

REPORT ON EXAMINATION

OF THE

SOMPO JAPAN INSURANCE COMPANY OF AMERICA

AS OF

DECEMBER 31, 2007

DATE OF REPORT

FEBRUARY 17, 2009

EXAMINER

JAINARINE TILAKDHARRY

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

February 17, 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 22797 dated July 22, 2008 attached hereto, I have made an examination into the condition and affairs of Sompo Japan Insurance Company of America as of December 31, 2007, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Sompo Japan Insurance Company of America.

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 Two World Financial Center, New York, New York 10281.

1. SCOPE OF EXAMINATION

The Department has performed an association examination of Sampo Japan Insurance Company of America. The previous examination was conducted as of December 31, 2002. This examination covered the five-year period from January 1, 2003 through December 31, 2007. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

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

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

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Pensions, stock ownership and insurance plans
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records
- Statutory deposits
- Financial statements
- Summary of recommendations

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

The Company was incorporated under the laws of the State of New York on August 9, 1962, as the Federated Insurance Company, and commenced business on January 1, 1963. On July 7, 1972, the name of the Company was changed to the Yasuda Fire & Marine Insurance Company of America. On July 1, 2002 the Nissan Fire & Marine Insurance Co. merged with the Yasuda Fire & Marine Insurance Co., Ltd. and became known as Sompo Japan Insurance, Inc. As a result of this merger, the Company changed its name from the Yasuda Fire & Marine Insurance Company of America to Sompo Japan Insurance Company of America and is now a wholly-owned subsidiary of Sompo Japan Insurance, Inc.

At December 31, 2007, capital paid in was \$12,057,800 consisting of 482,312 shares of common stock at \$25 par value per share. Gross paid in and contributed surplus was \$458,851,343. Gross paid in and contributed surplus increased by \$352,351,343 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2003	Beginning gross paid in and contributed surplus	\$106,500,000
2003	Capital Contribution	\$52,351,343
2004	Capital Contribution	100,000,000
2007	Capital Contribution	<u>200,000,000</u>
	Total Surplus Contributions	<u>352,351,343</u>
2007	Ending gross paid in and contributed surplus	<u>\$458,851,343</u>

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 nor more than twenty-one members. The board met four times during each calendar year. At December 31, 2007, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Riri Aeba Harrison, NY	Senior Vice President, Sompo Japan Insurance Company of America
Takeo Akiyama New York, NY	Partner, Pillsbury Winthrop LLP
John Calotta New York, NY	Senior Vice President and General Counsel, Sompo Japan Insurance Company of America
John Delach Port Washington, NY	Retired Managing Director, Marsh & McLennan, Inc.
Hideo Haraguchi Scarsdale, NY	President, Sompo Japan Insurance Company of America
Kazuo Ideshita New York, NY	Senior Vice President and Treasurer, Sompo Japan Insurance Company of America
H. Clark Jackson Charlotte, NC	President, SJA Insurance Agency, LLC
Harry Keefe Stewart Manor, NY	Retired President, Talbot Bird & Company, Inc.
J. David McDonald Charlotte, NC	Retired
John J. McElroy Randolph, NJ	Senior Vice President and Secretary, Sompo Japan Insurance Company of America
Alan Samuels Atlantic Beach, NY	Consultant
Richard A. Tafro Upper Saddle River, NJ	Retired Executive Vice President, Sompo Japan Insurance Company of America
Kenichi Tomita Tokyo, Japan	Senior Managing Executive Officer, Sompo Japan Insurance, 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, 2007, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Hideo Harabuchi	President
John. J. McElroy	Secretary
Kazuo Ideshita	Treasurer

Conflict of Interest

The Company has a conflict of interest policy requiring all directors and officers to sign an "Affirmation of Compliance Form." A review of signed conflict of interest affidavits noted that the Company had not obtained signed affidavits from all of its directors.

It is recommended that the Company ensure that each member of the board of directors complete, sign and date a conflict of interest affidavit.

Prior Report on Examination

Pursuant to the provisions of Section 312(b) of the New York Insurance Law, "a copy of the report shall be furnished by such insurer or other person to each member of its 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." Upon review, it was noted that the Company did not have signed statements from its directors confirming that each member had received and read the prior report on examination. The Company advised that the prior report on examination was provided to each of the directors at its board meeting of February 24, 2005; however, the Company did not obtain signed statements from the directors at that time. On August 26, 2008, the Company obtained a signed statement from the nine current board members who were also board members on February 24, 2005 attesting that they had received and read the report on examination as of December 31, 2002.

It is recommended that the Company comply with Section 312(b) of the New York Insurance Law and have each member of its board of directors sign a statement confirming that such member has received and read the report on examination.

B. Territory and Plan of Operation

As of December 31, 2007, the Company was licensed to write business in all fifty states and the District of Columbia.

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>
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity
26	Gap
28	Service contract reimbursement
32	Substantially similar kind of insurance

The Company is also empowered to transact such workers' compensation business as may be incident 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 No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended). The Company is also authorized to reinsure risks of every kind or description pursuant to the provisions of Section 4102(c) of the New York Insurance Law.

Based on the lines of business for which the Company is licensed and its 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 \$35,000,000.

The following schedule shows the direct premiums written by the Company 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 Written</u>
2003	\$22,725,405	\$108,545,781	21%
2004	\$22,548,364	\$123,149,023	18%
2005	\$27,586,665	\$169,121,570	16%
2006	\$29,494,054	\$178,935,089	16%
2007	\$31,427,631	\$182,181,504	17%

The Company offers a wide array of property and casualty lines of insurance. It mainly insures Japanese business interests in the United States that are clients of its parent company, Sompo Japan Insurance Inc., an insurance company domiciled in Tokyo, Japan. The Company offers insurance for commercial lines of business, primarily workers compensation, ocean marine commercial multi-peril, other liability, and automobile lines of business.

C. Reinsurance

Assumed reinsurance accounted for 3% of the Company's gross premium written at December 31, 2007. During the period covered by this examination, its assumed reinsurance business has remained stable since the last examination. The Company's assumed reinsurance program consists mainly of property/casualty coverage assumed on a quota share and excess of loss basis with both authorized and unauthorized cedants. Additionally, the Company's participation in various mandated pools is reflected in its assumed reinsurance activity. It is guided by reinsurance accounting as defined in NAIC Accounting Practices and Procedures Manual, Statements of Statutory Accounting Principles ("SSAP") No. 62 for all of its assumed reinsurance business.

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

Type of contractCessionBlanket Casualty Excess of Loss

Primary
Unauthorized 100%

\$2,700,000 excess of \$300,000 each occurrence.

First Excess of Loss
Unauthorized 100%

\$5,000,000 excess of \$3,000,000 each occurrence.

Workers' Comp Excess of Loss

Unauthorized 55%
Authorized 45%

First layer: \$5,000,000 excess of \$5,000,000 each occurrence.
Second layer: \$15,000,000 excess of \$10,000,000 each occurrence.

Ocean Marine Excess of Loss

Primary Layer
Unauthorized 100%

\$3,600,000 excess of \$400,000 each occurrence.

First Layer
Unauthorized 92%
Authorized 8%

\$8,000,000 excess of \$4,000,000 each occurrence.

Second Layer
Unauthorized 92%
Authorized 8%

\$8,000,000 excess of \$12,000,000 per occurrence

Property Quota Share
100% Unauthorized

75% Quota Share of all business written up to \$90,000,000

Blanket Property Excess of Loss

Unauthorized (SJI) 100%
Primary Layer
Catastrophe

\$5,500,000 excess of \$2,500,000, ultimate net loss, each risk.
\$18,500,000 excess of \$3,500,000, ultimate net loss each risk.

Property per Risk First Layer

Unauthorized 72.02%
Authorized 27.98%

\$7,500,000 excess of \$8,000,000, ultimate net loss, each risk.

Overseas Property Excess of Loss (OPRE)Property per risk

Unauthorized 55%
Authorized 45%

\$17,000,000 excess of \$15,500,000 each risk.
\$21,500,000 excess of \$32,500,000 each risk.
\$36,000,000 excess of \$54,000,000 each risk.

Type of contractCessionProperty Catastrophe (OPRE)

Unauthorized 100%

First Excess of Loss \$30,000,000 excess of \$22,000,000 each occurrence

Second Excess of Loss \$17,000,000 excess of \$52,000,000 each occurrence

Third Excess of Loss \$20,000,000 excess of \$69,000,000 each occurrence

Equipment Breakdown 100% up to \$50,000,000 for any one accident , any one policy

Authorized 100%

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133. No exceptions were noted.

On October 1, 2004, the Company had entered into a managing general agents agreement with Royal & Sun Alliance Insurance Agency, Inc (“MGA”). The MGA is authorized to underwrite and bind insurance coverage on behalf of the Company in accordance with the Company’s underwriting guidelines. The MGA has the authority to settle claims and set loss reserves in accordance with the Company’s claims guidelines. Pursuant to Department Regulation 120 (1985), the Company completed and filed “Form #1” with the Department.

Also, on October 1, 2004, the Company entered into a fronting agreement with Royal & Sun Alliance Insurance (“RSA”) whereby the Company would cede 100% of the risk assumed from policies arising out policies issued by the MGA. As a result of this agreement, the Company ceded more than 50% of its direct written premium, \$56,593,410 of which was to RSA.

Pursuant to the provisions of Section 1308(e)(1) of the New York Insurance Law, this reinsurance agreement was submitted and approved by the Department.

All ceded reinsurance agreements in effect as of the examination date were reviewed. However, it was noted that one of the Company's facultative agreement did not include an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

It is recommended that the Company ensure that all reinsurance agreements contain insolvency clauses as required under Section 1308 of the New York Insurance Law.

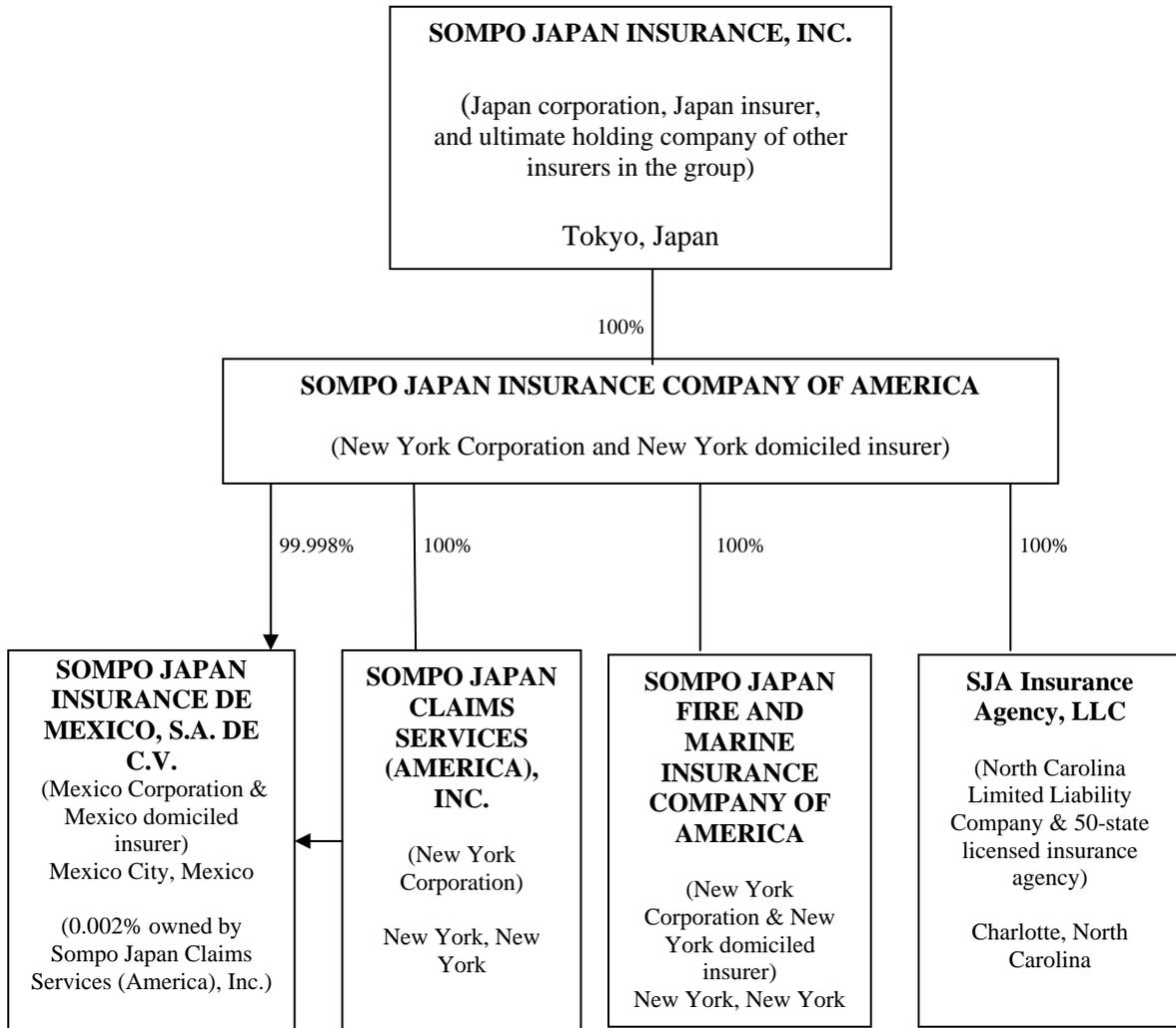
A review of the data underlying Schedule F reported by the Company in its filed annual statements found that it accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's chief executive officer pursuant to the NAIC Annual Statement Instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in paragraph 25 and 26 of SSAP No. 62.

D. Holding Company System

The Company is a member of the Sompo Japan Insurance Group. It is 100% owned by Sompo Japan Insurance, Inc., a company domiciled in Tokyo, Japan.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is a chart of the holding company system at December 31, 2007:



At December 31, 2007, the Company was party to the following agreements with other members of its holding company system:

Tax Allocation Agreement

Pursuant to a tax allocation agreement that was effective September 7, 1989, the Company files a consolidated federal income tax with its subsidiaries. This agreement was submitted to the Department prior to use as required by Article 15 of the New York Insurance Law and meets the requirements of Circular Letter No. 33 (1979). On July 1, 2003, this agreement was amended to include the Company's subsidiary, Sompo Japan Fire & Marine Insurance Company of America. Although this amendment meets the requirements of Circular Letter No. 33 (1979), the Department was not notified of this amendment at the time of its implementation.

It is recommended that the Company notify the Department within 30 days of any amendment to its tax allocation agreement, pursuant to the provisions of Circular Letter No. 33 (1979).

Salary Allocation Agreement

The captioned agreement has been entered into between the Company, Sompo Claims Services and Sompo Japan Insurance, Inc., (“SJII”) and became effective on September 30, 1999. This agreement provides for the salaries of shared employees to be allocated to the respective parties based upon the proportion of time that each employee performs services for each company. This agreement was non-disapproved by the Department on November 30, 1999.

Space Allocation Agreement

This agreement is between the Company, Sompo Claims Services and Sompo Japan Insurance, Inc. and became effective on September 30, 1999. Pursuant to the terms of the agreement, the companies share office space. The agreement provides for the allocation of rent to the respective party based upon the proportion of time that each employee performs services for each company. This agreement was non-disapproved by the Department on November 30, 1999.

Service Agreement

On October 1, 2006, the Company entered into administrative service agreement with Sompo Japan Fire & Marine Insurance Company of America (“SJFM”) whereby the Company would provide certain overhead and administrative services to SJFM for a fee. This agreement was non-disapproved by the Department on September 9, 2006.

Agency Agreement

On January 1, 2004, the Company entered into an agency service agreement with SJA Insurance Agency, LLC (“SJA”) whereby SJA would provide underwriting services on behalf of the Company. This agreement was non-disapproved by the Department on September 9, 2006. This agreement was amended on October 1, 2006, whereby SJA would also perform underwriting services to SJFM.

Claims Service Agreement

On April 1, 2003 the Company entered into a claims service agreement with Sompo Japan Claim Services (“SJCS”) Inc., whereby SJCS was appointed as the Company’s marine cargo claims settling agent. This agreement was not submitted to the Department for non-disapproval prior to its implementation. It is noted that the agreement was subsequently submitted to the Department on February 19, 2009 and was non-disapproved.

It is recommended that the Company submit all intercompany agreements to the Department for non-disapproval at least thirty days prior to implementation, pursuant to the provisions of Section 1505(d) of the New York Insurance Law.

Management Agreement

Effective January 1, 2005, the Company entered into a management agreement with its parent, Sompo Japan Insurance Inc., whereby the parent would provide certain services to the Company for a fee. This agreement was not submitted to the Department for approval.

It is recommended that the management agreement between the Company and its parent be submitted to this Department for non-disapproval pursuant to Section 1505(d) of the New York Insurance Law.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2007, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	.18 to 1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	69.31%
Premiums in course of collection to surplus as regards policyholders	4.56%

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 incurred	\$196,091,569	56.88%
Loss adjustment expenses incurred	102,707,990	29.79
Other underwriting expenses incurred	123,343,727	35.78
Net underwriting loss	<u>(77,396,634)</u>	<u>(22.45)</u>
 Premiums earned	 <u>\$344,746,652</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, 2007 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$498,121,101	\$0	\$498,121,101
Common stocks	165,225,140	1,717,901	163,507,239
Cash, cash equivalents and short-term investments	49,914,241	0	49,914,241
Other invested assets	222,909	222,909	0
Investment income due and accrued	6,897,152	0	6,897,152
Uncollected premiums and agents' balances in the course of collection	16,631,677	680,000	15,951,677
Deferred premiums, agents' balances and installments booked but deferred and not yet due	12,546,203	0	12,546,203
Amounts recoverable from reinsurers	9,637,782	0	9,637,782
Funds held by or deposited with reinsured companies	113,031	0	113,031
Current federal and foreign income tax recoverable and interest thereon	881,032	0	881,032
Net deferred tax asset	26,963,763	20,104,497	6,859,266
Electronic data processing equipment and software	1,724,087	1,380,389	343,698
Furniture and equipment, including health care delivery assets	159,872	159,872	0
Receivables from parent, subsidiaries and affiliates	1,079,296	0	1,079,296
Amounts receivable under high deductible policies	3,127,223		3,127,223
Deposit with third party administrator	1,798,829		1,798,829
Other receivable	16,000		16,000
Other assets	25,730	20,390	5,340
Marine escrow	<u>9,943</u>	<u>9,943</u>	<u>0</u>
Total assets	<u>\$795,095,011</u>	<u>\$24,295,901</u>	<u>\$770,799,110</u>

Liabilities, Surplus and Other FundsLiabilities

Losses		\$182,152,345
Reinsurance payable on paid losses and loss adjustment expenses		558,607
Loss adjustment expenses		78,197,956
Other expenses (excluding taxes, licenses and fees)		2,977,827
Taxes, licenses and fees (excluding federal and foreign income taxes)		1,293,453
Net deferred tax liability		203,266
Unearned premiums		24,115,210
Ceded reinsurance premiums payable (net of ceding commissions)		16,981,050
Funds held by company under reinsurance treaties		18,339
Amounts withheld or retained by company for account of others		9,421,973
Provision for reinsurance		101,516,136
Drafts outstanding		2,806,754
Payable to parent, subsidiaries and affiliates		447,511
Accounts payable		<u>261,066</u>
Total liabilities		\$420,951,493

Surplus and Other Funds

Common capital stock	\$12,057,800	
Gross paid in and contributed surplus	458,851,343	
Unassigned funds (surplus)	<u>(121,061,526)</u>	
Surplus as regards policyholders		<u>349,847,617</u>
Total liabilities, surplus and other funds		<u>\$770,799,110</u>

NOTE: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through tax year 2002. The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2003 through 2007. 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 \$281,612,189 during the five-year examination period January 1, 2003 through December 31, 2007, detailed as follows:

Underwriting Income

Premiums earned		\$ 344,746,652
Deductions:		
Losses incurred	\$ 196,091,569	
Loss adjustment expenses incurred	102,707,990	
Other underwriting expenses incurred	<u>123,343,727</u>	
Total underwriting deductions		<u>422,143,286</u>
Net underwriting gain or (loss)		(77,396,634)

Investment Income

Net investment income earned	\$ 86,193,743	
Net realized capital gain	<u>447,625</u>	
Net investment gain or (loss)		86,641,368

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (2,232,679)	
Aggregate write-ins for miscellaneous income	628,700	
Finance and service charges not included in premium	<u>229,818</u>	<u>(1,374,161)</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$7,870,573
Federal and foreign income taxes incurred		<u>(881,047)</u>
Net income		<u>\$8,751,620</u>

C. Capital and Surplus Account

Surplus as regards policyholders per report on examination as of December 31, 2002			\$68,235,428
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$ 8,751,620	\$ 0	
Net unrealized capital gains or (losses)	5,803,452		
Change in net deferred income tax	27,391,372		
Surplus adjustments paid in	352,351,343		
Change in nonadmitted assets		17,645,737	
Change in provision for reinsurance		97,097,661	
Cumulative effect of change in accounting principle	<u>2,057,800</u>	<u>0</u>	
Total gains and losses	<u>\$ 396,355,587</u>	<u>\$ 114,743,398</u>	
Net increase (decrease) in surplus			<u>281,612,189</u>
Surplus as regards policyholders per report on examination as of December 31, 2007			<u>\$349,847,617</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$260,350,301 is the same as reported by the Company as of December 31, 2007. 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.

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 seven recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
i. It was recommended that all reinsurance contracts contain insolvency clauses as required by Section 1308 of the New York Insurance Law.	7
The Company has not complied with this recommendation. A similar comment is made in this report.	
ii. It was recommended that the Company amend all of its reinsurance agreements to state that all arbitration shall take place in New York and be governed by New York Insurance Law.	7
The Company has complied with this recommendation.	
iii. It was recommended that the Company have all ceded reinsurance contracts signed within nine months as required by the NAIC.	8
The Company has complied with this recommendation.	
iv. It was recommended that the Company keep all reinsurance agreements in New York and have them readily available upon request.	8
The Company has complied with this recommendation.	
B. <u>Abandoned Property Law</u>	
It was recommended that the Company file abandoned property reports pursuant to Section 1316 of the New York Abandoned Property Law.	11
The Company has complied with this recommendation.	
It was recommended that the Company comply with the appropriate abandoned property laws for all the jurisdictions in which it is licensed.	11
The Company has complied with this recommendation.	
C. <u>Accounts and Records</u>	
It was recommended that the Company maintain full and complete claim files.	12
The Company has complied with this recommendation.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
i. It is recommended that the Company ensure that each member of the board of directors complete, sign and date a conflict of interest affidavit.	5
ii. It is recommended that the Company comply with Section 312 (b) of the New York Insurance Law and have each member of its board of directors sign a statement confirming that such member has received and read the report on examination.	6
B. <u>Reinsurance</u>	
It is recommended that the Company ensure that all reinsurance agreements contain insolvency clauses as required under Section 1308 of the New York Insurance Law.	10
C. <u>Holding Company</u>	
i. It is recommended that the amendment to the tax allocation agreement between the Company and its subsidiaries be submitted to this Department for non-disapproval pursuant to Section 1505(d) of the New York Insurance Law.	12
ii. It is recommended that the Company submit all intercompany agreements to the Department for non-disapproval at least thirty days prior to implementation, pursuant to the provisions of Section 1505(d) of the New York Insurance Law.	13
iii. It is recommended that the management agreement between the Company and its parent be submitted to this Department for non-disapproval pursuant to Section 1505(d) of the New York Insurance Law.	13

Appointment No. 22797

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, Eric R. Dinallo, 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

SOMPO JAPAN INSURANCE COMPANY OF AMERICA

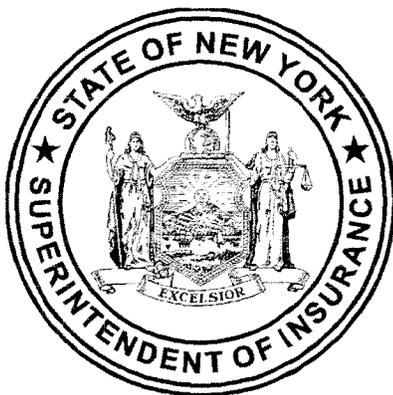
and to make a report to me in writing of the condition of the said

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 July, 2008



A handwritten signature in cursive script that reads "Eric R. Dinallo".

ERIC R. DINALLO
Superintendent of Insurance