

**REPORT ON EXAMINATION**

**OF THE**

**AXA CORPORATE SOLUTIONS  
REINSURANCE COMPANY  
N/K/A Coliseum Reinsurance Company**

**AS OF**

**DECEMBER 31, 2007**

Karen Weldin Stewart, CIR-ML  
Commissioner



Delaware Department of Insurance

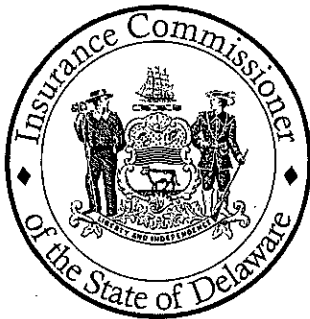
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2007 of the

**AXA CORPORATE SOLUTIONS REINSURANCE COMPANY  
n/k/a COLISEUM REINSURANCE 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 CORPORATE SOLUTIONS REINSURANCE COMPANY  
n/k/a COLISEUM REINSURANCE 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.

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

---

Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Dated this 30th day of June, 2009

<u>Table of Contents</u>	<u>Page</u>
SALUTATION .....	1
SCOPE OF EXAMINATION.....	2
HISTORY .....	3
CAPITALIZATION.....	4
SURPLUS NOTES .....	5
DIVIDENDS TO STOCKHOLDERS .....	6
MANAGEMENT AND CONTROL .....	6
RELATED PARTY AGREEMENTS .....	8
INSURANCE HOLDING COMPANY SYSTEM.....	10
TERRITORY AND PLAN OF OPERATION.....	12
GROWTH OF COMPANY .....	12
REINSURANCE.....	13
ACCOUNTS AND RECORDS .....	17
FINANCIAL STATEMENTS .....	18
Analysis of Assets .....	19
Liabilities, Surplus and Other Funds.....	20
Underwriting and Investment Exhibit: Statement of Income .....	21
Capital and Surplus Account .....	21
Schedule of Examination Changes.....	22
NOTES TO FINANCIAL STATEMENTS .....	22
COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS.....	25
SUMMARY OF RECOMMENDATIONS .....	26
CONCLUSIONS.....	28
SUBSEQUENT EVENTS .....	30

## **SALUTATION**

January 12, 2009

Honorable Alfred W. Gross  
Chairman, Financial Condition  
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 08-016, an examination has been made of the affairs, financial condition and management of

### **AXA CORPORATE SOLUTIONS REINSURANCE 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 subsidiary, AXA Re Property and Casualty Insurance Company (AXA Re P&C). 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 18 Del.C.§ 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
- Officers', Agents' and Employees' 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 January 9, 1978 under the laws of the State of Delaware and began business on December 29, 1978 under the name Gamma Reinsurance Company.

Operations were initially directed under management services agreements with Kemper Reinsurance Management Company. These agreements were terminated as of December 31, 1983.

From May 1984 to December 31, 1988, the Company through a former subsidiary, Gamma Reinsurance Syndicate, Inc., underwrote facultative business on the New York Insurance Exchange. Gamma Reinsurance Syndicate was dissolved on June 8, 1989.

On August 23, 1989, the Company filed a certificate of amendment to its Certificate of Incorporation to change its name to AXA Reinsurance Company, effective October 1, 1989.

On December 25, 1995, AXA Reassurance, S.A. acquired from AXA, the holding company of AXA Group, a French company, all of the outstanding shares of Abielle Reassurance. As part of this merger, the U.S. branch of Abielle Reassurance was merged into AXA Reinsurance Company. On January 1, 1996, AXA merged with Compagnie UAP,

another French company. Subsequent to the merger, the new parent was renamed AXA-UAP. A name change and reorganization occurred at the French holding company level.

On September 11, 2000, the Company filed a Certificate of Amendment to its Certificate of Incorporation changing its name to AXA Corporate Solutions Reinsurance Company.

On December 31, 2001, the Company, through a restructuring plan, contributed the stock of its then-subsiidiary, AXA Re America Insurance Company to AXA Re P&C in the form of a capital contribution.

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.

Refer to the section "SUBSEQUENT EVENTS" for comments related to the change of the Company's name.

The Company's registered office in the State of Delaware is located at the Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

### **CAPITALIZATION**

At December 31, 2007, the Company had 1,325,163 common shares authorized and outstanding with a par value of \$20 per share. The schedule below shows the changes in the Company's capital and surplus from the previous examination to the current examination.

AXA Corporate Solutions Reinsurance Company

<u>Description</u>	<u>Common Capital Stock</u>	<u>Special Surplus Fund</u>	<u>Surplus Notes</u>	<u>Gross Paid In &amp; Contributed Surplus Funds</u>	<u>Unassigned Surplus</u>	<u>Totals</u>
Surplus 12/31/04	\$26,503,260		\$250,000,000	\$460,201,138	(\$165,121,140)	\$571,583,258
2005 Dividends					(2) (31,350,000)	(31,350,000)
2005 Operations (1)					6,867,100	6,867,100
Surplus 12/31/05				460,201,138	(189,604,040)	547,100,358
Surplus Paid-In				(3) 70,000,000		
2006 Operations (1)					36,668,405	106,668,405
Surplus 12/31/06				530,201,138	(152,935,635)	653,768,763
2007 Dividends						
2007 Operations (1)		(4) (4,993,403)			28,998,209	24,004,806
Surplus 12/31/07	\$26,503,260	(\$4,993,403)	\$250,000,000	\$530,201,138	(\$123,937,426)	\$677,773,569

(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) Represents a extraordinary dividend paid with interest to AXA America Corporate Solutions Inc.

(3) Subsequently contributed to Axa Corporate Solutions Life Rein. Co., a subsidiary.

(4) Special Surplus (Provision for reinsurance for subsidiary, AXA Re P & C Quota Share agreement per DEDOI)

**SURPLUS NOTES**

In 2003, the Company was provided with surplus funds of \$250,000,000 from AXA America Corporate Solutions, Inc. through the issuance of the following surplus notes:

<u>Date Issued</u>	<u>Maturity</u>	<u>Rate</u>	<u>Amount</u>
02/07/2003	02/07/2008	5.4%	\$225,000,000
03/31/2003	03/31/2008	5.4%	\$ 25,000,000
Total			<u>\$250,000,000</u>

The Company recorded the transactions as receivables from its parent and as credits to surplus (surplus notes) in 2003. The Company then contributed capital of \$225,000,000 to its subsidiary, AXA Corporate Solutions Life Reinsurance Company, to meet capitalization requirements. The balance of \$25,000,000 was retained by the Company. The Surplus Notes were approved in 2003 by the Delaware Insurance Department and deemed effective in 2002 for reporting purposes.

In 2005, 2006 and 2007 the Company received approval from the Department to pay interest due on the Surplus notes in the amount of \$13.5 million each year.

### **DIVIDENDS TO STOCKHOLDERS**

In 2005, the Company declared and paid an extraordinary dividend in the amount of \$31,350,000. The dividend was reported to and approved by the Delaware Insurance Department prior to payment.

### **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 and its business, property and affairs are managed by or under the direction of the Board. The Board shall consist of at least seven (7) members and no more than ten (10) members and meet at least four (4) times a year. A majority of the Board members must reside and be citizens of the United States.

In 2006, the bylaws were amended to reduce the minimum meeting times a year from four (4) to one (1). In 2008, the bylaws were amended to reduce the number of Board members elected from a minimum of seven (7) to three (3). The Articles of Incorporation and bylaws

were amended to reflect the name change of the Company. (Refer to the section “SUBSEQUENT EVENTS”).

The Board of Directors is currently comprised of seven 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 shareholders 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
Alexandre Jean Marie Scherer	AXA Liabilities Managers – U.S.
Susan Burns Wilcher*	AXA Liabilities Managers - U. S.
John Joseph Leston*	AXA Liabilities Managers - U. S.
Nicolas Leclercq*	AXA Liabilities Managers- France
William Frederick Fawcett*	AXA Liabilities Managers - U. S.
Dale Albert Diamond	Consultant

\*Resigned or not appointed 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. As of December 31, 2007, the Board of Directors duly appointed the following Directors to the Executive Committee:

Executive Committee

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

\*Resigned in 2008

The bylaws of the Company state that only Shareholders have the power to elect officers of the Company and that those officers shall be a President, one or more Vice Presidents, a Secretary and a Treasurer. 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, CEO
John Joseph Leston*	Vice President, Treasurer and CFO
Susan Burns Wilcher	Vice President, CCO and Corporate Secretary
Steven Bernard Goldberg	Vice President, Chief Actuary
William Fawcett	Vice President, General Counsel and Chief Legal Officer
Arjun Thawani	Vice President
John Bado	Vice President
Helen Reid	Vice President
Albert Algerio	Assistant Vice President
Joseph Allen	Assistant Vice President
Mei Leng Chan	Assistant Vice President
Michell Gibson	Assistant Vice President
Linda Gross	Assistant Vice President
Frances Turco	Assistant Vice President

### **RELATED PARTY AGREEMENTS**

#### Guarantee Agreement

Effective January 1, 2002, the Company entered into a guarantee agreement with its subsidiary, AXA Re P&C under which payment of contract claims are assured. AXA Corporate Solutions entered into a guarantee agreement with) its then subsidiary, AXA Re America Insurance Company (AXA America). Pursuant to the terms of the agreement, the Company guaranteed the obligations of AXA Re P&C and AXA America arising under insurance and reinsurance contracts issued with respect to timely payment of contract claims made under such

AXA Corporate Solutions Reinsurance Company

contracts. The guarantee with AXA America terminated upon the sale of AXA America to AXA RE France on September 30, 2004, although policies issued prior to the sale date would still be covered by the guarantee. As of December 31, 2007, the Company has not been required to make any payments, nor establish any reserve under the agreement.

Administrative 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 the 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. Refer to the section “SUBSEQUENT EVENTS” for changes 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. See additional comments under “Note 3” Federal Income Tax Recoverable regarding non compliance with settlement provisions of this tax sharing agreement.

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

On October 1, 1993, the Company entered into a Discretionary Investment Advisory Agreement with an affiliate, Alliance Capital, a Delaware Corporation. The agreement was entered into to manage a portfolio of securities in accordance with the Company's investment guidelines. This agreement was amended July 1, 2005 in order to update the fee structure.

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 America Corporate Solutions, Inc., an insurance holding 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 because AXA is now the ultimate person which consolidates control in a single entity. The Mutuelles AXA, as a group, remain the Registrants’ ultimate controlling entity.

AXA Corporate Solutions Reinsurance Company

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, Mutuelles AXA possessed assets of approximately \$1.1 trillion and shareholders surplus of \$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)	100.0%(1) (2)
AXA America Holdings, Inc.	DE	100%	
AXA America Corporate Solutions, Inc.	DE	100%	
<b>AXA Corporate Solutions Reinsurance Company</b>	DE	100%	
AXA Re Property and Casualty Insurance Company	DE	100%	
AXA Corporate Solutions Life Reinsurance Company	DE	100%	
<b>AXA Delaware LLC</b>	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**

The Company is licensed in all 50 states, the District of Columbia, and Puerto Rico. However, the Company is licensed for reinsurance only in Maine, Missouri, New Hampshire, Pennsylvania, Puerto Rico, Vermont, Virginia, West Virginia, Wyoming. The Company reported \$0 in direct premiums written.

### **Plan of Operation**

The Company has been in run-off since 2003. 2007 Gross Premiums Written of \$28.1 million consisted of residual run-off non-affiliated assumed premiums (\$2.8 million) and affiliated assumed premiums (\$25.3 million) from AXA Re P&C.

## **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:

Year	Net Admitted Assets	Surplus as Regards Policyholders	Gross Premium Written	Net Income (Loss)
2004	\$961,537,612	\$538,476,678	\$10,477,637	\$36,168,458
2005	872,220,315	547,100,360	2,684,415	(3,751,574)
2006	936,202,482	653,768,765	14,393,208	725,887
2007	918,834,718	677,773,572	28,071,702	9,601,200

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

- A 4 % decrease in Admitted Assets
- A 37 % increase in Surplus as Regards Policyholders

The above variances are attributable to the following:

- 1) Decreases in Net Admitted Assets and Cash from a \$31.3 million extraordinary dividend payment made in 2005 to the parent AXA America Corporate Solutions, Inc. and also from payments of yearly interest of \$13.5 million on a \$250 million Surplus Note and decreases in cash from the payment of losses mainly from 2005 hurricane losses.
- 2) Increases in Surplus as Regards Policyholders from the receipt of \$70 million contribution to surplus from its parent, AXA America Corporate Solutions, Inc. on December 20, 2006 and the change in unrealized capital gains in 2005, 2006 and 2007 totaling \$53,438,622.
- 3) The Company's run-off of its reinsurance business, effective January 1, 2003. As the result of the run-off, there are no new contracts being underwritten and renewed through the Company's U.S. reinsurance subsidiaries. The increase in gross written premium from 2005 to 2007, however, is the result of the 100% Quota Share Agreement with the Company's subsidiary, AXA RE P&C.
- 4) Net Losses from the Company's negative operating results due to the underwriting losses from 2005 the Florida hurricane losses and from the run-off operations, offset by investment income.

**REINSURANCE**

Direct Written		\$ 0
Reinsurance Assumed from Affiliates		25,317,249
Reinsurance Assumed from Non-Affiliates		2,754,453
Subtotal Reinsurance Assumed		\$ 28,071,702
Reinsurance Ceded to Affiliates		(154)
Reinsurance Ceded to Non-Affiliates		(5,768,671)
Subtotal Reinsurance Ceded		\$ (5,768,825)
Net Written During Year		22,302,877
Net Earned During Year		\$ 23,095,035

The Company reported the following distribution of premiums in 2007 as follows:

Assumed

Effective January 1, 2003, the Company entered into run-off and no longer assumed business from non-affiliates. The Company formerly assumed property, casualty, and multiple line reinsurance on a pro-rata and excess of loss basis, primarily through reinsurance

AXA Corporate Solutions Reinsurance Company

intermediaries. The Company's assumed premiums for the period beginning from its last examination to the period ending this examination went from \$608,925,459 in 2002 down to \$28,071,702 in 2007.

Years 2006 and 2007 increased due to the Company assuming 100% of AXA Re P & C policy and assumed liabilities in those years.

Adverse Development Reinsurance Agreement with AXA Corporate Solutions Insurance Company (NY) (AXA CS IC)

Effective January 1, 2004, the Company entered into an Adverse Development Reinsurance Agreement with AXA Corporate Solutions Insurance Company (AXA CS IC), an affiliate and New York domicile company. Under the terms of this agreement, the Company agrees to indemnify AXA CS IC for aggregate net losses incurred for accident year 2003 and prior. The Company's maximum liability shall not exceed \$15 million. This agreement had an addendum which redefined "Aggregate Net Losses" effective January 1, 2007.

100% Quota Share Reinsurance Contract with AXA Re Property and Casualty Insurance Company (AXA Re P & C) – Tower Hill

Effective June 1, 2006, the Company entered into a 100% Quota Share Reinsurance Contact with AXA Re P&C. Under the terms of this agreement, the Company assumed personal lines business written or produced by one of AXA Re P&C's managing general agents, Tower Hill Insurance Group of Gainesville, Florida. This agreement had an addendum that redefined the termination process and defined the second accounting period effective June 1, 2007.

100% Aggregate Quota Share Reinsurance Agreement with AXA Re P & C

Effective January 1, 2007, the Company assumed all policy liabilities and all assumed reinsurance agreement liabilities of its affiliate, AXA Re P&C.

Novation Agreement with AXA Re P & C and Excess and Casualty Reinsurance Association (ECRA Pool)

Effective September 27, 2007, the Company assumed, by way of a Novation Agreement, all of AXA Re P & C participation in the ECRA Pool.

The largest net amount insured in any one risk, excluding workers compensation, is \$10,000,000.

Ceded

Catastrophe Excess of Loss Retrocessional Program with Renaissance RE Ltd. (Hamilton, Bermuda) and Overseas Partners CAT Ltd. (Pembroke, Bermuda)

Effective January 1, 2001 the Company entered into a Catastrophe Excess of Loss Retrocessional Program which covered all property treaties assumed by the Company. The limits and retention for this agreement were 100% of \$25 million each ultimate net loss each and every loss occurrence excess of \$110 million ultimate net loss each and every loss occurrence. The coverage was placed with Overseas Partners CAT Ltd. (Pembroke, Bermuda) assuming 25% and Renaissance RE Ltd. (Hamilton, Bermuda) assuming 75%. These agreements were placed through Towers Perrin Reinsurance, a reinsurance intermediary. The yearly deposit premium for this agreement was \$5 million per year, \$2.5 million due in January 1 and July 1. The Company refers to this agreement as “catastrophe protection against terrorist attacks” coverage.

As of the examination date, the Company as the beneficiary was given an irrevocable standby letter of credit with Wachovia Bank, National Association, Winston – Salem, North Carolina in the amount of \$6,547,877 for the Renaissance RE Ltd. share of this agreement. As of the examination date, the Company as beneficiary was given an irrevocable standby letter of

AXA Corporate Solutions Reinsurance Company

credit with Bank of America, N.A., Scranton, NJ in the amount of \$2,182,626 for the Overseas Partners CAT Ltd. share of this agreement.

Quota Share Retrocession Contract with AXA Colonia Versicherung AG (AXA Versicherung) (Germany) (an affiliate)

Effective January 1, 2001 the Company entered into an Automatic Facultative 100% Quota Share Retrocession Contract with AXA Versicherung. This agreement covers all of the Company's assumed liabilities from its intercompany facultative agreements. The only agreement that was retroceded to this agreement was business assumed from AXA Corporate Solutions Insurance Company (New York) (an affiliate). As of the examination date, the only claim that was covered by this assuming agreement and retrocession agreement was coverage of a building at 130 Liberty Street, NYC (Deutsche Bank Building) which was being demolished due to the attacks on the World Trade Center on September 11, 2001. This building was across the street from the World Trade Center.

As of the examination date, the Company as the beneficiary, was given an irrevocable standby letter of credit with WestLB AG, New York, NY in the amount of \$28,405,258 for the above reinsurance agreement.

Casualty Facultative Excess of Loss Reinsurance Agreement with AXA Reassurance S.A. (France) (an affiliate)

Effective April 1, 1997 AXA Reinsurance Company (the Company's name was changed from AXA Reinsurance Company to current name on September 11, 2000) and AXA Reassurance S.A. (France) entered into a Casualty Facultative Excess of Loss Reinsurance Agreement. This agreement covers the Company's ultimate net loss in excess of \$5 million up to \$10 million per occurrence.

As of the examination date, the Company as beneficiary was given an irrevocable standby letter of credit in the amount of \$5,048,668 for the above reinsurance 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 functions 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 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 associated with 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, December 31, 2007  
Underwriting and Investment Exhibit - Statement of Income  
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>	Non Admitted <u>Assets</u>	Net Admitted <u>Assets</u>	<u>Note</u>
Bonds	\$156,895,535		\$156,895,535	1
Preferred stocks	699,364		699,364	
Common stocks	477,384,744		477,384,744	2
Cash , cash equivalents and Short-term investments	52,198,325		52,198,325	
Other invested assets	174,697,901		174,697,901	
Receivable for securities	2,722,429		2,722,429	
Subtotal cash and invested assets	<u>\$864,598,298</u>		<u>\$864,598,298</u>	
Investment income due and accrued	2,026,268		2,026,268	
Uncollected premiums and agents balances in course of collection	22,584,520	\$43,454	22,541,066	
Deferred premiums, agents balances and installments, booked but deferred and not yet due	1,214,558		1,214,558	
Amounts recoverable from reinsurers	1,617,948		1,617,948	
Funds held with reinsured companies	2,660,078		2,660,078	
Current federal and foreign income tax recoverable	4,504,205		4,504,205	3
Net deferred tax asset	15,403,195	12,712,534	2,690,661	
EDP Equipment	148,714	86,449	62,265	
Furniture and equipment	580,008	580,008		
Receivable from parent, subsidiaries and affiliates	2,867,923		2,867,923	
Aggregate write-ins for other than invested assets	16,640,080	2,588,632	14,051,448	
Totals	<u>\$934,845,795</u>	<u>\$16,011,077</u>	<u>\$918,834,718</u>	

**Liabilities, Surplus and Other Funds**

		<u>Note</u>
Losses	\$ 196,808,047	4
Reinsurance payable on paid loss and loss adjustment expenses	(3,177,488)	
Loss adjustment expenses	21,652,433	4
Commissions payable, contingent commissions and similar	185,874	
Other expenses	3,526,597	
Taxes, licenses and fees	30,319	
Unearned premiums	1,215,214	
Ceded reinsurance premiums payable	3,338,256	
Funds held by the company under reinsurance treaties	13,242	
Provision for reinsurance	924,859	
Net adjustments in assets & liabilities due to foreign exchange	(2,497)	
Payable to parent	279,665	
Payable for securities	22,880	
Aggregate write-ins for liabilities	<u>16,243,745</u>	
Total liabilities	\$ <u>241,061,146</u>	
Aggregate write-ins for special surplus funds	\$ (4,993,400)	
Common capital stock	26,503,260	
Surplus notes	250,000,000	
Gross paid in and contributed surplus	530,201,138	
Unassigned funds	<u>(123,937,426)</u>	
Surplus as regards policyholders	<u>\$ 677,773,572</u>	
 Total	 <u>\$ 918,834,718</u>	

**Underwriting and Investment Exhibit: Statement of Income**  
**For the Year Ended December 31, 2007**

Note

Underwriting Income

Premiums earned	\$ 23,095,035
Deductions:	
Losses incurred	\$ 5,671,066
Loss expenses incurred	6,513,968
Other underwriting expenses incurred	<u>12,036,483</u>
 Total underwriting deductions	 \$ <u>24,221,517</u>
 Net underwriting gain or (loss)	 \$ <u>(1,126,482)</u>

Investment Income

Net investment income earned	\$ 10,827,292
Net realized capital gains or (losses)	<u>6,145,352</u>
 Net investment gain or (loss)	 \$ <u>16,972,644</u>
 Aggregate write-ins for miscellaneous income	 \$ <u>(11,188,627)</u>
Total Other income	\$ (11,188,627)
Net income before federal income taxes	4,657,535
Federal income taxes incurred	<u>\$ (4,943,665)</u>
 Net Income	 \$ <u>9,601,200</u>

**Capital and Surplus Account**

Surplus as regards policyholders, December 31, 2006	<u>\$653,768,765</u>
 Net income	 \$9,601,200
Examination changes	-0-
Net unrealized capital gains (losses)	19,091,951
Net change in unrealized foreign exchange capital (loss)	3,117
Change in net deferred income tax	(1,386,919)
Change in non-admitted assets	724,012
Change in provision for reinsurance	606,772
Dividends paid to stockholders	<u>(4,635,327)</u>
Change in surplus as regards policyholders for the year	\$24,004,806
Surplus as regards policyholders, December 31, 2007	<u>\$677,773,571</u>

### **SCHEDULE OF EXAMINATION CHANGES**

No financial changes were made for examination report purposes due to the immateriality of asset and/or liability balances found to be under or overstated. However, comments related to those assets and liability are made in the sections "ACCOUNTS AND RECORDS" and "NOTES TO THE FINANCIAL STATEMENTS" .

### **NOTES TO FINANCIAL STATEMENTS**

#### Note 1

Bonds \$156,895,535

The Company's bond holdings totaled \$156,895,535 and comprised almost 17 percent of total adjusted admitted assets and 18 percent 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	\$ 31,108,110
States, Territories and Possesions	803,406
Special Revenue	5,291,996
Public Utilities	11,959,688
Industrial & Miscellaneous	<u>107,732,335</u>
Total	<u>\$156,895,535</u>

Of the Company's total bond holdings, \$154.5 million or 98.5% 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 \$2,353,434. All investments were rated by the SVO, Moody's and Standard and Poor's with similar quality ratings.

Note 2

Common Stock

\$477,384,744.

The Company's common stock holdings at December 31, 2007 were primarily comprised of affiliated common stock, representing \$452,751,267 or 95 percent of its total common stock holdings. Affiliated stocks as of 2007 were:

AXA Corporate Solutions Life RE	\$417,874,894
AXA RE Property and Casualty	29,863,682
AXA Financial, Inc.	<u>5,012,691</u>
Total	<u>\$452,751,267</u>

The Company utilized the book value from the filed Annual Statements for the two insurance companies per SSAP No. 46 and 68. However, for the common stock value of AXA Financial, Inc., the Company utilized a value obtained from an upstream AXA affiliated source without additional support such as an audited financial statement and other third party source. It was determined based on the limited support (email) provided by the Company that the reported value of this stock in the amount of \$5,012,691 should be reduced to zero. However, considering immateriality, no examination balance sheet change was made. The Company incorrectly reported the number of shares and rate in Schedule D of the 2007 filed Annual Statement.

It was further noted that the Company did not properly disclose ownership of an upstream affiliate in the Notes to Financial Statement of the 2007 Annual Statement in accordance with NAIC Annual Statement Instructions.

The examiner notes that similar findings were noted in the 2004 examination report and therefore;

**It is recommended that the Company obtain the necessary documentation per SSAP No. 46 to properly value its ownership of affiliated stock.**

**It is recommended that the Company correctly report the number of shares and valuation rate used in Schedule D of future filed financial statements.**

**It is recommended that the Company disclose ownership of AXA Financial, Inc. stock in the Notes to the Financial Statements per the NAIC Annual Statement Instructions.**

Note 3

Federal and Foreign Income Tax Recoverable \$4,504,205.

The Company's reported Federal Income Tax recoverable was made up of balances over 90 days past due (\$3,525,093 of \$4,504,205). Per SSAP No. 10, amounts recoverable from Federal Income Taxes related to consolidated agreements should be settled within 90 days to be admitted. Per the Company's consolidated Tax Sharing Agreement, settlements were to be made in 30 days.

**It is recommended that the Company non-admit balances over 90 days past due per SSAP 10 and settle intercompany balances in accordance with its affiliated Tax Sharing Agreement.**

Note 4

Loss Reserves \$ 196,808,047  
Loss Adjustment Expense Reserves \$ 21,652,433

Loss and loss adjustment expense reserves represent 90.6% of the Company's liabilities as of December 31, 2007. Incurred but not reported reserves (IBNR) constituted 49.6% of loss reserves at year-end 2007.

INS Consultants, Inc. (INS) was retained by the Delaware Insurance Department to conduct a review of the Company's reserve methodologies and adequacy. INS evaluated the Company's book of business by line of business for loss and allocated loss adjustment expenses. The conclusions reached by INS are largely based upon information supplied by the Company's

staff, which included an in-depth actuarial analysis. The INS reserve analysis was performed on both a gross basis and net of reinsurance and did not address the collectibility of reinsurance recoverables. The INS reserve review found the Company's combined net loss and loss adjustment expense reserves were adequate to support the business underwritten.

The underlying data was tested through a review of open and paid claim files and actual payments made with no exceptions noted. The aggregated actuarial data provided by the Company was verified and reconciled to Schedule P of the Company's filed Annual Statement.

Loss and Loss Adjustment Expense (LAE) reserves are subject to errors of estimation arising from the fact that the ultimate liability for claims evaluated as of the valuation date are dependent on future contingent events which cannot always be anticipated. The possible occurrence of such events, as well as the inherent uncertainty associated with statistical estimates, allows no guarantee that the actual ultimate liabilities will be the same as the reserve levels described in this examination report. As a result of this study, the reserves were accepted as reported by the Company at December 31, 2007.

Since the Company did not write direct business during the examination period, the examination tested underlying data from direct business assumed from AXA Re P&C. Paid claims from two of AXA Re P&C MGA / TPA's were tested and no exceptions were noted in the review of the samples selected.

### **COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS**

1. **It was recommended that the Company comply with their bylaws and hold the required minimum number of Board meetings or amend its bylaws.**

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

2. **It was recommended that the Company comply with Section 4919 of the Delaware Insurance Code.**

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

3. **It was recommended the Company adjust the carrying value of its affiliated stocks.**

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

**It was further recommended the Company properly disclose ownership of an upstream affiliate at Note 10(H) in the Notes to Financial Statement in its Annual Statement.**

**The Company has not complied with the recommendation. The current examination report noted the same recommendation. See Summary of Recommendations.**

4. **It was recommended the Company non-admit \$7,134,265 in FIT Recoverables.**

**The Company has not complied with the recommendation. The Company had Federal Income Tax Recoverables over 90 days due which should have been non-admitted on the examination balance sheet. However, due to immateriality, no examination adjustments were made in this report.**

**It was further recommended that the Company obtain a properly executed tax allocation agreement with AXA America Holdings, Inc.**

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

### **SUMMARY OF RECOMMENDATIONS**

1. It was noted during the examination that reductions in experienced staff had occurred due to downsizing associated with 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. (Accounts and Records, Page 18)**

2. The Company utilized a value obtained from an upstream AXA affiliated source without additional support such as an audited financial statement and other third party source. It was determined based on the limited support (email) provided by the Company that the reported value of this stock in the amount of \$5,012,691 should be reduced to zero. However, considering immateriality, no examination balance sheet change was made. The Company incorrectly reported the number of shares and rate in Schedule D of the 2007 filed Annual Statement. It was further noted that the Company did not properly disclose ownership of an upstream affiliate in the Notes to Financial Statement of its 2007 Annual Statement in accordance with NAIC Annual Statement Instructions. This was noted in the prior examination report as well.

**It is recommended that the Company obtain the necessary documentation per SSAP No. 46 to properly value its ownership of affiliated stock. (Note 2 to the Financial Statements, Page 24.)**

**It is recommended that the Company correctly report the number of shares and valuation rate used in Schedule D of future filed financial statements. (Note 2 to the Financial Statements, Page 24.)**

**It is recommended that the Company disclose ownership of AXA Financial, Inc. stock in the Notes to the Financial Statements per the NAIC Annual Statement Instructions. (Note 2 to the Financial Statements, Page 24).**

3. The Company's reported Federal Income Tax recoverable was made up of balances over 90 days past due (\$3,525,093 of \$4,504,205). This was not in accordance with SSAP No.

10 and settlement is not made in accordance with its affiliated Tax Sharing Agreement for which balances were to be settled within 30 days.

**It is recommended that the Company non-admit balances over 90 days past due per SSAP 10 and settle intercompany balances in accordance with its affiliated Tax Sharing Agreement. (Note 3 to the Financial Statements, Page 24).**

### CONCLUSIONS

As a result of this examination, the financial condition of the AXA Corporate Solutions Reinsurance Company, as of December 31, 2007, was determined as follows:

Description	12/31/07 Current Examination	12/31/04 Prior Examination	Changes Increase (Decrease)
Assets	<u>\$ 918,834,718</u>	<u>\$961,537,612</u>	<u>\$ (42,702,894)</u>
Liabilities	\$241,061,146	\$423,060,934	\$(181,999,788)
Aggregate write-ins: special surplus			
Funds	(4,993,400)	-0-	(4,993,400)
Common capital stock	26,503,260	26,503,260	-0-
Surplus notes	250,000,000	250,000,000	0
Gross paid in and contributed capital	530,201,138	460,201,138	70,000,000
Unassigned funds (surplus)	<u>(123,937,426)</u>	<u>(198,227,720)</u>	<u>74,290,294</u>
Total surplus as regards policyholders	<u>\$ 677,773,572</u>	<u>\$ 538,476,678</u>	<u>\$139,296,894</u>
Totals	<u>\$ 918,834,718</u>	<u>\$961,537,612</u>	<u>\$ (42,702,894)</u>

Since the last examination, the Company's assets have decreased \$42,702,894; liabilities have decreased \$181,999,788 and capital and surplus increased \$139,296,894. 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,

A handwritten signature in black ink, appearing to read "Darryl Reese".

---

Darryl Reese, CFE  
Examiner-in-Charge  
State of Delaware  
Northeastern Zone, NAIC

## **SUBSEQUENT EVENTS**

On April 21, 2008, the Company changed its name from AXA Corporate Solutions Reinsurance Company to Coliseum Reinsurance Company. The minutes of the Board of Directors reflected approval prior to the Company change of Bylaws and Articles of Incorporation.

In the months of July and August 2008, the Company received funds for the 2006 federal income tax recoverables reported on the annual statement line for Federal Income Tax Recoverable. A comment was made under Note 3 relative to the Company's failure to non-admit balances not received within 90 days of the filing of the consolidated federal income tax return.

On August 25, 2008, the Company amended its Administrative and Service Agreement with AXA Managers to delete references to its responsibilities for the employees' pension plans, which responsibilities had been assumed by its affiliate, AXA Managers, since 2005.