



**REPORT ON EXAMINATION  
OF  
GRAMERCY INDEMNITY COMPANY**

**AS OF DECEMBER 31, 2020**

**EXAMINER:  
DATE OF REPORT:**

**TEENA VARGHESE, PIR  
APRIL 1, 2022**

## TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	2
	A. Corporate governance	3
	B. Territory and plan of operation	4
	C. Reinsurance ceded	6
	D. Holding company system	6
	E. Significant ratios	8
3.	Financial statements	10
	A. Balance sheet	10
	B. Statement of income	12
	C. Capital and surplus	13
4.	Losses and loss adjustment expenses	14
5.	Subsequent events	14
6.	Compliance with prior report on examination	14
7.	Summary of comments and recommendations	14

KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

April 1, 2022

Honorable Adrienne A. Harris  
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 32239 dated April 15, 2021, attached hereto, I have made an examination into the condition and affairs of Gramercy Indemnity Company as of December 31, 2020, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Gramercy Indemnity Company.

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

Due to the COVID-19 pandemic, this examination was conducted remotely.

## 1. SCOPE OF EXAMINATION

The Department has performed an examination of Gramercy Indemnity Company, a multi-state insurer. The previous examination was conducted as of December 31, 2015. This examination covered the five-year period from January 1, 2016 through December 31, 2020. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

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 current and 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 New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Company history
- Management and control
- Territory and plan of operation
- Reinsurance
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Significant subsequent events
- 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 that are deemed to require explanation or description.

## 2. DESCRIPTION OF COMPANY

Gramercy Indemnity Company was incorporated under the laws of the State of New York on June 15, 1972, as the French Union Insurance and Reinsurance Company of New York, to be a successor to the United States Branch of the French Union Insurance Reinsurance Company, Paris, France (“the Branch”). The Branch entered the United States through the State of New York on September 15, 1934. It became

licensed and domesticated in New York State effective September 30, 1972. In March 1973, the Company changed its name to Executive Insurance Company.

On October 10, 1975, the Superintendent of New York State placed the Company into rehabilitation. This process ended on January 23, 1976.

On June 28, 1977, E.I.C. Enterprises, Ltd, an insurance holding company, acquired the Company as a wholly owned subsidiary. Effective February 28, 2009, the Company ceased writing business.

On March 26, 2019, the Company was acquired by Gramercy Risk Holdings, LLC (“GRH”), an insurance holding company domiciled in the state of Delaware. The acquisition was approved by the Department on February 26, 2019. On May 21, 2019, the Company changed its name to its current title.

Effective July 1, 2019, the Company re-commenced insurance operations.

A. Corporate Governance

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 21 members. The board meets at least three times during each calendar year. At December 31, 2020, the board of directors was comprised of the following 11 members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Albert John Beer Garden City, NY	Assistant Professor, St. John’s University School of Risk Management
Mark Owen Davey Ponte Vedra Beach, FL	President and Chief Executive Officer, Stillwater Insurance Company President and Chief Executive Officer, Stillwater Property and Casualty Insurance Company
Donald Thomas DeCarlo Douglaston, NY	Member, Law Office of Donald T. DeCarlo
Harold Glenn Doran Jr. Murray, KY	Retired
Matthew James Fishlinger Syosset, NY	Chief Operating Officer, Gramercy Risk Holdings, LLC

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
William James Fishlinger New York, NY	Chief Executive Officer and President, Gramercy Risk Holdings, LLC
Emmel Bernhardt Golden III Memphis, TN	Executive Vice President, NFC Investments, LLC
John Edward Hardy North Myrtle Beach, SC	Chief Underwriting Officer, Gramercy Risk Holdings, LLC
Lawrence Patrick Minitier Nyack, NY	Retired
Albert Luca Salvatico Garden City, NY	Chairman, Jaral Properties, Inc.
Charles Kyle Slatery Memphis, TN	President, NFC Investments, LLC

As of December 31, 2020, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
William James Fishlinger	President and Chairman of the Board
Matthew James Fishlinger	Vice President, Secretary, and Treasurer
John Edward Hardy	Executive Vice President

B. Territory and Plan of Operation

As of December 31, 2020, the Company was licensed to write business in New York and Texas.

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(i)	Accident and health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery

<u>Paragraph</u>	<u>Line of Business</u>
10	Elevator
12	Collision
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

Based upon 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 \$1,200,000.

The Company does not write any direct business. The Company's assumed book of business is mainly (72%) commercial multiple peril. The following schedule shows the total gross premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Direct Premiums</u>	<u>Assumed Premiums</u>	<u>Total Gross Premiums</u>
2016	\$0	\$ 0	\$ 0
2017	\$0	\$ 0	\$ 0
2018	\$0	\$ 0	\$ 0
2019	\$0	\$1,307,683	\$1,307,683
2020	\$0	\$5,490,206	\$5,490,206

Effective July 1, 2019, the Company entered into a 17.5% quota share reinsurance agreement and a 7.5% quota share reinsurance agreement with affiliate Stillwater Property and Casualty Insurance Company ("SPAC"). Pursuant to the terms of the 17.5% quota share reinsurance agreement, the Company assumes 17.5% quota share of SPAC's net retained liability for loss and loss adjustment expenses arising from contracts of insurance and reinsurance classified by SPAC as New York Contractor Primary business that is produced by Gramercy Risk Management LLC ("GRM") on behalf of SPAC. GRM is an affiliated insurance managing general agent domiciled in New York. Pursuant to the terms of the 7.5% quota share reinsurance agreement, the Company assumes 7.5% quota share of SPAC's net retained liability for loss and loss adjustment expenses arising from contracts of insurance and reinsurance classified as commercial umbrella liability business that is produced by GRM on behalf of SPAC. Effective August 30, 2020, the Company amended the agreements, wherein the 17.5% quota share reinsurance agreement was increased to 37% and the 7.5% quota share reinsurance agreement was increased to 12.5%. Effective September 1,

2021, the 37% quota share agreement was reduced to 36%. These agreements were filed with and non-disapproved by the Department.

C. Reinsurance Ceded

The Company did not cede any business during the period covered by this examination.

D. Holding Company System

The Company is a wholly owned subsidiary of GRH, an insurance holding company domiciled in the state of Delaware. GRH has two wholly owned subsidiaries in addition to the Company: GRM and Certus Claims Administration, LLC (“CCA”), a Washington domiciled insurance claims management company. GRH is owned 50% by Fishlinger Risk Holdings, LLC (“FRH”), a New York limited liability company, and 50% by WT Holdings, Inc. (“WTH”), a Tennessee corporation.

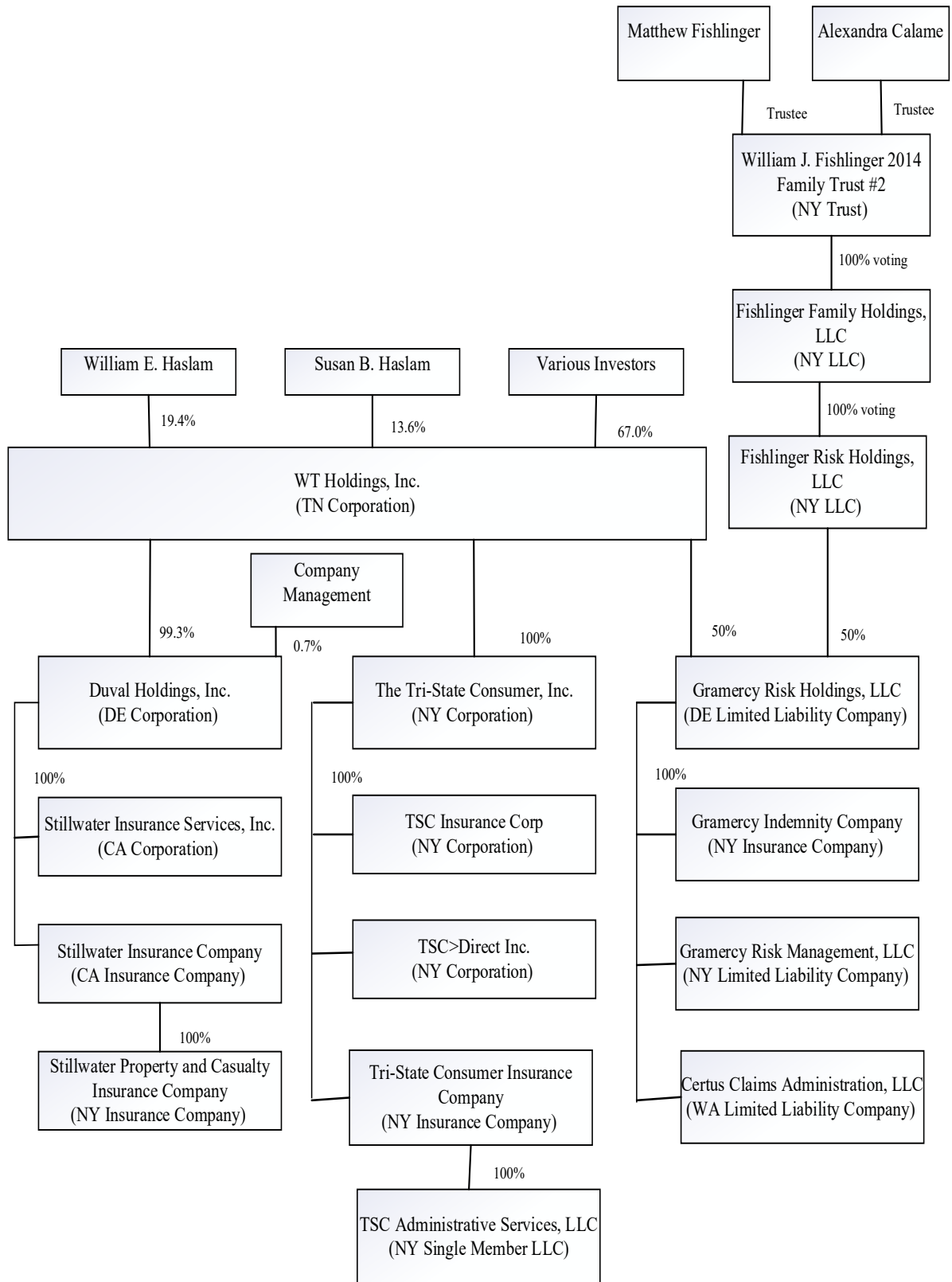
FRH is 100% owned by Fishlinger Family Holdings, LLC (“FFH”), a New York limited liability company. In turn, FFH is 100% owned by the William J. Fishlinger 2014 Family Trust #2 (“WFFT #2”), a New York trust. The trustees of WFFT #2 are Matthew J. Fishlinger and Alexandra Calame.

WTH, in addition to its 50% interest in GRH, has other insurance operations: WTH, through its 100% owned subsidiary, The Tri-State Consumer Inc., owns 100% of Tri-State Consumer Insurance Company, a New York domiciled insurance company; WTH, through its 99.3% owned subsidiary, Duval Holdings, Inc., owns 100% of Stillwater Insurance Company (“SIC”), a California domiciled insurance company, and SIC’s wholly-owned subsidiary, SPAC, a New York domiciled insurance company; SIC, through its 90% owned subsidiary, ProAlliance Corp., has a 65% controlling interest in Evergreen National Indemnity Company, an Ohio domiciled insurance company.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2020:





## Holding Company Agreements

At December 31, 2020, the Company was party to the following agreements with other members of its holding company system:

### Service Agreement

Effective January 1, 2020, the Company entered into a service agreement with GRM. This agreement replaced the service agreement with GRM which was effective July 1, 2019. Pursuant to the terms of the agreement, GRM provides the Company with various support services, including but not limited to management; general insurance business; legal, regulatory, and compliance; and accounting, finance, and investment support. The Company pays GRM a fixed service fee in the amount of \$304,500 per year payable in equal monthly installments. Services are provided on a cost basis and the fee is allocated in accordance with Department Regulation No. 30. The Company is solely responsible for its allocated loss adjustment expenses. This agreement was filed with and non-disapproved by the Department on March 11, 2020.

### E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2020, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	41%
Adjusted liabilities to liquid assets	33%
Two-year overall operating	91%

### Underwriting Ratios

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

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$2,113,523	59.77%
Other underwriting expenses incurred	3,711,507	104.95
Net underwriting gain (loss)	<u>(2,288,697)</u>	<u>(64.72)</u>
Premiums earned	<u>\$3,536,333</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 1,708% at December 31, 2020. The RBC score is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC score of 200% or below can result in regulatory action.

There were no financial adjustments in this report that impacted the Company's RBC score.

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2020, as reported by the Company:

#### Assets

	<u>Assets</u>	<u>Nonadmitted</u> <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$ 8,204,988	\$ 0	\$ 8,204,988
Preferred stocks (stocks)	1,534,313		1,534,313
Common stocks (stocks)	3,683,463		3,683,463
Cash, cash equivalents and short-term investments	2,565,653		2,565,653
Other invested assets	451,540		451,540
Investment income due and accrued	73,526		73,526
Uncollected premiums and agents' balances in the course of collection	2,366,292		2,366,292
Electronic data processing equipment and software	<u>39,701</u>	<u>39,701</u>	<u>0</u>
Total assets	<u>\$18,919,477</u>	<u>\$39,701</u>	<u>\$18,879,776</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and Loss Adjustment Expenses	\$ 2,047,365
Other expenses (excluding taxes, licenses, and fees)	27,000
Unearned premiums	<u>3,261,556</u>
Total liabilities	\$ 5,335,921

Surplus and Other Funds

Common capital stock	\$ 1,000,000
Gross paid in and contributed surplus	15,878,254
Unassigned funds (surplus)	<u>(3,334,400)</u>
Surplus as regards policyholders	<u>13,543,855</u>
Total liabilities, surplus, and other funds	<u>\$18,879,776</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2016 through 2020. 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

The net loss for the examination period as reported by the Company was \$2,102,611, as detailed below:

Underwriting Income

Premiums earned		\$ 3,536,333
Deductions:		
Losses and loss adjustment expenses incurred	\$2,113,523	
Other underwriting expenses incurred	3,711,510	
Aggregate write-ins for underwriting deductions (Rounding)	_____ (3)	
Total underwriting deductions		<u>5,825,030</u>
Net underwriting gain or (loss)		\$(2,288,697)

Investment Income

Net investment income earned	\$ 474,306	
Net realized capital gain	<u>(288,220)</u>	
Net investment gain or (loss)		<u>186,086</u>
Net income (loss)		<u>\$(2,102,611)</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$11,763,499 during the five-year examination period January 1, 2016, through December 31, 2020, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2015			\$ 1,780,355
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income		\$2,102,611	
Net unrealized capital gains or (losses)	\$ 720,685		
Change in net deferred income tax			
Change in nonadmitted assets	37,532		
Surplus adjustments paid in	<u>13,107,893</u>	<u>0</u>	
Total gains and losses	\$13,866,110	\$2,102,611	
Net increase (decrease) in surplus			<u>11,763,499</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2020			<u>\$13,543,854</u>

No adjustments were made to surplus as a result of this examination.

Capital paid in is \$1,000,000 consisting of 10,000 shares of \$100 par value per share common stock. Gross paid in and contributed surplus is \$15,878,254. Gross paid in and contributed surplus increased by \$13,107,893 during the examination period, as follows:

<u>Year</u>	<u>Description</u>		<u>Amount</u>
2016	Beginning gross paid in and contributed surplus		\$ 2,770,361
2017	Surplus contribution	\$ 140,000	
2019	Surplus contribution	<u>12,967,893</u>	
	Total surplus contributions		<u>13,107,893</u>
2020	Ending gross paid in and contributed surplus		<u>\$15,878,254</u>

**4. LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$2,047,365 is the same as reported by the Company as of December 31, 2020. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including SSAP No. 55. The reported reserves are concentrated in the commercial multiple peril line of business.

**5. SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus (“COVID-19”) pandemic. The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination’s review noted that there has not been a significant impact to the Company. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

**6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION**

This section is not applicable due to the Company’s change in ownership.

**7. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report on examination contains no comments or recommendations.



Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Teena Varghese, PIR  
Senior Insurance Examiner

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

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

\_\_\_\_\_/S/\_\_\_\_\_  
Teena Varghese

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

*NEW YORK STATE*

*DEPARTMENT OF FINANCIAL SERVICES*

*I, Linda A. Lacewell, 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:*

*Teena Varghese*

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

*Gramercy Indemnity Company*

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

*COMPANY*

*with such other information as she 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 15th day of April, 2021*

*LINDA A. LACEWELL  
Superintendent of Financial Services*

*By:*

*Joan Riddell*

*Joan Riddell  
Deputy Bureau Chief*

