

ORGANIZATIONAL EXAMINATION
OF
CROWN GLOBAL INSURANCE COMPANY OF AMERICA
AS OF
JULY 24, 2012

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

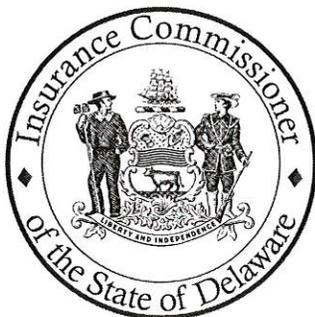
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of July 24, 2012 of the

CROWN GLOBAL INSURANCE COMPANY OF AMERICA

is a true and correct copy of the document filed with this Department.

Attest By: *Grant Biddle*

Date: 2 Oct 2012

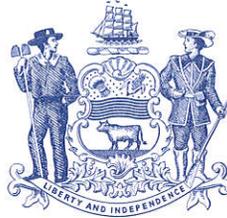


In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 2nd day of October, 2012.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
CROWN GLOBAL INSURANCE COMPANY OF AMERICA
AS OF
JULY 24, 2012

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart", is written over a horizontal line.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 2nd day of October, 2012

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SALUTATION

July 24, 2012

Honorable Karen Weldin Stewart, CIR-ML
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 12.023, June 19, 2012, an Organizational Examination has been conducted of the

Crown Global Insurance Company of America

hereinafter referred to as “CGICA” or “the Company”, incorporated under the laws of the State of Delaware as a stock life insurance company.

The Company’s registered agent is Corporation Service Company with its registered office located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808-1660. The Company’s administrative office address is located at 156 W. 56th Street, Suite 702, New York, New York 10019-3800.

This examination was conducted at the Company’s aforementioned administrative office location. The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with the Company's application for a domestic Certificate of Authority in the State of Delaware. The Company's corporate records, records applicable to and attendant with its application, as well as financial data as of July 24, 2012, have been reviewed.

HISTORY

The Company was incorporated on March 7, 2012, under the laws of the State of Delaware and authorized to issue five thousand (5,000) common shares with a par value of \$100 per share. The following common stock certificates were issued by the Company to Crown Global Insurance Group LLC (CGIC), a Delaware holding company:

<u>Certificate</u>	<u>Shares</u>	<u>Date</u>	<u>Capital</u>	<u>Surplus</u>	<u>Total</u>
C-1	1	3/7/2012	\$100	\$9,900	\$10,000
C-2	<u>2,999</u>	7/13/2012	<u>\$299,900</u>	<u>\$190,100</u>	<u>\$490,000</u>
Total	<u>3,000</u>		<u>\$300,000</u>	<u>\$200,000</u>	<u>\$500,000</u>

MANAGEMENT AND CONTROL

Board of Directors

In accordance with its by-laws, adopted June 26, 2012, the business and affairs of the Company shall be managed by a Board of Directors whose number shall be fixed from time to time by resolution of the Board of Directors. By resolution of the Board of Directors on July 3, 2012, the Board of Directors shall consist of three (3) members. Directors need not be residents of the State of Delaware or shareholders of the Company. The directors are to be elected at the annual meeting of the Company's stockholder and shall hold office until the next succeeding

annual meeting. The following individuals were elected and qualified members of the Board of Directors as of the examination date:

Perry A. Lerner, Chairman
Christopher J. Calise
Louis D. Zuckerbraun

Committees of the Board of Directors

There were no elected committees of the Board of the Directors as of the examination date.

Officers

In accordance with its by-laws, the officers of the Company shall be a president, one or more vice-presidents, a secretary, a treasurer and additional officers, such as a controller, assistant treasurers, assistant secretaries and assistant controllers, as deemed necessary and if elected by the Board of Directors. The officers shall serve until their removal or resignation. Officers may, but need not, be directors. Any number of offices may be held by the same person. Elected officers serving as of the examination date were as follows:

<u>Officer</u>	<u>Position</u>
Perry A. Lerner	President
Christopher J. Calise	Chief Financial Officer, Treasurer & Secretary
Louis D. Zuckerbraun	Vice President

The Company completed the NAIC Form 11 - Biographical Affidavit for each of the directors and officers noted above.

Each of the Company directors and officers noted above completed an annual conflict of interest disclosure statement.

HOLDING COMPANY SYSTEM

At formation, the Company became a member of an Insurance Holding Company System. 18 Del. C. §5001(3) states that “control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person.” The following entities, which owned or controlled 10% or more of Crown Global Insurance Group, LLC as of the examination date, are considered ultimate controlling entities of the Company:

	<u>Economic Control</u>	<u>Voting Control</u>
Jaime P. Sohacheski [an individual]	48.295%	0.0000%
Crownalex Holdings, LLC [a Canadian entity]	10.000%	10.0000%
Perry A. Lerner [an individual, director and officer]	8.064%	32.6615%
Christopher J. Calise [an individual, director and officer]	8.064%	32.6615%

The organizational structure as of the examination date with control percentages of the upstream affiliates’ control of the downstream affiliate is presented below:

	<u>Economic Control</u>	<u>Voting Control</u>
Jaime P. Sohacheski {1}, {3}	48.295%	0.0000%
Crownalex Holdings, LLC {1}, {2}, {3}	10.000%	10.000%
MUUS & Company LLC	8.549%	8.5490%
Perry A. Lerner {1}, {3}	8.064%	32.6615%
Christopher J. Calise {1}, {3}	8.064%	32.6615%
Louis D. Zuckerbraun	8.064%	8.0640%
Young Vancouver Subsidiary Trust II	8.064%	8.0640%
Cal-Delaware Trust	0.900%	0.0000%
Crown Global Insurance Group, LLC [Delaware]	100.000%	100.0000%
Crown Global Insurance Company of America [Delaware]		

- {1} Considered an ultimate controlling entity of the Company for purposes of this examination
- {2} It was not determined whether any entity or person controls 100% of the voting or economic interest of Crownalex Holdings, LLC as of the examination date
- {3} No disclaimer of affiliation has been filed with the Delaware Insurance Department

The most recent financial statements for the ultimate controlling entities of Jaime Sohacheski, Crownalex Holdings, LLC, Perry A. Lerner and Christopher J. Calise were not available for review as of the examination date. The Company must disclose this information in its first Insurance Holding Company Registration (IHCR) Form B filing.

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective March 7, 2012.

FIDELITY BOND AND OTHER INSURANCE COVERAGE

Using the Company's filed UCAA financial projections, the minimum recommended fidelity coverage will be \$400,000 at year-end 2014. The Company has \$1,000,000 fidelity bond coverage with a \$25,000 deductible.

AGREEMENTS

The Company has no employees and does not intend to have employees. Instead, the Company's staffing needs and other administrative services will be provided by and paid by an affiliate, Crown World Services, a wholly-owned subsidiary of CGI Group Ltd., which is a wholly-owned subsidiary of Crown Global Holdings Ltd, which is 90%-owned by Crown Global Insurance Group, LLC. As of the examination date, the Company does not have an expense allocation and reimbursement agreement with Crown World Services.

As of the examination date, the Company has no management contracts, exclusive agency contracts, service agreements, claims administration agreements, reinsurance agreements or tax allocation agreements.

The Company has entered into a custodial agreement with Morgan Stanley Smith Barney effective June 7, 2012, which appears to contain the required wording as specified in the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*.

PLAN OF OPERATION

The Company is being formed to provide non-participating deferred variable annuities for high net worth individuals/trusts and Internal Revenue Code §1035 exchanges for current off-shore policyholders who wish to move to an on-shore carrier. The deferred variable annuities have flexible premium payments, with an initial minimum of \$2.0 million and no aggregate maximum. The annuity premiums will be held in separate accounts, so there will be no reserves in the general account of the Company and the annuity policyholders bear all the investment risk. The contracts are simple annuities without any riders, minimum guaranteed returns, fixed options or indexed options, but merely allows a selection from a menu of investment funds, with insurance dedicated funds being the primary investment option. Similar to 401(k) plans, there is a 10% penalty of the original annuity premium for early withdrawal before the age of 59.5. The Company projects issuing 15 annuities in 2012 at an average initial premium of \$3.0 million, with 10 new similar-sized annuities issued annually thereafter.

The Company's operations will be supported by an office in Wilmington, Delaware staffed by director and officer Perry Lerner, along with an office in Georgetown, Cayman Islands and additional underwriting support provided by director and officer Louis Zuckerbraun from the group's Zurich, Switzerland office.

There will be no general or public advertising due to the niche segment that the Company is targeting.

REINSURANCE

The Company has no plans for reinsurance at this time.

CAPITAL AND SURPLUS REQUIREMENTS

18 Del. C. §511(a) requires the following minimum capital and surplus amounts for a stock insurance company authorized to write life insurance and annuities only:

Common Capital Stock	\$300,000
Gross Paid-in and Contributed Surplus	<u>150,000</u>
Capital and Surplus as Regards Policyholders	<u>\$450,000</u>

CONCLUSION

Based on the organizational examination conducted as of July 24, 2012, the financial condition of the Crown Global Insurance Company of America is as follows:

Assets	\$500,000
Liabilities	<u>\$0</u>
Capital and Surplus as Regards Policyholders	<u>\$500,000</u>

Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully Submitted,

Andrew E. Chiodini

Andrew E. Chiodini, CFE
Examiner-In-Charge
Department of Insurance
State of Delaware