

REPORT ON EXAMINATION

OF THE

MAYA ASSURANCE COMPANY

AS OF

DECEMBER 31, 2006

DATE OF REPORT

OCTOBER 22, 2007

EXAMINER

JAINARINE TILAKDHARRY

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

October 22, 2007

Honorable Eric R. Dinallo
Superintendent of Insurance
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 22649 dated May 10, 2007, attached hereto, I have made an examination into the condition and affairs of Maya Assurance Company as of December 31, 2006, and submit the following report thereon.

Wherever the designations "the Company" or "Maya" appear herein without qualification, they should be understood to indicate Maya Assurance Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the Company's home offices located at 45-18 Court Square, Suit 502, Long Island City, New York 11101.

1. SCOPE OF EXAMINATION

This is the first financial examination of Maya Insurance Company since it was acquired by Maya Holding Corporation on September 13, 2005. The previous examination was as of December 31, 2001. This examination covered the period from September 13, 2005 through December 31, 2006. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a verification of assets and liabilities as of December 31, 2006. The examination included a review of income, disbursements and company records deemed necessary to accomplish such analysis or verification and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants ("CPA"). A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners ("NAIC"):

- History of Company
- Management and control
- Corporate records
- Fidelity bond and other insurance
- Territory and plan of operation
- Growth of Company
- Business in force by states
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements

This report on examination is confined to financial statements and comments on those matters, which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was licensed on March 31, 1989 as the Merrion Insurance Company (“Merrion”), which was formed as the vehicle for the domestication of the United States Branch (“U.S. Branch”) of the Insurance Corporation of Ireland, Ltd. (“ICI”). ICI was taken over by the Irish government in March 1985 due to its insolvency and the U.S. Branch ceased writing business in 1985; its last policy expired in 1986. Merrion was formed for the sole purpose of running off the insurance liabilities previously written by the U.S. Branch.

On September 13, 2005, 100% of the outstanding capital stock of Merrion was acquired by Maya Holding Corporation, a New York Corporation, pursuant to a stock purchase agreement approved by this Department. The name of the Company was changed to Maya Assurance Company on September 16, 2005.

Maya began operations with the writing of commercial automobile liability and no-fault coverages for various segments of the non-medallion livery industry on March 1, 2006.

Paid in capital at December 31, 2006 was \$500,000 consisting of 5,000 shares of \$100 par value per share common stock and gross paid in and contributed surplus was \$2,220,000.

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 thirteen or more than nineteen members. The board met four times during each calendar year. At December 31, 2006, the board of directors was comprised of the following fourteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Ram R.P. Singh Jackson Heights, NY	President, Maya Assurance Company,
Dr. Rajesh Sachdeo, MD Princeton Junction, NJ	Physician, Sachdeo & Associates
Richard Sumner Hicksville, NY	Chief Operating Officer, Maya Assurance Company
Kanwal Jot Singh Green Brook, NJ	Vice President and Secretary, Maya Assurance Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Harpreet Singh Green Brook, NJ	Director, Asian Insurance Brokerage, Inc.
Nirmal K. Singh Jackson Heights, NY	Director, Asian Insurance Brokerage, Inc.
Navjot K. Singh Green Brook, NJ	Director, Asian Insurance Brokerage, Inc.
Dr. DeepJot K. Singh MD Redondo, CA	Physician, DeepJot & Associates
Hardyal S. Johal Carteret, NJ	Retired Business Executive
Navdeep S. Sandhu Morganville, NJ	Consultant, Central Jersey Nephrology
Dr. Harpreet K. Singh MD Green Brook, NJ	Physician, Harpreet & Associates
Joseph A Brusco Ph.D Newtown, PA	Consultant, Berwin Group
Marc Tract Esq Brookville, NY	Counsel, Katten Muchin Rosenman, LLP

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, 2006, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Ram R. P. Singh	President
Kanwal J. Singh	Vice President and Secretary
Anil P. Bhatt	Treasurer
Richard R. Sumner	Chief Operating Officer

B. Territory and Plan of Operation

As of December 31, 2006, the Company was licensed to write business only in New York. 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 damage
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

In addition, the Company is licensed to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including coverages described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69 Congress as amended).

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 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 Company only writes commercial automobile liability and no-fault coverages for various segments of the non-medallion livery industry.

The Company began writing business in March of 2006 and the direct premium written both in total and in New York was \$4,433,493.

C. Reinsurance

The Company did not assume any business during the period of this examination.

As of the examination date, the Company had one ceded reinsurance agreement in place; a 75% quota share agreement with two authorized reinsurers, which was submitted to this Department and non-disapproved on August 14, 2006. The agreement provided reinsurance protection as follows:

<u>Type of Coverage</u>	<u>Cession</u>
Liability	75% of \$100,000 each person, \$300,000 each accident.
Property Damage Liability	75% of \$50,000 each accident.
Personal Injury	75% of minimum as required by statute for each accident.

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

Upon review of the Schedule F data reported by the Company in its filed annual statement, it was noted that the Company had overstated reinsurance recoverable on paid losses and loss adjustment expenses by approximately \$126,000 and overstated ceded balances payable by the same amount, as more fully discussed in Items 7 and 8 of this report. These errors were offsetting and had no effect on the Company's surplus. Other than as noted above, the Company's Schedule F data accurately reflected its reinsurance transactions.

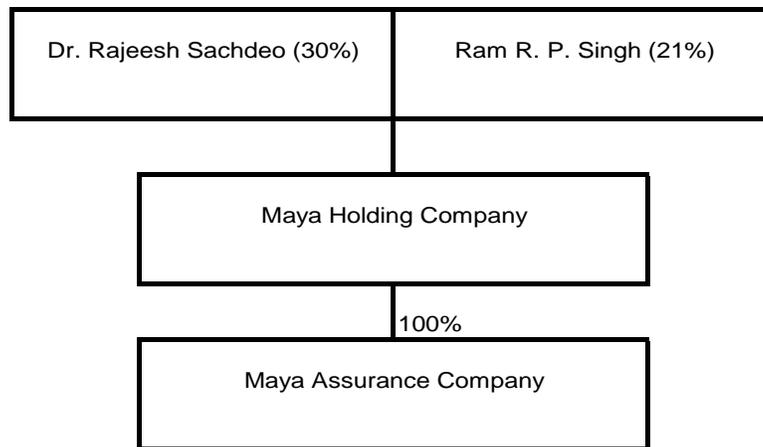
Additionally, management has represented that the ceded reinsurance agreement transfers both underwriting and timing risk as set forth in NAIC Accounting Practices and Procedures Manual Statements of Statutory Accounting Principles ("SSAP") No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's chief executive officer pursuant to Department Circular Letter No. 8 (2005). The examination review indicated that the Company was not a party to any finite reinsurance agreements. The ceded reinsurance agreement was accounted for utilizing reinsurance accounting as set forth in paragraphs 25 and 26 of SSAP No. 62.

D. Holding Company System

The Company is 100% owned by Maya Holding Company, a non-operating New York Corporation.

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 a chart of the holding company system at December 31, 2006:



At December 31, 2006, the Company was not a party to any agreements with other members of its holding company system. But effective January 1, 2007 the Company entered into a marketing service agreement with its parent, Maya Holding Corporation. Under this agreement, Maya Holding Corporation will provide certain services to the Company for a fee. This agreement was submitted to the Department in accordance with Section 1505(d) of the New York Insurance Law and was not disapproved.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2006, based upon the results of this examination:

Net premiums written in 2006 to Surplus as regards policyholders	49.59%
Liabilities to liquid assets (cash and invested less investments in affiliates)	48.02%
Premiums in course of collection to Surplus as regards policyholders	1.61%

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 two-year period covered by this examination:

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$786,715	84.49%
Other underwriting expenses incurred	1,057,833	113.60
Net underwriting loss	<u>(913,378)</u>	<u>(98.09)</u>
Premium earned	<u>\$931,170</u>	<u>100.00%</u>

F. Accounts and Records

Annual Statement

A review of the Company's filed 2006 annual statement indicated the following:

- The Company answered "None" to Note #10 (Information concerning parent, subsidiaries and affiliates) of the Notes to Financial Statements. The Note should have disclosed a transaction that the Company had with its parent, Maya Holding Company, during 2006.
- The Company answered "None" to Note #15 (Leases) of the Notes to Financial Statements. The Note should have disclosed a lease agreement for the Company's office space.
- The Company incorrectly reported its investments in mortgage-backed securities as "U.S. government agency obligations (excluding mortgage-backed securities)" in the Summary Investment Schedule.

- The Company replaced two members of the board of directors in 2006. However, these members were listed as directors in the Jurat page of the 2006 Annual Statement instead of the newly elected members. The Company corrected the Jurat page on the quarterly statement as of June 30, 2007.

It is recommended that the Company exercise greater care and complete its annual statement correctly and in accordance with the NAIC Annual Statement Instructions.

Cash

As of the examination date, the Company did not have a written policy regarding the number of signatures required for checks issued above a certain dollar amount.

Subsequent to the examination date, on August 30, 2007, the directors of the Company approved a policy requiring the signature of two officers of the Company for checks in the amount of \$5,000 or more.

Investments

Pursuant to Section 1402(a) of the New York Insurance Law (“NYIL”), before investing its funds in any other investments, every domestic insurer shall invest and maintain an amount equal to the greater of the minimum capital required by law or the minimum surplus to policyholders required to be maintained by law for a domestic stock corporation authorized to transact the same kinds of insurance, only in investments of the types specified in Section 1402(b) of the NYIL, which are not in default as to principal or interest. The Company’s minimum required surplus to policyholders is \$2,200,000; therefore, it is required to maintain at least that amount in investments of the types specified in Section 1402(b) of the NYIL. Upon review, it was noted that the Company had only \$515,543 in such investments as of the examination date; therefore, its Section 1402 investments were deficient in the amount of \$1,684,457.

Subsequent to the examination, on June 12, 2007, the Company invested an additional \$1,700,000 in United States Treasury Bonds to comply with Section 1402 of the New York Insurance Law.

Fidelity Bond

A review of the Company's fidelity bond coverage in force at the examination date indicated that the Company had adequate coverage. However, this coverage expired on May, 1 2007 and the Company did not renew it.

It is recommended that the Company obtain adequate fidelity bond coverage commensurate with its exposure as suggested in the NAIC Financial Condition Examiners Handbook.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2006 as determined by this examination and as reported by the Company:

	<u>Examination</u>			<u>Company</u>	Surplus Increase (Decrease)
	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Net Admitted Assets</u>	
<u>Assets</u>					
Bonds	\$1,925,786	\$ 0	\$1,925,786	\$1,925,786	\$ 0
Cash, cash equivalents and short-term investments	1,893,306	0	1,893,306	1,893,306	0
Investment income due and accrued	44,620	0	44,620	71,101	(26,481)
Uncollected premiums and agents' balances in the course of collection	35,995	0	35,995	92,893	(56,898)
Amounts recoverable from reinsurers	125,517	125,517	0	125,517	(125,517)
Current federal and foreign income tax recoverable and interest thereon	59,810	59,810	0	59,810	(59,810)
Net deferred tax asset	151,243	0	151,243	29,167	122,076
Receivables from parent, subsidiaries and affiliates	7,075	0	7,075	7,075	0
Furniture and equipment	33,670	33,670	0	0	0
Security deposit	<u>11,130</u>	<u>0</u>	<u>11,130</u>	<u>11,130</u>	<u>0</u>
Total assets	<u>\$4,288,152</u>	<u>\$218,997</u>	<u>\$4,069,155</u>	<u>\$4,215,785</u>	<u>\$(146,630)</u>

Liabilities, surplus and other fundsLiabilities

	<u>Examination</u>	<u>Company</u>	Surplus Increase (Decrease)
Losses and loss adjustment expenses	\$ 696,936	\$ 575,936	\$(121,000)
Commissions payable, contingent commissions and other similar charges	360,820	261,066	(99,754)
Other expenses (excluding taxes, licenses and fees)	1,112	1,112	
Taxes, licenses and fees (excluding federal and foreign income taxes)	54,055	54,055	
Unearned premiums	177,203	177,203	
Ceded reinsurance premiums payable (net of ceding commissions)	<u>543,891</u>	<u>669,408</u>	<u>125,517</u>
Total liabilities	<u>\$1,834,017</u>	<u>\$1,738,780</u>	<u>\$ (95,237)</u>
<u>Surplus and Other Funds</u>			
Common capital stock	\$500,000	\$500,000	\$ 0
Gross paid in and contributed surplus	2,220,000	2,220,000	
Unassigned funds (surplus)	<u>(484,682)</u>	<u>(242,995)</u>	<u>(241,867)</u>
Surplus as regards policyholders	<u>\$2,235,138</u>	<u>\$2,477,005</u>	<u>\$(241,867)</u>
Total liabilities, surplus and other funds	<u>\$4,069,155</u>	<u>\$4,215,785</u>	

NOTE: The Internal Revenue Service has never audited the Company's federal income tax returns. 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. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased \$363,862 during the fifteen-month examination period September 13, 2005 through December 31, 2006, detailed as follows:

Premiums earned		\$ 931,170
Deductions:		
Losses and loss adjustment expenses incurred	\$ 786,715	
Other underwriting expense incurred	<u>1,057,833</u>	
Total underwriting deductions		<u>1,844,548</u>
Net underwriting gain or (loss)		\$(913,378)
<u>Net Investment Income</u>		
Investment income earned	\$181,346	
Net realized gains or (losses)	<u>0</u>	
Net investment gain or (loss)		181,346
<u>Other Income</u>		
Finance & Service charges not included in premiums	<u>\$129,597</u>	
Total other income		<u>129,597</u>
Net Income before federal income taxes		\$ (602,435)
Federal income tax incurred		<u>0</u>
Net income		<u>\$ (602,435)</u>

Capital and Surplus Account

Surplus as regards to policyholders per report on organization as of September 13, 2005			\$2,720,000
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net Income (loss)		\$ 602,435	
Change in non admitted assets		33,670	
Change in net deferred income tax	\$151,243		
Dividends to stockholders	<u>0</u>	<u>0</u>	
Total gains and losses	<u>\$151,243</u>	<u>\$636,105</u>	
Net decrease in surplus as regards policyholders			<u>(484,862)</u>
Surplus as regards to policyholders pre report on examination as of December 31, 2006			<u>\$2,235,138</u>

4. INVESTMENT INCOME DUE AND ACCRUED

The examination admitted asset of \$44,620 is \$26,481 less than the \$71,101 reported by the Company as of December 31, 2006. The calculation of accrued interest was not done correctly by the Company.

It is recommended that the Company exercise greater care in the calculation of investment income due and accrued.

5. UNCOLLECTED PREMIUMS AND AGENTS' BALANCES IN THE COURSE OF COLLECTION

The examination admitted asset of \$35,995 is \$56,898 less than \$92,893 reported by the Company as of December 31, 2006. The Company could not provide support for the amount reported on its balance sheet; the examination admitted asset represents the amount of the receivable that the Company could support. Additionally, the Company could not provide details of the receivable balance by policy or an aging schedule in order to determine if any premiums are overdue.

It is recommended that the Company implement an accounting system that would provide an accurate balance and would generate the necessary reports required to complete the annual statement in accordance with the NAIC Annual Statement Instructions.

6. AMOUNTS RECOVERABLE FROM REINSURERS

The Company reported an admitted asset in the amount of \$125,517 as of the examination date. Pursuant to this examination, the admitted asset has been eliminated. Upon review, it was noted that the balance reported by the Company was settled prior to the examination date. When the Company made settlements with its reinsurers, it netted the reinsurance recoverable amount against ceded reinsurance premiums payable and posted the net amount to ceded reinsurance premiums payable. There is an offsetting deduction to the liability "ceded reinsurance premiums payable" (see item 11 in this report); therefore, there is no surplus impact for this change.

7. CURRENT FEDERAL AND FOREIGN INCOME TAX RECOVERABLE AND INTEREST THEREON

The Company reported an admitted asset in the amount of \$59,810 as of the examination date. Pursuant to this examination, the admitted asset has been eliminated. The Company has not reported any net income in the current or prior year; therefore, there is no federal income tax recoverable in the current period.

8. NET DEFERRED TAX ASSET

The examination admitted asset for net deferred tax asset of \$151,243 is \$122,076 more than the \$29,157 reported by the Company as December 31, 2006. The examination admitted asset was determined pursuant to the provisions of the National Association of Insurance Commissioners Statements of Statutory Accounting Principles (“SSAP”) #10.

9. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$696,936 is \$121,000 more than the \$575,936 reported by the Company as of December 31, 2006. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Companies internal records and in its filed annual statements.

10. COMMISSIONS PAYABLE, CONTINGENT COMMISSIONS AND OTHER SIMILAR CHARGES

The examination liability for the captioned item of \$360,820 is \$99,754 more than the \$261,066 reported by the Company as of December 31, 2006. Under its quota share reinsurance agreement, the reinsurer allows the Company a provisional ceding commission of 25% on all premiums ceded. The provisional ceded commission becomes adjustable on a sliding basis upward or downward contingent on the Company’s loss ratio. The provisional ceding commission may reach a maximum of 30% based on a loss ratio of 50% or reduced to 15% subject to a loss ratio of 70%. The Company reported ceding commission of 18% based on a loss ratio of 67%. The examination ceding commission is 15%, based on the Company’s reported loss ratio of 72%.

11. CEDED REINSURANCE PREMIUM PAYABLE

The examination liability of \$543,891 is \$125,517 less than the \$669,408 reported by the Company as of the examination date. When the Company made settlements with its reinsurers, it netted the reinsurance recoverable amount against ceded reinsurance premiums payable and posted the net amount to ceded reinsurance premiums payable. There is an offsetting deduction to the admitted asset "Amounts recoverable from reinsurers (see item 7 in this report); therefore, there is no surplus impact for this change.

12. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Annual statement</u>	
	It is recommended that the Company exercise greater care and complete its annual statement correctly and in accordance with the NAIC Annual Statement Instructions.	9
B.	It is recommended that the Company obtain adequate fidelity bond coverage commensurate with its exposure as suggested in the NAIC Financial Condition Examiners Handbook.	10
C.	<u>Investment Income Due and Accrued</u>	
	It is recommended that the Company exercise greater care in the calculation of investment income due and accrued.	15
D.	<u>Uncollected Premiums and Agents Balances in the course of Collection</u>	
	It is recommended that the Company implement an accounting system that would provide an accurate balance and would generate the necessary reports required to complete the annual statement in accordance with the NAIC Annual Statement Instructions.	15

Respectfully submitted,

/S/
Jainarine Tilakdharry
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
)
COUNTY OF NEW YORK)

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

/S/
Jainarine Tilakdharry

Subscribed and sworn to before me
this _____ day of _____, 2007.

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

I, Eric R. Dinallo, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

Jainarine Tilakdharry

as proper person to examine into the affairs of the

MAYA ASSURANCE COMPANY

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

Company

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal of this Department, at the City of New York,

this 10th day of May, 2007



A handwritten signature in black ink, appearing to read "Eric R. Dinallo", written over a horizontal line.

ERIC R. DINALLO
Superintendent of Insurance