

REPORT ON EXAMINATION

OF THE

UNITED STATES BRANCH

OF

LIG INSURANCE COMPANY, LTD

AS OF

DECEMBER 31, 2006

DATE OF REPORT

JANUARY 14, 2008

EXAMINER

JOSEPH REVERS

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

January 14, 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 22650 dated May 24, 2007 attached hereto, I have made an examination into the condition and affairs of the United States Branch of LIG Insurance Company, Ltd. of Seoul, South Korea 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 the United States Branch of LIG Insurance Company, Ltd.

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 offices of the Branch's manager, LIG Management Services, Inc. located at 400 Kelby Street, Suite 14, Fort Lee, New Jersey 07024.

## 1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 2001. This examination covered the five-year period from January 1, 2002 through December 31, 2006. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

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

- History of Branch
- Management and control
- Corporate records
- Fidelity bond and other insurance
- Territory and plan of operation
- Growth of Branch
- 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 Branch 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 BRANCH

The Branch became licensed in the State of New York on February 28, 1990 as the United States Branch of Lucky Insurance Company, Ltd., Seoul, South Korea (the “Home Office”). The Home Office was incorporated under the laws of Seoul, South Korea on December 17, 1958. In 1995, the Home Office changed its name to LG Insurance Company, Ltd. and adopted its present name in March, 2006.

Gross paid in and contributed surplus is \$9,800,000. Gross paid in and contributed surplus increased by \$3,000,000 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2002	Beginning gross paid in and contributed surplus	\$6,800,000
2002	Surplus contribution	<u>\$3,000,000</u>
	Total Surplus Contributions	<u>3,000,000</u>
2006	Ending gross paid in and contributed surplus	<u>\$9,800,000</u>

### A. Management

The Branch appointed Wm. H. McGee & Co., Inc. as its lawful attorney and United States manager under a duly executed power of attorney filed with the Department on October 31, 1989. On November 1, 2005, the Branch terminated the agreement with Wm. H. McGee & Co., and appointed LIG Management Services, Inc., a wholly owned subsidiary of LG Insurance Company, Ltd., Korea, to manage the property and casualty business.

Management of the Branch is vested in a board of directors consisting of more than three members of the United States manager. At December 31, 2006, the board of directors was comprised of the following six members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Nam-Sik Chang Gangnam-gu, Seoul, Korea	Executive Vice President, LIG Insurance Company, Ltd.
Hoon Choi Fort Lee, NJ	Marketing Officer, LIG Management Services, Inc.
Doosuk Kang Cresskill, NJ	Corporate Secretary and Administrative Officer LIG Management Services, Inc.
Bonsang Koo Gangnam-gu, Seoul, Korea	President & Chief Executive Officer, LIG Nex 1
David Howard Lauridsen South Orange, NJ	Chief Underwriting Officer, LIG Management Services, Inc.
Jong-Uk Lee Tenafly, NJ	President & Chief Executive Officer, LIG Management Services, Inc.

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member has an acceptable record of attendance.

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

<u>Name</u>	<u>Title</u>
Jong-Uk Lee	President
Doosuk Kang	Secretary
Matthew Edward Saunders	Treasurer
David Howard Lauridsen	Vice President

B. Territory and Plan of Operation

As of December 31, 2006, the Branch was licensed to write business in California, New Jersey and New York.

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>
4	Fire
5	Miscellaneous property damage
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
12	Collision
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

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 \$2,300,000.

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>
2002	\$ 7,817,183	\$10,513,087	74.36%
2003	\$ 7,489,926	\$10,776,056	69.51%
2004	\$10,189,428	\$14,213,065	71.69%
2005	\$ 7,218,182	\$11,678,946	61.81%
2006	\$10,674,991	\$19,000,782	56.18%

The Branch is primarily engaged in insuring ocean marine, inland marine and commercial multi-peril risks. The business is produced through agents and brokers. In addition to its direct writings, the Branch also assumes business from an unaffiliated domestic insurer.

C. Reinsurance

Assumed

In 2006, the Branch's assumed premiums represented approximately 25% of its total book of business for the year. The Branch's assumed reinsurance program consists of marine business written on a quota share basis pursuant to the terms of a reinsurance agreement. During the period covered by this examination, the Branch's assumed reinsurance business has significantly decreased since the last examination.

The Branch utilizes reinsurance accounting as defined in the NAIC Accounting and Procedures Manual, Statement of Statutory Accounting Principles ("SSAP") No. 62 for all of its assumed reinsurance business.

Ceded

The Branch has structured its ceded reinsurance program to limit its maximum exposure to any one risk as follows:

<u>Type of treaty</u>	<u>Cession</u>
<u>Property / Casualty:</u>	
Quota share 100% Authorized	65% ocean marine
Quota share 100% Authorized	70% of property package
Quota share 100% Unauthorized	34% of cargo
Excess of loss 1 <sup>st</sup> Layer 100% Unauthorized	\$1,000,000 excess of \$250,000 per occurrence.

The amount of the letters of credit ("LOC") obtained by the Branch to take credit for cessions to unauthorized reinsurers were confirmed. However, the Branch was not able to provide copies of its LOC in order to verify compliance with Department Regulation 133.

It is recommended that the Branch keep a copy of all its LOC readily available to provide to the Department upon request.

In addition, the Branch's trust agreement with Citibank did not contain several of the provisions as required by Department Regulation 114. The missing provisions are as follows:

- a. The agreement is in LIG Insurance Company's former name.
- b. The agreement does not indicate that it is not subject to any conditions or qualifications outside of the trust agreement.
- c. The trust agreement contains a reference to another agreement or document.
- d. The agreement does not state that the grantor and the beneficiary, within 10 days, of any deposits to or withdrawals from the trust account must be notified.
- e. The agreement does not state that 45 days, prior to termination of the trust account, written notification of the termination shall be delivered by the trustee to the beneficiary.
- f. The agreement does not state that the trustee shall be liable for the negligence, willful misconduct or lack of good faith.
- g. The agreement does not state that when a trust agreement is established in conjunction with a reinsurance agreement, that agreement must contain an insolvency clause.

It is recommended that the Branch amend its trust agreement to include the language required by Department Regulation No. 114.

Section 1308(e)(1)(A) of the New York Insurance Law ("NYIL") states that:

"During any period of twelve consecutive months no domestic insurer, except life, shall by any reinsurance agreement or agreements cede an amount of its insurance on which the total gross reinsurance premiums are more than fifty percent of the unearned premiums on the net amount of its insurance in force at the beginning of such period".

A review for compliance of Section 1308(e)(1)(A) of the New York Insurance Law finds that the Branch ceded more than 50% of its gross premiums written without the superintendent's permission.

It is recommended that the Branch comply with Section 1308(e)(1)(A) of the New York Insurance Law and seek permission of the superintendent before ceding more than 50% of its gross premiums written.

All ceded reinsurance agreements in effect as of the examination date 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, except for the excess of loss reinsurance contract.

Section 1308(a)(2)(A)(i) of the New York Insurance Law states that:

“No credit shall be allowed, as an admitted asset or deduction from liability, to any ceding insurer for reinsurance ceded, renewed, or otherwise becoming effective after January first, nineteen hundred forty, unless the reinsurance shall be payable by the assuming insurer on the basis of the liability of the ceding insurer under the contracts reinsured without diminution because of the insolvency of the ceding insurer...”.

It is recommended that the Branch’s management ensure that all reinsurance agreements contain an insolvency clause as required by Section 1308(a)(2)(A) of the New York Insurance Law. It is noted that similar findings were noted during the previous examination.

Additionally, it was noted that one of the Branch’s four ceded reinsurance agreements were not signed within nine months of the effective dates as required by SSAP No. 62. Because of the immaterial balances associated with this agreement, no change has been made in the examination financial statement.

It is recommended that the Branch comply with the provisions of SSAP 62 and have all reinsurance agreements signed within nine months of the effective date.

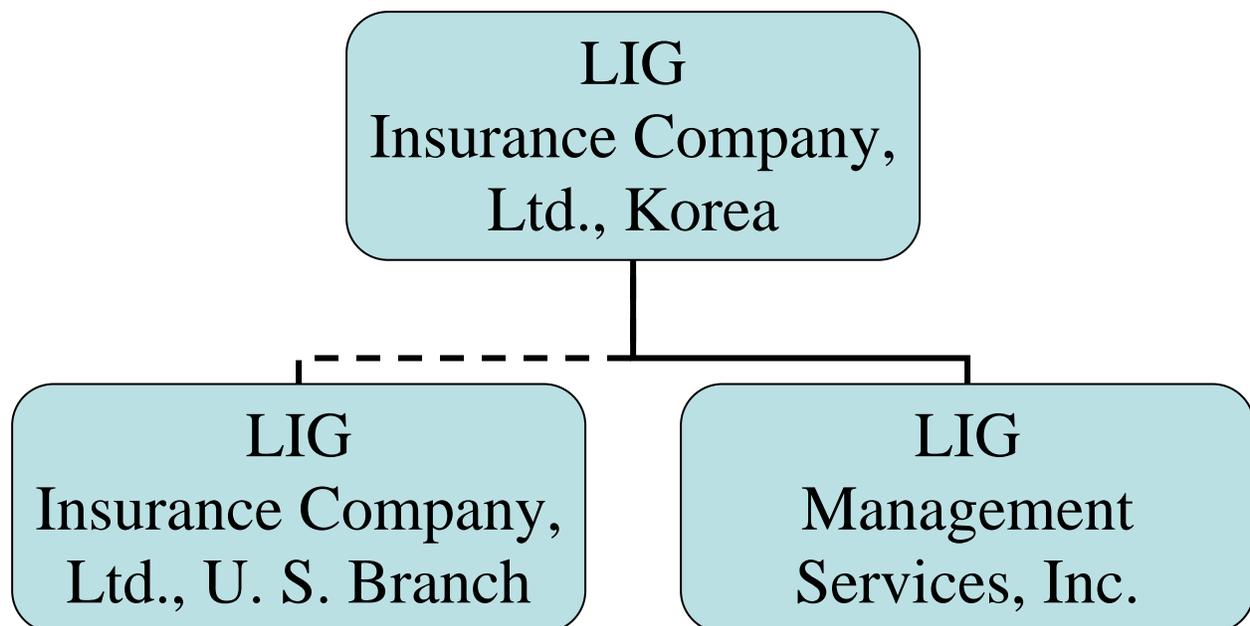
Examination review of the Schedule F data reported by the Branch in its filed 2006 annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Branch's chief executive officer pursuant to Department Circular Letter No. 8 (2005). Examination review also indicated that the Branch was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in paragraph 17 of SSAP No. 62.

D. Holding Company System

The Branch is a member of a holding company system with LIG Insurance Company, Ltd, South Korea as the ultimate controlling person. LIG Management Services, Inc. (the “U. S. Manager”), a New Jersey corporation, is a wholly-owned subsidiary of LIG Insurance Company, Ltd., South Korea.

Pursuant to Section 1502 of the New York Insurance Law, transactions between the Branch and the Home Office are exempt from the filing requirements of Article 15 of the New York Insurance Law.

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



Effective October 1, 2005, LIG Management Services, Inc. (“U. S. Manager”) was appointed the United States Manager of the Branch pursuant to a management agreement, which provides that the U. S. Manager will furnish the following services for the Branch: claims, underwriting, policyholder services, investment, producer management, collection and handling of premiums and other funds, reinsurance, accounting and financial, marketing support and product development and administration, information technology, and legal and governmental relations. The management agreement was approved by this Department on October 24, 2005.

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	.97:1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	79%
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:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$41,467,544	59.74%
Other underwriting expenses incurred	26,354,424	37.96
Net underwriting loss	<u>1,596,661</u>	<u>2.30</u>
Premiums earned	<u>\$69,418,629</u>	<u>100.00%</u>

F. Accounts and RecordsApproval of Investments

Section 1411 (a) of the New York Insurance Law states that:

“No domestic insurer shall make any loan or investment, except as provided in subsection (h) hereof, unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan. The committee’s minutes shall be recorded and a report submitted to the board of directors at its next meeting”.

During the review of the Branch’s investments it was determined that the board of directors of the U. S. Manager was not approving investments.

It is recommended that the Branch comply with the requirements of Section 1411(a) of the New York Insurance Law by having all of its investments authorized or approved by its board of directors or a committee thereof.

#### Custodian Agreement

The examiner reviewed the custodian agreements in effect as of December 31, 2006. The custodian agreements failed to provide the necessary safeguards and controls detailed in the NAIC Financial Condition Examiners Handbook, Part 1, Section IV- J.

It is recommended that the Branch include the safeguard provisions in any custodial agreements it enters into as required by Part 1, Section IV-J of the NAIC Financial Condition Examiners Handbook.

#### Compliance with Section 312 of the New York Insurance Law

Section 312(b) of the New York Insurance Law states that:

“A copy of the report shall be furnished by such insurer or other person to each member of the board of directors and each such member shall sign a statement, which shall be retained in the insurer’s files confirming that such member has received and read such report”.

The Branch was unable to provide such statements. Therefore, the Branch was not in compliance with the requirements of Section 312(b) of the New York Insurance Law.

It is recommended that the Branch comply with Section 312(b) of the New York Insurance Law by submitting the report on examination to the board of directors of its U. S. Manager and having each director sign a statement and retain a copy that such member has received and read the report.

#### Compliance with Section 307(b) of the New York Insurance Law

Section 307(b)(1) of the New York Insurance Law requires that an audited financial statement report be submitted to the Department no later than June 1<sup>st</sup> of each year. The 2006 audited financial statement report of the Branch was received on November 2, 2007.

It is recommended that the Branch submit its audited financial statements to the Department in a timely manner as required by Section 307(b)(1) of the New York Insurance Law.

#### CPA Contract

The Branch's CPA engagement letter did not meet the following requirement of Part 89.2 of Department Regulation 118:

“Such contract must specify that:

(c) the workpapers and any communications between the CPA and the insurer relating to the audit of the insurer shall be made available for review by the superintendent at the offices of the insurer, at the Insurance Department or at any other reasonable place designated by the superintendent. The CPA must retain for review such workpapers and communications in accordance with the provisions of Part 243 of this Title (Regulation 152). More specifically, such workpapers and communications must be retained by the CPA for the period specified in sections 243.2(b)(7) and (c) of this Title. For the purposes of this subdivision, the workpapers and communications shall be deemed to have been created on the date the filing required by section 89.2(a) of this Part was submitted to the superintendent.”

The Branch's CPA engagement letter did not state the length of time that the workpapers will be retained.

It is recommended that the Branch comply with Department Regulation 118 by entering into future contracts with its independent certified public accountant that contain the requisite provisions.

#### Fidelity Bond Coverage

The U. S. Manager of the Branch does not maintain any fidelity bond coverage for its directors, officers or key employees in case of material acts of dishonesty or theft.

It is recommended that the U. S. Manager of the Branch obtain fidelity bond coverage for its directors, officers and key employees as required by Exhibit 1 of the NAIC Financial Condition Examiners Handbook.

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

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

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$33,314,224	\$ 0	\$33,314,224
Preferred stocks	94,480		94,480
Cash, cash equivalents and short-term investments	3,539,675		3,539,675
Investment income due and accrued	478,936		478,936
Uncollected premiums and agents' balances in the course of collection	4,628,587	1,590,687	3,037,900
Amounts recoverable from reinsurers	4,887,193		4,887,193
Net deferred tax asset	960,451	254,975	705,476
Miscellaneous accounts receivable	14,278		14,278
Paid loss suspense account	(5,962)		(5,962)
Facultative reinsurance premium suspense	66,671		66,671
Return premium suspense account	<u>28,386</u>		<u>28,386</u>
Total assets	<u>\$48,006,919</u>	<u>\$1,845,662</u>	<u>\$46,161,257</u>

Liabilities, Surplus and Other FundsLiabilities

Losses		\$11,393,159
Loss adjustment expenses		4,464,205
Other expenses (excluding taxes, licenses and fees)		303,850
Current federal and foreign income taxes		253,880
Unearned premiums		7,501,727
Ceded reinsurance premiums payable (net of ceding commissions)		2,704,724
Provision for reinsurance		2,019,292
Payable to parent, subsidiaries and affiliates		540,066
Loss balances payable		178,905
Other liabilities		<u>177,603</u>
Total liabilities		\$29,537,411

Surplus and Other Funds

Statutory deposit with Superintendent of Insurance - NY	\$2,000,000	
Gross paid in and contributed surplus	9,800,000	
Unassigned funds (surplus)	<u>4,823,846</u>	
Surplus as regards policyholders		<u>16,623,846</u>
Total liabilities, surplus and other funds		<u>\$46,161,257</u>

NOTE: The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2002 through 2006. The examiner is unaware of any potential exposure of the Branch 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 \$9,793,573 during the five-year examination period January 1, 2002 through December 31, 2006, detailed as follows:

Premiums earned		\$69,418,629
Deductions:		
Losses incurred	\$ 33,068,447	
Loss adjustment expenses incurred	8,399,097	
Other underwriting expenses incurred	<u>26,354,424</u>	
Total underwriting deductions		<u>67,821,968</u>
Net underwriting gain or (loss)		\$ 1,596,661
<u>Investment Income</u>		
Net investment income earned	\$ 8,356,597	
Net realized capital gain	<u>98,879</u>	
Net investment gain or (loss)		<u>8,455,476</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$10,052,137
Federal and foreign income taxes incurred		<u>3,696,904</u>
Net income		<u>\$ 6,355,233</u>

Capital and Surplus

Surplus as regards policyholders per report on Examination as of December 31, 2001			\$6,830,271
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$ 6,355,233	\$	
Net unrealized capital gains or (losses)		6,843	
Change in net deferred income tax	296,022		
Change in non-admitted assets		114,687	
Change in provision for reinsurance		1,679,459	
Special funds transferred to surplus		100,000	
Net increase in losses incurred		(1,417,000)	
Surplus adjustments paid in	3,000,000		
Surplus adjustments transferred from special funds	100,000		
Aggregate write-ins for gains and losses in surplus	<u>526,307</u>		
Total gains and losses	<u>\$ 10,277,562</u>	<u>\$ 483,989</u>	
Net increase (decrease) in surplus			<u>9,793,573</u>
Surplus as regards policyholders per report on Examination as of December 31, 2006			<u>\$16,623,844</u>

C. 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 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:

With New York, U.S. Treasury Note	\$ 2,011,332	
Accrued interest receivable	<u>41,003</u>	\$ 2,052,335
Bonds	\$27,343,252	
Accrued interest on trusteed assets	<u>366,485</u>	
Total trusteed assets		<u>27,709,737</u> <u>\$29,762,072</u>

Liabilities

Liabilities as determined by this examination \$29,537,411

Additions to liabilities:

Ceded reinsurance balances payables 0

Deductions from liabilities:

Reinsurance recoverable (authorized companies)	\$ 2,584,000
Reinsurance recoverable (unauthorized companies)	1,248,000
Agents' balances not more than ninety days past due not exceeding unearned premium reserves carried thereon	2,678,404
Unpaid reinsurance premiums receivable not exceeding losses and loss adjustment expenses due to reinsured authorized companies	<u>1,044,721</u>

Total deductions 7,555,125

Net liabilities \$21,982,286

Trusteed surplus 7,779,786

Total trusteed liabilities and surplus \$29,762,072

**4. LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$16,623,844 is the same as reported by the Branch as of December 31, 2006. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Companies internal records and in its filed annual statements.

The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles 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 Branch 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.

The general review was directed at practices of the Branch in the following areas:

- A. Sales and advertising
- B. Underwriting
- C. Rating
- D. Claims and complaint handling

No problem areas were encountered.

## 6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained 10 recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Trusteed Surplus</u>	
It is recommended that the Branch correct the trustee surplus impairment.	7
The Branch has complied with this recommendation.	
B. <u>Reinsurance</u>	
It is recommended that the Branch exercise due care when preparing its annual statement.	7
The Branch has complied with this recommendation.	
It is recommended that the Branch management ensured that all reinsurance agreements contain an insolvency clause required by Section 1308(a)(2)(A) of the New York Insurance Law.	7
The Branch has not complied with this recommendation and a similar comment is included in this report.	
It is recommended that the Branch comply with the provisions of SSAP 62 and report any reinsurance agreements not signed with the required time frame as retroactive reinsurance.	7
The Branch has not complied with this recommendation and a similar comment is contained in this report.	
C. <u>Abandoned Property Law</u>	
It is recommended that the Branch file its abandoned property reports annually pursuant to the provisions of Section 1316 of the New York Abandoned Property Law.	9
The Branch has complied with this recommendation.	

ITEMPAGE NO.D. Accounts and RecordsTrial Balance

It is recommended that the Branch include all its accounts in its trial balance. 11

The Branch has complied with this recommendation.

Custodial Agreement

It is recommended that the Branch amend its custodial agreement to include the required provisions. 11

The Branch has not complied with this recommendation and a similar comment is included in this report.

Cash Accounts

It is recommended that the Branch take the necessary actions needed to have all its cash accounts reflect its current name. 12

The Branch has complied with this recommendation.

E. Loss and Loss Adjustment Expenses

It is recommended that the Branch adequately reserve for loss and loss adjustment expenses. 19

The Branch has complied with this recommendation.

It is recommended that the Branch comply with the annual statement instructions and records its outstanding loss adjustment expenses separate from outstanding losses. 19

The Branch has complied with this recommendation.

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
i.     It is recommended that the Branch keep a copy of all its LOC's readily available to provide to the Department upon request.	7
ii.    It is recommended that the Branch amend its trust agreement to include the language required by Department Regulation No. 114.	7
iii.   It is recommended that the Branch comply with Section 1308(e)(1)(A) of the New York Insurance Law and seek permission of the superintendent before ceding more than 50% of its direct premium written.	8
iv.    It is recommended that the Branch management ensure that all reinsurance agreements contain an insolvency clause as required by Section 1308(a)(2)(A) of the New York Insurance Law.	8
v.     It is recommended that the Branch comply with the provisions of SSAP 62 and have all reinsurance agreements signed within nine months of the effective date.	8
B. <u>Accounts and Records</u>	
i.     It is recommended that the Branch comply with the requirements of Section 1411(a) of the New York Insurance Law by having all of its investments authorized or approved by its board of directors or a committee thereof.	11
ii.    It is recommended that the Branch include the safeguard provisions in any custodial agreements it enters into as required by Part 1, Section IV-J of the NAIC Financial Condition Examiners Handbook.	11
iii.   It is recommended that the Branch comply with Section 312(b) of the New York Insurance Law by submitting the report on examination to its board of directors, have each director sign a statement and retain a copy that such member has received and read the report.	11
iv.    It is recommended that the Branch submit its audited financial statement to the Department in a timely manner as required by Section 307(b)(1) of the New York Insurance Law.	12

ITEMPAGE NO.CPA Contract

It is recommended that the Branch comply with Department Regulation 118 by entering into future contracts with its independent certified public accountant that contain the requisite provisions.

12

Fidelity Bond Coverage

It is recommended that the manager of the Branch obtain fidelity bond coverage for its directors, officers and key employees as required by Exhibit 1 of the NAIC Financial Condition Examiners Handbook.

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, CFE

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

Appointment No .22650

STATE OF NEW YORK  
INSURANCE DEPARTMENT

I, Eric R. Dinallo, Acting 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*

**LIG INSURANCE COMPANY, LIMITED**

**UNITED STATES BRANCH**

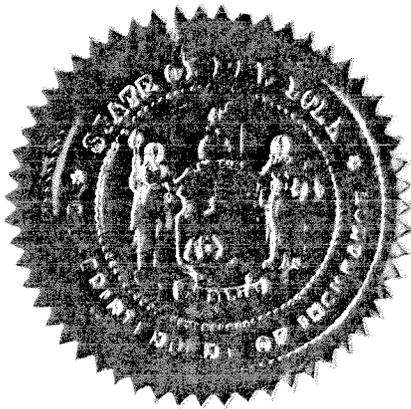
*and to make a report to me in writing of the condition of the said*

**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 24th day of May, 2007*



A handwritten signature in cursive script, reading "Eric R. Dinallo".

ERIC R. DINALLO  
*Acting Superintendent of Insurance*