

**REPORT ON EXAMINATION**

**OF THE**

**AXA RE PROPERTY AND CASUALTY  
INSURANCE COMPANY**

**AS OF**

**DECEMBER 31, 2007**

Karen Weldin Stewart, CIR-ML  
Commissioner



Delaware Department of Insurance

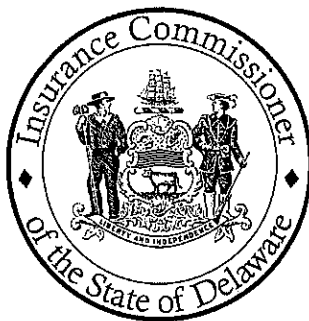
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2007 of the

**AXA RE PROPERTY AND CASUALTY INSURANCE COMPANY**

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

Attest By: *Sonia C. Harris*

Date: 30 June 2009



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 30th day of June 2009.

  
\_\_\_\_\_  
Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Karen Weldin Stewart, CIR-ML  
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION  
OF THE  
AXA RE PROPERTY AND CASUALTY INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2007

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.

  
\_\_\_\_\_  
Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Dated this 30th day of June, 2009

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## **SALUTATION**

Honorable Alfred W. Gross  
Chairman, Financial Condition (E)  
Committee, NAIC  
State Corporation Commission  
P. O. Box 1157  
Richmond, VA 23218

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

Honorable James J. Donelson  
Secretary, Southeastern Zone (II), NAIC  
Louisiana Department of Insurance  
1702 North Third Street  
Baton Rouge, LA 70802

Dear Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority Number 08-017, an examination has been made of the affairs, financial condition and management of

### **AXA RE PROPERTY AND CASUALTY INSURANCE COMPANY**

hereinafter referred to as the "Company" incorporated under the laws of the State of Delaware. The examination was conducted at the administrative office of the Company located at 17 State Street, New York, New York. The examination of the Company was conducted concurrently with its parent; AXA Corporate Solutions Reinsurance Company (AXA CS). Separate reports of examination were filed for each company.

The report of examination thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

The last financial condition examination of the Company covered the period from January 1, 2002 through December 31, 2004. This examination covered the period from January 1, 2005 through December 31, 2007 and consisted of a general survey of the Company's business policies and practices; management, any corporate matters incident thereto; a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed to the extent deemed necessary.

The format of this report is designed to explain the procedures employed on the examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible personnel and/or officials during the course of the examination.

The general procedure of the examination followed rules established by the National Association of Insurance Commissioners (NAIC) Committee on Financial Condition Examiners Handbook as adopted by the Delaware Insurance Department under Delaware Insurance Code Section 526, and generally accepted statutory insurance examination standards.

In addition to items noted in this report, the following topics were reviewed and are included in the workpapers of this examination:

- Corporate Records
- Fidelity Bonds and Other Insurance
- Officers, Employees', and Agents' Welfare and Pension Plans
- NAIC Ratios
- Legal Actions
- Regulatory Agency correspondence
- All Asset and Liability items not mentioned

The examination was conducted in accordance with the Association Plan of Examination guidelines established by the NAIC. No other states participated in the examination.

In planning and conducting the examination, consideration was given to the concepts of materiality and risk, and examination efforts were directed accordingly. The workpapers of the Company's public accountant prepared in support of the Company's annual audit were reviewed, and utilized to the extent deemed appropriate and practicable.

### **HISTORY**

The Company was incorporated on July 26, 1971, as Hansco Insurance Company (Hansco). Pursuant to its original Certificate of Incorporation, Hansco was authorized to issue 10,000 shares of common stock without par value. The Certificate of Incorporation was subsequently amended to increase the number of authorized shares to 50,000 with a par value of \$115 per share.

As of January 1, 1987, Hansco owned all of the outstanding shares of John Hancock Property and Casualty Company of Illinois (JHP&C-Illinois), John Hancock Indemnity Company (Indemnity) and John Hancock Reinsurance Company (JHRE). JHP&C-Illinois and Indemnity were direct writers of personal lines property and casualty insurance, while JHRE was a professional reinsurer. Indemnity was sold to Direct Response Insurance Corporation in 1996. The shell of JHP&C-Illinois was sold on July 7, 1988, and simultaneously, Hansco's Certificate of Authority was amended to change the Company's name to John Hancock Property and Casualty Insurance Company. The JHRE shell was sold in December 1998. The only remaining business in the Company as of September 8, 1999, was run-off business related to a treaty reinsurance book of business assumed from JHRE.

AXA CS purchased the Company from John Hancock Property and Casualty Holding Company on September 9, 1999 for \$27.7 million. On September 10, 1999, the Company filed an amended certificate of incorporation changing its name to AXA Re Property and Casualty Insurance Company.

Due to the ultimate parent's, (AXA) strategic decision to exit the U. S. property and casualty market, the Company informed the Delaware Department of Insurance on November 26, 2002 of its intention to implement its exit strategy in 2003 and enter run-off.

Effective January 1, 2007, the Company and its parent, AXA CS, entered into a 100% Aggregate Quota Share Assumption Agreement under which all policy liabilities were ceded to AXA CS. The agreement was entered into in contemplation of efforts to sell the Company.

### **CAPITALIZATION**

At December 31, 2007, the Company had 50,000 common shares authorized with a par value of \$115 per share, of which 35,191 shares were issued and outstanding. The schedule below shows the changes in the Company's capital and surplus from the previous examination to the current examination.

AXA Re Property and Casualty Insurance Company

	<u>Special Surplus Funds</u>	<u>Common Capital Stock</u>	<u>Gross Paid-In and Contributed Surplus</u>	<u>Unassigned Funds (Surplus)</u>	<u>Totals</u>
December 31, 2004	\$ 753,000 (2)	\$ 4,046,965	\$ 143,867,866	\$ (84,675,866)	\$ 63,991,965
Operations 2005 (1)	(433,000)			(29,385,707)	34,173,258
Operations 2006 (1)	1,966,000			(9,798,476)	26,340,782
Operations 2007 (3)	(2,286,000)			4,690,827	28,745,609 (3)
December 31, 2007	<u>\$ -</u>	<u>\$ 4,046,965</u>	<u>\$ 143,867,866</u>	<u>\$ (119,169,222)</u>	<u>\$28,745,609</u>

(1) Operations is defined as: net income, net unrealized capital gains or loss, change in net unrealized foreign exchange capital gain or loss, change in net deferred income tax, change in non-admitted assets, change in provision for reinsurance, cumulative effect of changes in accounting principles and aggregate write-ins for gains and losses in surplus.

(2) Special Surplus from Retroactive Reinsurance Account.

(3) Reflects 2007 examination adjustments.

**DIVIDENDS TO STOCKHOLDERS**

The Company paid no dividends to its stockholder during the examination period.

**MANAGEMENT AND CONTROL**

Pursuant to the General Corporation Law of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers of the Company's business, property and affairs are managed by or under the direction of the Board. The Board shall consist of at least three members and no more than fifteen members.

The Board of Directors is currently comprised of four members all of whom were elected at the annual meeting of shareholders held on May 10, 2007. The members of the Board are

elected for a term of one year and serve until the next annual meeting of the shareholder or until their successors are elected and qualified.

The members of the Board of Directors serving as of December 31, 2007, were as follows:

<u>Director's Name</u>	<u>Principal Business Affiliation</u>
Cedric de Linares, Chairman	AXA Liabilities Managers – France
John Joseph Leston *	AXA Liabilities Managers - U.S.
Alexandre Jean-Marie Scherer	AXA Liabilities Managers – U.S.
Susan Burns Wilcher*	AXA Liabilities Managers – U.S.

\* Resigned in 2008

The Company's bylaws provide that the Board of Directors, by resolution, may designate one or more committees, including an Executive Committee and a Finance Committee, each consisting of at least three members. A review of the minutes indicated that Board meetings were either fully attended or a quorum was present. As of the examination date, the following Directors were serving on the Executive Committee:

Executive Committee

Cedric de Linares  
John Joseph Leston\*  
Alexandre Jean-Marie Scherer

\*Resigned in 2008

The bylaws of the Company state the elected officers of the corporation shall be a President, one or more Vice Presidents, a Secretary and a Treasurer. The Board of Directors may also designate from among the vice presidents such number of executive or senior vice presidents as may be deemed appropriate. The Board may elect such additional officers as it may from time to time decide. At December 31, 2007, the Company's principal officers and their respective titles are as follows:

<u>Officer</u>	<u>Title</u>
Alexandre Jean-Marie Scherer	President and CEO
Steven Bernard Goldberg	Senior Vice President and Chief Actuary
John Joseph Leston	Senior VP, Treasurer and CFO
Susan Burns Wilcher	Senior Vice President, Corporate Compliance Officer and Secretary
John Joseph Bado	Vice President
William Frederick Fawcett	Vice President and Chief Legal Officer
Arjun Thawani	Vice President
Mei Leng Chan	Assistant Vice President and Controller
Linda Gail Gross	Assistant Vice President

### **RELATED PARTIES**

#### Guarantee Agreement

Effective January 1, 2002, the Company entered into a guarantee agreement with its parent, AXA CS, under which contract claims against the Company are assured. As of December 31, 2007, AXA CS has not been required to make any payments, nor establish any reserve under the agreement.

#### Administrative and Services Agreement – AXA Liabilities Managers, Inc. (AXA Managers)

Effective January 1, 2004, the Company entered into an Administrative and Services Agreement with AXA Managers, an affiliate. In accordance with terms of the agreement, AXA Managers provides or arranges for the provision of administrative, management and other services requested by the Company. All services related to business operations are included in this agreement. The Company reimburses AXA Managers for the actual costs and expenses paid by AXA Managers. The allocation is based upon fair and reasonable methods. This agreement was approved by the Delaware Department of Insurance. Further comments may be found under the section “Subsequent Events” for changes made to this agreement in 2008.

Services Agreement

Effective June 1, 2005, AXA Equitable Life Insurance Company (AXA Equitable) and AXA Managers entered into a services agreement under which AXA Equitable is to carry out certain investment accounting functions which AXA Managers provides for affiliated companies, including the Company.

Consolidated Federal Income Tax Agreement

Effective November 4, 2004, and entered into on May 26, 2006, AXA America Holdings, Inc. and AXA America Corporate Solutions, Inc. entered into a consolidated federal income tax agreement with the Company and certain other subsidiaries. AXA America Holdings, Inc. files the consolidated federal income tax return. The agreement provides that each participant will be allocated tax liabilities based upon separate tax return calculations. During the review of this agreement it was determined that the Company was not in compliance with the agreement settlement provisions. Further comments may be found under “Note 3” in the section “Notes to the Financial Statements.”

Investment Advisory Agreement - Alliance Capital Management L.P. (Alliance Capital)

On July 1, 2005, the Company entered into a Discretionary Investment Advisory Agreement with an affiliate, Alliance Capital, a Delaware Corporation. The agreement was entered in order to manage a portfolio of securities in accordance with the Company's investment guidelines.

All intercompany agreements were properly filed, and approved, by the Delaware Insurance Department.

## **INSURANCE HOLDING COMPANY SYSTEM**

The Company is a member of the AXA insurance holding company system as defined under Title 18, Chapter 50, “Insurance Holding Companies” of the Delaware Insurance Code. Holding Company registration statements were properly filed by the Company with the Delaware Insurance Department.

All common stock is owned by the immediate parent, AXA CS, a Delaware property and casualty insurance company.

On December 16, 2005, Finaxa merged into AXA (formerly an intermediary holding company). AXA is now treated as the controlling entity of the Registrants. The Mutuelles AXA, as a group, remain the Registrants’ ultimate controlling entity.

On December 31, 2006, AXA Courtage Assurance Mutuelle merged with AXA Assurance IARD Mutuelle, with AXA Assurance IARD Mutuelle as the surviving company. The remaining two French insurance companies, AXA Assurance IARD Mutuelle and AXA Assurance Vie Mutuelle now own 14.30% of the shares of AXA (representing 23.19% of the voting power) previously held in the aggregate by the Mutuelles AXA. To the best knowledge of the Company, except as set forth above, no shareholder of AXA holds of record or beneficially owns 10% or more of AXA’s voting shares or voting shares constituting 10% or more of the voting rights of AXA’s voting shares.

For the fiscal year ending 2007, AXA had consolidated assets of approximately \$1.1 trillion and consolidated shareholders’ equity of approximately \$66.6 billion.

The following abbreviated organizational chart of which the Company is a part, illustrates the identities and relationships between its parent, affiliates and subsidiaries as of December 31, 2007.

<u>Company Name</u>	<u>Domicile</u>	<u>Ownership Percentage</u>	<u>Voting Percentage</u>
Mutuelles AXA	France	14.30%	23.19%
AXA	France	100% (1)(2)	100% (1)(2)
AXA America Holdings, Inc.	DE	100%	
AXA America Corporate Solutions, Inc.	DE	100%	
AXA Corporate Solutions Reinsurance Company	DE	100%	
<b>AXA Re Property and Casualty Insurance Company</b>	DE	100%	
AXA Corporate Solutions Life Reinsurance Company	DE	100%	
AXA Delaware LLC.	DE	100%	
AXA Insurance Company	NY	100%	

(1) Percentage represents collective ownership of AXA by Mutuelles AXA IARD and AXA Assurance Vie Mutuelle

(2) Other ownership is held by General Public (78.88%), Employees and Agents (5.23%) and Treasury Shares (1.49%)

## **TERRITORY AND PLAN OF OPERATION**

### **Territory**

As of December 31, 2007, the Company was licensed in all fifty states and the District of Columbia. However, the Certificate of Authority for five states had been suspended as of December 31, 2007 due to either insufficient surplus requirements or no new business.

### **Plan of Operation**

The Company has been in a run-off status since 2003. Renewal business has continued through Tower Hill Insurance Group (Florida) due to regulatory requirements obliging the Company to offer homeowners renewals. As of June 9, 2008, the Company's last Florida homeowners policy expired. All managing general agent and third party administrator agreements have been terminated. For additional information, refer to the sections "Growth of Company" and "Reinsurance" shown below.

## **GROWTH OF COMPANY**

The financial growth of the Company since its last examination (2004) is summarized as follows and was compiled from its filed Annual Statements and examination changes:

<u>Year</u>	<u>Net Admitted Assets</u>	<u>Surplus as Regards Policyholders</u>	<u>Gross Premium Written</u>	<u>Net Income (Loss)</u>
2004	\$ 173,206,083	\$63,991,965	\$ 84,110,979	\$ (37,341,348)
2005	111,047,102	34,173,258	16,328,414	(27,492,610)
2006	59,613,289	26,340,782	5,008,216	(7,155,637)
2007*	52,976,986	18,820,218	2,052,030	(6,081,074)

\*2007 Amounts reflect examination adjustments.

Since the Company's last examination, the growth of the Company has taken the form of the following:

- 69.4% decrease in Net Admitted Assets
- 70.6% decrease in Surplus as Regards Policyholders
- 97.6% decrease in Gross Premiums Written
- 83.7% decrease in the (Net Losses)

As noted above, the Company went into run-off effective January 1, 2003. The above variances are mainly attributable to the run-off status of the Company and to the losses from the 2005 hurricanes that impacted the State of Florida.

## **REINSURANCE**

### **Assumed**

All of the Company's assumed reinsurance relates to run-off business during the period prior to September 9, 1999, when the Company was owned by the John Hancock Insurance Group. This business was part of the sale of the Company and was approved by the Delaware

Department of Insurance. Effective September 27, 2007, by way of a Novation Agreement with AXA CS, the Company's parent assumed the Company's participation in the Excess and Casualty Reinsurance Association (ECRA) Pool.

## **Ceded**

### Aggregate Quota Share Reinsurance Agreement with AXA CS

Effective June 1, 2006, Company entered into a 100% Quota Share Reinsurance Agreement to cover Florida homeowners' policies issued by the Company through the Tower Hill Insurance Group. This agreement had an addendum that redefined the termination process and defined the second accounting period effective June 1, 2007. During 2007, the Company ceded paid losses and LAE expenses in the amount of \$(4.722) million and paid reinsurance premiums in the amount of \$17.580 million.

Effective January 1, 2007, the Company entered into a 100% Aggregate Quota Share Reinsurance Agreement with AXA CS. Under the terms of that agreement, the Company has ceded all policy and technical liabilities to its parent in order to prepare the Company for sale.

## **Commuted Agreements**

Effective December 31, 2007, the Company commuted an Adverse Development Reinsurance Agreement and its Accident Year Stop Loss Reinsurance Agreement with AXA Reassurance S.A. (France), an affiliate. Per the Commutation and Release Agreement, the Company received an actuarially determined sum of \$7.854 million from AXA Reassurance S.A.

Novation Agreement with AXA CS and Excess and Casualty Reinsurance Association (ECRA) Pool

Effective September 27, 2007, the Company ceded to AXA CS, by way of a Novation Agreement, all of its participation in the ECRA Pool. See discussion above for more information concerning the Novation Agreement.

**ACCOUNTS AND RECORDS**

The accounts and records reviewed included an evaluation of the Company's operational and organizational controls. The areas evaluated included computer systems, accounting systems, the Company's organizational structure, and its processing structure. The Company operates in a computer dominated environment. All administrative and services needed or required for the Company's operations were provided by AXA Liabilities Managers, Inc. through an Administrative and Services Agreement effective January 1, 2004.

An assessment of the Company's high level controls over electronic data systems was performed by the firm INS Services, Inc. Their review consisted of discussions with management, and the review, and testing of responses to questionnaires developed by the NAIC and the Delaware Department of Insurance. The discussions and review did not mention any material deficiencies.

An external accounting firm audits the statutory-basis financial statements of the Company annually. The Company's external firm reviewed the internal control structure in order to establish the necessary audit procedures required to express an opinion on the December 31, 2007 financial statements. No significant or qualifying deficiencies were found to exist in the design or operation of the internal control structure.

The Company requested and received an extension for the filing of its annual CPA report. This delayed the testing and utilization of CPA workpapers and consequently required the examiners to perform more substantive testing.

Based on the examination review of the filed Annual Statements, observations, and subsequent discussions with management, the accounting processes and procedures were found lacking in conformity with insurance accounting practices and regulatory requirements.

It was noted during the examination that reductions in experienced staff had occurred due to downsizing from the Company being in run-off. These reductions affected both the turnaround time in accurately completing some complex examination information requests and also resulted in general errors in the preparation of its 2007 Annual Statement, specifically related to the interpretation of several SSAPs. While no financial adjustments or re-classifications of amounts in error were made, these findings were communicated to management for correction.

**It is recommended that management closely monitor its compliance with SSAPs in the maintenance of its accounts and records and all NAIC instructions in the preparation of its Annual Statement.**

### **FINANCIAL STATEMENTS**

The following financial statements as determined by this examination are presented herein:

Analysis of Assets, as of December 31, 2007  
Liabilities, Surplus and Other Funds, as of December 31, 2007  
Underwriting and Investment Exhibit - Statement of Income, which includes the  
Capital and Surplus Account for the one-year period ending December 31, 2007  
Schedule of Examination Changes

**Analysis of Assets**  
**As of December 31, 2007**

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 21,106,025		\$ 21,106,025	1
Cash	10,076,037		10,076,037	
Subtotal cash and invested assets	<u>\$ 31,182,062</u>		<u>\$31,182,062</u>	
Investment income due and accrued	\$ 296,223.00		\$ 296,223.00	
Premium and considerations:				
Uncollected premiums and agents' balances in course of collection	6,192,810		6,192,810	
Reinsurance:				
Amounts recoverable from reinsurers	14,444,233	\$ 3,578,972	10,865,261	2
Funds held by or deposited with reinsured companies	59,641		59,641	
Current federal income taxes recoverable	10,579,984	6,346,419	4,233,565	3
Net deferred tax asset	9,647,259	9,647,259		
Aggregate write-ins for assets:				
Miscellaneous Accounts Recoverable	475,450	475,450		
Pension Assets	147,424		147,424	
<b><i>Totals</i></b>	<u><u>\$ 73,025,086</u></u>	<u><u>\$ 20,048,100</u></u>	<u><u>\$ 52,976,986</u></u>	

**Liabilities, Surplus and Other Funds**  
**As of December 31, 2007**

		<b><u>Notes</u></b>
Losses	\$	4
Reinsurance payable on paid loss and loss adjustment expenses	1,932,053	
Loss adjustment expenses		4
Other expenses	1,500,699	
Taxes, licenses and fees due and accrued	21,758	
Current federal and foreign income taxes		
Ceded reinsurance premiums payable	27,513,914	
Funds held by company under reinsurance treaties	1,819,845	
Payable to parent, subsidiaries and affiliates	1,368,499	
<b><i>Total Liabilities</i></b>	<b><u>\$ 34,156,768</u></b>	
Capital stock	\$ 4,046,965.00	
Gross paid in and contributed surplus	\$ 143,867,866	
Unassigned funds (surplus)	<u>(129,094,613)</u>	2 & 3
Surplus	<u>14,773,253</u>	
Surplus as regards policyholders	<u>\$ 18,820,218</u>	
<b><i>Total</i></b>	<b><u>\$ 52,976,986</u></b>	

**Underwriting and Investment Exhibit: Statement of Income**  
**As of December 31, 2007**

<b>Underwriting Income</b>		<b>Notes</b>
Premiums earned	\$ (26,301,541)	
<b>Deductions</b>		
Losses incurred	\$ (17,876,230)	
Loss expenses incurred	(1,415,784)	
Other underwriting expenses incurred	3,679,695	
Total underwriting deductions	<u>\$ (15,612,319)</u>	
Net underwriting gain or (loss)	<u>\$ (10,689,222)</u>	
<b>Investment Income</b>		
Net investment income earned	\$ 1,220,085	
Net realized capital gains or (losses)	81,053	
Net investment gain or (loss)	<u>\$ 1,301,138</u>	
<b>Other Income</b>		
Other income (loss)	\$ (273,931)	
Aggregate write-ins for miscellaneous income:		
Miscellaneous loss	(20,120)	
Recoverable retro reinsurance	(3,786,000)	
Reserve for uncollectible reinsurance	2,609,852	
Total other income (loss)	<u>\$ (1,470,199)</u>	
Net income before dividends to policyholders and before federal income taxes	\$ (10,858,283)	
Federal income taxes incurred	(4,777,209)	
Net income (loss)	<u>\$ (6,081,074)</u>	
<b>Capital and Surplus Account</b>		
Surplus as regards policyholders, December 31, 2006	<u>\$ 26,340,782</u>	
<b>Gains and (losses) in surplus</b>		
Net income	\$ (6,081,074)	
Change in net deferred income tax	(957,200)	
Change in non-admitted assets and related items	(9,383,906)	2 & 3
Change in provision for reinsurance	8,706,600	
Change in additional minimum pension liability	195,016	
Change in surplus as regards policyholders for the year	<u>\$ (7,520,564)</u>	
Surplus as regards policyholders, December 31, 2007	<u><u>\$ 18,820,218</u></u>	

**Schedule of Examination Adjustments**

**As of December 31, 2007**

	<u>Per</u> <u>Examination</u>	<u>Per</u> <u>Company</u>	<u>Surplus Increase</u> <u>(Decrease)</u>	<u>Notes</u>
Amounts recoverable from reinsurers	\$ 10,865,261	\$ 14,444,233	\$ (3,578,972)	2
Current federal income taxes recoverable	4,233,565	10,579,984	<u>(6,346,419)</u>	3
Net Changes in Surplus per Examination			<u>\$ (9,925,391)</u>	
Surplus as regards policyholder per Company			<u>\$ 28,745,609</u>	
Surplus as regards policyholders per Examination			<u>\$ 18,820,218</u>	

**NOTES TO FINANCIAL STATEMENTS**

Note 1

Bonds

\$21,106,025

The Company's bond holdings totaled \$21.1 million and comprised almost 40% of total adjusted admitted assets and almost 68% of the Company's total invested assets, at December 31, 2007. Security composition for the year ending 2007 was comprised of the following:

U.S. Governments	\$ 10.7 million
Other Countries	.3 million
Special Revenue	.8 million
Public Utilities	.5 million
Industrial & Miscellaneous	<u>8.8 million</u>
	<u>\$ 21.1 million</u>

Of the Company's total bond holdings, \$20.6 million or 97.5% were categorized as Class 1, with respect to NAIC credit quality standards. All other bonds were categorized as Class 2 with a book value of \$572,156. All investments were rated by the SVO, Moody's and Standard and Poor's with similar quality ratings.

Note 2

Amounts Recoverable from Reinsurers \$10,865,261

It was observed that the Company's reported Amounts Recoverable from Reinsurers did not non-admit balances that were not timely collected. The adjustment increased the non-admitted amount and reduced surplus by \$3,578,972 in accordance with SSAP 4 and 20.

The Company could not provide aging for the reinsurance recoverable balances as reported in its restated Schedule F – Part 4. The Company's reinsurance recoverable balances over 120 days past due showed little movement over the three year examination period. The Company's reported reinsurance recoverable for selected reinsurers was compared to reinsurers reported Schedule F balances which reflected considerable differences.

**It is recommended that the Company non-admit Amount Recoverable from Reinsurers that are not collected in a timely manner and better documentation should be maintained to support its Annual Statement Reinsurance Recoverable balances.**

Note 3 - Current Federal and Foreign Income Tax Recoverable \$4,233,565

The Examination Report Balance Sheet reflects the non-admitted amounts over 90 days past due for federal income tax (FIT) recoverables. The Company included federal income tax recoverable from 2006 in its reported amount in 2007. Per SSAP No. 10, Paragraph 13, if the amount of federal income tax recoverable is over 90 days past due from the date a consolidated tax return is filed, that amount should be non-admitted. The Company provided support that it received \$4.0 million of the 2006 federal income tax recoverable in August 2008. This was noted in the section of this report entitled "Subsequent Events."

**It is recommended that the Company non-admit FIT Recoverables over 90 days past due.**

Note 4:

Loss Reserves

\$ -0-

Loss Adjustment Expense Reserves

\$ -0-

The Company ceded 100% of its direct and assumed business and reserves to AXA CS, its parent.

**COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS**

1. It was noted that the Company was not in compliance with Section 4919 of the Delaware Insurance Code that requires the Company to provide the Delaware Insurance Department with prompt notice of changes of Directors and Officers.

**The Company has complied with the recommendation.**

2. It was observed that the Company's reported federal income tax recoverable of \$19,969,486 included 2004 and prior net operating loss carry forwards and other tax recoverables. Certain members of the consolidated group, AXA America Corporate Solutions, Inc., are in runoff and no longer able to generate income and as such, it was determined that the federal income tax recoverable was a non-admitted asset. Primarily for tax purposes, the members of AXA America Corporate Solutions, Inc. became members of AXA America Holdings, Inc. As of the prior examination date the Company and its immediate holding Company has not obtained an executed tax allocation agreement with AXA America Holdings, Inc.

**The Company has complied with the recommendation. However, the current examination identified an amount of federal income tax recoverable that was over 90 days past due. Further comments may be found under Note 2 in the section “Notes to the Financial Statements.”**

### **SUMMARY OF RECOMMENDATIONS**

1. It was noted that downsizing staff reductions affected both the turnaround time in accurately completing some complex examination information requests and also resulted in general errors in the preparation of its 2007 Annual Statement, specifically related to the interpretation of several SSAPs. While no financial adjustments or re-classifications of amounts in error were made, these findings were communicated to management for correction. As such,

**It is recommended that management closely monitor its compliance with SSAPs in the maintenance of its accounts and records and all NAIC instructions in the preparation of its Annual Statement. (Accounts and Records, Page 14)**

2. It was noted that the Company did not non-admit Amounts Recoverable from Reinsurers that were not collected in a timely manner per SSAP No. 4 and SSAP No. 20.

**It is recommended that the Company non-admit Amount Recoverable from Reinsurers not collected in a timely manner and better documentation should be maintained to support its Annual Statement Reinsurance Recoverable balances. (Notes to the Financial Statements, Page 19)**

3. It was noted that the Company admitted FIT Recoverable amounts that were over 90 days past due per SSAP No. 10.

**It is recommended that the Company non-admit FIT Recoverables over 90 days past due. (Notes to the Financial Statements, Page 19)**

**CONCLUSION**

As a result of this examination, the financial condition of the AXA Re Property and Casualty Insurance Company, as of December 31, 2007, was determined as follows:

Description	12/31/2007 Current Examination	12/31/2004 Prior Examination	Changes Increase (Decrease)
Assets	<u>\$ 52,976,986</u>	<u>\$ 173,206,083</u>	<u>\$ (120,229,097)</u>
Liabilities	\$ 34,156,768	\$ 130,726,498	\$ (96,569,730)
Special Surplus Funds	0	753,000	(753,000)
Common capital stock	4,046,965	4,046,965	-
Gross paid in and contributed capital	143,867,866	143,867,866	-
Unassigned funds (surplus)	<u>(129,094,613)</u>	<u>(106,188,246)</u>	<u>(22,906,367)</u>
Total surplus as regards policyholders	<u>\$ 18,820,218</u>	<u>\$ 42,479,585</u>	<u>\$ (23,659,367)</u>
Totals	<u>\$ 52,976,986</u>	<u>\$ 173,206,083</u>	<u>\$ (120,229,097)</u>

Since the last examination, the Company's assets have decreased \$120,229,097; liabilities have decreased \$96,569,730 and capital and surplus as regards policyholders decreased \$23,659,367. In addition to the undersigned, acknowledgment is made of the assistance provided by the Delaware Insurance Department's consulting actuarial firm, INS Consultants, Inc.

Respectfully submitted,



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Darryl Reese, CFE  
Examiner-in-Charge

### **SUBSEQUENT EVENTS**

On April 18, 2008, the Company's parent changed its name from AXA Corporate Solutions Reinsurance Company to Coliseum Reinsurance Company.

In August 2008, the Company received funds for 2006 federal income tax recoverables reported on the Annual Statement line for Federal Income Tax Recoverable. A comment was made under "Note 3" in the section "Notes to the Financial Statements" relative to the Company's failure to not admit balances not received within 90 days of the filing of the Consolidated Federal Income Tax return.