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Office of  
**M. R. Greenberg**  
Chairman

**PLAINTIFF'S  
EXHIBIT  
777**

May 4, 1999

Mr. Kris Moor

RE: INTERNAL AUDIT REPORT #99-45  
Audit of New Hampshire Insurance Group  
and AI Warranty Divisions - 4/30/99

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I have just reviewed this report covering Warranty - Division 31 and Program Divisions - Divisions 20 and 66, which include Lexington programs. It is not a pretty report, and it is in conflict with some of the earlier statements made as to what is being done to correct the deficiencies that have existed in these divisions.

What is particularly disturbing is five of the prior recommendations have not been worked on at all. That is simply unacceptable. Division management is talking about commitments to improve the process. My understanding is improvements had taken place. Be clear on comments made to me that are accurate. Kris, get into this promptly.

MRG

MRG/mb

cc: Messrs. K. Duckett ✓  
E.G. Greenberg  
T.R. Tizzio

RECEIVED  
MAY 5 1999  
KEITH L. DUCKETT

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*Duckett 2*  
*4/14/09 LF*