

REPORT ON EXAMINATION

OF THE

INTERNATIONAL CREDIT OF NORTH AMERICA REINSURANCE INC.

AS OF

DECEMBER 31, 2005

DATE OF REPORT

FEBRUARY 15, 2008

EXAMINER

MARIBEL C. NUNEZ, CPCU

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

February 15, 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 22500, dated May 8, 2006, attached hereto, I have made an examination into the condition and affairs of International Credit of North America Reinsurance Inc. as of December 31, 2005, and submit the following report thereon.

Wherever the designation "the Company" or "ICNA RE" appear herein without qualification, they should be understood to indicate the International Credit of North America Reinsurance Inc.

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 main administrative office located at 39-41 Main Street, Chester, CT 06412.

As of the examination date the Company's surplus of \$1,010,884 was marginally over its minimum surplus to be maintained of \$1,000,000. It is noted that subsequent to the examination date, on November 6, 2007, the Department approved the acquisition of control of International Credit of North America Reinsurance, Inc. pursuant to Section 1506(a) of the New York Insurance Law by Empire Holdings Group ("Empire") and that Empire further capitalized ICNA Re in the amount of \$1.4 million, as follows:

<u>Date</u>	<u>Amount</u>
November 26, 2007	\$986,264
November 26, 2007	199,398
February 14, 2008	107,500
February 15, 2008	<u>107,500</u>
Total contribution	<u>\$1,400,662</u>

1. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2000. This examination covers the five year period from January 1, 2001 through December 31, 2005. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a verification of assets and liabilities as of December 31, 2005. The examination included a review of income, disbursements and company records deemed necessary to accomplish such analysis or verification and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants ("CPA"). 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 ("NAIC"):

- History of Company
- Management and control
- Corporate records
- Fidelity bonds and other insurance
- Territory and plan of operation
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations 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 on September 9, 1988, under the laws of the State of New York. It was licensed and commenced business on January 18, 1989.

The Company is wholly-owned by International Credit of North America Holding Corporation, a Delaware holding company, which in turn is wholly-owned by International Credit Insurance Corporation of Stockholm, Sweden. This corporation filed for bankruptcy on September 9, 1992, due to losses from direct financial guarantee business in Sweden.

As a result of significant losses arising also from financial guarantee business, the ultimate parent, Svenska Kredit Insurance Company also filed for bankruptcy in Stockholm, Sweden on October 29, 1992. Further details are set forth herein in item 2D, "Holding Company System."

Capital paid in is \$1,000,000 consisting of 1,000,000 shares of \$1.00 par value per share common stock. Gross paid in and contributed surplus totals \$72,520. All authorized common shares are issued and outstanding.

On January 7, 1997, the Company was given approval by the Department to declare an extraordinary dividend of \$2,833,333 to its immediate parent, International Credit of North America Holding Company ("ICNA Holding"). This amount, together with a stock reduction in the amount of \$26,666,667, aggregating to \$29,500,000 was used to repay all principal and interest owed on a loan from Svenska Handelsbaken. This loan was initially taken by the ICNA Holding to start the Company. After this transaction, the Company's authorized capital stock decreased from \$3,000,000 to \$1,000,000 and the paid in capital was reduced by \$24,666,667.

On May 22, 2002, the Company was given approval by the Department to transfer \$5,834,212 to ICNA Holding through an extraordinary dividend of \$2,400,000 and an increase of its authorized shares of common stock from 1,000,000 to 3,000,000. At the same time, the Company declared and paid a 2,000,000 share common stock dividend to ICNA Holding and redeemed 2,000,000 shares of its common stock from ICNA Holding for \$3,434,212. After this transaction, the Company's authorized capital stock decreased from \$3,000,000 to \$1,000,000.

On June 8, 2005, the Company was given approval by the Department to increase its capital stock from \$1,000,000 to \$1,600,000 and to increase the number of authorized shares of common stock from 1,000,000 to 1,600,000 through a declaration and payment of a 600,000 shares common stock dividend to ICNA Holding. At the same time, the Company distributed \$643,512 to ICNA

Holding through a stock repurchase of 600,000 of its outstanding common stock. After this transaction, the Company's authorized capital stock decreased from \$1,600,000 to \$1,000,000 and the paid in capital was reduced to \$72,520.

Gross paid in and contributed surplus decreased by \$4,077,724 during the examination period, as follows:

<u>Year</u>	<u>Description</u>		<u>Amount</u>
12/31/2000	Beginning gross paid in and contributed surplus		\$4,150,244
2002	Surplus adjustments paid in	\$(3,434,212)	
2005	Surplus adjustments paid in	(43,512)	
2005	Surplus distribution	<u>(600,000)</u>	
	Total Surplus paid in/distribution		<u>(4,077,724)</u>
12/31/2005	Ending gross paid in and contributed surplus		<u>\$ 72,520</u>

A. Management

Pursuant to the Company's charter and by-laws, the Company is vested in a board of directors consisting of not less than thirteen members nor more than twenty-one members. As of December 31, 2005, the Company had four directors, which is less than the minimum number required by Sections 1201(a)(5)(B)(v) and 1202(a)(2) of the New York Insurance Law and by the Company's charter and by-laws.

It is recommended that the Company comply with Sections 1201(a)(5)(B)(v) and 1202(a)(2) of the New York Insurance Law and its charter and by-laws by maintaining a board of directors consisting of at least thirteen members. It is noted that a similar recommendation regarding compliance with Section 1202(a)(2) of the New York Insurance Law and its by-laws was included in the two prior reports.

The board met four times in 2001, 2003 and 2004. In 2002, the board met three times and seven times during 2005.

At December 31, 2005, the board of directors was comprised of the following four members:

<u>Name and Residence</u>	<u>Principal Occupation</u>
John Anthony Moore Mountain Lakes, NJ	Business Consultant; Secretary of ICNA RE; Director and President & Treasurer of International Credit of North America

Holding Corporation

Acko Schager Are, Sweden	Attorney, Schagers Advokatbyra; Director of International Credit of North America Holding Corporation; Co-Trustee of the estate of International Credit Insurance Corporation
Vincent Theodore Schuster Port Orange, FL	Business Consultant; Chairman of the Board of ICNA RE
Steven James Tynan South Woodstock, VT	Owner, Constitution Partners, LLC; President and Treasurer of ICNA RE

As of December 31, 2005, none of the four directors reside in the State of New York as required by Section 1201(a)(5)(B)(vi) of the New York Insurance Law (requires two) and articles IV and II of the Company's charter and bylaws respectively (both require three).

It is recommended that the Company comply with Section 1201(a)(5)(B)(vi) of the New York Insurance Law and articles IV and II of its charter and bylaws respectively regarding the number of directors residing in the State of New York.

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.

From 2001 through 2004, the Company's investment transactions were apparently approved by the executive and investment committee. It was noted, however, that the committee did not prepare or record minutes of the meetings held as required by Section 325(a) of the New York Insurance Law, and it did not submit to the board of directors any reports listing the investment transactions that took place during the period as required by Section 1411(a) of the New York Insurance Law. The review of the board's minutes indicated that the board was only notified that the transactions had been approved. The executive and investment committee was dissolved in 2004, and in 2005 none of the investment transactions were authorized or approved by the board of directors or any committee thereof.

Section 1411(a) of the New York Insurance Law reads as follows:

“(a) No domestic insurer shall make any loan or investment, except as provided in subsection (h) hereof, unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan. The

committee's minutes shall be recorded and a report submitted to the board of directors at its next meeting.”

It is noted that on June 7, 2006, the Company prepared a list of the investment transactions from December 2004 through April 2006 and presented it to the board of directors for approval through unanimous written consent.

Nevertheless, it is recommended that the Company comply with the provisions of Section 1411(a) of the New York Insurance Law regarding the approval of its investment transactions. It is also recommended that the Company comply with Section 325(a) of the New York Insurance Law and keep minutes of the meetings of committees of the board.

As of December 31, 2005 the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Vincent Theodore Schuster	Chairman of the Board
Steven James Tynan	President and Treasurer
John Anthony Moore	Secretary

B. Territory and Plan of Operation

As of December 31, 2005, the Company was licensed to write reinsurance business only in the State of New York. It ceased accepting new business in 1993 when its ultimate parent went into bankruptcy. The Company is now in run-off status.

On June 3, 2005, the Department approved the removal of the Company’s power to write Credit insurance pursuant to Paragraph 17 of Section 1113(a) of the New York Insurance Law.

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>Kinds of Insurance</u>
16	Fidelity and surety

Based upon 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 and 41 of the New York

Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$1,000,000.

The Company is a reinsurer and previously conducted business in both the United States and Canada. All of the Company's business was written directly through ceding companies and reinsurance brokers. However, the Company ceased writing new business in 1993, and is now in run-off status.

C. Reinsurance

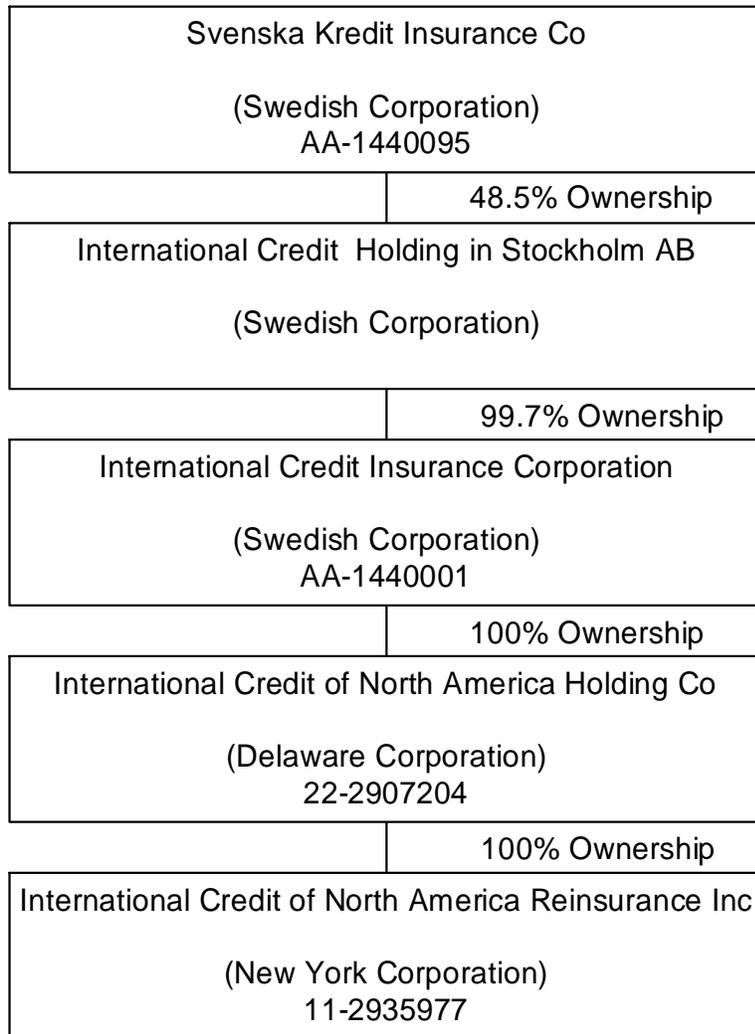
The Company is in run-off. In 1998, the Company began commuting its portfolio of assumed reinsurance. During the period covered by examination, the Company commuted all but one of its reinsurance agreements where it was an assuming reinsurer.

D. Holding Company System

The Company is a wholly-owned subsidiary of International Credit of North America Holding Corporation, a Delaware corporation, which in turn is wholly-owned by International Credit Insurance Corporation ("ICIC") of Stockholm, Sweden. The latter is a subsidiary of a Swedish corporation, International Credit Holding in Stockholm AB ("ICH"), which is owned 48.5% by Svenska Kredit Insurance Company and 25% each by Skandia Insurance Company, Ltd., and Trygg Hansa Försäkring AB, all of which are Swedish corporations.

A review of the 2005 holding company registration statement filed with this Department indicated that such filing was complete and was 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, 2005:



At December 31, 2005, the Company was party to the following agreement with other members of its holding company system:

Tax Allocation Agreement

The Company participates in a tax allocation agreement with International Credit of North America Holding Company. Under the agreement, the federal income tax liability will not be greater than the amount the Company would have paid if it had filed a separate federal income tax return. As required by Section 1505 of the New York Insurance Law and Circular Letter No. 33 (1979), the Company submitted, and the Department approved the tax allocation agreement.

E. Abandoned Property Law

Section 1316 of the New York Abandoned Property Law provides that amounts payable to a resident of this state from a policy of insurance, if unclaimed for three years, shall be deemed to be abandoned property. Such abandoned property shall be reported to the comptroller on or before the first day of April each year. Such filing is required of all insurers regardless of whether or not they have any abandoned property to report.

Several of the Company's abandoned property reports for the period of this examination were not filed on a timely basis pursuant to the provisions of Section 1316 of the New York Abandoned Property Law. It is recommended that the Company file its abandoned property reports on a timely basis pursuant to the provisions of Section 1316 of the New York Abandoned Property Law.

F. Significant Operating Ratios

The Company has been in run-off since 1993 and the ratios have no significance.

G. Accounts and Records

On May 24, 2006, the Department granted the Company an exemption from filing the Statement of Actuarial Opinion for 2005 based on the immaterial amount of losses and the small amount of business the Company wrote before it was placed into run-off.

i. Internal Controls and Asset Protection

A review of the Company's internal controls reveals that only one person is authorized as signatory on the Company's investment and cash accounts. In the cash account the individual has authority to sign checks up to \$500,000. To strengthen controls and to protect the assets of the Company, it is recommended that the Company assign another officer as signatory on the cash and investment accounts and that the authority threshold for a single individual to endorse checks be reduced to a prudent level.

ii. Directors & Officers Policy – Department Regulation 110 Compliance

The Company has a directors and officers policy with an individual and aggregate retention of \$1,000 and \$5,000 respectively. In addition, the policy does not contain a coinsurance percentage. According to Department Regulation 110, Part 72.4, based on the Company's admitted assets as of December 31, 2005, the directors and officers policy should carry an individual and an aggregate retention of \$2,000 and \$20,000 respectively and a coinsurance percentage of .2%. Therefore, it is recommended that the Company comply with Department Regulation 110, Part 72.4, and increase its individual retention limits to \$2,000 and its aggregate limits to \$20,000 and add a coinsurance of .2% to its directors and officers policy.

iii. CPA Contract

A review of the CPA contract for the years under examination revealed that the contracts were not in complete compliance with Part 89.2 of Department Regulation No. 118. It is recommended that the Company comply with Department Regulation 118 in regards to its CPA contract.

iv. Custodial Agreement Provisions

The Company is a party to a custodial agreement with Brown Brothers Harriman, which does not contain most of the provisions required to satisfy the necessary safeguards and controls established by the National Association of Insurance Commissioners and the Department. Therefore, it is recommended that the Company includes the safeguard provisions in its custodial agreement with

Brown Brothers Harriman as required by Part 1, Section IV-J of the NAIC Financial Condition Examiners Handbook.

v. Section 325(b) – Maintenance of books of account outside New York State

The Company's books of account are in Chester, CT. However, there is no formal approval under Section 325 of the New York Insurance Law from the Department to remove the records from the state of New York.

Therefore, it is recommended that the Company comply with Section 325(a) of the New York Insurance Law and return its books of account to New York.

vi. Fidelity Insurance

The Company does not have any employees and has been managed by Constitution Partners, LLC under a management agreement. However, the Company and Constitution Partners, LLC do not have fidelity insurance to safeguard the assets of the Company.

Therefore, it is recommended that either the Company or Constitution Partners, LLC obtain fidelity insurance to properly safeguard the Company's assets.

vii. Sweep Account

The Company has a sweep account with Brown Brothers Harriman whereby the bank automatically sweeps the cash balance in the account into overnight offshore time deposit with either Brown Brothers Harriman's Grand Cayman branch or offshore branches of world class commercial banks. The Company could not provide an agreement for such account. Therefore, the examination could not determine the type of securities the swept funds were invested in. It is recommended that the Company obtain a written agreement for the sweep account, which at a minimum authorizes the funds to be swept, establishes the amount of funds to be swept, indicates what the swept funds are invested in, and puts forth each party's rights and responsibilities under the arrangement.

viii. Minimum Capital Investment

As of the examination date, the Company was required to maintain minimum capital investments of \$1,000,000 before investing in anything else. The book/adjusted carrying value of the Company's minimum capital investments as of the examination date was \$993,463.

Section 1402(a) of the New York Insurance Law states in part:

“Before investing its funds in any other investments, every domestic insurer shall invest and maintain an amount equal to the greater of the minimum capital required by law ...only in investments of the types specified in this section ...”

Since the examination could not determine the types of securities the funds swept from the cash account were invested in (See Section 2(G)(vii) of this report for additional information), it is recommended that the Company comply with Section 1402(a) of the New York Insurance Law and maintain minimum capital investments of \$1,000,000 as required by law or that it maintain adequate documentation to prove that it had no other investments besides acceptable minimum capital investments.

H. Management Agreement

As of December 31, 2005, the Company's books and records were maintained by Constitution Partners LLC (“CP”), a firm owned by Mr. Steven Tynan, who is also the President of the Company. Effective September 1, 1997, the Company entered into a management agreement with Constitution Partners Incorporated (“CPI”) to provide various administrative, accounting and investment management services to the Company. On January 1, 2002, the management agreement was restated to substitute CP for CPI as manager due to the dissolution of CPI. At the same time, the management fee was reduced from \$120,000 to \$60,000 a year. Neither the 1997 nor the 2002 amended and restated management agreements were filed with the Department.

It is recommended that the Company submit its management agreement or any amendment to the Department prior to its implementation.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2005 as determined by this examination and as reported by the Company.

<u>Assets</u>	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Cash and short-term investments	<u>\$1,161,067</u>	\$ <u>0</u>	<u>\$1,161,067</u>
Total assets	<u>\$1,161,067</u>	\$ <u>0</u>	<u>\$1,161,067</u>

Liabilities, Surplus and Other Funds

Losses		\$ 104,474
Reinsurance payable on paid losses and loss adjustment expenses		18,078
Other expenses		<u>27,631</u>
Total liabilities		\$ 150,183
Surplus and Other Funds		
Common capital stock	\$1,000,000	
Gross paid in and contributed surplus	72,520	
Unassigned funds	<u>(61,636)</u>	
Surplus as regards policyholders		<u>1,010,884</u>
Total liabilities, surplus and other funds		<u>\$1,161,067</u>

NOTE: The Internal Revenue Service has not audited the consolidated federal income tax returns during the years under examination. The examiner is unaware of any potential exposure of the Company to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased \$6,578,478 during the five-year examination period, January 1, 2001 through December 31, 2005 detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$ 3,733
Deductions:		
Losses incurred	\$ (664,499)	
Other underwriting expenses incurred	<u>1,231,619</u>	
Total underwriting deductions		<u>567,120</u>
Net underwriting gain or (loss)		<u>\$(563,387)</u>

Investment Income

Net investment income earned	\$ 462,633	
Net realized capital gain	<u>0</u>	
Net investment gain or (loss)		<u>462,633</u>
Net income after dividends to policyholders but before federal and foreign income taxes		<u>\$(100,754)</u>
Federal and foreign income taxes incurred		<u>0</u>
Net Income		<u>\$(100,754)</u>

Capital and Surplus Accounts

Surplus as regards policyholders, per report on examination as of December 31, 2000		\$7,589,362
	<u>Losses in Surplus</u>	
Net income	\$ 100,754	
Surplus adjustments paid in	3,477,724	
Surplus adjustments transferred to capital (stock dividend)	600,000	
Dividends to stockholders	<u>2,400,000</u>	
Total losses	<u>\$6,578,478</u>	
Net decrease in surplus		<u>(6,578,478)</u>
Surplus as regards policyholders per report on examination as of December 31, 2005		<u>\$1,010,884</u>

4. LOSSES

The examination liability for losses of \$104,474 is the same amount as reported by the Company as of December 31, 2005. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and its filed annual statements. The results indicated that the reserves as established by the Company as of the examination date appeared adequate.

5. LOSS ADJUSTMENT EXPENSES

The Company failed to report a liability for loss adjustment expenses in accordance with the NAIC Accounting Practices and Procedures Manual Statements of Statutory Accounting Principles ("SSAP") No. 55, Paragraph 5, which states, in part, that:

"The following are types of future costs relating to property and casualty contracts, ... which shall be considered in determining the liabilities for unpaid losses and loss adjustment expenses:

- a. Reported Losses: Expected payments for losses relating to insured events that have occurred and have been reported to, but not paid by, the reporting entity as of the statement date;
- b. Incurred But Not Reported Losses (IBNR): Expected payments for losses relating to insured events that have occurred but have not been reported to the reporting entity as of the statement date...
- c. Loss Adjustment Expenses (LAE): Expected payments for costs to be incurred in connection with the adjustment and recording of losses..."

It is recommended that the Company establish a liability for loss adjustment expenses in accordance with SSAP 55, Paragraph 5.

6. MARKET CONDUCT ACTIVITIES

The Company is a professional reinsurer and, as such has no direct contact with insureds. Also, the Company is in run-off status. Therefore, no review of market conduct activities was necessary.

7. SUBSEQUENT EVENTS

As of the examination date the Company's surplus of \$1,010,884 was marginally over its minimum surplus to be maintained of \$1,000,000. It is noted that subsequent to the examination date, on November 6, 2007, the Department approved the acquisition of control of International Credit of North America Reinsurance, Inc. pursuant to Section 1506(a) of the New York Insurance Law by Empire Holdings Group ("Empire") and that Empire further capitalized ICNA Re in the amount of \$1.4 million, as follows:

<u>Date</u>	<u>Amount</u>
November 26, 2007	\$986,264
November 26, 2007	199,398
February 14, 2008	107,500
February 15, 2008	<u>107,500</u>
Total contribution	<u>\$1,400,662</u>

8. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The previous report on examination as of December 31, 2000 contained four comments and recommendations. (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Management</u></p> <p>It was recommended that the Company comply with Section 1202(a)(2) of the New York Insurance Law and its by-laws by maintaining a board of directors consisting of at least thirteen members.</p> <p>The Company did not comply with this recommendation. A similar recommendation is made in this report for the third time. See Section 2(A) of this report.</p>	<p>4</p>
<p>B. <u>Accounts and Records</u></p> <p>It was recommended that the Company adhere to the NAIC Annual Statement Instructions and file the Statement of Actuarial Opinion with the Department and request its actuary to prepare a formal Actuarial Report or file for an exemption.</p> <p>The Company complied with this recommendation and filed for an exemption from filing the Statement of Actuarial Opinion for 2005.</p>	<p>6</p>
<p>C. <u>Loss Adjustment Expenses</u></p> <p>i. It was recommended that the Company establish a liability for those expenses needed to run off its business.</p> <p>The Company did not comply with this recommendation. However, the estimated expenses to run-off the company are presently immaterial. Therefore, this recommendation is not going to be repeated in this report.</p> <p>ii. It was recommended that the Company determine the proper amounts to allocate between expense classifications pursuant to Department Regulation 30.</p> <p>This recommendation is no longer applicable.</p>	<p>12</p> <p>12</p>

9. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Minimum Surplus</u></p> <p>As of the examination date the Company’s surplus of \$1,010,884 was marginally over its minimum surplus to be maintained of \$1,000,000. It is noted that subsequent to the examination date, on November 6, 2007, the Department approved the acquisition of control of International Credit of North America Reinsurance, Inc. pursuant to Section 1506(a) of the New York Insurance Law by Empire Holdings Group (“Empire”) and that Empire further capitalized ICNA Re in the amount of \$1.4 million.</p>	1,18
<p>B. <u>Management</u></p> <p>i. It is recommended that the Company comply with Sections 1201(a)(5)(B)(v) and 1202(a)(2) of the New York Insurance Law and its charter and by-laws by maintaining a board of directors consisting of at least thirteen members.</p> <p>A similar recommendation was made in the prior two reports.</p>	4
<p>ii. It is recommended that the Company comply with Section 1201(a)(5)(B)(vi) of the New York Insurance Law and articles IV and II of its charter and by-laws respectively regarding the number of directors residing in the State of New York.</p>	5
<p>iii. It is recommended that the Company comply with the provisions of Section 1411(a) of the New York Insurance Law regarding the approval of its investment transactions.</p>	6
<p>iv. It is recommended that the Company comply with Section 325(a) of the New York Insurance Law and keep minutes of the meetings of committees of the board.</p>	6
<p>C. <u>Abandoned Property Law</u></p> <p>It is recommended that the Company file its abandoned property reports on a timely basis pursuant to the provisions of Section 1316 of the New York Abandoned Property Law.</p>	9
<p>D. <u>Accounts and Records</u></p> <p>i. It is recommended that the Company assign another officer as signatory on the cash and investment accounts and that the authority threshold for a single individual to endorse checks be reduced to a prudent level.</p>	10

<u>ITEM</u>	<u>PAGE NO.</u>
ii. It is recommended that the Company comply with Department Regulation 110, Part 72.4 and increase its individual retention limits to \$2,000 and its aggregate limits to \$20,000 and add a coinsurance of .2% to its directors and officers policy.	10
iii. It is recommended that the Company comply with Department Regulation 118 in regards to its CPA contract.	10
iv. It is recommended that the Company includes the safeguard provisions in its custodial agreement with Brown Brothers Harriman as required by Part 1, Section IV-J of the NAIC Financial Condition Examiners Handbook.	11
v. It is recommended that the Company comply with Section 325(a) of the New York Insurance Law and return its books of account to New York.	11
vi. It is recommended that either the Company or Constitution Partners, LLC, obtain fidelity insurance to properly safeguard the Company's assets.	11
vii. It is recommended that the Company obtain a written agreement for the sweep account, which at a minimum authorizes the funds to be swept, establishes the amount of funds to be swept, indicates what the swept funds are invested in, and puts forth each party's rights and responsibilities under the arrangement.	11
viii. It is recommended that the Company comply with Section 1402(a) of the New York Insurance Law and maintain a minimum capital investments of \$1,000,000 as required by law or that it maintain adequate documentation to prove that it had no other investments besides acceptable minimum capital investments.	12
E. <u>Management Agreement</u>	
It is recommended that the Company submit its management agreement or any amendment to the Department prior to its implementation.	12
F. <u>Loss Adjustment Expenses</u>	
It is recommended that the Company establish a liability for loss adjustment expenses in accordance with SSAP 55, Paragraph 5.	17

Appointment No 22500

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Maribel Nunez

as proper person to examine into the affairs of the

INTERNATIONAL CREDIT OF NORTH AMERICA REINSURANCE INC.

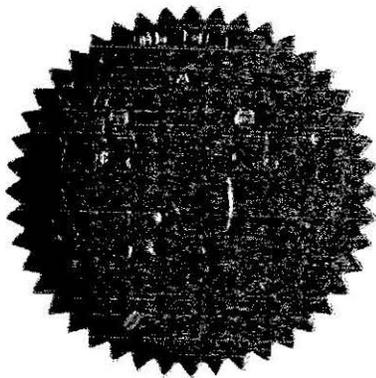
and to make a report to me in writing of the condition of the said

Incorporated

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 8th day of May, 2006



A handwritten signature in dark ink, appearing to read "Howard Mills", written over a horizontal line.

HOWARD MILLS
Superintendent of Insurance