

REPORT ON EXAMINATION

OF THE

UNIONE ITALIANA REINSURANCE COMPANY OF AMERICA, INC.

AS OF

DECEMBER 31, 2004

DATE OF REPORT

SEPTEMBER 28, 2007

EXAMINER

ADEBOLA AWOFOESO

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

September 28, 2007

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 22236 dated June 23, 2004 attached hereto, I have made an examination into the condition and affairs of Unione Italiana Reinsurance Company of America, Inc. as of December 31, 2004, and submit the following report thereon.

Wherever the designations “the Company” or “UIRCA” appear herein without qualification, they should be understood to indicate Unione Italiana Reinsurance Company of America, 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 3024 Harney Street, Omaha, Nebraska 68131.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1998. This examination covered the six-year period from January 1, 1999 through December 31, 2004. The examination was initially started with an examination date as of December 31, 2003, but was subsequently updated to include the year ending December 31, 2004. 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, 2004. 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 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 bond 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

Unione Italiana Reinsurance Company of America, Inc. was incorporated under the laws of the State of New York on August 24, 1978. It became licensed on October 16, 1978.

Effective July 1, 1991, the Company voluntarily ceased writing new and renewal business. Prior to that date, UIRCA wrote multiple line property and casualty reinsurance covers. On September 29, 2000, National Indemnity Company, a member of the Berkshire Hathaway Group, acquired all of the outstanding capital stock of UIRCA from Istituto Nazionale delle Assicurazione S.p.A. (“INA”), an insurance company organized under the laws of Italy. The change in control was approved by the New York Insurance Department on September 27, 2000.

Capital paid in is \$3,372,480 consisting of 337,248 shares of \$10 par value per share common stock. Gross paid in and contributed surplus is \$31,083,337.

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 fifteen members. The board meets once during each calendar year. At December 31, 2004, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Duane Arendt Norwalk, CT	Vice President, National Liability & Fire Insurance Company
Robert Charles Bruno Matawan, NJ	President, Unione Italiana Reinsurance Company of America, Inc.
Lori Jill Friedman Armonk, NY	Claim Consultant, Self Employed

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Dale David Geistkemper Omaha, NE	Treasurer and Controller, National Indemnity Company & UIRCA
Marc David Hamburg Omaha, NE	Chief Financial Officer, Berkshire Hathaway Inc.
Ajit Jain Rye, NY	Executive Vice President, National Liability and Fire Insurance Company
Arvind Krishnamurthy Cambridge, MA	Financial Economist, National Liability and Fire Insurance Company
Forrest Nathan Krutter Omaha, NE	Senior Vice President and Secretary, National Indemnity Company & UIRCA
Kevin Donald Lewis Westport, CT	Assistant Vice President, National Liability and Fire Insurance Company
Joseph Rocco Liuzzi Media, PA	Vice President, National Liability and Fire Insurance Company & UIRCA
Nancy Furey Peters Omaha, NE	Assistant General Counsel, National Indemnity Company
Brian Gerard Snover Stamford, CT	Vice President, National Liability and Fire Insurance Company
Donald Frederick Wurster Omaha, NE	President, National Indemnity Company

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 has an acceptable record of attendance with the exception of Ajit Jain and Arvind Krishnamurthy, each of whom attended less than 50% of the meetings for which they were eligible to attend.

Members of the board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the insurer. It is essential that board members attend meetings consistently and set forth their views on relevant matters so that the board may reach appropriate decisions. Individuals who

fail to attend at least one-half of the regular meetings do not fulfill such criteria. It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced. It is noted that a similar recommendation was included in the prior report on examination.

Article 4 of the Company's charter stipulates that three of its directors shall be a resident of the State of New York. The examination review indicated that only two directors were residents of the State of New York as of December 31, 2004. It is recommended that the Company either elect at least three directors that reside in the state of New York or amend its charter to require only two of its directors be residents.

As of December 31, 2004, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Robert Charles Bruno	President
Forrest Nathan Krutter	Senior Vice President and Secretary
Joseph Rocco Liuzzi	Vice President
Dale David Geistkemper	Treasurer and Controller

Article III Section 1 of the Company's by-laws states, in part:

"The officers of the Corporation shall be a President, an Executive Vice President, a Secretary, a Treasurer..."

It is recommended that if the Company does not intend to elect an executive vice president, that it amend its by-laws to reflect its current operating structure.

B. Territory and Plan of Operation

As of December 31, 2004, the Company was licensed to write business in twenty states. In addition, it was licensed in five additional states for reinsurance only.

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
32	Substantially similar kind of insurance

In addition, the Company is licensed 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 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 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$2,200,000.

C. Reinsurance

Effective July 1, 1991, the Company voluntarily ceased writing new and renewal business. Prior to that date, UIRCA wrote multiple line property and casualty reinsurance covers. During the

examination period, the Company has effected commutation agreements pertaining to its reinsurance ceded business.

No new reinsurance agreements were effected during the examination period. Reinsurance agreements covering the Company's run-off book of business remain in effect.

Unauthorized Reinsurance

The letters of credit (“LOC”) obtained by the Company in order to take credit for cessions made to unauthorized reinsurers were reviewed for compliance with Department Regulation 133. The review revealed that the letters of credit utilized by the Company to offset its recoverable balances from Assitalia Le Assicurazioni D Italia were obtained from Banca Nazionale del Lavoro SpA, which is not an authorized bank in the United States. Part 79.2(c) of New York Regulation 133 requires that for a letter of credit to be acceptable, “it must be issued, presentable and payable at an office of the qualified bank in the United States.” Subsequent to the conclusion of the field portion of the examination, the Company obtained new letters of credit from the same unauthorized bank; however, the letters of credit provided that they could be drawn upon and confirmed at Citibank, which is an authorized bank. The confirmation from Citibank contains two provisions not in compliance with the requirements of Regulation 133 as noted below:

A provision in Citibank's confirmation indicated that “payment will be made by us three (3) banking days following our determination that documents comply with the terms and conditions of the letter of credit.” Part 79.1(c)(2) of Regulation 133, provides that a beneficiary need only draw a sight draft under the letter of credit or confirmation and present it to promptly obtain funds and that no other document need be presented.

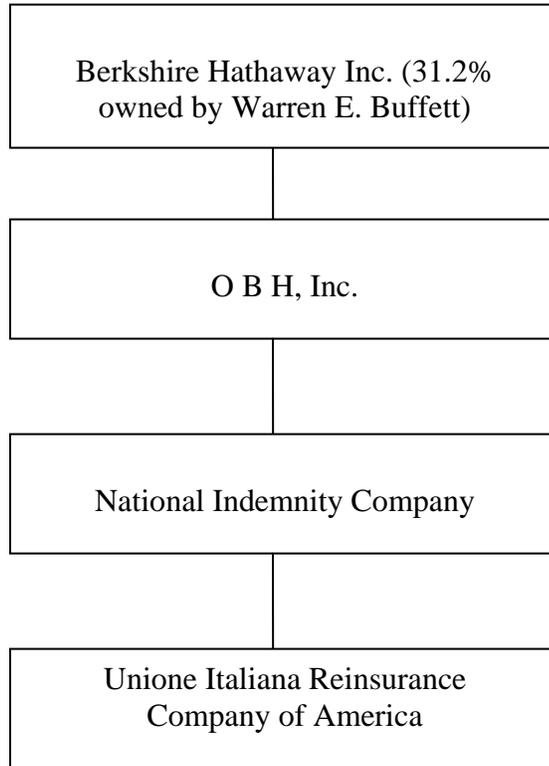
A provision in Citibank's confirmation stated that "this confirmation is subject to the Uniform Customs and Practice for documentary credits, 1993 revision, International Chamber of Commerce Publication No. 500 (UCP) and as to matters not addressed by UCP shall be governed by the laws of the state of New York and applicable U.S. Federal Law." Part 79.2(i) of Regulation 133, requires that the LOC "state that it is subject to and governed by the Laws of the State of New York and the 1993 revision of the Uniform Customs and Practice for Documentary Credits of the International Chamber of Commerce (Publication 500) {Footnote 1} and that, in the event of any conflict, the Laws of the State of New York will control."

It is recommended that the Company obtain an amended confirmation from Citibank to correct the two improper conditions noted above if it wishes to take credit for the above referenced letter of credit in future financial statements filed with the Department.

D. Holding Company System

The Company is a member of the Berkshire Hathaway Group. The Company is 100% owned by National Indemnity Company, a Nebraska domiciled corporation, which is ultimately controlled by Berkshire Hathaway Inc. (31.2% owned by Warren E. Buffett).

The following is an abbreviated chart of the UIRCA holding company system at December 31, 2004:



See Appendix A of the report for a more complete Berkshire Hathaway, Inc. holding company chart.

At December 31, 2004, the Company was party to the following agreements with other members of its holding company system:

Tax Allocation Agreement

The Company is party to a tax allocation agreement among various affiliated members of its ultimate parent Berkshire Hathaway, Inc. The agreement has an effective date of September 30, 2000. Pursuant to the terms of the agreement, the parties will file consolidated federal income tax returns. Said agreement stipulates that the Company's tax liability on a consolidated basis would not exceed the liability had the Company filed its tax return on a stand alone basis. The agreement was filed with this Department as part of National Indemnity Company's ("NIC") acquisition of control application of UIRCA, pursuant to Section 1506 of the New York Insurance Law.

The tax allocation agreement provided to the examiners during the course of the examination does not appear to be in compliance with Department Circular Letter No. 33 (1979) in that NIC, the Company's immediate parent is not specifically noted as a party to the agreement. In addition, the agreement calls for UIRCA to make tax payments to Berkshire Hathaway, Inc.; however, the Company is paying NIC. Thus, it is recommended that the Company file an amended tax allocation agreement that meets the requirements of Department Circular Letter No. 33 (1979) with this Department. In addition, it is recommended that the Company either make tax payments directly to Berkshire Hathaway, Inc. or that it amend its tax allocation agreement to reflect its current practice.

Service Agreement

Effective April 28, 2003, the Company and its immediate parent National Indemnity Company entered into a service agreement. Under the terms of this agreement, National Indemnity Company performs certain administrative and special services on behalf of the Company. The agreement indicates payment of services provided shall be on cost basis. The agreement was filed

with this Department pursuant to Section 1505 of the New York Insurance Law and was non-objected to on May 14, 2003.

E. Abandoned Property Law

Section 1316 of the New York State 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.

The Company's abandoned property reports for the period of this examination were all filed on a timely basis pursuant to the provisions of Section 1316 of the New York State Abandoned Property Law.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2004, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	0%	
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	57%	
Premiums in course of collection to surplus as regards policyholders	0%	
Investment Yield	1.4%	*
Change in policyholders surplus	-19.0%	*

The above ratios denoted with an asterisk fall outside the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners. The Investment yield ratio was out of range as a result of the Company holding large amounts of cash and short-term investments. The change in policyholders' surplus ratios was out of range as a result of a \$3 million dividend to stockholders in 2004 and the examination increase in loss and loss adjustment expense reserves.

G. Accounts and Records

i. Investments

Section 1409(a) of New York Insurance Law states, in part, that "Except as more specifically provided in this chapter, no domestic insurer shall have more than ten percent of its admitted assets as shown by its last statement on file with the superintendent invested in, ... the securities of any one institution."

A review of Company's investment portfolio as of the exam date indicated that it owned a Federal Home Loan Bank Discount Note with a carrying value of \$59,660,000 and it reported admitted assets of \$68,825,119 as of December 31, 2004. Federal Home Loan Bank Discount Notes are not one of the exemptions listed in Section 1409(c) of New York Insurance Law.

It is recommended that the Company comply with Section 1409 of the New York Insurance Law.

Subsequent to the conclusion of the examination, the Company replaced the Federal Home Loan Bank Discount Note with a US Treasury Bill. Thus, the value of the investment in excess of the Section 1409(a) limitation as of December 31, 2004 was allowed as an admitted asset.

ii. Service Agreement

The service agreement, noted in section 2(D) of this report, stipulates that “The quarterly accounts shall be furnished by National Indemnity to Unione within twenty-five (25) days after the close of each calendar quarter, other than the fourth quarter, and the annual account shall be furnished within thirty (30) days after the close of each calendar year. Such accounts shall be settled within thirty (30) days after the close of the calendar quarter, except for the fourth quarter, and within forty-five (45) days of the end of each calendar year.”

A review indicated that settlements for several quarters were not made in accordance with the provisions noted above. It is recommended that the Company adhere to the provisions of its service agreement with National Indemnity Company.

iii. General Expense

Department Regulation No. 30 sets forth the rules and methods governing the allocation of expenses among the major expense groups (loss adjustment, other underwriting and investment), as well as, amongst companies. This regulation also requires insurers to maintain detailed worksheets on file, supporting percentages used in allocating expenses to the various expense groups and joint expenses amongst companies.

Management used a judgmental basis to allocate expenses to a particular expense group and joint expenses amongst companies; thus, the Company did not use a prescribed basis noted in NAIC Accounting Practices and Procedures Manual, Statements of Statutory Accounting Principles (“SSAP”) No. 70 for the allocations.

Management is directed to establish and maintain written documentation supporting the allocation of each expense category to the major expense groups and the allocation of expenses amongst companies and that the methods used for such allocations be in accordance with the requirements of SSAP No. 70.

iv. CPA Contract

The examiners requested the CPA contracts that covered UIRCA for the 2003 and 2004 audits. The Company provided Berkshire Hathaway Inc.'s contracts with its CPA firm (Deloitte and Touche LLP) related to performing the 2003 and 2004 audits.

The CPA contracts noted above are missing, in whole or in part, the following required clauses of Department Regulation 118, part 89.2:

(a) on or before May 31st, the CPA shall provide an audited financial statement of such insurer and of any subsidiary required by section 307(b)(1) of the Insurance Law together with an opinion on the financial statements of such insurer and any such subsidiary for the prior calendar year and an evaluation of the insurer's and any such subsidiary's accounting procedures and internal control systems as are necessary to the furnishing of the opinion;

(b) any determination by the CPA that the insurer has materially misstated its financial condition as reported to the superintendent or that the insurer does not meet minimum capital or surplus to policyholder requirements set forth in the Insurance Law shall be given by the CPA, in writing, to the superintendent within 15 calendar days following such determination; and

(c) the workpapers and any communications between the CPA and the insurer relating to the audit of the insurer shall be made available for review by the superintendent at the offices of the insurer, at the Insurance Department or at any other reasonable place designated by the superintendent. The CPA must retain for review such workpapers and communications in accordance with the provisions of Part 243 of this Title (Regulation 152). More specifically, such workpapers and communications must be retained by the CPA for the period specified in sections 243.2(b)(7) and (c) of this Title. For the purposes of this subdivision, the workpapers and communications shall be deemed to have been created on the date the filing required by section 89.2(a) of this Part was submitted to the superintendent.

It is recommended that the Company ensure that the contract with the CPA for all future audits, which include Unione Italiana Reinsurance Company of America, Inc., contain the provisions required by Department Regulation 118 and that such contracts be executed by both parties. It is noted that a similar recommendation was included in the prior report on examination.

v. Custodial Agreement

Management answered affirmatively to the following General Interrogatory:

“Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity’s offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV...-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?”

However, a review of this response disclosed that the Company’s custodial agreement was lacking the protective covenants set forth in Section IV.J of the NAIC Financial Condition Examiners Handbook.

Thus, it is recommended that the Company procure a custodial agreement containing the protective covenants set forth in Section IV.J of the NAIC Financial Condition Examiners Handbook.

Subsequent to the conclusion of the examination, the Company obtained a new custodial agreement that complied with the NAIC guidelines.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of December 31, 2004 and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	Assets Not Admitted	Net Admitted Assets
Bonds	\$5,641,123	\$0	\$5,641,123
Cash and short-term investments	61,297,711	0	61,297,711
Receivable for securities	14,087	0	14,087
Investment income due and accrued	249,367	0	249,367
Uncollected premiums and agents' balances in the course of collection	118,689	112,357	6,332
Amounts recoverable from reinsurers	1,453,919	0	1,453,919
Funds held by or deposited with reinsured companies	1,958	0	1,958
Current federal and foreign income tax recoverable and interest thereon	160,622	0	160,622
Net deferred tax asset	<u>459,828</u>	<u>459,828</u>	<u>0</u>
Total assets	<u>\$69,397,304</u>	<u>\$572,185</u>	<u>\$68,825,119</u>

<u>Liabilities, surplus and other funds</u>	<u>Examination</u>	<u>Company</u>	Surplus Increase (Decrease)
Losses and loss adjustment expenses	\$34,044,378	\$30,705,499	(\$3,338,879)
Reinsurance payable on paid losses and loss adjustment expenses	162,079	162,079	
Commissions payable, contingent commissions and other similar charges	20,723	20,723	
Ceded reinsurance premiums payable (net of ceding commissions)	208,241	208,241	
Funds held by company under reinsurance treaties	926,599	926,599	
Amounts withheld or retained by company for account of others	15,243	15,243	
Provision for reinsurance	2,485,200	2,485,200	
Payable to parent, subsidiaries and affiliates	<u>130,226</u>	<u>130,226</u>	<u>0</u>
Total liabilities	<u>\$37,992,689</u>	<u>\$34,653,810</u>	<u>(\$3,338,879)</u>
 <u>Surplus and other funds</u>			
Common capital stock	\$3,372,480	\$3,372,480	
Gross paid in and contributed surplus	31,083,337	31,083,337	
Unassigned funds (surplus)	<u>(3,623,388)</u>	<u>(284,508)</u>	<u>(\$3,338,880)</u>
Surplus as regards policyholders	<u>\$30,832,429</u>	<u>\$34,171,309</u>	<u>(\$3,338,880)</u>
Total liabilities, surplus and other funds	<u>\$68,825,118</u>	<u>\$68,825,119</u>	

Note: The Internal Revenue Service did not audit the Company's 1999 Federal Income Tax return. The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns for tax years 2000 through 2001. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. Audits covering tax years 2002 through 2004 are currently under examination. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased \$1,039,699 during the six-year examination period January 1, 1999 through December 31, 2004, detailed as follows:

Underwriting Income

Premiums earned		(\$54,502)
Deductions:		
Losses and loss adjustment expenses incurred	\$18,681,264	
Other underwriting expenses incurred	<u>1,233,479</u>	
Total underwriting deductions		<u>19,914,743</u>
Net underwriting loss		(\$19,969,245)

Investment Income

Net investment income earned	\$14,826,626	
Net realized capital gain	<u>5,973,855</u>	
Net investment gain		20,800,481

Other Income

Net gain from agents' or premium balances charged off	\$1,275,590	
Miscellaneous income	<u>133,003</u>	
Total other income		<u>1,408,593</u>
Net income before federal and foreign income taxes		\$2,239,829
Federal and foreign income taxes incurred		<u>(293,257)</u>
Net Income		<u>\$2,533,086</u>

Capital and Surplus Account

Surplus as regards policyholders per report on examination as of December 31, 1998			\$31,872,128
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$2,533,086		
Net unrealized capital gains or (losses)	31,073		
Change in net deferred income tax	459,828		
Change in nonadmitted assets		\$438,486	
Change in provision for reinsurance		625,200	
Dividends to stockholders		<u>3,000,000</u>	
Net decrease in surplus	<u>\$3,023,987</u>	<u>\$4,063,686</u>	<u>(1,039,699)</u>
Surplus as regards policyholders per report on examination as of December 31, 2004			<u>\$30,832,429</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$34,044,378 is \$3,338,879 more than the \$30,705,499 reported by the Company in its December 31, 2004 filed annual statement. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and was based on statistical information contained in the Company's internal records and in its filed annual statements.

It is recommended that the Company provide an adequate reserve for unpaid losses and loss adjustment expenses in all future financial statements in order to comply with the requirements of Section 1303 of the New York Insurance Law. It is noted that a similar recommendation was included in the prior report on examination regarding the adequacy of loss adjustment expense reserves.

5. MARKET CONDUCT ACTIVITIES

The Company operated primarily as a reinsurer and as such, had no direct contact with public. In addition, the Company has been in run off since 1991. Therefore, no review of market conduct activities was necessary.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A <u>Management</u></p> <p>It was recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.</p> <p>The Company has not complied with this recommendation. A similar comment is made in this report. (See Section 2(A))</p>	<p>4</p>
<p>B <u>Accounts and Records</u></p> <p>i. It was recommended that the Company's contract with its independent certified public accountant be amended to include the requirements as indicated in Section 89.2 of Regulation 118 and Section 307(b) of the New York Insurance Law.</p> <p>The Company complied with this recommendation subsequent to conclusion of last examination. However, the Company's 2003 and 2004 independent certified public accountant contracts were not in compliance. Thus, a similar comment is made in this report. (See Section 2(G)(iv))</p> <p>ii. It was recommended that the Company amend its custodial agreement with Republic National Bank to include all protective covenants and provisions in order to meet the minimum guidelines established by the New York Insurance Department for the contents of such agreements.</p> <p>The Company had not complied with this recommendation. However, the protective covenants and provisions required as of the prior examination have been replaced by new requirements. Thus, a similar recommendation is made in this report regarding the protective covenants to be included in custodial agreements. (See Section 2(G)(v))</p> <p>iii. It was recommended that the signature page be updated to show the current authorized signatories.</p> <p>The Company has complied with this recommendation.</p>	<p>10-11</p> <p>11-12</p> <p>11-12</p>

<u>ITEM</u>	<u>PAGE NO.</u>	
C	<p><u>Funds held by or Deposited with Reinsured Companies</u></p> <p>It was recommended that the Company maintain supporting documentation for all amounts reported in its annual statement.</p> <p>The Company has substantively complied with this recommendation.</p>	16
D	<p><u>Loss Adjustment Expenses</u></p> <p>It was recommended that the Company comply with Section 1303 of the New York Insurance Law and maintain loss adjustment expense reserves adequate to provide for cost of adjusting all losses or claims incurred on or prior to the annual statement date.</p> <p>The Company has not complied with this recommendation. A similar comment is made in this report. (See Section 4)</p>	17
E	<p><u>Provision for Reinsurance</u></p> <p>It was recommended that the Company include all reserve components for ceded to unauthorized companies when calculating the provision for reinsurance pursuant to the provisions of Part 125.6(b) of New York Regulation 20 and Sections 1303, 4117(a) and 1301(a)(14) of the New York Insurance Law.</p> <p>The Company has complied with this recommendation.</p>	18-19

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A	<u>Management</u>	
i.	It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced. It is noted that a similar recommendation was included in the prior report on examination.	5
ii.	It is recommended that the Company either elect at least three directors that reside in the state of New York or amend its charter to require only two of its directors be residents.	5
iii.	It is recommended that if the Company does not intend to elect an executive vice president, that it amend its by-laws to reflect its current operating structure.	5
B	<u>Reinsurance</u>	
	It is recommended that the Company obtain an amended confirmation from Citibank to correct the two improper conditions noted if it wishes to take credit for the referenced letter of credit in future financial statements filed with the Department.	8
C	<u>Holding Company System</u>	
	It is recommended that the Company file an amended tax allocation agreement that meets the requirements of Department Circular Letter No. 33 (1979) with this Department. In addition, it is recommended that the Company either make tax payments directly to Berkshire Hathaway, Inc. or that it amend its tax allocation agreement to reflect its current practice.	10
D	<u>Accounts and Records</u>	
i.	<u>Investments</u> It is recommended that the Company comply with Section 1409 of the New York Insurance Law.	12
ii.	<u>Service Agreement</u> It is recommended that the Company adhere to the provisions of its service agreement with National Indemnity Company.	13

<u>ITEM</u>	<u>PAGE NO.</u>
iii. <u>General Expenses</u> Management is directed to establish and maintain written documentation supporting the allocation of each expense category to the major expense groups and the allocation of expenses amongst companies and that the methods used for such allocations be in accordance with the requirements of SSAP No. 70.	13
iv. <u>CPA Contract</u> It is recommended that the Company ensure that the contract with the CPA for all future audits, which include Unione Italiana Reinsurance Company of America, Inc., contain the provisions required by Department Regulation 118 and that such contracts be executed by both parties. It is noted that a similar recommendation was included in the prior report on examination.	14
v. <u>Custodial Agreement</u> It is recommended that the Company procure a custodial agreement containing the protective covenants set forth in Section IV.J of the NAIC Financial Condition Examiners Handbook.	15
Subsequent to the conclusion of the examination, the Company obtained a new custodial agreement that complied with the NAIC guidelines.	
E <u>Losses and Loss Adjustment Expenses</u> It is recommended that the Company provide an adequate reserve for unpaid losses and loss adjustment expenses in all future financial statements in order to comply with the requirements of Section 1303 of the New York Insurance Law. It is noted that a similar recommendation was included in the prior report on examination regarding the adequacy of loss adjustment expense reserves.	20

APPENDIX A

	<u>NAIC NUMBERS</u>	<u>STATE of DOMICILE</u>
Berkshire Hathaway Inc. (31.2% owned by Warren E. Buffett)		DE
Albecca Inc.		GA
The Ben Bridge Corporation		WA
Benjamin Moore & Co.		NJ
CTB International		IN
Fruit of the Loom, Inc.		DE
Garan, Incorporated		IL
General Re Corporation		DE
General Reinsurance Corporation	22039	DE
Elm Street Corporation		DE
GRC Realty Corporation		CT
General Star Indemnity Company	37362	CT
General Star International Indemnity Ltd.		UK
General Star National Insurance Company	11967	OH
Genesis Insurance Company	38962	CT
Genesis Indemnity Insurance Company	34991	ND
General Re Holdings Limited		UK
Reinsurance Underwriting Services Ltd.		UK
General Reinsurance UK Limited		UK
General & Cologne Re Brasil Ltda. (1)		Brazil
General Reinsurance Australia Ltd.		Australia
General Re Compania de Reaseguros, S.A.		Uruguay
General & Cologne Re (Sur) Compania de Reaseguros, S.A.		Argentina
GRD Corporation		DE
General Re - Reinsurance and Investment S.A.R.L.		Luxembourg
Kölnische Rückversicherungs-Gesellschaft AG (2)		Germany
Cologne Holding Company of America		CT
Cologne Re Managers Corporation		DE
Cologne Reinsurance Company of America	33197	CT
General & Cologne Life Re (Barbados) Ltd.		Barbados
General Re Life Corporation	86258	CT
Cologne Life Underwriting Management Company		CT
IdeaLife Insurance Company	97764	CT
Europa Rückversicherung Aktiengesellschaft		Germany
Europa Re (Dublin) Limited		Ireland
Faraday Reinsurance Co. Limited		UK
Cologne Reinsurance Company (Dublin) Ltd.		Ireland
Cologne Reinsurance Finance Holdings B.V.		Netherlands
GeneralCologne Re (Bermuda) Ltd.		Bermuda
General & Cologne Re (Barbados) Ltd. (1)		Barbados
General Re Mexico, S.A.		Mexico
Gen Re Warsaw Sp. z.o.o.		Poland

General Reinsurance Africa Ltd.		South Africa
General Reinsurance Life Australia Ltd.		Australia
SIA Gen Re Riga		Latvia
GeneralCologne Re Iberica Corredores de Reaseguros S.A.		Spain
General Reinsurance Life UK Limited		UK
Cologne Re Consultants Ltd.		Hong Kong
General Reinsurance Scandinavia A/S		Denmark
General Re Underwriting Services Limited		Bermuda
National Re Corporation		DE
National Reinsurance Corporation	34835	DE
Fairfield Insurance Company	44784	CT
Red Elm, LLC		DE
North Star Reinsurance Corporation	22047	DE
General Re-New England Asset Management, Inc.		DE
North Star Syndicate, Ltd.		DE
United States Aviation Underwriters, Inc.		NY
General Re Services Corporation		DE
General Re Financial Products (Japan) Inc.		DE
Gen Re Intermediaries Corporation		NY
Faraday Holdings Limited		UK
GRD Holdings Corporation		DE
GRD Global, Inc.		DE
Gen Re Securities Holdings LLC		DE
General Re Financial Products Corp.		DE
General Re Securities		UK
General Re Investment Holdings Corporation		DE
General Re Funding Corporation		DE
General Re Corporate Finance, Inc.		DE
General Re Asset Holdings, Inc		DE
GenRe South Ridge Partners L.P.		DE
GenRe Park Holdings LLC		DE
GenRe Gisbourne LLC		DE
General Re (Bermuda) Ltd.		Bermuda
Johns Manville Corporation		DE
Jordan's Furniture, Inc.		MA
Justin Industries, Inc.		TX
MiTek, Inc. (2)		DE
OBH Inc.		DE
BH Columbia Inc.		NE
Columbia Insurance Company	27812	NE
BH Finance, LLC		NE
BHG Structured Settlements, Inc.		MO
TonicStar Limited		UK
Republic Insurance Company	38318	TX
BHSF Inc.		DE
The Scott Fetzer Company		DE
Scott Fetzer Financial Group, Inc.		DE

Berkshire Hathaway Credit Corporation		NE
Blue Chip Stamps		CA
Wesco Financial Corporation (2)		DE
Wesco Holdings Midwest, Inc.		NE
CORT Business Services Corporation		DE
Wesco-Financial Insurance Company	19500	NE
The Kansas Bankers Surety Company	15962	KS
Brookwood Insurance Company	11014	IA
Central States of Omaha Companies, Inc. (2)		NE
Central States Indemnity Co. of Omaha	34274	NE
CSI Life Insurance Company	82880	NE
CSI Processing, LLC		NE
Cypress Insurance Company	10855	CA
Dexter Shoe Company		ME
Executive Jet, Inc.		DE
The Fechheimer Brothers Company (2)		DE
FlightSafety International Inc.		NY
Helzberg Diamond Shops, Inc.		MO
H.H. Brown Shoe Company, Inc.		DE
International Dairy Queen, Inc.		DE
National Fire & Marine Insurance Company	20079	NE
First Berkshire Properties, LLC (4)		NE
Fourth Berkshire Properties, LLC		NE
Redwood Fire and Casualty Insurance Company	11673	NE
Second Berkshire Properties, LLC		NE
Third Berkshire Properties, LLC		NE
National Indemnity Company *	20087	NE
Berkshire Hathaway International Insurance Limited		UK
Berkshire Hathaway Life Insurance Company of Nebraska	62345	NE
BHG Life Insurance Company	60107	NE
Cornhusker Casualty Company	20044	NE
First Berkshire Hathaway Life Insurance Company	11591	NY
Oak River Insurance Company	34630	NE
Continental Divide Insurance Company	35939	CO
GEICO Corporation (3)		DE
Clayton Homes, Inc.		DE
GEICO Indemnity Company	22055	MD
GEICO Casualty Company	41491	MD
Government Employees Insurance Company	22063	MD
GEICO General Insurance Company	35882	MD
Insurance Counselors, Inc.		MD
Insurance Counselors of Texas, Inc.		TX
McLane Company, Inc.		TX
Plaza Resources Company		DE
National Indemnity Company of Mid-America	20060	IA
National Indemnity Company of the South	42137	FL
Tenecom Limited		UK

Unione Italiana Reinsurance Company of America, Inc.	36048	NY
National Liability & Fire Insurance Company	20052	CT
Nebraska Furniture Mart, Inc. (2)		NE
OCSAP, Ltd.		ME
R.C. Willey Home Furnishings		UT
The Pampered Chef, Ltd.		IL
Shaw Industries, Inc. (2)		GA
U.S. Investment Corporation		PA
Mount Vernon Fire Insurance Company	26522	PA
U.S. Underwriters Insurance Company	35416	ND
United States Liability Insurance Company	25895	PA
XTRA Corporation		DE

* National Indemnity Company is the largest affiliated insurer

appears on Schedule Y, Part 2 are listed.

- (1) Less than 80% ownership
- (2) More than 80% ownership but less 100%

Appointment No 22236

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:

Adebola Awofeso

as proper person to examine into the affairs of the

UNIONE ITALIANA REINSURANCE COMPANY OF AMERICA

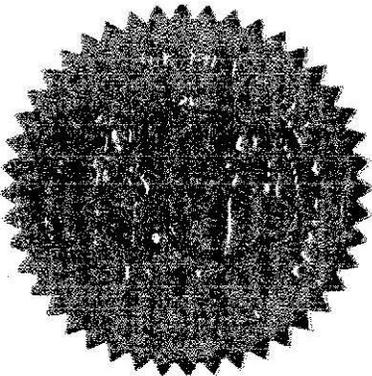
and to make a report to me in writing of the condition of the said

Company

with such other information as he shall deem requisite.

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

this 23rd day of June, 2004




GREGORY V. SERIO
Superintendent of Insurance