

REPORT ON EXAMINATION

OF THE

GENERALI-U.S. BRANCH

AS OF

DECEMBER 31, 2006

DATE OF REPORT

MAY 9, 2008

EXAMINER

JOSEPH REVERS

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

May 9, 2008

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 22700 dated December 11, 2007 attached hereto, I have made an examination into the condition and affairs of Generali-U.S. Branch as of December 31, 2006, and submit the following report thereon.

Wherever the designation the "Branch" appears herein without qualification, it should be understood to indicate Generali-U.S. Branch. In addition, wherever the designations "Home Office" or "Assicurazioni Generali" appear herein without qualification, they should be understood to indicate Assicurazioni Generali di Trieste e Venezia (Trieste, Italy).

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 Branch offices located at One Liberty Plaza, New York, New York 10006.

1. SCOPE OF EXAMINATION

The Department has performed a full scope risk surveillance examination of Generali-U.S. Branch (“Branch”). The previous examination was conducted as of December 31, 2002. This examination covered the four year period from January 1, 2003 through December 31, 2006. 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. The handbook requires that we plan and perform the examination to evaluate the financial condition and identify 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. An 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 NAIC Accounting Practices and Procedures Manual, Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. The examiners also relied upon audit work performed by the Company’s independent public accountants (“CPA”), when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the NAIC Financial Condition Examiners Handbook:

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Pensions, stock ownership and insurance plans
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records
- Statutory deposits
- Financial statements
- Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

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 Branch originally operated in this country during the years 1935 through 1941, at which point its operations were interrupted by war. The Branch re-entered the United States through the State of New York on December 23, 1952 as the United States Branch of Assicurazioni Generali di Trieste e Venezia (“Assicurazioni Generali”), an insurer incorporated in Trieste, Italy on December 26, 1831.

Effective January 5, 1990, the Branch, with the approval of the New York Insurance Department, changed its name to Generali-U.S. Branch.

In October 2003, the Branch requested approval to make a remittance to its home office in the amount of \$10,000,000. Upon review of the Branch’s financial statements, it was noted that the Branch reported reinsurance balances due from Munich Re in the amount of \$5,620,000. The same amount was recoverable by Munich Re from the Branch’s home office under a reinsurance arrangement where the Branch ceded to Munich Re and Munich Re retroceded 100% to the Branch’s home office. It was noted that these balances were unchanged from the prior year-end. The home office remittance was approved by the Department in November 2003, contingent upon the Branch’s deducting from the remittance the balances due from Munich Re. The net amount of the remittance made by the Branch to its home office was \$4,380,000.

A. Management

Since 1966, the Branch’s operations have been managed by Genamerica Management Corporation (“Manager”), a New York corporation which is wholly-owned by the Home Office. A power of attorney, made effective since 1966, authorizes the Manager to represent the Branch in all matters relating to the operations of its business and affairs. The administration of the Branch is under the direction of president and chief executive officer, John Martini, who assumed this title

effective January 1, 2005, and has served as senior vice president and chief financial officer of the Branch since 1999.

At December 31, 2006, the Manager's board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Christopher J. Carnicelli London EI 8AJ	Chairman of the Board, Assicurazioni Generali S.p.A – UK Branch
Edward Ritter Kansas City, MO 64115	Chairman and Chief Executive Officer, Generali USA Life Re
Alessandro Corsi 34132, Trieste, Italy	North American District Manager, Assicurazioni Generali S.p.A
John Martini New York, NY 10006	President and Chief Executive Officer, Generali-U.S. Branch
Marc Reinhardt Parsippany, NJ 07054	Vice President, Generali Employee Benefits
David Gates Kansas City, MO 64115	Senior Vice President, General Counsel and Secretary, Generali USA Life Re
Mauricio Caneda New York, NY 10006	Senior Vice President and Chief Information Officer, Generali-U.S. Branch

A review of the minutes of the Manager's board of directors' meetings held during the examination period indicated that the meetings were generally well attended.

As of December 31, 2006, the principal officers of the Branch were as follows:

<u>Name</u>	<u>Title</u>
John E. Martini	President and Chief Executive Officer
Franco Bregoli	Executive Vice President
Angela Mastroserio	Senior Vice President and Secretary
Mauricio R. Caneda	Senior Vice President
Richard G. D'Amato	Senior Vice President
Frank McLaughlin	Senior Vice President
Jose Menendez	Senior Vice President

Pursuant to the provisions of Section 1315 of the New York Insurance Law, an alien insurer is required to maintain in the United States trusteed assets for the security of all its policyholders and creditors within the United States and to appoint a trustee of such assets. Under the terms of a deed of trust dated September 26, 1996, the Branch designated the Bank of New York as its United States trustee. The deed provides that legal title to the trusteed assets shall be vested in the trustee and authorizes the trustee to sell or collect any security or property and to invest and reinvest the proceeds thereof upon written direction of the manager.

The Bank of New York is also the custodian of the securities required on deposit with the superintendent pursuant to Section 1314 of the New York Insurance Law.

B. Territory and Plan of Operation

As of December 31, 2006, the Branch was licensed to write business in the District of Columbia, Puerto Rico and all the states of the United States except Hawaii, Massachusetts, Rhode Island, and Vermont.

As of the examination date, the Branch 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

In addition, the Branch is authorized to write special risk insurance pursuant to Article 63 of the New York Insurance Law. The Branch is also empowered 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 insurances described in the Longshoremen's and Harbor Worker's Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended).

Based upon the kinds of insurance for which the Branch is licensed, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Branch is required to maintain a minimum trusteed surplus in the amount of \$4,400,000.

From September 30, 2000 through December 31, 2005, the Branch was in run-off status and ceased writing new business. Prior to that, the Branch's primary business was produced through several managing general agents ("MGA"). The Branch terminated all but one of its MGA contracts and the remaining MGA services the renewal business of the non-standard automobile policies written in California, which the Branch is required to renew by law.

Beginning approximately January 1, 2006, the Branch began issuing policies in the U.S., consisting mostly of the U.S. risks of the multinational clients of the Generali Group (referred to as "reverse flow" business). Currently, the business is a mix of commercial property and casualty lines of business in forty-six states, but it can expand to all states, as the Manager is trying to get licensed in the remaining states. Generali-U.S. Branch is writing this business as a branch office of Assicurazioni Generali utilizing its licenses to underwrite in the U.S. and, as such, it uses extensive reinsurance to protect the Branch and maintain strong leverage and liquidity ratios. The reinsurance comes in the form of quota share agreements with other Generali Group entities.

During 2003, the Branch established a subsidiary named Generali Claims Solutions, LLC ("Generali Claims") with an initial capitalization of \$100,000. Generali Claims operates as a third-party administrator for the Branch.

On April 7, 2006, the Branch established a new subsidiary, Generali Consulting Solutions, LLC ("General Consulting"). Generali Consulting was capitalized through the transfer of 100% of the shares of Generali Claims to General Consulting. Generali Consulting's main objective and only current activity is to provide risk management services through a network of loss prevention

engineers. Generali Consulting does not assume actual insurance risk, but rather inspects sites and locations on behalf of the Branch and its clients in order to provide reports on their findings.

The following schedule shows the direct premiums written by the Branch both in total and in New York for the period under examination:

<u>Calendar Year</u>	<u>New York State</u>	<u>Total United States</u>	<u>Premiums Written in New York State as a Percentage of United States Premium</u>
2003	(\$1,945)	\$1,252,584	(0.16)%
2004	(\$24,439)	\$782,177	(3.12)%
2005	(\$7,231)	\$469,207	(1.54)%
2006	\$525,753	\$5,157,292	10.19%

C. Reinsurance

The Branch does not assume any reinsurance. All ceded reinsurance agreements in effect as of the examination date were with affiliated companies. On December 31, 2005 and January 1, 2006, the Branch entered into four new reinsurance contracts whereby it cedes a 100% quota share of its reverse flow business to its affiliates. The agreements were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

The Branch was unable to provide copies of the letters of credit (“LOC’s”) reported on the Branch’s Schedule F, Part 5 and utilized by the Branch to take credit for cessions to unauthorized reinsurers as of December 31, 2006. The amount of the LOC’s was not material; however, the examiners were not able to verify compliance with Department Regulation 133.

Therefore, it is recommended that the Branch maintain copies of all its LOC’s reported in Schedule F, Part 5.

Upon review of the Schedule F data reported by the Branch in its filed 2006 annual statement, it was noted that the Branch reported a few unauthorized reinsurers as authorized. The misclassification did not have a material effect on the Branch’s Provision for reinsurance; nevertheless, it is recommended that the Branch take proper care in filling out Schedule F of the annual statements.

The Branch reported reinsurance recoverable amounts due from Lloyds of London and Generali Assurances (France) in its 2006 Schedule F Part 3. Upon review, it was noted that the Branch could not provide supporting documentation for these amounts and had not collected any of these balances during 2007. Further, it was noted that these amounts had been outstanding since the prior examination period. The recoverable amounts were not material; therefore, no examination change is included in this report. However, it is recommended that the Branch maintain proper documentation for the amounts reported in its Schedule F and write off any balances that are not collectible.

D. Holding Company System

Section 1502 of the New York Insurance Law provides for an exemption for the Branch and its subsidiaries. However, this exemption does not apply to transactions involving the Branch and entities affiliated with the Home Office.

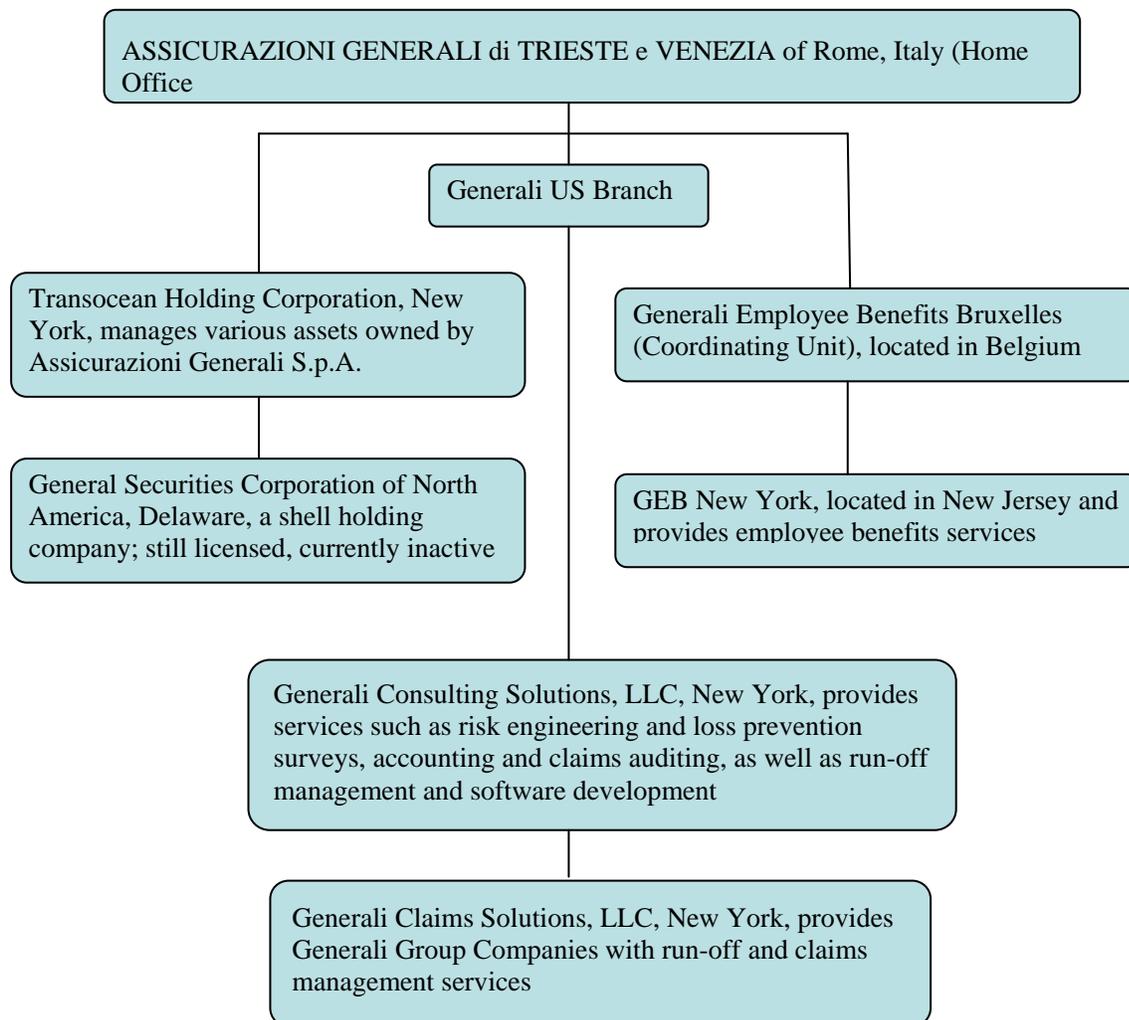
The Home Office is affiliated with the following companies in the United States:

- Generali USA Holdings, Inc.
- Generali USA Life Re Assurance Company
- Europ Assistance US Holding, a subsidiary of Europ Assistance, Inc., a French company which provides employee benefits and other services through a network of providers.
- Europ Assistance USA, (formerly known as Worldwide Assistance Services, Inc., Washington, D.C.) a subsidiary of Europ Assistance US Holding provides auxiliary services to members of the Assicurazioni Generali S.p.A. group of companies.
- General Securities Corporation of North America, New York, a shell holding company currently inactive.
- Genamerica Management Corporation, New York, conducts and carries on the daily operations of the Branch.
- Transocean Holding Corporation, New York, manages various assets owned by Assicurazioni Generali S.p.A.
- Prime USA Inc., held Assicurazioni Generali shares of a joint mutual fund venture with Lipper and Company. Liquidated in 2007.
- Generali Claims Solutions, LLC, New York, provides Generali Group Companies with run-off and claims management services.

- Generali Consulting Solutions, LLC, New York, provides services such as risk engineering and loss prevention surveys, accounting and claims auditing, as well as run-off management and software development.

The Branch owns 100% of the stock of Generali Consulting Solutions, LLC, which in turn owns 100% of General Claims Solutions, LLC. Both are New York companies.

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



At December 31, 2006, the Branch was party to the following intercompany agreements with other non-home office affiliates:

1. Management Service Agreement with Genamerica Management Corporation

Effective July 25, 1966, Genamerica Management Corporation (“US Manager”), by virtue of a power of attorney dated July 14, 1966, was appointed as the United States Manager of the Branch. Pursuant to the Management Agreement, the US Manager is engaged to conduct and carry on the business and affairs of the Branch and the insurance business that the Branch transacts in all jurisdictions in which it is authorized. The US Manager is a wholly-owned subsidiary of the Home Office.

2. Service Agreements

Effective January 1, 2006, the Branch entered into service agreements with Transocean Holding Corporation (“Transocean”), Assicurazioni Generali S.p.A. (“AG”), Generali Claims Solutions, LLC (“Generali Claims”) and Generali Consulting Solutions, LLC (“Generali Consulting”), which are all affiliated companies (collectively referred to as “the Companies”). Pursuant to the agreements, the Branch pays the following expenses for the benefit of the Companies: salaries of employees, employee benefits, payroll taxes, equipment expenses, printing and stationery, postage and telephone, and insurance. In exchange, each of the Companies agrees to pay a fixed percentage share of the total expenses of the Branch, as follows:

	Transocean	AG	Generali Claims	Generali Consulting
Salaries	8%	10%	2%	1%
Employee benefits	8%	10%	2%	1%
Payroll taxes	8%	10%	2%	1%
Rent	8%	3%	6%	1%
Equipment	8%	10%	2%	1%
Printing and stationery	8%	10%	2%	1%
Postage and telephone	8%	10%	2%	1%
Insurance	8%	10%	2%	1%

It is noted, however, that the agreements were not filed with the Department pursuant to Section 1505(d)(3) of the New York Insurance Law.

It is recommended that the Branch submit the service agreements to the Department for approval pursuant to the provisions of Section 1505(d)(3) of the New York Insurance Law.

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 to surplus as regards policyholders	1%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	59%
Premiums in course of collection to surplus as regards policyholders	8%

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 four-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$14,268,643	443.57%
Other underwriting expenses incurred	18,001,212	559.60
Net underwriting loss	<u>(29,053,080)</u>	<u>(903.17)</u>
Premiums earned	<u>\$3,216,775</u>	<u>100.00%</u>

The unusual underwriting ratios are due to the fact that the Company was in run-off during most of the examination period; therefore the premiums earned amount is relatively small. The losses and loss adjustment expenses incurred is comprised mainly of adverse development from prior periods.

F. Accounts and Records

Compliance with Department Regulation 152, Part 243.2(b)(7)

The Branch provided an engagement letter submitted by the independent auditors during the course of the examination. However, the letter did not include that the workpapers would be kept for a period of not less than six years as required by Department Regulation 152, Part 243.2(b)(7). Subsequently, the independent auditors submitted a revised engagement letter to comply with Department Regulation 152, Part 243.2(b)(7).

G. Risk Management and Internal Controls

Underwriting Guidelines

It is noted during this examination that the underwriting function for the new business written by the Branch in 2006 is not under the control of the Branch, nor are there any written underwriting guidelines. It is recommended that the Branch establish underwriting guidelines and submit them to the board of directors of the Branch's Manager for review and approval.

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 Branch:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$58,441,805	\$ 0	\$58,441,805
Common stocks	313,796	313,796	0
Cash, cash equivalents and short-term investments	6,300,599	0	6,300,599
Other - pensions	13,238,874	13,238,874	0
Investment income due and accrued	581,127	0	581,127
Uncollected premiums and agents balances in the course of collection	4,562,377	1,874,085	2,688,292
Amounts recoverable from reinsurers	4,467,000	0	4,467,000
Funds held by or deposited with reinsured companies	340,000	0	340,000
Electronic data processing equipment and software	262,709	262,709	0
Receivables from parent, subsidiaries and affiliates	580,541	0	580,541
Leasehold improvements	656,320	656,320	0
Advances	<u>54,519</u>	<u>54,519</u>	<u>0</u>
Total assets	<u>\$89,799,667</u>	<u>\$16,400,303</u>	<u>\$73,399,364</u>

<u>Liabilities, surplus and other funds</u>	<u>Examination</u>	<u>Company</u>	<u>Surplus Increase (Decrease)</u>
Losses	\$42,370,425	\$26,905,425	\$(15,465,000)
Reinsurance payable on paid losses and loss adjustment expenses	365,000	365,000	0
Loss adjustment expenses	3,340,338	3,340,338	0
Other expenses (excluding taxes, licenses and fees)	406,423	406,423	0
Unearned premiums	60,137	60,137	0
Ceded reinsurance premiums payable (net of ceding commissions)	2,100,363	2,100,363	0
Amounts withheld or retained by company for account of others	34,694	34,694	0
Provision for reinsurance	6,941,243	6,941,243	0
Drafts outstanding	<u>(1,692,637)</u>	<u>(1,692,637)</u>	<u>0</u>
Total liabilities	<u>\$53,925,986</u>	<u>\$38,460,986</u>	<u>\$(15,465,000)</u>
 <u>Surplus and Other Funds</u>			
Statutory Deposits	\$ 500,000	\$ 500,000	\$ 0
Unassigned funds (surplus)	<u>18,973,380</u>	<u>34,438,380</u>	<u>(15,465,000)</u>
Surplus as regards policyholders	<u>\$19,473,380</u>	<u>\$34,938,380</u>	<u>\$(15,465,000)</u>
Totals	<u>\$73,399,366</u>	<u>\$73,399,366</u>	<u>\$0</u>

NOTE: The Branch has never been audited by the Internal Revenue Service. 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 \$28,957,329 during the four-year examination period January 1, 2003 through December 31, 2006, detailed as follows:

Underwriting Income

Premiums earned		\$3,216,775
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Deductions:

Losses incurred	\$(1,038,900)	
Loss adjustment expenses incurred	15,307,543	
Other underwriting expenses incurred	<u>18,001,212</u>	

Total underwriting deductions		<u>32,269,855</u>
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Net underwriting gain or (loss)		\$(29,053,080)
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Investment Income

Net investment income earned	\$9,089,712	
Net realized capital gain	<u>72,976</u>	

Net investment gain or (loss)		9,162,688
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Other Income

Net gain or (loss) from agents' or premium balances charged off	<u>\$(9,776,079)</u>	
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Total other income		<u>(9,776,079)</u>
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Net income before dividends to policyholders and before federal and foreign income taxes		\$(29,666,471)
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Dividends to policyholders		<u>0</u>
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Net income after dividends to policyholders but before federal and foreign income taxes		\$(29,666,471)
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Federal and foreign income taxes incurred		<u>0</u>
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Net Income (Loss)		<u>\$(29,666,471)</u>
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Surplus as regards policyholders per report on examination as of December 31, 2002			\$48,430,709
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net loss		\$29,666,471	
Net unrealized capital gains or (losses)		80,502	
Change in net unrealized foreign exchange capital gain (loss)	\$56,420		
Change in nonadmitted assets	2,936,520		
Change in provision for reinsurance	7,796,704		
Remittances to Home Office	<u>0</u>	<u>10,000,000</u>	
Total gains and losses	<u>\$10,789,644</u>	<u>\$39,746,973</u>	
Net increase (decrease) in surplus			<u>\$(28,957,329)</u>
Surplus as regards policyholders per report on examination as of December 31, 2006			<u>\$19,473,380</u>

C. Trusteed Surplus

The following statement shows the Trusteed Surplus of the Branch calculated in accordance with Section 1312 of the New York Insurance Law and as determined by this examination.

Assets

Securities deposited with state insurance departments for the protection of all policyholders and creditors within the United States:

State of New York	\$3,832,991	
State of Texas	54,757	
State of Ohio	109,514	
Accrued investment income	<u>62,567</u>	
Total general deposits		\$ 4,059,829

Vested in and held by the United States Trustee for the protection of all of the Branch's policy holders and creditors within the United States:

Cash	\$556,675	
Bonds	<u>51,164,642</u>	
Total vested in and held by United States Trustee		<u>51,721,317</u>

Total assets		<u>\$55,781,146</u>
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Liabilities

Total liabilities and reserves as determined by this examination		\$53,925,986
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Additions to liabilities:

Ceded reinsurance balances payable	<u>\$2,100,363</u>	
Total additions		<u>2,100,363</u>
Total liabilities reserves and additions		\$56,026,349

Deductions from Liabilities:

Authorized companies - reinsurance recoverable on paid losses and loss adjustment expenses	\$1,227,322	
Special state deposits	3,230,000	
Accrued interest on special state deposits	46,415	
Funds held	<u>340,000</u>	
Total deductions		<u>4,843,737</u>
Total adjusted liabilities		\$ 51,182,612

Trusteed surplus		<u>4,598,534</u>
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Total adjusted liabilities and trusteed surplus		<u>\$ 55,781,146</u>
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4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$42,370,425 is \$15,465,000 more than the \$26,905,425 reported by the Company in its December 31, 2006 filed annual statement.

The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Branch's internal records and in its filed annual statements.

5. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed to encompass the more precise scope of a market conduct investigation, which is the responsibility of the Market Conduct Unit of the Property Bureau of this Department.

No problem areas were encountered.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Holding Company System</u>	
i It recommended that the Branch revise the service agreement to state the compensation, if any, that may be payable to its manager.	12
The Branch has complied with this recommendation.	
ii It is again recommended that the Branch formalize a cost sharing agreement setting forth provisions that would serve as guidelines to properly allocate, reimburse, and settle the cost of shared expenses among the participating parties. The allocation method for shared expenses should be consistent with the provisions of Department Regulation 30.	12
The Branch has complied with this recommendation.	
B. <u>Accounts and Records</u>	
It is also recommended that the Branch ensure that the recorded transactions in the general ledger accounts reconcile to all future filed annual statements.	13
The Branch has complied with this recommendation.	
C. <u>Disaster Recovery Plan</u>	
It is recommended that the Branch finalize a written disaster plan and perform periodic testing to ensure that formulated procedures will operate as intended.	13
The Branch has complied with this recommendation.	
D. <u>Reinsurance Recoverable on Losses and Loss Adjustment Expenses</u>	
It is recommended that the Branch ensure that the above asset has proper support when reporting such asset in its future filed annual statements.	
i The Branch has not complied with this recommendation. It will be again recommended that the Branch maintain proper support for amounts recoverable from reinsurers.	20

ITEMPAGE NO.

- ii. It is also recommended that the Branch comply with Section 1302(b) of the New York Insurance Law when reporting the above asset in its future filed annual statements. 20

The Branch has complied with this recommendation.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEMPAGE NO.

- A Reinsurance
- i It is recommended that the Branch maintain copies of all its LOC's reported in Schedule F, Part 5. 7
- ii It is recommended that the Branch take proper care in filling out Schedule F of the annual statements. 7
- iii It is recommended that the Branch maintain proper documentation for the amounts reported in Schedule F and write off any balances that are not collectible. 8
- B Holding Company
- It is recommended that the Branch submit the service agreements to the Department for approval pursuant to the provisions of Section 1505(d)(3) of the New York Insurance Law. 10
- C. Risk Management and Internal Controls
- It is recommended that the Branch establish underwriting guidelines and submit them to the board of directors of the Branch's Manager for review and approval. 12

Respectfully submitted,

_____/s/_____
Joseph Revers, CFE
Senior Insurance Examiner

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

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

_____/s/_____
Joseph Revers

Subscribed and sworn to before me
this _____ day of _____, 2009.

Appointment No. 22700

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:

Joseph Revers

as proper person to examine into the affairs of the

GENERALI -U. S. BRANCH

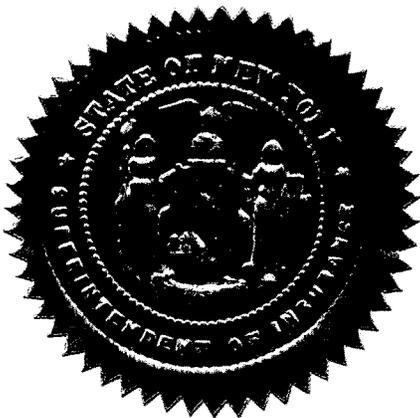
and to make a report to me in writing of the condition of the said

Branch

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 11th day of December, 2007



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

ERIC R. DINALLO

Superintendent of Insurance