

REPORT ON EXAMINATION
OF THE
UNITED STATES BRANCH
OF
LG INSURANCE COMPANY, LTD
AS OF
DECEMBER 31, 2001

DATE OF REPORT

NOVEMBER 7, 2003

EXAMINER

ADEBOLA AWOFESO

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

George E. Pataki
Governor

Gregory V. Serio
Superintendent

November 7, 2003

Honorable Gregory V. Serio
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 21940 dated September 19, 2002, attached hereto, I have made an examination into the condition and affairs of the United States Branch of LG Insurance Company, Ltd. of Seoul, Korea as of December 31, 2001 and submit the following report thereon.

The examination was conducted at the Branch's underwriting manager, W.H. McGee & Co., located at 75 Wall Street, New York, New York 10005.

Wherever the designation "the Branch" appears herein without qualification, it should be understood to indicate the United States Branch of LG Insurance Company, Ltd.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York Insurance Department.

According to its December 31, 2001 annual statement filed with this Department, the Branch's required to be maintained trustee surplus of \$2,300,000 was impaired in the amount of \$1,589,289. This examination has determined that the Branch's trustee surplus was impaired in the amount of \$3,006,289. The Branch corrected this impairment subsequent to the examination date.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1996. This examination covered the five-year period from January 1, 1997 through December 31, 2001. 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, 2001. 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. 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:

- History of the 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

LG Insurance Company, Ltd. was incorporated under the laws of Seoul, South Korea on December 17, 1958. The Branch, formerly known as Lucky Insurance Company, Ltd. (United States Branch), changed its name to LG Insurance Company, Ltd. (United States Branch), in 1995. It became licensed as an insurer in the State of New York on February 28, 1990.

The Branch is primarily engaged in insuring ocean marine, inland marine and commercial multi-peril risks. In addition to its direct writings, the Branch also assumes from various unaffiliated domestic insurers.

Gross paid in and contributed surplus is \$6,800,000. Gross paid in and contributed surplus increased by \$1,800,000 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
1996	Beginning gross paid in and contributed surplus	\$5,000,000
2001	Surplus contribution	<u>1,800,000</u>
2001	Ending gross paid in and contributed surplus	<u>\$6,800,000</u>

Subsequent to the examination, on June 7, 2002, the Branch received a surplus contribution from its home office of \$3,000,000.

A. Management

The Branch has 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.

Citibank, N.A., a New York corporation, was appointed United States trustee under a deed of trust approved by the Superintendent of Insurance on February 19, 1990. The deed of trust provides that the trusted assets shall be vested in the trustee and shall be held for the general benefit and security of all of the policyholders and creditors of the Branch within the United States.

In accordance with the custodian agreement dated June 28, 1989, Citibank, N.A., was appointed custodian of securities required to be deposited with the Superintendent pursuant to Section 1314 of the New York Insurance Law. The securities are held for the account of the Superintendent in trust for all policyholders and creditors within the United States.

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, 2001, the board of directors was comprised of the following four members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Arthur E. Moosmann, Jr. East North Point, New York	President, William H. McGee & Co., Inc.
Michael J. Miller East Brunswick, New Jersey	Executive Vice President, William H. McGee & Co., Inc.
Janet S. Kloenhamer Larkspur, California	Senior Vice President, William H. McGee & Co., Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Marc J. Fishstein North Point, New York	Treasurer, William H. McGee & Co., 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 had an acceptable record of attendance.

As of December 31, 2001, the principal officers of the United States manager were as follows:

<u>Name</u>	<u>Title</u>
Arthur E. Moosmann, Jr.	President
Michael J. Miller	Executive Vice President
Marc J. Fishstein	Treasurer

B. Territory and Plan of Operation

As of December 31, 2001, the Branch was licensed to write business only in the states of New York and California.

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

<u>Paragraph</u>	<u>Line of Business</u>
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

In addition, the Branch is licensed to transact such workers' compensation insurance as may be incident to coverages relating to ocean marine 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, 69th Congress, as amended; 33 USC Section 901 et. seq. as amended).

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

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 Premiums</u>
1997	\$4,446,472	\$5,063,042	87.82%
1998	\$4,104,802	\$5,465,948	75.10%
1999	\$4,072,415	\$5,497,795	74.07%
2000	\$5,611,097	\$6,897,082	81.35%
2001	\$6,472,741	\$8,438,740	76.70%

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.

C. Reinsurance

Assumed

In 2001, the Branch's assumed premiums represented approximately 83% of its total book of business for the year. The Branch's assumed business is written through a reinsurance agreement and covers marine business.

Ceded

The Schedule F data as contained in the Branch's filed annual statement was found to accurately reflect its reinsurance transactions. However, in Schedule F, Part 3 of its annual statement, the Branch erroneously listed cessions to Munich Reinsurance of Germany, an unauthorized reinsurer, as cessions to American Reinsurance Company, an authorized reinsurer. It is recommended that the Branch exercise due care when preparing its annual statement.

The Branch had the following ceded reinsurance program in effect at December 31, 2001:

<u>Type of treaty</u>	<u>Cession</u>
<u>Property / Casualty:</u>	
Quota share 100% Authorized	50% of all losses, loss adjustment expenses, extra contractual obligations and excess of policy limits losses, ocean marine.

<u>Type of Treaty</u>	<u>Cession</u>
Quota share 100% Unauthorized	80% of property package.
Quota share 100% Unauthorized	46.5% of cargo.
Excess of Loss 1 st Layer 100% Unauthorized	\$1,900,000 excess of \$100,000 per occurrence.

The examiner reviewed all ceded reinsurance agreements in effect at December 31, 2001. It was noted that one of the Branch's ceded reinsurance agreements did not contain the language required by statute. Because of the immaterial balances associated with this agreement, no change has been made in the examination financial statement. However, it is recommended that Branch management ensure that all reinsurance agreements contain an insolvency clause required by Section 1308(a)(2)(A) of the New York Insurance Law, as follows:

“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:
(i) 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. . .”

Additionally, it was noted that two of the Branch's four ceded reinsurance agreements were not signed within nine months of the effective dates. Statement of Statutory Accounting Principles (“SSAP”) 62 promulgated by the National Association of Insurance Commissioners and adopted by this Department pursuant to Regulation 172, provides as follows:

“If an agreement entered into, renewed or amended on or after January 1, 1994 has not been finalized, reduced to a written form and signed by the parties within nine months after commencement of the policy period covered by the reinsurance arrangement, then the arrangement is presumed to be retroactive and shall be accounted for as a retroactive reinsurance agreement”.

Again, no changes have been made to the Branch's financial statements to reclassify the reinsurance balances as retroactive. However, 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.

The Branch's reinsurance program has changed significantly since the prior examination, mainly due to the discontinuance of the McGee pool. The Branch participated in a number of voluntary pooling arrangements during the prior examination period. As a member of the former McGee pool (discontinued December 31, 1999), the Branch ceded all direct voluntary business to the Security Insurance Company of Hartford, which acted as a clearinghouse by distributing to each former pool member its respective participating share of the pool premiums and losses. At the present time, the pool is in runoff so there are no current reinsurance cessions on this business.

D. Abandoned Property Law

Section 1316 of the New York 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 Branch did not file abandoned property reports for any of the years during the period of this examination. Although the Branch had no abandoned property to remit, negative reports should have been filed. It is recommended that the Branch file abandoned property reports annually pursuant to the provisions of Section 1316 of the New York Abandoned Property Law.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2001, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	182%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	87%
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 five-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$42,305,355	77.92%
Other underwriting expenses incurred	17,936,225	33.04
Net underwriting loss	<u>(5,948,906)</u>	<u>(10.96)</u>
Premiums earned	<u>\$54,292,674</u>	<u>100.00%</u>

F. Accounts and Records

During the course of this examination, it was noted that the Branch's treatment of certain items was not in accordance with generally accepted statutory accounting principles and Department guidelines.

Descriptions of such items follows:

1. Trial Balance

The Branch's trial balance did not list all of the Branch's accounts. It is recommended that the Branch include all of its accounts in its trial balance.

2. Custodial Agreement

The Branch's custodial agreement with Chase Manhattan Bank was reviewed and found to be lacking several provisions, which are deemed to be representative of good business practices for the contents of such agreements. The problems with this agreement are:

- a. The agreement is in LG Insurance Company's former name.
- b. The agreement does not state that the custodian will give the same care to the insurer's assets as they give to their own assets of the similar nature.
- c. The agreement does not specifically state that the custodian will maintain records sufficient to verify information the insurer is required to report in Schedule D of its Annual Statement blank filled with the Insurance Department of the State of New York.
- d. The agreement does not state that any written instruction shall be signed by any two of its authorized officers specified in a separate list for the purpose that will be furnished to the Branch from time to time signed by the treasurer or the assistant treasurer or an assistant secretary.

It is recommended that the Branch amend its custodial agreement to include the above mentioned provisions.

3. Cash Accounts

The Branch has not removed its former name from its cash accounts.

This recommendation was made in the prior report on examination, but the Branch took no action. It is again recommended that the Branch take the necessary actions needed to have all of its cash accounts reflect its current name.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of December 31, 2001 and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$19,397,775		\$19,397,775
Preferred stocks (stocks)	103,200		103,200
Cash and short-term investments	838,663		838,663
Premiums and agents' balances in course of collection	1,939,362	1,729,001	210,361
Funds held by or deposited with reinsured companies	22		22
Reinsurance recoverables on loss and loss adjustment expense payments	2,629,675		2,629,675
Federal and foreign income tax recoverable	30,500		30,500
Interest, dividends and real estate income due and accrued	234,032		234,032
Equities and deposits in pools and associations	106,229	1,974	104,255
Aggregate write-ins for other than invested assets	<u>1,266,484</u>	<u> </u>	<u>1,266,484</u>
Total Assets	<u>\$26,545,942</u>	<u>\$1,730,975</u>	<u>\$24,814,967</u>

Liabilities

	<u>Examination</u>	<u>Company</u>	<u>Surplus Increase or Decrease</u>
Losses and loss adjustment expenses	10,153,476	\$8,736,476	\$(1,417,000)
Commissions payable, contingent commissions and other similar charges	6,800	6,800	
Other expenses (excluding taxes, licenses and fees)	17,667	17,667	
Taxes, licenses and fees (excluding federal and foreign income taxes)	35,000	35,000	
Unearned premiums	4,672,011	4,672,011	
Amounts withheld or retained by company for account of others	546	546	
Provision for reinsurance	339,833	339,833	
Aggregate write-ins for liabilities	<u>2,759,363</u>	<u>2,759,363</u>	
Total liabilities	<u>\$17,984,696</u>	<u>\$16,567,696</u>	<u>\$(1,417,000)</u>

Surplus and Other Funds

Aggregate write-ins for special surplus funds	\$1,200,000	\$1,200,000	\$
Gross paid in and contributed surplus	6,800,000	6,800,000	
Unassigned funds (surplus)	<u>(1,169,729)</u>	<u>247,271</u>	<u>(1,417,000)</u>
Surplus as regards policyholders	<u>\$6,830,271</u>	<u>\$8,247,271</u>	<u>\$(1,417,000)</u>
Total liabilities, surplus and other funds	<u>\$24,814,967</u>	<u>\$24,814,967</u>	

Note: The Internal Revenue Service has not audited the Branch's tax returns covering tax years 1996 through 2001. 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 \$352,631 during the five-year examination period January 1, 1997 through December 31, 2001, detailed as follows:

Underwriting Income

Premiums earned		\$54,292,674
Deductions:		
Losses incurred and loss adjustment expenses incurred	\$42,305,355	
Other underwriting expenses incurred	<u>17,936,225</u>	
Total underwriting deductions		<u>60,241,580</u>
Net underwriting loss		\$(5,948,906)

Investment Income

Net investment income earned	\$5,164,630	
Net realized capital gain	<u>385,105</u>	
Net investment gain		5,549,735

Other Income

Aggregate write-ins for miscellaneous income	<u>\$(8,697)</u>	
Total other income		<u>(8,697)</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$(407,868)
Federal and foreign income taxes incurred		<u>195,385</u>
Net Income		<u>\$(603,252)</u>

C. Capital and Surplus Account

Surplus as regards policyholders per report on examination as of December 31, 1996			\$6,477,640
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$	\$603,253	
Net unrealized capital gains or (losses)	3,200		
Change in non-admitted assets		967,777	
Change in provision for reinsurance	286,724		
Surplus adjustments paid in	1,800,000		
Aggregate write-ins for gains and losses in surplus	<u> </u>	<u>166,263</u>	
Net increase in surplus	<u>\$2,089,924</u>	<u>\$1,737,293</u>	<u>352,631</u>
Surplus as regards policyholders per report on examination as of December 31, 2001			<u>\$6,830,271</u>

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 and as determined by this examination. According to its December 31, 2001 annual statement filed with this Department, the Branch's required to be maintained trusteed surplus of \$2,300,000 was impaired in the amount of \$1,589,289. This examination has determined that the Branch's trusteed surplus was impaired in the amount of \$3,006,289. The Branch corrected this impairment subsequent to the examination date.

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	\$1,247,468	
Accrued interest receivable	<u>24,987</u>	
		\$1,272,455

Assets held by United States Trustee for the protection of policyholders and creditors within the United States:

U.S. Treasury Bonds	\$12,413,566	
Accrued interest receivable	<u>153,835</u>	
		<u>12,567,401</u>

Total trusteed assets		<u>\$13,839,856</u>
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<u>Liabilities</u>	<u>Examination</u>	<u>Company</u>	<u>Surplus Increase (Decrease)</u>
Total liabilities as determined by this examination	\$17,984,696	\$16,567,696	\$(1,417,000)
<u>Additions to liabilities</u>			
Ceded reinsurance balances payable	<u>\$1,405,741</u>	<u>\$1,405,741</u>	
Total additions	<u>1,405,741</u>	<u>1,405,741</u>	<u> </u>
Total	<u>\$19,390,437</u>	<u>\$17,973,437</u>	<u>\$(1,417,000)</u>
<u>Deductions from Liabilities</u>			
Reinsurance recoverable on paid losses and loss adjustment expenses			
Authorized companies	\$1,081,928	\$1,081,928	
Unauthorized companies	1,547,747	1,547,747	
Agents' balances or uncollected premiums not more than ninety days past due, not exceeding unearned premium reserves carried thereon	210,361	210,361	
Unpaid reinsurance premiums receivable not exceeding losses and loss adjustment expenses due to reinsured authorized companies	<u>2,004,256</u>	<u>2,004,256</u>	
Total deductions	<u>\$4,844,292</u>	<u>\$4,844,292</u>	
Net liabilities	<u>\$14,546,145</u>	<u>\$13,129,145</u>	<u>\$(1,417,000)</u>
Trusted surplus	<u>\$ (706,289)</u>	<u>\$ 710,711</u>	<u>\$(1,417,000)</u>
Total trusted liabilities and surplus	<u>\$13,839,856</u>	<u>\$13,839,856</u>	

4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for losses and loss adjustment expenses of \$10,153,476 is \$1,417,000 more than the amount of \$8,736,476 reported by the Branch as of the examination date. 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. It is recommended that the Branch adequately reserve for losses and loss adjustment expenses in its future filed statements with the Department.

The Branch does not segregate outstanding loss adjustment expenses for the non-pool and direct pool business as required in the annual statement instructions. It is recommended that the Branch comply with the annual statement instructions and records its outstanding loss adjustment expenses separate from outstanding losses.

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.

The general review was directed at practices of the Company 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 11 recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. It was recommended that the Branch exercise due care in maintaining its reinsurance contracts. It was also recommended that the contracts be signed in a timely manner, and reflect the Branch's current name.</p> <p>The Branch has not complied with this recommendation. A similar comment is made in this report.</p>	9-10
<p>B. It was recommended that the Branch maintain proper documentation so that it can determined if there are any amounts due under the captioned law, and so that the proper filings can be made with the New York Comptroller's Office.</p> <p>The Branch has not complied with this recommendation. A similar comment is made in this report.</p>	11
<p>C. It was recommended that the Branch include all of its accounts on its trial balance.</p> <p>The Branch has not complied with this recommendation. A similar comment is made in this report.</p>	11

<u>ITEM</u>		<u>PAGE NO.</u>
D.	It was recommended that the Branch amend its custodian agreement to include the proper wording.	11-12
	The Branch has not complied with this recommendation. A similar comment is made in this report.	
E	It was recommended that the Branch maintain internal records that enable it to match all reinsurance balances recoverable to the appropriate contract.	12
	The Branch has not complied with this recommendation. A similar comment is made in this report.	
F.	It was recommended that the Branch exercise due care when preparing its annual statement.	12
	The Branch has not complied with this recommendation. A similar recommendation is made in this report.	
G.	It was recommended that the Branch takes the necessary actions to have all of its bank accounts and reinsurance contracts reflect its current name.	13
	The Branch has not complied with this recommendation. A similar comment is made in this report.	
H.	It was recommended that all documentation needed to support the Branch's letters of credit be provided upon future requests, and that they comply with Department Regulation No. 133.	13
	The Branch has complied with this recommendation.	
I.	It was recommended that the Branch transfer its money from Bank of Hawaii, to a state in which it currently writes business.	13
	The Branch has complied with this recommendation.	
J.	It was recommended that the Branch include all bank accounts in its annual statement.	14
	The Branch has complied with this recommendation.	
K.	It was recommended that the Branch take necessary actions to correct the deficiencies in the maintenance and control of its claim files and record noted in the body of this report.	19-20
	The Branch has complied with this recommendation.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Trusted Surplus</u>	
<p>According to its December 31, 2001 annual statement filed with this Department, the Branch's required to be maintained trustee surplus of \$2,300,00 was impaired in the amount of \$1,589,289. This examination has determined that the Branch's trustee surplus was impaired in the amount of \$3,006,289. The Branch corrected this impairment subsequent to the examination date.</p>	
B. <u>Reinsurance</u>	
i. It is recommended that the Branch exercise due care when preparing its annual statement.	7
ii. It is recommended that 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
iii. It is recommended that Branch comply with the provisions of SSAP 62 and report any reinsurance agreements not signed with the required time frame as retroactive reinsurance.	7
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
D. <u>Accounts and Records</u>	
<u>Trial Balance</u>	
It is recommended that the Branch include all of its accounts in its trial balance.	11
<u>Custodial Agreement</u>	
It is recommended that the Branch amend its custodial agreement to include the required provisions.	11

ITEMPAGE NOCash Accounts

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

12

E. Losses and Loss Adjustment Expenses

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

19

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

19

Respectfully submitted,

Adebola Awofeso
Senior Insurance Examiner

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

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

Adebola Awofeso

Subscribed and sworn to before me
this _____ day of _____, 2003.

Appointment No 21940

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Adebola Awofeso

as proper person to examine into the affairs of the

LG INSURANCE COMPANY, LIMITED

(United States Branch)

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

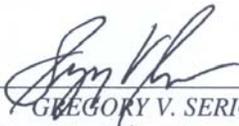
BRANCH

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 19th day of September, 2002





GREGORY V. SERIO
Superintendent of Insurance