<u>REPORT ON EXAMINATION</u>

<u>OF THE</u>

<u>GENERALI-UNITED STATES BRANCH</u>

<u>AS OF</u>

<u>DECEMBER 31, 2002</u>

<u>DATE OF REPORT</u>	<u>OCTOBER 14, 2004</u>
<u>EXAMINER</u>	<u>MOSES EGBON</u>

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

October 14, 2004

Honorable Gregory Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the instructions contained in Appointment Number 22081 dated July 15, 2003 and attached hereto, I have made an examination into the condition and affairs of the Generali-United States Branch as of December 31, 2002 and respectfully submit the following report thereon.

The examination was conducted at the offices of the United States Branch located at One Liberty Plaza, New York, New York 10006.

Wherever the designations “Branch” or “Generali-U.S. Branch” appear herein without qualification, they should be understood to indicate Generali-United States Branch. In addition, wherever the designation “Home Office” appears herein without qualification, it should be understood to indicate Assicurazioni Generali S.p.A of Trieste, Italy.

Whenever the term “Department” appears herein without qualification, it should be understood to mean the New York Insurance Department.

1. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1997. The current examination covers the period from January 1, 1998 through December 31, 2002. Transactions subsequent to this period were reviewed where deemed appropriate.

The examination comprised a complete verification of assets and liabilities as of December 31, 2002, a review of income and disbursements deemed necessary to accomplish such verification and utilized, to the extent considered appropriate, work performed by the Branch's independent certified public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

History of the Branch
Management and control
Corporate records
Fidelity bonds and other insurance
Officers' and employees' welfare and pension plans
Territory and plan of operation
Market conduct activities
Growth of the Branch
Business in force
Loss experience
Reinsurance
Accounts and records

A review was also made to ascertain what action was taken by the Branch with regard to comments and recommendations stated 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 THE BRANCH

The General Insurance Company of Trieste and Venice (Assicurazioni Generali S.p.A.) was established on December 26, 1831 in Trieste, Italy.

Generali-U.S. Branch is part of Assicurazioni Generali S.p.A. of Trieste, Italy. The Home Office maintained a United States Branch during the years 1935 through 1944, at which point its operations were interrupted by war. In December 1952, the Home Office re-entered the United States market through the State of New York as the United States Branch of the General Insurance Company of Trieste and Venice.

Effective January 1990, the Branch, with the approval of the Department, changed its name to Generali-United States Branch.

During the examination period, and with the approval of this Department, the Branch remitted $45,000,000 to its Home Office. Additionally, subsequent to the examination date, the Branch requested Department approval to remit $10,000,000 to its Home Office. The Department approved the amount with the condition that $5,620,000 would be deducted to settle the Branch's reinsurance recoverable from Munich Re, which represents a retrocession to the Home Office. After such deduction, the actual remittance was $4,380,000.

A. Management

Since 1966, the Branch's operations have been managed by Genamerica Management Corporation ("U.S. Manager"), a New York corporation which is wholly-owned by the Home Office. A power of attorney, made effective since 1966, authorizes the U.S. Manager to represent the Branch in all matters relating to the operations of its business and affairs. The administration of Generali-U.S. Branch is under the direction of president and chief executive officer, Christopher J. Carnicelli, who assumed the title of chief executive officer effective January 1, 2000. Prior to holding this position, he was the Branch's senior vice president and general counsel.

As of December 31, 2002, the U.S. Manager's board of directors consisted of five members as follows:

Name and Residence	Principal Business Affiliation
Giorgio Balzer Bernardsville, NJ	Chairman of the Board, Genamerica Management Corporation
Christopher J. Carnicelli Scarsdale, NY	President and Chief Executive Officer, Generali-U.S. Branch
Alessandro Corsi Trieste, Italy	Actuary, Generali-Italy
David Gates Olathe, KS	General Counsel and Secretary, Businessman's Assurance Corporation
Edward Ritter Olathe, KS	Senior Vice President and Chief Financial Officer, Businessman's Assurance Corporation

The principal officers of the Branch were as follows:

Name	Title
Christopher J. Carnicelli	President and Chief Executive Officer
John Martini	Chief Financial Officer
Tomasito A. Lazaro	Vice President and Treasurer
Angela Mastroserio	Senior Vice President and Secretary

Pursuant to the provisions of Section 1315 of the New York Insurance Law, an alien insurer is required to maintain in the United States trusteed assets for the security of all its policyholders and creditors within the United States and to appoint a trustee of such assets. Under the terms of a deed of trust dated September 26, 1996, the Branch designated the Bank of New York as its United States trustee. The deed provides that legal title to the trusteed assets shall be vested in the trustee and authorizes the trustee to sell or collect any security or property and to invest and reinvest the proceeds thereof upon written direction of the manager.

The Bank of New York is also the custodian of the securities required on deposit with the Superintendent pursuant to Section 1314 of the New York Insurance Law.

B. Territory and Plan of Operation

As of December 31, 2002, Generali-U.S. Branch was authorized to write business in the District of Columbia, and all the states of the United States except Hawaii, Massachusetts, Rhode Island and Vermont.

The following schedule shows the Branch's direct premiums written in New York State and countrywide during the period under examination:

DIRECT PREMIUMS WRITTEN

Calendar Year	New York State	Total United States	Premiums Written in New York State as a Percentage of United States Premiums
1998	$2,240,936	$119,596,293	1.9%
1999	$3,121,939	$107,891,402	2.9%
2000	$2,236,209	$ 72,455,684	3.1%
2001	$ 534,730	$ 13,454,519	4.0%
2002	$ 4,912	$ 2,899,662	0.2%

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:

Paragraph	Kind of Insurance
3	Accident and health
4	Fire
5	Miscellaneous property damage
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

In addition, the Branch is authorized to write special risk insurance pursuant to Article 63 of the New York Insurance Law. The Branch is also empowered to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended).

Based upon the kinds of insurance for which the Branch is licensed, and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Branch is required to maintain a minimum surplus to policyholders in the amount of $4,400,000.

Effective September 30, 2000, the Branch entered into full run-off status. Prior to that, the Branch's primary business was produced through several managing general agents ("MGAs"). It has since ceased writing new business and has terminated all but one of its managing general agent contracts. The MGA remaining services the renewal business of the non-standard automobile policies written in California, which the Branch is required to renew by law.

C. Reinsurance

Assumed

The Branch assumed reinsurance business mainly to complement its primary business prior to its run-off date of September 2000. The Branch assumed a relatively minor volume of business as compared to its direct writings.

Ceded

The Schedule F data contained in the Branch's annual statements filed for the years within the examination period was found to accurately reflect the reinsurance transactions. The examiner noted some exceptions in the Branch's ceded reinsurance balances payable and reinsurance recoverable on paid losses and loss adjustment expenses, which are described in the accounts and records section of this report.

During 2000, the Branch cancelled all of its ceded reinsurance contracts when it entered runoff status. Nevertheless, the examiner reviewed the ceded reinsurance contracts in effect prior to the runoff date, and all agreements contained the required insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

The following reinsurance program depicts all the contracts that cover individually the business of each managing general agent (MGA) prior to the Branch entering runoff:

Type of Treaty	Cession
Arrowhead General Agency	
Commercial Auto Excess of Loss 100% authorized	$1,750,000 excess of $250,000 per risk/occurrence policies not exceeding policy limit of $1,000,000.
Anchor Managing General Agency	
Property Quota Share 100% Authorized	50% of $1,000,000 per risk/occurrence.
Casualty Quota Share 100% Authorized	50% of $1,000,000 per risk/occurrence.
Property Excess of Loss 100% Authorized	$3,000,000 excess of $1,000,000 per risk/occurrence not to exceed $9,000,000 per risk/occurrence.
Casualty Excess of Loss 100% Authorized	$1,000,000 excess of $1,000,000 per risk/occurrence.
Umbrella Quota Share 100% Authorized	90% of the first $1,000,000, and 100% of the next $4,000,000 limited to a maximum of $5,000,000.
Concorde	
Casualty Excess of Loss 100% Authorized	$1,500,000 excess of $5,000,000 per risk/occurrence.
Dobson Marine	
Marine Hull Excess 4-layers 100% Authorized	$4,750,000 excess of $3,750,000 per risk/occurrence.
Excess of Loss Underlying Program 3-Layers 10 % Authorized 90% Unauthorized	$600,000 excess of $250,000 per risk/occurrence. subject to exhaustion of limits and reinstatements

Type of Treaty	Cession
International Excess (IETM)	
Casualty Excess of Loss Authorized 44.00% Unauthorized 56.00%	$1,350,000 excess of $500,000 per risk/occurrence.
The Insurance Link	
Casualty Excess of Loss Authorized 50.00% Unauthorized 50.00%	$1,500,000 excess of $500,000 per risk/occurrence.
Johnson and Johnson	
Casualty Excess of Loss Authorized 50.00% Unauthorized 50.00%	$1,500,000 excess of $500,000 per risk/occurrence.
Vision Insurance Group	
Auto Quota Shares Authorized 75.00% Unauthorized 25.00%	75% quota share per risk/occurrence.
Auto Excess of Loss Authorized 14.00% Unauthorized 86.00%	$100,000/$300,000/$100,000 excess of $25,000/50,000/25,000 per risk/occurrence.
Other Reinsurance	
Aggregate Stop Loss Unauthorized 100%	Limit of 75% of net earned premium income during the calendar year. Limit of $2,000,000 of additional losses incurred in calendar year 1999 on loss reserves held at 1998 year-end, excluding "Bennett" losses incurred. Limit of $75,000,000 of additional losses incurred in calendar year 1999 on loss reserves held at 1998 year-end, with respect to "Bennett" losses incurred. Limit of $58,575,578 for cancelled business at 1985 year-end and prior.

In addition, the Branch had some automatic facultative agreements, which provided property, commercial umbrella, liquor liability and equipment breakdown coverage for four of its managing general agents. These contracts were cancelled when the Branch entered into a runoff mode.

In 1996, the Branch was named a defendant in litigation involving eleven insurance policies issued to the Bennett Funding Group, Inc. ("Bennett") and its affiliate, Resort Funding Inc., with the effective dates of the policies dating from 1990 to 1993. Bennett and several of its affiliates filed for Chapter XI bankruptcy. After the bankruptcy filing, the trustee in the Chapter XI proceedings of Bennett sued the Branch seeking insurance proceeds. Subsequently, certain creditors, who were loss payees under the insurance policies, asserted cross claims against the Branch seeking proceeds from the insurance policies as well.

In 2000, the Branch executed final settlement agreements with substantially all the plaintiffs in the Bennett Funding litigation. The Branch paid approximately $127,000,000 according to the terms of agreements. The losses were fully reinsured under a stop loss agreement that was ultimately retroceded to the Home Office.

As of the examination date, the Branch's management stated that it still has approximately $350,000 in potential outstanding liability on the case. This reserve relates to legal fees that may still be incurred and one outstanding suit initiated by a local bank that was not part of the prior class action suit against the Branch. It has estimated that its settlement with such bank should not exceed $40,000.

D. Holding Company System

Pursuant to Section 1502 of the New York Insurance Law, the Branch is exempted from holding company filing. However, the Branch owns 100% of the stock of Generali Underwriters, a New York corporation organized in 1986 to act as a managing general agent and produce insurance business for the Branch. In 1994, Generali Underwriters ceased its operations, and it is currently inactive.

The Home Office is affiliated with the following companies in the United States:

- BMA Financial Services Inc., a financial service company based in Kansas.
- Europ Assistance US Holding, a subsidiary of Europ Assistance Inc., a French company which provides employee benefits and other services through a network of providers.
- Europ Assistance International Inc., Los Angeles, California, handles employee benefits and other services for companies in situations where coverage is not only needed in United States, but rather all over the world.
- Global Travel, Los Angeles, California, acts as a travel agent for European companies with employees traveling in the United States.
- General Securities Corporation of North America, New York, a shell holding company currently inactive.
- Genamerica Management Corporation, New York, conducts and carries on the daily operations of the Branch.
- Jones and Babson Inc., Kansas City, a mutual fund house which was formerly owned by BMA of Kansas City.
- Prime USA Inc., New York, holds Assicurazioni Generali shares of a joint mutual fund venture with Lipper and Company.
- Transocean Holding Corporation, New York, manages various assets owned by Assicurazioni Generali S.p.A.
- Worldwide Assistance Services Inc., Washington, D.C., provides auxiliary services to members of the Assicurazioni Generali S.p.A. group of companies.

As of the examination date, the Branch was a party to the following agreements with affiliated entities:

1. Management Service Agreement with Genamerica Management Corporation

The Branch is a party to a management service agreement with Genamerica Management Corporation ("Manager"), an affiliate, which manages the operation of the Branch. The agreement does not address the Manager's compensation. However, the Manager indicated that it received no compensation for its services. It is recommended that the Branch revise this service agreement to state the compensation, if any, that may be payable to its Manager.

2. Expense Sharing and Reimbursement Agreement with Transocean Holding Corporation, Assicurazioni Generali, United States Representative, and Generali Underwriters.

The Branch shares certain expenses with its affiliates. Although the Branch has established procedures for the allocation of joint expenses, it does not have a formal, written expense sharing agreement. It is recommended that the Branch formalize a cost sharing agreement setting forth provisions that would serve as guidelines to properly allocate, reimburse, and settle the cost of shared expenses among the participating parties. The allocation method for shared expenses should be consistent with the provisions of Department Regulation 30.

E. Abandoned Property Law

The Branch did not file abandoned property reports with the New York State Comptroller for 2000 through 2002, as required by Sections 1315 and 1316 of the New York Abandoned Property Law, which mandates such reports be submitted by April 1st each year. It is recommended that the Branch comply with the requirements of the New York Abandoned Property Law.

F. Accounts and Records

During the examination of the Branch's accounts and records, some deficiencies were noted in the manner in which the Branch accounted for transactions it recorded in certain general ledger accounts and the details are as follows:

Agents' Balances in Course of Collection, Drafts Outstanding, Reinsurance Recoverable on Losses and Loss Adjustment Expenses and Ceded Reinsurance Balances Payable

During the examination of the captioned account, it was noted that the amounts reported in the annual statement for the above accounts did not reflect the actual balances in the general ledger accounts. The amount reported in the agents' balances account was a mixture of some of the above transactions, which created a problem for the Branch to reconcile. The examiner reviewed a sample of the transactions reported in the accounts, and no material exceptions were noted.

Nevertheless, the Branch has the responsibility of ensuring that balances reported in its financial statements directly reconcile to the general ledger. Therefore, it is recommended that the Branch ensure that the recorded transactions in its general ledger accounts reconcile to its filed financial statements.

The misallocation of these items had no affect on the Branch's surplus to policyholders.

G. Disaster Recovery Plan

While the Branch has taken steps to develop a disaster recovery plan, it has not yet formalized a written plan that would outline procedures to follow in order to restore processing systems in the event of a disastrous occurrence. Such plan is necessary in order for the Branch to respond effectively to an incident that may disrupt normal business activities and system processing. Therefore, it is recommended that the Branch finalize a written disaster recovery plan and perform periodic testing to ensure that formulated procedures will operate as intended.

H. Significant Operating Ratios

The following ratios have been computed as of December 31, 2002, based upon the results of this examination:

Net premiums written in 2002 to Surplus as regards policyholders	.10:1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	64.99%
Premiums in course of collection to Surplus as regards policyholders	2.95%

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:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$300,423,396	91.20%
Other underwriting expenses incurred	102,050,730	30.98
Net underwriting loss	(73,044,482)	(22.17)
Premiums earned	$329,429,644	100.00%

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination and as reported by the Branch as of December 31, 2002:

	Examination			Company	
Assets	Ledger Assets	Non-Admitted Assets	Net-Admitted Assets	Net-Admitted Assets	Surplus Increase (Decrease)
Bonds	$ 56,616,547		$ 56,616,547	$ 56,616,547	
Short-term investments	44,893,645		44,893,645	44,893,645	
Cash on hand and on deposit	20,690,701		20,690,701	20,690,701	
Other invested assets	1,320,400		1,320,400	1,320,400	
Premiums and agents' balances in course of collection	6,953,518	$5,527,000	1,426,518	1,426,518	
Funds held by or deposited with reinsured companies	853,971		853,971	853,971	
Reinsurance recoverable on losses and loss adjustment expenses	13,312,123	2,219,000	11,093,123	13,312,123	$(2,219,000)
Electronic data processing equipment	706,663	706,263	400	400	
Interest income due and accrued	851,335		851,335	851,335	
Receivables from parent, subsidiaries and affiliates	599,789		599,789	599,789	
Other assets non-admitted	581,409	581,409	0	0	
Pensions	9,674,868	9,674,868	0	0	
Leasehold improvements	1,476,156	1,476,156	0	0	0
Total Assets	$158,531,125	$20,184,696	$138,346,429	$140,565,429	$(2,219,000)

Liabilities	Examination	Company	Surplus Increase (Decrease)
Losses and loss adjustment expenses	$81,747,441	$66,935,441	$(14,812,000)
Reinsurance payable on paid losses and loss adjustment expenses	1,310,001	1,310,001	
Commissions payable	(552,969)	(552,969)	
Other expenses	760,435	760,435	
Taxes, licenses and fees	75,000	75,000	
Unearned premiums	24,038	24,038	
Ceded reinsurance premiums payable	649,256	649,256	
Amounts withheld or retained company for account of others	51,966	51,966	
Provision for reinsurance	13,753,714	15,191,714	1,438,000
Drafts outstanding	(7,550,622)	(7,550,622)	
Loss portfolio transfer	(352,539)	(352,539)	
Total liabilities	$ 89,915,721	$76,541,721	$(13,374,000)
Surplus and Other Funds			
Statutory deposit	$500,000	$500,000	
Unassigned funds	47,930,709	63,523,709	$(15,593,000)
Surplus as regards policyholders	$48,430,709	$64,023,709	$(15,593,000)
Total liabilities surplus and other funds	$138,346,430	$140,565,430	

NOTE: The Branch has never been audited by the Internal Revenue Service. The examiner is unaware of any potential exposure of the Branch to any tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased $78,285,114 during the five-year examination period from January 1, 1998 through December 31, 2002 detailed as follows:

Underwriting Income		
Premiums earned		$329,429,644
Deductions:		
Losses and loss adjustment expenses incurred	$300,423,396	
Other underwriting expenses incurred	102,050,730	
Total underwriting deductions		402,474,126
Net underwriting gain or (loss)		$(73,044,482)
Investment Income		
Net investment income earned	$58,026,246	
Net realized capital gains	1,190,108	
Net investment gain or (loss)		59,216,354
Other Income		
Net gain or (loss) from agents' balances	$(1,985,116)	
Loss portfolio transfer	8,679,347	
Miscellaneous adjustments	(173,168)	
Total other income		6,521,063
Net income before Federal and foreign income taxes		$(7,307,065)
Federal and foreign income taxes incurred		(1,807,855)
Net income (loss)		$(5,499,210)

Capital and Surplus Account

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders, December 31, 1997, per report on examination			$126,715,823
Net income	$	$ 5,499,210	
Net unrealized capital gains	655,958		
Change in non-admitted assets		17,461,172	
Change in liability for reinsurance		9,887,512	
Change in net unrealized foreign exchange capital loss		1,093,178	
Net remittances to Home Office		45,000,000	
Total gains and losses	$ 655,958	$78,941,072	
Net increase (decrease) in surplus as regards policyholders			(78,285,114)
Surplus as regards policyholders, December 31, 2002, per report on examination			$48,430,709

C. Trusted Surplus Statement

The following statement shows the trusteed surplus of the Branch calculated in accordance with the provisions of Section 1312 of the New York Insurance Law and as determined by this examination:

Assets		
Securities deposited with state insurance departments for the protection of all policyholders and creditors within the United States		
State of New York		$3,856,610
State of Texas		55,093
State of Ohio		110,186
Interest due and accrued		56,497
Total general deposits		$4,078,386
Assets Vested in and Held by the United States Trustee		
Cash		$ 5,095,993
Bonds		79,870,242
Total trusteed deposits		$84,966,235
Total gross trusteed assets		$89,044,621
Liabilities		
Total liabilities		$89,915,721
Additions to liabilities:		
Ceded reinsurance balances payable		649,257
Total liabilities and reserves as determined by this examination		$90,564,978
Deductions from liabilities:		
Reinsurance recoverable on paid losses from authorized companies	$11,093,123	
Special State Deposits	3,030,000	
Accrued interest on special deposits	43,703	
Funds held or deposited with reinsured companies	853,971	
Total deductions		15,020,797
Net liabilities (Section 1312)		$75,544,181
Trusteed surplus (Section 1312)		13,500,440
Total liabilities and trusteed surplus		$89,044,621

4. REINSURANCE RECOVERABLE ON LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination admitted asset of $11,093,123 is $2,219,000 less than the $13,312,123 reported by the Company as of the examination date. This examination difference was disallowed based on the examiner's test of the collectability and the admissibility of the above asset. The test revealed that the Company did not have any evidence to support the validity of the reinsurance recoverables due from two reinsurers. Therefore, the amounts due from them were disallowed in accordance with Section 1302(b) of the New York Insurance Law.

It is recommended that the Branch ensure that the above asset has proper support when reporting such asset in its future filed annual statements. It is also recommended that the Branch comply with Section 1302(b) of the New York Insurance Law when reporting the above asset in its future filed annual statements.

5. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for losses and loss adjustment expense reserves of $81,747,441 is $14,812,000 more than $66,935,441 reported by the Branch as of the examination date. The examination difference consists of two parts. The first part of $9,921,000 results from the examination analysis that was conducted in accordance with generally accepted actuarial principles and practices and is based on statistical information contained in the Branch's internal records and its filed annual statements.

An additional increase of $4,891,000 was made to the captioned liability. This amount represents the amount of reinsurance recoverable on unpaid losses associated with the disallowed reinsurance on paid losses noted in item 4 herein.

6. PROVISION FOR REINSURANCE

The examination liability of $13,753,714 is $1,438,000 less than the $15,191,714 reported by the Company as of the examination date. The Company included as part of the above account certain reinsurance balances which should not have been used in the calculation of this liability. After adjusting these reinsurance balances, the above examination difference was created.

7. MARKET CONDUCT ACTIVITIES

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

The Branch's direct business was produced by MGAs, which had the authority to settle claims and issue policies on the Branch's behalf. The examiners reviewed a sample of claims, originally handled by five MGAs, now handled by the Company, and no problem areas were encountered.

8. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained the following comments (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Management	
i.	It is recommended that the Branch maintain complete records of all of its board of directors' proceedings. The Branch has complied with this recommendation.	4-6
ii.	It is recommended that the Branch comply with Section 1411(a) of the New York Insurance Law by obtaining approval from its board of directors and maintaining complete documentation of such approvals. The Branch has complied with this recommendation.	5-6
iii.	It is recommended that the Branch accurately respond to annual statement General Interrogatories No. 24 and No. 25 and exert more care when responding to any interrogatories to avoid assertions of inaccurate statements in future annual statement filings. The Branch has complied with this recommendation.	5-6
iv.	The review of the 1997 conflict of interest questionnaires indicated that various officers and directors did not fully answer such questionnaires. Although these questionnaires are now properly answered by all officers and directors, it is recommended that the responses be reviewed and monitored by the general counsel for completeness. The Branch has complied with this recommendation.	6

ITEM		PAGE NO.
B.	Subsidiaries and Affiliates	
	The Branch does not have in place a written cost-sharing agreement setting forth provisions that would serve as guidelines to properly allocate, reimburse, and settle the cost of shared expenses among the participating parties. It is therefore recommended that the Branch formalize a cost sharing agreement. The allocation method for shared expenses should be consistent with the provisions of New York Insurance Department Regulation 30.	14
	The Company has not fully complied with this recommendation and it is repeated in this report.	
C.	Managing General Agents	
i.	It is recommended that the Branch amend all its MGA agreements to contain the provisions and requirements as prescribed in the NAIC MGA Model Law.	15
	The Branch has not complied with this recommendation. However, the Branch has stopped writing new business; thus, this recommendation does not need to be repeated herein.	
ii.	It is also recommended that the Branch implement and enforce its MGA audit procedures as described in the MGA Audit Procedure Manual.	15
	The Branch has not complied with this recommendation. However, the Branch has stopped writing new business; thus, this recommendation does not need to be repeated herein.	
D.	Abandoned Property Law	
	During the examination period, the Branch did not file abandoned property reports with the New York State Comptroller as required by Sections 1315 and 1316 of the New York Abandoned Property Law which mandates such reports be submitted by April 1st each year. At the examiners' recommendation, the Branch filed said report in 1999 for the 1998 calendar year.	15-16
	The Branch has not complied with this recommendation and a similar recommendation is repeated in this report.	

ITEM		PAGE NO.
E.	Accounts and Records	
i.	Reinsurance Assumed in the Latin American Market	
	It was noted that for certain assumed reinsurance agreements the Home Office and not the Branch was the named reinsurer. It is recommended that these contracts be amended to reflect the Branch's participation.	16
	The Branch has complied with this recommendation.	
ii.	Agents' Balances or Uncollected Premiums	
	It is recommended that the Branch properly classify its premium and agents' balances receivable according to the NAIC Annual Statement Instructions.	17
	The Branch has complied with this recommendation.	
iii.	Reinsurance Recoverable on Losses and Loss Adjustment Expenses	
	It is recommended that the Branch exercise better care in balance sheet reporting so that account balances be accurately and fairly stated. It is also recommended that the Branch reconcile and adjust all affected reinsurance related balances before they are transferred and carried on to a new reinsurance system when such system is implemented.	17-18
	The Company has not complied with this recommendation and it is repeated in this report.	
iv.	Aggregate Write-ins for Invested Assets	
	It is recommended that the Branch not report prepaid expenses as admitted assets and follow statutory accounting procedures, which require such assets be charged against surplus.	18
	The Branch has complied with this recommendation.	
F.	Disaster Recovery Plan	
	It is strongly recommended that the Branch finalize a written disaster Recovery plan and perform periodic testing to ensure that formulated procedures will operate as intended.	18
	The Branch has not complied with this recommendation. A similar recommendation is contained in this report.	

ITEM		PAGE NO.
G.	Loss Portfolio Transfers	
	It is recommended that the Branch report and account for its loss portfolio transfers according to the requirements of New York Insurance Department Regulation 108. It is also recommended that the Branch file loss portfolio transfer exhibits according to the NAIC Annual Statement Instructions.	27
	The Branch has complied with this recommendation.	

9. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Holding Company System	
i.	It recommended that the Branch revise the service agreement to state the compensation, if any, that may be payable to its manager.	12
ii.	It is again recommended that the Branch formalize a cost sharing agreement setting forth provisions that would serve as guidelines to properly allocate, reimburse, and settle the cost of shared expenses among the participating parties. The allocation method for shared expenses should be consistent with the provisions of Department Regulation 30.	12
B.	Abandoned Property Law	
	It is hereby recommended that the Branch comply with the requirements of the New York Abandoned Property Law.	12
C.	Accounts and Records	
	It is also recommended that the Branch ensure that the recorded transactions in the general ledger accounts reconcile to all future filed annual statements.	13
D.	Disaster Recovery Plan	
	It is recommended that the Branch finalize a written disaster plan and perform periodic testing to ensure that formulated procedures will operate as intended.	13

ITEM		PAGE NO.
E.	Reinsurance Recoverable on Losses and Loss Adjustment Expenses	
	It is recommended that the Branch ensure that the above asset has proper support when reporting such asset in its future filed annual statements.	20
	It is also recommended that the Branch comply with Section 1302(b) of the New York Insurance Law when reporting the above asset in its future filed annual statements.	

Respectfully submitted,

__________/S/______________
Moses Egbon
Senior Insurance Examiner

STATE OF NEW YORK)
)SS.
)
COUNTY OF NEW YORK)

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

_____________/S/____________
Moses Egbon

Subscribed and sworn to before me

this __________day of _________________________2004.

Appointment No. 22081

STATE OF NEW YORK
INSURANCE DEPARTMENT

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

Moses Egbon

as proper person to examine into the affairs of the

GENERALI – U. S. BRANCH

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

Branch

with such other information as he shall deem requisite.

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

this 15th *day of July, 2003*

GREGORY V. SERIO
Superintendent of Insurance