REPORT ON EXAMINATION

OF THE

TRANSATLANTIC REINSURANCE COMPANY

AS OF

DECEMBER 31, 2009

DATE OF REPORT	MARCH 21, 2011
EXAMINER	DILBRINA BELGRAVE

TABLE OF CONTENTS

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

March 21, 2011

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30437 dated December 8, 2009 attached hereto, I have made an examination into the condition and affairs of Transatlantic Reinsurance Company as of December 31, 2009, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Transatlantic Reinsurance Company.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the Company‘s home office located at 80 Pine Street, New York, New York 10005.

1. SCOPE OF EXAMINATION

The Department has performed an association examination of Transatlantic Reinsurance Company. The previous examination was conducted as of December 31, 2004. This examination covered the five-year period from January 1, 2005 through December 31, 2009. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook"), which 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. This 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 Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation of the Company's own control environment assessment and an evaluation based upon the Company's Sarbanes Oxley documentation and testing. The examiners also relied upon audit work performed by the Company's independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Financial Condition Examiners Handbook of the NAIC:

Significant subsequent events
Company history
Corporate records
Management and control
Fidelity bonds and other insurance
Pensions, stock ownership and insurance plans
Territory and plan of operation
Growth of Company
Loss experience
Reinsurance
Accounts and records

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters, which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Transatlantic Reinsurance Company was incorporated on October 29, 1952, under the laws of the State of New York and commenced business on December 2, 1952. All of the capital stock of the Company was purchased by the Excess Reinsurance Company of America, Philadelphia, PA, which merged with and into the Company on December 31, 1952.

Capital paid in is $6,041,655 consisting of 1,208,331 shares of $5 per share common stock. As of the examination date, 100% of the Company's outstanding shares are owned by Transatlantic Holdings, Inc., a Delaware holding company, which became a public company in June, 1990. Gross paid in and contributed surplus is $1,210,743,289. Gross paid in and contributed surplus increased by $784,905,188 during the examination period, as follows:

Year	Description		Amount
January 1, 2005	Beginning gross paid in and contributed surplus		$ 425,838,101
2005	Surplus Adjustment paid in	$745,000,000	
2006*	Surplus Adjustment paid in	2,975,880	
2007*	Surplus Adjustment paid in	7,753,175	
2008*	Surplus Adjustment paid in	13,591,753	
2009*	Surplus Adjustment paid in	15,584,380	
	Total Surplus Contributions		784,905,188
December 31, 2009	Ending gross paid in and contributed surplus		$1,210,743,289

*These contributions reflect the allocation of the expense of the stock based compensation plan offered by Transatlantic Holdings, Inc. to employees of the Company.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen nor more than twenty-one members. The board met four times during each calendar year. At December 31, 2009, the board of directors was comprised of the following thirteen members:

Name and Residence	Principal Business Affiliation
Kenneth Apfel New York, NY	Executive Vice President and Chief Actuary, Transatlantic Holdings, Inc
Paul A. Bonny London, England	Executive Vice President, Transatlantic Holdings, Inc
Ian H. Chippendale London, England	Retired Former Chairman, RBS Insurance Group
John G. Foos Gwynedd Valley, PA	Retired Former Chief Financial Officer, Independence Blue Cross
John L. McCarthy Boston, MA	President, Risk Management Foundation of the Harvard Medical Institutions, Inc.
Robert F. Orlich New Canaan, CT	President and Chief Executive Officer, Transatlantic Holdings, Inc.
William J. Poutsiaka Weston, MA	Retired Former President and Chief Executive Officer, PanAgora Asset Management
Richard S. Press Weston, MA	Retired Former Senior Vice President and Director, Insurance Asset Management Group, Wellington Management Company, LLP
Michael C. Sapnar Rumson, NJ	Executive Vice President and Chief Underwriting Officer, Transatlantic Holdings, Inc.
Gary A. Schwartz Demarest, NJ	Senior Vice President and General Counsel Transatlantic Holdings, Inc

Name and Residence	Principal Business Affiliation
Steven S. Skalicky Larchmont, NY	Executive Vice President and Chief Financial Officer, Transatlantic Holdings, Inc.
Thomas R. Tizzio Middletown, NJ	Retired Former Senior Vice Chairman-General Insurance, AIG
Javier E. Vijil Miami, FL	Executive Vice President, Transatlantic Holdings Inc.

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member has an acceptable record of attendance.

As of December 31, 2009, the principal officers of the Company were as follows:

Name	Title
Robert S. Press	Chairman of the Board
Robert F. Orlich	President and Chief Executive Officer
Steven S. Skalicky	Executive Vice President and Chief Financial Officer
Amy Marie Cinquegrana	Secretary
Kenneth Apfel	Executive Vice President and Chief Actuary
Paul A Bonny	Executive Vice President
Michael C. Sapnar	Executive Vice President
Javier E. Vijil	Executive Vice President
Gary A. Schwartz	Senior Vice President and General Counsel

B. Territory and Plan of Operation

As of the examination date, the Company was licensed to transact business in 35 states and the District of Columbia. Additionally, the Company was a qualified or accredited reinsurer in the remaining fifteen states, which included Alabama, Hawaii, Maine, Maryland, Missouri, Montana, New Hampshire, North Carolina, North Dakota, Oregon, Rhode Island, Tennessee, Vermont, Virginia and Wyoming.

According to its certificate of authority, the Company was empowered to transact the kinds of business as set forth in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers’ compensation and employers’ liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also authorized to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended), and as authorized by Section 4102(c) of the New York Insurance Law, to reinsure risks of every kind or description.

The Company holds a current certificate of authority issued by the United States Treasury, recognizing it as an admitted reinsurer of surety companies doing business with the United States government and/or its agencies.

Based upon the lines of business for which the Company is licensed, and the Company's current capital structure, and pursuant to the requirements of Articles 13, 41 and 63 of the New York Insurance Law, Transatlantic Reinsurance Company is required to maintain a minimum surplus to policyholders in the amount of $35,000,000.

The Company, which operates as a treaty and a facultative reinsurer, generates most of its business through reinsurance intermediaries. All of its business is assumed reinsurance. It assumes business from anywhere in the world. It has established branch offices in foreign countries to gain access to overseas business. In addition it owns 100% of the stock of Trans Re Zurich Reinsurance Company and 40% of the stock of Kuwait Reinsurance Company.

C. Reinsurance

The Company writes no direct business, and it assumes premiums from direct writers and other reinsurance companies.

The following reflects the significant aspects of the Company's 2009 external ceded reinsurance program:

Type of Contract	Cession
Property Business-Worldwide Facultative Coverage	
Excess of Loss (policy attaching) – 1st layers	67.52% of $15,000,000 excess of $10,000,000 per risk.
Excess of Loss (policy attaching) – 2nd layers	67.52% of $25,000,000 excess of $25,000,000 per risk.
Excess of loss-(loss occurring companion treaty)	19.98% of $40,000,000 excess of $10,000,000 per risk.
Catastrophe – Worldwide Excluding U.S and Caribbean	
Excess of Loss	60% of $100,000,000 excess of $100,000,000 per occurrence.
Catastrophe – Covering Mexico, Central America, South America and the Caribbean excluding Bermuda	
Excess of Loss – 1st Layers	100% of $30,000,000 excess of $40,000,000 per occurrence.
Excess of Loss – 2nd Layers	100% of $30,000,000 excess of $70,000,000 per occurrence.

Type of Contract	Cession
Catastrophe – Aggregate Worldwide Property	
Aggregate Excess of Loss	33.33% of $75,000,000 excess of $325,000,000 per occurrence.
Aviation-Activated by Industry Loss Warranty	
Excess of loss – 1st Layers	100% of $15,000,000 excess of $15,000,000 per loss occurrence.
Excess of loss – 2nd Layers	100% of $15,000,000 excess of $30,000,000 per loss occurrence.
Excess of loss – 3rd Layers	100% of $15,000,000 excess of $45,000,000 per loss occurrence.
Worldwide Marine and Energy	
Excess of Loss – Section A	100% of $5,000,000 excess of $6,000,000 per occurrence.
Excess of Loss – Section B	100% of $11,000,000 excess of $11,000,000 per occurrence.
Excess of Loss	100% of $4,000,000 excess of $16,000,000 per occurrence.
Excess of Loss -2 contracts	80% of $30,000,000 excess of $20,000,000 per occurrence.
Worldwide Terrorism Coverage	
Aggregate Excess of Loss	100% of $30,000,000 excess of $30,000,000 per loss occurrence-Aggregate limit of $60,000,000.

Additionally the Company has a quota share agreement in place with its 100% owned subsidiary whereby the Company cedes to Putnam 5% of its net retained business after external cessions.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. No exceptions were noted.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

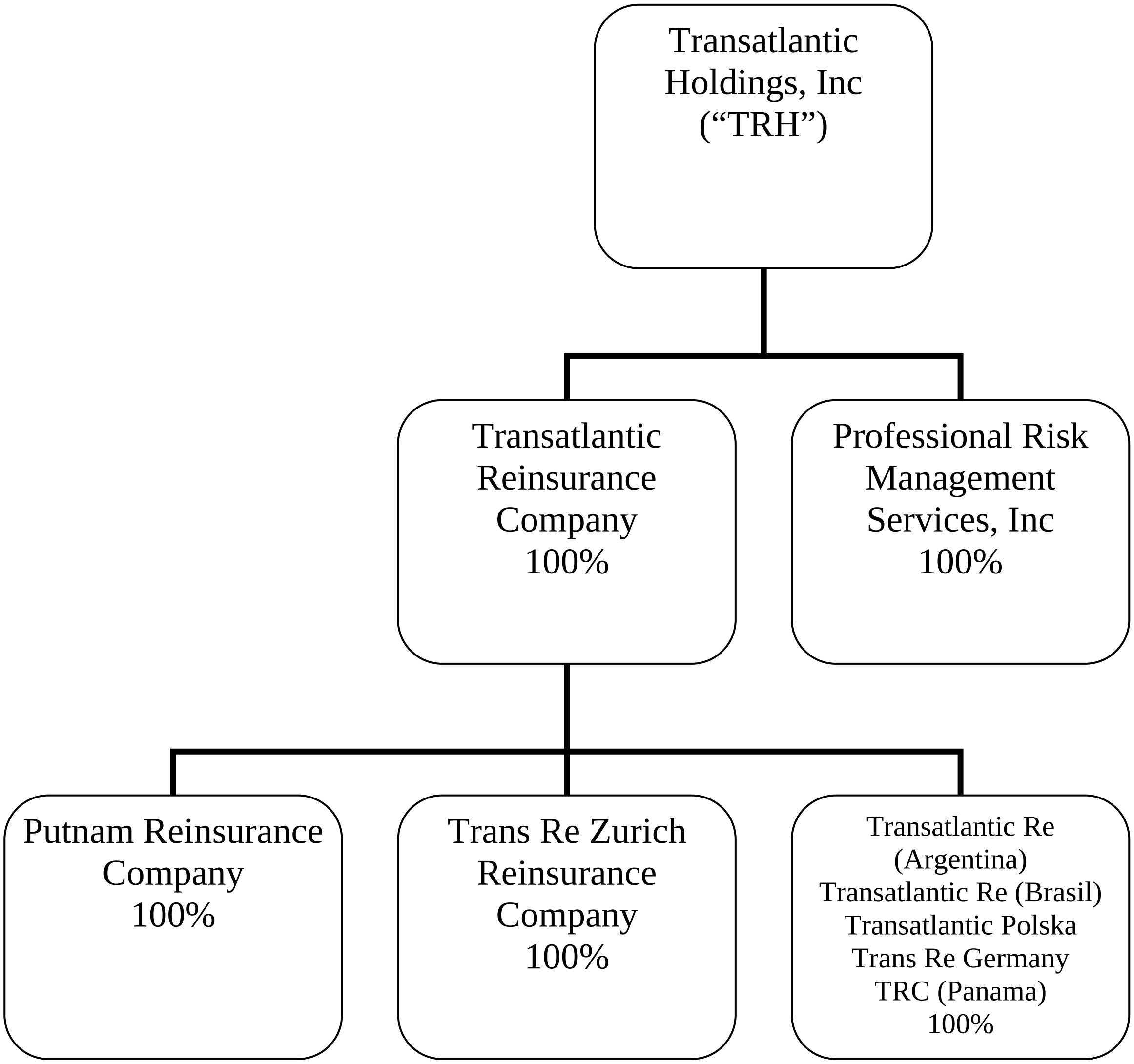
Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in NAIC Accounting Practices and Procedures Manual, Statements of Statutory Accounting Principles (“SSAP”) No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's chief executive officer pursuant to the NAIC Annual Statement Instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62.

D. Holding Company System

The Company is a wholly-owned subsidiary of Transatlantic Holdings Inc. (formerly PREINCO Holdings, Inc.), a Delaware corporation which became a public company in June 1990. As of the examination date, American International Group, Inc. (“AIG”), a Delaware corporation, beneficially owned approximately 13.9% of Transatlantic Holdings, Inc.'s outstanding common stock. However, American Home Assurance Company (“AHAC”) a wholly-owned subsidiary of AIG, the Company’s former ultimate controlling entity, sold all but 1% of its ownership interest in the Company’s parent, Transatlantic Holdings Inc., in public offerings on March 10, 2010.

At the examination date the Company owned directly or indirectly 100% of the stock of the following seven subsidiaries: Putnam Reinsurance Company, which was jointly examined with the Company, Trans Re Zurich Reinsurance Company (“TRZ”) and five minor subsidiaries which serve as representative offices in Brazil, Argentina, Poland, Germany and Panama.

The following is an abbreviated chart of the holding company system at December 31, 2009:



At December 31, 2009, the Company was party to the following agreements with other members of its holding company system:

(1) Tax Allocation Agreement

Effective April 17, 1990, the Company entered into a tax allocation agreement with its parent, Transatlantic Holdings, Inc., and its subsidiary, Putnam Reinsurance Company, Inc. This agreement was approved by the Department on February 28, 1991.

It was noted that the Company filed a consolidated federal income tax return with its parent, Transatlantic Holdings, Inc., its 100% owned subsidiary, Putnam Reinsurance Company and its affiliate, Professional Risk Management Services ("PRM"), Inc. However, PRM was not a party to the company's filed tax allocation agreement. Pursuant to Department's Circular Letter No. 33 (1979), notification to the Department should be given within 30 days of any amendment to or termination of a tax allocation agreement.

It is recommended that the Company amend its tax allocation agreement to include all entities incorporated in its consolidated federal income tax return and file such amended agreement with the Department pursuant to Circular Letter No. 33 (1979) and Article 15 of the Insurance Law.

(2) Management Agreement

This agreement became effective on January 1, 1991 and broadly appoints the Company as the manager for the affairs of Putnam Reinsurance Company.

(3) Services Agreements

The Company is party to five service agreements with its minor subsidiaries, who provide the Company with representation and promotion in Brazil, Argentina, Poland, Germany and Panama.

(4) Quota Share Agreement with Putnam Reinsurance Company

The Company entered in a quota share agreement with its 100% owned subsidiary Putnam Reinsurance Company, which was effective from the close of business at December 31, 1994. The agreement provides for the Company to cede to Putnam a 5% share of the Company's net retained business after cessions through its external reinsurance contracts

(5) Excess of Loss Agreement with TRZ

The Company entered into an excess of loss agreement with its 100% owned subsidiary TRZ, which was effective July 1, 2009 and is continuous until termination. This agreement indemnifies TRZ for losses accrued that are not covered by external retrocession arrangements.

(6) Service Arrangements with Companies in the Holding Company System

The Company's reported admitted asset for "Receivable from parent, subsidiaries and affiliates" included a receivable from its parent, Transatlantic Holdings Inc. ("THI"), in the amount of $2,664,517, representing reimbursement for shared expenses. Additionally, in Schedule Y Part 2 of its 2009 annual statement, the Company reported payments in the amount of $11,460,548 to its affiliate, Professional Risk Management Services Inc., in the column titled “Management agreements and service contracts” representing payments for services rendered.

It was noted that the Company did not have formalized written agreements for the aforementioned transactions with THI and Professional Risk Management Services Inc. It is recommended that the Company prepare written agreements for any services rendered on a regular or systematic basis between itself and any affiliated entities, and submit such agreements to the Department for non-disapproval pursuant to the provisions of Section 1505(d) of the New York Insurance Law. A similar recommendation was made in the prior report on examination.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2009, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	84.91%
Liabilities to Liquid assets (cash and invested assets less investments in affiliates)	81.79%
Premiums in course of collection to Surplus as regards policyholders	10.67%

All assets ratios fall within the benchmark ranges established by the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the five year period covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$10,903,098,457	66.97%
Other underwriting expenses incurred	4,609,474,245	28.31
Net underwriting gain	768,092,929	4.72
Premiums earned	$16,280,665,631	100.00%

F. Accounts and Records

(i) Reporting of non-admitted assets

Upon review of the annual statement, it is noted that the Company non-admitted its entire ownership interest in Kuwait Reinsurance Company ("Kuwait") through an aggregate write-in on page 2 of the annual statement. The Company non-admitted its ownership in Kuwait Reinsurance Company, in order to be in compliance with statement of SSAP. 97, which states that foreign insurance subsidiaries be valued based on the underlying audited United States General Accepted Accounting Principles ("GAAP") equity or on the audited foreign statutory equity adjusted to statutory. The Kuwait financials are based on International Financial Reporting standards and there is no audited adjustment to statutory.

It is recommended that the Company follow the annual statement layout and report all non-admitted assets in column two of the related annual statement asset line. In this case the non-admitted amount should have been reported on page 2, column 2 on line 2.2, common stocks.

(ii) Annual Statement Disclosure

Upon review of the 2009 annual statement general interrogatories, it was noted that the Company failed to report BlackRock Financial Management, Inc as its investment advisor.

It is recommended that the Company exercise greater care and complete all interrogatories in accordance with the NAIC Annual Statement Instructions.

(iii) Schedule Y Reporting

Upon review of the 2009 annual statement, it was noted that the Company reported surplus contributions for all years under the examination. However, the Company failed to include these transactions in Schedule Y Part 2. Pursuant to NAIC Annual Statement Instructions, all insurer members of the holding company system shall prepare a common schedule for inclusion in each of the individual annual statements. Such schedule should include transactions between insurers and between insurers and non-insurers within the holding company system. Such transactions such include capital contributions.

It is recommended that the Company exercise greater care and complete Schedule Y in accordance with the NAIC Annual Statement Instructions.

(iv) Uncollected Premiums

A review of a sample of the Company's uncollected premium and agents' balance in the course of collection indicated that certain items were included in the uncollected premium balance that should have been classified in other balance sheet accounts. These items included cash loss advances, profit commission adjustments and reinsurance payable on paid losses. Pursuant to the NAIC annual statement instructions, advances from a reinsurer to the ceding company for the payment of losses before an accounting is made by the ceding entity should be reported as "Funds held by or deposited with reinsured companies;" profit commission adjustments should be reported as "Commissions payable." Further, pursuant to SSAP 62, paragraph 42, assumed reinsurance payable on paid losses should be classified as a separate liability item on the balance sheet.

The Company indicated that most of the misclassified items represent cash paid by the Company to reinsured companies at the end of the year, either for cash loss advances or reinsurance losses paid, where the cash is unapplied at year-end due to timing differences between the closing date of some of the Company's operating systems and its general ledger. It is recommended that such unapplied cash, which cannot be properly classified at year-end, be reported as a separate suspense account item on the balance sheet, until such time that it can be properly classified.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2009 as determined by this examination and as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$9,380,146,087	$0	$9,380,146,087
Preferred stocks	25,092,686	0	25,092,686
Common stocks	948,223,816	44,196,028	904,027,788
Cash, cash equivalents and short-term investments	644,581,952	0	644,581,952
Other invested assets	191,634,521	0	191,634,521
Investment income due and accrued	129,627,905	0	129,627,905
Uncollected premiums and agents' balances in the course of collection	434,236,000	5,905,789	428,330,211
Deferred premiums, agents' balances and installments booked but deferred and not yet due	92,303,069	0	92,303,069
Amounts recoverable from reinsurers	39,638,585	0	39,638,585
Funds held by or deposited with reinsured companies	148,221,763	0	148,221,763
Current federal and foreign income tax recoverable and interest thereon	135,486,349	0	135,486,349
Net deferred tax asset	421,780,834	127,387,728	294,393,106
Furniture and equipment, including health care delivery assets	3,103,210	3,103,210	0
Receivables from parent, subsidiaries and affiliates	4,354,437	0	4,354,437
Other miscellaneous receivables	2,801,637		2,801,637
Prepaid expenses	2,138,531	2,138,531	0
Leasehold improvements	2,737,593	2,737,593	0
Other assets	540,834	540,834	0
Total assets	$12,606,649,810	$186,009,713	$12,420,640,097

Liabilities, Surplus and Other Funds

Liabilities

Losses		$ 6,804,464,940
Reinsurance payable on paid losses and loss adjustment expenses		195,103,000
Loss adjustment expenses		284,768,703
Commissions payable, contingent commissions and other similar charges		(30,587,688)
Other expenses (excluding taxes, licenses and fees)		36,730,840
Taxes, licenses and fees (excluding federal and foreign income taxes)		613,653
Unearned premiums		950,649,396
Stockholders (dividends declared and unpaid)		30,000,000
Ceded reinsurance premiums payable (net of ceding commissions)		44,384,000
Funds held by company under reinsurance treaties		25,378,000
Provision for reinsurance		46,346,173
Payable to parent, subsidiaries and affiliates		60,018
Payable for securities		1,230,258
Other liabilities		15,434,883
Total liabilities		$ 8,404,576,176
Surplus and Other Funds		
Common capital stock	$ 6,041,655	
Gross paid in and contributed surplus	1,210,743,289	
Unassigned funds (surplus)	2,799,278,977	
Surplus as regards policyholders		4,016,063,921
Total liabilities and surplus and other funds		$12,420,640,097

NOTE: The Internal Revenue Service has completed audits of the Company's consolidated Federal Income Tax returns through tax year 2005. All material adjustments are reflected in the financial statements included in this report. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

Premiums earned		$16,280,665,631
Deductions:		
Losses incurred	$10,292,587,836	
Loss adjustment expenses incurred	610,510,621	
Other underwriting expenses incurred	4,609,474,245	
Total underwriting deductions		15,512,572,702
Net underwriting gain		$ 768,092,929
Investment Income		
Net investment income earned	$1,929,019,468	
Net realized capital gain	(215,120,845)	
Net investment gain		1,713,898,623
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (668,295)	
Foreign exchange gain or (loss)	(53,641,509)	
Reversal of reserve for uncollectible reinsurance	13,033,305	
Total other income		(41,276,499)
Net income before federal and foreign income taxes		$ 2,440,715,053
Federal and foreign income taxes incurred		511,003,513
Net income		$ 1,929,711,540

C. Capital and Surplus Account

Surplus as regards policyholders increased $2,721,284,500 during the five-year examination period January 1, 2005 through December 31, 2009, detailed as follows:

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2004			$1,294,779,421
Net income	$1,929,711,540		
Net unrealized capital gains or (losses)	100,183,700		
Change in net unrealized foreign exchange capital gain (loss)	73,171,252		
Change in net deferred income tax	192,366,016		
Change in nonadmitted assets		$10,199,571	
Change in provision for reinsurance	58,863,554		
Cumulative effect of changes in accounting principles	36,332,821		
Surplus adjustments paid in	784,905,188		
Dividends to stockholders		445,000,000	
Aggregate write-ins for gains and losses in surplus	950,000	0	
Total gains and losses	$3,176,484,071	$455,199,571	
Net increase in surplus			2,721,284,500
Surplus as regards policyholders per report on examination as of December 31, 2009			$4,016,063,921

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $7,089,233,643 is the same as reported by the Company as of December 31, 2009. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company’s internal records and in its filed annual statements.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained three recommendations as follows (page numbers refer to the prior report):

ITEM			PAGE NO.
A.	Reinsurance		
	i.	It is recommended that the Company complete the required information on Schedule F-Part 1, Column 6 of the annual statement. The Company has complied with this recommendation.	8
	ii.	It is recommended that the Company report loss and premium data in Schedule F-Part 1 under the heading of the appropriate ceding company. The Company has complied with this recommendation.	9
	iii	It is recommended that the Company promote a consistent accrual methodology across its branches that are material to its financial statements. The Company has complied with this recommendation.	9
	iv.	It is recommended that the Company comply with the annual statement instructions and complete the information required in Schedule F-Part 1, Column 10 of the annual statement. The Company has complied with this recommendation.	9
	v.	It is recommended that the Company comply with the annual statement instructions and report all contingent commissions payable in Column 9 Schedule F-Part 1 on a ceding basis. The Company has complied with this recommendation.	10
	vi.	It is recommended that the Company reflect the terms of its reinsurance contracts in its annual statement reporting. The Company has complied with this recommendation.	10
	vii.	It is recommended that the Company exercise greater care in identifying the precise nature of its reinsurance relationships, comply with the annual statement instructions and report all reinsurance transactions in the appropriate manner. The Company has complied with this recommendation.	11

ITEM		PAGE NO.
viii	It is recommended that the Company put the proper controls in place to provide for uniform reinsurance accounting and to ensure compliance with the provisions of paragraph 19 of SSAP 62. The Company has complied with this recommendation.	11
ix.	It is recommended that the Company exercise due care in its classification of reinsurers in Schedule F-Part 3 as authorized or unauthorized. The Company has complied with this recommendation.	11
x.	It is recommended that the Company exercise due care in its completion of Schedule F-Part 3 and record all reinsurance recoverable figures under the correct company name and in the proper column. The Company has complied with this recommendation.	12
xi.	It is recommended that the Company comply with Part 125.6(b) of Department Regulation 20 and not take credit for reinsurance ceded to unauthorized reinsurers without appropriate collateral in place. The Company has complied with this recommendation.	12
xii	It is recommended that the Company set up reinsurance liabilities only as required by New York Insurance law and statutory accounting. The Company has complied with this recommendation.	13
xiii.	It is recommended that the Company include a severability clause in its reinsurance contracts. The Company has complied with this recommendation.	13
B.	Holding Company System	
i.	It is recommended that the Company have its accounting firm include a footnote in Trans Re Zurich's yearly audited financials, starting in 2006, reconciling the Swiss statutory surplus figure to a GAAP surplus number. The Company has complied with this recommendation.	17
ii.	It is recommended that the Company direct its auditing firm to prepare work papers clearly documenting the reconciliation of Swiss statutory surplus of TRZ to GAAP and statutory figures. The Company has complied with this recommendation.	17

ITEM		PAGE NO.
iii.	It is recommended that the Company resolve all statutory compliance issues with the Department in advance rather than after the fact as was the case with the valuation of the Company's ownership interest in TRZ. The Company has complied with this recommendation.	18
iv.	It is recommended that the Company comply with Section 1603(a) of the New York Insurance Law as well as Department Regulation 53 and provide a 90 day notification to the Department referencing the acquisition or formation of a subsidiary. The Company has complied with this recommendation.	18
v.	It is recommended that the Company comply with the provisions of Department Regulation 53 and file the annual report required of all insurers owning subsidiaries. The Company has complied with this recommendation.	18
vi.	It is recommended that the Company comply with the annual statement instructions and include all affiliates and subsidiaries in Schedule Y-Part 2 as well as report all required transactions. The Company has not complied with this recommendation. A similar recommendation was made in this report.	19
vii.	It is recommended that in the future the Company obtain any required determinations of non-control per Section 1501(c) of the New York Insurance law in a timely manner. The Company has complied with this recommendation.	19
viii.	It is recommended that the Company put the proper controls in place to ensure compliance with Section 1505(d)(2) of the New York Insurance Law. The Company has not complied with this recommendation. A similar recommendation was made in this report.	20
ix.	It is recommended that the Company file any service agreements with affiliates that have not been filed as required by Section 1505(d)(3) of the New York Insurance Law. The Company has not complied with this recommendation. A similar recommendation was made in this report.	24

ITEM		PAGE NO.
x.	It is recommended that the Company put in place a system of controls to ensure all service agreements are submitted to its New York office for filing with the Department before the agreements are put into affect.	25
	The Company has complied with this recommendation	
C.	Accounts and Records	
i.	It is recommended that the Company follow statutory accounting principles and report reinsurance payable on paid losses as a liability on the balance sheet and not as a reduction of premiums receivable.	26
	The Company has complied with this recommendation.	
ii.	It is recommended that the Company upgrade its accounting system to make possible the separate reporting of premiums receivable and reinsurance payable on paid losses.	26
	The Company has complied with this recommendation.	
iii.	It is recommended that the Company comply with the annual statement instructions and classify cash loss advances paid to ceding companies as a funds held asset and not as a premium receivable.	27
	The Company has complied with this recommendation.	
iv.	It is recommended that the Company record the cash flows relating to cash loss advances on line 3 of the statement of cash flows.	27
	The Company has complied with this recommendation.	
v.	It is recommended that the Company non-admit premiums receivable in accordance with the requirements of Section 1301(a)(11) of the New York Insurance Law.	28
	The Company has complied with this recommendation.	
vi.	It is recommended that the Company review its deferred premium schedule in order to determine which balances need to be written off.	29
	The Company has complied with this recommendation.	
vii.	It is recommended that the Company take the steps necessary to ensure future compliance with the records requirements of Department Regulation 152.	30
	The Company has complied with this recommendation.	

ITEM		PAGE NO.
viii.	It is recommended that the Company put a system in place so that there is a clear record of the composition of the deferred premium balances. The Company has complied with this recommendation.	30
ix.	It is recommended that on a general basis the Company carefully review its response to annual statement questions and on a specific note correctly respond to questions regarding control of its securities. The Company has not complied with this recommendation. A similar recommendation was made in this report.	31
x.	It is recommended that the Company, in future annual statements, include the required 'LS' designation on Schedule D for all securities loaned out as of the annual statement date. The Company has complied with this recommendation.	31
xi.	The Company failed to properly complete the foreign exchange adjustment columns in Schedule D during the examination period. The Company subsequently amended its annual statement reporting practices and completed Schedule D correctly in 2005. The Company has complied with this recommendation.	31
xii.	It is recommended that the Company report all deposits with government entities on Schedule E-Part 3. The Company has complied with this recommendation.	31
xiii.	It is recommended that the Company include a footnote in the annual statement clearly stating the Company's methodology in accounting for foreign exchange adjustments for balance sheet items denominated in currencies other than the United States dollar particularly as this affects the paid loss figure reported. The Company has complied with this recommendation.	32
xiv.	It is recommended that the Company adopt the report recommendations regarding records for invested assets. The Company has complied with this recommendation.	33
xv.	It is recommended that the Company adopt a formal written, board approved investment plan. The Company has complied with this recommendation.	33

ITEM		PAGE NO.
xvi.	It is recommended that the Company include in all future contracts written to engage CPA firms the required provisions of Department Regulation 118. The Company has complied with this recommendation.	34
xvii.	It is recommended that the Company recognize the expense of its stock based compensation plan rather than leave this expense on the books of its parent company. The Company has complied with this recommendation.	34
xviii.	It is recommended that the Company amend its custodial agreements to incorporate all of the protective covenants included in the NAIC Financial Condition Examiners Handbook. The Company has complied with this recommendation.	37
xix.	It is recommended that the Company take the steps necessary to improve its internal controls relative to its compliance with New York state laws and regulations. The Company has complied with this recommendation.	37

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Holding Company System	
i.	It is recommended that the company amend its tax allocation agreement to include all entities incorporated in its consolidated federal income tax return and file such amended agreement with the Department pursuant to Circular Letter No. 33 (1979) and Article 15 of the Insurance Law.	11
ii.	It is recommended that the Company prepare written agreements for any services rendered on a regular or systematic basis between itself and any affiliated entities, and submit such agreements to the Department for non-disapproval pursuant to the provisions of Section 1505(d) of the New York Insurance Law. A similar recommendation was made in the prior report on examination.	12

ITEM		PAGE NO.
B.	Accounts and Records	
i.	It is recommended that the Company follow the annual statement layout and report all non-admitted assets in column two of the related annual statement asset line.	13
ii.	It is recommended that the Company exercise greater care and complete all interrogatories in accordance with the NAIC Annual Statement Instructions.	13
iii.	It is recommended that the Company exercise greater care and complete Schedule Y in accordance with the NAIC Annual Statement Instructions.	14
iv.	It is recommended that unapplied cash, which cannot be properly classified at year-end, be reported as a separate suspense account item on the balance sheet, until such time that it can be properly classified.	14

Respectfully submitted,

_________/S/__________________
Dilbrina Belgrave,
Senior Insurance Examiner

STATE OF NEW YORK)
)SS.
)
COUNTY OF NEW YORK)

DILBRINA BELGRAVE, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

_____________/S_______________
Dilbrina Belgrave,

Subscribed and sworn to before me

this _____ day of _________________ 2011.

Appointment No. 30437

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, James J. Wrynn *Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Dilbrina Belgrave

as proper person to examine into the affairs of the

TRANSATLANTIC REINSURANCE COMPANY

and to make a report to me in writing of the condition of the said

Company

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal of this Department, at the City of New York,

this 8th *day of* December, *2009*

JAMES J. WRYNN
Superintendent of Insurance