

REPORT ON EXAMINATION

OF THE

GREAT AMERICAN INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2011

DATE OF REPORT

DECEMBER 21, 2012

EXAMINER

LAMIN JAMMEH

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

December 21, 2012

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
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 30872 dated August 9, 2012, attached hereto, I have made an examination into the condition and affairs of Great American Insurance Company of New York as of December 31, 2011, and submit the following report thereon.

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

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 administrative office located at 49 East Fourth Street, Cincinnati, OH 45202.

1. SCOPE OF EXAMINATION

The Department has performed a coordinated group examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2006. This examination covered the five-year period from January 1, 2007 through December 31, 2011. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with the state of Ohio, which was the coordinating state of the examination of the Great American Group. The examination of the Company was performed concurrently with the examinations of the following insurers: Great American Insurance Company, Great American Alliance Insurance Company, Great American Assurance Company, Great American Casualty Insurance Company, Great American Contemporary Insurance Company, Great American E & S Insurance Company, Great American Fidelity Insurance Company, Great American Protection Insurance Company, Great American Security Insurance Company, and Great American Spirit Insurance Company. Other states participating in this examination were California, Delaware, Illinois, and Texas.

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 and an evaluation based upon the Company’s Sarbanes Oxley documentation and testing. 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:

- 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

A review was also made to ascertain what action was taken by the Company with regard 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

The Company was incorporated on August 22, 1947, under the laws of the State of New York and began operations on November 1, 1947. Originally formed under the name Tri-State Insurance Company, the Company served as a vehicle for the consolidation of American National Fire Insurance Company, Columbus, Ohio, and the North Carolina Home Insurance Company, Raleigh, North Carolina, which became effective at the close of business on October 31, 1947. Immediately upon completion of the merger, the name American National Fire Insurance Company was adopted. In that same year the Company became a wholly-owned subsidiary of Great American Insurance Company, which has since remained the direct parent.

From 1973 until 2003, the parent was a subsidiary of American Financial Corporation (“AFC”). Effective November 17, 2000, the Company changed its name to its present name, Great American Insurance Company of New York. In 2003, AFC merged into its parent, American Financial Group, Inc. (“AFG”). There was no change in the ultimate controlling person after the merger.

At December 31, 2011, capital paid in was \$3,800,000 consisting of 200,000 shares of \$19 par value per share common stock. Gross paid in and contributed surplus was \$20,250,000. Gross paid in and contributed surplus did not change during the examination period.

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 thirteen nor more than twenty members. Except for the annual meeting, the Company conducted all of its board of directors' meetings by written consent during the examination period. At December 31, 2011, the board of directors was comprised of the following sixteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Ronald James Brichler Wyoming, OH	Executive Vice President, Great American Insurance Company
Lindley Martin Franklin Darien, CT	Chairman, President and Chief Executive Officer, FCIA Management Company, Inc.
Gary John Gruber Cincinnati, OH	Executive Vice President, Great American Insurance Company
Karen Holley Horrell Cincinnati, OH	Senior Vice President, Executive Counsel and Secretary, Great American Insurance Company
Philip John Lally Commack, NY	Executive Vice President and Treasurer, FCIA Management Company, Inc.
Donald Dumford Larson Cincinnati, OH	President, Great American Insurance Company
Robert Eugene Maly Cincinnati, OH	Senior Vice President, Great American Insurance Company
Carol Gabriel McEvoy Little Silver, NJ	Senior Vice President, General Counsel and Secretary, FCIA Management Company, Inc.
Vito Charles Peraino Mason, OH	Senior Vice President and General Counsel Great American Insurance Company
Michael David Pierce St. Charles, IL	Senior Vice President, Great American Insurance Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Eve Cutler Rosen Cincinnati, OH	Senior Vice President, General Counsel and Assistant Secretary, Great American Insurance Company
John Adalbert Rowney Rockville Centre, NY	Divisional President - Ocean Marine Division, Great American Insurance Company
Piyush Kumar Singh Cincinnati, OH	Senior Vice President and Chief Information Officer, Great American Insurance Company
Francis Andrew Skelly, Jr. Malverne, NY	Divisional Senior Vice President - Ocean Marine Division, Great American Insurance Company
Michael Eugene Sullivan, Jr. West Chester, OH	Senior Vice President Great American Insurance Company
David John Witzgall Villa Hills, KY	Senior Vice President, Chief Financial Officer and Treasurer, Great American 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 has an acceptable record of attendance.

As of December 31, 2011 the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Donald Dumford Larson	President
Karen Holley Horrell	Senior Vice President, Executive Counsel and Secretary
Ronald James Brichler	Executive Vice President
Robert James Schwartz	Vice President, Controller
John Linn Doellman	Vice President, Actuary
Gary John Gruber	Executive Vice President
Eve Cutler Rosen	Senior Vice President, General Counsel and Assistant Secretary
David John Witzgall	Senior Vice President, Chief Financial Officer and Treasurer

B. Territory and Plan of Operation

As of December 31, 2011, the Company was licensed to write business in all fifty states, the District of Columbia and Canada. 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
29	Legal services

The following schedule shows the direct premiums written by the Company both in total and in New York for the period under examination:

<u>Calendar Year</u>	<u>New York State</u>	<u>Total Premiums</u>	Premiums Written in New York State as a <u>percentage of Total Premium</u>
2007	\$45,220,431	\$1,201,843,361	3.76%
2008	\$43,432,799	\$1,486,923,371	2.92%
2009	\$43,223,197	\$1,134,983,562	3.81%
2010	\$42,139,473	\$ 362,296,117	11.63%
2011	\$46,132,995	\$ 357,597,382	12.90%

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 \$2,200,000.

The Company's direct business is generated through the independent agent network maintained by the parent company through brokers. The Company's predominant lines of business are commercial multiple peril, other liability, ocean marine and inland marine which accounted for 25.9%, 21.8%, 19.6% and 18.2%, respectively, of the Company's 2011 direct written business.

C. Reinsurance

The Company assumes a relatively minor volume of business as compared to its direct writings and consists primarily of business assumed from non-affiliates and through participation in various mandated pools. The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62R for all of its assumed reinsurance business.

The Company and nine affiliates maintain an inter-company reinsurance pooling agreement with their parent, Great American Insurance Company. The effect is to transfer all direct insurance liabilities of these companies to Great American Insurance Company. Great American Insurance Company retains 100 percent of all pooled business. The following companies are included in the pooling agreement:

<u>Company</u>	NAIC Company <u>Code</u>	Participation <u>Percentage</u>
Great American Insurance Company	16691	100.0%
Great American Insurance Company of New York	22136	0.0%
Great American Alliance Insurance Company	26832	0.0%
Great American Assurance Company	26344	0.0%
Great American Casualty Insurance Company	39896	0.0%
Great American Contemporary Insurance Company	10646	0.0%
Great American E & S Insurance Company	37532	0.0%
Great American Fidelity Insurance Company	41858	0.0%
Great American Protection Insurance Company	38580	0.0%
Great American Security Insurance Company	31135	0.0%
Great American Spirit Insurance Company	33723	<u>0.0%</u>
Total		<u>100.0%</u>

The agreement provides that each of the participating companies cede 100% of their direct and assumed business to the parent, Great American Insurance Company. The parent is obligated to accept 100% of the premiums, liability and related expenses in respect of such policies ceded. Great American Insurance Company must secure such reinsurance, excess reinsurance and catastrophe reinsurance as it shall deem appropriate with respect to its liability under all policies written or assumed under the terms of the agreement.

All expenses incurred in connection with conducting the insurance business, including acquisition, general and administrative expenses, state premium taxes, licenses and fees, shall be borne by Great American Insurance Company. The federal income taxes and investment expenses of each of the participating companies are not included or subject to the terms of the agreement.

Great American Insurance Company is the pool member with its own employees and facilities. It is the fiduciary agent for all of the participating companies, providing each with such reports or statistical data as may be deemed necessary to carry out the intent of the agreement.

The pooling agreement has been in effect since 1954 and has been amended and restated several times. The current amended and restated pooling agreement became effective December 31, 2001. The pooling agreement, as restated, has been filed with this Department.

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

D. Holding Company System

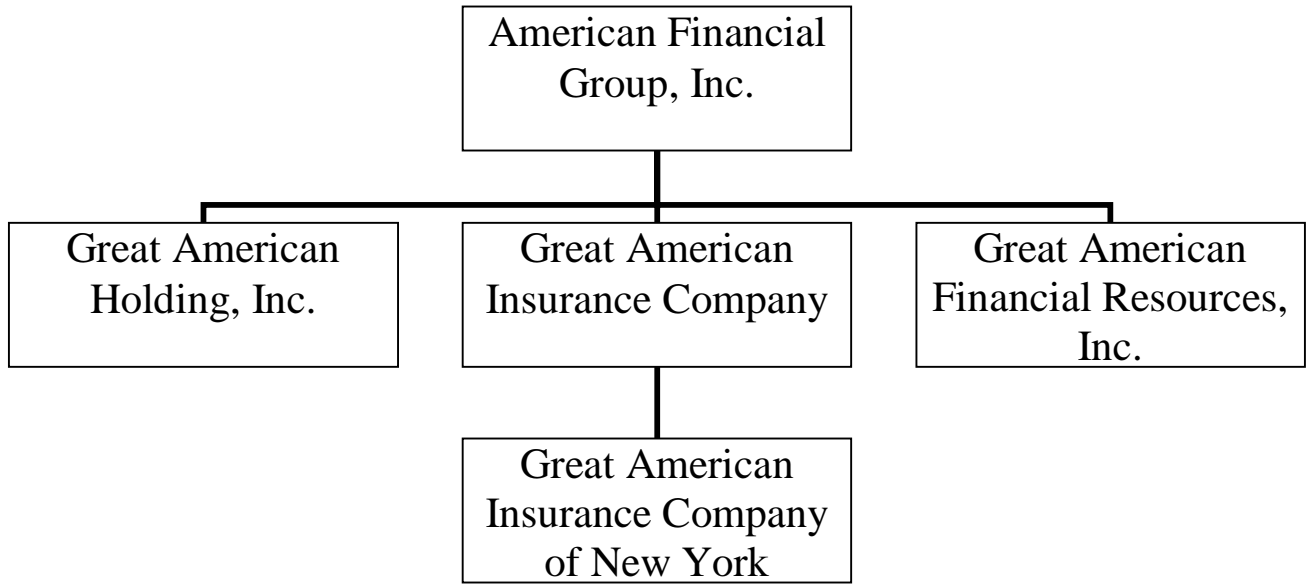
The Company is defined as a controlled insurer pursuant to the provisions of Section 1501 of the New York Insurance Law. No individual owns 10 percent or more of American Financial Group, Inc. (“AFG”), an Ohio corporation; therefore, AFG is deemed the ultimate controlling person. AFG was formed in December 1994, under the name American Premier Group, Inc., for the purpose of acquiring American Financial Corporation.

AFG is a holding company which, through its subsidiaries, is engaged primarily in specialty and multi-line property and casualty insurance businesses, in the sale of tax-deferred annuities and certain life and related insurance products.

The Company’s direct parent, Great American Insurance Company, is a major insurer within the AFG holding company system. In addition to its ownership of the Company, Great American Insurance Company is also the direct or indirect parent of various insurers and several insurance agency and brokerage firms.

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 Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2011:



At December 31, 2011, the Company was party to the following agreements with other members of its holding company system:

Tax Allocation Agreement

Effective December 31, 2005, the Company's tax expense will be determined based upon its inclusion in the consolidated tax return of American Financial Group, Inc. and its includable subsidiaries. Estimated payments are to be made quarterly during the year. Following year-end, additional settlements will be made on the original due date of the return and, when extended, at the time the return is filed. The method of allocation among the companies under the new agreement is based upon separate return calculations with current credit for net losses to the extent the losses provide benefit in the consolidated return.

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

Investment Management Agreement

Effective July 1, 1975, the Company entered into an investment management agreement with American Money Management Corporation ("AMMC"), whereby AMMC agrees to provide investment management services to the Company, including placing orders with broker-dealers for the purchase, sale and exchange of the Company's securities, subject to the direction and control of the Company's board of directors and in compliance with the investment guidelines adopted by the Company's board of directors. AMMC also agrees to provide the Company with monthly statements relating to the Company's investment portfolio and any other investment information and recommendations that the Company may from time to time request. Services are provided at no greater than cost.

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

General Services Agreement

Effective August 1, 1996, the Company entered into a general services agreement with Great American Insurance Company, and other affiliates. Under the agreement each of the parties has agreed to provide such printing, office duplicating, telecommunications, purchasing, personnel, data

processing, administrative, consultative and other services as are requested by any of the other parties. Fees payable for services furnished are to be based on cost.

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

E. Significant Operating Ratios

Due to the fact that the Company cedes 100% of its direct and assumed business to its parent with no retrocession from the parent to the Company, all net underwriting ratios are zero.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2011 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$37,835,252	\$ 0	\$37,835,252
Preferred stocks	1,621,291		1,621,291
Common stocks	19,978		19,978
Cash, cash equivalents and short-term investments	3,789,751		3,789,751
Investment income due and accrued	531,841		531,841
Current federal and foreign income tax recoverable and interest thereon	77,253		77,253
Net deferred tax asset	79,653		79,653
Other assets	<u>1,001</u>	<u>0</u>	<u>1,001</u>
Total assets	<u>\$43,956,020</u>	\$ <u>0</u>	<u>\$43,956,020</u>

Liabilities, Surplus and Other Funds

Liabilities

Other expenses (excluding taxes, licenses and fees)	\$ 6,300
Total liabilities	\$ 6,300

Surplus and other funds

Common capital stock	\$ 3,800,000
Gross paid in and contributed surplus	20,250,000
Unassigned funds (surplus)	<u>19,899,720</u>
Surplus as regards policyholders	<u>43,949,720</u>
Totals liabilities, surplus and other funds	<u>\$43,956,020</u>

Note: The Internal Revenue Service has completed its audits of the consolidated Federal Income Tax returns through tax year 2009. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. Audits covering tax years 2010 and 2011 are currently under examination. 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

Surplus as regards policyholders decreased \$11,055,255 during the five-year examination period January 1, 2007 through December 31, 2011, detailed as follows:

Underwriting Income

Premiums earned		\$	0
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Deductions:

Losses and loss adjustment expenses incurred	\$	0
Other underwriting expenses incurred		<u>0</u>

Total underwriting deductions		<u>0</u>
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Net underwriting gain or (loss)	\$	0
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Investment Income

Net investment income earned	\$11,574,136	
Net realized capital gain	<u>1,024,424</u>	
Net investment gain or (loss)		\$12,598,560

Other Income

Aggregate write-ins for miscellaneous income	<u>(315)</u>	
Total other income		<u>(315)</u>

Net income before dividends to policyholders and before federal and foreign income taxes		<u>\$12,598,245</u>
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Dividends to policyholders		<u>0</u>
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Net income after dividends to policyholders but before federal and foreign income taxes		\$12,598,245
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Federal and foreign income taxes incurred		<u>3,425,184</u>
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Net income		<u>\$ 9,173,061</u>
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Surplus as regards policyholders per report on examination as of December 31, 2006			\$ 55,004,926
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$9,173,063		
Net unrealized capital gains or (losses)		182,204	
Change in net deferred income tax		317,883	
Dividends to stockholders		20,000,000	
Aggregate write-ins for gains and losses in surplus	<u>271,818</u>	<u> </u>	
Total gains or losses in surplus	<u>\$9,444,881</u>	<u>\$20,500,087</u>	
Net increase (decrease) in surplus			\$(<u>11,055,206</u>)
Surplus as regards policyholders per report on examination as of December 31, 2011			\$ <u>43,949,720</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$0 is the same as reported by the Company as of December 31, 2011. The Company reported gross outstanding losses and loss adjustment expenses, including incurred but not reported losses, in the amount of \$595,401,725, but pursuant to the pooling agreement, these are ceded 100% to its parent, Great American Insurance Company.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Holding Company System</u>	
i. It is recommended that the Company comply with Section 1505(c) of the New York Insurance Law and submit for approval, holding company transactions involving five percent or more of the Company's admitted assets at prior year-end.	9
The Company has complied with this recommendation.	
ii. It is recommended that the Company amend its service agreements, as well as bank and custodial accounts, to reflect the current name of the Company.	10
The Company has complied with this recommendation.	
B. <u>Accounts and Records</u>	
It is recommended that the Company amend its custodial agreement to contain the requisite safeguards and controls detailed in the NAIC Financial Examiner's Handbook	11
The Company has complied with this recommendation	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report contains no recommendations.

Respectfully submitted,

_____/s/
Lamin Jammeh
Senior Insurance Examiner

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

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

_____/s/
Lamin Jammeh

Subscribed and sworn to before me

this _____ day of _____, 2013.

APPOINTMENT NO. 30872

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:

Lamin Jammeh

as a proper person to examine the affairs of the
GREAT AMERICAN INSURANCE COMPANY OF NEW YORK
and to make a report to me in writing of the condition of said
COMPANY

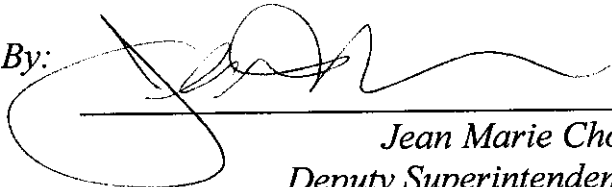
with such other information as he shall deem requisite.

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

this 9th day of August, 2012

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



Jean Marie Cho
Deputy Superintendent

