

REPORT ON EXAMINATION

OF THE

SOMPO JAPAN INSURANCE COMPANY OF AMERICA

AS OF

DECEMBER 31, 2012

DATE OF REPORT

APRIL 23, 2014

EXAMINER

HAILS TAYLOR, CFE

TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1	Scope of Examination	2
2.	Description of Company	3
	A. Management	3
	B. Territory and plan of operation	5
	C. Reinsurance	6
	D. Holding company system	9
	E. Significant operating ratios	12
	F. Accounts and records	13
3.	Financial Statements	14
	A. Balance sheet	14
	B. Statement of income	16
4.	Losses and loss adjustment expenses	17
5.	Compliance with prior report on examination	18
6.	Summary of comments and recommendations	19



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawskey
Superintendent

April 23, 2014

Honorable Benjamin M. Lawskey
Superintendent of Financial Services
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 31030 dated October 21, 2013, attached hereto, I have made an examination into the condition and affairs of Sompo Japan Insurance Company of America as of December 31, 2012, 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 State Department of Financial Services.

The examination was conducted at the Company’s administrative office located at 11405 North Community House Rd, Suite 600, Charlotte, North Carolina. The Company’s statutory home office is located at 777 Third Avenue, 28th Floor, New York, NY 10017.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2007. This examination covered the five year period from January 1, 2008 through December 31, 2012. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“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. This 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 financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation of the Company’s own control environment assessment and an evaluation based upon the Company’s Sarbanes Oxley documentation and testing. 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 Handbook:

- 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 that involve departures from laws, regulations or rules, or that 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 to Sompo Japan Insurance Company of America and is now a wholly-owned subsidiary of Sompo Japan Insurance, Inc.

As of December 31, 2012, 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.

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 members. At December 31, 2012, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Hiroyuki Yamaguchi New York, NY	Chief Executive Officer, Sompo Japan Insurance Company of America
Takeo Akiyama Westchester, NY	Partner, Pillsbury, Winthrop, LLC
Ellen Caldwell Denver, NC	Chief Operating Officer, SJA Insurance Agency, LLC
John Calotta New York, NY	Secretary, Senior Vice President & General Counsel, Sompo Japan Insurance Company of America

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Delach Port Washington, NY	Retired Managing Director, Marsh & McLennan, Inc.
H. Clark Jackson Charlotte, NC	Executive Vice President, Sompo Japan Insurance Company of America
Harry Keefe Stewart Manor, NY	Retired Insurance Executive
Hiroshi Kida Charlotte, NC	President and Chief Operating Officer, Sompo Japan Insurance Company of America
David McDonald Charlotte, NC	Retired Insurance Executive
John McElroy Randolph, NJ	Retired Insurance Executive
Hirohiko Morisaki Charlotte, NC	Treasurer & Chief Financial Officer, Sompo Japan Insurance Company of America
Alan Samuels Long Island, NY	Retired Insurance Executive
Richard A. Tafro Saddle River, NJ	Retired Insurance Executive

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.

Conflict of Interest Affidavits

The Company was requested to provide completed conflict of interest affidavits for each of its directors for each year under examination; however, the Company was only able to provide some, but not all of the requested affidavits. It is noted that the Company stated that the relocation of its corporate office made it difficult to locate some of the affidavits.

It is recommended that the Company ensure that each of its officers, directors and key employees complete, sign and date a conflict of interest affidavit on an annual basis and that the completed affidavits be provided to the Company's board of directors for their review and that the board minutes reflect that the affidavits have been reviewed. It is further recommended that the

Company maintain copies of all completed affidavits. It is noted that a similar recommendation was included in the prior report on examination.

As of December 31, 2012, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Hiroshi Kida	President and Chief Operating Officer
Hiroyuki Yamaguchi	Chief Executive Officer
Hirohiko Morisaki	Treasurer and Chief Financial Officer
John Calotta	Secretary, Senior Vice President and General Counsel

B. Territory and Plan of Operation

As of December 31, 2012, 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>
3	Accident & health
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
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity
26	Gap
28	Service contract reimbursement

The Company was also licensed to write special risks pursuant to Article 63 of the New York Insurance Law and is authorized, pursuant to Section 4102(c)(i) and (ii) of the New York Insurance

Law, to reinsure risks of every kind or description and insure property or risks of every kind or description located or resident outside of the United States, its territories and possessions.

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13, 41 and 63 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 Premiums</u>	<u>Premiums Written in New York State as a Percentage of Total Premium</u>
2008	\$25,496,633	\$187,515,915	13.60%
2009	\$22,997,281	\$169,816,341	13.54%
2010	\$23,002,395	\$173,703,740	13.24%
2011	\$28,910,133	\$203,272,167	14.22%
2012	\$30,486,089	\$230,084,005	13.25%

The Company's major lines of business are commercial multiple peril (non-liability), workers' compensation and fire, which accounted for 32.1%, 15.6% and 12.3%, respectively, of the Company's 2012 direct written business. The Company's business is produced through approximately 94 agents/brokers.

C. Reinsurance

Assumed reinsurance accounted for 11% of the Company's gross premium written at December 31, 2012. During the period covered by this examination, the Company's assumed reinsurance business has increased 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. The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62 for all of its assumed reinsurance business.

The Company has structured its ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Property Quota Share</u> 100% Unauthorized (Sompo Japan Inc. or "SJI")	50% Quota Share of all business written up to \$110,000,000.
<u>Blanket Property Excess of Loss</u> 100% Unauthorized (SJI)	Property per risk: \$5,500,000 excess of \$2,500,000 ultimate net loss each risk, subject to a maximum recovery of \$16,500,000 each loss occurrence during the term of the contract. Property per occurrence: \$18,500,000 excess of \$3,500,000 ultimate net loss for each and every loss occurrence.
<u>Overseas Property Excess of Loss</u> <u>Property per risk</u> 55% Unauthorized 45% Authorized	First Layer: \$17,000,000 excess of \$15,500,000 ultimate net loss each and every loss, each and every risk. Second Layer: \$21,500,000 excess of \$32,500,000 ultimate net loss each and every loss, each and every risk. Third Layer: \$56,000,000 excess of \$54,000,000 each risk.
<u>Property Catastrophe</u> 100% Unauthorized	First Layer: \$17,000,000 excess of \$52,000,000 each occurrence
<u>Blanket Casualty Excess of Loss</u> 100% Unauthorized (SJI)	First Layer: \$3,000,000 in excess of \$3,000,000 ultimate net loss each occurrence.
100% Unauthorized (SJI)	Second Layer: \$5,000,000 in excess of \$6,000,000 ultimate net loss each occurrence.
Workers' Compensation	First Layer: \$5,000,000 excess of \$5,000,000 ultimate net loss each event (Maximum of \$15,000,000 of all events during the term of the contract) Second Layer: \$15,000,000 excess of \$10,000,000 ultimate net loss each event (Maximum of \$30,000,000 of all events during the term of the contract)
<u>Terrorism</u> 100% Authorized	First Layer: \$28,000,000 excess of \$8,000,000 (\$32,000,000 excess of \$4,000,000 for identified Marine Stock Points) Second Layer: \$35,850,000 excess of \$36,000,000

<u>Type of Treaty</u>	<u>Cession</u>
<u>Ocean Marine Excess of Loss</u>	
Cargo Master Cover 100% Authorized	\$30,000,000 any one conveyance and/or location any one insured
Overseas Marine 100% Authorized	First Layer: \$8,000,000 excess of \$4,000,000 each and every loss affecting any one risk or series of losses arising out of any occurrence
100% Authorized	Second Layer: \$18,000,000 excess of \$12,000,000 each and every loss affecting any one risk or series of losses arising out of any occurrence

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 and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. 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 authority to settle claims and set loss reserves in accordance with the Company's claims guidelines.

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 to reinsurers, including RSA.

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.

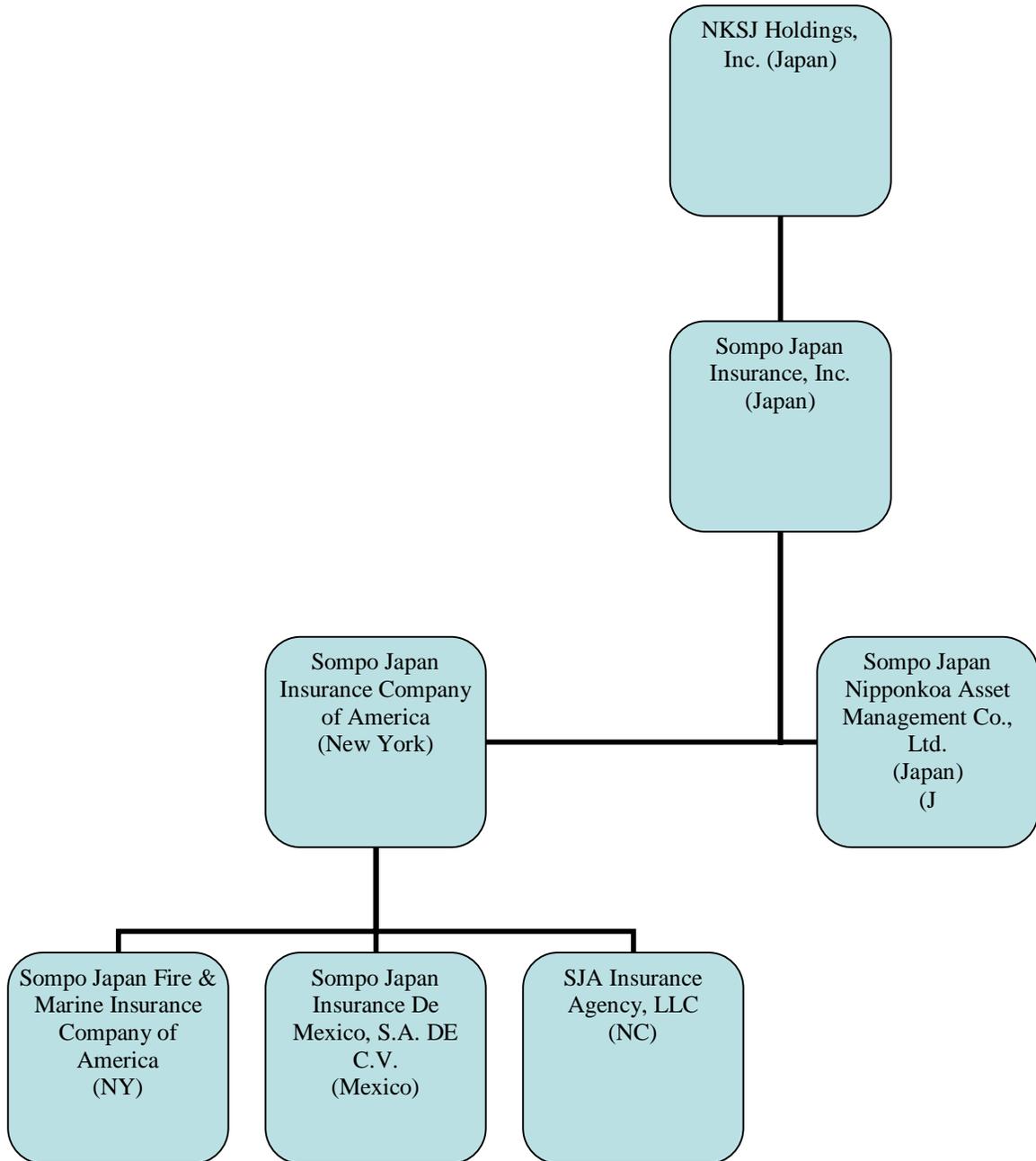
Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the 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 SSAP No. 62.

D. Holding Company System

The Company is a member of the NKSJ Holdings, Inc. Group. The Company is 100% owned by Sompo Japan Insurance, Inc. ("SJI"), 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 an abridged chart of the holding company system at December 31, 2012:



At December 31, 2012, the Company was party to the following agreements with other members of its holding company system:

Tax Allocation Agreement

Pursuant to this agreement effective July 1, 2003, the Company files consolidated federal income tax returns with its subsidiaries. This agreement was submitted to the Department pursuant to Article 15 of the New York Insurance Law and meets the requirements of Circular Letter No. 33 (1979).

Salary Allocation Agreement

This agreement with effective date of March 29, 2012 is between the Company, SJI, Sompo Japan Fire and Marine Insurance Company, Sompo Japan Nipponkoa Asset Management Company. Ltd. and SJA Insurance agency. This agreement states that the salaries of shared employees shall be allocated and charged to all such parties based upon the proportion of time that such shared employee performs services for each of such parties in accordance with laws and regulations applicable to such party including Regulation 30. The agreement was non-disapproved by the Department on March 8, 2012.

Space Allocation Agreement

This agreement with effective date of March 29, 2012 is between the Company, SJI, Sompo Japan Fire and Marine Insurance Company, Sompo Japan Nipponkoa Asset Management Company Ltd. and SJA Insurance Agency. Pursuant to the agreement, the parties share office space in New York and Charlotte. The agreement states that the cost of such shared office space shall be fairly allocated among the parties based upon the cost of such shared office space and in all cases subject to the limits and requirements of applicable law and regulations. The agreement was non-disapproved by the Department on March 8, 2012.

Training Services Agreement

This agreement with effective date of July 12, 2010 is between the Company and SJI. This agreement states that the Company shall provide basic practical training for talented personnel that SJI selects as part of the international business program for a fixed fee. The agreement was non-disapproved by the Department on July 6, 2010.

Management Agreement

This agreement with effective date of January 1, 2005 is between the Company and SJI. It was noted that this agreement was not submitted to the Department for prior review and non-disapproval, therefore, the prior report on examination recommended that the management agreement be submitted to the Department for non-disapproval pursuant to Section 1505 (d) of the New York Insurance Law.

This agreement was modified on January 1, 2008 to include a provision on anti-social and intellectual property rights. These provisions were added to the agreement to address new regulations in Japan. During 2012, an amendment to the entrustment fee was executed. Neither amendment was submitted to the Department for prior review and non-disapproval.

In view of the above, it is again recommended that the management agreement be submitted to the 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, 2012, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	21%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	54%
Premiums in course of collection to surplus as regards policyholders	4%

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	\$208,767,468	59.39%
Other underwriting expenses incurred	138,772,636	39.48%
Net underwriting gain	<u>4,004,883</u>	<u>1.14%</u>
Premiums earned	<u>\$351,544,987</u>	<u>100.00%</u>

F. Accounts and Records

i. Records Retention

Part 243.2 (b) of Department Regulation 152 states in part: “Except as otherwise required by law or regulation, an insurer shall maintain: (8) Any other record for six calendar years from its creation or until after the filing of a report on examination or the conclusion of an investigation in which the record was subject to review”.

The Company was unable to provide copies of signed conflict of interest statements for each director, officer and/or key employee for either the Company or its subsidiary, Sompo Japan Fire and Marine Insurance Company of America, for the first two years of the examination period.

Additionally, the Company was unable to provide documentation that the management agreement entered into in 2005 was ever submitted to the Department.

It is recommended that the Company fully comply with the record retention period as required in Part 243.2(b) of Regulation 152.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2012 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	\$485,998,664	\$ 0	\$485,998,664
Common stocks	242,040,787	840	242,039,947
Cash, cash equivalents and short-term investments	70,591,784	0	70,591,784
Other invested assets	34,532,244	4,785,064	29,747,180
Investment income due and accrued	6,148,710	0	6,148,710
Uncollected premiums and agents' balances in the course of collection	18,310,993	963,354	17,347,459
Deferred premiums, agents' balances and installments booked but deferred and not yet due	28,506,134	0	28,506,134
Amounts recoverable from reinsurers	10,349,381	0	10,349,381
Funds held by or deposited with reinsured companies	61,201	4,978	56,223
Current federal and foreign income tax recoverable and interest thereon	2,112,027	0	2,112,027
Net deferred tax asset	12,158,414	3,075,338	9,083,076
Electronic data processing equipment and software	7,437,212	6,752,361	684,851
Furniture and equipment, including health care delivery assets	412,253	412,253	0
Receivables from parent, subsidiaries and affiliates	1,367,075	0	1,367,075
Amount receivable under high deductible policies	7,514,499		7,514,499
Deposit with third party administrator	(801,904)		(801,904)
Other receivable	16,000		16,000
Other assets	276,073	21,318	254,755
Leasehold improvements	<u>108,861</u>	<u>108,861</u>	<u>0</u>
Total assets	<u>\$927,140,408</u>	<u>\$16,124,548</u>	<u>\$911,015,860</u>

Liabilities, surplus and other funds

Losses and loss adjustment expenses	\$256,399,756
Reinsurance payable on paid losses and loss adjustment expenses	1,145,718
Other expenses (excluding taxes, licenses and fees)	3,547,905
Taxes, licenses and fees (excluding federal and foreign income taxes)	1,921,282
Unearned premiums	41,980,576
Ceded reinsurance premiums payable (net of ceding commissions)	14,928,262
Funds held by company under reinsurance treaties	150,000
Amounts withheld or retained by company for account of others	10,715,620
Provision for reinsurance	84,298,403
Drafts outstanding	578,295
Payable to parent, subsidiaries and affiliates	1,166,355
Accounts payable	8,154
Retroactive reinsurance reserve assumed	<u>7,985</u>

Total liabilities \$416,848,311

Surplus and Other Funds

SSAP 101	\$ 3,142,061
Common capital stock	12,057,800
Gross paid in and contributed surplus	458,851,343
Unassigned funds (surplus)	<u>20,116,345</u>
Surplus as regards policyholders	<u>494,167,549</u>

Total liabilities, surplus and other funds \$911,015,860

B. Statement of Income

Surplus as regards policyholders increased \$144,319,932 during the five-year examination period January 1, 2008 through December 31, 2012, detailed as follows:

Underwriting Income

Premiums earned		\$351,544,987
Deductions:		
Losses and loss adjustment expenses incurred	\$208,767,468	
Other underwriting expenses incurred	<u>138,772,636</u>	
Total underwriting deductions		<u>347,540,104</u>
Net underwriting gain		\$ 4,004,883

Investment Income

Net investment income earned	\$129,918,915	
Net realized capital gain	<u>11,138,291</u>	
Net investment gain		141,057,206

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ 925,218	
Finance and service charges not included in premiums	574,157	
Aggregate write-ins for miscellaneous income	<u>2,111,473</u>	
Total other income		<u>3,610,848</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$148,672,937
Federal and foreign income taxes incurred		<u>40,275,776</u>
Net Income		<u>\$108,397,161</u>

Surplus as regards policyholders per report on examination as of December 31, 2007			\$349,847,617
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$108,397,162		
Net unrealized capital gains or (losses)	21,283,545		
Change in net deferred income tax		\$10,749,860	
Change in nonadmitted assets	8,171,353		
Change in provision for reinsurance	<u>17,217,732</u>	<u>0</u>	
Total gains and losses	<u>\$155,069,792</u>	<u>\$10,749,860</u>	
Net increase in surplus			<u>144,319,932</u>
Surplus as regards policyholders per report on examination as of December 31, 2012			<u>\$494,167,549</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$256,399,756 is the same as reported by the Company as of December 31, 2012. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55 (“SSAP No. 55”).

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Accounts and Records</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
The Company has not complied with this recommendation for the first two years of the examination period. A similar comment is included in this report.	
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
The Company has complied with this recommendation.	
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
The Company has complied with this recommendation.	
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
The Company has complied with this recommendation.	
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
The Company has complied with this recommendation.	
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
The Company has not complied with this recommendation. A similar comment is included in this report.	

6. **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 of its officers, directors and key employees complete, sign and date a conflict of interest affidavit on an annual basis and that the completed affidavits be provided to the Company's board of directors for their review and that the board minutes reflect that the affidavits have been reviewed.	4
ii. It is further recommended that the Company maintain copies of all completed affidavits.	4
B. <u>Holding company</u>	
It is again recommended that the management agreement be submitted to the Department for non-disapproval pursuant to Section 1505(d) of the New York Insurance Law.	12
C. <u>Accounts and records</u>	
It is recommended that the Company fully comply with the records retention period as required in Part 243.2(b) of Regulation 152.	13

Respectfully submitted,

_____/s/
Hails Taylor, CFE

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

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

_____/s/
Hails Taylor

Subscribed and sworn to before me

this _____ day of _____, 2014.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **BENJAMIN M. LAWSKY**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Hails Taylor

as a proper person to examine the affairs of the

Sompo Japan Insurance Company of America

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

COMPANY

with such other information as he shall deem requisite.

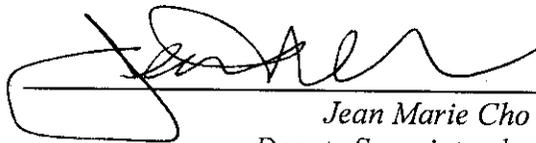
*In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York*

this 21st day of October, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services



By:



Jean Marie Cho
Deputy Superintendent