REPORT ON EXAMINATION

OF THE

XL REINSURANCE AMERICA INC.

AS OF

DECEMBER 31, 2010

DATE OF REPORT	APRIL 27, 2012
EXAMINER	FE ROSALES, C.F.E.

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NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

April 27, 2012

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
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 30630 dated January 4, 2011, attached hereto, I have made an examination into the condition and affairs of XL Reinsurance America Inc. as of December 31, 2010, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate of XL Reinsurance America Inc.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company's main administrative office located at Seaview House, 70 Seaview Avenue, Stamford, CT 06902.

1. SCOPE OF EXAMINATION

The Department has performed a coordinated group examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2005. This examination covered the 5-year period from January 1, 2006 through December 31, 2010. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

New York was the coordinating state of the XL America Group. The examination was performed concurrently with the examinations of the following insurers: XL Insurance Company of New York, Inc. ("XLINY"), Greenwich Insurance Company ("GIC"), XL Specialty Insurance Company ("XLS"), XL Insurance America, Inc. ("XLIA"), XL Select Insurance Company ("XL Select"), and Indian Harbor Insurance Company ("IHIC"). Other states participating in this examination were Delaware and North Dakota.

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 Handbook:

Significant subsequent events
Company history
Corporate records
Management and control

Fidelity bonds and other insurance
Territory and plan of operation
Growth of Company
Loss experience
Reinsurance
Accounts and records
Statutory deposits
Financial statements
Summary of recommendations

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 that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was organized as a stock property and casualty company under the laws of New York on May 6, 1929, as the Service Fire Insurance Company of New York. It was licensed and began business in the same year. Effective April 1, 1974, its name was changed to North American Company for Property and Casualty Insurance. Effective February 10, 1989, its name was changed to NAC Reinsurance Corporation. The Company adopted its current title on January 9, 2001.

The Company was controlled by NAC Re Corporation ("NAC Re") until June 18, 1999, when XL Capital Ltd ("XL Capital", now known as XLIT Ltd.), a Cayman Islands holding company, acquired NAC Re in a pooling of interest stock transaction. As part of the acquisition, X.L. America, Inc. ("XLA"), a Delaware holding company, became the new United States holding company parent of NAC Re. Following the acquisition, NAC Re acquired 100% of the common stock of four XLA subsidiaries: XL Capital Assurance Inc. ("XLCA"), a New York financial guaranty insurer; XL Insurance Company of New York, Inc. ("XLINY"), a New York property & casualty insurer; Intercargo Corporation ("Intercargo"), a Delaware corporation and parent of XL Specialty Insurance Company ("XL Specialty"), an Illinois property & casualty insurer; and ECS, Inc. ("ECS"), a Pennsylvania corporation, which provides underwriting, claims and other services to the property and casualty insurance and reinsurance industry. NAC Re previously owned two other insurance companies: Greenwich Insurance Company and Indian Harbor Insurance Company.

In December 2002, all of the issued and outstanding shares of common stock of XL Insurance America, Inc. (“XLIA”, formerly known as Winterthur International America Insurance Company), a Delaware domiciled insurer, were contributed by XLA to the Company, thereby making XLIA a wholly-owned subsidiary of the Company. As a result of the contribution of XLIA to the Company, XLIA’s wholly-owned subsidiary, XL Select Insurance Company (formerly known as Winterthur International America Underwriters Insurance Company), a Delaware domiciled insurer (formerly domiciled in Oklahoma), is now an indirect wholly-owned subsidiary of the Company.

In June 2003, the Company contributed all of the issued and outstanding shares of XLIA to Greenwich Insurance Company. The Company also contributed all of the issued and outstanding shares of Indian Harbor Insurance Company (“IHIC”) to XL Specialty, and all of the issued and outstanding shares of XLINY to XLIA.

On July 1, 2010, XL Group plc, a newly formed Irish public limited company (“XL Group”) and XL Capital completed a redomestication transaction in which all of the ordinary shares of XL Capital were exchanged for all of the ordinary shares of XL Group. As a result, XL Capital became a wholly-owned subsidiary of XL Group, the ultimate parent of the Company. In addition, on July 1, 2010, XL Capital changed its name to XL Group Ltd., and in November 2011, changed its name to XLIT Ltd.

In the first quarter of 2011, the Company completed organization of a property and casualty company in China called XL Insurance (China) Company Limited. (“XL China”). The Company has a 51% ownership interest in XL China with its affiliate XL Insurance Company Limited (“XLICL”), a United Kingdom domiciled company, owning the remaining 49%.

The Company is primarily engaged in providing facultative and treaty reinsurance to primary insurers of casualty risks (principally general liability, automobile, aviation and workers’ compensation) along with commercial property risks (including fidelity/surety and ocean marine). As a treaty reinsurer, business is produced through brokers, and as a facultative reinsurer, property and casualty business is underwritten directly within the U.S.

The Company's underwriting strategy emphasizes lead participations with its clients and largely supports excess of loss coverages requiring specialized expertise where pricing opportunities can be achieved. The underwriting strategy also emphasizes new product development, an increase in technology driven reinsurance opportunities, and flexibility to adjust the business mix to focus on more profitable lines of business.

At December 31, 2010, capital paid in was $5,000,000 consisting of 40,000 shares of common stock at $125 par value per share. Gross paid in and contributed surplus was $1,854,742,562. There was no change in the gross paid in and contributed surplus and/or capital paid in during the examination period.

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 seven nor more than twenty one members. The board meets four times during each calendar year. At December 31, 2010, the board of directors was comprised of the following eight members:

Name and Residence	Principal Business Affiliation
Steven Peter Agosta Rye, NY	Senior Vice President, General Counsel & Secretary, XL Reinsurance America Inc.
Christopher Frederic Buse Wilton, CT	Senior Vice President, XL Reinsurance America Inc.
Brian Paul Greenspan Sandy Hook, CT	CFO, Senior Vice President & Treasurer, XL Reinsurance America Inc
Gernot Klantschnig Bavaria, Germany	Country Manager, XL Insurance Company Limited
Francis Joseph Lockwood Shelton, CT	Senior Vice President, XL Reinsurance America Inc.
James Michael Norris Avon, CT	Vice President, XL Reinsurance America Inc.
Michael Joseph Tempesta Norwalk, CT	Senior Vice President, XL Reinsurance America Inc.
John Patrick Welch Trumbull, CT	President, Chairman & Chief Executive Officer XL Reinsurance America 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, 2010, the principal officers of the Company were as follows:

Name	Title
John P. Welch	Chairman, President & Chief Executive Officer
Steven P. Agosta	Senior Vice President, General Counsel & Secretary
Brian P. Greenspan	CFO, Senior Vice President & Treasurer
Andrew R. Will	Controller
Christopher F. Buse	Senior Vice President and Manager, Casualty Treaty
Robert M. Copp	Senior Vice President and Manager, Ocean Marine
David J. Hughes	Senior Vice President and Manager, Claims
Francis J. Lockwood	Senior Vice President and Manager, US Property and Marine Treaty Reinsurance
Michael J. Tempesta	Senior Vice President and Chief Actuary
Kip K. Walker	Senior Vice President and Manager, Property Facultative

B. Territory and Plan of Operation

As of December 31, 2010, the Company was licensed to write business in all fifty states, the District of Columbia, Puerto Rico and Canada.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined 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
11	Animal
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 was also licensed to write special risks pursuant to Article 63 of the New York Insurance Law and is authorized, pursuant to Section 4102(c)(i) and (ii) of the New York Insurance Law, to reinsure risks of every kind or description and insure property or risks of every kind or description located or resident outside of the United States, its territories and possessions.

Based on 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, the Company is required to maintain a minimum surplus to policyholders in the amount of $35,000,000.

The Company is primarily engaged in providing facultative and treaty reinsurance to primary insurers of casualty risks (principally general liability, automobile, aviation and workers’ compensation) along with commercial property risks (including fidelity/surety, ocean marine, aviation) and other specialty reinsurance. The Company and its insurer subsidiaries, Greenwich Insurance Company, Indian Harbor Insurance Company, XL Specialty Insurance Company, XL Insurance Company of New York, Inc., XL Insurance America, Inc., and XL Select Insurance Company, are members of an intercompany reinsurance pooling agreement, which is more fully described in Section 2(C) “Reinsurance” of this report.

The Company manages its book of business through distinct profit centers: casualty treaty; property treaty; casualty facultative; property facultative; clash coverage; and other treaty. Overall, the Company's business is split approximately as follows: casualty 55%; property 34%; surety 5%; clash 5%; and other treaty 1%. Of the casualty and property business, approximately 50% and 30%, respectively, is written on a treaty basis. The Company is considered a market leader in this area, given the substantial capacity required to write these coverages. Product offerings include ocean marine and professional liability.

The Company operates both as a treaty reinsurer, producing business through brokers, as well as a facultative reinsurer, underwriting property and casualty business directly within the United States and Canada.

C. Reinsurance

Assumed

Assumed reinsurance accounted for approximately 91% of the Company's gross written premiums at December 31, 2010, excluding business assumed, as pool leader, from the Inter-company Reinsurance Pooling Agreement. During the period under examination, the Company's assumed reinsurance business has modestly decreased since the last examination. The Company's assumed reinsurance program consists mainly of property, casualty and multi-line reinsurance assumed on a quota share and excess of loss basis, pursuant to the terms of treaty and facultative agreements with both authorized and unauthorized cedants. Direct business at the date of this examination made up approximately 9% of gross written premium.

The Company utilizes reinsurance accounting as defined in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles No. 62 for its assumed reinsurance business.

Inter-Company Reinsurance Pooling Agreement

The Company participates, as pool leader, in an inter-company pooling agreement with various affiliated companies. The original pooling agreement, dated July 1, 1999, has been amended and revised on numerous occasions. Effective November 1, 2006, the agreement was amended to delete the language stating that the pool participation percentages will be calculated annually, based proportionately on statutory surplus.

Under the terms of the agreement, 100% of all pool member's gross premiums, losses, insurance expenses and other related underwriting activity of the pool members are ceded to the Company, the pool leader, except for primary financial guaranty business. The Company then purchases external reinsurance on behalf of itself and its pool members for business that was written by the pool members and the Company. After placement of the external reinsurance, the Company then reinsures 50% of the pool members business (75% for business written prior to January 1, 2008) to XL Insurance (Bermuda) Ltd ("XLIB") (the "XLIB 50% QS") (for further detail, refer to the QS Agreement and Novation Agreement discussed below). The remaining business is then redistributed among the pool members in accordance with their respective pool participation percentage.

The following affiliates (the "Pool Members") are parties to the pooling agreement, and their respective pool participation percentages are as follows:

Company	As of December 31, 2010
XL Reinsurance America Inc.	65%
Greenwich Insurance Company	12%
XL Insurance America, Inc.	10%
XL Select Insurance Company	2%
XL Insurance Company of New York, Inc.	3%
XL Specialty Insurance Company	6%
Indian Harbor Insurance Company	2%

All ceded reinsurance balances related to external ceded reinsurance contracts are recorded in the statutory financial statements of the Company, and all reinsurers which are parties to the contracts are reported in the Company's Schedule F of the 2010 Annual Statement. Only the Company has a contractual right of direct recovery from non-affiliate reinsurers per the terms of the reinsurance agreements placed by the Company on behalf of itself and its pool members. Any Schedule F penalty is shared by the pool members in accordance with their pool participation percentages. The Company and each of the pool members have an option of establishing a Funds Withheld Balance, which may be maintained until cancellation of the agreement.

Ceded

The Company has structured its ceded reinsurance program into two segments: Insurance and Reinsurance. Exclusive of the businesses ceded under the terms of the XLIB 50% QS, the majority of the business is ceded to authorized reinsurers.

A. Insurance Segment

Property

The Company's ceded reinsurance program for its property business consists of excess of loss and facultative coverage on both per risk and event basis. The Core Property Risk and Catastrophe Program (losses occurring basis) includes coverage on worldwide ("WW") business, which excludes the US ("excluding US"), as well as coverage which includes the US.

Type of Treaty	Cession
Property Per Risk Excess of Loss 2 Layers	$270,000,000 excess of $30,000,000.
Property Per Risk Excess of Loss Facility (top layer)	$300,000,000 excess of $300,000,000.

Property - Catastrophe	
Layer 1 (Worldwide excluding US)	$100,000,000 excess of $75,000,000.
Layer 2 (US All perils)	$150,000,000 excess of $150,000,000.
Layer 3 (US All perils)	$175,000,000 excess of $300,000,000.
XL IPC Middle Market 1st Layer (US)	$15,000,000 excess of $15,000,000.
<u>Casualty</u>	
General Liability Quota Share I – Occurrence Notified	65.5% quota share up to $50,000,000.
General Liability Quota Share II - Occurrence QS	64.5% quota share up to $50,000,000.
General Liability Quota Share III – Excess Cession	$50,000,000 excess of $50,000,000. (46.5% placed)
<u>Professional</u>	
XL Global Professional Excess of Loss (2 layers)	$40,000,000 excess of $10,000,000. 1st Layer (48% placed) 2nd Layer (46% placed)
XL Design & Select Professional Casualty	
Section A - Per Risk	Part 1: $7,500,000 excess of $2,500,000. (56.534% placed) Part 2: 42.4% Quota Share of $10,000,000 excess of $10,000,000. (This section only applies to excess policies written with an attachment point in excess of $20M).
Section B – Clash – Loss Occurring Basis	$7,500,000 excess of $2,500,000. (56.534% placed)
XL Design Excess Quota Share	48% quota share up to $10,000,000.
Professional - Private Company Liability	
Excess of Loss-Per risk	$9,000,000 excess of $1,000,000. (75% placed)
Quota Share	67.5% quota share up to $10,000,000 (covers excess policies with attachment points greater than $20 million).

<u>Specialty Lines:</u>

Global Marine and Offshore Energy

Global Marine-Equine Excess of Loss	$2,500,000 excess $2,500,000; excess of $2,500,000 annual aggregate deductible.

Global Marine Cargo & Marine Liability Excess of Loss	\$5,000,000 excess of \$5,000,000; excess of \$5,000,000 annual aggregate deductible. These are the underlying layers excluding Energy and IGP.
Global Marine Hull, Ports, Construction & Marine War Excess of Loss	\$5,000,000 excess of \$5,000,000.
Worldwide Global Marine Excluding Energy "Gulf of Mexico (GOM) Wind Physical Damage" Excess of Loss-7 Layers	\$202,500,000 in excess of \$10,000,000.
Worldwide Global Marine - Gulf Of Mexico (GOM) Wind Energy Physical Damage	\$20,000,000 excess of \$30,000,000. (50% placed)
Global Marine: Fine Arts and Specie- Excess of Loss Core Program	\$15,000,000 excess of \$10,000,000.
Global Marine- Specie Terrorism- Excess of Loss	\$10,000,000 excess of \$10,000,000. Losses due to Terrorism acts.
Global Marine – Specie- Excess of Loss Written on a Facultative basis	\$130,000,000 excess \$20,000,000. Losses due to terrorism acts.
Inland Marine Quota Share	50% quota share up to \$20,000,000.
Aerospace	
General Aviation-Hull Risks Excess of Loss	\$13,000,000 excess of \$2,000,000.
General Aviation- Liability Risk Excess of Loss	
Section A	\$140,000,000 excess of \$10,000,000.
Section B	\$300,000,000 excess of \$20,000,000.
General Aviation Per Occurrence Excess of Loss	
1st Layer	\$4,000,000 excess of \$4,000,000; excess of \$1,000,000 annual aggregate deductible.
2nd Layer	\$4,000,000 excess of \$8,000,000.
Global Aviation Program 6 Layers	\$190,000,000 excess of \$10,000,000.
Aviation-Third Party War 2 Layers	\$30,000,000 excess of \$10,000,000.
Aviation - Airline Products Variable Quota Share	Not to exceed \$200,000,000.
Aviation-Space Quota Share	40% quota share up to \$40,000,000.

Environmental	
Pollution Per Risk Excess of Loss	$25,000,000 excess of $25,000,000. (40% placed)
Pollution Per Risk Quota Share	21% quota share up to $50,000,000.
Umbrella Quota Share	75% quota share up to $15,000,000.
Workers Compensation	
Workers' Compensation Industrial Aid Excess of Loss (covers losses as a result of riding as a passenger in an aircraft).	$19 million excess of $1 million.
Workers' Compensation Catastrophe Quota Share (All workers' compensation lines written by the Insurance Segment)	Layer 1: 50% quota share of $20,000,000 excess of $20,000,000; Layer 2: 80% quota share of $85,000,000 excess of $40,000,000.
Programs	
Breed's Hill – Property Per Risk	$27,000,000 in excess of $3,000,000 subject to an occurrence limit of $75,000,000.
Chandler Insurance Management Program	
Casualty Quota Share	35% quota share up to $1,000,000 per occurrence and $3,000,000 in the aggregate.
Property Per Risk Excess of Loss (3 layers)	$27,000,000 excess of $3,000,000.
American Wholesalers Underwriting Ltd. Program Excess of Loss (2 layers)	$20,000,000 excess of $5,000,000.
UCA General Insurance Services Program	
Quota Share	37.5% quota share up to $3,000,000 per occurrence (Casualty) and up to $2,000,000 per risk (Property).
Excess of Loss (2 layers)	$35,000,000 excess of $5,000,000.

Reinsurance Segment

The XL Re group has a "Core" Catastrophe program under which the Company and its Toronto Branch are covered. A description of this coverage is as follows:

Type of Treaty	Cession
Property Catastrophe Excess of Loss – Peak Coverage (6 layers; various participation percentages)	$82,500,000 in excess of $200,000,000.
Property Catastrophe Excess of Loss- Non-Peak Coverage	$50,000,000 in excess of $60,000,000.
Property Excess of Loss Replicate Catastrophe Coverage- US Wind	100% of $68,250,000 in excess of various attachment points.
Replicate Catastrophe- Europe Wind	100% of $47,895,000 in excess of various attachment points.
Property Facultative Excess of Loss:	
1st Layer	58.0% of $15,000,000 in excess of $10,000,000.
2nd Layer	100% of $25,000,000 in excess of $25,000,000.
3rd Layer	82.0% of $25,000,000 in excess of $50,000,000.

The following coverages protect specific primary programs written, assumed or managed by the Company and two of its pool member companies, Greenwich Insurance Company and Indian Harbor Insurance Company:

ASI Underwriters Corp: ASI Excess Flood Property Quota Share (Covering business classified by the Company as Personal/Commercial Excess Flood business underwritten by ASI Underwriters Corporation).	100% quota share up to various liability caps for risks located in Louisiana and risks located in states other than Louisiana.
DBG and Associates: (Covering business classified by the company as Property, Casualty and Automobile Physical damage limited to the Oil and Gas program and the Oil Jobbers Program underwritten by DBG and Associates).	
Multiple Line Excess of Loss (2 Layers)	$1,500,000 in excess of $500,000 1st layer: 50% co-participation by the Company 2nd layer: 75% co-participation by the Company Subject to a $5,000,000 limit per occurrence
3rd Layer-100% Quota Share Treaty-Commercial Umbrella Liability	Reinsurers' share is 60%.
Heartland Crop Insurance: Multi-peril Crop Insurance Quota Share (Covering business produced/written/managed by Heartland Crop Insurance as defined and reinsured by the Federal Crop Insurance Corporation (FCIC))	62.5% quota share.

Crop Hail Quota Share (Covering business produced/written/managed by Heartland Crop Insurance and classified as Crop Hail and Allied Coverages).	62.5% quota share.
Multi-peril Crop Insurance Stop Loss (2 Layers)	1st Layer: 95% of $18,046,875 or 95% of 27.5% of Company's net earned premium. 2nd Layer: 95% of $9,843,750 or 95% of 15% of Company's net earned premium.
Crop Hail Insurance Stop Loss (2 Layers)	1st Layer: 95% of $1,344,150 or 95% of 20% of the Company's net earned premium. 2nd Layer: 95% of $1,680,188 or 95% of 25% of the Company's net earned premium.
<u>WKF&C:</u> Property Quota Share Treaty (Covering business produced through WKF&C Agency and written by Greenwich Insurance Company and Indian Harbor Insurance Company).	65% quota share subject to a per occurrence limit of $150,000,000.
Excess of Loss Insurance	$20,000,000 in excess of $5,000,000.

<u>Third Amended and Restated Quota Share Reinsurance Agreement ("QS Agreement")</u>

Effective July 1, 2000, the Company entered into a 75% Quota Share Reinsurance Agreement with XL Re Ltd ("XLRE"), a Bermuda property and casualty insurance company. According to the terms of the agreement, the Company, as pool leader, reinsures on a quota share basis 75% of the pool members business to XLRE. Effective September 1, 2006, the Company entered into the Second Amended and Restated Quota Share Reinsurance Agreement, which refined the definition of "Loss Expenses Incurred," decreased the ceding commission rate, and refined the terms of loss adjustment and claims management expenses. Effective January 1, 2008, the Company entered into the Third Amended and Restated Quota Share Reinsurance Agreement, which decreased the quota share percentage to 50%. The agreement was non-objected to by the Department on January 16, 2008.

<u>Substitution and Novation Agreement ("Novation Agreement")</u>

Effective October 1, 2009, the Company entered into an agreement to transfer by substitution and novation of all past, present and future reinsurance obligations under the Quota Share Reinsurance Agreement between the Company and XLRE to XLIB. Under this agreement, XLIB assumes all of the obligations of XLRE under the Third Amended and Restated Quota Share

Reinsurance Agreement. This agreement was non-disapproved by the Department per letter dated October 27, 2009.

Adverse Development Reinsurance Agreement ("ADC Agreement")

Effective January 1, 2004, the Company entered into an ADC Agreement with XLRE, which provides protection on an aggregate excess of loss basis for aggregate adverse development up to $500 million, net of all other available reinsurance, which occurred during the calendar period January 1, 2004 to December 31, 2005 on the Company's pre-pooled net retained reserves held at December 31, 2003 related to losses on policies written or assumed during underwriting years 1985 through 2000. The Company received approval from the Department to treat the ADC Agreement as prospective reinsurance.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed, on a sample basis, for compliance with Department Regulation No. 133. 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.

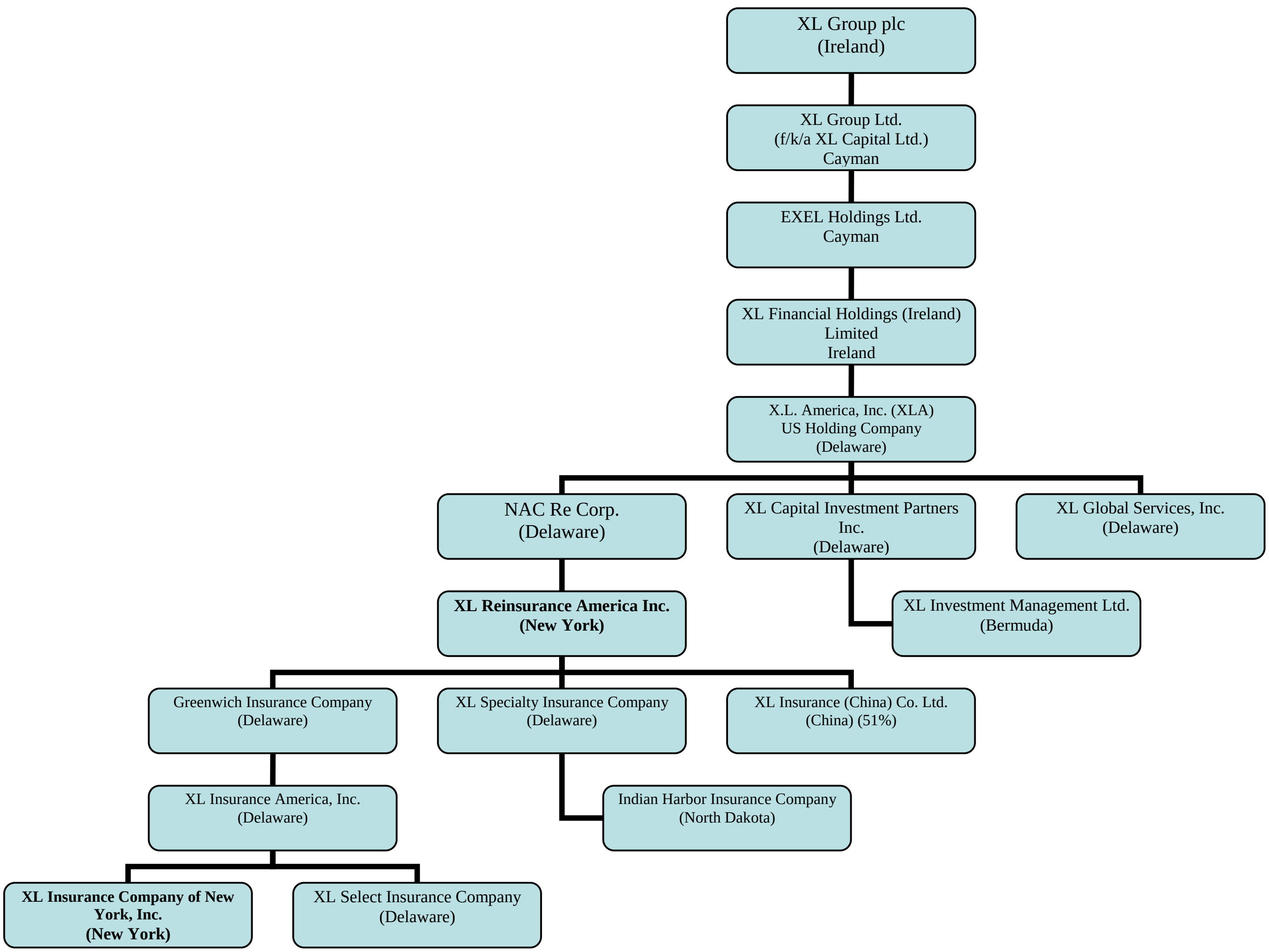
Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's chief executive officer pursuant to the NAIC Annual Statement Instructions. Additionally, the 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 paragraphs 41 to 44 of SSAP No. 62.

D. Holding Company System

As of December 31, 2010, the Company was a member of the X.L. America, Inc. ("XLA") group of companies. The Company was a wholly-owned subsidiary of NAC Re Corporation, a Delaware corporation, which is ultimately controlled by XL Group plc.

A review of the Holding Company Registration Statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2010:



In addition to the intercompany pooling arrangement previously discussed in the Reinsurance section of this report, the Company was party to the following agreements with other members of its holding company system at December 31, 2010:

Fourth Amended and Restated General Services Agreement

This agreement, effective January 1, 2009, is between XLA, the service provider, the Company and the pool companies, as well as various other affiliated insurance and non-insurance entities of XLA. XLA provides management and general services such as legal and auditing, data processing, and regulatory compliance to affiliates. The agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on April 27, 2009.

Third Amended and Restated General Service Agreement

This agreement, effective January 1, 2009, is between X.L. Global Services, Inc. ("XLGS"), as service provider, and XLA, with various insurance and non-insurance affiliates, including the Company, and its pool companies. Per the agreement, XLGS is to provide various information technology services, reinsurance services, human resource services and miscellaneous services. The agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on April 27, 2009.

Service Agreement

This agreement, effective as of July 1, 2004, is between XL Financial Solutions LLC, ("XLFS") the provider, and the Company. Per the terms of the Agreement, XLFS provides technical, analytical and structuring services relating to insurance and reinsurance, structured finance and other financial reinsurance and alternative reinsurance transactions, actuarial, legal and financial services relating to such transactions, transactions maintenance and other administrative support materials, hiring and supervision of third party consultants, including professional advisors to the Company. The agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was non-disapproved on August 23, 2004.

Investment Management Agreement

This Agreement is between XL Investment Management Ltd. ("XLIML") and the Company. Under the terms of the Agreement, XLIML provides investment management, financial advisory and related administrative services to the Company. XLIML has the authority, subject to the terms of the Agreement, to act on behalf of the Company in all such matters, including the power to retain and terminate investment managers, agents and subcontractors. This agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and was amended twice with the most recent amendment effective as of July 1, 2010, and was non-disapproved on September 27, 2010.

Investment Advisory Agreement

XL Capital Investment Partners Inc. provides on-going due diligence with respect to investments in certain "Portfolio Companies," as identified on Exhibit A to the agreement. Services include the tracking of the portfolio companies' actual financial performance, advising and recommending actions to be taken to and by the Company. The agreement was effective as of May 1, 2005 and was amended effective January 1, 2007. The Agreement and amendment were filed with the Department pursuant to Section 1505 of the New York Insurance Law, and was non-disapproved on March 28, 2007.

Sixth Amended Tax Sharing and Payment Agreement

This agreement with effective date of October 1, 2008 is between XLA and the Company and its pool participants, and various insurance and non-insurance affiliates. The agreement was filed with the Department pursuant to Section 1505 of the New York Insurance Law and non-disapproved on December 11, 2008.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2010, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	31%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	84%
Premiums in course of collection to surplus as regards policyholders	5%

All of the above ratios fall within the benchmark ranges set forth in 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	$2,506,535,626	69.79%
Other underwriting expenses incurred	924,545,446	25.74
Net underwriting loss	160,476,541	4.47
Premiums earned	$3,591,557,613	100.00%

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2010 as determined by this examination and as reported by the Company:

Assets	Assets	Examination Assets Not Admitted	Net Admitted Assets
Bonds	$3,300,375,549	$0	$3,300,375,549
Common stocks (stocks)	631,305,349		631,305,349
Cash, cash equivalents and short-term investments	186,794,516		186,794,516
Other invested assets	15,048,749	14,942,209	106,540
Investment income due and accrued	34,305,253		34,305,253
Uncollected premiums and agents' balances in the course of collection	157,018,983	49,722,468	107,296,515
Deferred premiums, agents' balances and installments booked but deferred and not yet due	101,048,473		101,048,473
Accrued retrospective premiums	13,423,059	166,615	13,256,444
Amounts recoverable from reinsurers	328,913,481		328,913,481
Funds held by or deposited with reinsured companies	251,383,382		251,383,382
Other amounts receivable under reinsurance contracts	778,413		778,413
Current federal and foreign income tax recoverable and interest thereon	42,739,619		42,739,619
Net deferred tax asset	131,128,153	34,666,634	96,461,519
Guaranty funds receivable or on deposit	539,024		539,024
Receivables from parent, subsidiaries and affiliates	57,412,121	10,208,801	47,203,320
Federal crop insurance	74,730,605		74,730,605
Deductibles recoverable	1,616,125	1,382,441	233,684
Funds held or deposited – direct business	1,490,488	0	1,490,488
Total assets	$5,330,051,342	$111,089,168	$5,218,962,173

Liabilities, Surplus and Other Funds

Liabilities		
Losses and loss adjustment expenses		$1,994,377,111
Reinsurance payable on paid losses and loss adjustment expenses		7,535,744
Commissions payable, contingent commissions and other similar charges		(1,418,302)
Other expenses (excluding taxes, licenses and fees)		54,134,128
Taxes, licenses and fees (excluding federal and foreign income taxes)		6,911,499
Unearned premiums		368,867,516
Advance premium		14,393,952
Ceded reinsurance premiums payable (net of ceding commissions)		354,086,635
Funds held by company under reinsurance treaties		64,287,324
Amounts withheld or retained by company for account of others		4,014
Remittances and items not allocated		(134,438,807)
Provision for reinsurance		60,974,331
Payable to parent, subsidiaries and affiliates		128,919,623
Deferred ceding commission		22,572,152
Insurance payable on paid losses and loss adjustment expenses		1,891,522
Premium deficiency		369,344
Escheat funds		17,240
Accounts payable		945,928
Reinsurance deposit liability		820,716
Total liabilities		$2,945,251,670
Surplus and other funds		
SSAP 10R deferred tax adjustment	$ 19,805,921	
Common capital stock	5,000,000	
Gross paid in and contributed surplus	1,854,742,562	
Unassigned funds (surplus)	394,162,020	
Surplus as regards policyholders		$2,273,710,503
Total liabilities, surplus and other funds		$5,218,962,173

NOTE: The Internal Revenue Service has not completed any Federal Income Tax audits during the examination period. However, audits covering tax years 2006 and 2007 are currently under examination. It is expected that this audit will be competed shortly. Additionally, the audit of the 2008 and 2009 tax years will commence upon completion of the 2006 – 2007 audit and is scheduled to be completed in 2012. 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

Surplus as regards policyholders increased by $417,559,087 during the five-year examination period January 1, 2006 through December 31, 2010, detailed as follows:

Underwriting Income		
Premiums earned		$3,591,557,613
Deductions:		
Losses and loss adjustment expenses incurred	$2,506,535,626	
Other underwriting expenses incurred	926,840,643	
Premium deficiency	(2,295,197)	
Total underwriting deductions		3,431,081,072
Net underwriting gain or (loss)		$160,476,541
Investment Income		
Net investment income earned	$829,999,235	
Net realized capital gain	4,759,658	
Net investment gain or (loss)		$834,758,893
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$(8,441,223)	
Aggregate write-ins for miscellaneous income	(2,303,840)	
Total other income		$(10,745,063)
Net income before dividends to policyholders and before federal and foreign income taxes		$984,490,371
Dividends to policyholders		0
Net income after dividends to policyholders but before federal and foreign income taxes		$984,490,371
Federal and foreign income taxes incurred		267,634,899
Net Income		$716,855,472

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2005			$1,856,151,416
Net income	$716,855,472		
Net unrealized capital gains or (losses)	265,839,611		
Change in net unrealized foreign exchange capital gain (loss)	16,083,364		
Change in net deferred income tax		$18,135,605	
Change in nonadmitted assets		14,933,855	
Change in provision for reinsurance	15,235,001		
Cumulative effect of changes in accounting principles	2,414,175		
Dividends to stockholders		586,000,000	
Change in contingency reserve for adverse losses	395,003		
SSAP 10R deferred tax adjustment	19,805,921	0	
Total gains and losses	$1,036,628,547	$619,069,460	
Net increase (decrease) in surplus			$417,559,087
Surplus as regards policyholders per report on examination as of December 31, 2010			$2,273,710,503

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $ 1,994,377,111 is the same as reported by the Company as of December 31, 2010. 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 27 recommendations as follows (page numbers refer to the prior report):

ITEM			PAGE NO.
A.		Management It was recommended that the Company comply with Section 312(b) of the New York Insurance Law by furnishing each member of the board a copy of the report on examination and retaining a signed statement from each board member that he or she has received and read such report. The Company has complied with this recommendation.	6
B.		Reinsurance	
	i.	It was recommended that the Company take steps to insure that all letters of credit comply with all the required provisions of Department Regulation 133. The Company has complied with this recommendation.	14
	ii.	It was recommended that the Company notify the Superintendent of transactions with affiliates as required by Section 1505(d) New York Insurance law. The Company has complied with this recommendation.	14
	iii.	It was recommended that reinsurance agreements, where the Company participated in coverage with cedants, be amended to contain acceptable language for agreements with multiple reinsureds. The Company has complied with this recommendation.	15

ITEM			PAGE NO.
	iv.	It was recommended that the Company review and amend any trust agreements that are not in compliance with part 126.3(g) of Department Regulation No.114. The Company has complied with this recommendation.	15
	v.	It was recommended that the Company develop a uniform reporting structure for all OBU that will facilitate the aggregation of Schedule F data by reinsurer and contract at the legal entity level. The Company has complied with this recommendation.	15
C.		<u>Holding Company</u> It was recommended that the Company settle its federal income tax related balances in accordance with the Department Circular letter No. 33 (1979) and the Company's fifth amended tax sharing and payment agreement. The Company has complied with this recommendation.	20
D.		<u>Accounts and Records</u>	
	i.	It was recommended that the Company follow the NAIC Annual Statement instructions when completing its Annual Statements and classify financial statement items into the proper account. The Company has complied with this recommendation.	23
	ii.	It was recommended that the Company maintain supporting detailed records and produce same upon examination for any amounts it reports in its financial statements, henceforth. The Company has complied with this recommendation.	23
	iii.	It was recommended that the Company maintain adequate records and controls in order to satisfy notification relating to abandoned property and ensure that any unclaimed amounts are remitted to the appropriate state and accounted for properly. The Company has complied with this recommendation.	23
	iv.	It was recommended that the Company develop and implement a comprehensive process to age and settle intercompany account balances in a timely manner and that it maintain and provide upon examination documentation sufficient to determine compliance with Department Circular Letter 15 (1975). The Company has complied with this recommendation.	24

ITEM			PAGE NO.
	v.	It was recommended that the Company properly classify expenses according to the NAIC Property and Casualty Annual Statement Instructions for Uniform Classification of Expenses of Property Casualty Insurers.	25
		The Company has complied with this recommendation.	
	vi.	It was recommended that the Company set up accruals for both written premium and unearned premium reserve that represents the written premium and unearned premium reserve from the cutoff dates to year-end.	25
		The Company has complied with this recommendation.	
	vii.	It was recommended that the Company properly classify claims paid after the early close as reductions to outstanding loss reserves and not as "remittance and items not allocated."	25
		The Company has complied with this recommendation.	
	viii.	It was recommended that the Company comply with SSAP No. 53 paragraph 13 when recording advance premiums.	26
		The Company has complied with this recommendation.	
	ix.	It was recommended that the Company ensure that all future contracts entered into with its independent certified public accountants comply with Department Regulation 118 and are properly executed.	26
		The Company has complied with this recommendation.	
	x.	It was recommended that the Company address the weaknesses noted in the IT review in order to strengthen controls and security within its IT environment.	28
		The Company has complied with this recommendation.	
E.		<u>Cash Equivalents and Short-term Investments</u> It was recommended that the Company properly report its cash balances on Schedule E - Part 1 and on the Assets page of its filed financial statements as required by the NAIC Quarterly and Annual Statement Instructions.	33
		The Company has complied with this recommendation.	
F.		<u>Uncollected Premiums & Agents' Balances</u> It was recommended that the Company ensure that they post all non-admitted premium receivable balances in compliance with SSAP No. 6.	33

ITEM		PAGE NO.
	A similar recommendation was included in the prior report on examination.	
	The Company has complied with this recommendation.	
G.	Accrued Retrospective Premiums It was recommended that the Company perform a review of each year to determine if any accrued retrospective premiums should be non-admitted per the instructions of the NAIC Accounting Practices and Procedures Manual, SSAP No. 66, Paragraph 9 and that the Company retain the necessary documentation to substantiate the recorded balance.	34
	The Company has complied with this recommendation.	
H.	Amounts Recoverable from Reinsurers It was recommended that the Company take steps to implement controls to ensure cessions are allocated correctly and ensure that future financial statements are completed correctly in compliance with the NAIC Annual Statement Instructions.	34
	The Company has complied with this recommendation.	
I.	Aggregate Write-Ins For Other Than Invested Assets It was recommended that the Company comply with SSAP No. 65, paragraph 37 and non-admit uncollaterized recoverables with balances 90 days past their contractual due date, or billing date if no contractual date has been established.	35
	The Company has complied with this recommendation.	
J.	Losses and LAE It was recommended that the Company comply with SSAP 62, paragraphs 17, 26, and 58 by not taking credit in Schedule F and the loss reserve liability for ceded IBNR recoverables due from insolvent reinsurers.	37
	The Company has complied with this recommendation.	
K.	Commission Payable It was recommended that the Company establish proper procedures to ensure that it records accruals for its obligations and maintain adequate records to support account balances recorded in the general ledger and in financial statements filed with this department.	37
	The Company has complied with this recommendation.	

ITEM		PAGE NO.
L.	Unearned Premiums It was recommended that the Company comply with the NAIC Accounting Practices and Procedures Manual, SSAP No. 65, paragraph 6 and SSAP No. 53 in the calculation of the unearned premium reserve for its "run off" policies. The Company has complied with this recommendation.	39
M.	Provisions for Reinsurance It was recommended that the Company comply with the NAIC Annual Statement for the Schedule F, Part 1 the aging of its paid losses and loss adjustment expenses recoverables. The Company has complied with this recommendation.	39

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

/s/
Fe Rosales, C.F.E.
Associate Insurance Examiner

STATE OF MASSACHUSSETTS)
)ss:
COUNTY OF SUFFOLK)

Fe Rosales, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/
Fe Rosales

Subscribed and sworn to before me

this__________ day of ____________________, 2012.

Appointment No. 30630

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:*

Fe Rosales

as proper person to examine into the affairs of the

XL REINSURANCE AMERICA INC.

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

Corporation

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 4th *day of* January, *2011*

STATE OF NEW YORK ★ SUPERINTENDENT OF INSURANCE ★ EXCELSIOR

JAMES J. WRYNN
Superintendent of Insurance