

REPORT ON EXAMINATION

OF THE

AXA INSURANCE COMPANY

AS OF

DECEMBER 31, 2012

DATE OF REPORT

OCTOBER 25, 2013

EXAMINER

MARIBEL C. NUÑEZ, C.P.C.U

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

October 25, 2013

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 30996 dated April 8, 2013, attached hereto, I have made an examination into the condition and affairs of AXA Insurance Company as of December 31, 2012, and submit the following report thereon.

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

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 home office located at 125 Broad Street, New York, New York 10004.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2007. This examination covered the five-year period from January 1, 2008 through December 31, 2012. 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. The examiners 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 incorporated under the laws of the State of New York on November 23, 1990 as the Colonia Insurance Company and commenced business on January 1, 1991. The Company was organized to provide the vehicle for the domestication of the United States Branch of Colonia Insurance Company (Germany) (“the Branch”), pursuant to Article 72 of the New York Insurance Law. The Branch was originally established and commenced business in July 1976. Subsequent to the incorporation of the Company, its ultimate parent, Colonia Versicherung AG merged with AXA S.A. Its ultimate parent is AXA S.A., a “société anonyme à directoire et conseil de surveillance” (a form of limited liability company) organized under the laws of France.

On November 19, 1997, the Company’s name was changed to AXA Global Risks US Insurance Company. In 2000, AXA’s management announced the creation of AXA Corporate Solutions, an entity which integrated the large corporate and international insurance and reinsurance operations. On October 19, 2000, the Company’s name was again changed to AXA Corporate Solutions Insurance Company to reflect the restructuring within the AXA group of companies. In 2003, the AXA Group implemented a new strategy and began to restructure the AXA Corporate Solutions group, effectively dismantling it. The Company adopted its current name on December 7, 2005.

At December 31, 2012, capital paid in is \$5,000,000 consisting of 77 shares of \$64,935.00 par value per share common stock. Gross paid in and contributed surplus was \$165,201,221. Gross paid in and contributed surplus decreased by \$11,370,285 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2007	Beginning gross paid in and contributed surplus	\$176,571,506
2008	Surplus contribution *1	\$5,000,000
2011	Stock redemption *2	(6,414,067)
2012	Stock redemption *3	<u>(9,956,218)</u>
	Net decrease to paid in and contributed surplus	<u>(11,370,285)</u>
2012	Ending gross paid in and contributed surplus	\$165,201,221

Note 1: In December 2008 the Company received a \$5,000,000 surplus contribution from its intermediate parent, Coliseum Reinsurance Company.

Note 2: In 2011, the Company entered into a stock redemption plan with its parent, AXA Delaware LLC (“AXA Delaware”), pursuant to which, the Company reduced the number of its outstanding shares from 89 to 84 and increased the par value per share from \$56,180 to \$59,524. The consideration paid by the Company was \$6,414,067.

Note 3: In 2012, the Company entered into a stock redemption plan with AXA Delaware, pursuant to which, the Company reduced the number of its outstanding shares from 84 to 77 and increased the par value per share from \$59,524 to \$64,935. The consideration paid by the Company was \$9,956,218.

A. Management

Pursuant to the Company’s charter and by-laws, management of the Company is vested in a Board of Directors consisting in no less than seven or more than thirteen members. The board met one time during each calendar year until 2012, thereafter, the board met four times during 2012. At December 31, 2012, the Board of Directors was comprised of the following nine members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Philippe Rocard Bourg-la-Reine, France	Chief Executive Officer AXA Corporate Solutions Assurance, S.A.
Alexandre Jean-Marie Scherer New York, NY	President & Chief Executive Officer, AXA Insurance Company
Ulrich Guntram Wachtberg, Germany	President, AXA Art
Linda Gross Montclair, NJ	Secretary, AXA Insurance Company
Steven Paraboschi Highland Park, IL	General Manager, AXA Assistance USA
Steven Goldberg Oceanside, NY	Actuary, Sbg Consulting, LLC
Christiane Fischer Long Island City, NY	Vice-President and Chief Executive Officer, AXA Art Insurance Company
Walter Luker Oregonia, OH	President, AXA Matrix (Retired 4/2013)

Name and ResidencePrincipal Business Affiliation

Peter Knaus
Lohmar, Germany

Director
AXA Lebensversicherung AG

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, 2012, the principal officers of the Company were as follows:

NameTitle

Alexandre Jean-Marie Scherer	President & Chief Executive Officer
Christian Helmut Hilibrecht	Chief Operating Officer
Robert Andrew Wolf II	Chief Financial Officer and Treasurer
Linda Gross	Secretary

B. Territory and Plan of Operation

As of December 31, 2012, the Company was licensed to write business in all fifty states, the District of Columbia, Guam, Northern Mariana Islands, and Puerto Rico. In addition, credit is allowed for reinsurance in Mexico.

As of December 31, 2012, 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 and 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

<u>Paragraph</u>	<u>Line of Business</u>
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 incidental to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurance described in the Longshoremen's Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended) and the kinds of insurance and reinsurance as authorized by Section 4102(c) of the New York Insurance Law. Additionally, the Company is authorized to transact the business of special risk insurance as defined in Article 63 of the New York Insurance Law.

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 following schedule shows the direct premiums written by the Company both in total and in New York for the period under examination:

<u>Calendar Year</u>	<u>New York State</u>	<u>Total Premiums</u>	<u>Premiums Written in New York as a Percentage of Total Premiums</u>
2008	\$11,037,651	\$99,833,414	11.06%
2009	\$12,423,336	\$83,427,706	14.89%
2010	\$12,615,768	\$70,869,910	17.80%
2011	\$ 7,615,466	\$76,573,933	9.95%
2012	\$14,281,511	\$93,056,046	15.35%

Since 2003, the Company has focused mainly on underwriting policies covering the U.S. exposures of AXA Group's multinational accounts, primarily for AXA Corporate Solutions, S.A. and AXA Versicherung, AG. In 2009, the Company began writing some reverse flow business to support the domestic insurance needs of Canadian clients.

The Company previously wrote aviation and marine programs through a particular general agency; however the aviation program was terminated in 2009 due to unfavorable underwriting performance and the marine program was terminated shortly thereafter for strategic reasons.

C. Reinsurance

Assumed

Effective January 1, 2008, the Company entered into a 60% quota share reinsurance agreement with its affiliate, AXA Art Insurance Corporation ("AXA Art"). AXA Art specializes principally in writing inland marine and related lines of business, with an emphasis on personal and commercial fine art coverage and other insurance floaters. The agreement was approved pursuant to Section 1505 of the New York Insurance Law.

Assumed reinsurance accounted for 18.8% of the Company's gross premium written in 2012. During the period covered by this examination, the Company's assumed reinsurance business has increased since the last examination. The increase is primarily attributable to the quota share agreement with AXA Art.

The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62R for all of its assumed reinsurance business.

Ceded

At December 31, 2012, the Company had the following ceded reinsurance program with AXA Corporate Solutions SA (Paris, France) and AXA Versicherung AG (Cologne, Germany) covering the US exposures of the AXA Group's French and German clients, respectively:

<u>Type of Contract</u>	<u>Cession</u>
<u>Multiple Line Quota Share</u>	92.5% quota share of the ultimate net loss, each loss occurrence.
<u>Property Per Risk Excess of Loss</u>	\$30,750,000 in excess of \$3,000,000 each risk, each occurrence; subject to an annual aggregate limit of \$92,250,000.
<u>Stop Loss</u>	The amount by which the aggregate net loss exceeds 65% of the subject net earned premiums; subject to an annual aggregate limit of \$67,500,000.

At December 31, 2012, the Company had the following ceded reinsurance program with AXA Pacific Insurance Company (Canada) covering the US exposures of the AXA Group's Canadian clients:

<u>Type of Contract</u>	<u>Cession</u>
<u>Quota Share</u>	90% quota share of the ultimate net loss, each loss occurrence.
<u>Stop Loss</u>	The amount by which the aggregate net loss exceeds 65% of the subject net earned premiums; subject to an annual aggregate limit of \$3,000,000.

Adverse Development Cover

In 2004, the Company entered into an adverse development reinsurance agreement with its intermediate parent, Coliseum Reinsurance Company (formerly known as AXA Corporate Solutions Reinsurance Company), which provided protection against adverse development up to a limit of \$15 million on losses occurring in accident years 2003 and prior. The Company paid \$750,000 for this coverage and has reflected recoveries of \$5,813,000 through the examination date. This agreement has been accounted for as retroactive reinsurance pursuant to the provisions of SSAP 62R.

In addition to the above treaties, the Company also has two facultative agreements with AXA Corporate Solutions Assurance, S.A. One is a 100% facultative quota share agreement covering property, casualty, energy and aviation risks, and is limited to large/sophisticated foreign-owned entities insured by AXA Group companies on a worldwide/ "Reverse Flow" basis and/or involving participation in transactions by captive insurance companies. The other is a 95% facultative quota share, which also covers property, casualty, energy and aviation risks. These agreements have been in effect since January 1, 1999.

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 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.

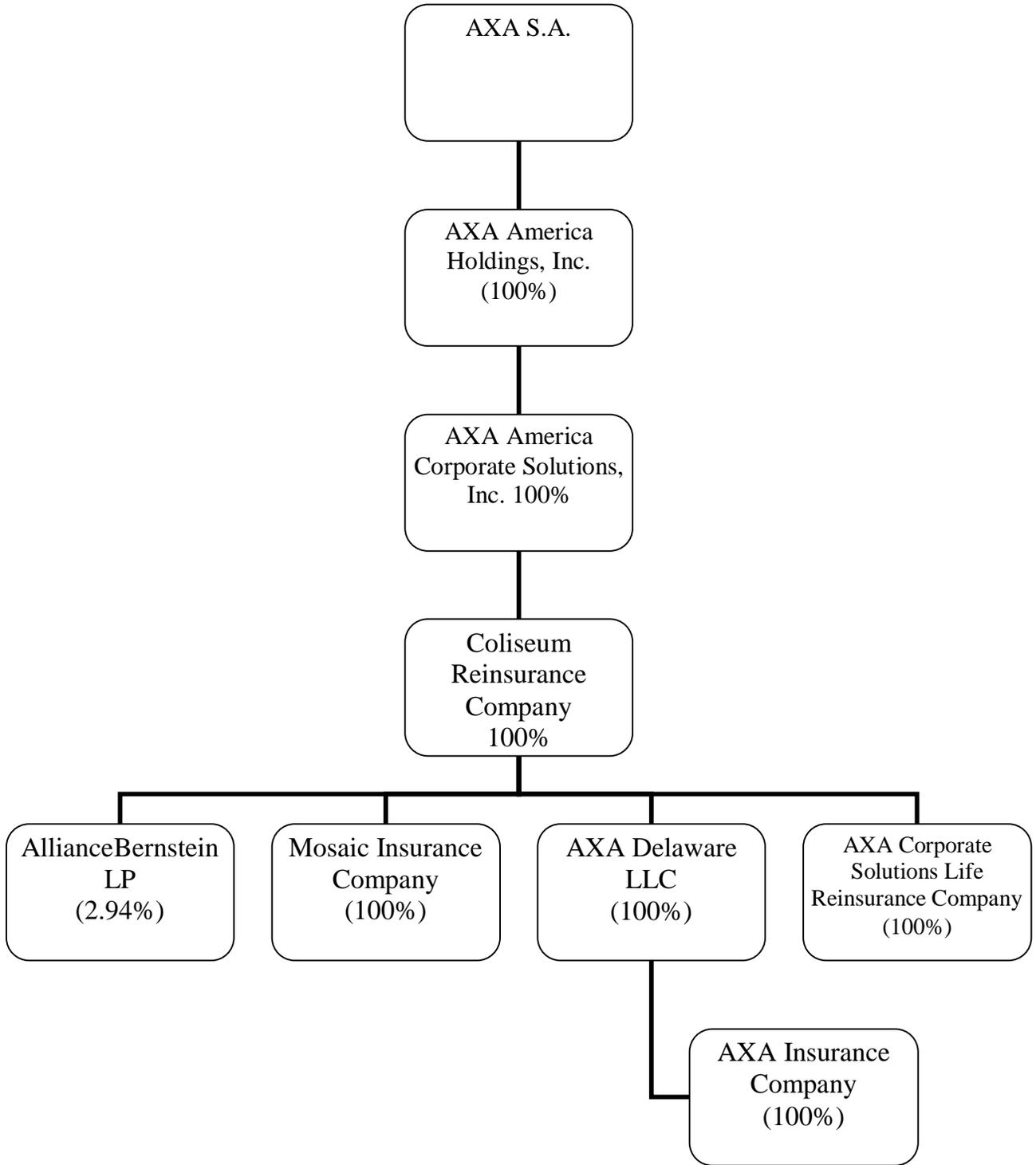
All ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

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. 62R. Representations were supported by 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. Other than the Adverse Development Cover, which was accounted for as retroactive reinsurance, all ceded reinsurance agreements were accounted for utilizing prospective reinsurance accounting as set forth in SSAP No. 62R.

D. Holding Company System

The Company is a member of the AXA Group, which is headed by AXA S.A., a French “société anonyme à directoire et conseil de surveillance” (a form of limited liability company). The Company's controlling immediate parent company is AXA Delaware LLC, a limited liability corporation domiciled in Delaware, which in turn is owned by Coliseum Reinsurance Company. 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, 2012:



At December 31, 2012, the Company was party to the following agreements with other members of its holding company system:

Administration and Service Agreement

Effective April 10, 2012, the Company entered into an administration and service agreement with its affiliate AXA Liabilities Managers Inc. (“AXALM”). Under the terms of the agreement, AXALM will provide or arrange for the provision of administrative, management, claims, and other services requested by the Company. All services related to the business operations are included in this agreement. Additionally, the agreement provides that AXALM appoints the Company to provide certain “Delegated Services” such as maintaining or procuring all necessary licenses needed to perform the services contemplated by this agreement.

The agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law and approved on April 9, 2012.

Discretionary Investment Advisory Agreement

Effective June 6, 2002, as amended March 19, 2008, the Company entered into a discretionary investment advisory agreement with its affiliate, AllianceBernstein L.P. (“AllianceBernstein”). Under the terms of the agreement, AllianceBernstein has full discretion and agrees to supervise and direct the investment of the Company’s investment account in accordance with the written investment objectives, policies and restrictions of the Company.

The agreement and amendment were filed with the Department pursuant to Section 1505 of the New York Insurance Law and were approved on June 4, 2008 and February 4, 2008, respectively.

Tax Allocation Agreement

Effective April 2, 2001, the Company entered into a tax allocation agreement with its intermediate parent, AXA America Corporate Solutions, Inc. The agreement was submitted to and non-disapproved by the Department pursuant to the provisions of Section 1505(d) of the New York Insurance Law on November 29, 2000.

The tax allocation agreement complies with the guidelines set forth in Department Circular Letter No. 33 (1979).

Guarantee Agreement

Effective July 1, 2001, the Company entered into a guarantee agreement with its intermediate parent, Coliseum Reinsurance Company (“CRC”), (formerly known as AXA Corporate Solutions Reinsurance Company), for the purpose of strengthening the Company’s rating. Under the terms of the agreement, CRC unconditionally guarantees the claims paying obligations of the Company arising under insurance contracts issued by the Company.

It was noted that the agreement was not filed with the Department prior to its implementation, but was filed on February 19, 2003.

Class Settlements Policy and Election Agreement – AllianceBernstein

Effective May 11, 2011 the Company entered into the captioned agreement, whereby AllianceBernstein will file claims to securities class settlements on behalf of the Company after receiving a completed Policy and Election Form.

The agreement was approved in accordance with Section 1505 of the New York Insurance Law on October 20, 2011.

Stock Redemption Plans

In 2011 and 2012, the Company entered into two stock redemption plans with its immediate parent, AXA Delaware. Pursuant to the 2011 plan, the Company paid the sum of \$6,414,067 to AXA Delaware and reduced the number of its outstanding shares from eighty nine (89) to eighty four (84) and increased the par value per share from \$56,180 to \$59,524. Upon completion of the 2011 redemption, the Company cancelled the five (5) repurchased shares and reduced the number of authorized and outstanding shares to eighty four (84). Pursuant to the 2012 plan, the Company paid the sum of \$9,956,218 to AXA Delaware and reduced the number of its outstanding shares from eighty four (84) to seventy seven (77) and increased the par value per share from \$59,524 to \$64,935. Upon completion of the 2012 stock redemption, the Company cancelled the seven (7) repurchased shares and reduced the number of authorized and outstanding shares to seventy seven (77).

The stock redemption plans were approved in accordance with Section 1411(d) of the New York Insurance Law on September 29, 2011 and January 8, 2013, respectively.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2012, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	22%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	44%
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:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$ 57,495,168	53.69%
Other underwriting expenses incurred	63,972,717	59.74%
Net underwriting loss	<u>(14,375,146)</u>	<u>(13.42%)</u>
Premiums earned	<u>\$107,092,739</u>	<u>100.00%</u>

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2012 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Examination</u>		<u>Company</u>		Surplus Increase (Decrease)
	<u>Assets</u>	Assets Not <u>Admitted</u>	Net Admitted <u>Assets</u>	Net Admitted <u>Assets</u>	
Bonds	\$121,193,342	\$ 0	\$121,193,342	\$121,193,342	\$ 0
Common stocks	15,861,305		15,861,305	15,861,305	
Cash, cash equivalents and short-term investments	26,343,769		26,343,769	26,343,769	
Receivables for securities	11,571		11,571	11,571	
Investment income due and accrued	1,494,486		1,494,486	1,494,486	
Uncollected premiums and agents' balances in the course of collection	7,027,773	425,898	6,601,875	6,601,875	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	701,423		701,423	701,423	
Amounts recoverable from reinsurers	6,570,811		6,570,811	6,570,811	
Current federal and foreign income tax recoverable and interest thereon	6,160,481	6,160,481	0	6,160,481	(6,160,481)
Net deferred tax asset	34,167,027	32,726,840	1,440,187	6,127,737	(4,687,550)
Electronic data processing equipment and software	50,057	31,509	18,548	18,548	
Furniture and equipment, including health care delivery assets	538,167	538,167	0	0	
Receivables from parent, subsidiaries and affiliates	223,723		223,723	223,723	
Cash in transit	1,810,554		1,810,554	1,810,554	
Equities and deposits in pools	46,358		46,358	46,358	
Leasehold improvements	644,444	644,444	0	0	
Prepaid expense	<u>49,093</u>	<u>49,093</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$222,894,384</u>	<u>\$40,576,432</u>	<u>\$182,317,952</u>	<u>\$193,165,983</u>	<u>\$(10,848,031)</u>

Liabilities, surplus and other funds

	<u>Examination</u>	<u>Company</u>	Surplus Increase <u>(Decrease)</u>
Losses and loss adjustment expenses	\$ 22,442,155	\$ 22,442,155	\$ 0
Reinsurance payable on paid losses and loss adjustment expenses	3,608,939	3,608,939	
Other expenses (excluding taxes, licenses and fees)	709,273	709,273	
Taxes, licenses and fees (excluding federal and foreign income taxes)	1,096,480	1,096,480	
Current federal and foreign income taxes	2,685,475	0	(2,685,475)
Unearned premiums	14,582,179	14,582,179	
Ceded reinsurance premiums payable (net of ceding commissions)	18,991,816	18,991,816	
Provision for reinsurance	1,428,818	1,428,818	
Payable to parent, subsidiaries and affiliates	9,956,218	9,956,218	
Payable for securities	50,347	50,347	
Reserve for uncollectible reinsurance	3,222,832	3,222,832	
Pension liability	1,596,389	1,596,389	
Recoverable on adverse development reinsurance	(5,813,000)	(5,813,000)	
Lease payable	501,652	501,652	
Miscellaneous liabilities	<u>102,707</u>	<u>102,707</u>	<u>0</u>
Total liabilities	\$ <u>75,162,280</u>	\$ <u>72,476,805</u>	\$ <u>(2,685,475)</u>
Special surplus from adverse development reinsurance account	\$ 5,063,000	\$ 5,063,000	\$ 0
Common capital stock	5,000,000	5,000,000	
Gross paid in and contributed surplus	165,201,221	165,201,221	
Unassigned funds (surplus)	<u>(68,108,549)</u>	<u>(54,575,043)</u>	<u>13,533,506</u>
Surplus as regards policyholders	\$ <u>107,155,672</u>	\$ <u>120,689,178</u>	\$ <u>13,533,506</u>
Total liabilities, surplus and other funds	\$ <u>182,317,952</u>	\$ <u>193,165,983</u>	\$ <u>10,848,031</u>

Note: The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2008 through 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. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$8,898,233 during the five-year examination period January 1, 2008 through December 31, 2012, detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$107,092,739
Deductions:		
Losses and loss adjustment expenses incurred	\$57,495,168	
Other underwriting expenses incurred	63,972,717	
Aggregate write-ins for underwriting deductions	<u>0</u>	
Total underwriting deductions		<u>121,467,885</u>
Net underwriting gain or (loss)		\$(14,375,146)

Investment Income

Net investment income earned	\$24,266,990	
Net realized capital gain	<u>640,000</u>	
Net investment gain or (loss)		24,906,990

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$(1,169,115)	
Retroactive reinsurance ceded premium	750,000	
Adverse development reinsurance – losses	5,063,000	
Miscellaneous income	<u>936,093</u>	
Total other income		<u>5,579,978</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$16,111,822
Dividends to policyholders		<u>0</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$16,111,822
Federal and foreign income taxes incurred		<u>6,193,095</u>
Net Income		<u>\$9,918,727</u>

Capital and Surplus Account

Surplus as regards policyholders per report on examination as of December 31, 2007			\$98,257,439
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$9,918,727	\$ 0	
Net unrealized capital gains	553,079		
Change in net deferred income tax		4,644,930	
Change in non-admitted assets	11,956,315		
Change in provision for reinsurance	3,448,545		
Surplus adjustments paid in		11,370,285	
Aggregate write-ins for gains and losses in surplus	<u>0</u>	<u>963,218</u>	
Net increase in surplus	\$ <u>25,876,666</u>	\$ <u>16,978,433</u>	\$ <u>8,898,233</u>
Surplus as regards policyholders per report on examination as of December 31, 2012			\$ <u>107,155,672</u>

4. NET DEFERRED TAX ASSET

The examination admitted asset for the captioned item of \$1,440,187 is \$4,687,550 less than the \$6,127,737 reported by the Company as of December 31, 2012.

The reported admitted asset for the captioned item was based on the assumption that the Company would be able to realize the tax benefit of its net operating losses, which would be used to offset projected net operating gains for the consolidated group. However, the final 2012 consolidated federal income tax returns, which were filed on September 15, 2013, showed a net operating loss on a consolidated basis. Therefore, the Company could not realize any tax benefits for its own net operating losses. This also resulted in the examination adjustments in Items 5 and 6 of this report.

5. FEDERAL AND FOREIGN INCOME TAX RECOVERABLE

The Company reported an admitted asset in the amount of \$6,160,481 as of the examination date. Pursuant to this examination, the admitted asset has been eliminated.

6. FEDERAL AND FOREIGN INCOME TAX PAYABLE

The Company reported no liability under this caption as of the examination date. This examination has established the captioned liability in the amount of \$2,685,475.

7. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$22,442,155 is the same as reported by the Company as of December 31, 2012. 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.

8. SUBSEQUENT EVENT

In 2013, AXA Art Insurance Company ("AXA Art"), an affiliated New York domiciled insurer, made a decision to cease writing business. AXA Art specialized in insuring fine arts and collectibles of high net worth individuals, collectors, museums, galleries, conservators, artists, art dealers and historic properties. Effective January 1, 2014, AXA Art Americas Corporation ("AXA Art Americas"), a newly formed Delaware corporation, acquired AXA Art's list of customers and respective producers, and the renewal rights on all business previously written by AXA Art. Simultaneously, the Company entered into an agreement with AXA Art Americas whereby the Company will be the non-exclusive insurance carrier for the business previously written by AXA Art, and AXA Art Americas will be the sole underwriter and exclusive service provider for the business.

All of the agreements related to these transactions were submitted to and approved by the Department pursuant to Article 15 of the NYIL.

9. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A <u>Reinsurance</u></p> <p>It is recommended that the Company amend the letters of credit upon their renewals to include all required provision set forth in Part 79 of Department Regulation 133.</p> <p>The Company has complied with this recommendation.</p>	<p>9</p>
<p>B <u>Holding Company System</u></p> <p>It is recommended that the Company comply with the provisions of Section 1505 of the New York Insurance Law.</p> <p>The Company has complied with this recommendation.</p>	<p>12</p>
<p>C <u>Abandoned Property Law</u></p> <p>i It is recommended that the Company comply with Section 1316 of the New York Abandoned Property Law in filing the required abandoned property reports with the New York State Comptroller's Office and maintain proper documentation indicating that such reports were filed.</p> <p>The Company has complied with this recommendation.</p> <p>ii It is recommended that the Company submit the appropriate amount of escheatable funds to the State Comptroller in accordance with Section 1316 of the New York Abandoned Property Law.</p> <p>The Company has complied with this recommendation.</p>	<p>13</p> <p>13</p>
<p>D <u>Accounts and Records</u></p> <p>i It is recommended that the Company report overdue premiums and agents' balances in accordance with Section 1301(a)(11) of the New York Insurance Law and SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual.</p> <p>The Company has complied with this recommendation.</p> <p>ii It is recommended that the Company report overdue installment premiums in accordance with Part 110.1 of the Department Regulation</p>	<p>14</p> <p>14</p>

<u>ITEM</u>	<u>PAGE NO.</u>
13A and SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual.	
The Company has complied with this recommendation.	
iii It is recommended that the Company adhere to the NAIC Annual Statement Instructions by classifying balance sheet items under their proper line item.	15
The Company has complied with this recommendation.	
iv It is recommended that the Company settle its inter-company balances in a timely manner and non-admit any inter-company balances that are over ninety days due.	15
The Company has complied with this recommendation.	
v It is recommended that the Company comply with SSAP No. 64 of the NAIC Accounting Practices and Procedure Manual with regards to offsetting and netting assets and liabilities.	15
The Company has complied with this recommendation.	
vi It is recommended that the Company continue its effort to clear the old balances from the transfer of funds account and to perform timely reconciliation of this account to ensure that these balances are cleared against liabilities in future periods.	16
The Company has complied with this recommendation.	
E <u>Losses and Loss Adjustment Expenses</u>	
It is recommended that the Company take corrective action to fix quality issues with regard to eliminating the reporting of negative amounts; correct misallocations by line and to include complete exhibits in the Actuarial Report.	20
The Company has complied with this recommendation.	

10. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report contains no comments or recommendations.

Respectfully submitted,

Maribel C. Nuñez, C.P.C.U
Senior Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

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

Maribel C. Nuñez

Subscribed and sworn to before me

this _____ day of _____, 2014.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Maribel Nunez

as a proper person to examine the affairs of the

Axa Insurance Company

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

COMPANY

with such other information as she shall deem requisite.

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

this 8th day of April, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services



By:

Jean Marie Cho
Deputy Superintendent