



THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS
REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF
AMERICAN TRANSPORTATION INSURANCE COMPANY, INC.

Boston, Massachusetts

As of December 31, 2004

NAIC COMPANY CODE 35548

EMPLOYERS ID NO. 04-1867050

AMERICAN TRANSPORTATION INSURANCE COMPANY, INC.

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COMMONWEALTH OF MASSACHUSETTS
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March 31, 2006

Honorable Alfred Gross, Chairman
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Commonwealth of Virginia
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Richmond, Virginia 23218

Honorable Julianne M. Bowler
Secretary, Northeastern Zone, NAIC
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
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Honorable Commissioners:

Pursuant to your instructions and in accordance with Massachusetts General Laws,
Chapter 175, Section 4, an examination has been made of the financial condition and affairs of

AMERICAN TRANSPORTATION INSURANCE COMPANY, INC.
Boston, Massachusetts

at its home office located at 200 Newbury Street, Boston, Massachusetts 02116. The following
report thereon is respectfully submitted.

SCOPE OF EXAMINATION

American Transportation Insurance Company, Inc. (the "Company"), was last examined as of December 31, 1999 by the Massachusetts Division of Insurance. The present examination also was made by the Massachusetts Division of Insurance. As the Company does not conduct business in any state other than Massachusetts, authorized examiners representing other zones according to the Association Plan of the National Association of Insurance Commissioners (NAIC) were not eligible to participate in the examination.

This examination covers the period from January 1, 2000 to December 31, 2004, and includes any material transactions and/or events occurring subsequent to the latter date. The examination was conducted in accordance with standards and procedures established by the NAIC Financial Condition Subcommittee (EX4) and prescribed by the current NAIC Financial Condition Examiners Handbook. The Company ceased writing any new business on January 1, 2001 and has been in runoff since that date, therefore limited examination procedures have been performed. Since the Company has an exemption from annual statement filing requirements (see page 3), examination procedures were limited to examining the Company's balance sheet transactions for the examination period indicated above.

HISTORY

The Company was organized as Transportation Mutual Insurance Company under the laws of the Commonwealth of Massachusetts on January 1, 1926. It was authorized to issue only commercial automobile insurance policies in the Commonwealth and commenced business December 31, 1926.

The Company continued insurance operations in this manner until the end of 1979 at which time it converted to a stock form of corporate organization. Effective December 31, 1979, with permission from the Commissioner of Insurance, the Company underwent demutualization, reorganized as a stock company, authorized 25,000 shares of common stock (no par value; 8,000 shares were issued and are outstanding), and adopted the corporate name, American Transportation Insurance Company, Inc.

In May, 1987, Red Cab, Inc. of Brookline, Massachusetts, was no longer insured by the Company and it offered to sell all Company stock that it held. On July 16, 1987, the Company's Board of Directors voted to repurchase from Red Cab, Inc., the 360 shares (representing 4.50% of the 8,000 total outstanding shares) of common stock at a projected net book value of \$292.19 per share (\$105,189 in total). The re-acquired shares have been properly identified in the Company's statements as treasury stock and have not been retired.

With that transaction, ownership of the Company remained among three shareholders: Mr. Frank Sawyer, with an approximate 73.61% interest; Checker Taxi Company, with approximately 16.13%; and Town Taxi, Inc., with approximately 10.26%. After the May 30, 1992, death of Mr. Frank Sawyer, who was the Company's Founder, Chairman of the Board and President, Frank Sawyer Trust ("Trust") was formed with Ms. Carol S. Parks, Trustee. At the meeting of the Board of Directors December 15, 1992, the Trust requested permission to purchase all outstanding shares of Company stock then held by the two taxi-cab companies of which Ms. Carol S. Parks was President; it was then voted by the Board to approve the private purchase as the transaction was not seen to conflict with the best interests of the Company. Since that time, the Company has been owned 100% by the Trust.

On January 1, 2001 the Company voluntarily ceased writing new business and with the permission of the Division, operations of the Company will be run off in an orderly fashion until the majority of its outstanding claims have been fully paid. In December 2002, the Company applied to the Division for an exemption of the requirement to file audited financial statements. The exemption was granted on December 17, 2002 for 2002 and all years going forward. In 2004 the Division approved an exemption of the requirements of filing the NAIC quarterly statements, NAIC annual statements, annual RBC reports and annual actuarial reports on an annual basis for all years going forward from this date. The Company is required to file as a substitute internally prepared financial statements on an annual basis by March 15th of each year.

Commonwealth Automobile Reinsurers, Inc. ("CAR")

As a monoline insurer writing commercial automobile insurance in Massachusetts, the Company must by statute participate in the state's residual market mechanism, currently designated as Commonwealth Automobile Reinsurers, Inc. (CAR). Even though its own direct business is such that it does not cede any risks to CAR, the Company nonetheless is subject to that agency's fees and yearly assessments in the form of assumed premium and loss experience.

Due to the Company's decision to cease operations, a full and final settlement of all financial obligations owed to CAR was made in February 2001 in the amount of \$1,500,000.

FINANCIAL STATEMENTS

The following financial statements reflect the assets, liabilities, capital and surplus as determined by our examination, showing the Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2004, together with a Summary of Operations for the year ended December 31, 2004, and a Reconciliation of Capital and Surplus for the five year period ended December 31, 2004.

American Transportation Insurance Company, Inc.
Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2004

	As Reported by the Company	Examination Changes	Per Statutory Examination
Assets			
Cash and short-term investments	\$ 3,525,125	\$ 0	\$ 3,525,125
Investment income due and accrued	8,681		8,681
State corp. tax refund receivable	485		485
Total Assets	<u>\$ 3,534,292</u>		<u>\$ 3,534,292</u>
Liabilities			
Losses	140,000		140,000
Loss adjustment expenses	28,000		28,000
Other expenses payable	2,536		2,536
Total Liabilities	<u>170,536</u>		<u>170,536</u>
Surplus			
Common capital stock	400,000		400,000
Gross paid in and contributed surplus	1,500,000		1,500,000
Unassigned funds (surplus)	1,568,945		1,568,945
Less treasury stock, at cost	(105,189)		(105,189)
Surplus as regards policyholders	<u>3,363,756</u>		<u>3,363,756</u>
Total Liabilities and Surplus	<u>\$ 3,534,292</u>	<u>\$ 0</u>	<u>\$ 3,534,292</u>

American Transportation Insurance Company, Inc.
Summary of Operations
For the Year Ended December 31, 2004

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums earned	\$ 0	\$ 0	\$ 0
Deductions:			
Losses incurred	(175,436)		(175,436)
Loss expenses incurred	165,055		165,055
Other underwriting expenses incurred	2,103,865		2,103,865
Total underwriting deductions	<u>2,093,483</u>		<u>2,093,483</u>
Net underwriting gain (loss)	(2,093,483)		(2,093,483)
Net investment income earned	55,548		55,548
Net income before dividends to policyholders and before federal and foreign income taxes	(2,037,934)		(2,037,934)
Dividends to policyholders	<u>0</u>		<u>0</u>
Net income, after dividends to policyholders but before federal and foreign income taxes	(2,037,934)		(2,037,934)
Federal and foreign income taxes incurred	<u>0</u>		<u>0</u>
Net Income	<u>\$ (2,037,934)</u>	<u>\$ 0</u>	<u>\$ (2,037,934)</u>

American Transportation Insurance Company, Inc.
Reconciliation of Capital and Surplus
For the Five Year Period Ended December 31, 2004

	As Reported by the Company	Examination Changes	Per Statutory Examination
Surplus December 31, 1999	\$ 10,767,969	\$ 0	\$ 10,767,969
Net Income	2,947,418		2,947,418
Change in net unrealized capital gains or (losses)	(3,495,748)		(3,495,748)
Change in Surplus	(548,330)		(548,330)
Surplus as regards policyholders, December 31, 2000	10,219,639		10,219,639
Net Income	(1,149,108)		(1,149,108)
Change in net unrealized capital gains or (losses)	(864,866)		(864,866)
Change in net deferred income tax	(22,961)		(22,961)
Change in Surplus	(2,036,935)		(2,036,935)
Surplus as regards policyholders, December 31, 2001	8,182,705		8,182,705
Net Income	(1,001,120)		(1,001,120)
Change in net unrealized capital gains or (losses)	(769,121)		(769,121)
Change in net deferred income tax	627,651		627,651
Change in Surplus	(1,142,590)		(1,142,590)
Surplus as regards policyholders, December 31, 2002	7,040,115		7,040,115
Net Income	1,501,455		1,501,455
Change in net unrealized capital gains or (losses)	(2,535,191)		(2,535,191)
Change in net deferred income tax	(604,689)		(604,689)
Change in Surplus	(1,638,425)		(1,638,425)
Surplus as regards policyholders, December 31, 2003	5,401,690		5,401,690
Net Income	(2,037,934)		(2,037,934)
Change in Surplus	(2,037,934)		(2,037,934)
Surplus as regards policyholders, December 31, 2004	<u>\$ 3,363,756</u>	<u>\$ 0</u>	<u>\$ 3,363,756</u>

ACKNOWLEDGEMENT

Acknowledgment is made of the cooperation and courtesies extended by the officers and employees of the Company to the Division's examiner during the course of the examination.

Kenneth R. Plumb, CPA, CFE
Examiner-in-Charge
Commonwealth of Massachusetts
Division of Insurance
Representing Northeastern Zone, NAIC

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