

REPORT ON EXAMINATION

OF THE

GLOBAL LIBERTY INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2003

DATE OF REPORT

APRIL 5, 2005

EXAMINER

KENNETH I. MERRITT

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

April 5, 2005

Honorable Howard Mills
Acting 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 22210 dated April 19, 2004 attached hereto, I have made an examination into the condition and affairs of Global Liberty Insurance Company of New York as of December 31, 2003, and submit the following report thereon.

Wherever the designations “the Company” or “Global Liberty” appear herein without qualification, they should be understood to indicate Global Liberty Insurance Company of New York.

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 administrative offices located at 34-13 Steinway Street, Astoria, New York 11101 and 131 East Ames Court, Plainview, New York 11803.

1. SCOPE OF EXAMINATION

This is the first financial examination of the Company after the examination on organization, which was conducted as of September 13, 2000. This examination covered the period from September 14, 2000 through December 31, 2003. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a complete verification of assets and liabilities as of December 31, 2003. 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. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

- History of Company
- Management and control
- Corporate records
- Fidelity bond and other insurance
- Territory and plan of operation
- Growth of Company
- Business in force by states
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements

2. DESCRIPTION OF COMPANY

A. Management

The Company was incorporated under the laws of the State of New York on June 5, 1999, under the name American Horizon Insurance Company of New York ("American Horizon of NY"). Concurrent with American Horizon Insurance Company of Illinois ("Parent Company") undergoing a liquidation

order by the State of Illinois. This Department approved, effective January 27, 2003, the parent company's sale of American Horizon of NY to Mr. Hossni Elhelbawi, an individual licensed as a New York insurance broker. Thereafter, the Company was renamed Global Liberty Insurance Company of New York pursuant to a charter amendment approved by the Department effective February 21, 2003. The Company existed as an unlicensed shell insurer that had not previously written business until its acquisition by the current ownership. The Company became licensed on February 21, 2003 and commenced writing business on March 1, 2003. The Company has an exclusive managing general agency arrangement with Anchor Group Inc., a New York licensed insurance brokerage that is wholly owned by Mr. Elhelbawi, which is more fully discussed in Item 2D of this report.

Capital paid in is \$1,000,000 consisting of 1,000,000 shares of common stock at \$1 par value per share. However, the Company's charter calls for capital stock in the amount of \$700,000 comprising of 700,000 shares of common stock \$1 par value per share. Based on the \$300,000 increase to the capital stock account, it was noted that management failed to file with the Department for prior approval an amendment to the Company's charter, as required pursuant to Section 1206 of the New York Insurance Law.

Management subsequently filed a proposed charter amendment in July 2004, increasing the Company's capital stock from \$1 million to \$2 million, consisting of 2 million shares at \$1 par value per share. This submission's approval is pending by the Department.

Until a final decision is made by the Department regarding the Company's current \$2 million capital stock proposal, the following recommendations are hereby made as of this examination report:

It is recommended that management comply with Section 1206 of the New York Insurance Law by filing with the Department an amended charter reflecting an increase to the Company's capital stock from \$700,000 to \$1,000,000.

It is also recommended that management comply with Section 1206 of the New York Insurance Law, which requires that the Company file any proposed charter amendments for this Department's approval prior to its implementation.

In November 2004, the management relocated the Company's home office from Astoria, NY to Plainview, NY. Management amended the Company's charter to reflect Nassau County as the new statutory home office.

Gross paid in and contributed surplus is \$2,063,844. Below is a summary of changes in gross paid in and contributed surplus commencing from its initial capitalization occurring as of January 22, 2002 through the 2003 current examination date:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
January 27, 2002	Beginning gross paid in and contributed surplus	\$ 463,844
December 22, 2003	Surplus contribution	<u>1,600,000</u>
December 31, 2003	Ending gross paid in and contributed surplus	<u>\$2,063,844</u>

The Company was initially capitalized by Mr. Elhelbawi through Anchor Holdings Group Inc. (formerly A & S Transportation Writer, Inc.) with \$1,163,844. This amount comprised capital stock and paid in and contributed surplus of \$700,000 and \$463,844, respectively. In December 2003, as more fully discussed in Item 2D of this report, Michael Camilleri, a board member contributed \$1.6 million to the Company's gross paid in capital in exchange for 51% of Mr. Elhelbawi's interest in the Company. This transaction occurred without the Department's prior approval in violation of Section 1506 of the New York Insurance Law.

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen nor more than twenty-one members. At December 31, 2003, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Moshen Badran Fresh Meadows, NY	Vice-President, Goodwill Industries
Reginald E. Beane Coral Springs, FL	President, First Commercial Insurance Company
Rene M. Cambert Miami Lakes, FL	Treasurer, First Commercial Insurance Company
Michael Camilleri Boca Raton, FL	General Counsel, First Commercial Insurance Company
Ahmed Elhelbawi Kingwood, TX	Private Pilot, Anchor Air
Hossni Elhelbawi Nesconset, NY	President, Global Liberty Insurance Company of NY
Lisa Elhelbawi Nesconset, NY	Housewife
Luis M. Espinosa Miami Lakes, FL	Secretary, First Commercial Insurance Company
Anthony Grippa Boca Raton, FL	Actuary, Preferred Insurance Capital Consultants
Vanessa May Palm Beach Gardens, FL	Chief Executive Officer, Adelphia Medical Billing
Angela Osan Woodside, NY	Treasurer, Global Liberty Insurance Company of NY
John Pittas Astoria, NY	Attorney, Self-employed
John Valko Palm Beach Gardens, FL	Treasurer, Newport Star Reinsurance Company

The Company's charter and by-laws require the board of directors to meet immediately following the annual meeting of the shareholders of the Company to be held on the second Tuesday in April of each year, or, if a legal holiday, the next succeeding business day. In addition to its annual meeting, the board

is required to hold at least three regularly scheduled quarterly meetings each year, none of which may take place during the quarter in which the annual meeting is held.

A review of the minutes revealed that the board of directors failed to hold the scheduled annual meetings in April, as well as the third quarter meetings as indicated above.

It is recommended that the board of directors hold their scheduled annual and interim meetings as called for in the Company's charter and by-laws.

A review of the minutes revealed that the directors did not approve the Company's investment transactions, as required pursuant to Section 1411(a) of the New York Insurance Law.

It is recommended that the board of directors comply with Section 1411(a) of the New York Insurance Law by approving all Company investment decisions.

As of December 31, 2003, the following individuals represented the principal officers of the Company:

<u>Name</u>	<u>Title</u>
Hossni Elhelbawi	President
Angela Osan	Secretary and Treasurer

Other than the above Company officers, there are no other Company employees.

Conflict of Interest Policy

The Company's by-laws provide for a conflict of interest policy for adherence to by Company directors, officers and employees. It was noted that management did not maintain on file signed conflict of interest statements for all Company directors.

It is recommended that management ensure that signed conflict of interest statements are received and maintained on file for all officers and board of directors of the Company.

It was also noted that management did not provide any documentation of written procedures for the enforcement and implementation of the Company's conflict of interest policy.

It is recommended that the Company establish written procedures for enforcing its conflict of interest policy and which permit the board of directors to properly oversee and handle any conflicts disclosed. The board shall maintain complete minutes of its proceedings on such matters.

B. Territory and Plan of Operation

As of December 31, 2003, the Company was licensed to write business in New York 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>
13	Personal injury liability
14	Property damage liability
19	Motor vehicle and aircraft physical damage

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 \$700,000.

The Company wrote total New York direct premiums of \$1,698,170 during the period under examination.

Global Liberty writes commercial automobile liability and physical damage insurance (livery car insurance) on “black and silver” cars and limousines in the New York City boroughs and upstate New York State regions. The Company utilizes a sub-agency network of agents and brokers appointed through the Company’s exclusive managing general agent, Anchor Group Inc. (“MGA”). A review of the MGA’s licenses revealed that while it was licensed as a New York insurance agent pursuant to Section 2103 of the New York Insurance Law, the license was inactive. Additionally, a review of the Company’s appointment of the MGA as its agent revealed that it failed to file a certificate of appointment within 30 days with the Department, pursuant to Section 2112 of the New York Insurance Law.

It is recommended that management comply with Section 2112 of the New York Insurance Law by filing with the Department the requisite certificate of appointment of the Company’s appointed MGA.

C. Reinsurance

Assumed

The Company does not assume any reinsurance business.

Ceded

The Schedule F data as contained in the Company’s filed annual statement was found to accurately reflect its reinsurance transactions.

The examiner reviewed all ceded reinsurance contracts in effect at December 31, 2003. The contracts all contained the required standard clauses including insolvency clauses meeting the requirements of Section 1308 of the New York Insurance Law.

The Company had the following ceded reinsurance program in effect at December 31, 2003:

<u>Type of treaty</u>	<u>Cession</u>
Quota share 100% Unauthorized	50% of Company policies covering base limits of \$25,000/\$50,000.
Excess of Loss 100% Unauthorized	\$75,000 Excess of \$25,000 per person and \$250,000 excess of \$50,000 per occurrence. \$100,000/\$300,000 combined single limit.

The ceded reinsurance is 100% placed with an unauthorized insurer. All agreements were filed with the Department pursuant to Section 1308 at the New York Insurance Law.

Unauthorized Reinsurance

Examination review indicated that the Company was a party to a trust agreement obtained pursuant to Department Regulation 114. It was noted that the assets in the trust account at the examination date did not support the credit taken by the Company in order reduce the provision for reinsurance. This appears to be a violation of Section 126.6 of Department Regulation 114, which provides that:

“Funds withheld pursuant to a trust agreement may not be used to reduce any liability for reinsurance ceded to an unauthorized reinsurer in financial statements required to be filed with this department, unless a trust account in compliance with the provisions of this Part, has been established on or before the “as of date” of the financial statement of the ceding insurer. Further, the reduction for the existence of an acceptable trust account may be up to the current fair market value of acceptable assets available to be withdrawn from the trust account....”

It is recommended that the Company comply with Section 126.6 of the Department Regulation 114 by only taking a credit for unauthorized reinsurance recoverable in an amount not to exceed the available funds held in the Company’s trust account.

D. Holding Company System

Global Liberty is a wholly owned subsidiary of Anchor Holdings Group Inc, which is ultimately controlled by Mr. Hossni Elhelbawi.

A review of the 2003 holding company registration statement filed with this Department indicated that such filing was complete but not filed in a timely manner. Pursuant to Part 80-1.4 of Department Regulation 52, all controlled insurers are required to file an annual holding company registration statement (Form HC1) within 120 days following the end of its ultimate holding company's fiscal year.

It is recommended that the Company file its annual holding company registration statements in a timely manner, pursuant to the provisions of Part 80-1.4 of Department Regulation 52.

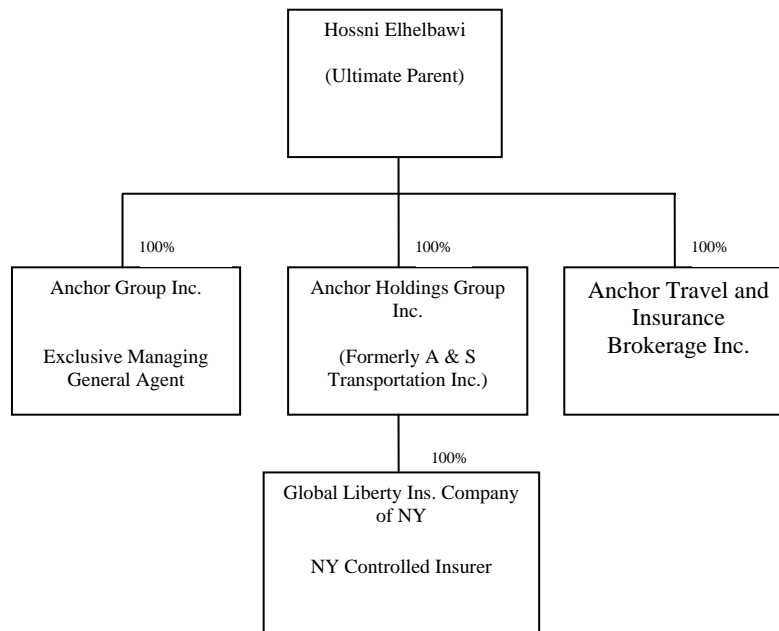
A review of the Company's compliance with the holding company statement filing indicated that following the change in identity of Global Liberty upon the Company's January 27, 2003 acquisition by the current ownership, an amended holding company registration statement was not filed in compliance with Section 1503 of the New York Insurance Law.

It is recommended that the Company file an amended holding company registration statement in compliance with Section 1503 of the New York Insurance Law.

The Company did not comply with Part 80-2.2 of Department Regulation 52-A, which requires that it provide an annual report on its controlling producer on or before April 1, 2004.

It is recommended that the Company comply with Part 80-2.2 of Department Regulation 52-A by filing a report each year with the Department, as required of its controlling producer, Anchor Group Inc.

The following is a chart of the holding company system at December 31, 2003:



At December 31, 2003, the Company was party to the following agreements with other members of its holding company system:

MGA Agreement

Effective February 1, 2003, under the captioned agreement, the MGA is responsible for the full management of the Company. The MGA performs all duties and responsibilities involving marketing, underwriting administration (including policy issuance, billing, terminations and reinstatements), claims administration, accounting and regulatory reporting, investments and general administration. This agreement was not filed with the Department in a timely manner, pursuant to Section 1505 of the New York Insurance Law.

Expense Agreement

According to the captioned agreement, Global Liberty must repay Anchor Travel and Brokerage, Inc., and or Anchor Group Inc., for common operating expenses incurred for services provided. A review

revealed that this agreement was not filed with the Department pursuant to Section 1505 of the New York Insurance Law.

It is recommended that the Company file all inter-company agreements in accordance with the provisions of Section 1505 of the New York Insurance Law.

Stock Purchase Agreement

Pursuant to the captioned agreement effective December 22, 2003, the Company received \$1.5 million as a result of the sale of 447 shares of Global Liberty by Anchor Holding Group Inc. (immediate parent) to First Commercial Insurance Company (“FCIC”), a Florida domiciled insurer. FCIC, a non-admitted New York insurer, is owned by Global Liberty board members, Reginald Beane, Rene Cambert, Luis Espinosa and Michael Camilleri, who all resigned as Company directors subsequent to the examination date in 2004. This transaction comprised a 44.7% transfer of ownership of the Company between the parties. It was noted that the subject transaction was not approved by the Department in violation of Section 1506 of the New York Insurance Law. Section 1506(a) of the New York Insurance Law states that no person, other than an authorized insurer, shall acquire control of any domestic insurer, whether by purchase of its securities or otherwise, unless it receives the superintendent’s prior approval.

It is recommended that the Company comply with the provisions of Section 1506 of the New York Insurance Law.

E. Abandoned Property Law

The Company had no abandoned property subject to the requirements of Section 1316 of the New York Abandoned Property Law.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2003, based upon the results of this examination:

Net premiums written in 2003 to surplus as regards policyholders	28%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	35%
Premiums in course of collection to surplus as regards policyholders	11%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the nine month period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$ 248,463	71.7%
Other underwriting expenses incurred	309,485	89.3
Net underwriting gain	<u>(211,501)</u>	<u>(61.0)</u>
Premiums earned	<u>\$ 346,447</u>	<u>100.00%</u>

G. Accounts and Records

Authorized Signatories

A review of the signatory requirements to Global Liberty's cash accounts revealed that the Company president and treasurer each have unlimited check signing authority. In addition, only the

Company's president has the authority to transfer Company funds via wire transfer. Insofar as these two officers having unlimited access and check signing authority without requiring two authorized signatures at specific dollar amounts, imposes a potential weakness in the internal controls over the Company's cash accounts.

It is recommended that the Company amend its current check signing and wire transfer procedures by requiring two signatures from authorized personnel contingent upon the amounts of funds to be disbursed.

Delinquent MGA funds transfer

The Company utilizes a premium financing arrangement wherein the total annual premiums on Company issued policies are collected in full by the MGA. A review of the documentation in support of the settlement of the Company's December 31, 2003 agents' balances account revealed that the MGA did not remit to the Company in a timely manner such premium collections held by the MGA. Part 80.2.2 of the Department Regulation 52-A, as well as the Company's contract with the MGA, requires that the MGA remit all funds to the Company by the fifteenth of each month. The funds associated with this year-end account balance were remitted in April 2004, beyond the agreed monthly time period.

It is recommended that the Company comply with Part 80-2.2 of the Department Regulation 52-A by ensuring the monthly transfer of funds from the MGA's bank account to Global Liberty be made in accordance with their agreement.

Department Regulation 30

A review of the Company's books of account revealed that several expense transactions were erroneously recorded and joint operating expenses were not properly allocated pursuant to Regulation 30. Further, salaries were not allocated among the annual statement expense groups in the Underwriting and Investment Exhibit of the Company's filed annual statement.

It is recommended that the Company comply with the provisions of the Department Regulation 30 and follow the annual statement instructions in recording expenses and allocating joint operating expenses and salaries.

Unsupported Expenditures

The Company made several disbursements of \$100 or more without the evidence of signed vouchers as required by Section 1217 of the New York Insurance Law.

It is recommended that the Company comply with Section 1217 of the New York Insurance Law by maintaining signed vouchers for disbursements of \$100 or more.

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, 2003 and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	Not Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$1,052,330	\$0	\$1,052,330
Cash and short-term investments	2,822,580	0	2,822,580
Premiums and agents' balances in course of collection	327,951	0	327,951
Reinsurance recoverables on loss and loss adjustment expense payments	7,598	0	7,598
Interest, dividends and real estate income due and accrued	<u>6,121</u>	<u>0</u>	<u>6,121</u>
Total assets	<u>\$4,216,580</u>	<u>0</u>	<u>\$4,216,580</u>

Liabilities, Surplus and Other Funds

Losses	\$154,584
Loss adjustment expenses	37,234
Other expenses (excluding taxes, licenses and fees)	24,500
Taxes, licenses and fees (excluding federal and foreign income taxes)	12,076
Unearned premiums	471,456
Funds held by company under reinsurance treaties	<u>646,282</u>
Total liabilities	\$1,346,132

Surplus and Other Funds

Common capital stock	\$ 1,000,000
Gross paid in and contributed surplus	2,063,844
Unassigned funds (surplus)	<u>(193,396)</u>
Surplus as regards policyholders	<u>2,870,448</u>
 Total liabilities, surplus and other funds	 <u>\$4,216,580</u>

NOTE: The Internal Revenue Service has never audited the Company's Federal Income Tax returns under the current ownership. 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 increased \$1,706,602 during the examination period September 14, 2000 through December 31, 2003, detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$ 346,447
Deductions:		
Losses incurred	\$ 167,414	
Loss expenses incurred	81,049	
Other underwriting expenses incurred	<u>309,485</u>	
Total underwriting deductions		<u>557,948</u>
Net underwriting loss		\$ (211,501)

Investment Income

Net investment income earned	\$ 17,013	
Net realized capital gain	<u>0</u>	
Net investment gain or (loss)		17,013
Aggregate write-ins for miscellaneous income		<u>1,092</u>
Net income after dividends to policyholders and before federal and foreign income taxes		\$ (193,396)
Federal and foreign income taxes incurred		<u>0</u>
Net income		<u>\$ (193,396)</u>

Capital and Surplus Account

Surplus as regards policyholders per report on organization as of September 14, 2000		\$1,163,844
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>
Net income		\$(193,396)
Capital stock increase	\$ 300,000	
Gross paid in additional surplus	<u>1,600,000</u>	
Total increases and decreases	<u>\$ 1,900,000</u>	<u>\$(193,396)</u>
Net increase (decrease) in surplus		<u>1,706,604</u>
Surplus as regards policyholders per report on examination as of December 31, 2003		<u>\$2,870,446</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$191,818 is the same as reported by the Company as of December 31, 2003. 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 in its filed annual statements.

A review of the Company's 2003 total paid losses and defense and cost containment expenses revealed some discrepancy between the corresponding payments reported in Schedule P and the Company's year-end loss run. In addition, the Company's internal records were insufficient to verify Schedule P's adjusting and other expense payments and claims count information.

It is recommended that the Company maintain sufficient internal records to support its Schedule P paid losses, loss adjustment expenses and claims count.

A review of the Company's claim files revealed that there was insufficient documentation, in the form of reserve calculation worksheets, to verify the case reserve amounts required for the individual claim files.

It is recommended that management ensure that sufficient documentation to verify case reserve amounts is maintained for each Company claim file.

5. MARKET CONDUCT ACTIVITIES

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

The general review was directed at practices of the Company in the following areas:

- A. Sales and advertising
- B. Underwriting
- C. Rating
- D. Claims and complaint handling

No problem areas were encountered.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

This is the first financial condition examination. Therefore, there is no prior report on examination.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
i. It is recommended that management comply with Section 1206 of the New York Insurance Law by filing with the Department an amended charter reflecting an increase to the Company's capital stock from \$700,000 to \$1,000,000.	3
ii. It is also recommended that management comply with Section 1206 of the New York Insurance Law, which requires that the Company file any proposed charter amendments for this Department's approval prior to its implementation.	4
iii. It is recommended that the board of directors hold their scheduled annual and interim meetings as called for in the Company's charter and by-laws.	6
iv. It is recommended that the board of directors comply with Section 1411(a) of the New York Insurance Law by approving all Company investment decisions.	6
v. It is recommended that management ensure that signed conflict of interest statements are received and maintained on file for all officers and board of directors of the Company.	7
vi. It is recommended that the Company establish written procedures for enforcing its conflict of interest policy and which permit the board of directors to properly oversee and handle any conflicts disclosed. The board shall maintain complete minutes of its proceedings on such matters.	7
B. <u>Territory and Plan of Operation</u>	
i. It is recommended that management comply with Section 2112 of the New York Insurance Law filing with the Department the requisite certificate of appointment of the Company's appointed MGA.	8
C. <u>Ceded Reinsurance</u>	
It is recommended that the Company comply with Section 126.6 of the Department Regulation 114 by only taking a credit for unauthorized reinsurance recoverable in an amount not to exceed the available funds held in the Company's trust account.	9

<u>ITEM</u>	<u>PAGE NO.</u>
D. <u>Holding Company System</u>	
i. It is recommended that the Company file its annual holding company registration statements in a timely manner pursuant to the provisions of Part 80-1.4 of Department Regulation 52.	10
ii. It is recommended that the Company file an amended holding company registration statement in compliance with Section 1503 of the New York Insurance Law.	10
iii. It is recommended that the Company comply with Part 80-2.2 of Department Regulation 52-A by filing a report each year with the Department, as required of its controlling producer, Anchor Group Inc	10
iv. It is recommended that the Company file all inter-company agreements in accordance with the provisions of Section 1505 of the New York Insurance Law.	12
v. It is recommended that the Company comply with the provisions of Section 1506 of the New York Insurance Law.	12
E. <u>Accounts and Records</u>	
i. It is recommended that the Company amend its current check signing and wire transfer procedures by requiring two signatures from authorized personnel contingent upon the amounts of funds to be disbursed.	14
ii. It is recommended that the Company comply with Part 80-2.2 of the Department Regulation 52-A by ensuring the monthly transfer of funds from the MGA's bank account to Global Liberty be made in accordance with their agreement.	14
iii. It is recommended that the Company comply with the provisions of the Department Regulation 30 and follow the annual statement instructions in recording expenses and allocating joint operating expenses and salaries.	15
iv. It is recommended that the Company comply with Section 1217 of the New York Insurance Law by maintaining signed vouchers for disbursements of \$100 or more.	15
G. <u>Loss and Loss Adjustment Expenses</u>	
i. It is recommended that the Company maintain sufficient internal records to support its Schedule P paid losses, loss adjustment expenses and	19

ITEMPAGE NO.

claims count.

- ii. It is recommended that management ensure that sufficient documentation to verify case reserve amounts is maintained for each Company claim file. 20

Respectfully submitted,

/s/

Kenneth I. Merritt
Senior Insurance Examiner

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

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

/s/

Kenneth I. Merritt

Subscribed and sworn to before me

this _____ day of _____, 2005.

Appointment No 22210

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:

Kenneth Merritt

as proper person to examine into the affairs of the

GLOBAL LIBERTY INSURANCE COMPANY OF NEW YORK

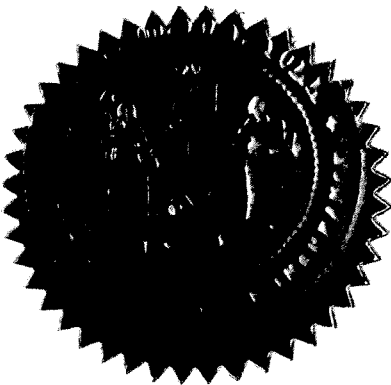
and to make a report to me in writing of the condition of the said

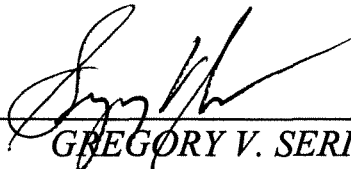
COMPANY

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 19th day of April, 2004





GREGORY V. SERIO
Superintendent of Insurance