Government of the District of Columbia
Vincent C. Gray, Mayor
Department of Insurance, Securities and Banking

William P. White
Commissioner

BEFORE THE INSURANCE COMMISSIONER OF THE DISTRICT OF COLUMBIA

Re: Report on Examination - **Global International Insurance Company, Inc., A Risk Retention Group**, as of December 31, 2011

ORDER

An Examination of **Global International Insurance Company, Inc., A Risk Retention Group,** as of December 31, 2011 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this 25th day of April, 2013, that the attached financial condition examination report be adopted and filed as an official record of this Department.

In addition, it is hereby ordered that the Company comply with the recommendation in the attached financial condition examination report.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.

William P. White
Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

REPORT ON EXAMINATION

GLOBAL INTERNATIONAL INSURANCE COMPANY, INC., A RISK RETENTION GROUP

AS OF

DECEMBER 31, 2011

NAIC NUMBER 10991

TABLE OF CONTENTS

Salutation 1
Scope of Examination 1
Summary of Significant Findings 2
Status of Prior Examination Findings 2
History 2
    General 2
    Membership and Capitalization 3
    Dividends 4
Management 4
    Board of Directors and Officers 4
    Committees 4
    Conflicts of Interest 4
    Corporate Records 4
Captive Manager 5
Affiliated Parties and Transactions 5
Fidelity Bond and Other Insurance 6
Pension and Insurance Plans 6
Territory and Plan of Operation 6
Comparative Financial Position of the Company 9
Reinsurance 10
Accounts and Records 11
Statutory Deposits 11
Financial Statements 11
    Balance Sheet 12
        Assets 12
        Liabilities, Surplus and Other Funds 13
    Statement of Income 14
    Capital and Surplus Account 15
    Analysis of Examination Changes to Surplus 15
Notes to Financial Statements 16
Comments and Recommendations 17
Conclusion 18
Signatures 19

Washington, D.C.
February 4, 2013

Honorable William P. White
Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
810 First Street, NE, Suite 701
Washington, D.C. 20002

Dear Commissioner White:

In accordance with Section 31-3931.14 of the District of Columbia Official Code, we have examined the financial condition and activities of

Global International Insurance Company, Inc., A Risk Retention Group

hereinafter referred to as the “Company” or “Global”, located at 607 14th Street, N.W., Suite 900, Washington, D.C. 20006.

SCOPE OF EXAMINATION

This full-scope examination, covering the period January 1, 2007 through December 31, 2011, including any material transactions and/or events noted occurring subsequent to December 31, 2011, was conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”). The last examination was completed as of December 31, 2006 by the Department.

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (“Handbook”) and the policies and standards established by the Department. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with appropriate accounting principles, annual statement instructions, and compliance with domestic jurisdiction laws and regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Company was audited annually by an independent public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2007 through 2011. We placed substantial reliance on the audited financial statements for calendar years 2007 through 2010, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2011. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2011. We placed reliance on the work of the auditor and directed our efforts, to the extent practical, to those areas not covered by the firm's work papers.

SUMMARY OF SIGNIFICANT FINDINGS

The results of this examination disclosed no material adverse findings or material changes in financial statements.

The results of this examination disclosed a finding regarding the Company's non-compliance with terms of its policies in several jurisdictions. Under terms of these policies, the Company is required to maintain separate trust accounts in these jurisdictions related to exposures in the respective jurisdictions. However, the Company had not established separate trust accounts in these jurisdictions. See the "Comments and Recommendations" section of this report, under the caption "Trust Accounts" for comments regarding this finding.

STATUS OF PRIOR EXAMINATION FINDINGS

A full scope financial examination was conducted by the Department as of December 31, 2006 which covered the period January 1, 2003 through December 31, 2006. In the Report on this examination, dated December 21, 2007, the Department noted three exception conditions. Our examination included a review to determine the current status of the three recommendations in the prior exam report, and determined that the Company had satisfactorily addressed these conditions.

HISTORY

General:

The Company was incorporated in Hawaii on June 7, 1999 as a captive insurance company, and commenced business in the State of Hawaii on July 15, 1999. Effective March 17, 2005, the Company re-domesticated to the District of Columbia under the D.C. Captive Insurance Company Act of 2004, operating as a Risk Retention Group.

The Company was formed to provide excess of loss insurance coverage to automobile service contract providers which are in the business of selling, administering and/or financing automobile extended service contracts. GWC Warranty Corporation ("GWC") and L.S.D.L. Inc. ("LSDL") are the sole owners and policyholders of the Company (prior to August 2010, GWC was formerly known as Guardian Warranty Corporation). Prior to August 2006, GWC and LSDL were privately held by four individuals.

During August 2006, with approval of the Department, the ownership of both GWC and LSDL were transferred, pursuant to a Securities Purchase Agreement, to GWC InvestCo, Inc., a newly formed Delaware corporation, which was owned 15 percent by John A. Stultz, and 85 percent by CIVC Partners, LP ("CIVC"), a Chicago-based private equity firm. Subsequently, CIVC purchased John A. Stultz's ownership share and became the sole ultimate owner of the Company.

As of December 31, 2011, the Company maintains an A.M. Best financial strength rating of "A-". The Company initially received this rating in May 2006.

In December 2012, subsequent to the period under examination, APCO Holdings, Inc. ("APCO Holdings"), a Delaware corporation, filed with the Department a Form A Statement ("Form A") regarding its proposed indirect acquisition of Global. Pursuant to a Stock Purchase Agreement, APCO Holdings would acquire 100 percent of the voting securities of GWC InvestCo, Inc., which in turn would continue to own both GWC and LSDL, each of which would continue to own 50 percent each of the common stock of Global.

In February 2013, the Department approved the proposed acquisition and as a result Global became an indirect wholly-owned subsidiary of APCO Holdings. According to management of APCO Holdings, there are no current plans to liquidate the Company, sell its assets, consolidate or merge it, or make any other material change in its business or corporate structure or management that would be unfair or unreasonable to its policyholders or not in the public interest.

Membership and Capitalization:

The following table depicts the Company's capital stock as of December 31, 2011:

	Par Value	**Shares Authorized**	**Shares Outstanding**
Common stock	$.01	1,500,000	1,276,116
Preferred stock series A	$1,000	1,000,000	895
Preferred stock series B	$1,000	1,000,000	1,208

As of December 31, 2011, GWC and LSDL each owned 50 percent of the Company's common stock. In addition to common stock, the Company has issued preferred series A stock and preferred series B stock to its members. Series A and series B preferred stock entitles the members to receive dividends based upon an 8 percent dividend rate if declared by the board of directors and approved by the Insurance Commissioner of the District of Columbia. Dividends on series A preferred stock are cumulative while dividends on Series B preferred stock are non-cumulative. Dividends on series A preferred stock will be paid in full prior to any dividends paid on series B preferred stock. Series A and series B preferred shares do not carry any voting rights. LSDL owns 20 percent and GWC owns 80 percent of series A preferred stock, and GWC owns 100 percent of series B preferred stock.

Dividends:

The Company did not declare or pay any dividends during the period under examination.

MANAGEMENT

Board of Directors and Officers:

The following persons were serving as the Company's directors as of December 31, 2011:

Name and State of Residence	Principal Occupation
Paul Dreabit Pennsylvania	Chief Financial Officer GWC Warranty Corporation and Chairman and President Global International Insurance Company, Inc.,
B. Troy Winch Florida	Director and Vice President Risk Services, LLC
Heather Ross District of Columbia	Director and Vice President Risk Services, LLC

The following persons were serving as the Company's officers as of December 31, 2011:

Name	Title
Paul Dreabit	Chairman and President
B. Troy Winch	Treasurer
Heather Ross	Secretary

Committees:

As of December 31, 2011, the Company's board of directors had not established any committees.

Conflicts of Interest:

The Company has an established procedure for the disclosure of any material interests or affiliations on the part of its directors and officers. Our review of the conflict of interest statements signed by the Company's directors and officers for the period under examination disclosed no conflicts that would adversely affect the Company. Furthermore, no additional conflicts of interest were identified during our examination.

Corporate Records:

We reviewed the minutes of the meetings of the board of directors and members for the period under examination. Based on our review, it appears that the minutes have documented the board of director's review and approval of the Company's significant transactions and events, as required by the Company bylaws.

CAPTIVE MANAGER

Risk Services, LLC, a Virginia company, has been the Company's captive manager since the 2005 re-domestication to the District of Columbia (DC). The captive manager provides general management and administration services in connection with the operation of the Company, including regulatory and compliance services, accounting and financial reporting services. The management agreement is for a one year term, with automatic annual extensions on April 1 of each year, unless otherwise terminated. Two employees of Risk Services, LLC serve as directors and officers of the Company.

As provided in the agreement, the captive manager maintains adequate errors and omissions insurance coverage.

AFFILIATED PARTIES AND TRANSACTIONS

As indicated in the "Membership and Capitalization" section of this report, the Company had two members as of December 31, 2011; GWC and LSDL, Inc., each owning 50 percent of Global's common stock.

GWC and LSDL are owned by GWC InvestCo, Inc. which is 100 percent owned by CIVC Partners, LP, a Chicago-based private equity firm. The partners of CIVC include Daniel Helle, Michael Miller, Christopher Perry, Marcus Wedner, and Keith Yamada.

As of December 31, 2011, the Company had two significant affiliated party agreements in place:

Administrative Agreement:

The Company entered into an administrative agreement, with GWC as manager, effective August 24, 2010, replacing a prior GWC agreement. The manager provides the Company with daily management and administrative services, including business consultation, premium collection, and claims handling. This agreement is for a period of one year, with automatic annual extensions, unless otherwise terminated. No compensation is paid to GWC for these services.

Tax Sharing Agreement:

The Company entered into a tax sharing agreement dated May 1, 2007, and retroactive to August 2006, with GWC InvestCo, Inc. as the “Parent” and Global as one member of the Affiliated Group. Other companies in the Affiliated Group include LSDL, GWC, GWC Administrators, Inc., GWC HoldCo, Inc., and GWC ServiceCo, Inc. (Except for transactions under this tax sharing agreement, the Company has no affiliated transactions with any of these other members of the Affiliated Group, except for transactions with GWC under the aforementioned Administrative Agreement.)

Under terms of the tax sharing agreement, each member shall generally be liable for the amount of tax it would ordinarily pay on a separate return basis.

FIDELITY BOND AND OTHER INSURANCE

Fidelity Bond coverage insures the GWC family of companies, including Global, with limits of $10,000,000/single and $20,000,000/aggregate. The coverage exceeds the minimum amount of fidelity bond coverage recommended by the NAIC.

Global is also covered against forgery and alterations, counterfeiting, errors and omissions, and directors and officers liability.

PENSION AND INSURANCE PLANS

The Company has no employees and as such, does not incur direct employee related expenses.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2011, the Company was licensed in the District of Columbia, and was registered as a risk retention group with all states except Alaska, Florida, Hawaii and Wisconsin. During 2011, the Company wrote premiums totaling $589,250 in 31 jurisdictions. Approximately 55 percent of the total premiums were written from the following five (5) states: Pennsylvania (24 percent), New York (15 percent), Georgia (6 percent), North Carolina (5 percent), and Virginia (5 percent).

The Company has no employees. Its member/policyholder, GWC, pursuant to the terms of the aforementioned administrative agreement, acts as the program manager and manages the Company’s daily business, including business consultation, premium collection, claims handling, and other functions.

The Company provides contractual liability aggregate excess of loss insurance coverage to companies that sell, administer and/or finance extended vehicle service contracts (VSCs). These

VSCs are normally offered, as an option, to individuals purchasing used vehicles from a network of automobile dealers.

The cost to the purchasers of the vehicle service contracts varies based on the type of vehicle, mileage, and various other factors. The cost of a vehicle service contract can range from less than $200 to over $3,000. A portion of the contract cost is retained by the seller (generally the automobile dealer) for commission and administrative expenses, and the remainder is remitted to the administrative obligors, which then administer the contracts and are liable for payments under the contracts, and which remit premiums to Global for the excess of loss coverage provided by Global.

As of December 31, 2011, Global had reported two member/policyholders, GWC and LSDL, each of which were issued separate contractual liability aggregate excess of loss policies covering exposure and liability on the VSC products sold, administered and/or financed by such policyholder. Each policy is a claims-made and reported policy. The maximum limit of liability assumed by Global is equal to the lesser of the market value of the vehicle covered by said VSC or $25,000.

Effective January 1, 2007, with the Department’s approval, Global changed the per vehicle premium rate from $15.00 to $10.00. During the period of this examination premiums to Global were based on $10.00 per VSC, subject to an annual maximum premium of $1,150,000. During 2011, the Company reported total premium income $589,250. All premiums paid to Global are non-refundable and are fully earned upon payment.

The Company’s aggregate excess of loss policies insure Guardian and LSDL (“insureds”) for contractual liabilities related to the insureds’ obligations. The Company’s policies provide coverage to the insureds for amounts in excess of the insureds’ deductibles. The deductible for each insured is equal to the amount of the underlying loss reserve fund required to be established and maintained by each insured. Under terms of the Company’s policies with the insureds, the insureds are required to establish and maintain loss reserve funds consisting of a portion of the insureds revenue on each service contract sold, plus an additional $5 per contract. Claims payments to the purchasers of the automobile extended service contracts are made directly by the insureds from the loss reserve fund. The contract revenue percentage required to be placed in the loss reserve fund varies by each vehicle service contract based on a number of factors (e.g., type of vehicle, mileage, etc.) but averages approximately 55 percent of the total cost of each service contract. Global’s financial responsibility triggers only upon satisfaction by the insureds of the deductible, which is defined as the amount of the loss reserve fund of the insured. Once losses incurred by the insureds equal the loss reserve fund, the Company is then responsible for any further claims. Under this scenario, the Company will only incur a claim in the event that such policyholder’s liability is greater than the amount required to be held in the loss reserve fund, whether fully funded or not. It is generally anticipated that all claims will be paid by the respective policyholder from the loss reserve fund.

Certain states have varying requirements for the vehicle warranty business that differ from the standard Excess of Loss policy. Nine of the registered states, Arkansas, Georgia, Illinois, Iowa, Maryland, Nevada, North Carolina, Texas, and Virginia have required a special endorsement attached to both the GWC and LSDL general Excess of Loss policies, written in state specific language, requiring that if the policyholder does not fulfill its obligation under the VSC sold in such state, the holder of the VSC shall be entitled to make a claim directly against the Company.

The above policies written to GWC and LSDL are “Contractual Liability Aggregate Excess of Loss” policies, providing coverage above the insureds’ deductibles, defined as the loss reserve fund. The policies do not directly insure the vehicle service contracts or obligations to the purchasers of the vehicle service contracts, but as noted above provide excess of loss coverage above the deductibles of GWC and LSDL. However, as of December 31, 2011, Global was required to issue a separate Contractual Liability Insurance policy, rather than the Excess of Loss policy, covering GWC for its VSC products sold in the state of Washington. This policy was first effective on September 1, 2006, and has renewed each year since. For the year ending December 31, 2011, the Company reported $5,570 premiums written in Washington. This policy also includes an “Aggregate Deductible” endorsement, by which the Company shall hold the amounts as defined in a separate loss reserve fund trust account, to which the Company must be a signatory thereon.

Under the Company’s first dollar policy, the Company agrees to pay claims to the purchasers of the vehicle service contracts, on behalf of GWC, subject to an “Aggregate Deductible”, which is defined as the sum of the individual amounts for each vehicle service contract required to be placed in to the loss reserve fund. The Company’s financial responsibility under the first dollar policy is essentially the same as under its non-first dollar policies, as both the “Aggregate Deductible” under the first dollar policy and the “Deductible” under the non-first dollar policies are equal to the amount of the loss reserve fund held by GWC. The premiums paid to the Company, the obligations of the Company and GWC, and the accounting transactions by and between the Company and GWC with respect to the first dollar policy are the same as under the non-first dollar policies.

Under terms of the first dollar policy, the presence of the aggregate deductible does not prohibit a holder of a vehicle service contract from filing a claim directly with the Company.

Under the terms of the Company’s policies with GWC and LSDL, the “deductible” (described above) shall be held by Global in a “loss reserve fund trust account” pursuant to a trust agreement. However, we noted the loss reserve funds are not held in a third party trust account and during the examination we discussed this trust requirement with management of Global. According to management, although the underlying loss reserve funds are not held in a third party trust, they are held by GWC pursuant to an “Insurance Treaty Trust Agreement” with GWC as the Grantor and Global as the Beneficiary. (The Department had no record of ever receiving or approving the “Insurance Treaty Trust Agreement” and the Company could not provide documentation indicating it was ever submitted to or approved by the Department.) While management believes this arrangement meets the trust requirements of the policy form, management agreed to the Department’s recommendation that the loss reserve funds should be held under a three-party trust arrangement with GWC designated as the Grantor of the trust, Global as the Beneficiary, and a trust company or trust department of a commercial bank as the Trustee. As of the date of this Report, Global is working to develop and execute a three-party trust arrangement acceptable to the Department. Once approved, management has agreed to maintain the loss reserve funds pursuant to the approved trust agreement.

In addition, three states, Georgia, Missouri, and Washington require separate trust accounts for the related exposures in those states. However, Global had not established separate accounts in these states as required. See the "Comments and Recommendations" section of this Report, under the caption "Trust Accounts" for further comments regarding this condition.

COMPARATIVE FINANCIAL POSITION OF THE COMPANY

The financial position of the Company and its loss experience for the years under examination is presented in the following table, which is prepared from information contained in the Company's annual statements filed with the Department. The amounts reported in the table for the year ended December 31, 2011 are determined by this examination.

	2011	2010	2009	2008	2007
Total admitted assets	$ 19,078,145	$ 17,981,503	$ 16,824,603	$ 16,524,999	$ 15,578,901
Total liabilities	$ 678,237	$ 692,798	$ 302,890	$ 1,063,679	$ 678,258
Total capital and surplus	$ 18,399,908	$ 17,288,705	$ 16,521,713	$ 15,461,320	$ 14,900,643
Net cash from operations	$ 592,809	$ 1,740,073	$ (174,827)	$ 1,109,919	$ 1,085,158
Total adjusted risk-based capital	$ 18,399,908	$ 17,288,705	$ 16,521,713	$ 15,461,320	$ 14,900,643
Authorized control level risk-based capital	$ 93,475	$ 78,937	$ 80,665	$ 82,156	$ 89,545
Gross written premium	$ 589,250	$ 638,520	$ 850,000	$ 850,000	$ 971,090
Ceded premiums written	$ -	$ -	$ -	$ -	$ -
Premiums earned	$ 589,250	$ 638,520	$ 850,000	$ 850,000	$ 971,090
Net underwriting gain	$ 351,060	$ 399,755	$ 587,273	$ 587,619	$ 691,439
Net investment income	$ 530,467	$ 588,379	$ 685,368	$ 687,415	$ 600,108
Net realized investment gains (losses)	$ (11,188)	$ (18,098)	$ (45,704)	$ 3,803	$ 6,597
Net income	$ 570,620	$ 634,070	$ 804,440	$ 833,226	$ 844,891
Net underwriting gain to PHS	1.9%	2.3%	3.6%	3.8%	4.6%
Net written premium to PHS	3.2%	3.7%	5.1%	5.5%	6.5%
Losses and LAE incurred	$ -	$ -	$ -	$ -	$ -
Other underwriting expenses incurred	$ 238,190	$ 238,765	$ 262,727	$ 262,381	$ 279,651
Net loss ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Expense ratio	40.4%	37.4%	30.9%	30.9%	28.8%

REINSURANCE

The Company did not assume or cede any business during the examination period.

However, during the examination the Department became aware that Global inadvertently entered into five (5) ceded reinsurance agreements during the period of August 6, 2007 through December 28, 2012. These agreements were not submitted to the Department for review or approval, in violation of D.C. Official Code § 31-3931.09(f). Management of Global represented that that no premiums or losses were ceded by Global under such reinsurance agreements and during the examination nothing was noted to indicate otherwise.

To address the above condition, Global agreed to complete, by June 12, 2013, novations of these reinsurance agreements, or to complete other arrangements acceptable to the Department the result of which would be the removal of Global as a party to such agreements and clarification that Global has no responsibility under these agreements.

ACCOUNTS AND RECORDS

The primary locations of the Company's accounting and corporate records are the offices of its captive manager, Risk Services, LLC in Sarasota, Florida and of GWC in Avoca, Pennsylvania, where the administrative services and claims are handled.

The Company's general accounting records consist of an automated general ledger and various subsidiary ledgers. Our examination disclosed no material deficiencies in these records.

STATUTORY DEPOSITS

As of December 31, 2011, the Company was not required to maintain statutory deposits in the District of Columbia or any other states in which it transacted business.

FINANCIAL STATEMENTS

The following financial statements, prepared in accordance with accounting practices generally accepted in the United States ("GAAP"), except for the conditions described in **NOTE 1**, reflect the financial condition of the Company as of December 31, 2011, as determined by this examination:

STATEMENT	PAGE
Balance Sheet:	12
Assets	12
Liabilities, Surplus and Other Funds	13
Statement of Income	14
Capital and Surplus Account	15
Analysis of Examination Changes to Surplus	15

The accompanying Notes to Financial Statements are an integral part of these Financial Statements.

BALANCE SHEET

ASSETS

	December 31, 2011
Bonds	$ 16,590,186
Common stocks	498,480
Cash ($547,096) and short-term investments ($417,096)	964,192
Subtotals, cash and invested assets	$ 18,052,858
Investment income due and accrued	130,927
Uncollected premiums and agents' balances in the course of collection	74,360
Aggregate write-ins for other than invested assets:	
Letter of credit **(NOTE 1)**	800,000
Prepaid expenses	20,000
Total Assets	$ 19,078,145

LIABILITIES, SURPLUS AND OTHER FUNDS

	December 31, 2011
Losses **(NOTE 2)**	$ 0
Loss adjustment expenses **(NOTE 2)**	0
Other expenses (excluding taxes, licenses and fees)	112,000
Taxes, licenses and fees (excluding federal and foreign income taxes)	26,713
Current federal and foreign income taxes	316,283
Net deferred tax liability	223,241
Total Liabilities	$ 678,237
Common capital stock	$ 12,761
Preferred capital stock	2,103,000
Gross paid in and contributed surplus	8,196,607
Unassigned funds (surplus)	8,087,540
Surplus as regards Policyholders	$ 18,399,908
Total Liabilities and Surplus	$ 19,078,145

STATEMENT OF INCOME

		2011
UNDERWRITING INCOME		
Premiums earned	$	589,250
DEDUCTIONS		
Losses incurred **(NOTE 2)**	$	0
Loss adjustment expenses incurred **(NOTE 2)**		0
Other underwriting expenses incurred		238,190
Total underwriting deductions	$	238,190
Net underwriting gain	$	351,060
INVESTMENT INCOME		
Net investment income earned	$	530,467
Net realized capital losses		(11,188)
Net investment gain	$	519,279
Income before income tax		870,339
Federal and foreign income taxes incurred	$	299,719
Net income	$	570,620

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards Policyholders, beginning of year 2007	$	13,920,606
Net income, 2007		844,891
Change in net unrealized capital gains/(losses)		135,146
Surplus as regards Policyholders, end of year 2007	$	14,900,643
Surplus as regards Policyholders, beginning of year 2008	$	14,900,643
Net income, 2008		833,226
Change in net unrealized capital gains/(losses)		(272,549)
Surplus as regards Policyholders, end of year 2008	$	15,461,320
Surplus as regards Policyholders, beginning of year 2009	$	15,461,320
Net income, 2009		804,440
Change in net unrealized capital gains/(losses)		255,953
Surplus as regards Policyholders, end of year 2009	$	16,521,713
Surplus as regards Policyholders, beginning of year 2010	$	16,521,713
Net income, 2010		634,070
Change in net unrealized capital gains/(losses)		132,922
Surplus as regards Policyholders, end of year 2010	$	17,288,705
Surplus as regards Policyholders, beginning of year 2011	$	17,288,705
Net income, 2011		570,620
Change in net unrealized capital gains/(losses)		240,583
Capital changes: Paid in capital		300,000
Surplus as regards Policyholders, end of year 2011	$	18,399,908

ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

There were no changes to the Company’s surplus as a result of our examination.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Aggregate Write-ins for Other than Invested Assets:

At December 31, 2011, the Company reported under "Aggregate write-ins for other than invested assets" a letter of credit in the amount of $800,000, which is a letter of credit in possession of the District of Columbia Insurance Commissioner. Under the captive insurance laws of the District of Columbia, letters of credit approved by the Department may be treated as assets and as capital and surplus. Such inclusion of the amount of the letter of credit in assets and capital/surplus is not in accordance with accounting practices generally accepted in the United States ("GAAP").

NOTE 2 – Loss and Loss Adjustment Expenses:

The Company reported reserves for "Losses" and "Loss adjustment expenses" totaling $0 and $0, respectively. These reserves represent management's best estimate of the amounts necessary to pay all claims and related expenses that have been incurred under the Company's policies but which are unpaid as of December 31, 2011.

According to the policies issued to GWC and LSDL, the Company provides aggregate excess of loss coverage on a claims-made and reported basis, providing coverage to the insureds for losses incurred in excess of the insureds' deductibles, which are equal to the amount of the underlying loss reserve funds required to be established and maintained by insureds. Since inception, the Company has never incurred loss and/or loss expenses as all obligations relating to the vehicle service contracts insured by the Company have been paid out of the loss reserve funds established and maintained by the insureds of the Company.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expenses reserves as of December 31, 2011, were reviewed as part of our examination. As part of our review, we relied on the Company's independent actuary, who concluded that the Company's reserves appeared to be sufficient. In addition, as part of our review of the Company's reserves, we engaged an independent actuary to review the methods employed, assumptions relied upon, and conclusions reached by the Company's independent actuary. The independent actuary utilized in our examination concluded that the methodologies and assumptions utilized by the Company's independent actuary to compute these reserves, and the adequacy of the reserves as of December 31, 2011, were reasonable and adequate.

In addition, during our examination, as part of our review of the adequacy of the Company's reserves, we also reviewed the loss reserve funds established and maintained by the Company's insureds. As part of this review, we relied on the work, performed on behalf of GWC, of an independent actuary, who concluded that as of December 31, 2011, GWC's ultimate losses (on an undiscounted basis) on its obligations relating to its vehicle service contracts, totaled between $14.7 million and $16.6 million. The actuary also indicated that as of December 31, 2011, actual reserves held by GWC totaled approximately $22.9 million. The independent actuary engaged as part of our examination reviewed the methods employed, assumptions relied upon, and conclusions reached by the independent actuary regarding GWC's loss reserve fund. The independent actuary utilized in our examination concluded that the methodologies and assumptions utilized by GWC's independent actuary to compute the estimate of the ultimate losses to be incurred by GWC were reasonable and adequate. During the examination, we performed procedures to verify the existence of Guardian's investments backing its loss reserve fund. These investments, consisting of certificates of deposit, U.S. Treasury securities, corporate bonds, and other investments, are held in various accounts by GWC.

During the examination period, LSDL had minimal activity and was not required to hold any reserves in a loss reserve fund as of December 31, 2011.

COMMENTS AND RECOMMENDATIONS

Trust Accounts

As previously noted in the "Territory and Plan of Operations" section of this report, the Company is required to maintain separate trust accounts for the states of Georgia, Missouri, and Washington related to exposures in those states. However, Global had not established separate accounts for these states as required. **We recommend that the Company ensure separate trust accounts are maintained for the states of Georgia, Missouri, and Washington as required in those states.**

CONCLUSION

Our examination disclosed that as of December 31, 2011 the Company had:

Admitted Assets	$	19,078,145
Liabilities and Reserves		678,237
Common Capital Stock		12,761
Preferred Capital Stock		2,103,000
Gross Paid In and Contributed Surplus		8,196,607
Unassigned Funds (Surplus)		8,087,540
Total Surplus		18,399,908
Total Liabilities, Capital and Surplus	$	19,078,145

Based on our examination, the accompanying balance sheet properly presents the financial position of the Company at December 31, 2011, and the accompanying statement of income properly presents the results of operations for the period then ended.

Chapter 39 ("CAPTIVE INSURANCE COMPANIES") of Title 31 ("Insurance and Securities") of the D.C. Official Code specifies the level of capital and surplus required for the Company. We concluded that the Company's capital and surplus funds exceeded the minimum requirements during the period under examination.

SIGNATURES

In addition to the undersigned, Carolyn Maynard, CFE, of Risk & Regulatory Consulting, LLC, representing the Department, participated in this examination.

The actuarial portion of this examination was completed by Edward J. Zonenberg, FCAS, MAAA, of Risk & Regulatory Consulting, LLC.

Respectfully submitted,

Chris Rushford, CFE
Examiner-In-Charge
Risk & Regulatory Consulting, LLC

Under the Supervision of,

Xiangchun (Jessie) Li, CFE
Supervising Examiner
District of Columbia, Department of
Insurance, Securities and Banking

Government of the District of Columbia
Vincent C. Gray, Mayor
Department of Insurance, Securities and Banking

William P. White
Commissioner

March 26, 2013

Paul Dreabit
President
Global International Insurance Company, Inc., A Risk Retention Group
c/o Risk Services, LLC
5101 Wisconsin Avenue, Suite 500
Washington, D.C. 20016

RE: Examination of **Global International Insurance Company, Inc., A Risk Retention Group,** as of December 31, 2011.

Dear Mr. Dreabit:

Pursuant to the provisions of Section 31-1404 of the D.C. Official Code, enclosed is a draft copy of the Report on Examination ("Report") of the affairs and financial condition of Global International Insurance Company, Inc., A Risk Retention Group ("Company") as of December 31, 2011.

Please submit, to my attention, a written response calling attention to any errors or omissions. In addition, if this Report on Examination contains a section entitled "Comments and Recommendations" that discloses certain areas requiring action, the Company shall submit a statement covering the corrective measures which will be taken. If the Company's position on any of these points is contrary to the Examiner's findings, an explanation should be submitted covering each contested comment and/or recommendation.

If there are no errors or omissions to be brought to our attention, and there are no "Comments and Recommendations" requiring a response, please submit a statement that the Company accepts the Report.

The response must be in writing and shall be furnished to this Department by April 25, 2013. In addition to a hard-copy response, please also furnish the response electronically via e-mail to me, in a Microsoft "Word" format, to sean.odonnell@dc.gov.

Sincerely,

Sean O'Donnell

Sean O'Donnell
Director of Financial Examination,
Risk Finance Bureau

Enclosure

**GLOBAL INTERNATIONAL INSURANCE COMPANY, INC.,
A RISK RETENTION GROUP**

April 02, 2013

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau
D. C. Department of Insurance, Securities and Banking
810 First Street, NE, Suite 701
Washington, DC 20002
Phone 202-442-8153
Fax 202-535-1197
sean.odonnell@dc.gov

**Re: Global International Insurance Company, Inc., A RRG (GIIC)
NAIC Company Code: 10991; NAIC Group Code: 0000; FEIN: 99-0342315
Response to Draft Financial Examination Report**

Dear Mr. O'Donnell:

In response to your letter dated March 26, 2013 which was included in the 2011 Draft Examination Report documents, please see comments as follows in italics inserted below comments and recommendations as well as other related action items included in the draft report.

COMMENTS AND RECOMMENDATIONS

Trust Accounts

As previously noted in the "Territory and Plan of Operations" section of this report, the Company is required to maintain separate trust accounts in the states of Georgia, Missouri, and Washington related to exposures in those states. However, Global had not established separate accounts in these states as required. We recommend that the Company ensure separate trust accounts are maintained in the states of Georgia, Missouri, and Washington as required in those states.

It is GIIC's understanding the above mentioned Trust Accounts are approved to be included in the Third-Party Trust Agreement between GWC and GIIC as subaccounts which was previously approved by the Department, and GIIC intends to form and fund said subaccounts within the Third-Party Trust Agreement accordingly in order to comply with this DC request. For clarity, we respectfully request the Department replace the word "in" with "for" in the above paragraph whereby "in" is underlined, in that it is our understanding that the trusts are being created relative to the individual policies being issued for those respective states and that the trust funds need not reside in the respective states.

TERRITORY AND PLAN OF OPERATIONS

Paragraph 12, line 10

While management believes this arrangement meets the trust requirements of the policy form, management agreed to the Department's recommendation that the loss reserve funds should be held under a three-party trust arrangement with GWC designated as the Grantor of the trust, Global as the Beneficiary, and a trust company or trust department of a commercial bank as the Trustee. As of the date of this Report, Global is working to develop and execute a three-party trust arrangement acceptable to the Department. Once approved, management has agreed to maintain the loss reserve funds pursuant to the approved trust agreement.

GIIC has been diligently working to secure a banking partner to administer the Third-Party Trust Agreement. It believes it has found a partner in SunTrust Bank. Although SunTrust has not officially accepted the terms of the Agreement as of the date of this letter, they are showing indications an approval is forthcoming.

REINSURANCE

Paragraph 2 and 3

However, during the examination the Department became aware that Global inadvertently entered into five (5) ceded reinsurance agreements during the period of August 6, 2007 through December 28, 2012. These agreements were not submitted to the Department for review or approval, in violation of D.C. Official Code § 31-3931.09(f). Management of Global represented that that no premiums or losses were ceded by Global under such reinsurance agreements and during the examination nothing was noted to indicate otherwise.

To address the above condition, Global agreed to complete, by June 12, 2013, novations of these reinsurance agreements, or to complete other arrangements acceptable to the Department the result of which would be the removal of Global as a party to such agreements and clarification that Global has no responsibility under these agreements.

GLOBAL INTERNATIONAL INSURANCE COMPANY, INC., A RISK RETENTION GROUP

GWC Warranty Corporation has chosen the option of novation whereby they will have the current reinsurance agreements and all risks and responsibilities associated with such agreements officially assigned retroactively to Assurant which is and has been an alternate carrier for GWC Warranty Corporation. Draft agreements approved by GWC Warranty's attorneys have been submitted to DC for approval on April 1, 2013 and approved April 2, 2013. Executed agreements are expected to be filed with the Department and the issue fully resolved well within the timeframe allotted above.

Further, upon review of the draft report GIIC does not find any errors or omissions contained within the report.

Please don't hesitate to contact me by telephone at (802) 479-7802 or by e-mail at sbevins@pboa.com if any further information is needed.

Sincerely,

Steve Bevins
Account Manager
Risk Services, LLC
as managers for
Global International Insurance Company, Inc.,
A Risk Retention Group

Government of the District of Columbia
Vincent C. Gray, Mayor
Department of Insurance, Securities and Banking

William P. White
Commissioner

April 25, 2013

Paul Dreabit
President
Global International Insurance Company, Inc., A Risk Retention Group
c/o Risk Services, LLC
5101 Wisconsin Avenue, Suite 500
Washington, D.C. 20016

RE: Examination of **Global International Insurance Company, Inc., A Risk Retention Group,** as of December 31, 2011.

Dear Mr. Dreabit:

We are in receipt of a response, dated April 2, 2013, from Steve Bevins, Account Manager, Risk Services, LLC, regarding the Report on Examination of **Global International Insurance Company, Inc., A Risk Retention Group, (GIIC)** as of December 31, 2011.

Regarding the "Comment and Recommendation" titled **"Trust Accounts"**, we have replaced the word "in" with "for" per the Company's request. Please note however that although the Department has no objection to the inclusion of the state-specific trust accounts as subaccounts in the Third-Party Trust Agreement, the Department takes no position with regard to whether or not this arrangement meets the state-specific trust account requirements.

The adopted Report (which includes a copy of this letter), and the Order evidencing such adoption are enclosed. Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the adopted Report will be held private and confidential for a period of 10 days from the date of the Order evidencing such adoption. After this 10 day period has passed, the Report will be publicly available. The Department of Insurance, Securities and Banking will forward the adopted Report electronically to each jurisdiction in which the Company is registered and to the National Association of Insurance Commissioners.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the date of the above-mentioned Order, affidavits executed by each Company director stating under oath that he or she has received a copy of the adopted examination Report and related Order shall be filed with this Department. Please send these affidavits to my attention at the Department.

Please contact me at 202-442-8153 if you have any questions.

Sincerely,

Sean O'Donnell

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau

Enclosures