

REPORT ON ORGANIZATION

OF

TRANSIT GENERAL INSURANCE COMPANY OF NEW YORK

AS OF

JUNE 21, 2017

DATE OF REPORT

JUNE 21, 2017

EXAMINER

LEE R. PROWELL

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

June 21, 2017

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 31643 dated June 16, 2017 attached hereto, I have made an examination on organization of Transit General Insurance Company of New York as of June 21, 2017, and submit the following report thereon.

Wherever the designations the “Company” or “TGICNY” appear herein without qualification, they should be understood to indicate Transit General Insurance Company of New York.

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

The examination was conducted at the Law offices of White Fleischner and Fino LLP., located at 61 Broadway, 18<sup>th</sup> Floor, New York, NY, 10006.

## 1. SCOPE OF EXAMINATION

The examination comprised of a complete verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of the Company's assets and liabilities. The records examined were the declaration of intention and charter, the by-laws, the certificate of incorporation, the corporate minutes, the stock register and the inter-company and custodial agreements entered into by the Company as of the examination date. In addition, an affidavit, appended hereto, was obtained from two officers of the Company indicating that the transactions noted in this report were lawful and bona fide.

## 2. INCORPORATION

The Company was incorporated under the laws of the State of New York on March 21, 2016. The Department approved the Company's declaration of intention and charter on the same date. The Company's office is intended to be located at 25-11 41 Avenue, Long Island City, NY 11101.

The Company's board of directors was comprised of the following seven (7) members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael J. Levine Scarsdale, NY	President, Arthur Cab Leasing Corporation
Patton R. Corrigan Naples, FL	Private Investor
Mark Klein Greenwich, CT	Vice President, Clean Energy Fuel Corporation
Elliot J. Fishman Manalapan, NJ	Owner, Elliot J. Fishman PC
Michael Francis Park Ridge, IL	President Transit General Insurance Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael M. Tannen Evanston, IL	Owner/Attorney, Tannen Law Group, PC/Law Offices of Michael Murphy Tannen, PC
Scott Ruhl, Lockport, IL	Vice President Transit General Insurance Company

As of June 21, 2017, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Michael Francis	President
Scott Ruhl	Vice President & Secretary
Gary Sakata	Treasurer

### 3. **CAPITALIZATION AND SUBSCRIPTION**

The Company's authorized capital of \$500,000, consists of 500,000 shares of \$1 par value per share common stock. Gross paid in and contributed surplus is \$700,000. On April 17, 2017, the Company issued all 500,000 shares to Transit General Insurance Company ("TGIC") for a consideration of \$1,200,000.

In order to fulfill the deposit requirements of Section 4104 of the New York Insurance Law, the Company placed securities with a par and market value of \$547,000 in a custodial account in the name of "the Superintendent of Financial Services of the State of New York" in trust for the security of the policyholders of Transit General Insurance Company of New York within the United States, its territories and possessions." The custodian is The Bank of New York Mellon, located at 500 Ross Street, Pittsburgh, PA 15262 and the securities are held pursuant to a custodian agreement that conforms to the provisions of Section 1314 of the New York Insurance Law.

#### 4. BALANCE SHEET

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of June 21, 2017 and as reported by the Company:

##### Assets

Cash and short-term investments		\$ 185,739
Bonds		1,011,162
Accrued investment income		<u>690</u>
Total Assets		\$ <u>1,197,591</u>

##### Liabilities

\$ 0

##### Capital and Surplus

Common capital stock	\$ 500,000	
Gross paid in and contributed surplus	700,000	
Unassigned funds (surplus)	<u>(2,409)</u>	
Total surplus as regards policyholders		<u>1,197,591</u>
Total liabilities and surplus as regards policyholders		\$ <u>1,197,591</u>

#### 5. AUTHORIZATION POWERS AND MINIMUM CAPITAL REQUIRED

The Company is 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>
4	Fire insurance
19	Motor vehicle and aircraft physical damage
20(i)	Marine and Inland marine insurance

Based on the lines of business for which the Company is licensed, 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 \$500,000.

Pursuant to the provisions of Section 1102(e)(1)(A) of the New York Insurance Law, in order for the Superintendent to issue a license to the Company, it must have the amount of its minimum initial surplus to policyholders on deposit in either cash or investments qualifying as minimum capital or surplus investments pursuant to Section 1402 of the New York Insurance Law; such investments consist of:

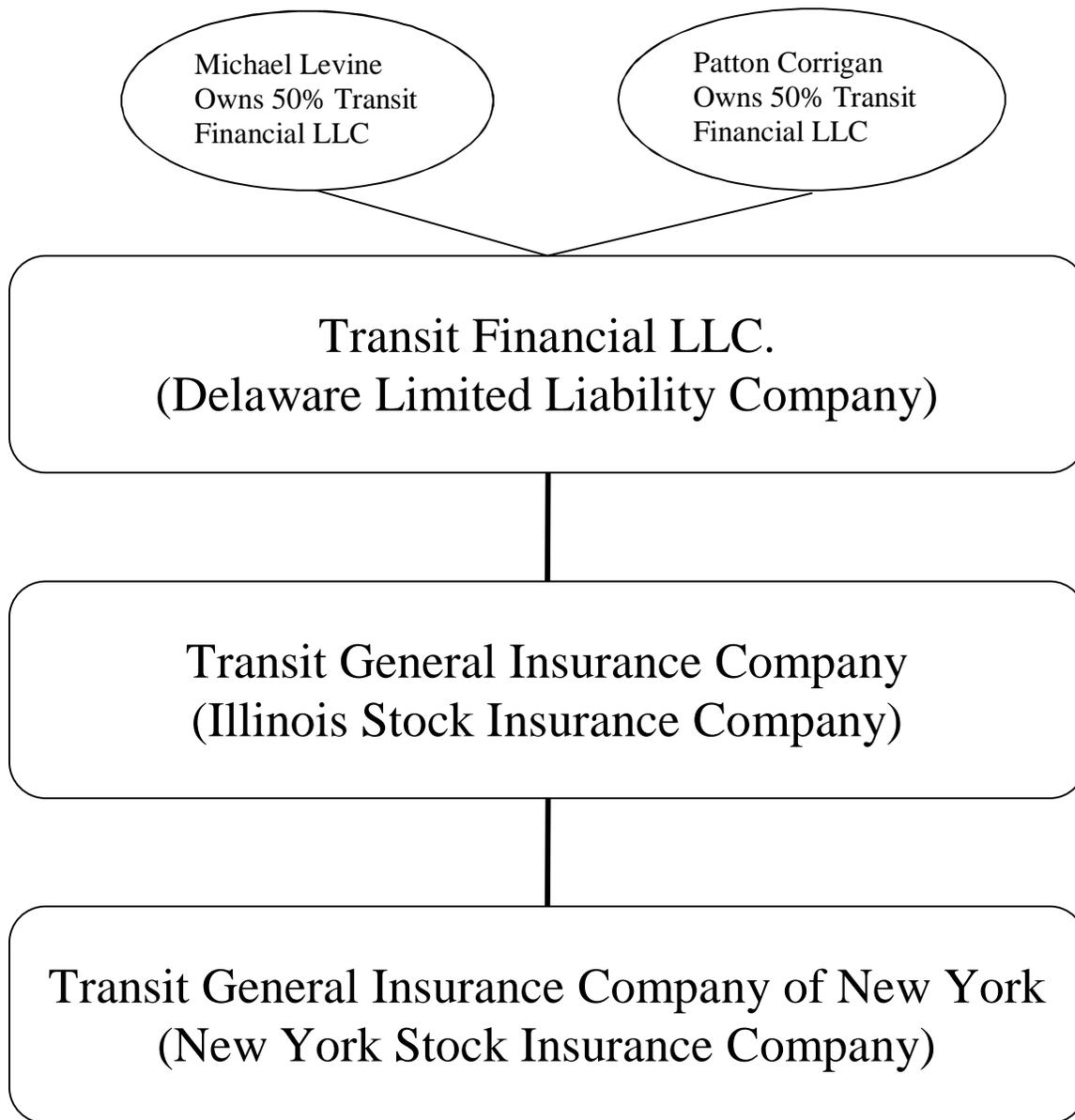
- (1) Obligations of the United States or of any agency thereof provided such agency obligations are guaranteed as to principal and interest by the United States.
- (2) Direct obligations of this state or of any county, district or municipality thereof.
- (3) Direct obligations of any state of the United States.
- (4) Obligations secured by first mortgage loans which meet the standards specified in paragraph four of subsection (a) of section one thousand four hundred four of this article on property located in this state.

The Company has met these requirements.

## **6. HOLDING COMPANY SYSTEM**

The Company is wholly owned by TGIC, an Illinois stock company which in turn is wholly owned by Transit Financial LLC., (“Transit Financial”) a Delaware limited liability company, ultimately controlled by Michael Levine and Patton Corrigan who each owns 50% stake.

Following is a chart of the affiliated group at June 21, 2017, each Company within the chart below is 100% owned by the Company immediately above:



At June 21, 2017, the Company was party to the following agreements with other members of its holding company system:

Service Agreement

Effective May 1<sup>st</sup>, 2017, the Company entered into a Personal Services and Facilities Agreement with Transit Financial whereby Transit Financial agreed to provide on a non-exclusive basis, such personnel, equipment services, computer software, computer and technology services and facilities as may be necessary to assist the Company in performing the day-to-day operations

of its insurance business, including without limitation, personnel necessary to perform executive services, administrative and support services, underwriting services, claims services, management services and risk management services. Transit Financial shall not be responsible for providing for the expenses related to independent audits, tax return preparation and advice, actuarial services, legal expenses, lease or rental of offices in New York, personnel or consultants hired exclusively for the benefit of TGICNY, equipment for the exclusive use of TGICNY, advertising, taxes boards and bureaus, travel, printing, telephone, internet and utilities in New York, Government fees and guarantee fund and residual market assessments and fees.

#### Tax Allocation Agreement

Effective October 31, 2016, the Company entered into a Tax Allocation Agreement (the “Agreement”) with TGIC.

These agreements were filed with this Department pursuant to Section 1505 of the New York Insurance Law.

### **7. CUSTODIAL AGREEMENT**

A review of the Company’s Custodial Agreement with The Bank of New York Mellon, dated January 19, 2017, revealed that the agreement lacked many of the protective covenants and provisions contained in the NAIC’s *Financial Condition Examiners Handbook, Custodial or Safekeeping Agreements, Section I, Part III, Item F*.

It is recommended that the Company amend its custodial agreement to include all the protective covenants and provisions in order to comply with the requirements set forth in the NAIC Financial Condition Examiners Handbook and Department guidelines.

## 8. CONCLUSION

Based on the foregoing examination, it is concluded that TGICNY sold 500,000 shares of common stock with a par value of \$1.00 per share. These shares represented the total authorized and issued stock for which TGICNY received a consideration of \$1,200,000, of which \$500,000 represents capital paid in and \$700,000 represents gross paid in and contributed surplus.

## 9. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Custodial Agreement</u>	
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*APPOINTMENT NO. 31643*

*NEW YORK STATE*

***DEPARTMENT OF FINANCIAL SERVICES***

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

***Lee Prowell***

*as a proper person to examine the affairs of the*

***Transit General 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 by name  
and affixed the official Seal of the Department  
at the City of New York*

*this 16th day of June, 2017*

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



By:

*Joan P. Riddell*

*Joan Riddell  
Deputy Bureau Chief*