

REPORT ON EXAMINATION

OF THE

UNITED AMERICAS INSURANCE COMPANY

AS OF

DECEMBER 31, 2004

DATE OF REPORT

SEPTEMBER 15, 2006

EXAMINER

MOSES EGBON

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

September 15, 2006

Honorable Howard Mills
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 22417 dated October 31, 2005 attached hereto, I have made an examination into the condition and affairs of United Americas Insurance Company as of December 31, 2004, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate United Americas Insurance 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 office located at 805 Third Avenue, New York, New York 10022.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 2000. This examination covered the period from January 1, 2001 through December 31, 2004. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a complete verification of assets and liabilities as of December 31, 2004. 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 public accountants. 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

A review was also made to ascertain what action was taken by the Company with regard to 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

United Americas Insurance Company was incorporated on October 4, 1978, under the laws of the State of New York and began business on November 28, 1978.

Capital paid-in is \$2,500,000 consisting of 25,000 shares of \$100 par value per share common stock and 5,000,000 outstanding shares of \$.01 par value per share Class A preferred stock. Gross paid-in and contributed surplus amount to \$23,627,646 and has remained the same since last examination date.

Since organization, ultimate control of the Company has been held by Instituto de Resseguros do Brasil, Brazil (“IRB”). In late 1988, direct control of the Company was transferred to UA Holding Corporation (“UA Holding”), an intermediate holding company owned 99.75% by IRB. Further, an affiliate, UA Services Corporation (“UAS”) is 100% owned by UA Holding and is engaged in the business of rendering services ancillary to the insurance business, including consulting and management services, reinsurance intermediary business, insurance brokerage services, loss adjustment and similar services.

A. Management

Pursuant to the Company’s charter and by-laws, management of the Company is vested in a board of directors, which meets three times each calendar year.

The Company’s charter and Section 1201(a)(5)(B)(v) of the New York Insurance Law state that the number of directors shall not be less than thirteen. As of December 31, 2004, the Company’s board of directors consisted of twelve members. It is recommended that the Company maintain at least thirteen directors on its board at all times in compliance with its charter and Section 1201(a)(5)(B)(v) of the New York Insurance Law.

At December 31, 2004, the board of directors was comprised of the following twelve members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
David B. Adams Southampton, NY	Managing Partner, Adams & Porter
Alan Bain New York, NY	President, World-Wide Business Centers
Douglas R. Burnett Westfield, NJ	Partner, Hagt Gardner Holland & Knight
Lidio Duarte Rio de Janeiro, Brasil	President, IRB – Brasil Re S.A
Luiz Eduardo Pereira de Lucena Rio de Janeiro, Brasil	Commercial Director, IRB – Brasil Re S. A.
Richard M. Murray Brooklyn Heights, NY	Vice Chairman, La Prov Corporation
Carlos Alberto Protasio Rio de Janeiro, Brasil	President, ORYPABA
Peter Reid Doylestown, PA	Insurance Consultant/Certified Arbitrator
Paulo Cesar Pereira Reis Rio de Janeiro, Brasil	Vice President & Manager, Transatlantic
Robert Romano Scarsdale, NY	Partner, Lord, Bissell & Brook
Joao Carlos Gahyva Rodriguez New York, NY	President, United Americas Insurance Company
Robert Solomon New York, NY	Managing Director, Marsh & McLennan International Insurance Brokers

The minutes of all meetings of the board of directors held during the examination period were reviewed. A review of such minutes shows that all of the meetings were generally well attended.

As of December 31, 2004, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Joao Carlos Gahyva Rodriguez	President
Kathleen Ann Wodzinski	Vice President, Secretary and Treasurer

B. Territory and Plan of Operation

As of December 31, 2004, the Company was licensed to write business in fourteen states. However, the Company has been in runoff since 1994 and has not written any business since then.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident and health
4	Fire
5	Miscellaneous property damage
6	Water
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 Company is also empowered to transact such workers' compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurance described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law 803, 69th Congress as amended, 33 USC Section 901 et. seq. 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.

C. Reinsurance

As stated in Section B - "Territory and plan of operation" the Company has been in runoff status since 1994 and has not assumed any business in subsequent years.

As of December 31, 2004, the Company's ceded business consisted primarily of the business that was written during the period 1985 to 1993. The prior report on examination stated that the Company did not have written reinsurance contracts for this business, and that the only documentation that management could produce to support such coverage were telexes and faxes confirming such reinsurance agreements. As of the date of this examination, the Company still had no written documentation as evidence for these reinsurance agreements.

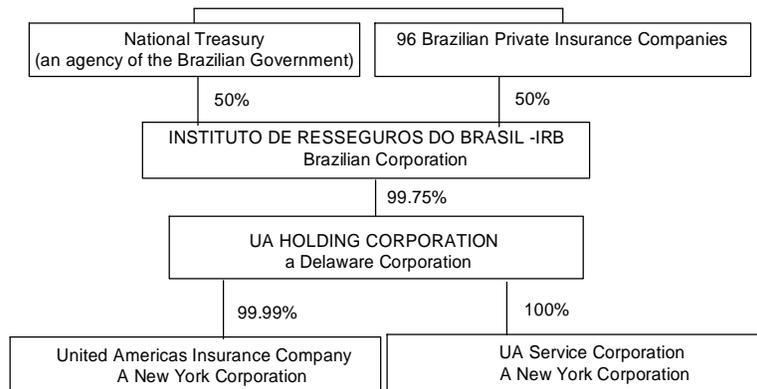
Section 1308 of the New York Insurance Law states that no credit shall be allowed to any ceding insurer for reinsurance ceded unless the reinsurance shall be payable by the assuming reinsurer without diminution because of the insolvency of the ceding reinsurer. Since the Company only produced faxes and telexes as evidence of reinsurance coverage, the terms and conditions of the reinsurance, including the existence of insolvency clauses as required by Section 1308 of the New York Insurance Law, could not be verified. Therefore, no credit was allowed in the prior examination report for reinsurance recoverable on unpaid losses for this book of business. As of the current examination date, this amount was immaterial, and no change is warranted.

The prior report on examination contained a recommendation that the Company effect written reinsurance contracts with complete insolvency clauses for all reinsurance ceded. As of this examination date, the Company has not complied with this recommendation. However, as the current examination has determined that the ceded reinsurance amounts are immaterial, the recommendation will not be repeated.

D. Holding Company System

The Company is a member of the IRB holding company system. The Company is 99.99% owned by UA Holding Corporation, a Delaware Corporation, which is ultimately controlled by IRB. The remaining capital stock of the Company is held by two international companies.

The following is a chart of the holding company system at December 31, 2004:



As indicated in the prior report on examination, IRB is fifty percent owned by the National Treasury, an agency of the Brazilian government. Further, the Department had determined that Section 1102(h) of the New York Insurance Law was not violated as the government controlled shareholder had made a commitment to the Department that it will limit its direct representation on the Company's board of directors to minority representation.

A review of the holding company registration statements filed with this Department indicated that the 2001 and 2002 filings were complete and were filed in a timely manner. However, the 2003 and 2004 filings were complete but were filed after the period permitted by Department Regulation 52. Pursuant to Part 80-1.4 of Department Regulation 52, all controlled insurers are required to file an annual holding company registration statement (Form HC-1) within 120 days following the end of its ultimate holding company's fiscal year. It is recommended that the Company file its annual holding company registration statements in a timely manner pursuant to the provisions of Part 80-1.4 of Department Regulation 52.

At December 31, 2004, the Company was party to the following agreements with other members of its holding company system:

1. Tax Allocation Agreement

The Company files a consolidated federal income tax return with UA Holding and its affiliate, UAS, pursuant to the provisions of a tax allocation agreement effective December 7, 1988 and subsequently amended. The agreement was filed pursuant to Section 1505 of the New York Insurance Law and was approved by the Department on May 6, 1994.

2. Expense Allocation Agreement

The Company is a party to an expense allocation agreement with UA Holding and its affiliate, UAS. The agreement was effective December 7, 1988 and was amended October 1, 1997. The agreement was filed pursuant to Section 1505 of the New York Insurance Law and was approved by the Department on November 6, 1997.

E. Abandoned Property Law

Section 1316 of the New York State Abandoned Property Law provides that amounts payable to a resident of this state from a policy of insurance, if unclaimed for three years, shall be deemed to be abandoned property. Such abandoned property shall be reported to the comptroller on or before the first day of April each year. Such filing is required of all insurers regardless of whether or not they have any abandoned property to report.

The Company's abandoned property reports for the period of this examination were all filed on a timely basis pursuant to the provisions of Section 1316 of the New York State Abandoned Property Law.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2004, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	0%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	2%
Premiums in course of collection to surplus as regards policyholders	3%

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	\$ 3,291,448	13,218.66%
Other underwriting expenses incurred	1,106,098	4,442.16
Net underwriting loss	<u>(4,397,297)</u>	<u>(17,659.83)</u>
Premiums earned	<u>\$249</u>	<u>100.00%</u>

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2004 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Examination</u>		<u>Company</u>	<u>Surplus Increase (Decrease)</u>
	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Exam</u>	
Bonds	\$8,055,822	\$0	\$8,055,822	\$8,055,822
Cash, cash equivalents and short-term investments	479,384		479,384	479,384
Investment income due and accrued	97,746		97,746	97,746
Uncollected premiums and agents' balances in the course of collection	255,306		255,306	255,306
Amounts recoverable from reinsurers	78,926		78,926	78,926
Funds held by or deposited with reinsured companies	873,173		873,173	873,173
Electronic data processing equipment and software	3,373	3,373	0	0
Receivables from parent, subsidiaries and affiliates	<u>254,146</u>	<u> </u>	<u>254,146</u>	<u>254,146</u>
Total assets	<u>\$10,097,876</u>	<u>\$3,373</u>	<u>\$10,094,503</u>	<u>\$10,094,503</u>

Liabilities, surplus and other funds

	<u>Examination</u>	<u>Company</u>	Surplus Increase (Decrease)
Losses	\$9,139,436	\$8,229,436	\$ 910,000
Reinsurance payable on paid losses and loss adjustment expenses	817,980	817,980	
Loss adjustment expenses	2,000,000	2,000,000	
Other expenses (excluding taxes, licenses and fees)	57,218	57,218	
Taxes, licenses and fees (excluding federal and foreign income taxes)	8,720	8,720	
Ceded reinsurance premiums payable (net of ceding commissions)	1,465	1,465	
Funds held by company under reinsurance treaties	5,402	5,402	
Amounts withheld or retained by company for account of others	4,565	4,565	
Remittances and items not allocated	7,219	7,219	
Provision for reinsurance	28,686	28,686	
Aggregate write-ins for liabilities	<u>(10,072,218)</u>	<u>(10,072,218)</u>	_____
 Total liabilities	 <u>\$1,998,473</u>	 <u>\$1,088,473</u>	 <u>\$ 910,000</u>
 <u>Surplus and Other Funds</u>			
Aggregate write-ins for special surplus funds	\$10,211,062	\$10,211,062	
Common capital stock	\$2,500,000	\$2,500,000	
Preferred capital stock	50,000	50,000	
Gross paid in and contributed surplus	23,627,646	23,627,646	
Unassigned funds (surplus)	<u>(28,292,678)</u>	<u>(27,382,678)</u>	<u>\$ (910,000)</u>
 Surplus as regards policyholders	 <u>\$ 8,096,030</u>	 <u>\$9,006,030</u>	 <u>\$ (910,000)</u>
 Total surplus and other funds	 <u>\$ 10,094,503</u>	 <u>\$10,094,503</u>	

NOTE: The Internal Revenue Service has not audited the Company's consolidated federal income tax returns through tax year 2004. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are not reflected in the financial statements included in this report. 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 increased \$626,691 during the four-year examination period January 1, 2001 through December 31, 2004, detailed as follows:

Underwriting Income

Premiums earned		\$	249
Deductions:			
Losses incurred	\$ 847,299		
Loss adjustment expenses incurred	2,444,149		
Other underwriting expenses incurred	<u>1,106,098</u>		
Total underwriting deductions			<u>4,397,546</u>
Net underwriting gain or (loss)		\$	(4,397,297)

Investment Income

Net investment income earned	\$1,613,602		
Net realized capital gains	<u>73,350</u>		
Net investment gain or (loss)			1,686,952

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (32,893)		
Aggregate write-ins for miscellaneous income	<u>2,036,221</u>		
Total other income			<u>2,003,328</u>
Net income before federal and foreign income taxes		\$	(707,017)
Federal and foreign income taxes incurred			<u>0</u>
Net income			<u>\$ (707,017)</u>

Capital and Surplus Account

Surplus as regards policyholders per report on examination as of December 31, 2000			\$8,722,721
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income		\$ 707,017	
Change in non-admitted assets	\$13,127		
Change in provision for reinsurance	<u>67,209</u>	<u> </u>	
Net increase (decrease) in surplus	<u>\$80,316</u>	<u>\$707,017</u>	<u>(626,691)</u>
Surplus as regards policyholders per report on examination as of December 31, 2004			<u>\$8,096,030</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for losses of \$9,139,436 is \$910,000 more than the \$8,229,436 reported by the Company as of December 31, 2004. The examination liability for loss adjustment expenses of \$2,000,000 is the same as reported by the Company as of December 31, 2004. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

5. MARKET CONDUCT ACTIVITIES

The Company operates as a property and casualty reinsurer, and as such does not write any direct business and does not have direct contact with insureds or claimants. Additionally, the Company is currently in run-off and as such does not engage in any sales, advertising, underwriting or rating activities.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A <u>Management</u></p> <p>It is recommended that the Company comply with its charter and maintain at least thirteen directors on its board at all times.</p> <p>The Company has not complied with this recommendation. A similar comment is made in this report.</p>	<p>4</p>
<p>B <u>Reinsurance</u></p> <p>It is recommended that the Company effect written reinsurance contracts with complete insolvency clauses for all reinsurance ceded as required by Section 1308 of the New York Insurance Law.</p> <p>The Company has not complied with this recommendation. However, as the current examination has determined that the ceded reinsurance amounts are immaterial, the recommendation will not be repeated.</p>	<p>7</p>
<p>C <u>Holding Company System</u></p> <p>It is recommended, as in the prior report on examination, that the Company comply with Circular Letter No. 15 (1975) and not admit all inter-company balances over 90 days past due.</p> <p>The Company has complied with this recommendation</p>	<p>9</p>
<p>D <u>Accounts and Records</u></p> <p> <u>Custodian Agreement</u></p> <p>It is recommended that the Company include the required protective covenants and/or provisions in their custodian agreement, in order to properly safeguard its investments.</p> <p>The Company has complied with this recommendation.</p>	<p>10</p>

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A	<u>Management</u>	
	It is recommended that the Company maintain at least thirteen directors on its board at all times in compliance with its charter and Section 1201(a)(5)(B)(v) of the New York Insurance Law.	4
B	<u>Holding Company System</u>	
	It is recommended that the Company file its annual holding company registration statements in a timely manner pursuant to the provisions of Part 80-1.4 of Department Regulation 52.	7

Appointment No 22417

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Moses Egbon

as proper person to examine into the affairs of the

UNITED AMERICAS INSURANCE COMPANY

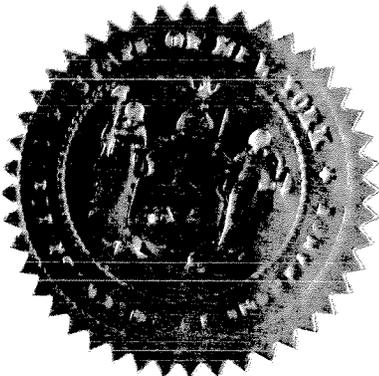
and to make a report to me in writing of the condition of the said

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 13th day of October, 2005



Howard Mills

HOWARD MILLS
Superintendent of Insurance