REPORT ON EXAMINATION

OF THE

HAVERSINE INSURANCE COMPANY

AS OF

DECEMBER 31, 2007

DATE OF REPORT	MAY 29, 2009
EXAMINER	VERONICA DUNCAN BLACK

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

May 29, 2009

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 30287 dated January 29, 2009 attached hereto, I have made an examination into the condition and affairs of Haversine Insurance Company 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 Haversine Insurance Company.

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 Captive Manager's offices located at 300 Broadhollow Road, Melville, New York 11747.

1. SCOPE OF EXAMINATION

The purpose of this examination was to determine whether the Company was operating within its by-laws, was conforming to Article 70 of the New York Insurance Law and was in compliance with its plan of operation as submitted to the Department.

A review was conducted of the Company's operations from its date of incorporation as a New York captive insurance company, October 3, 2003, through December 31, 2007. The review included an analysis of the Company's financial condition, the corporate records, and limited tests of the various income and disbursement items as deemed necessary. This report is submitted on an "exception" basis. Comments and recommendations are limited to those items requiring financial adjustment, procedural recommendations, or instances where the Company was not conforming to the application submitted to the Department or Article 70 of the New York Insurance Law.

The examiner utilized work performed by the Company's independent certified public accountant ("CPA") to the extent considered appropriate.

2. DESCRIPTION OF COMPANY

The Company was incorporated on October 3, 2003, and commenced operations as a captive insurance company under the laws of the State of New York on October 17, 2003. The Company is a wholly-owned subsidiary of Omnicom Group Inc., ("Omnicom"). Omnicom was formed as a result of a merger of three major advertising agencies. Omnicom comprises over 1500 subsidiaries agencies, which operate in virtually all markets worldwide. Through its subsidiaries, Omnicom provides professional services, such as advertising, marketing and corporate communications.

A. Articles of Incorporation

The purpose of the Company, as stated in its articles of incorporation, was to form a corporation for the purpose of transacting the kinds of insurance specified in Section 1113 of the New York Insurance Law, subject at all times to the limitations on the business of pure captive insurance companies set forth in Article 70 of the New York Insurance Law.

B. By-Laws

The by-laws of the Company were reviewed, and it was determined that the Company was operating in full conformity with its by-laws in all material respects except as noted in Section 2G herein.

C. Capital Structure

The Company was incorporated as a pure captive insurance company. In 2003, the Company issued 100,000 shares common stock at $1 par value per share to its parent company in exchange for $250,000 in cash, and a notes receivable of $1,005,404,880 and 100% membership in Haversine LLC., a Delaware Corporation.

Gross paid in and contributed surplus is $1,005,554,880 and did not change during the examination period.

D. Corporate Records

The corporate records reviewed appeared to be substantially accurate and complete in all material respects.

E. Plan of Operation

The Company's plan of operation is designed to provide its parent company, Omnicom Group, Inc. and all of its domestic subsidiaries with certain insurance coverages as permitted by Article 70 of the New York Insurance Law. The initial plan provided insurance coverage for the following risks: property excess difference-in-conditions ("DIC") (flood and earthquake), property DIC terrorism, property, supplemental all risk/excess terrorism coverage, excess fidelity, catastrophic bad debt, excess employment practices liability, excess directors & officers liability, excess professional liability, nuclear/biological/chemical, legal expense reimbursement, casting contracts impairment/founders, excess federal deposit insurance corporation, commercial negative/video tape master print – legal liability, and merger & acquisition coverage. Effective November 1, 2004, the Company amended its business plan to include insurance coverage for patent infringement and political risk policies. In November 2005, the Company discontinued coverage for legal expense reimbursement and commercial negative/video tape master print– legal liability.

F. Reinsurance

The Company participated in one ceded reinsurance agreement during the examination period. Effective July 31, 2006, the Company entered into a reinsurance agreement for the protection of its earthquake losses. This agreement afforded the Company with a reinsurance limit of $550,000 (18.333%) part of $3,000,000 excess $12,000,000. The agreement was submitted to this Department pursuant to Section 7010(c) of the New York Insurance Law. This agreement was not renewed as of May 31, 2007.

G. Management

Captive Manager

The Company is managed by Marsh Management Services, Inc., ("Marsh") pursuant to Section 7003(b)(4) of the New York Insurance Law. Effective October 15, 2003, the Company executed a management agreement with Marsh. The agreement requires Marsh to act as the principle representative of the Company in all communications and dealings in regard to financial and accounting, administrative, claims management, regulatory compliance and other insurance related services including actuarial consulting services.

Service Agreement

For the period under examination, the Company entered into a service provider agreement with an affiliate. Pursuant to the terms of the agreement, the affiliated company agrees to allocate sufficient staff in order to provide certain support services to the Company, including maintaining books and records, policies, reinsurance agreements, claims documents, system support and other information as may be necessary to give a complete record of all transactions of the Company.

Board of Directors

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 three, nor more than ten members. At December 31, 2007, the board of directors was comprised of the following three members:

Name and Residence	Principal Business Affiliation
James Michael McGuire Nesconset, NY	Director of Risk Management, Omnicom Group Inc.
Dennis E. Hewitt Old Greenwich, CT	Treasurer, Omnicom Group Inc.
Michael J. O'Brien Old Greenwich, CT	Sr. Vice President & General Counsel and Secretary, Omnicom Group Inc.

A review of the minutes of the board of directors' meetings held during the examination period indicate that the meetings were generally well attended and that each board member has an acceptable record of attendance.

The Company's charter provides that at least two members of the board of directors shall be residents of the State of New York pursuant to Section 7005(g) of the New York Insurance Law. A review of the board of directors' residency requirements shows that only one of the directors met the residency requirements pursuant to the captioned section of the law for the period under examination. Effective April 27, 2009, the Company's board of directors, by a resolution, authorized the appointment of Maeve C. Robinson as a director of the Company. The director resides in the State of New York. This appointment resulted in the Company's compliance with Section 7005(g) of the New York Insurance Law.

As of December 31, 2007, the principal officers of the Company were as follows:

Name	Title
James M. McGuire	President
Michael J. O'Brien	Secretary
Andrew Castellaneta	Treasurer
Andrea G. Lawler	Assistant Secretary
Steven Azzopardi	Assistant Treasurer

H. Certified Public Accountant and Actuarial Services

The Company was audited by Saslow, Lufkin and Buggy, LLP from inception, October 3, 2003 through December 31, 2007. Janine A. Finan of Marsh Management Services, Inc.

provided actuarial services to the Company for the entire examination period. The Company filed its certified public accountant's financial statements annually on or before July 1 for all of the years under examination.

I. Growth of Company

The following schedule sets forth the Company's significant summary financial information for the years covered by this examination:

Year	Net Premiums Earned	Net Income	Assets	Shareholders' Equity
2003	$ 11,450,000	$ 22,554,992	$1,097,650,382	$1,028,209,872
2004	$ 73,795,833	$111,605,515	$1,277,211,834	$1,139,815,387
2005	$101,395,834	$130,216,981	$1,402,561,524	$1,270,032,368
2006	$113,673,228	$143,731,512	$1,515,582,926	$1,413,763,880
2007	$122,238,500	$155,630,667	$1,674,013,796	$1,569,394,547

3. FINANCIAL STATEMENTS

A Balance Sheet

The financial statements of the Company are presented in conformity with generally accepted accounting principles. The financial position of the Company as presented and accepted was audited by the Company's certified public accountant:

Balance Sheet
December 31, 2007

Asset		
Cash		$ 250,000
Investments in and advances to affiliates		1,664,891,639
Other assets – deferred policy acquisition costs		190,563
Deferred tax asset		7,219,136
Federal income tax receivable		1,462,458
Total assets		$1,674,013,796
Liabilities, Capital and Surplus		
Liabilities		
Commissions, expenses and fees		$ 363,825
Taxes payable		172,091
Unearned premium		104,083,333
Total liabilities		$104,619,249
Capital and Surplus		
Paid in capital	$ 100,000	
Contributed surplus	1,005,554,880	
Surplus (accumulated earnings)	563,739,667	
Total capital and surplus		1,569,394,547
Total liabilities, capital and surplus		$1,674,013,796

B. Statement of Income

Capital and surplus increased $541,184,675 during the four-year examination period, December 31, 2003 through December 31, 2007.

Underwriting Income

Net premiums earned		$ 411,103,395
Underwriting Expense		
General and administrative	$1,223,175	
Other underwriting expense	923,230	
Total underwriting expense		2,146,405
Underwriting profit(loss)		$408,956,990
Investment income (net)		423,634,818
Income before dividends and taxes		$ 832,591,808
Taxes		291,407,133
Net income		$541,184,675

C. Capital and Surplus Account

	Increase	Decrease	
Capital and surplus at December 31, 2003			$1,028,209,872
Net income	$541,184,675	$ 0	
Total increase and decrease	$541,184,675	$ 0	
Net increase in surplus			541,184,675
Capital and surplus, per report on examination as of December 31, 2007			$1,569,394,547

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The Company reported no losses and loss adjustment expenses as of December 31, 2007. The examiner did not independently review the loss reserves but rather relied upon the opinion of the Company's actuary and certified public accountant. The Company’s actuary at December 31, 2007 was Janine A. Finan of Marsh Management Services, Inc., and its certified public accountant was Saslow, Lufkin and Buggy, LLP.

The Company believes that its aggregate liability for unpaid losses and loss adjustment expense at year-end represents its best estimate, based upon the available data, of the amount required to cover the ultimate cost of losses. The Company's auditors note that unpaid losses and loss adjustment expenses are based upon estimates and the ultimate liability could vary significantly in excess of the amount reported in the consolidated financial statements. The Company's actuary also notes that the ultimate development of the Company's reserves may vary from the actual reserve reported as of December 31, 2007.

Ms. Janine Finan states in her Statement of Actuarial Opinion that the Company’s December 31, 2007 reserves:

> “Are computed in accordance with commonly accepted actuarial methods and are fairly stated in accordance with sound actuarial principles. Make reasonable provision in the aggregate for all unpaid losses and loss adjustment expenses under the terms of the Company’s policies. Are computed on the basis of similar general

methods as used at December 31, 2006. Meet the relevant requirements of the insurance laws of New York."

Based upon the actuarial opinion, no changes were made to the reserves reported by the Company.

5. ARTICLE 70 COMPLIANCE

Article 70 of the New York State Insurance Law is the governing law for the formation and continued operation of captive insurance companies in New York State. A review was performed to test the Company's compliance with Article 70. This review shows that the Company has met its compliance with Article 70.

6. INSURANCE PROGRAM

The Company was licensed as a captive insurance company to provide insurance coverages to its parent company and affiliates. For the period under examination, the Company offered the following coverages:

1. Excess property difference-in-conditions ("DIC") insurance policy provides a limit of $170 million excess of $35 million per claim/and aggregate for perils of earthquake.

2. Property DIC terrorism insurance policy provides a limit of $250 million per claim/and aggregate excess of an underlying deductible ranging from $50 thousand to $250 thousand for losses caused by earthquake or flood as a result of an act of terrorism.

3. Excess property and terrorism insurance policy provides a limit of $200 million per claim/and aggregate excess of various attachment point ranging from $500 thousand to $125 million for losses caused by perils of fungus, mold electronic vandalism, pollutant clean-up and removal, and terrorism.

4. Property-nuclear/ biological/chemical insurance policy provides a limit of $200 million per occurrence/and aggregate excess of $1 million per occurrence self-insured retention for losses caused by terrorist act of any kind involving nuclear, biological or chemical agent materials;

5. Excess fidelity (crime) insurance policy provides a limit of $50 million excess of $35 million for losses relating to criminal acts such as burglary, theft and electronic fraud.

6. Catastrophic bad debt insurance policy provides a limit of $100 million per claim/and aggregate excess of an underlying deductible of $10 million per occurrence/and aggregate for any loss caused by default on trade receivables by an obligor.

7. Excess employment practices liability policy provides coverage on a claims-made basis with a limit of $90 million excess of $10 million per claim/and aggregate.

8. Excess directors and officers' liability policy provides coverage on a claims-made basis with a limit of $100 million per claim/and aggregate excess of $100 million.

9. Excess professional liability policy provides a limit of $90 million excess of $60 million per claim/and aggregate.

10. Brand impairment insurance policy provides a limit of $100 million per claim/and aggregate excess an underlying deductible of $1 million per occurrence for any loss caused by any actual or alleged acts of moral turpitude by the insured's employees or independent contractors, which has become public knowledge.

11. Excess federal deposit insurance corporation insurance policy provides a limit of $100 million per claim/and aggregate excess of an underlying deductible of $100 million per named account depositor, per Federal Deposit Insurance Corporation insured institution.

12. Merger and acquisition insurance policy provides a limit of $50 million excess of $1 million deductible per occurrence/and aggregate for loses relating to expense incurred in connection with a successful defense by the insured against an unsolicited takeover proposal by a third party to acquire control of the insured or any of the insured's subsidiaries and expenses incurred in connection with a breach of representations and warranties made as both buyers and sellers in acquisition and divestiture transactions.

In November 2004, the Company amended its plan of operation to write patent infringement and political risk insurance policies. The patent infringement insurance policy provides coverage on a claims-made basis with a limit of $50 million per claim/and aggregate excess of $1 million retention per occurrence for losses that arise for patent infringement by a third-party as well as legal/litigation expense incurred in the pursuit of claims against a third party for infringement of the insured's patent(s) and the political risk insurance policy provides a limit of $100 million per claim/and aggregate excess of $1 million deductible per occurrence for losses or damages to overseas assets, foreign investments, and international contracts against unforeseen political events or the actions of foreign government.

Several of the captioned policies provide coverage for acts of terrorism as defined under the Terrorism Risk Insurance Act of 2002. On November 26, 2002, the Terrorism Risk Insurance Act of 2002 ("TRIA" or "the Act") was signed into law. On December 26, 2007, the President of the United States signed the Terrorism Risk Insurance Program Reauthorization Act of 2007 into law, which extended TRIA through December 31, 2014. The Act created a United States (“U.S.”) government facility that provides reinsurance coverage to insurers as a result of declared terrorism events. The Act established a "program trigger" that must be met before the Treasury will cover a loss. The program trigger is currently $100 million and applies to all certified acts of terrorism. When the program is triggered, the Federal government is required to pay 85% of insured terrorism losses in excess of individual insurer trigger/deductible while the insurer pays 15%.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report contains no recommendation.

Respectfully submitted,

/s/

Veronica Duncan Black
Senior Insurance Examiner

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

VERONICA DUNCAN BLACK, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/

Veronica Duncan Black

Subscribed and sworn to before me

this__________ day of ___________________, 2009.

Appointment No. 30287

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:*

Veronica DuncanBlack

as proper person to examine into the affairs of the

HAVERSINE INSURANCE COMPANY

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

Company

with such other information as she 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 29th *day of* January, 2009

ERIC R. DINALLO
Superintendent of Insurance