

REPORT ON EXAMINATION

OF THE

CONSTELLATION REINSURANCE COMPANY

AS OF

DECEMBER 31, 2004

DATE OF REPORT

JANUARY 8, 2008

EXAMINER

ADEBOLA AWOFOESO

TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1	Scope of examination	2
2.	Description of Company	3
	A. Management	4
	B. Territory and plan of operation	6
	C. Reinsurance	7
	D. Holding company system	8
	E. Abandoned Property Law	10
	F. Significant operating ratios	10
	G. Accounts and records	11
3.	Financial statements	13
	A. Balance sheet	13
	B. Underwriting and investment exhibit	15
4.	Losses and loss adjustment expenses	16
5.	Market conduct activities	17
6.	Conclusion	17
7.	Compliance with prior report on examination	18
8.	Summary of comments and recommendations	18



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

January 8, 2008

Honorable Eric Dinallo
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 22416 dated October 13, 2005 attached hereto, I have made an examination into the condition and affairs of Constellation Reinsurance Company as of December 31, 2004, and submit the following report thereon.

Wherever the designations “the Company” or “Constellation” appear herein without qualification, they should be understood to indicate Constellation 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 administrative office located at 105 East 17th Street, New York, New York 10003 and at Cambridge Integrated Services Group (“Cambridge”), 4B Cedar Brook Drive, Cranbury, New Jersey 08512. Cambridge is a third party administrator that provides claims processing, handling and other services to the Company.

This examination has determined that the Company was insolvent at December 31, 2004 in the amount of \$6,196,075, its capital of \$2,350,000 was impaired in the amount of \$8,546,075, and its minimum required to be maintained surplus of \$2,200,000 was impaired in the amount of \$8,396,075.

Subsequent to the examination date, in its 2005 annual statement, the Company reported an impairment of its minimum required surplus as regards policyholders and on May 5, 2006, the Company

submitted a commutation plan pursuant to Section 1321 of the New York Insurance Law and Department Regulation 141 to eliminate the impairment. In its June 30, 2006 quarterly statement, the Company reported itself insolvent in the amount of \$2,291,951 and the Company submitted an amended commutation plan (“Amended Plan”) on October 20, 2006 to eliminate the insolvency and impairment of its surplus reported in its June 30, 2006 quarterly statement.

On April 4, 2007, the Company submitted an exhibit which showed its filed balance sheet amounts as of June 30, 2006 and December 31, 2006 and a pro-forma post-Regulation 141 balance sheet as of December 31, 2006, which indicated a positive surplus as regards policyholders in the amount of \$3,899,000 as a result of accepted commutations pursuant to the Amended Plan, thus eliminating the insolvency and restoring surplus to an amount in excess of the minimum amount required to be maintained as of December 31, 2006. By letter dated April 25, 2007, the superintendent approved the implementation of the Amended Plan.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1999. This examination covers the five-year period from January 1, 2000 through December 31, 2004. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a complete verification of assets and liabilities as of December 31, 2004. The examination included a review of income, disbursements and company records deemed necessary to accomplish such analysis or verification and utilized, to the extent considered appropriate, work performed by the Company's independent public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners ("NAIC"):

- History of Company
- Management and control
- Corporate records
- Fidelity bond and other insurance
- Territory and plan of operation
- Growth of Company
- Business in force by states
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements

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

Constellation Reinsurance Company was incorporated in the State of New York on June 1, 1977 and commenced business on July 1, of the same year. The Company, which was a wholly-owned subsidiary of the Great American Insurance Company of Cincinnati, Ohio, was sold on October 1, 1977 to Ticor 130 Inc., a subsidiary of Santa Fe Pacific Corporation.

On February 24, 1987, the Supreme Court of the State of New York issued an order placing Constellation in liquidation pursuant to Article 74 of the New York Insurance Law and appointed the Superintendent of Insurance of the State of New York as liquidator. As of that date, the Company ceased doing business as a licensed insurance company. The Company was in liquidation under the supervision of the Liquidation Bureau of the New York Insurance Department from February 24, 1987 to November 6, 1992.

On July 13, 1992, with the consent of the court, the Department approved a plan of reorganization of Constellation, terminating the liquidation and reinstating its license. On November 6, 1992, the Company, with a total capital and surplus of \$250,000, was acquired by Centre Reinsurance Holdings (Delaware), Ltd., a Delaware corporation. Simultaneous with the acquisition, Centre Reinsurance Holdings (Delaware) Ltd. contributed an additional \$2,250,000 to the Company's capital and surplus. Pursuant to the terms of a stock purchase agreement dated November 6, 1992, the Company allocated \$2,350,000 to capital, consisting of 100,000 shares of common stocks at par value of \$23.50 per share and \$150,000 to contributed surplus. All of the issued and outstanding shares of the Company's voting common stock are presently owned by Centre Reinsurance Holdings (Delaware) Ltd.

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 members. At December 31, 2004, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Patricia M. Aprill New Providence, NJ	Senior Vice President and Treasurer, Constellation Reinsurance Company, Centre Group Holdings (U.S.) Limited
Michael Baschwitz Croton-On-Hudson, NY	Vice President, Centre Group Holdings (U.S.) Limited
Douglas A. Carlone Staten Island, NY	Senior Vice President, Centre Group Holdings (U.S.) Limited
Rudy Dimmling Westbury, NY	Senior Vice President and Chief Administrative Officer, Centre Group Holdings (U.S.) Limited
Steven D. Germain Hudson, NY	Chief Legal Officer, Centre Group Holdings (U.S.) Limited
Richard Grilli Lutherville, MD	Senior Vice President, Centre Group Holdings (U.S.) Limited
Oliver J. Horbelt New York, NY	President and CEO, Constellation Reinsurance Company, Centre Group Holdings (U.S.) Limited
Charles Li Hoboken, NJ	Vice President, Centre Group Holdings (U.S.) Limited
Joseph S. Magnano Wilton, CT	Senior Vice President and General Counsel, Centre Group Holdings (U.S.) Limited
James McNamara Bardonia, NY	Senior Vice President and Global Head of Claims Management, Centre Group Holdings (U.S.) Limited
Michael J. Nevens Great Neck, NY	Vice President, Centre Group Holdings (U.S.) Limited

Name and ResidencePrincipal Business Affiliation

Richard Price
Hoboken, NJ

Chief Executive Officer,
Centre Group Holdings (U.S.) Limited

Marcia Scheiner
New York, NY

Senior Vice President and Chief Financial Officer,
Centre Group Holdings (U.S.) Limited

According to the Company's by-laws, the board is required to meet four times during each calendar year. During the years under examination, other than year 2004, the board conducted less than the required number of meetings.

It is recommended that the board of directors hold the requisite number of regular meetings as set forth in its by-laws.

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 had an acceptable record of attendance.

As of December 31, 2004, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Oliver J. Horbelt	President
Todd B. Infeld	Secretary
Patricia M. Aprill	Treasurer

Conflict of Interest

A review of the Company's formal conflict of interest policy indicated that there were no signed conflict of interest statements on file for any of the Company's directors or officers for years 2000 and 2001.

It is recommended that the Company ensure that all directors and officers complete conflict of interest statements annually.

B. Territory and Plan of Operation

As of December 31, 2004, the Company was licensed to write business in New York only. The Company has not written any business since its plan of reorganization and termination of liquidation transpired in 1992.

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:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident & health
4	Fire
5	Miscellaneous property damage
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 such workers' compensation insurance as may be incidental 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.

Based upon the lines of business for which the Company is licensed, its capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$2,200,000.

C. Reinsurance

In November 1992, the Company entered into a loss portfolio transfer agreement with Centre Reinsurance Company of New York ("Reinsurer"), whereby the reinsurer agreed to assume 100% of the Company's outstanding losses and allocated loss adjustment expenses on business written prior to February 24, 1987 (the date the Order of Liquidation was entered with the Supreme Court of the State of New York) and all unallocated loss adjustment expenses associated with the run-off of the Company's obligations. The initial consideration paid by the Company was \$208 million and the maximum limit of liability was \$305 million; the initial estimated gross liability was \$295 million. The agreement provides that the limit of liability may be increased pursuant to an "Expansion of Limit" clause, which provides that the limit is increased by the balance, if positive, of 90% of the initial consideration plus retrocessions recovered by the reinsurer less 100% of the losses and administration expenses paid by the reinsurer plus interest. As of the examination date, the Company reported a contra-liability in the amount of approximately \$5 million representing the current net balance benefit of the loss portfolio transfer from the reinsurer.

Subsequent to the effective date of the agreement, the Reinsurer merged with Zurich Reinsurance (North America) Incorporated ("ZRNA"). In addition, the Company also assigned its rights to all other retrocessional recoveries to ZRNA. On September 6, 2001, the agreement was novated to Centre Insurance Company ("CICO").

The reinsurance agreement remains in effect for an unlimited time until all rights and obligations under it have been discharged. It contains an insolvency clause that conforms to the requirements of Section 1308 of the New York Insurance Law.

Regulation 141 Commutation Plan

In its filed annual statement as of December 31, 2002, the Company reported itself insolvent in the amount of \$10,232,161; therefore, its minimum required surplus to policyholders of \$2,200,000 was impaired in the amount of \$12,432,161. Pursuant to the provisions of Section 1310 of the New York Insurance Law, the Company was required to present a plan to eliminate the impairment.

On June 5, 2003, the Company submitted a commutation plan (“the Plan”) pursuant to Section 1321 of the New York Insurance Law and Department Regulation 141 (11 NYCRR Part 128). Pursuant to the terms of the Plan, the Company offered to commute its assumed reinsurance obligations at 100% of paid losses and 60% of case reserves. The Plan was approved by the Department on January 27, 2004. The Company subsequently paid a total of \$24 million to the various reinsureds that accepted the Plan to satisfy \$37 million in payable balances, resulting in a savings of \$13 million and eliminating the reported impairment.

D. Holding Company System

The Company is 100% owned by Centre Reinsurance Holdings (Delaware) Limited (“Centre”) as part of the plan of reorganization approved by this Department on November 6, 1992. The ultimate controlling party is Zurich Financial Services.

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, 2004:



Tax Allocation Agreement

Effective 10/21/01, the Company files a consolidated income tax return with Crown Management Services Limited Group and various affiliates pursuant to a tax sharing agreement. The agreement complies with the provisions of Department Circular Letter 33 (1979). The agreement was filed and non-disapproved by this Department pursuant to the provisions of Section 1505 of the New York Insurance Law.

E. Abandoned Property Law

Section 1316 of the New York Abandoned Property Law provides that amounts payable to a resident of this state from a policy of insurance, if unclaimed for three years, shall be deemed to be abandoned property. Such abandoned property shall be reported to the comptroller on or before the first day of April each year. Such filing is required of all insurers regardless of whether or not they have any abandoned property to report.

The Company's abandoned property reports for the period of this examination were not filed. It is recommended that the Company file its abandoned property reports on a timely basis pursuant to the provisions of Section 1316 of the New York Abandoned Property Law.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2004, based upon the results of this examination:

*Net premiums written to surplus as regards policyholders	N/A
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	2%
*Premiums in course of collection to surplus as regards policyholders	N/A

The above ratios denoted with an asterisk fall outside the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners due to the fact that the Company currently does not write any business.

As a result of the Company's run-off status and the ceding of its losses via a loss portfolio transfer, the underwriting ratios would not be meaningful and therefore, were not computed.

G. Accounts and Records

1. Prior Report Acknowledgment

The Company could not provide signed statements from its directors confirming that each director had received and read the prior report on examination. Section 312(b) of the New York Insurance Law states, in part:

"A copy of the report shall be furnished by such insurer or other person to each member of its board of directors and each such member shall sign a statement which shall be retained in the insurer's files confirming that such member has received and read such report. . ."

It is recommended that the Company comply with Section 312(b) of the New York Insurance Law.

2. Engagement Letter

The engagement letter between the Company and CPA firm of PricewaterhouseCoopers LLP is missing the following required clauses of Department Regulation 118, part 89.2:

"(a) on or before May 31st, the CPA shall provide an audited financial statement of such insurer and of any subsidiary required by section 307(b)(1) of the Insurance Law [and] together with an opinion on the financial statements of such insurer and any such subsidiary for the prior calendar year and an evaluation of the insurer's and any such subsidiary's accounting procedures and internal control systems as are necessary to the furnishing of the opinion;

(b) any determination by the CPA that the insurer has materially misstated its financial condition as reported to the superintendent or that the insurer does not meet minimum capital [and] or surplus to policyholder requirements set forth in the Insurance Law shall be given by the CPA, in writing, to the superintendent within 15 calendar days following such determination; and

(c) the workpapers and any communications between the CPA and the insurer relating to the audit of the insurer shall be made available for review by the superintendent at the

offices of the insurer, at the Insurance Department or at any other reasonable place designated by the superintendent. The CPA must retain for review such workpapers and communications [for a period of not less than five (5) years] in accordance with the provisions of Part 243 of this Title (Regulation 152). More specifically, such workpapers and communications must be retained by the CPA for the period specified in sections 243.2(b)(7) and (c) of this Title. For the purposes of this subdivision, the workpapers and communications shall be deemed to have been created on the date the filing required by section 89.2(a) of this Part was submitted to the superintendent.”

It is recommended that the Company obtain an engagement letter that complies with Department Regulation 118 from its CPA firm.

4. Custodian Agreement

Management answered affirmatively to the following General Interrogatory:

“Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity’s offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?”

However, a review of the Company’s custodial agreement indicated that it was lacking the protective covenants set forth in Section IV.H of the NAIC Financial Condition Examiners Handbook. In December 2005, the Company amended its Global Custody Agreement with the Bank of New York to include the protective covenants.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2004 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 3,409,127	\$ 0	\$ 3,409,127
Cash, cash equivalents and short-term investments	1,647,852	0	1,647,852
Investment income due and accrued	41,717	0	41,717
Amounts recoverable from reinsurers	10,576,000	0	10,576,000
Current federal and foreign income taxes recoverable and interest thereon	<u>71,879</u>	<u>0</u>	<u>71,879</u>
Total Assets	<u>\$15,746,575</u>	<u>\$ 0</u>	<u>\$15,746,575</u>

<u>Liabilities, surplus and other funds</u>			Surplus Increase
<u>Liabilities</u>	<u>Examination</u>	<u>Company</u>	<u>(Decrease)</u>
Losses and loss adjustment expenses	\$ 26,717,993	\$ 16,744,993	\$(9,973,000)
Drafts outstanding	138,000	138,000	
Payable to parent, subsidiaries and affiliates	213,198	213,198	
Loss portfolio transfer	(5,126,541)	(5,126,541)	
	_____	_____	_____
Total liabilities	<u>\$ 21,942,650</u>	<u>\$ 11,969,650</u>	<u>\$(9,973,000)</u>
 <u>Surplus and Other Funds</u>			
Common capital stock	\$ 2,350,000	\$ 2,350,000	
Gross paid in and contributed surplus	150,000	150,000	
Unassigned funds (surplus)	<u>(8,696,075)</u>	<u>1,276,925</u>	<u>\$(9,973,000)</u>
Surplus as regards policyholders	<u>\$ (6,196,075)</u>	<u>\$3,776,925</u>	<u>\$(9,973,000)</u>
Total liabilities and surplus	<u>\$15,746,575</u>	<u>\$15,746,575</u>	<u>\$ 0</u>

NOTE 1: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns tax years 2000 through 2002. There have been no proposed adjustments to Constellation for that period. Audits covering tax years 2003 and 2004 are currently under examination. 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.

NOTE 2: This examination has determined that the Company was insolvent at December 31, 2004 in the amount of \$6,196,075, its capital of \$2,350,000 was impaired in the amount of \$8,546,075, and its minimum required to be maintained surplus of \$2,200,000 was impaired in the amount of \$8,396,075.

Subsequent to the examination date, the Company submitted a commutation plan pursuant to Section 1321 of the New York Insurance Law and Department Regulation 141 to eliminate the insolvency and restore surplus to an amount in excess of the minimum amount required to be maintained as of December 31, 2006. The superintendent approved the implementation of the commutation plan by letter dated April 25, 2007.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased \$49,538 during the five-year examination period January 1, 2000 through December 31, 2004, detailed as follows:

Underwriting Income

Premiums earned		\$	0
Deductions:			
Losses and loss adjustment expenses incurred	\$15,139,963		
Loss portfolio transfer incurred	<u>(4,124,471)</u>		
Total underwriting deductions			<u>11,015,492</u>
Net underwriting gain or (loss)		\$	(11,015,492)

Investment Income

Net investment income earned	\$ 1,224,767		
Net realized capital gain	<u>(8)</u>		
Net investment gain			1,224,759

Other Income

Aggregate write-ins for miscellaneous income	\$	<u>127</u>	
Total other income			<u>127</u>
Net income after dividends to policyholders but before federal and foreign income taxes			\$(9,790,606)
Federal and foreign income taxes incurred			<u>93,932</u>
Net Income			<u>\$(9,884,538)</u>

C. Capital and Surplus Account

Surplus as regards policyholders per report on examination as of December 31, 1999			\$3,826,463
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income		\$ 9,884,538	
Change in surplus notes	<u>0</u>	<u>138,000</u>	
Total gains and losses	<u>\$0</u>	<u>\$10,022,538</u>	
Net increase (decrease) in surplus			<u>(10,022,538)</u>
Surplus as regards policyholders per report on examination as of December 31, 2004			<u><u>\$ (6,196,075)</u></u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$26,717,993 is \$9,973,000 more than the \$16,744,993 reported by the Company in its December 31, 2004, filed annual statement. The 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. It is noted that the Company's own historical development through December 31, 2005 indicates that it has recognized the recommended examination loss and loss adjustment expense reserve deficiency.

In the course of the Department's actuarial review, we encountered difficulty completely reconciling all loss and loss adjustment expense data, as well as receiving responses to certain data requests from the Company in a timely manner. Additionally, the Company's Actuarial Report underlying the Statement of Actuarial Opinion did not include sufficient documentation to make it easy to understand and evaluate.

It is recommended that the Company provide complete and accurate loss and loss adjustment expense data to the Department in a timely manner. It is recommended that the Company's Actuarial Report underlying the Statement of Actuarial Opinion contain appropriate documentation that would be sufficient for another actuary practicing in the same field to evaluate the work.

5. MARKET CONDUCT ACTIVITIES

The Company operates primarily as a reinsurer and as such, has no direct contact with public. Therefore, no review was necessary.

6. CONCLUSION

This examination has determined that the Company was insolvent at December 31, 2004 in the amount of \$6,196,075, its capital of \$2,350,000 was impaired in the amount of \$8,546,075, and its minimum required to be maintained surplus of \$2,200,000 was impaired in the amount of \$8,396,075.

Subsequent to the examination date, in its 2005 annual statement, the Company reported an impairment of its minimum required surplus as regards policyholders and on May 5, 2006, the Company submitted a commutation plan pursuant to Section 1321 of the New York Insurance Law and Department Regulation 141 to eliminate the impairment. In its June 30, 2006 quarterly statement, the Company reported itself insolvent in the amount of \$2,291,951 and the Company submitted an amended commutation plan ("Amended Plan") on October 20, 2006 to eliminate the insolvency and impairment of its surplus reported in its June 30, 2006 quarterly statement.

On April 4, 2007, the Company submitted an exhibit which showed its filed balance sheet amounts as of June 30, 2006 and December 31, 2006 and a pro-forma post-Regulation 141 balance sheet as of December 31, 2006, which indicated a positive surplus as regards policyholders in the amount of \$3,899,000 as a result of accepted commutations pursuant to the Amended Plan, thus eliminating the insolvency and restoring surplus to an amount in excess of the minimum amount required to be maintained as of December 31, 2006. By letter dated April 25, 2007, the superintendent approved the implementation of the Amended Plan.

7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>		<u>PAGE NO.</u>
A	It was recommended that any director who cannot attend board of directors' meetings on a regular basis should resign or be removed.	4
	The Company has complied with this recommendation.	

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	This examination has determined that the Company was insolvent at December 31, 2004 in the amount of \$6,196,075, its capital of \$2,350,000 was impaired in the amount of \$8,546,075, and its minimum required to be maintained surplus of \$2,200,000 was impaired in the amount of \$8,396,075.	2, 14, 17
	Subsequent to the examination date, the Company submitted a commutation plan pursuant to Section 1321 of the New York Insurance Law and Department Regulation 141 to eliminate the insolvency and restore surplus to an amount in excess of the minimum amount required to be maintained as of December 31, 2006. The superintendent approved the implementation of the commutation plan by letter dated April 25, 2007.	
B.	<u>Management</u>	
i.	<u>Board of Directors</u>	
	It is recommended that the board of directors hold the requisite number of regular meetings as set forth in its by-laws.	5
ii.	<u>Conflict of Interest</u>	
	It is recommended that the Company ensure that all directors and officers complete conflict of interest statements annually.	6

<u>ITEM</u>		<u>PAGE NO.</u>
C.	<u>Abandoned Property Law</u>	
	It is recommended that the Company file its abandoned property reports on a timely basis pursuant to the provisions of Section 1316 of the New York State Abandoned Property Law.	10
D.	<u>Accounts and Records</u>	
(i)	<u>Prior Report Acknowledgment</u>	
	It is recommended that the Company Comply with Section 312(b) of the New York Insurance Law.	11
(ii)	<u>Engagement Letter</u>	
	It is recommended that the Company obtain an engagement letter that complies with Department Regulation 118 from its CPA firm.	11
E.	<u>Loss and Loss Adjustment Expenses</u>	
(i)	It is recommended that the Company provide complete and accurate loss and loss adjustment expense data to the Department in a timely manner.	16
(ii)	It is recommended that the Company's Actuarial Report underlying the Statement of Actuarial Opinion contain appropriate documentation that would be sufficient for another actuary practicing in the same field to evaluate the work.	16

Appointment No 22416

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Adebola Awofeso

as proper person to examine into the affairs of the

CONSTELLATION REINSURANCE COMPANY

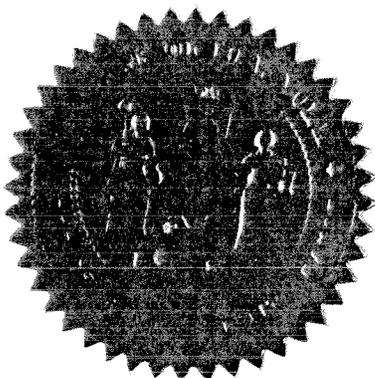
and to make a report to me in writing of the condition of the said

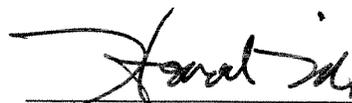
Company

with such other information as he 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 13th day of October, 2005





HOWARD MILLS
Superintendent of Insurance