



**REPORT ON EXAMINATION
OF
GREAT AMERICAN INSURANCE COMPANY OF NEW YORK
AS OF DECEMBER 31, 2021**

**EXAMINER:
DATE OF REPORT:**

**SHEIK H. MOHAMED
APRIL 17, 2023**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

April 17, 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 32306 dated September 21, 2021, attached hereto, I have made an examination into the condition and affairs of Great American 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 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.

1. SCOPE OF EXAMINATION

The Department has performed an examination of the Great American Insurance Company of New York, a multi-state insurer. The previous examination was conducted as of December 31, 2016. This examination covered the five-year period from January 1, 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 Ohio, which was the lead state of the American Financial Group. The examination was performed concurrently with the examinations of the following 25 insurers:

<u>Company</u>	<u>State of Domicile</u>
American Empire Insurance Company	Ohio
American Empire Surplus Lines Insurance Company	Ohio
Bridgefield Casualty Insurance Company	Florida
Bridgefield Employers Insurance Company	Florida
Great American Alliance Insurance Company	Ohio
Great American Assurance Company	Ohio
Great American Casualty Insurance Company	Ohio
Great American Contemporary Insurance Company	Ohio
Great American E & S Insurance Company	Ohio
Great American Fidelity Insurance Company	Ohio
Great American Insurance Company	Ohio
Great American Protection Insurance Company	Ohio
Great American Security Insurance Company	Ohio
Great American Spirit Insurance Company	Ohio
Great American Underwriters Insurance Company	Ohio
Mid-Continent Assurance Company	Ohio
Mid-Continent Casualty Company	Ohio
Mid-Continent Excess and Surplus Insurance Company	Ohio
National Interstate Insurance Company	Ohio
National Interstate Insurance Company of Hawaii Inc.	Ohio
Oklahoma Surety Company	Ohio
Republic Indemnity Company of America	California
Republic Indemnity Company of California	California
Triumphe Casualty Company	Ohio
Vanliner Insurance Company	Ohio

Other states participating in this examination were California and Florida.

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
- 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 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 under the laws of the State of New York on August 22, 1947, as the Tri-State Insurance Company to serve as a vehicle for the consolidation of American National Fire Insurance Company and the North Carolina Home Insurance Company, effective on October 31, 1947. After the merger, the Company adopted the title American National Fire Insurance Company. In that same year, the Company became a wholly-owned subsidiary of Great American Insurance Company ("GAIC"), its current direct parent. Effective November 17, 2000, the Company changed its corporate title to Great American Insurance Company of New York.

From 1973 until 2003, GAIC was a subsidiary of American Financial Corporation ("AFC"). In 2003, AFC merged into its parent, American Financial Group, Inc. ("AFG"). There was no change in the ultimate controlling person after the merger.

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 20 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>
Michelle Ann Gillis Cincinnati, OH	Senior Vice President and Chief Administrative Officer, American Financial Group, Inc.
Gary John Gruber Cincinnati, OH	President and Chief Operating Officer, Great American Insurance Company
Phillip John Lally Commack, NY	Divisional President, Great American Insurance Company
Anthony Joseph Mercurio Richfield, OH	President, National Interstate Insurance Company
Michael Eugene Sullivan Jr. Cincinnati, OH	Executive Vice President, Great American Insurance Company
David Lawrence Thompson Jr. Cincinnati, OH	Executive Vice President, Great American Insurance Company
David John Witzgall Villa Hills, KY	Senior Vice President, Chief Financial Officer and Treasurer, Great American Insurance Company

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

<u>Name</u>	<u>Title</u>
Gary John Gruber	President
Matthew David Felvus	Secretary
Robert James Schwartz	Vice President and Controller
Lisa Ann Hays	Vice President and Actuary
Anthony Joseph Mercurio	Executive Vice President
Michael Eugene Sullivan Jr.	Executive Vice President
David Lawrence Thompson, Jr.	Executive Vice President
Sue Ann Erhart	Senior Vice President and General Counsel
Aaron Beasy Latto	Senior Vice President

<u>Name</u>	<u>Title</u>
James Louis Muething	Senior Vice President
Carol Prevatt Sipe	Senior Vice President
Bruce Robert Smith Jr.	Senior Vice President
David John Witzgall	Senior Vice President, Chief Financial Officer and Treasurer
Annette Denise Gardner	Vice President and Assistant Treasurer
John William Tholen	Vice President
Magdalena Franziska Kulik Grossman	Chief Compliance Officer
Stephen Charles Beraha	Assistant Vice President and Assistant Secretary
Howard Kim Baird	Assistant Treasurer
Robert Jude Zbacnik	Assistant Treasurer

B. Territory and Plan of Operation

As of December 31, 2021, the Company was licensed to write business in all 50 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:

<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 Company is also empowered to transact such workers' compensation insurance as may be incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et. seq. as amended).

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 \$2,200,000.

The following schedule shows the direct written premiums and premiums assumed 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>
2017	\$345,606,814	\$536,519	\$346,143,333
2018	\$325,903,832	\$184,468	\$326,088,300
2019	\$249,115,636	\$166,023	\$249,281,659
2020	\$223,916,143	\$188,693	\$224,104,836
2021	\$161,232,064	\$171,494	\$161,403,558

The Company's direct business is generated through the independent agent network maintained by the parent company and brokers. The Company's predominant lines of business are commercial multiple peril, excess and umbrella liability, and inland marine which accounted for 45.0%, 21.3%, and 12.4% respectively, of the Company's 2021 direct written business. The Company's direct written premiums declined during the examination period because some of the Company's products were moved to affiliated companies. This was done to recognize administrative efficiencies and to streamline business among the Great American Insurance Group.

Assumed reinsurance accounted for 0.11% of the Company's gross premium written at December 31, 2021. The Company's assumed reinsurance program consists of business assumed through participation in various mandated pools.

C. Reinsurance Ceded

The Company and 11 affiliates participate in an inter-company reinsurance pooling agreement with their parent, GAIC, whereby, each of the participating companies cede 100% of its direct and assumed business to GAIC. In turn, GAIC purchases reinsurance, excess reinsurance, and catastrophe reinsurance

for all policies written or assumed under the agreement. GAIC does not cede any business back to pool members.

<u>Company</u>	<u>NAIC Company Code</u>	<u>Participation Percentage</u>
Great American Insurance Company	16691	100.0%
Great American Insurance Company of New York	22136	0.0%
American Empire Insurance Company	37990	0.0%
American Empire Surplus Lines Insurance Company	35351	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 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	0.0%
Great American Underwriters Insurance Company	16618	<u>0.0%</u>
Total		100.0%

All expenses incurred under the pooling agreement including acquisition, general and administrative expenses, state premium taxes, licenses, and fees are borne by GAIC except for the federal income taxes and the investment expenses of each of the participating companies.

The pooling agreement has been in effect since 1954 and has been amended and restated several times. The pooling agreement's fifth amendment, effective January 2, 2021, removed Great American Contemporary Insurance Company from the pooling agreement and added Great American Underwriters Insurance Company, and revised the termination clause to include language regarding the Company pursuant to the Department's request. The pooling agreement and amendments have been filed with this Department pursuant to Section 1505(d)(2) of the New York Insurance Law.

The Company has significant reinsurance recoverables due from GAIC related to the pooling agreement. Specifically, the Company reported \$724,065,000 of reinsurance recoverables due from GAIC as of December 31, 2021. This represents a significant counterparty credit risk for the Company given that the reinsurance recoverable to surplus ratio is approximately 2.9 to 1. It is noted that GAIC was examined concurrently with the Company and that there were no financial adjustments made to GAIC's financial statements. GAIC reported a risk-based capital ("RBC") score of 405.6% as of December 31, 2021.

D. Holding Company System

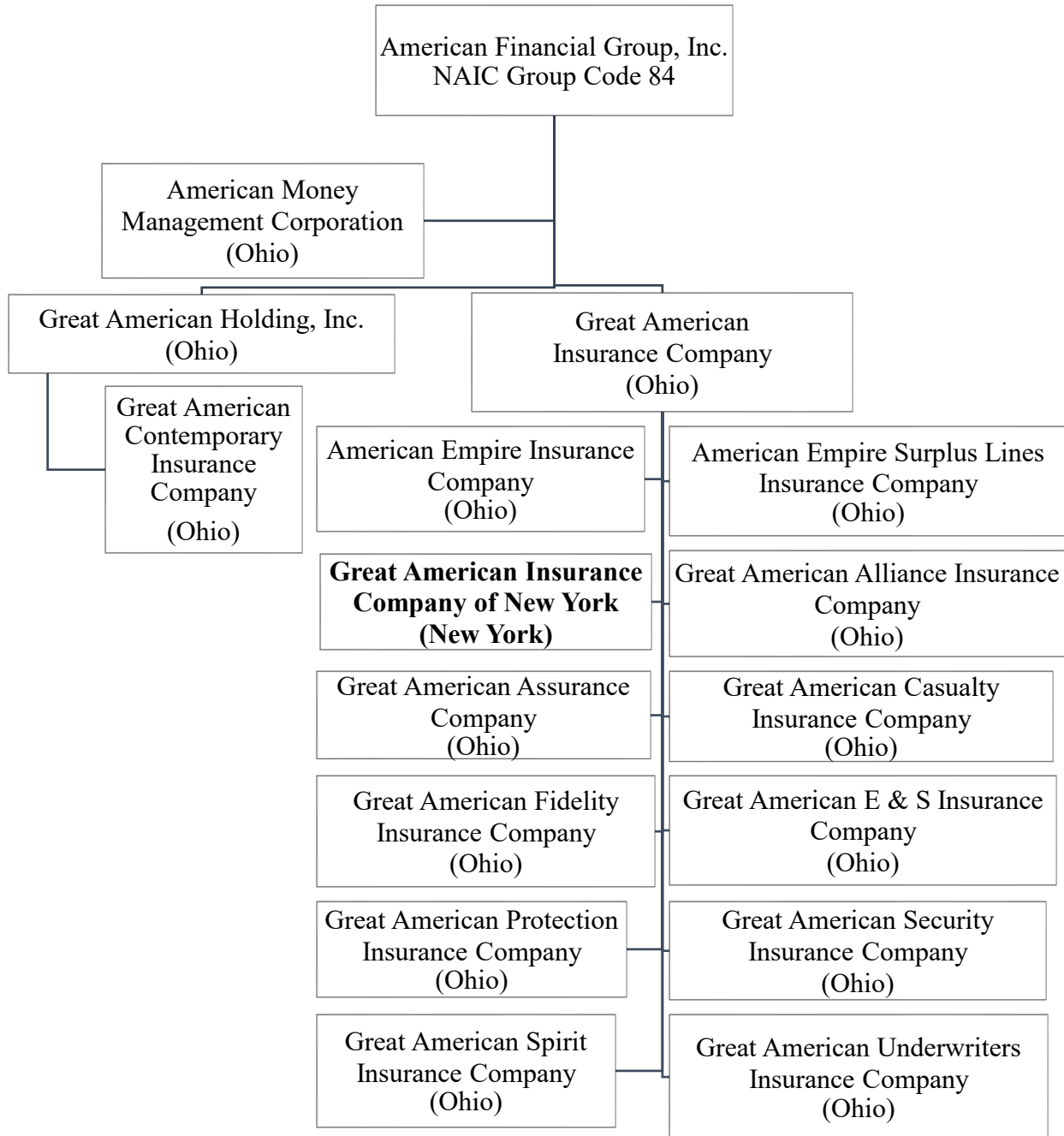
The Company is a member of the American Financial Group. The Company is a wholly owned subsidiary of GAIC, an Ohio-domiciled insurer, which is wholly owned by AFG.

AFG is a public holding company which, through the operations of Great American Insurance Group (the “Group”), is engaged in property and casualty insurance focusing on specialized commercial products for businesses. AFG provides coverages through approximately 35 insurance businesses that comprise the Group. The Group operates on a decentralized basis which allows each business unit to respond to local and specialty market conditions.

The Company’s direct parent, GAIC, is a major insurer within the AFG holding company system and is also the direct or indirect parent of various insurers and several insurance agencies 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, 2021:



Holding Company Agreements

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

Tax Allocation Agreement

The Company and various affiliates are parties to a tax allocation agreement with AFG, effective December 31, 2005. This agreement replaced the tax allocation agreement dated May 13, 1974. Pursuant to the term of the agreement, the Company's tax expense is determined based upon its inclusion in the consolidated tax return of AFG 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 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 the Department pursuant to Circular Letter 33 (1979).

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. In 2021, the cost of these services was \$134,876. The agreement was filed with the 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 GAIC, and other affiliates. Pursuant to the terms of the agreement, each of the parties has agreed to provide services such as 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 based on cost. The agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law.

Collateral Agency Agreement

Effective January 1, 2014, the Company and various other affiliates entered into a collateral agency agreement with GAIC. Pursuant to the terms of the agreement, GAIC agrees to act as the collateral agent in connection with all matters relating to creating, attaching, perfecting, maintaining, and enforcing insurers' interest in the collateral. The agreement was filed with the Department pursuant to Section 1505(d) of the New York Insurance Law.

Managing General Agency Agreement

Effective July 1, 2019, GAIC and affiliate ABA Insurance Services Inc. amended their managing general agency agreement to add the Company and Great American Spirit Insurance Company as parties to the agreement. The agreement and amendment were filed with the Department pursuant to Section 1505(d) of the New York Insurance Law.

E. Significant Ratios

This section is not relevant as the Company cedes 100% of its business to GAIC.

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	\$200,252,975	\$0	\$200,252,975
Preferred stocks	4,728,800	0	4,728,800
Common stocks	215	0	215
Cash, cash equivalents and short-term investments	39,890,398	0	39,890,398
Other invested assets	57,948	0	57,948
Investment income due and accrued	841,116	0	841,116
Other receivables	<u>2,396</u>	<u>0</u>	<u>2,396</u>
Total assets	<u>\$245,773,848</u>	<u>\$0</u>	<u>\$245,773,848</u>

Liabilities, Surplus and Other FundsLiabilities

Other expenses (excluding taxes, licenses and fees)	\$ 43,700
Current federal and foreign income taxes	1,256
Net deferred tax liability	<u>52,169</u>
 Total liabilities	 \$ 97,125

Surplus and Other Funds

Common capital stock	\$ 3,800,000
Gross paid in and contributed surplus	205,250,000
Unassigned funds (surplus)	<u>36,626,723</u>
 Surplus as regards policyholders	 <u>\$245,676,723</u>
 Total liabilities, surplus and other funds	 <u>\$245,773,848</u>

Note: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through tax year 2013. 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. A 2017 capital loss carryback claim is currently under review by the Internal Revenue Service. The capital loss carryback claim is unrelated to the Company. No additional tax years are currently under examination. The Internal Revenue Service has not audited tax returns covering tax years 2014 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 \$12,267,418, as detailed below:

Investment Income

Net investment income earned	\$14,381,693	
Net realized capital gain	<u>477,960</u>	
Net investment gain or (loss)		\$14,859,653

Other Income

Miscellaneous income (expense)	\$ <u>18,002</u>	
Total other income		<u>18,002</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$14,877,655
Dividends to policyholders		<u>0</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$14,877,655
Federal and foreign income taxes incurred		<u>2,610,237</u>
Net income		<u>\$12,267,418</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$197,498,930 during the five-year examination period January 1, 2017, through December 31, 2021, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2016			\$ 48,177,793
	<u>Gains in</u> <u>Surplus</u>	<u>Losses in</u> <u>Surplus</u>	
Net income	\$ 12,267,418		
Net unrealized capital gains or (losses)	265,595		
Change in net deferred income tax	0	\$34,083	
Surplus adjustments paid in	<u>185,000,000</u>	<u>0</u>	
Total gains and losses	\$197,533,013	\$34,083	
Net increase in surplus			<u>197,498,930</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2021			<u>\$245,676,723</u>

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

Capital paid in is \$3,800,000 consisting of 200,000 shares of \$19 par value per share common stock. Gross paid in and contributed surplus is \$205,250,000. Gross paid in and contributed surplus increased by \$185,000,000 during the examination period, as follows:

<u>Year</u>	<u>Description</u>		<u>Amount</u>
2017	Beginning gross paid in and contributed surplus		\$ 20,250,000
2018	Surplus contribution	\$50,000,000	
2019	Surplus contribution	50,000,000	
2020	Surplus contribution	50,000,000	
2021	Surplus contribution	<u>35,000,000</u>	
	Total surplus contributions		<u>185,000,000</u>
2021	Ending gross paid in and contributed surplus		<u>\$205,250,000</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, 2021. The Company reported gross outstanding losses and loss adjustment expenses, including incurred but not reported losses, in the amount of \$654,335,610, that were ceded 100% to the Company's parent, GAIC, pursuant to the pooling agreement. The examination of GAIC was conducted concurrently with this examination, and there were no financial adjustments made to GAIC's income statement or balance sheet.

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

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Board of Directors</u> It was recommended that the Company comply with its by-laws and hold regularly scheduled meetings of its board of directors.	5
The Company has complied with this recommendation.	

6. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

_____/S/_____
Sheik H. Mohamed
Associate Insurance Examiner

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

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

_____/S/_____
Sheik H. Mohamed

Subscribed and sworn to before me

this _____ day of _____, 2023.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Adrienne A. Harris, Acting 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:

Sheik Mohammed

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

this 21st day of September, 2021

*ADRIENNE A. HARRIS
Acting Superintendent of Financial Services*

By:

Joan Riddell

*Joan Riddell
Deputy Bureau Chief*

