REPORT ON EXAMINATION

OF

GENERALI-U.S. BRANCH

AS OF

DECEMBER 31, 2015

DATE OF REPORT	FEBRUARY 16, 2017
EXAMINER	SELREY DAVID

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February 16, 2017

Honorable Maria T. Vullo
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 32478 dated April 19, 2016, attached hereto, I have made an examination into the condition and affairs of Generali – U.S. Branch as of December 31, 2015, 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. Additionally, wherever the designation "Home Office" is used without qualification, it should be understood to indicate Generali Assicurazioni S.p.A.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Branch's home office located at 7 World Trade Center, 250 Greenwich Street, New York, NY 10007.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Branch, a multi-state insurer. The previous examination was conducted as of December 31, 2011. This examination covered the four year period from January 1, 2012 through December 31, 2015. 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 ("Handbook"), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Branch by obtaining information about the Branch including corporate governance, identifying and assessing inherent risks within the Branch 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 Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Branch were considered in accordance with the risk-focused examination process. The examiners also relied upon audit work performed by the Branch's independent public accountants where deemed appropriate.

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

- Significant subsequent events
- Branch history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Pensions, stock ownership and insurance plans
- Territory and plan of operation
- Growth of Branch
- 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 Branch with regard to the eight recommendations 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 Branch originally operated in the United States ("U.S.") during the years 1935 through 1941. The Branch re-entered the U.S. through the state of New York on December 23, 1952 as the United States Branch of Assicurazioni Generali, an insurer originally 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 1991, Mediobanca S.p.A. ("Mediobanca"), an Italian investment bank, increased its ownership share of the Branch's Home Office from 5.98% to 12.84%. This acquisition made Mediobanca, the Home Office's largest investor and, pursuant to New York Insurance Law ("NYIL"), the controlling shareholder. As of December 31, 2015, Mediobanca's share was 13.2%.

Prior to 1999, the Branch wrote direct insurance policies through approximately 15 managing general agents ("MGAs") that specialized predominantly in nonstandard automobile and commercial multiple peril business throughout the U.S. The Branch also assumed risks through treaty reinsurance composed of aviation business and domestic and international property and casualty business written on a pro-rata and excess basis.

In June 1999, the Home Office placed the Branch's operations in run-off. As a result, effective September 2000, the Branch did not renew its assumed reinsurance treaties and terminated its contracts with all but one of its MGAs, the Arrowhead Group, which markets non-standard private passenger and commercial automobile in California. The Arrowhead Group services the renewal business of the non-standard automobile policies written in California, which the Branch is required to renew by law.

In 2006, the Branch resumed issuing insurance policies, as described further herein in Section 2. B, "Territory and Plan of Operation."

A. Management

As a U.S. branch of an alien insurer licensed in this state, the Branch operates its business through a U.S manager. The Branch's operations have been managed by Genamerica Management Corporation ("Manager"), a New York corporation wholly owned by the Home Office, since 1966. A power of attorney, made effective on July 14, 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 the Branch's president and chief financial officer.

Pursuant to the Manager's by-laws, management of the Branch is vested in a board of directors consisting of three members. The board meets once, immediately following the annual meeting of the stockholders, on the second Monday in March, and at such other regular times as the board may determine.

At December 31, 2015, the board of directors was comprised of the following three members:

Name and Residence	Principal Business Affiliation
Christopher J. Carnicelli Scarsdale, New York	Chairman of the Board, Genamerica Management Corporation
John Martini Glen Head, New York	President and Chief Financial Officer, Generali-U.S. Branch

Name and Residence	Principal Business Affiliation
Jose L. Menendez Closter, New Jersey	Executive Vice President and Chief Operating Officer, Generali-U.S. Branch

As of December 31, 2015, the principal officers of the Company were as follows:

Name	Title
John E. Martini	President and Chief Financial Officer
Mauricio R. Caneda	Senior Vice President, Chief Information Officer and Secretary
Joseph Outumuro	Vice President, Treasurer
Jose L. Menendez	Executive Vice President, Chief Insurance Officer
Bill Skapof	Executive Vice President, Chief Underwriting Officer
Maxine Blake*	Vice President, Chief Compliance and Chief Legal Officer
Salvatore Furnari	Vice President, Controller
Gregory McGinley	Vice President, Head of Claims
Bernadita G. Alonzo	Assistant Vice President, Human Resources

*The Chief Compliance and Chief Legal officer resigned on September 23, 2016

A review of the Branch's corporate governance for the period under examination disclosed that the Branch's manager failed to comply with various sections of its corporate by-laws as follows:

a) The manager did not hold the required annual stockholder meetings at which directors are elected as stipulated in Article 1 Section 1 of the manager's by-laws;

b) The manger did not comply with Article II, Section 3 of its by-laws, which require the holding of a board meeting immediately following the annual meeting of the stockholders, on the second Monday in March. Such meetings were held on different dates. In addition, for calendar year 2015, the board of directors did not hold any of its regular meetings;

c) A review of the minutes of the board of directors meetings disclosed that that the Branch did not comply with Article III, Section 1 of the Managers' by-laws, which required that officers be appointed at regular board of directors meetings.

Members of the board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the Branch. It is essential that board meetings are held on a regular basis so that board members can set forth their views on relevant matters.

It is recommended that board of directors' meetings be held regularly, so that adequate oversight and monitoring of the Branch's business operations is provided. It is also recommended that the Branch ensure that its manager's by-laws are properly followed.

United States Trustee

Pursuant to the provisions of Section 1315 of the New York Insurance Law, an alien insurer is required to maintain in the U.S. trusteed assets for the security of all its policyholders and creditors within the U.S. and to appoint a trustee of such assets. Under the terms of a deed of trust dated September 26, 1996, the Home Office designated the Bank of New York as it U.S. 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 to be 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, 2015, the Company was licensed to write business in all 50 states, the District of Columbia, and the Commonwealth of Puerto Rico.

The Branch's certificate of authority authorizes it to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
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

The Branch 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), including insurances described in the Longshoremen’s and Harbor Workers’ Compensation Act (Public Law No. 803, 69 Cong. as amended; 33 USC Section 901 et seq. as amended) to the extent permitted by its charter.

Additionally, the Branch is licensed to conduct the business of special risk insurance pursuant to Article 63 of the New York Insurance Law.

Based on the lines of business 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 surplus to policyholders in the amount of $2,200,000.

On January 1, 2006, the Branch resumed writing business. This business consists of the U.S. risks of Generali Group’s foreign multi-national clients, which is called the reverse flow business. This business is ceded 100% to affiliated and nonaffiliated insurers, thus having no impact on the Branch’s net reserves. The Branch earns administrative fees for underwriting and servicing this business.

In 2010, the Branch commenced a program through which it assumed travel related risks on business underwritten by Stonebridge Casualty Insurance Company (“Stonebridge”). The program consisted of two quota share agreements, a 100% quota share agreement reinsuring risks designated as “Club Med” and a 40% quota share agreement covering risks designated as “travel

– non Club Med". On July 28, 2011, the travel – non Club Med 40% quota share agreement was amended to a 100% quota share agreement and was also amended to include the Club Med U.S. policies and certificates that were previously covered under a separate treaty.

Effective October 1, 2012, the Branch entered into an MGA agreement with Customized Services Administrator's Inc. ("CSA"), a California corporation, to act as the replacement of Stonebridge. The travel business previously written by Stonebridge entered run-off and all new business was written by the Branch on a direct basis through CSA. The Branch retained 50% of the business and ceded 50% through July 31, 2015. As of August 1, 2015, the Branch cedes 100% of this business.

In 2015, the Branch formed a new Global Corporate and Commercial Unit ("GC&C") to write business on the U.S. risks of the Home Office's U.S. multi-national clients. This business is ceded 100% to affiliated insurers, thus having no impact on the Branch's net reserves.

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

Calendar Year	New York State	Total Premiums	Percentage of Total Premiums Written in New York State
2012	$ 928,646	$27,593,770	3.37%
2013	$1,855,856	$57,679,286	3.22%
2014	$2,814,319	$84,963,790	3.31%
2015	$4,777,103	$87,503,520	5.46%

C. Reinsurance

Assumed

The Branch's assumed reinsurance represented 0.93% of its total gross premiums written reported during calendar year 2015. The balance consists of premium adjustments on policies written before 1999 (prior to the Branch entering into run-off mode) and of policies related to the travel business that the Branch assumed from Stone Bridge Casualty Insurance in 2010 that are currently in run-off.

Ceded Reinsurance

The reinsurance program the Branch currently has in place has been structured to cover 100% of the business it writes, which are the reverse flow business, the travel business and the commercial business written through its Global Corporate and Commercial business unit (“GC&C”). The program is as follows:

Quota share agreements with affiliates

A business strategy the Branch implemented in 2006 when it resumed writing business was to issue policies covering the U.S. risks of the multi-national policyholders that are insured by the Branch’s unauthorized affiliated insurers. This business is 100% ceded back to the respective affiliated entity producing the original business. As of December 31, 2015, the Branch had reinsurance agreements in place with each of the following unauthorized affiliated companies:

Generali Espana Holdings S.A.
Generali Versicherung AG (Austria)
Generali Assurances (France)
Generali Italia S.p.A.
Generali Zavarovalnica
Ceska Pojistovna A.S

All agreements are ceded on a treaty basis with the exception of the Ceska Pojistovna A.S agreement, which is ceded on a facultative basis.

Quota Share agreement with Europ Assistance Irish Branch (“EAIB”)

Effective December 31, 2015, the Branch was party to a 100% quota share reinsurance agreement with Europ Assistance Irish Branch, an unauthorized company member of the Generali group. Business ceded under this agreement relates to travel insurance, which the Branch currently writes on a direct basis through a San Diego based MGA, Customized Service Administrators Inc. (“CSA”). Prior to July 2015, the Branch ceding cession to EAIB was 50%. It is noted that the amendment to the reinsurance agreement with EAIB, changing the cession from 50% to 100%, was not filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

It is recommended that the Branch comply with Section 1505(d)(2) of the New York Insurance Law and notify the Department prior to entering into any affiliated reinsurance agreements that require submission.

Quota Share agreement with Samsung F&M U.S. Branch

Effective January 1, 2013 through December 31, 2015, the Home Office and the Branch were parties to a 100% reinsurance agreement with Samsung F&M U.S. Branch, an unaffiliated and authorized insurer. Business covered under the agreement represented all policies and binders issued by the Branch insuring property, casualty, marine, and engineering risks having a maximum liability of up to $500,000,000 each policy.

The agreement called for a 100% cession, which required the Branch to submit it to the Department for review and non-disapproval in accordance with Section 1308(e)(1) of the NY Insurance Law. However, the Branch failed to submit the agreement to the Department as required.

It is recommended that the Branch comply with Section 1308(e)(1) of the New York Insurance Law and refrain from ceding more than fifty percent of the unearned premiums on the net amount of its insurance in force at the beginning of such period, without the Superintendent's permission. This agreement was not renewed effective January 1, 2016.

Cession to Unauthorized Affiliates

The Branch's cessions to its unauthorized affiliated insurers were collateralized by a letter of credit ("LOC") that listed the Branch's Home Office as the applicant. It is noted that the Branch was not able to provide documentation supporting the arrangement between the Home Office and its subsidiaries, which would outline its assumed responsibility of providing collateral on behalf of its subsidiaries. The LOC as presented is not in compliance with Department Regulation 133, Part 79.4, paragraph (a)(1), which states that the assuming reinsurer should be the applicant of the LOC.

It is recommended that the Branch obtain its letter of credits from the respective assuming reinsurer as required by Department Regulation 133.

In addition, a review of Schedule F, Part 3, disclosed that the Branch listed unauthorized reinsurers as authorized from which no collateral securing the cessions was obtained. Further, the Branch did not keep on file the executed copy of the reinsurance agreement it had in place with these reinsurers.

It is management's responsibility to obtain executed and formalized copies of all its reinsurance agreements and to secure adequate collateral for its cessions to its unauthorized reinsurers. It is also management's responsibility to maintain proper and formalized documentation supporting all the Branch's reinsurance activity and transactions involving both its unauthorized affiliated and non-affiliated reinsurers.

It is recommended that the Branch establish and formalize a robust and adequate internal control system surrounding its reinsurance process and to test these controls to assess their effectiveness and ensure their proper implementation.

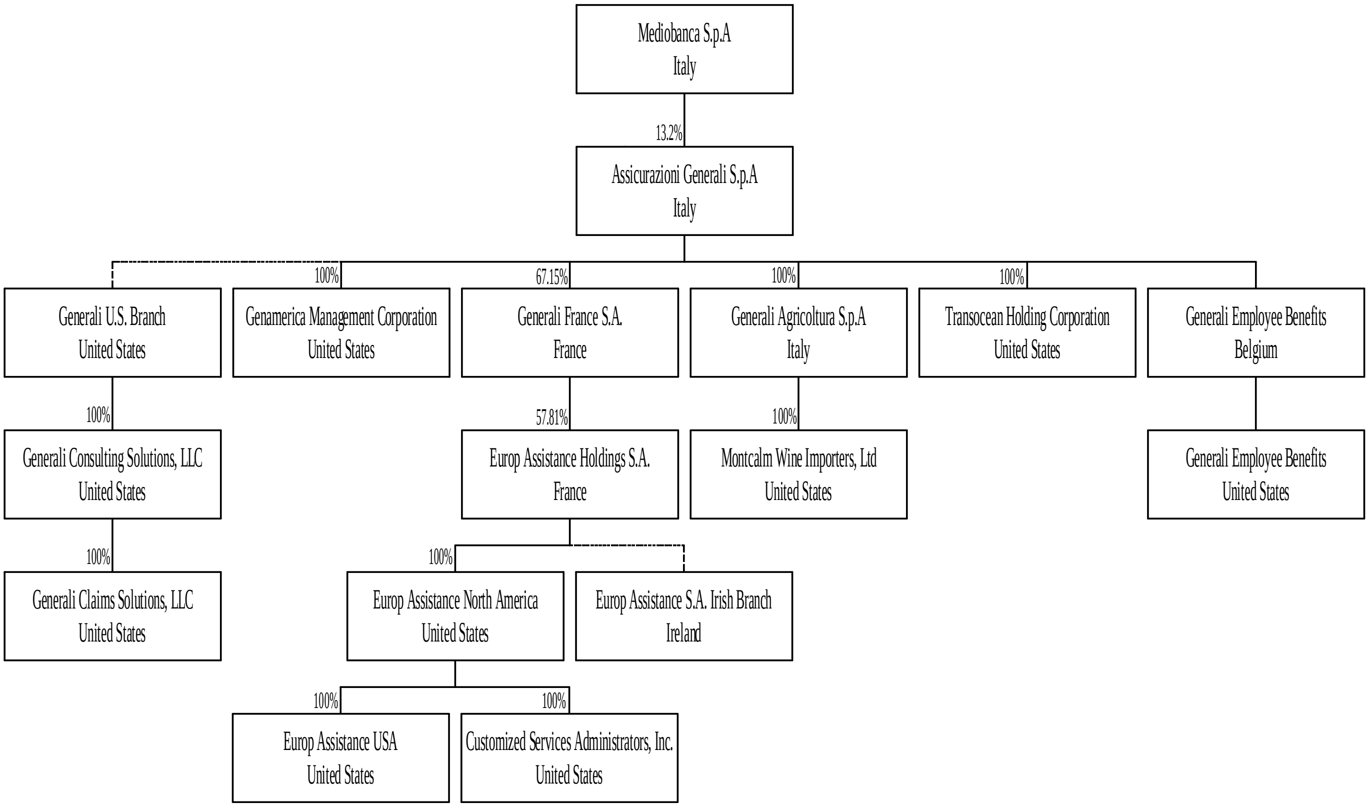
With the exception of the amendment to the agreement with EAIB, all other affiliated reinsurance agreements were filed with the Department for review and non-disapproval in accordance with Article 1505(d)(2) of the New York Insurance Law. Agreements reviewed during the course examination were found to contain the insolvency clause as required by Section 1308 of the New York Insurance Law.

D. Holding Company System

During the last examination, the Home Office and the Branch were deemed to be part of a holding company group and thus subject to Article 15 of the New York Insurance Law. The determination was made because Mediobanca, S.p.A., an Italian Bank owned over 10% of the voting shares of the Home Office.

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, 2015:



At December 31, 2015, the Branch owned 100% of the shares of Generali Consulting Solutions, LLC ("Generali Consulting"). The book adjusted carrying value of these shares, $156,420, was non-admitted due to the fact that the underlying financial statements were not audited as prescribed by Statement of Statutory Accounting Principle No. 93, Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88. Generali Consulting owns 100% of the shares of Generali Claims Solutions, LLC ("Generali Claims"), making the Branch the indirect owner of Generali Claims.

At December 31, 2015, the Company was party to the following agreements with other members of its holding company system:

Management Service Agreement

Effective July 25, 1966, Genamerica Management Corporation, 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 United States Manager is engaged to conduct and carry of the business and affairs of the Branch and the insurance business that the Branch transacts in all jurisdictions in which it is authorized. The United States Manager is a wholly-owned subsidiary of Assicurazioni Generali S.p.A.

Service Agreements

During the examination period the Branch had in place several service agreements with its Home Office and, the following affiliated companies:

Generali Claims Solutions, LLC;
Generali Consulting Solutions, LLC;
Montcalm Wine Importers Ltd;
Transocean Holding Corporation.

These agreements were not submitted to the Department as required by Article 1505(d)(3) of the New York Insurance Law. It is recommended that the Branch establish procedures to ensure that all related party agreements be timely submitted to the Department for approval or non-disapproval according to Article 15 of the New York Insurance Law.

It is noted that revised service agreements with an effective date of September 1, 2016 with each of the above listed affiliates were submitted to the Department on July 29, 2016 and approved on September 29, 2016. Under these agreements, the Branch agrees to provide services for the benefit of the respective affiliate for: salaries, employee benefits and relations, payroll taxes, and equipment expenses. They also provide for rent expense, printing and stationery, postage and telephone, and insurance. The affiliates agree to pay a share of the services based on a formula detailed in their respective agreements. Each agreement will remain in full force for a term of four (4) months from the effective date. At the expiration of such four (4) month term and of each successive twelve (12) month term thereafter, these agreement will automatically renew without the necessity of any action by either party and shall remain in effect for consecutive twelve (12) month periods unless and until terminated by either party in accordance with the terms hereof.

Effective September 9, 2015, the Branch entered into an agreement with Europ Assistance USA, Inc. (“EA”), an affiliated entity, whereby it contracts with EA for the provision of travel assistance services in connection with travel insurance underwritten by the Branch. This agreement was submitted to and approved by the Department pursuant to Article 1505 of the New York Insurance Law.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2015, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	80%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	63%
Premiums in course of collection to surplus as regards policyholders	18%

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 five-year period covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$ 83,239,425	65.79%
Other underwriting expenses incurred	40,438,219	31.96
Net underwriting gain	2,854,732	2.26
Premiums earned	$126,532,376	100.00%

F. Accounts and Records

The Branch did not submit Schedule Y Part 2 for 2015 to report the transactions accrued with other affiliates. According to the 2015 P&C Annual Statement Instructions, Schedule Y Part 2 should be completed and submitted with Schedule Y Part 1 and Part 1A, if the transactions with any affiliates have accrued and the reporting entity answered "YES" to General Interrogatories, Part 1, Question 1.1.

It is recommended that the Branch prepare Schedule Y, Part 2 in accordance with the annual statement instructions.

In 2015, the Branch refined its process for preparing Schedule P, which resulted in a change in the mapping of its lines of business. The Department's actuary determined that the Branch should have reported this change in response to Schedule P Interrogatories question 7.1.

It is recommended that the Branch disclose all information relevant to its Schedule P interrogatories that may have an effect in the reporting and preparation of Schedule P.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2015 as reported by the Branch.

Assets	Assets	Examination Assets Not Admitted	Net Admitted Assets
Bonds	$44,074,504	$ 0	$44,074,504
Common stocks (stocks)	156,420	156,420	0
Cash	5,305,301	0	5,305,301
Other – Pensions	3,285,488	3,285,488	0
Investment income due and accrued	240,508	0	240,508
Uncollected premiums and agents' balances in the course of collection	6,300,977	1,417,525	4,883,452
Deferred premiums, agents' balances and installments booked but deferred and not yet due	907,246	0	907,246
Amounts recoverable from reinsurers	878,608	0	878,608
Electronic data processing equipment and software	19,063	19,063	0
Receivables from parent, subsidiaries and affiliates	736,411	4,911	731,500
Other assets	2,656,167		2,656,167
Leasehold improvements	299,125	299,125	0
Advances	197,212	197,212	0
Totals	$65,057,030	$5,379,744	$59,677,286

Liabilities, surplus and other funds

	Company
Losses and Loss Adjustment Expenses	$18,573,722
Reinsurance payable on paid losses and loss adjustment expenses	(276,208)
Other expenses (excluding taxes, licenses and fees)	261,278
Taxes, licenses and fees (excluding federal and foreign income taxes)	1,750,070
Current federal and foreign income taxes	20,380
Unearned premiums	902,335
Ceded reinsurance premiums payable (net of Ceding commissions)	6,252,509
Funds held by company under reinsurance treaties	75,000
Amounts withheld or retained by company for Account of others	24,433
Provision for reinsurance	618,952
Minimum pension liability	4,006,261
Total liabilities	$32,208,732
Aggregate write-ins for other than special surplus funds	$ 500,000
Unassigned funds (surplus)	26,968,554
Surplus as regards policyholders	$27,468,554
Totals	$59,677,286

Note: The Internal Revenue Service has not scheduled a tax audit of the Branch's federal income tax returns for the years under examination. The examiner is unaware of any potential exposure of the Branch to any tax assessment that could result from such audit and no liability has been established herein relative to such contingency.

B. Statement of Income

The Branch's net income for the all the years under examination totaled $3,758,280 detailed as follows:

Underwriting Income		
Premiums earned		$126,532,376
Deductions:		
Losses and loss adjustment expenses incurred	$83,239,425	
Other underwriting expenses incurred	40,438,219	
Total underwriting deductions		123,677,644
Net underwriting gain or (loss)		2,854,732
Investment Income		
Net investment income earned	2,098,872	
Net investment gain or (loss)		2,098,872
Other Income(Loss)		
Pension liability loss	(2,692,324)	
Total other income (loss)		(2,692,324)
Net income before federal and foreign income taxes		2,261,280
Federal and foreign income taxes incurred		40,000
Net Income		$ 2,221,280

C. Capital and Surplus

Surplus as regards policyholders increased $4,666,331 during the four-year examination period January 1, 2012 through December 31, 2015, detailed as follows:

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per Company as of December 31, 2011			$22,802,223
Net income	$ 2,221,280		
Change in non-admitted assets	55,760		
Change in provision for reinsurance	7,778,021		
Pension surplus adjustment		$2,771,228	
Prior period adjustments	0	2,617,502	
Net increase (decrease) in surplus	$10,055,061	$5,388,730	4,666,331
Surplus as regards policyholders per Company as of December 31, 2015			$27,468,554

D. Trusteed Surplus Statement

The following statement shows the trusteed surplus of the Branch calculated in accordance with Section 1312 of the New York Insurance Law:

Assets		
Bonds deposited with the state insurance departments for the protection of all policyholders and creditors within the United States: New York	$ 3,716,129	
Accrued interest thereon	13,049	
Total deposits with state insurance departments		$ 3,729,178
Vested in and held by United States Trustee:		
Cash	774,971	
Bonds	37,038,314	
Total trusteed assets		37,813,285
Total gross assets		$41,542,463
Liabilities		
Total liabilities per examination results		$32,208,732
Deduction from liabilities:		
Reinsurance recoverable on paid losses:		
Authorized companies	$ 692,011	
Unauthorized companies	186,597	
Special deposits, not exceeding net liabilities carried in this statement on liabilities in each respective state	3,119,830	
Accrued interest on state deposit	1,647	
Agents' balances or uncollected premiums not more than ninety days past due, not exceeding unearned premium reserves carried thereon	5,790,698	
Total deductions		9,790,783
Net liabilities (Section 1312)		22,417,949
Trusteed surplus (Section 1312)		19,124,514
Total liabilities and trusteed surplus		$41,542,463

E. Analysis of Changes to Surplus

Surplus as regards policyholders at December 31, 2015, per filed annual statement		$27,468,554
	Decrease	
Losses and loss adjustment expenses	$1,173,000	
Provision for reinsurance	1,787,000	
Net decrease		(2,960,000)
Surplus as regards policyholders per report on examination as of December 31, 2015		$24,508,554

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $19,746,722 is $1,173,000 more than the $18,573,722 reported by the Branch in its December 31, 2015, filed annual statement. The examination analysis of the Loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55 (“SSAP No. 55”).

5 PROVISION FOR REINSURANCE

The examination liability for the captioned item of $2,405,952 is $1,787,000 more than the $618,952 reported by the Branch in its December 31, 2015 filed annual statement. The examination change is due to the disallowance of reinsurance recoverables on cessions to unauthorized reinsurers that were not collateralized. See Section 2. C – Cession to unauthorized affiliates – of this report.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM			PAGE NO.
A		Management	
	i	It was recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced	4
		The Branch has complied with this recommendation.	
B		Reinsurance	
	i	It was recommended that going forward the Branch should utilize prospective accounting only for business ceded on or after the effective date of the reinsurance agreement or amendment, pursuant to SSAP No. 62R	7
		The Branch has complied with this recommendation.	
	ii	It was recommended that the Branch comply with Section 1505(d)(2) of the New York Insurance Law and notify the superintendent prior to entering into affiliated reinsurance agreements.	8
		The Branch has not complied with this recommendation. A similar recommendation is contained in this report.	
	iii	It was recommended that the Branch comply with Section 1308(e)(1)(A) of the New York Insurance Law and refrain from ceding more than fifty percent of the unearned premiums on the net amount of its insurance in force at the beginning of such period, without the Superintendent's permission.	9
		The Branch has not complied with this recommendation. A similar recommendation is contained in this report.	
C		Holding Company System	
	i	It was recommended that the Branch file a Form HC1 with the Department annually, on a going-forward basis, pursuant to the provisions of Part 80-1.4 of Department Regulation 52.	10
		The Branch has complied with this recommendation.	

ITEM			PAGE NO.
D		Accounts and Records	
	i	It was recommended that the Branch take due care to comply with Section 1407(a)(4) of the New York Insurance Law with regards to non-reserve and prohibited investments for a property/casualty insurer. The Branch has complied with this recommendation.	13
	ii	It was recommended that the Branch comply with Section 1412(a) of the New York Insurance Law with regards to the disposal of prohibited investments. The Branch has complied with this recommendation.	14
	iii	It is recommended that the Branch comply with SSAP No. 96 when determining the admissibility of receivables with related parties. The Branch has complied with this recommendation.	14

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM			PAGE NO.
A		Management	
	i	It is recommended that board of directors' meetings be held regularly, so that adequate oversight and monitoring of the Branch's business operations is provided. It is also recommended that the Branch ensure that its manager's by-laws are properly followed.	6
B		Reinsurance	
	i	It is recommended that the Branch comply with Section 1505(d)(2) of the New York Insurance Law and notify the Department prior to entering into any affiliated reinsurance agreements that requires submission.	10
	ii	It is recommended that the Branch comply with Section 1308(e)(1) of the New York Insurance Law and refrain from ceding more than fifty percent of the unearned premiums on the net amount of its insurance in force at the beginning of such period, without the Superintendent's permission.	10
	iii	It is recommended that the Branch obtain its letter of credits from the respective assuming reinsurer as required by Department Regulation 133.	10
	iv	It is recommended that the Branch establish and formalize a robust and adequate internal control system surrounding its reinsurance process and to test these controls to assess their effectiveness and ensure their proper implementation.	11
C		Service Agreements	
	i	It is recommended that the Branch establish procedures to ensure that all related party agreements be timely submitted to the Department for approval or non-disapproval according to Article 15 of the New York Insurance Law.	13
D		Accounts and Records	
	i	It is recommended that the Branch prepare Schedule Y, Part 2 in accordance with the annual statement instructions.	14
	ii	It is recommended that the Branch disclose all information relevant to its Schedule P interrogatories that may have an effect in the reporting and preparation of Schedule P.	15

ITEM			PAGE NO.
E		Losses and Loss Adjustment Expenses	
	i	The examination liability for the captioned items of $19,746,722 is $1,173,000 more than the $18,573,722 reported by the Branch in its December 31, 2015, filed annual statement.	21
F		Provision for Reinsurance	
	i	The examination liability for the captioned item of $2,405,952 is $1,787,000 more than the $618,952 reported by the Branch in its December 31, 2015 filed annual statement.	21

Respectfully submitted,

____
Selrey David, CIE, AFE
Associate Insurance Examiner

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

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

____
Selrey David

Subscribed and sworn to before me

this__________ day of ___________________, 2017.

APPOINTMENT NO. 31478

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **Maria T. Vullo**, 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:*

S'elrey David

as a proper person to examine the affairs of the

Generali - US Branch

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 19th day of April, 2016

MARIA T. VULLO
Acting Superintendent of Financial Services

NEW YORK STATE ★ DEPARTMENT OF FINANCIAL SERVICES ★ EXCELSIOR

By: Eileen P. Fox

Eileen Fox
Assistant Chief Examiner