

REPORT ON EXAMINATION

OF THE

PARTNER REINSURANCE COMPANY OF THE U.S.

AS OF

DECEMBER 31, 2005

DATE OF REPORT

APRIL 30, 2007

EXAMINER

GLEND A GALLARDO

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

April 30, 2007

Honorable Eric R. 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 22457 dated February 22, 2006 attached hereto, I have made an examination into the condition and affairs of Partner Reinsurance Company of the U.S. as of December 31, 2005, and submit the following report thereon.

Wherever the designations "the Company" or "PRUS" appear herein without qualification, they should be understood to indicate Partner Reinsurance Company of the U.S.

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 offices located at One Greenwich Plaza, Greenwich, Connecticut 06830.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 2000. This examination covered the five-year period from January 1, 2001 through December 31, 2005. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a verification of assets and liabilities as of December 31, 2005. 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 certified public accountants ("CPA"). 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

The Company was incorporated under the laws of New York on March 13, 1980, as the AGF Reinsurance Corporation of the United States, and it was licensed to write business on May 27 of the same year. The Company was a subsidiary of AGF Reassurances, a French corporation.

On September 30, 1991, AGF Reassurances merged with Societe Anonyme Francaise DeReassurances (“SAFR-France”). Subsequent to the merger, on December 5, 1991, the Company’s name was changed to SAFR Reinsurance Corporation of the U.S. (“SAFR Re”).

On February 26, 1997, Swiss Re acquired the interests in the common stock of SAFR-France. On July 7, 1997, PartnerRe Ltd., a Bermuda reinsurer, acquired SAFR-France and subsidiaries from Swiss Re.

In 1998, the name of the Company was changed to its current name Partner Reinsurance Company of the U.S. (“PRUS”). The Company’s immediate parent is PartnerRe U.S. Corporation (“PRUSC”), a holding company domiciled in the State of Delaware. On October 23, 1998, PRUSC acquired Winterthur Reinsurance Corporation of America, which subsequently was renamed PartnerRe Insurance Company of New York (“PRNY”). Subsequent to the acquisition, the parent company contributed 100% of PRNY’s common stock to PRUS.

At December 31, 2005, paid in capital is \$4,800,000 consisting of 9,600 shares of capital stock with a par value of \$500 per share and gross paid in and contributed surplus is \$527,083,199. Gross paid in capital and contributed surplus increased by \$222,000,000 since the prior examination as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2001	Beginning gross paid-in and contributed surplus	\$305,083,199
2001	Surplus contribution	\$100,000,000
2002	Surplus contribution	<u>122,000,000</u>
	Total surplus contribution	<u>222,000,000</u>
2005	Ending gross paid in and contributed surplus	<u>\$527,083,199</u>

The 2001 and 2002 capital contributions were filed with the Department.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen nor more than twenty one members. The board meets four times during each calendar year. At December 31, 2005, the board of directors was comprised of the following sixteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John N. Adimari Greenwich, CT	Executive Vice President & Chief Financial Officer, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Abigail Clifford Greenwich, CT	Senior Vice President, Director of Human Resources, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
John W. Davidson Riverside, CT	Chief Investment Officer, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
John B. DiBuduo Woodbridge, CT	Senior Vice President & Chief Technology Officer, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Dennis G. Giannos Darien, CT	Executive Vice President, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Charles T. Goldie Rockville Centre, NY	Senior Vice President, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Cathy A. Hauck Darien, CT	Executive Vice President, General Counsel & Corporate Secretary, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Charlene A. Heffernan Stamford, CT	Vice President, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Scott D. Moore Darien, CT	President & CEO, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Carol Ann O'Dea Ridgefield, CT	Senior Vice President, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
John S. Peppard Huntington Station, NY	Senior Vice President, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Marvin Pestcoe New York, NY	President, PartnerRe New Solutions Inc.
Richard N. Sanford Wilton, CT	Senior Vice President, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Patrick A. Theile Warwick, Bermuda	President and Chief Executive Officer PartnerRe Ltd.
Robin M. Williams Greenwich, CT	Executive Vice President & Chief Underwriting Officer Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
John B. Wong Ridgefield, CT	Senior Vice President & Controller, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York

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, 2005, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Scott D. Moore	President & Chief Executive Officer
John N. Adimari	Executive Vice President & Chief Financial Officer
Dennis G. Giannos	Executive Vice President
Cathy A. Hauck	Executive Vice President, General Counsel & Corporate Secretary
Robin M. Williams	Executive Vice President & Chief Underwriting Officer
John W. Davidson	Chief Investment Officer
Jeffrey A. Englander	Senior Vice President

B. Territory and Plan of Operation

As of December 31, 2005, the Company was licensed to write business in twenty states and the District of Columbia. The Company is approved and accredited to write reinsurance business in an additional thirty states.

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

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 and 41 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 primarily writes property and casualty reinsurance through intermediaries on a treaty basis for insurance companies located predominantly in the United States. During 2005, the Company writings were split 60% casualty and 40% property written on a treaty basis. The Company operates through a broker market. The Company's business units are comprised of specialty casualty, standard insurance, programs unit, and specialty lines. The largest line is specialty casualty, which comprises approximately 48% of the total business. The program unit line includes business that is written through managing general agents ("MGA"). The Company does not have contracts with the MGA's but rather with the ceding companies. The Company mix of business is 51% excess of loss contracts and 49% quota share contracts.

Total assumed written premium in 2005 was \$925.5 on a gross basis and \$678.3 on a net basis.

C. Reinsurance

The Company is a professional reinsurer; its business operations consist of the assumption of insurance originally written by primary insurers or reinsurers.

The Company's assumed reinsurance consists mainly of property and casualty/multi-line coverage assumed on a quota share and excess of loss basis, pursuant to the terms of treaty agreements with both authorized and unauthorized cedants. The Company utilizes reinsurance accounting as defined in NAIC Accounting Practices and Procedures Manual, Statements of Statutory Accounting Principles ("SSAP") No. 62 for all of its assumed reinsurance business.

The Company has structured its ceded reinsurance program to limit its maximum exposure to any one risk as follows:

Effective January 1, 2004, the Company entered into a quota share retrocession agreement with its affiliate, Partner Reinsurance Company Ltd. ("PRE LTD"). The agreement provides that PRE LTD will accept a 25% quota share participation in the company's new and renewal business covering all lines for the 2004 underwriting year. Effective January 1, 2005, the company renewed the 25% quota share under similar terms and conditions. The agreement was submitted to the Department for review and non-disapproval pursuant to Section 1505(d) of the New York Insurance Law.

Effective January 1, 2005, the Company renewed its stop loss reinsurance agreement with PRE LTD. The agreement applies to all in-force, new and renewal business written by the company during the period January 1, 2005 through December 31, 2005. PRE LTD is liable for all loss occurrences during this period that exceed an 80% loss ratio retention by the Company and its affiliate, PRNY, subject to a maximum of 20%. The stop loss agreement has been in place since January 1, 2000 at substantially similar terms and conditions. The agreement was submitted to the Department for review and non-disapproval pursuant to Section 1505(d) of the New York Insurance Law.

The Company also entered into an aggregate excess of loss agreement in 1986 with its affiliate, PartnerRe SA, which provided a maximum coverage of \$10 million in excess of losses incurred of \$52.6 million for accident years 1984 and prior, net of other reinsurance. This agreement was accounted for pursuant to the requirements of Department Regulation 108 for loss portfolio transfers.

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 the NAIC Accounting Practices Procedures Manual, Statements of Statutory Accounting Principles ("SSAP") No. 62. Representations were supported by an attestation from the Company's Chief Executive Officer pursuant to Department Circular Letter No. 8 (2005). All ceded

reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in paragraphs 25 and 26 of SSAP No. 62.

During 1998, the Company and its subsidiary PartnerRe Insurance Company of New York (“PRNY”) entered into a reinsurance agreement covering all lines of business under which PRUS agreed to assume 100% of PRNY’s new and renewal business for underwriting years 1999 and subsequent. The agreement was effective on January 1, 1999 and was submitted to the Department for review and non-disapproval pursuant to Section 1505(d) of the New York Insurance Law.

The examination review of several of the Company’s assumed reinsurance agreements noted that such agreements contained an extra contractual obligation clause, (“ECO”). The Department’s Office of General Counsel has issued an opinion regarding ECO clauses that are included in reinsurance agreements. The opinion concluded that Section 1102(b) of the New York Insurance Law bars a New York domestic reinsurer from issuing a reinsurance agreement that may include indemnification of a ceding insurer’s extra contractual obligations, whether the risk insured against is located in New York State or outside New York, unless the reinsurance agreement contains a savings clause. A savings clause states the following:

“in no event shall coverage be provided to the extent that such coverage is not permitted under New York law.”

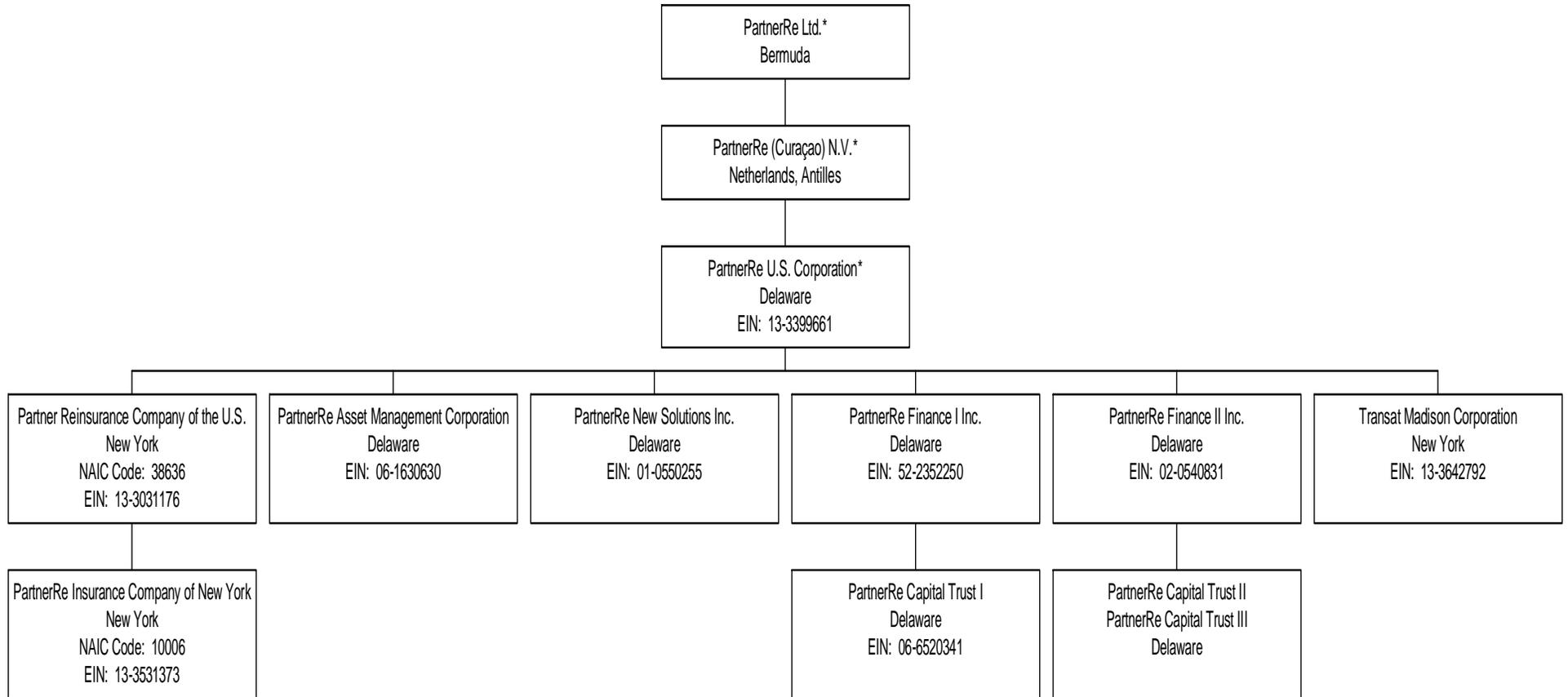
It is recommended that the Company either delete the ECO clause from its assumption agreements or include the savings clause required by the Department.

D. Holding Company System

The Company is a wholly-owned subsidiary of PartnerRe U.S. Corporation, a Delaware holding company, which is ultimately controlled by PartnerRe Ltd., a Bermuda reinsurer.

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 a chart of the holding company system at December 31, 2005:



*PartnerRe Ltd. directly owns 34% and PartnerRe (Curacao) N.V. directly owns 66% of the common stock of PartnerRe U.S. Corporation

At December 31, 2005, the Company was party to the following agreements with other members of its holding company system:

Tax Allocation Agreement

The Company is party to a tax allocation agreement with PartnerRe U.S. Corporation (“PRUSC”) and PRUSC’s subsidiaries. The agreement was originally filed with the Department on March 25, 1988 and amended on May 15, 1992, January 28, 1998, October 27, 1998, December 24, 1998, December 1, 2001 and January 1, 2002. The Department reviewed the filings pursuant to Section 1505(d)(2) of the New York Insurance Law.

During the review of the PRUS tax liability, it was noted that the tax due at year end 2005 was not settled until the first quarter of 2007. This amount also includes taxes due from 2004. The Company's filed tax allocation agreement requires settlements be made within 30 days of the filing of the estimated or actual federal income tax return.

It is recommended that the Company settle its inter-company tax accounts within 30 days as required by the filed tax allocation agreement.

Service Agreement with PartnerRe Insurance Company of New York

Effective January 1, 2005, the Company entered into a service agreement with PRNY. The agreement was established to provide PRNY with certain executive and administrative support services and other resources to PRNY as required to conduct its corporate, insurance and reinsurance business including, but not limited to personnel, tax, administrative and office functions, legal, internal audit, claims, underwriting, accounting, information technology, and overall corporate management as needed and required by PRNY. The agreement was submitted to the Department for review and non-disapproval as required by Section 1505(d)(3) of the New York Insurance Law.

Consulting Services Agreement

Effective December 1, 2002 and as amended on April 15, 2004, the Company entered into a consulting services agreement with PartnerRe New Solution Inc. (“NS”), a Delaware corporation. According to the agreement, NS agrees to provide the Company with advice, oversight management and recommendations with respect to consulting services for structuring a full range of financial transactions and risk financing and capital markets products, including but not limited to, insurance linked securities,

alternative risk transfer products, financial guarantees, total return swaps and finite and financial reinsurance contracts. The agreement was submitted to the Department for review and non-disapproval as required by Section 1505(d)(3) of the New York Insurance Law.

Coordination and Billing Services Agreement

Effective September 1, 2004, the Company and several of its affiliates entered into a coordination and billing service agreement with PartnerRe Services Ltd., an affiliated company incorporated under the laws of Bermuda. PartnerRe Services Ltd., is a general business company engaged in the business of providing services of a billing agent, paying agent, collection agent, and coordinating agent for allocating the costs either individually or collectively incurred by the companies that form part of this agreement for services referred to as group services. Schedule 2 of this agreement lists IT services as the group service to be coordinated by PartnerRe Services Ltd. The agreement was submitted to the Department for review and non-disapproval as required by Section 1505(d)(3) of the New York Insurance Law.

Advisement and Investment Management Agreement

Effective April 1, 2002, and as amended on August 30, 2002 and January 1, 2003, the Company entered into an advisement and investment management agreement with PartnerRe Asset Management Corporation (“PRAM”), an affiliated Delaware corporation. As indicated in the agreement, PRUS appoints PRAM as its Investment Manger to provide PRUS with advice, oversight management and recommendations with respect to certain assets, which comprise PRUS’ investment portfolios. The agreement was submitted to the Department for review and non-disapproval as required by Section 1505(d)(3) of the New York Insurance Law.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2005, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	120%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	92%
Premiums in course of collection to surplus as regards policyholders	12%

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 four year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$2,891,475,051	78.70%
Other underwriting expenses incurred	1,177,297,741	32.04
Net underwriting loss	<u>(394,839,024)</u>	<u>(10.75)</u>
Premiums earned	<u>\$3,673,933,768</u>	<u>100.00%</u>

F. Accounts and Records
Custodian Agreement

The examiner noted that the custodian agreement did not contain the required provision found in Part 1 Section IV J paragraph 2f of the NAIC Financial Examiners Handbook which states:

If the custodial agreement has been terminated or if 100% of the account assets in any one custodian account have been withdrawn, the custodian shall provide written notification, within three business days of termination or withdrawal to the insurers' domiciliary commissioner.

It is recommended that the Company revise its custodial agreement to include the above stated provision.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2005 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	\$1,417,432,980	\$ 0	\$1,417,432,980
Preferred stocks	13,896,263	0	13,896,263
Common stocks	745,149,091	0	745,149,091
Cash, cash equivalents and short-term investments	101,577,922	0	101,577,922
Receivable for securities	104,574,766	0	104,574,766
Investment income due and accrued	14,690,620	0	14,690,620
Uncollected premiums and agents' balances in the course of collection	70,065,478	0	70,065,478
Deferred premiums, agents' balances and installments booked but deferred and not yet due	326,260,088	0	326,260,088
Accrued retrospective premiums	22,670,523	0	22,670,523
Amounts recoverable from reinsurers	43,173,745	0	43,173,745
Funds held by or deposited with reinsured companies	57,221,089	0	57,221,089
Net deferred tax asset	110,858,467	60,246,876	50,611,591
Electronic data processing equipment and software	842,924	0	842,924
Furniture and equipment, including health care delivery assets	13,756,157	13,756,157	0
Deposit accounting assets	38,604,845	0	38,604,845
Capital expenditures	10,338,362	10,338,362	0
Deferred compensation	3,916,018	0	3,916,018
Telephone system/software	2,654,192	2,654,192	0
Trade deposit/rent	471,145	471,145	0
Prepaid pension	1,522,838	1,522,838	0
Miscellaneous receivable	70,087	0	70,087
Miscellaneous items	<u>97,172</u>	<u>3,668</u>	<u>93,504</u>
Total assets	<u>\$3,099,844,772</u>	<u>\$88,993,238</u>	<u>\$3,010,851,534</u>

Liabilities, surplus and other fundsLiabilities

Losses	\$1,538,021,599
Reinsurance payable on paid losses and loss adjustment expenses	31,067,964
Loss adjustment expenses	161,222,215
Commissions payable, contingent commissions and other similar charges	2,095,901
Other expenses (excluding taxes, licenses and fees)	36,297,873
Current federal and foreign income taxes	9,549,545
Unearned premiums	294,995,956
Ceded reinsurance premiums payable (net of ceding commissions)	139,764,684
Funds held by company under reinsurance treaties	8,775,744
Amounts withheld or retained by company for account of others	119,928
Remittances and items not allocated	44,143,905
Provision for reinsurance	3,804,413
Payable to parent, subsidiaries and affiliates	876,363
Payable for securities	122,361,525
Allowance for doubtful reinsurance recoverable	3,065,503
Loss portfolio transfer	(9,609,085)
Deposit accounting liability	54,311,168
Deferred compensation	3,916,018
Miscellaneous payable	<u>448,584</u>
 Total liabilities	 \$2,445,229,803

Surplus and Other Funds

Loss portfolio transfer account	\$ 9,459,085	
Common capital stock	4,800,000	
Gross paid in and contributed surplus	527,083,199	
Unassigned funds (surplus)	<u>24,279,447</u>	
Surplus as regards policyholders		<u>565,621,731</u>
 Total surplus and other funds		 <u>\$3,010,851,534</u>

NOTE: The Internal Revenue Service has never conducted an audit of the Company's consolidated federal income tax returns. The examiner is unaware of any potential exposure of the Company for tax assessment and no liability has been established herein for any such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$246,464,763 during the five year examination period January 1, 2001 through December 31, 2005, detailed as follows:

Underwriting Income

Premiums earned		\$3,673,933,768
Deductions:		
Losses incurred	\$2,613,347,222	
Loss adjustment expenses incurred	278,127,829	
Other underwriting expenses incurred	<u>1,177,297,741</u>	
Total underwriting deductions		<u>4,068,772,792</u>
Net underwriting gain or (loss)		\$ (394,839,024)

Investment Income

Net investment income earned	\$ 255,956,197	
Net realized capital gain	<u>134,419,737</u>	
Net investment gain or (loss)		390,375,934

Other Income

Aggregate write-ins for miscellaneous income	<u>\$ 11,640,295</u>	
Total other income		<u>11,640,295</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$ 7,177,205
Dividends to policyholders		<u>0</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$ 7,177,205
Federal and foreign income taxes incurred		<u>59,651,536</u>
Net Income		\$ <u>(52,474,331)</u>

Capital and Surplus Account

Surplus as regards examination as of December 31, 2000			\$319,156,962
	<u>Gains in</u> <u>Surplus</u>	<u>Losses in</u> <u>Surplus</u>	
Net loss		\$ 52,474,330	
Net unrealized capital gains or (losses)	\$ 38,996,774		
Change in net deferred income tax	100,988,051		
Change in non-admitted assets		66,415,694	
Change in provision for reinsurance	3,369,968		
Surplus adjustments paid in	<u>222,000,000</u>	<u> </u>	
Total gains and losses	\$ <u>365,354,793</u>	\$ <u>118,890,024</u>	
Net increase (decrease) in surplus			<u>246,464,769</u>
Surplus as regards policyholders per report on examination as of December 31, 2005			<u>\$565,621,731</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$1,699,243,814 is the same as reported by the Company as of December 31, 2005. 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 seven recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
It is recommended that the Company continue to hold annual and regular meetings of its board of directors and exercise the ability to take corporate actions via unanimous written consents only in limited emergency situations as stated in its by-laws.	6
The Company complied with this recommendation.	
B. <u>Reinsurance</u>	
i. It is recommended that the Company amend all its assumption reinsurance agreements to either delete the ECO clause from its assumption agreements or include the savings clause required by the Department.	9
The Company did not comply with this recommendation. A similar comment is reiterated herein.	
ii It is recommended that the Company report its loss portfolio transfer in accordance with Department Regulation 108.	11
The Company complied with this recommendation.	
C. <u>Holding Company System</u>	
i. <u>Tax Allocation Agreement</u>	
It is recommended that the Company comply with all provisions included in its tax allocation agreement as filed with this Department.	13
The Company complied with this recommendation.	
ii <u>Service Agreement</u>	
It is recommended that the Company comply with and follow the provisions of its service agreement as filed with this Department.	14
The Company complied with this recommendation.	

<u>ITEM</u>	<u>PAGE NO.</u>
D. <u>Accounts and Records</u> <u>Reclassification of Balance Sheet Accounts</u>	
It is recommended that the Company exert better care in reporting its balance sheet accounts and classify such according to annual statement instructions.	16
The company complied with this recommendation.	
E. <u>Abandoned Property Law</u>	
It is recommended that the Company continue filing these reports as required by Section 1316 of the New York Abandoned Property Law.	16
The Company complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
It is recommended that the Company either delete the ECO clause from its assumption agreements or include the savings clause required by the Department.	9
B. <u>Holding Company</u>	
<u>Tax Allocation agreement</u>	11
It is recommended that the Company settle its inter-company tax accounts within 30 days as required by the filed tax allocation agreement.	
C. <u>Accounts and Records</u>	
<u>Custodial agreements</u>	13
It is recommended that the Company revise its custodial agreement to comply with Part 1 Section IV J paragraph 2f of the NAIC Financial Examiners Handbook.	

Appointment No 22457

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:

Glenda Gallardo

as proper person to examine into the affairs of the

PARTNER REINSURANCE COMPANY OF THE U. S.

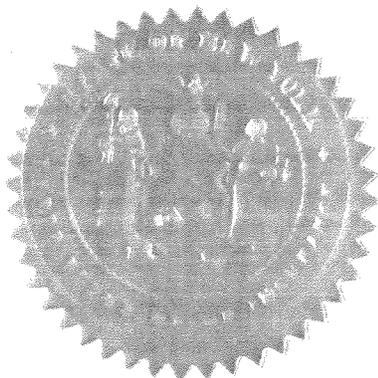
and to make a report to me in writing of the condition of the said

Company

with such other information as she shall deem requisite.

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

this 22nd day of February, 2006



A handwritten signature in cursive script, appearing to read "Howard Mills".

HOWARD MILLS
Superintendent of Insurance