562 more than the $19,090 reported by the Company in its December 31, 2008, filed annual statement. The examination change is due to the following:

The Company filed a general business tax return for tax years 2007 and 2008 instead of the franchise tax return form which is required for insurance companies. As a result, the Company neglected to remit premium tax to the State in the amount of $53,562.

9. GROSS PAID IN AND CONTRIBUTED SURPLUS

The examination surplus amount for the captioned item of $1,399,800 is $199,800 more than the $1,200,000 reported by the Company in its December 31, 2008, filed annual statement. As noted in Item 2 of this report, the Company erroneously changed this item after the organization of the Company. It is recommended that the Company correctly report its gross paid in and contributed surplus in future filed financial statements.

10. CONCLUSION

The balance sheet included herein indicates that as of December 31, 2008, the Company's required to be maintained surplus of $600,000 was impaired in the amount of $86,808. However, it should be noted that since we were unable to opine on the adequacy of the Company's loss and loss adjustment expense reserves, it is possible that the surplus impairment may be larger.

11. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Loss and loss adjustment expense reserves	
	Based on the Company's lack of credible loss and loss adjustment expense data as noted in items 2.F(ii), (iv), and (ix) of this report, the long-tail nature of workers' compensation insurance, and the Company's unlimited liability due to its lack of reinsurance, the Department is unable to opine on the adequacy of the Company's loss and loss adjustment expense reserves.	1, 17, 20
B.	Impairment of Surplus	
	The balance sheet included herein indicates that as of December 31, 2008, the Company's required to be maintained surplus of $600,000 was impaired in the amount of $86,808. However, it should be noted that since we were unable to opine on the adequacy of the Company's loss and loss adjustment expense reserves, it is possible that the surplus impairment may be larger.	1, 17, 22
C.	Management	
i.	It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.	5
ii.	It is recommended that at least seven members, constituting a quorum, must be present at each meeting of the board of directors in conformity with the Company's By-laws.	5
iii.	It is recommended that the Company's board of directors approve all investment transactions pursuant to Section 1411(a) of the New York Insurance Law.	5
iv.	It is recommended that the Company require all officers, directors and key employees to complete conflict of interest questionnaires on an annual basis and submit such completed questionnaires to the Company's board of directors for review.	5
v.	It is recommended that the company obtain adequate fidelity bond coverage commensurate with its exposure.	5
D.	Holding Company System	
i.	It is recommended that the Company adhere to the NAIC Annual Statement Instructions when completing Schedule Y – Part 1.	7

ITEM		PAGE NO.
ii.	It is recommended that the Company file its lease agreement with the Department in accordance with Section 1505(d) of the New York Insurance Law.	9
iii.	It is recommended that the Company allocate expenses in accordance with the cost allocation and lease agreements.	9
iv.	It is recommended that the Company comply with Section 1507(a) of the New York Insurance Law and ensure that the Company maintains a separate operating identity.	9
E.	Accounts and Records	
i.	It is recommended that the Company file its annual and quarterly statements with the superintendent pursuant to the provisions of Sections 307(a)(1) and 308(b) of the New York Insurance Law.	11
ii.	It is recommended that the Company comply with Section 307(b) of the New York Insurance Law by filing an audited financial statement within five months of the end of each calendar year.	11
iii.	It is recommended that the Company exercise greater care and complete its annual statement in accordance with the NAIC Annual Statement Instructions.	12
iv.	It is recommended that the Company maintain supporting documentation and implement procedures to ensure that supporting documentation reconciles to its filed annual statements.	12
v.	It is recommended that the Company exercise due care in maintaining complete and accurate claim data.	12
vi.	It is recommended that the Company classify expenses in accordance with Part 105 of Department Regulation 30.	12
vii.	It is recommended that the Company seek reimbursement for all personal expenses that were erroneously included as business expenses and institute procedures to ensure that only business related expenses are being incurred by the Company.	13
viii.	It is recommended that the Company comply with Section 1217 of the New York Insurance Law by maintaining signed vouchers for disbursements of $100 or more.	13
ix.	It is recommended that the Company comply with Department Circular Letter No. 5 (1994) and report workers' compensation board assessments as part of losses or loss adjustment expenses.	13

ITEM		PAGE NO.
x.	It is recommended that the Company implement procedures to ensure that the Company's taxes are filed accurately and on a timely basis.	13
xi.	It is recommended that the Company establish adequate case reserves for all reported claims pursuant to Section 1303 of the New York Insurance Law.	14
F.	Risk Management and Internal Controls	
i.	It is recommended that the Company ensure proper accounting of all transactions and establish procedures to close its books at the end of each fiscal year.	14
ii.	It is recommended that the Company implement control procedures to mitigate the risk of unauthorized activities which could compromise the integrity of its general ledger accounting system.	15
iii.	It is recommended that the company establish and enforce written claims handling authorization levels, controls and procedures.	15
iv.	It is recommended that the Company maintain the necessary manuals that describe its proper controls and procedures.	15
v.	It is recommended that the Company submit a risk based capital plan pursuant to Section 1324 of the New York Insurance Law.	16
G.	Bonds	
	It is recommended that the Company report its securities in accordance with SSAP No. 26 of the NAIC Accounting Practices and Procedures Manual.	20
H.	Cash and Cash Equivalents	
	It is recommended that the Company comply with Section 1302(b) of the New York Insurance Law and non-admit assets of doubtful value.	21
I.	Health Care and Other Amounts Receivable	
	It is recommended that the Company comply with Section 1302(a)(2) of the New York Insurance Law and non-admit any expenses that are prepaid for future expenses.	22
J.	Gross Paid In and Contributed Surplus	
	It is recommended that the Company correctly report its gross paid in and contributed surplus in future filed financial statements.	22

Respectfully submitted,

_______/s/__________________
Dilbrina Belgrave
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
)
COUNTY OF NEW YORK)

DILBRINA BELGRAVE, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

_______/s/__________________
Dilbrina Belgrave

Subscribed and sworn to before me

this__________ day of ___________________, 2010.

Appointment No. 30340

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, Eric R. Dinallo, *Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Dilbrina Belgrave

as proper person to examine into the affairs of the

NEW YORK TRANSPORTATION INSURANCE CORPORATION

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

CORPORATION

with such other information as she 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 19th *day of* May, *2009*

ERIC R. DINALLO
Superintendent of Insurance