REPORT ON EXAMINATION

OF THE

INSURANCE COMPANY OF GREATER NEW YORK

AS OF

DECEMBER 31, 2013

DATE OF REPORT	JANUARY 28, 2015
EXAMINER	MARY MEANEY

TABLE OF CONTENTS

NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

January 28, 2015

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 31193 dated May 8, 2014, attached hereto, I have made an examination into the condition and affairs of Insurance Company of Greater New York as of December 31, 2013, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Insurance Company of Greater 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 home office located at 200 Madison Avenue, New York, NY 10016.

1. SCOPE OF EXAMINATION

The Department has performed an examination of the Insurance Company of Greater New York, a multi-state insurer. This was a coordinated examination of the Company, its parent Company, the Greater New York Mutual Insurance Company ("GNY"), and two other insurance company subsidiaries of GNY ("Greater New York Group"). The previous examination was conducted as of December 31, 2008. This examination covered the five - year period from January 1, 2009 through December 31, 2013. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

New York was the coordinating state for the examination of the Greater New York Group. The State of Arizona participated in the examination. The examination was performed concurrently with the examinations of the following insurers: GNY, Strathmore Insurance Company ("Strathmore") and GNY Custom Insurance Company ("GNYCIC"). The Company, GNY, and Strathmore are domiciled in New York State while GNYCIC is domiciled in Arizona.

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:

Significant subsequent events
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
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

Insurance Company of Greater New York was incorporated under the laws of the State of New York on September 14, 1967 and commenced business on November 17, 1967.

The Company is a wholly-owned subsidiary of Greater New York Mutual Insurance Company. Since January 1968, both companies have pooled premiums, losses and expenses under a reinsurance pooling agreement discussed under the caption “Intercompany Pooling Agreement” (refer to Item 2C of this report).

As of December 31, 2013, capital paid in was $4,000,000 consisting of 50,000 shares of common stock at $80 par value per share. Gross paid in and contributed surplus was $1,000,000. Paid in capital and gross paid in and contributed surplus has not changed 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 seven nor more than thirteen members. The board met at least four times during each calendar year. At December 31, 2013, the board of directors was comprised of the following eleven members:

Name and Residence	Principal Business Affiliation
Donald T. DeCarlo Douglaston, NY	Self-employed, Attorney
Larry L. Forrester Englewood, FL	Retired
Warren W. Heck New York, NY	Chairman of the Board and Chief Executive Officer, Greater New York Mutual Insurance Company
Carol T. Ivanick New York, NY	Partner of Counsel, Schulte Roth & Zabel
Charles F. Jacey, Jr. Belle Meade, NJ	Retired
Elizabeth Heck New York, NY	President and Chief Operating Officer, Greater New York Mutual Insurance Company
Robert P. Lewis Santa Fe, NM	Retired
Lance M. Liebman New York, NY	Dean & Professor, Columbia Law School
Henry G. Miller Bronxville, NY	Senior Partner, Clark, Gagliardi & Miller LLP
Paul Segal New York, NY	Architect, Paul Segal, FAIA, Architect
Thomas W. Synnott, III Brooklyn, NY	Economist, Garrison Bradford & Associates

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.

As of December 31, 2013, the principal officers of the Company were as follows:

Name	Title
Warren W. Heck	Chairman of the Board and Chief Executive Officer
Elizabeth Heck	President and Chief Operating Officer
Thomas D. Hughes	Executive VP & General Counsel, Corporate Secretary
Gerard Ragusa	Executive Vice President – Claims
Christopher McNulty	Senior Vice President, Treasurer & Chief Financial Officer
Martin Brezner	Senior Vice President & Chief Underwriting Officer

B. Territory and Plan of Operation

As of December 31, 2013, the Company was licensed to write business in fourteen states and the District of Columbia.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
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

Pursuant to Section 6302 of the New York Insurance Law, the Company is also licensed to write special risks in the “Free Trade Zone.”

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, 41 and 63 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $4,300,000.

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

Calendar Year	New York State	Total Premiums	Premiums Written in New York State as a percentage of Total Premiums
2009	$23,304,800	$44,539,634	52.32%
2010	$20,893,472	$40,729,422	51.30%
2011	$20,061,614	$37,840,637	53.02%
2012	$21,924,743	$43,552,661	50.34%
2013	$31,494,113	$57,832,348	54.46%

The majority (approximately 91%) of the Company's business is written in New York, Connecticut, Pennsylvania, New Jersey and Illinois. Commercial multiple peril ("CMP") is the Company's dominant line of business, which comprised approximately 93% of total direct business written. Most of the business originates through independent brokers. The Company maintains branch offices in Glastonbury, CT; East Brunswick, NJ; Quincy, MA; and Hunt Valley, MD. Each office handles underwriting function for its specific territory. Claims are generally handled out of the corporate office with smaller operations in East Brunswick, NJ and Glastonbury, CT.

C. Reinsurance

Assumed Reinsurance

The Company is primarily a direct writer. The Company's assumed reinsurance consists of business obtained through its pooling agreement with its parent and affiliates. The Company does not assume non-affiliated premiums. The Company utilizes reinsurance accounting as defined in the Statement of Statutory Accounting Principles ("SSAP") No. 62R for all of its assumed reinsurance business.

Intercompany Pooling Agreement

The Company, its parent (GNY) and affiliates (Strathmore and GNYCIC) operate under an inter-company pooling agreement, which has been in place since January 1968. GNY is the lead member of the pool, where all members of the pool cede 100% of their premiums to GNY which then cedes premium back to the pool members, net of external reinsurance, per the terms of the pooling agreement.

The pooling agreement originally included only the Company and GNY as participants; Strathmore was added effective January 1, 2000, and GNYCIC was added effective January 1, 2008. As of the examination date, the participation percentages in the pooling agreement were 84% GNY, 10% the Company, 5% SIC and 1% GNYCIC.

Ceded Reinsurance

The Company is a named participant in the external reinsurance program of the Greater New York Group ("The Pool") which is structured as follows:

Property

The Pool's ceded reinsurance program for its property business limits its maximum exposure in any one risk to $1,000,000 (of which the Company's share is 10%). The Pool maintains several excess of loss coverage treaties for standard losses, catastrophe, related losses, and terrorism related losses. Its standard excess of loss treaties for property consists of five layers with the following layers of coverage:

Type of Treaty	Cession
Property Excess of Loss - Five layers as follows:	$69,000,000 excess of $1,000,000 per risk
1st Layer - 100% authorized	$4,000,000 excess of $1,000,000 per risk
2nd Layer - 100% authorized	$5,000,000 excess of $5,000,000 per risk
3rd Layer - 83% authorized	$15,000,000 excess of $10,000,000 per risk
4th Layer- 93% authorized	$15,000,000 excess of $25,000,000 per risk
5th Layer - 88% authorized	$30,000,000 excess of $40,000,000 per risk

The Pool also maintains excess of loss coverage for property losses resulting from catastrophe events consisting of three layers whereby it cedes 95% of losses in excess of $15,000,000 each and every loss occurrence.

Type of Treaty	Cession
Property Catastrophe Excess of Loss – Three layers as follows:	95% of $225,000,000 excess of $15,000,000 per occurrence
1st Layer - 42% authorized	95% of $25,000,000 excess of $15,000,000
2nd Layer - 52% authorized	95% of $75,000,000 excess of $40,000,000
3rd Layer - 45% authorized	95% of $125,000,000 excess of $115,000,000

In addition, the Company and its affiliates are party to three terrorism aggregate excess of loss agreements. The Pool's retention on the first layer is $20 million each occurrence with the reinsurers liable for $37 million above retention. The second layer covers 15% of $223 million excess $57 million. The third layer covers 15% of $166,666,667 excess $280 million. The business on all layers was ceded approximately 90% to authorized reinsurers.

Casualty Lines

The Pool has structured its ceded reinsurance program for its casualty lines of business to limit its maximum exposure in any one risk to $1,000,000 (of which the Company's share is 10%). The Pool maintains three layers of excess of loss treaties consisting of the following layers of coverage:

Type of Treaty	Cession
Casualty Excess of Loss - Three layers as follows:	$49,000,000 excess of $1,000,000 per occurrence
1st Layer - 100% authorized	$4,000,000 excess of $1,000,000
2nd Layer - 100% authorized	$15,000,000 excess of $5,000,000
3rd Layer - 100% authorized	50% of $30,000,000 excess of $20,000,000

The Pool also maintains the following reinsurance treaties:

Type of Treaty	Cession
Umbrella liability - Quota Share, provided in 2 parts as follows:	
Part 1 - 100% authorized	95% per policy not exceeding $1,000,000
Part 2 - 100% authorized	100% cession $14,000,000 excess $1,000,000
Fidelity and Surety Quota Share 100% authorized	80% per policy up to $1,000,000
Boiler and Machinery Quota Share 100% authorized	100% cession
Employment Practices Liability 100% authorized	100% up to $100,000 per policy
Identity Recovery Coverage 100% authorized	100% up to $15,000 annual aggregate per policy

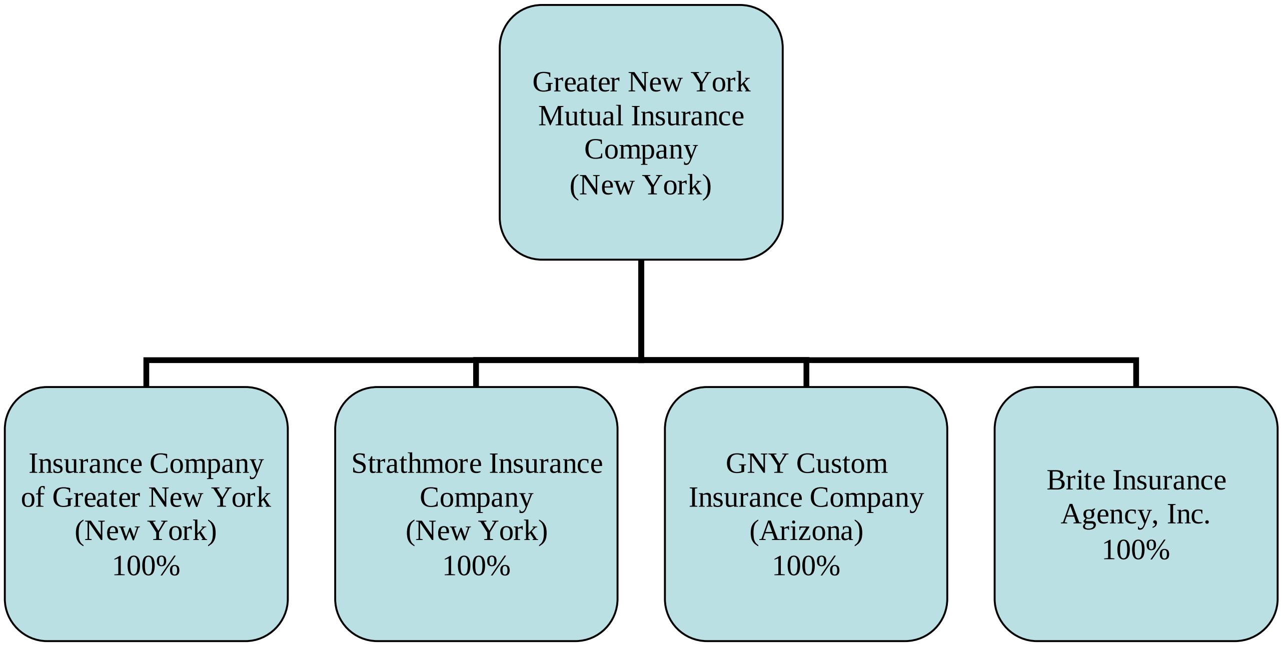
All ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62R. Representations were supported by an attestation from the Company's Chief Executive Officer pursuant to the NAIC Annual Statement Instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in paragraphs 18 through 25 of SSAP No. 62R.

D. Holding Company System

The Company is owned 100% by Greater New York Mutual Insurance Company as of December 31, 2013.

The following is a chart of the holding company system at December 31, 2013:



At December 31, 2013, the Company was party to the following inter-company agreements:

1. A pooling agreement with its parent and affiliates, referenced in the reinsurance section of this report, which has been approved by the Department.

2. A tax allocation agreement with its subsidiaries. The agreement is in accordance with Department Circular Letter No. 33 (1979).

E. <u>Significant Operating Ratios</u>

The following ratios have been computed as of December 31, 2013, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	40%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	52%
Premiums in course of collection to surplus as regards policyholders	6%

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 five - year period covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$ 77,652,066	73.16%
Other underwriting expenses incurred	36,227,808	34.13
Net underwriting loss	(7,745,585)	(7.30)
Premiums earned	$106,134,289	100.00%

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2013 as determined by this examination and as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$ 92,330,130	$ 0	$ 92,330,130
Cash, cash equivalents and short-term investments	5,264,801	0	5,264,801
Investment income due and accrued	635,986	0	635,986
Uncollected premiums and agents' balances in the course of collection	3,191,666	40,723	3,150,943
Deferred premiums, agents' balances and installments booked but deferred and not yet due	5,026,798	6,951	5,019,847
Amounts recoverable from reinsurers	363,103	0	363,103
Net deferred tax asset	2,699,220	782,630	1,916,590
Totals	$109,511,704	$830,304	$108,681,400

Liabilities, Surplus and Other Funds

Liabilities		
Losses and Loss Adjustment Expenses		$36,417,977
Commissions payable, contingent commissions and other similar charges		84,436
Other expenses (excluding taxes, licenses and fees)		1,163,760
Taxes, licenses and fees (excluding federal and foreign income taxes)		28,789
Current federal and foreign income taxes		300,578
Unearned premiums		14,393,388
Policyholders (dividends declared and unpaid)		38,089
Ceded reinsurance premiums payable (net of ceding commissions)		97,203
Payable to parent, subsidiaries and affiliates		539,689
Total liabilities		$53,063,909
Common capital stock	$4,000,000	
Gross paid in and contributed surplus	1,000,000	
Unassigned funds (surplus)	50,617,491	
Surplus as regards policyholders		55,617,491
Total liabilities, surplus and other funds		$108,681,400

Note: The Internal Revenue Service has completed its audits of the Company's Federal Income Tax returns covering tax years 2009 - 2011. 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

Underwriting Income		
Premiums earned		$106,134,289
Deductions:		
Losses and loss adjustment expenses incurred	$77,652,066	
Other underwriting expenses incurred	36,227,808	
Total underwriting deductions		113,879,874
Net underwriting gain or (loss)		$(7,745,585)
Investment Income		
Net investment income earned	$16,332,108	
Net realized capital gain	101,509	
Net investment gain or (loss)		16,433,617
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$109,945	
Finance and service charges not included in premiums	85,811	
Aggregate write-ins for miscellaneous income	326,402	
Total other income		522,158
Net income before dividends to policyholders and before federal and foreign income taxes		$9,210,190
Dividends to policyholders		40,545
Net income after dividends to policyholders but before federal and foreign income taxes		$9,169,645
Federal and foreign income taxes incurred		1,653,555
Net Income		$7,516,090

C. Capital and Surplus Account

Surplus as regards policyholders increased $7,953,676 during the five-year examination period January 1, 2009 through December 31, 2013, detailed as follows:

Surplus as regards policyholders per report on examination as of December 31, 2008			$47,663,814
	Gains in Surplus	Losses in Surplus	
Net income	$7,516,090		
Change in net deferred income tax	280,583		
Change in nonadmitted assets		$194,294	
Aggregate write-ins for gains and losses in surplus	351,298	0	
Net increase (decrease) in surplus	$8,147,971	$194,294	7,953,677
Surplus as regards policyholders per report on examination as of December 31, 2013			$55,617,491

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $36,417,977 is the same as reported by the Company as of December 31, 2013. 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 Principles No. 55 (“SSAP No. 55”).

5. SUBSEQUENT EVENTS

There were no significant subsequent events for this Company. The Company’s December 31, 2014 reported surplus of $57,765,942 was $2,148,451 greater than the $55,617,491 reported in this examination report. This increase was primarily driven by the $2,266,112 in net income reported in 2014. It is additionally noted that the Company reported, in its 2014 annual statement, a one year positive development on its loss and loss adjustment expense reserves of approximately $322,000.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM		PAGE NO.
A.	Market conduct activities	
	It was recommended that the Company comply with Department Regulation 64 and respond to all complaints forwarded by the Department within ten business days.	16
	The Company has complied with this recommendation.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no recommendations in this report.

Respectfully submitted,

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Mary Meaney
Associate Insurance Examiner

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

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

____
Mary Meaney

Subscribed and sworn to before me

this_________ day of __________________, 20xx.

APPOINTMENT NO. 31193

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:*

Mary Meaney

as a proper person to examine the affairs of the

Insurance Company of Greater 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 by name
and affixed the official Seal of the Department
at the City of New York

this 8th day of May, 2014

NEW YORK STATE ★ DEPARTMENT OF FINANCIAL SERVICES ★ EXCELSIOR

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Rolf Kaumann
Deputy Chief Examiner