



**REPORT ON EXAMINATION
OF
TRANSIT GENERAL INSURANCE COMPANY
OF NEW YORK**

AS OF DECEMBER 31, 2021

**EXAMINER:
DATE OF REPORT:**

**LEON W. TAMBUE
JANUARY 30, 2023**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

January 30, 2023

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 32413 dated May 18, 2022, attached hereto, I have made an examination into the condition and affairs of Transit General Insurance Company of New York as of December 31, 2021, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it 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 the New York State Department of Financial Services.

1. SCOPE OF EXAMINATION

The Department has performed a coordinated group examination of Transit General Insurance Company of New York, a single-state insurer. This is the first financial examination of the Company after the report on organization, which was conducted as of June 21, 2017. This examination covered the period from June 22, 2017, through December 31, 2021. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with the state of Illinois, which was the lead state of the Transit General Group, and was performed concurrently with the examination of Transit General Insurance Company.

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
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to the recommendation contained in the report on organization.

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

Transit General Insurance Company of New York was incorporated under the laws of the State of New York on March 21, 2016. It became licensed on September 12, 2017, and commenced business on October 1, 2017. The Company was originally licensed to write fire, motor vehicle and aircraft physical damage, and marine and inland marine (inland only). Its license was amended effective May 5, 2021, to include personal injury liability, property damage liability, and workers' compensation and employer's liability insurance.

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 thirteen members. The board meets four times during each calendar year. At December 31, 2021, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Patton Richard Corrigan Naples, Florida	Private Investor, Vice Chairman, Transit General Insurance Company
Elliot Jeffrey Fishman Manalapan, New Jersey	Attorney, Elliot J. Fishman, PC
Michael Gerard Francis Ridge, Illinois	President and Treasurer, Transit General Insurance Company
Mark David Klein Greenwich, Connecticut	Attorney / Business Executive, Clean Energy Fuels Corp.
Michael Jay Levine Scarsdale, New York	Chairman, Transit General Insurance Company Transportation Executive, Arthur Cab Leasing Corp.
Scott Michael Ruhl Lockport, Illinois	Vice President and Secretary, Transit General Insurance Company
Michael Murphy Tannen Evanston, Illinois	Attorney, Tannen Law Group, PC

As of December 31, 2021, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Michael Gerard Francis	President
Scott Michael Ruhl	Vice President and Secretary
Karla Marie Violetto	Treasurer

B. Territory and Plan of Operation

As of December 31, 2021, the Company was licensed to write business solely in New York. 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>
4	Fire
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine (inland only)

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 \$1,700,000.

The Company was formed to provide commercial physical damage and incidental related marine insurance coverage for vehicles designated to transport 15 or fewer persons and to provide physical damage insurance for private passenger vehicles engaged in emerging technology for higher dispatch services like Uber, Lyft, Gett, and similar programs. Incidental marine coverage includes insurance for special aftermarket equipment used in the connection with the ownership, maintenance, and operation of the aforementioned described vehicles. Such coverage includes equipment to assist physically challenged passengers, communications equipment, signs, special paint, testing equipment, vehicle decoration, and tools.

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

<u>Calendar Year</u>	<u>Total Premiums</u>
2017	\$ 0
2018	\$ 265,025
2019	\$1,303,166
2020	\$1,249,035
2021	\$2,408,621

The Company did not assume or cede business. During the examination period, the Company wrote auto physical damage, which accounted for 100% of the total direct written premiums. The Company generated all direct business through a total of 19 brokers at year-ended 2021.

C. Holding Company System

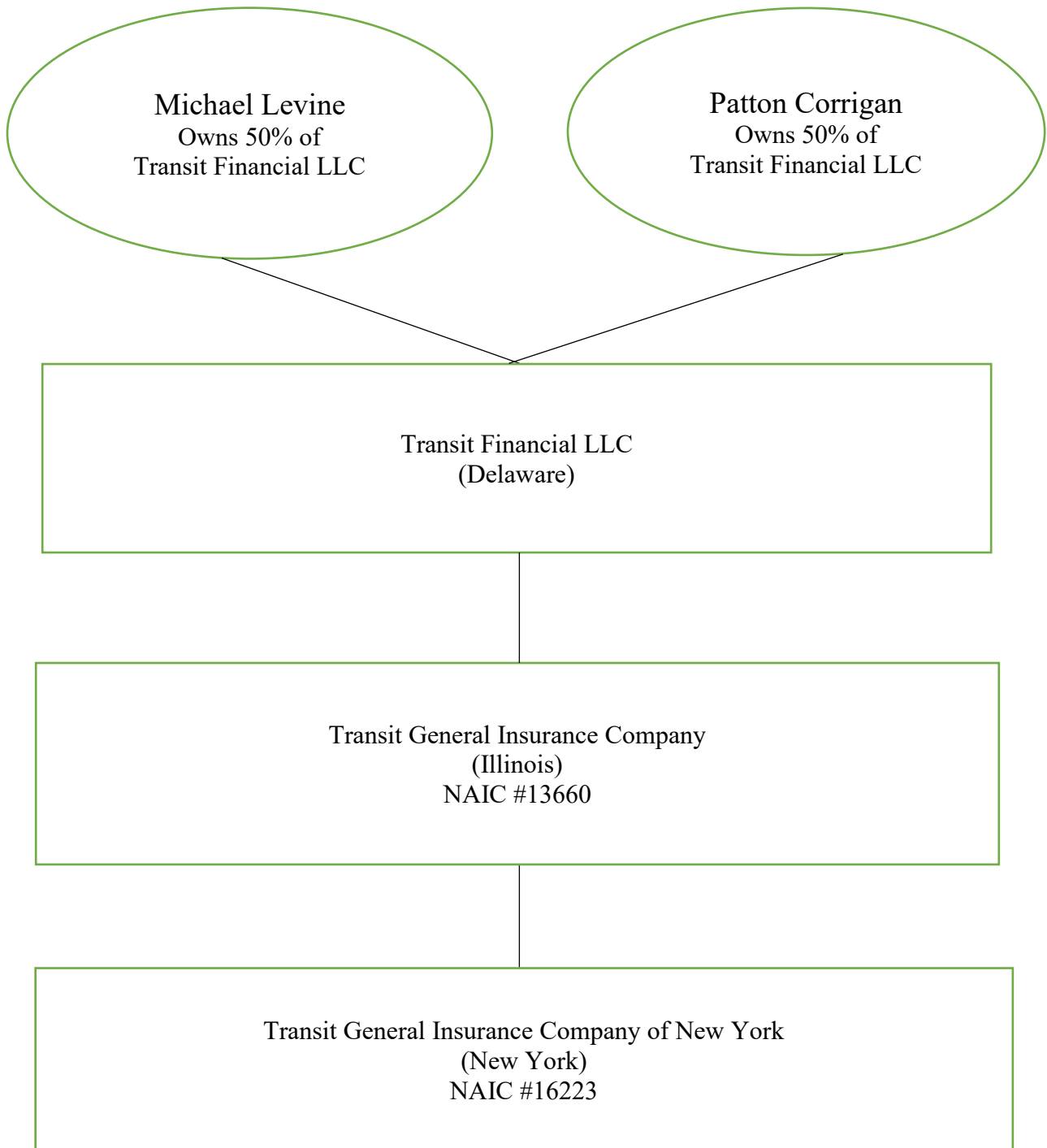
The Company is a member of the Transit General Group. The Company is a wholly owned subsidiary of Transit General Insurance Company (“TGIC”), an Illinois stock corporation, which is 100% owned by Transit Financial LLC (“Transit Financial”), a Delaware limited liability company. Transit Financial is ultimately controlled by Michael Levine (50%) and Patton Corrigan (50%).

Transit Financial is an insurance holding company that, through its operating companies, provides specialized products and services focused on the transportation industry. In addition to TGIC, Transit Financial wholly owns American Resources Insurance Agency, LLC, an Illinois corporation that provides agency services for various coverages required for transportation risk in the metropolitan Chicago area, and Gemini Claim Management, LLC, an Illinois corporation that provides claim adjusting services including vehicle estimates to non-related insurance companies.

TGIC writes commercial auto liability and auto physical damage coverages for taxi cabs primarily operating in the city of Chicago. The Company is a niche writer in the New York market and leverages the organizational and managerial experience of TGIC.

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, 2021:



Holding Company Agreements

At December 31, 2021, the Company was party to the following agreements with other members of its holding company system:

Service Agreement

Effective May 1, 2017, the Company entered into a Personnel Services and Facilities Agreement with Transit Financial, whereby Transit Financial agrees 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 the Company, equipment for the exclusive use of the Company, advertising, taxes, boards and bureaus, travel, printing, telephone, internet and utilities in New York, government fees, guarantee fund, residual market assessments, and fees. The Company shall reimburse Transit Financial a flat fee for the first 36 months of the contract. The Company shall also reimburse Transit Financial direct and actual out-of-pocket expenses incurred in connection with performing services on behalf of the Company. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law.

It is noted that the service agreement contained the following statement:

“Beginning 120 days prior to the third anniversary of the effective date of this Agreement, the Parties shall negotiate in good faith for the extension of this Agreement. If the Parties do not reach agreement, this Agreement shall terminate at the end of the 36 months.”

As the service agreement had an effective date of May 1, 2017, the agreement terminated on April 30, 2020. The Company did not file a new service agreement with the Department, and it did not file an amendment to the existing agreement to extend it. Transit Financial has been rendering services on a regular basis to the Company since April 30, 2020.

Section 1505(d)(3) of the New York Insurance Law states, in part:

“The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or with regard to reinsurance treaties or agreements at least forty-five days prior thereto, or such shorter period as the superintendent may permit, and the superintendent has not disapproved it within such period: (3) rendering of services on a regular or systematic basis...”.

Upon examination, the Company provided the examiner with a joint memorandum between the parties acknowledging that the service agreement continued and did not terminate. It is recommended that the Company submit a service agreement to the Department. It is further recommended that the Company institute procedures to ensure compliance with Section 1505(d)(3) of the New York Insurance Law.

Tax Allocation Agreement

Effective October 31, 2016, the Company entered into a Tax Allocation Agreement with TGIC. Under the terms of the agreement, the Company and TGIC shall file a consolidated federal income tax return for the fiscal year ending December 31, 2016, and for any subsequent taxable period for which the companies are required or permitted to file such a return. This agreement was submitted to the Department pursuant to Circular Letter No. 33 (1979).

D. Significant Ratios

The Company’s operating ratios, computed as of December 31, 2021, 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	77%
Adjusted liabilities to liquid assets	15%
Two-year overall operating	89%

Underwriting Ratios

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

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$2,394,118	63.24%
Other underwriting expenses incurred	1,269,537	33.54%
Net underwriting gain (loss)	<u>121,960</u>	<u>3.22%</u>
 Premiums earned	 <u>\$3,785,615</u>	 <u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 3,694.9% at December 31, 2021. 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.

E. Accounts and Records

External Audit

11 NYCRR 89.11 (also known as Department Regulation 118) states, in part:

". . . Every company shall require that the CPA retain the audit work papers and communications for six calendar years from the date of the audit report or until the filing of the report on examination covering the period of the audit, whichever is longer, as required by Part 243 of this Title (Regulation 152)."

The review of the 2020 and 2021 Accountants Letter of Qualification indicated the contract language for record retention did not comply with Department Regulation 118.

It is recommended that the Company's contract with its CPA firm include record retention language that complies with Department Regulation 118.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities, and surplus as regards policyholders as of December 31, 2021, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$1,835,846	\$0	\$1,835,846
Cash, cash equivalents and short-term investments	2,234,780	0	2,234,780
Investment income due and accrued	1,754	0	1,754
Uncollected premiums and agents' balances in the course of collection	(372,537)	0	(372,537)
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,340,777	0	1,340,777
Net deferred tax asset	60,018	0	60,018
Salvage and subrogation receivable	<u>4,581</u>	<u>0</u>	<u>4,581</u>
Total assets	<u>\$5,105,219</u>	<u>\$0</u>	<u>\$5,105,219</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and Loss Adjustment Expenses	\$ 67,000
Commissions payable, contingent commissions and other similar charges	226,074
Taxes, licenses and fees (excluding federal and foreign income taxes)	30,700
Current federal and foreign income taxes	28,216
Unearned premiums	1,440,232
Advance premium	4,310
Payable to parent, subsidiaries and affiliates	<u>162,839</u>
 Total liabilities	 \$1,959,371

Surplus and Other Funds

Common capital stock	\$ 500,000
Gross paid in and contributed surplus	2,550,000
Unassigned funds (surplus)	<u>95,848</u>
 Surplus as regards policyholders	 <u>3,145,848</u>
 Total liabilities, surplus, and other funds	 <u>\$5,105,219</u>

Note: The Internal Revenue Service has not audited tax returns covering tax years 2017 and through 2021. 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 income for the examination period as reported by the Company was \$168,467, as detailed below:

Underwriting Income

Premiums earned		\$3,785,615
Deductions:		
Losses and loss adjustment expenses incurred	\$2,394,118	
Other underwriting expenses incurred	<u>1,269,537</u>	
Total underwriting deductions		<u>3,663,655</u>
Net underwriting gain or (loss)		\$121,960

Investment Income

Net investment income earned	\$22,150	
Net investment gain or (loss)		22,150

Other Income

Finance and service charges not included in premiums	\$63,385	
Total other income		<u>63,385</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$207,495
Dividends to policyholders		<u>0</u>
Net income after dividends to policyholders and before federal and foreign income taxes		\$207,495
Federal and foreign income taxes incurred		<u>39,028</u>
Net income		<u>\$168,467</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$1,960,999 during the examination period June 22, 2017, through December 31, 2021, as reported by the Company, detailed as follows:

Surplus as regards policyholders per report on organization as of June 21, 2017			<u>\$1,184,849</u>
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$ 168,467		
Change in net deferred income tax	26,221		
Capital changes paid in	15,151		
Surplus adjustments paid in	1,850,000		
Aggregate write-ins for gains and losses in surplus	<u>0</u>	<u>\$98,840</u>	
Total gains and losses	\$2,059,839	\$98,840	
Net increase (decrease) in surplus			<u>1,960,999</u>
Surplus as regards policyholders per report on examination as of December 31, 2021			<u>\$3,145,848</u>

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

Capital paid-in is \$500,000 consisting of 500,000 shares of \$1.00 par value per share common stock. Gross paid in and contributed surplus is \$2,550,000. Gross paid in and contributed surplus increased by \$1,850,000 during the examination period, as follows:

<u>Year</u>	<u>Description</u>		<u>Amount</u>
2017	Beginning gross paid in and contributed surplus		\$700,000
2018	Surplus contribution	\$ 50,000	
2021	Surplus contribution	<u>1,800,000</u>	
	Total surplus contributions		<u>1,850,000</u>
2021	Ending gross paid in and contributed surplus		<u>\$2,550,000</u>

As shown above, total surplus contributions of \$1,850,000 were made to the Company by its parent company, TGIC, during the examination period. As previously noted, the Company amended its charter to

add personal injury liability, property damage liability, and workers' compensation and employer's liability, as specified in paragraphs, 13, 14, and 15 of Section 1113(a) of New York Insurance Law, respectively. The amendment of the Company's license was approved on April 6, 2021. As such, the Company filed to contribute capital in the amount of \$1,800,000 in support of the newly added lines of business. The examiner notes that the Company did not timely notify the Department regarding its surplus contribution of \$50,000 made in 2018.

Section 1505(d) of the New York Insurance Law states, in part:

“The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto . . . and the superintendent has not disapproved it within such period: (1) sales, purchases, exchanges, loans or extensions of credit, or investments involving less than five percent of the insurer's admitted assets at last year-end, provided the transactions are equal to or exceed: . . .

(C) the lesser of three percent of the insurer's admitted assets or twenty-five percent of surplus to policyholders at last year-end . . .”

As the \$50,000 contribution is greater than three percent of the Company's admitted assets as of December 31, 2017, the Company should have provided prior notification to the Department. It is recommended that the Company comply with the requirements of Section 1505(d)(1) of the New York Insurance Law regarding prior notification of transactions.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$67,000 is the same as reported by the Company as of December 31, 2021. 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.

5. COMPLIANCE WITH REPORT ON ORGANIZATION

The report on organization contained one recommendation as follows (page number refers to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Accounts and Records</u>	
It was 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.	7
The Company has complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Holding Company System</u>	
i. It is recommended that the Company submit a service agreement to the Department.	8
ii. It is recommended that the Company institute procedures to ensure compliance with Section 1505(d)(3) of the New York Insurance Law.	8
B. <u>Account and Records</u>	
It is recommended that the Company's contract with its CPA firm include record retention language that complies with Department Regulation 118.	9
C. <u>Capital and Surplus</u>	
It is recommended that the Company comply with the requirements of Section 1505(d)(1) of the New York Insurance Law regarding prior notification of transactions.	14

Respectfully submitted,

_____/S/_____
Leon W. Tambue
Senior Insurance Examiner

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

Leon W. Tambue, being duly sworn, deposes and says that the foregoing report, subscribed by [him/her],
is true to the best of [his/her] knowledge and belief.

_____/S/_____
Leon W. Tambue

Subscribed and sworn to before me

this _____ day of _____, 2023.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Adrienne A. Harris, 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:

Leon Tambue

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 18th day of May, 2022

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:

Joan Riddell

*Joan Riddell
Deputy Bureau Chief*

