

ASSOCIATION REPORT ON EXAMINATION
OF THE
REALM NATIONAL INSURANCE COMPANY
AS OF
DECEMBER 31, 2000

<u>Zone</u>	<u>Examiner</u>	<u>State</u>
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Secretary, Western Zone
Commissioner of Insurance
State of Texas
Austin Texas 78701

Honorable Gregory V. Serio
Superintendent of Insurance
State of New York
Albany, NY 12257

September 21, 2001

Dear Sirs and Madam:

In accordance with your several instructions, an Association Examination has been made as of December 31, 2000 into the financial condition and affairs of the Zurich American Insurance Company and the following report thereon is respectfully submitted.

Where the designations "Company" or "Realm" appear herein without qualification, they should be understood to mean Realm National Insurance Company.

REPORT ON EXAMINATION
OF
REALM NATIONAL INSURANCE COMPANY
AS OF
DECEMBER 31, 2000

DATE OF REPORT

SEPTEMBER 21, 2001

EXAMINER

JAINARINE TILAKDHARRY

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

September 21, 2001

Honorable Gregory 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 21708, dated March 22, 2001, attached hereto, I have made an examination into the conditions and affairs of the Realm National Insurance Company as of December 31, 2000 and submit the following report thereon.

The examination was conducted at the Company's home office located at 125 Maiden Lane, New York, New York 10038.

Wherever the designations "Company" or "Realm" appear herein without qualification, they should be understood to indicate the Realm National Insurance Company.

Whenever the designation "Department" appears herein without qualification, it should be understood to indicate the New York Insurance Department.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1995. This examination covers the five-year period from January 1, 1996 through December 31, 2000. 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, 2000, a review of income and disbursements deemed necessary to accomplish such verification and utilized, to the extent considered appropriate, work performed by the Company'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 Company
- Management and control
- Corporate records
- Fidelity bonds, other insurance and pension plans
- Territory and plan of operation
- Market conduct activities
- Growth of Company
- Business in force
- 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 comments and recommendations in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters

which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of the State of New York on March 12, 1892, as a Lloyds Association, titled Lloyds, New York and became licensed to transact insurance business on the same day.

On July 1, 1992, the Company converted to a stock company and changed the name to Lloyds New York Insurance Company. At the same time, the charter was expanded to include casualty lines of business. A total of 250,000 common shares carrying a par value of \$10 per share were issued to the association's underwriters based on their respective percentage of underwriting participation as of December 31, 1991.

On September 5, 1996, Stirling Cooke North American Holdings, Ltd., a Delaware corporation, purchased 100% of the issued and outstanding shares of the capital stock of Lloyds New York Insurance Company and on September 27, 1996, contributed an additional \$12,000,000 to surplus. The present title was adopted on September 26, 1996.

On April 24, 1997, the board of directors amended its charter to increase its capital to \$5,000,000 by increasing the par value of its common shares from \$10 per share to \$20 per share. This increase was funded by a transfer from gross paid in and contributed surplus. This transaction was approved by this Department.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen members. As of the examination date, the board of directors was comprised of thirteen members.

The Company's directors as of December 31, 2000, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
N. Mark Cooke Smiths Parish, Bermuda	Director, SCB Holdings Ltd.
Stephen A. Crane New York, NY	Chief Executive Officer, SCB Holdings Ltd.
Michael C. Dodge Dallas, TX	President, Dodge & Associates
John A. Dore Winnetka, IL	Co-Chairman & Chief Executive Officer, American Country Holdings Inc.
Hadley C. Ford Pine Plains, NY	Chairman, Tesia Corp. & American Federation for Aging Research
George W. Jones Smiths Parish, Bermuda	Director, SCB Holdings
Mark J. Krone New York, NY	Partner, Querrey & Harrow
James Lawless IV Larchmont, NY	General Counsel, SCB Holdings Ltd.
Robert A. Pearson Essex, England	Senior Underwriting Officer, Realm National Insurance Company
Leonard Quick Plano, TX	Chief Operating Officer, SCB Holdings Ltd.
Kevin T. Salter New Rochelle, NY	Partner, Querrey & Harrow

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael Sheehan Cliffside, NJ	Senior Vice President, Realm National Insurance Company
Mark S. Sioma New York, NY	President, Realm National Insurance Company

The minutes of all meetings of the board of directors held during the examination period were reviewed. All meetings were well attended overall by each member except for three board members. These board members have since been replaced.

As of December 31, 2000, the principal officers of the Company were:

<u>Name</u>	<u>Title</u>
Mark S. Sioma	President
Michael W. Sheehan	Senior Vice President
Ronata Linn Zinnert	Senior Vice President
Francis J. Fenwick	Vice President & Controller
Danny R. Green	Assistant Vice President and Secretary

Conflict of Interest

The Company has a conflict of interest policy. However, due to management changes in 2000, the Company could not locate signed conflict of interest statements for 1997 and 1999.

It is recommended that the Company comply with its conflict of interest policy. Each officer and members of the board of directors should complete, sign and date a conflict of interest questionnaire each year.

B. Territory and Plan of Operation

At December 31, 2000, the Company was licensed to do business in the following twenty-four states:

Alabama	Indiana	Nebraska	Pennsylvania
Arizona	Iowa	New Mexico	South Carolina
Arkansas	Kentucky	New York	South Dakota
Florida	Louisiana	North Carolina	Tennessee
Georgia	Mississippi	North Dakota	Texas
Illinois	Missouri	Oklahoma	West Virginia

The following schedule shows the Company's direct premiums written during the period of the examination, 1996 to 2000, in New York State and countrywide and the percentage which the New York State premiums bear to the countrywide premiums:

	<u>Direct Written Premiums</u>				
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
New York	\$12,934,526	\$11,532,271	\$12,722,003	\$11,209,902	\$19,688,921
Countrywide	\$13,353,652	\$21,701,342	\$48,108,287	\$46,751,501	\$53,985,441
% New York to Countrywide	96.86%	53.14%	26.45%	23.98%	36.47%

As of the December 31, 2000, 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 State Insurance Law:

<u>Paragraph</u>	<u>Kind of Insurance</u>
3	Accident and health
4	Fire
5	Miscellaneous property damage
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery

<u>Paragraph</u>	<u>Kind of Insurance</u>
10	Elevator
11	Animal
12	Collision
13	Personal injury
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
24	Credit unemployment insurance

Based on the lines of business for which the Company is licensed, and the Company's current structure, and pursuant to the requirements of Articles 14 and 41 of the New York Insurance Law, Realm National Insurance Company is required to maintain a minimum surplus to policyholders in the amount of \$5,000,000.

The Company's primary business is produced through several managing general agents ("MGA") that write predominantly workers' compensation, property and general liability businesses. The Company has executed written contracts with each individual MGA writing business on its behalf. As of the examination date, the Company had six managing general agents, two of which, B & S Underwriters and Midland Management Corporation, were subsequently terminated in 2001 due to poor underwriting results.

The managing general agents are authorized to underwrite and bind insurance coverage on behalf of the Company in accordance with Realm's underwriting guidelines. The MGA also have the authority to settle claims and set loss reserves, but the Company retains final authority over such matters. The

managing general agents do not have the authority to bind reinsurance or retrocessions on behalf of the Company.

Department Regulation #120 (1985) states that a domestic insurer that has managing general agents acting on its behalf shall complete and file "Form #1" with the Department. The Company did not file this form for two of its MGA, B & S Underwriters and Midland Management Corporation. However, as mentioned earlier, the managing general agency agreements with both of these MGA were canceled in 2001.

C. Reinsurance

In January 2000, the Company entered a reinsurance agreement to assume a portion of a workers' compensation program that was produced by an affiliated MGA of Realm. Under the agreement, Realm initially assumed 50% of the first \$250,000 of loss on a quota share basis. Realm's share was reduced to 10% effective July 1, 2000.

Under the agreement, the ceding reinsurer is holding all of the net premiums due to Realm. "Within forty-five days after the end of each calendar quarter, the reinsurer shall pay Realm the Net Investment Income on Funds Withheld." The Company has yet to receive any investment income. The amount of interest due on the funds held is \$90,234.

It is recommended that the Company take the necessary steps to collect the interest income due.

The examiners reviewed all ceded reinsurance contracts effected during the examination period. These contracts all contained the required standard clauses including insolvency clauses, meeting the requirements of Section 1308 of the New York Insurance Law.

The data contained in Schedule F of the Company's annual statements filed for the years within the examination period were found to accurately reflect its reinsurance transactions, except for provision for overdue authorized reinsurance, resulting in the inaccurate calculation for provision for reinsurance. The Company calculated the amount to be \$3,213,800 instead of \$3,028,400, as determined by the examiner. As a result, surplus is understated by \$185,400. Due to immateriality, no changes were made to the financial statements contained in this report.

It is recommended that the Company calculate its provision for reinsurance and report the amount in Schedule F in accordance with the NAIC annual statement instructions.

The Company had in effect the following reinsurance ceded contracts at December 31, 2000.

<u>Type of Contract</u>	<u>Cession</u>
Workers' Compensation *B & S Underwriters Quota Share Authorized - 56.50% Unauthorized - 43.50%	75% of \$1,000,000, any one occurrence.
Excess of Loss: First layer Authorized - 100.00%	100% of \$4,000,000 excess of \$1,000,000, ultimate net loss each and every occurrence.

<u>Type of Contract</u>	<u>Cession</u>
Second Layer Authorized - 100.00%	100% of \$5,000,000 excess of \$5,000,000, ultimate net loss each and every occurrence.
Third Layer Authorized - 100.00%	100% of \$40,000,000 excess of \$10,000,000, ultimate net loss each and every occurrence.
Property Quota Share Facultative Authorized - 100.00%	75% of \$1,000,000, any one risk.
Property Excess of Loss Facultative Authorized - 100.00%	100% of \$8,000,000 excess of \$1,000,000, any one risk.
Property Catastrophe First Excess of Loss Authorized - 88.86% Unauthorized - 11.14%	90% of \$3,500,000 excess of \$1,500,000, ultimate net loss each and every occurrence.
Second Excess of Loss Authorized - 95.00% Unauthorized - 5.00%	90% of \$5,000,000 excess of \$5,000,000, ultimate net loss each and every occurrence.
General Liability Excess of Loss 100% Authorized	100% of 700,000 excess of \$300,000, ultimate net loss each and every insured.
Workers' Compensation (Monoline) First Excess of Loss Unauthorized - 100.00%	80% of \$250,000, ultimate net loss each and every occurrence.
Second Excess of Loss Unauthorized - 100.00%	100% of \$250,000 excess of \$250,000, ultimate net loss each and every occurrence.
Third Excess of Loss Unauthorized - 100.00%	100% of \$500,000 excess of \$500,000 ultimate net loss each and every occurrence.
Fourth Excess of Loss Authorized - 60.00% Unauthorized - 40.00%	100% of \$1,000,000 excess of \$1,000,000, ultimate net loss each and every occurrence.

<u>Type of Contract</u>	<u>Cession</u>
Fifth Excess of Loss Authorized - 100.00%	100% of \$8,000,000 excess of \$2,000,000, ultimate net loss each and every occurrence.
Sixth Excess of Loss Authorized - 66.63% Unauthorized - 34.37%	100% of \$40,000,000 excess of \$10,000,000, ultimate net loss each and every occurrence.
Workers' Compensation Facultative	100% of \$500,000 excess of \$500,000, each and every occurrence.

*The contract with B & S Underwriters has been canceled and this program is currently in run off as of 8/01/2001.

It was noted that the Company had approximately \$12,858,000 in disputed reinsurance recoverable with various reinsurers as of the examination date. The Company is involved in an on going arbitration with one of the reinsurers. The arbitration panel had awarded Realm interim payments of \$2.8 million on September 30, 2000, which were included in the annual statement at December 31, 2000, and \$2 million on February 9, 2001. In addition, a liability of \$2.2 million is included in the provision for reinsurance relating to the Company's arbitration.

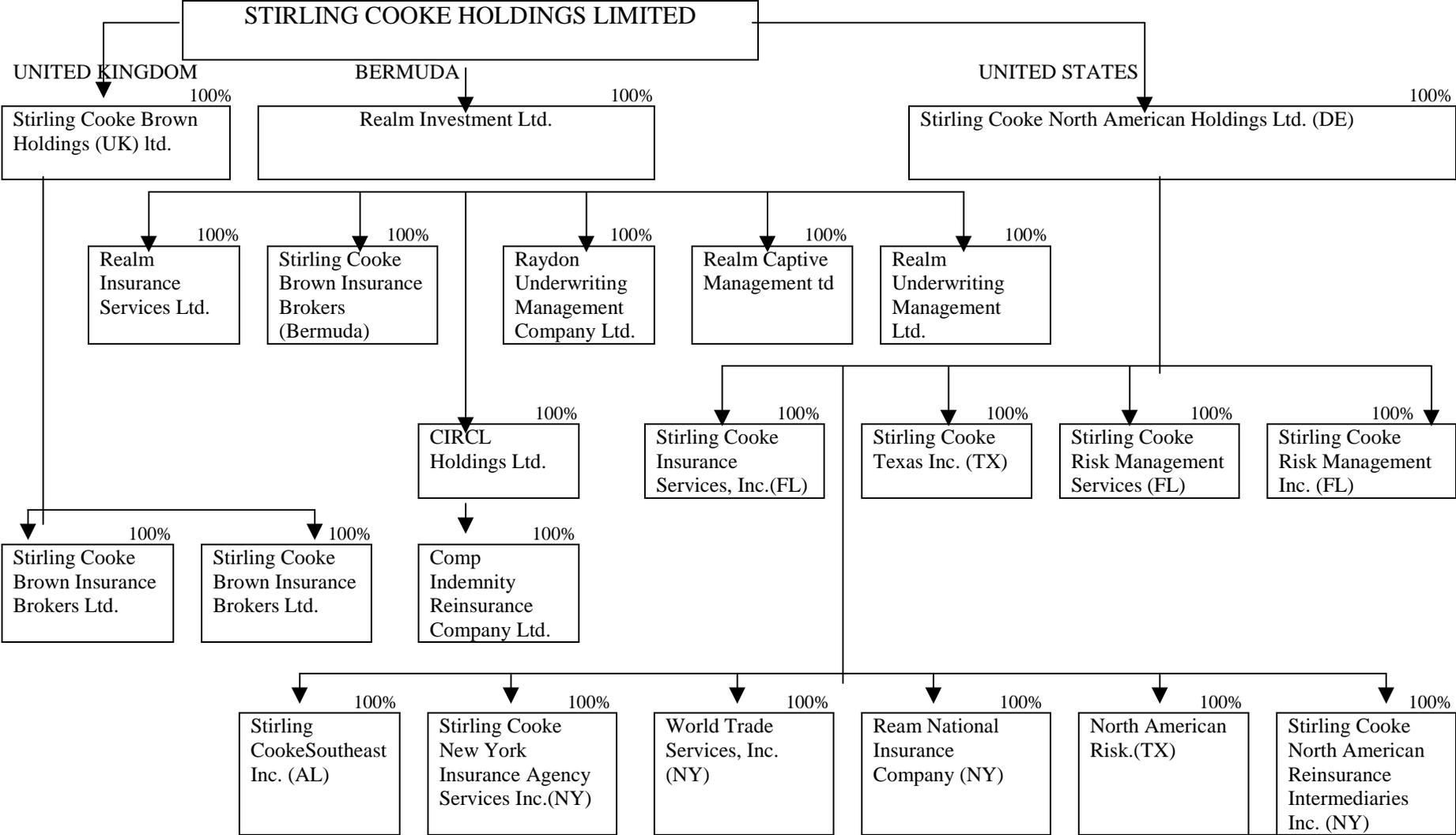
D. Holding Company System

Stirling Cooke North American Holdings Limited, a wholly-owned subsidiary of Stirling Cooke Brown Holdings Limited, owns 100% of the outstanding shares of Realm National Insurance Company. As such, Stirling Cooke Brown Holdings Limited has been deemed the ultimate parent of Realm.

As a member of a holding company system, the Company files registration statements pursuant to Article 15 of the New York Insurance Law and Department Regulation 52. In addition, the Company is a

controlled insurer as defined by Department Regulation 52-A. All pertinent files were reviewed and no problem areas were encountered.

The following chart depicts the Company's position within the Holding Company System:



The Company is a party to various expense allocation agreements with members of its holding company system. Pursuant to these agreements, the Company provides office space, facilities, and equipment, as well as services of the Company's personnel to these entities. All of these agreements have been submitted to and approved by the Department pursuant to the requirements of Section 1505(d) of the New York Insurance Law.

The Company filed a consolidated federal income tax return with its parents and the members of the holding company system. The Company does not have a separate tax allocation agreement.

Department Circular Letter #33 (1979) states that every domestic insurer which is a party to a consolidated federal income tax filing must have a definitive written agreement, approved by its board of directors. Section 1505(d)(2) of the New York State insurance Law, which states in part:

“The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into such transaction at least thirty days prior thereto, or such shorter period as he may permit and he has not disapproved it within such period: (2) reinsurance treaties or agreements...”

It is recommended that the Company enter into a tax allocation agreement in compliance with Circular Letter 33 for its consolidated federal income tax return and file the agreement with the New York Insurance Department in compliance with Section 1505(d)(2) of the New York Insurance Law.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2000, based upon results of this examination:

Net premiums written in 2000 to Surplus as regards policyholders	1.57 to 1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	108.0%
Premiums in course of collection to surplus as regards policyholders	39.98%

The first and third ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners. The second ratio falls outside of such range due to increases in loss reserves, as well as the amount of reinsurance.

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 incurred	\$23,328,619	56.35%
Loss adjustment expenses incurred	7,546,411	18.23
Other underwriting expenses incurred	18,898,750	45.65
Net underwriting loss	<u>(8,376,344)</u>	<u>(20.23)</u>
Premiums earned	<u>\$41,397,436</u>	<u>100.00%</u>

F. Abandoned Property Law

Section 1316 of the captioned law requires certain unclaimed insurance proceeds to be reported to the State of New York by April 1, of each year. A review of the Company's records revealed that although the Company had outstanding checks that qualified as "abandoned property" for 1999 and 2000, it made reports of "NEGATIVE" abandoned property for all years under examination.

It is recommended that the Company comply with Section 1316 of the New York Abandoned Property Law and report the correct amount of abandoned property in its filings.

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, 2000. This statement is the same as the balance sheet filed by the Company.

<u>Assets</u>	<u>Ledger</u> <u>Assets</u>	<u>Non-Ledger</u> <u>Assets</u>	<u>Not-admitted</u> <u>Assets</u>	<u>Admitted</u> <u>Assets</u>
Bonds	\$14,023,741	\$	\$ 6,360	\$14,017,381
Stocks: Preferred stocks	553,684		24,198	529,486
Cash and short-term investments	11,530,908			11,530,908
Premiums and agents' balances in course of collection	1,827,598		739,130	1,088,468
Premiums, agents' balances and installments booked but deferred and not yet due	3,097,629		224,385	2,873,244
Funds held by or deposited with reinsured companies	3,386,942			3,386,942
Reinsurance recoverable on loss and loss adjustment expense payments	5,782,624			5,782,624
Federal income tax recoverable		571,668		571,668
Electronic data processing equipment	42,728			42,728
Interest, dividends due and accrued Receivable from parent, subsidiaries and affiliates	15,399	272,762		15,399
Furniture, equipment and supplies	21,420		21,420	
Loss funds advanced to third party administrators	1,469,399			1,469,399
Prepaid insurance	1,520		1,520	
Other assets	121,752			121,752
Rent deposit	<u>30,110</u>			<u>30,110</u>
Total assets	<u>\$41,905,454</u>	<u>\$844,430</u>	<u>\$1,017,013</u>	<u>\$41,732,871</u>

Liabilities

Losses	\$11,373,639
Loss adjustment expenses	3,503,609
Taxes, licenses and fees	599,094
Other expenses	251,141
Unearned premiums	7,790,319
Amounts withheld or retained by company for account of others	885,339
Provision for reinsurance	<u>3,213,800</u>
Total liabilities	<u>\$27,616,941</u>

Surplus and Other Funds

Common capital stock	\$5,000,000
Gross paid in and contributed surplus	17,444,685
Unassigned funds	<u>(8,328,755)</u>
Surplus as regards policyholders	<u>\$14,115,930</u>
Total liabilities, surplus and other funds	<u>\$41,732,871</u>

Note: The Company has never been audited by the Internal Revenue Service (IRS). Any potential exposure of the Company to any income tax assessment that may arise as a result of an IRS audit has not been established herein.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$6,543,231 during the five-year examination period, January 1, 1996 through December 31, 2000, and is detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$41,397,436
<u>Deductions:</u>		
Losses incurred	\$23,328,619	
Loss adjustment expenses incurred	7,546,411	
Other underwriting expenses incurred	<u>18,898,750</u>	
Total underwriting deductions		<u>49,773,780</u>
Net underwriting loss		\$(8,376,344)

Investment Income

Net investment income earned	\$5,441,320	
Net realized capital gains	<u>946,129</u>	
Net investment gain		6,387,449

Other Income

Net loss from agents' or premium balances charged off	\$(399,206)	
Loss portfolio transfer	(252,700)	
Interest on funds held	(103,085)	
Reorganization costs	(229,149)	
Miscellaneous income	<u>7,735</u>	
Total other income		<u>(976,405)</u>
Net income before federal income taxes		\$(2,965,300)
Federal income taxes incurred		<u>(203,946)</u>
Net income		<u><u>\$(2,761,354)</u></u>

Capital and Surplus Accounts

Surplus as regards policyholders December 31, 1995, per report on examination			\$7,572,699
	<u>Gain in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$	\$2,761,354	
Net unrealized capital losses		143,652	
Change in non admitted assets		839,167	
Capital paid-in	12,000,000		
Surplus paid-in	1,500,000		
Change in provision for reinsurance	<u> </u>	<u>3,212,596</u>	
Total gain and losses	<u>\$13,500,000</u>	<u>\$6,956,769</u>	
Net increase in surplus as regards policyholders			<u>6,543,231</u>
Surplus as regards policyholders December 31, 2000, per report on examination			<u>\$14,115,930</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liabilities of \$11,373,639 and \$3,503,609 for losses and loss adjustment expense reserves are the same as the amounts reported by the Company as of December 31, 2000. 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 its filed annual statements and verified by the examiner.

5. MARKET CONDUCT ACTIVITIES

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

Since the Company's direct business is produced by MGA, which have the authority to settle claims, issue policies and deal with policyholders, the examiners conducted a review of claims files maintained by a few of Realm's largest producers for the year 2000. The review did not result in any significant findings. The Company and the Managing General Agents work in conjunction when developing rating and underwriting manuals which follow the rules and regulations of each independent jurisdiction where business is produced.

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

- A. Sales and advertising
- B. Underwriting
- C. Rating
- D. Treatment of policyholders and claimants

No problem areas were encountered.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination as of December 31, 1995, contained comments and recommendations as follows (page numbers refer to prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
It was recommended that the Company comply with its charter and by-laws and hold board meetings at their required intervals.	3
The Company has complied with this recommendation	
It was recommended that the directors who are unable or unwilling to attend meetings consistently should resign or be replaced.	4
The Company has complied with this recommendation	
B. <u>Conflict of Interest</u>	
It was recommended that the Company establish an official conflict of interest policy.	5
In 1996, the Company adopted an official conflict of interest policy, however, the Company has not complied with its policy.	

<u>ITEM</u>	<u>PAGE NO.</u>
C. <u>Holding Company Matters</u>	
It was recommended that the Company comply with Section 1505(d)(2) of the New York State Insurance Law and Department Regulation 52-A at all times.	8-9
The Company has complied with this recommendation.	
It was also recommended that the Company comply with all provisions of the facilities agreement as filed with this department.	9
The Company has complied with this agreement.	
It was recommended that the Company comply with all provisions of Regulation 52.	9
The Company has complied with this recommendation.	
D. <u>Abandoned Property Law</u>	
It was recommended that the Company file the proper abandoned property forms in a timely manner.	11
The Company has partially complied with this recommendation. A similar recommendation is included herein.	
E. <u>Managing General Agent</u>	
It was recommended that the Company amend its managing general agent contract with Cornwall Stevens Inc. to reflect sound internal control practices.	12
The managing general agent contract with Cornwall & Stevens was cancelled.	
F. <u>Account and Records</u>	
It was recommended that the Company comply with the annual statement instructions when aging its loss recoverables.	12
The Company has complied with this recommendation.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Management</u></p> <p>It is recommended that the Company comply with its conflict of interest policy. Each officer and members of the board of directors should complete, sign and date a conflict of interest questionnaire each year.</p>	5
<p>B. <u>Reinsurance</u></p> <p>i. It is recommended that the Company take the necessary steps to collect the interest income due.</p> <p>ii. It is recommended that the Company calculate its provision for reinsurance and report amount in Schedule F in accordance with the NAIC annual statement instructions.</p>	9
<p>C. <u>Holding Company System</u></p> <p>It is recommended that the Company enter into a tax allocation agreement in compliance with Circular Letter 33 for its consolidated federal income tax return and file it with the New York Insurance Department in compliance with Section 1505(d)(2) of the New York Insurance Law.</p>	14
<p>D. <u>Abandoned Property Law</u></p> <p>It is recommended that the Company comply with Section 1316 of the New York Abandoned Property Law and report the correct amount of abandoned property in its filing.</p>	16

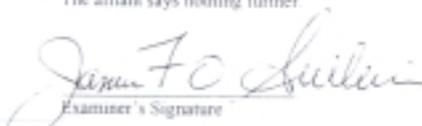
State of New York
County of New York

EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES
USED IN AN EXAMINATION

James E. O'Sullivan, BEING DULY SWORN, STATES AS FOLLOWS:

1. I have authority to represent the State of Mississippi in the examination of Realm National Insurance Company.
2. Mississippi is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.
3. I have reviewed the examination work papers and examination report and the examination of Realm National Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Mississippi.

The affiant says nothing further.


Examiner's Signature

Subscribed and sworn before me by James E. O'Sullivan on this 7th day of March 2002.


Notary Public

LISA P. CAVANAUGH
NOTARY PUBLIC, State of New York
No. 02C45072775
Qualified in New York County
Commission Expires Feb. 10, 2003

My commission expires 2/10/2003 (date).

Appointment No. 21708

STATE OF NEW YORK
INSURANCE DEPARTMENT

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

Jainarine Tilakdharry

as proper person to examine into the affairs of the

REALM NATIONAL 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 22nd day of March, 2001




GREGORY V. SERIO
First Deputy Superintendent of Insurance