

REPORT ON EXAMINATION

OF THE

PARTNER REINSURANCE COMPANY OF THE U.S.

AS OF

DECEMBER 31, 2010

DATE OF REPORT

JANUARY 31, 2012

EXAMINER

JOSEPH REVERS

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	5
	C. Reinsurance	7
	D. Holding company system	9
	E. Significant operating ratios	13
3.	Financial statements	14
	A. Balance sheet	14
	B. Statement of income	16
	C. Capital and surplus	17
4.	Losses and loss adjustment expenses	17
5.	Compliance with prior report on examination	18
6.	Summary of comments and recommendations	18



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

January 31, 2012

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30628 dated January 4, 2011, attached hereto, I have made an examination into the condition and affairs of Partner Reinsurance Company of the U.S. as of December 31, 2010, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Partner Reinsurance Company of the U.S.

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 administrative office located at One Greenwich Plaza, Greenwich, CT 06830-6352.

1. SCOPE OF EXAMINATION

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

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

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

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

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Territory and plan of operation
- Loss experience
- Reinsurance
- 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 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 its subsidiaries from Swiss Re.

In 1998, the Company adopted its current name. 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, PRUSC contributed 100% of PRNY’s common stock to the Company.

At December 31, 2010, 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 \$766,017,376. Gross paid capital and contributed surplus increased by \$238,934,177 since the prior examination as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2006	Beginning gross paid in and contributed surplus	\$527,083,199
2007	Surplus contribution	\$1,466,204
2008	Surplus contribution	25,357,042
2009	Surplus contribution	644,522
2010	Surplus contribution	<u>211,466,409</u>
	Total Surplus Contributions	238,934,177
2010	Ending gross paid in and contributed surplus	<u>\$766,017,376</u>

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, 2010, the board of directors was comprised of the following fourteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Noel Adimari Greenwich, CT	Executive Vice President & Chief Operations Officer, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
John Baptist DiBuduo Woodbridge, CT	Senior Vice President & Chief Technology Officer, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Jeffrey Alan Englander New Rochelle, NY	Senior Vice President, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Vincent James Forgione Newtown, CT	Senior Vice President, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Thomas Lester Forsyth Wilton, CT	Executive Vice President, General Counsel & Corporate Secretary, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Charlene Abruscato Heffernan Stamford, CT	Vice President, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
John Daniel Hickey New Canaan, CT	Executive Vice President, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Constantinos Miranthis Smiths Parish, Bermuda	President & Chief Executive Officer, PartnerRe Ltd.
Carol Ann O'Dea Ridgefield, CT	Senior Vice President, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.

Name and ResidencePrincipal Business Affiliation

John Spencer Peppard
Huntington Station, NY

Senior Vice President,
PartnerRe Insurance Company of New York
Partner Reinsurance Company of the U.S.

David Samuel Phillips
New York, NY

Chief Investment Officer,
PartnerRe Insurance Company of New York
Partner Reinsurance Company of the U.S.

Richard Newell Sanford
Wilton, CT

Executive Vice President,
PartnerRe Insurance Company of New York
Partner Reinsurance Company of the U.S.

Theodore Cuyler Walker
Greenwich, CT

President & Chief Executive Officer,
PartnerRe Insurance Company of New York
Partner Reinsurance Company of the U.S.

John Bullitt Wong
Ridgefield, CT

Senior Vice President & Controller,
PartnerRe Insurance Company of New York
Partner Reinsurance Company of the U.S.

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, 2010, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Theodore Cuyler Walker	President & Chief Executive Officer
John Noel Adimari	Executive Vice President & Chief Operations Officer
Thomas Lester Forsyth	Executive Vice President, General Counsel & Secretary

B. Territory and Plan of Operation

As of December 31, 2010, the Company was licensed to write business in twenty states and the District of Columbia. The Company is approved and/or 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 Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress, as amended; 33 USC Section 901 et seq. as amended) and as authorized by Section 4102(c) of the New York Insurance Law to reinsure risks of every kind or description.

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.

The following schedule shows the gross premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Total Gross Premiums Written</u>
2006	\$1,004,512,395
2007	\$ 997,882,056
2008	\$1,063,775,309
2009	\$1,068,590,204
2010	\$ 881,551,730

C. Reinsurance

Assumed 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.

Effective January 1, 1999, the Company and its subsidiary PartnerRe Insurance Company of New York ("PRNY") entered into a quota share reinsurance agreement covering all lines of business under which the Company 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 obligations ("ECO") clause. The Department's Office of General Counsel has issued an opinion regarding ECO clauses that are included in reinsurance agreements, which 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, as follows:

"In no event shall coverage be provided to the extent that such coverage is not permitted under New York law."

The prior report on examination noted these violations and contained a recommendation that the Company either delete the ECO clause from its assumption agreements or include the savings clause required by the Department. This examination has also determined that the Company has made a good faith effort to correct its existing agreements; however, it has not corrected all of them.

It is recommended that the Company continue its efforts to amend the ECO clauses in all of its assumption agreements to include the savings clause required by the Department or delete the ECO clause.

Ceded Reinsurance

The Company had the following reinsurance program in effect at December 31, 2010:

<u>Type of Treaty</u>	<u>Cession</u>
<u>25% Quota Share Retrocession</u> 100% authorized	25% quota share of all covered business.
<u>Stop Loss Retrocession</u> 100% authorized	Retrocessionaire is liable for the amount by which the aggregate ultimate net losses incurred during the term of the agreement exceeds a loss ratio of 80%, subject to a maximum limit of 20%.
<u>Master Facultative Retrocession Agreement</u> 100% authorized	Company may retrocede, on a non-obligatory basis, up to 80% of any or all covered business. The business retroceded under this agreement shall not also be ceded to the 25% quota share retrocession agreement. (Note: there were no cessions to this agreement in 2010)

The retrocessionaire on the 25% quota share and stop loss agreement is Partner Reinsurance Company Ltd. ("PRE Ltd."), an affiliated Bermuda domiciled reinsurer. The retrocessionaires on the master facultative agreement are PRE Ltd. and Partner Reinsurance Europe Limited, Dublin, Ireland. 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.

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. The reserves transferred have reached the \$10 million limit on an incurred basis; however, payments have not exceeded \$52.6 million retention so the Company has not yet recovered anything under this agreement. This agreement was accounted for as a loss portfolio transfer pursuant to the requirements of Department Regulation 108.

Prior to 2010, PRE Ltd. was an unauthorized reinsurer in the State of New York and therefore had to collateralize all unpaid recoverables due the Company via a multi-beneficiary trust agreement pursuant to Department Regulation 114 in order to be able to take full credit for the recoverable balances on its balance sheet. In 2010, PRE Ltd. received "accredited reinsurer" status in the State of New York. Subsequent to PRE Ltd. receiving accredited reinsurer status, the Company's unpaid recoverables held in the Regulation 114 trust were transferred to PRE Ltd.'s Regulation 20 trust. Therefore, the Regulation 114 trust agreement was no longer necessary and it was cancelled effective December 15, 2010.

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.

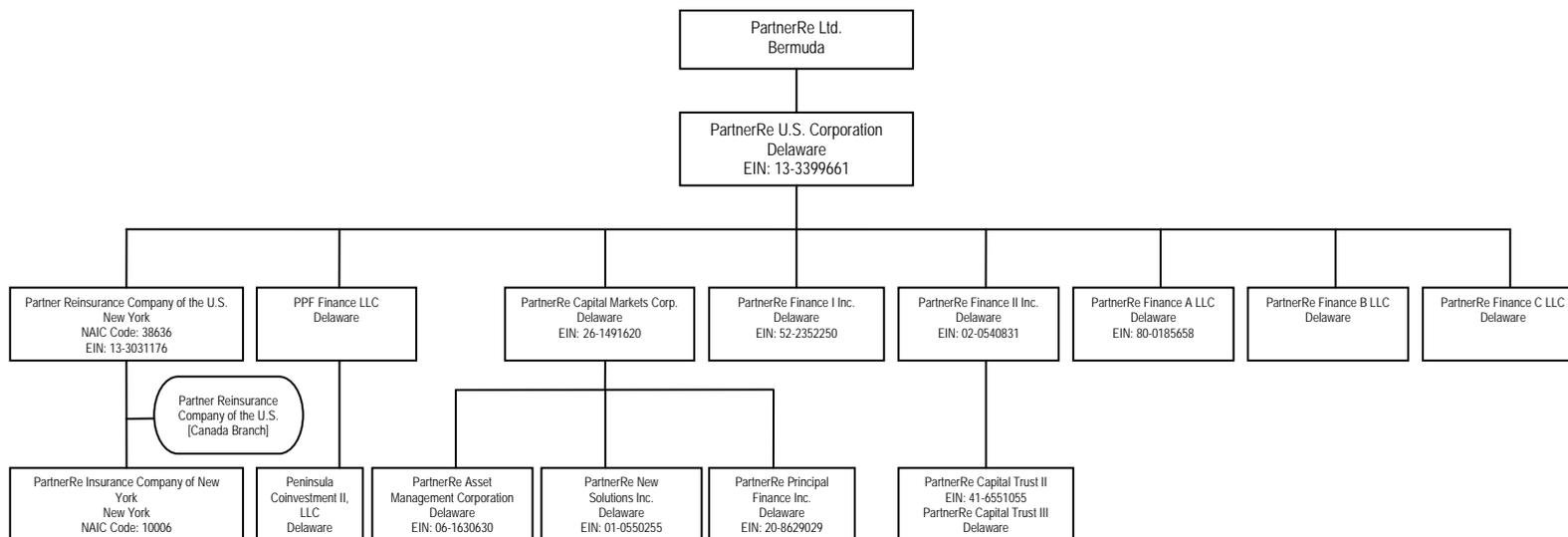
Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62, with the exception of those treaties that were accounted for as Deposit Accounting in accordance with SSAP No. 75. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC Annual Statement Instructions.

D. Holding Company System

The Company is a member of the PartnerRe Group. 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, 2010:



At December 31, 2010, the Company was party to the following agreements with other members of its holding company system:

Service Agreement with PartnerRe Insurance Company of New York (“PRNY”)

Effective January 1, 2005, and as amended on March 5, 2010, the Company entered into a service agreement with PRNY. Pursuant to this agreement, the Company provides to PRNY certain executive and administrative support services and other resources 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.

Service Agreement with various affiliates

Effective December 1, 2001, and as subsequently amended, the Company provides office space, administrative services and various resources to the following affiliates: PartnerRe Asset Management Corporation (“PRAM”); PartnerRe New Solutions, Inc.; PartnerRe Ltd.; PartnerRe Principal Finance, Inc.; PartnerRe Capital Markets Corp.; PartnerRe Miami, Inc.; PARIS RE America Insurance Company; and PartnerRe Connecticut Inc.

The agreement and all amendments were 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 subsequently amended, the Company appointed PartnerRe Asset Management Corporation (“PRAM”), an affiliated Delaware corporation, as its investment manager. Pursuant to this agreement, PRAM provides the Company and PartnerRe Insurance Company of New York (collectively, “the Companies”) with advice, oversight management and recommendations with regard to their investment portfolios, and will manage the Companies’ assets in accordance with the Companies’ investment guidelines. 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 April 1, 2010, the Company and several of its affiliates (collectively, “the Companies”) entered into a service agreement with PartnerRe Services Ltd., a Bermuda affiliate. Pursuant to the agreement, certain Companies will perform various services for the other Companies including: Management and IT architecture and standards; provision of effective IT tools worldwide; purchase and online maintenance of software and user licenses to run various IT applications; operation and online maintenance of these applications; further development, improvement and interface implementation of these applications. PartnerRe Services Ltd. will work as a consultant to provide billing and coordination services to the Companies for the services provided among themselves, including: preparation of invoices on behalf of the Companies for services performed for the other member Companies; collect payments and hold such payments as custodian for the Companies, and credit or debit such Companies’ accounts on the payment date; withhold taxes on invoice payments, if applicable; pool all payments and credit each of the Companies with the excess payments made to such Company over payments made by such Company. 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 May 10, 2010, the Company entered into an advisement and investment agreement with its affiliate, PartnerRe Principal Finance Inc. (“PPF”). The agreement provides that PPF will act as an investment advisor to provide advice, oversight, management and recommendations with respect to the “Principal Finance Assets” only portion of the Company’s investment portfolio. 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 Solutions Inc. (“NS”), a Delaware corporation. Pursuant to this agreement, NS provides the Company and PartnerRe Insurance Company of New York (collectively, “the Companies”) 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

structures. 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.

Tax Allocation Agreement

Effective March 25, 1988, and as subsequently amended, the Company is party to a tax allocation agreement with PartnerRe U.S. Corporation (“PRUSC”) and PRUSC’s subsidiaries. The agreement was submitted to the Department pursuant to the provisions of Department Circular Letter No. 33 (1979).

E. Significant Operating Ratios

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

Net premiums written to surplus as regards policyholders	53%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	71%
Premiums in course of collection to surplus as regards policyholders	3%

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	\$2,410,456,540	66.71%
Other underwriting expenses incurred	1,220,097,668	33.77
Net underwriting loss	<u>(17,286,154)</u>	<u>(0.48)</u>
Premiums earned	<u>\$3,613,268,054</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, 2010 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	\$2,075,016,997	\$ 0	\$2,075,016,997
Common stocks (stocks)	710,590,003		710,590,003
Cash, cash equivalents and short-term investments	380,984,577		380,984,577
Derivatives	277,082		277,082
Receivables for securities	2,473,119		2,473,119
Investment income due and accrued	21,289,227		21,289,227
Uncollected premiums and agents' balances in the course of collection	41,725,032		41,725,032
Deferred premiums, agents' balances and installments booked but deferred and not yet due	294,975,369		294,975,369
Accrued retrospective premiums	7,983,920		7,983,920
Amounts recoverable from reinsurers	68,315,255		68,315,255
Funds held by or deposited with reinsured companies	16,260,164		16,260,164
Net deferred tax asset	100,326,998	47,484,937	52,842,061
Electronic data processing equipment and software	2,963,789	1,977,284	986,505
Furniture and equipment, including health care delivery assets	9,262,552	9,262,552	0
Deposit accounting assets	313,715		313,715
Deferred compensation	8,751,022		8,751,022
Prepaid pension	2,397,834	2,397,834	0
Purchase of renewal rights	1,750,000	1,750,000	0
Amortization of renewal rights	(388,888)	(388,888)	0
Trade deposit / rent	471,145	471,145	0
Retroactive reinsurance - ceded	84,428		84,428
Miscellaneous	<u>43,392</u>	<u>0</u>	<u>43,392</u>
Total assets	<u>\$3,745,866,732</u>	<u>\$62,954,864</u>	<u>\$3,682,911,868</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$1,950,015,633
Reinsurance payable on paid losses and loss adjustment expenses	26,346,845
Commissions payable, contingent commissions and other similar charges	6,570,918
Other expenses (excluding taxes, licenses and fees)	16,265,326
Current federal and foreign income taxes	10,093,863
Unearned premiums	263,626,112
Ceded reinsurance premiums payable (net of ceding commissions)	137,686,665
Funds held by company under reinsurance treaties	4,959,497
Amounts withheld or retained by company for account of others	18,466
Remittances and items not allocated	11,804,551
Provision for reinsurance	2,068,023
Payable to parent, subsidiaries and affiliates	488,386
Derivatives	871,541
Payable for securities	50,915,527
Loss portfolio transfer	(10,000,000)
Deferred compensation	8,751,022
Deposit accounting liability	2,754,349
Allowance for doubtful reinsurance recoverable	2,330,463
Miscellaneous payable	37,955
Retroactive reinsurance – assumed	<u>337,710</u>
 Total liabilities	 \$2,485,942,852

Surplus and Other Funds

Loss portfolio transfer account	\$ 9,850,000
Common capital stock	4,800,000
Gross paid in and contributed surplus	766,017,376
Unassigned funds (surplus)	<u>416,301,640</u>
Surplus as regards policyholders	<u>1,196,969,016</u>
 Total liabilities, surplus and other funds	 <u>\$3,682,911,868</u>

NOTE: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through tax year 2008. All adjustments, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2009 and 2010. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

Surplus as regards policyholders increased \$631,347,284 during the five-year examination period January 1, 2006 through December 31, 2010, detailed as follows:

Underwriting Income

Premiums earned		\$3,613,268,054
Deductions:		
Losses and loss adjustment expenses incurred	\$2,410,456,540	
Other underwriting expenses incurred	<u>1,220,097,668</u>	
Total underwriting deductions		<u>3,630,554,208</u>
Net underwriting gain or (loss)		\$ (17,286,154)

Investment Income

Net investment income earned	\$ 540,596,080	
Net realized capital gain	<u>(47,637,644)</u>	
Net investment gain or (loss)		492,958,436

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (485,349)	
Aggregate write-ins for miscellaneous income	<u>9,950,122</u>	
Total other income		<u>9,464,773</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$ <u>485,137,055</u>
Dividends to policyholders		<u>0</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$ 485,137,055
Federal and foreign income taxes incurred		<u>176,617,783</u>
Net income		\$ <u><u>308,519,272</u></u>

C. Capital and Surplus

Surplus as regards policyholders per report on examination as of December 31, 2005			\$ 565,621,731
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$308,519,272		
Net transfers (to) from protected cell accounts			
Net unrealized capital gains or (losses)	46,765,868		
Change in net unrealized foreign exchange capital gain (loss)	2,206,438		
Change in net deferred income tax	7,146,766		
Change in non-admitted assets	26,038,374		
Change in provision for reinsurance	1,736,389		
Surplus adjustments paid in	<u>238,934,177</u>	<u>0</u>	
Total gains and losses	<u>\$631,347,284</u>	<u>\$ 0</u>	
Net increase (decrease) in surplus			<u>\$ 631,347,284</u>
Surplus as regards policyholders per report on examination as of December 31, 2010			<u>\$1,196,969,015</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$1,950,015,633 is the same as reported by the Company as of December 31, 2010. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained three 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 was recommended that the Company either delete the ECO clause from its assumption agreements or include the savings clause required by the Department</p> <p>The Company has not complied with this recommendation. A similar comment is made in this report.</p>	<p>9</p>
<p>B. <u>Holding Company</u></p> <p><u>Tax Allocation Agreement</u></p> <p>It is recommended that the Company settle its inter-company tax accounts within 30 days as required by the filed tax allocation agreement.</p> <p>The Company has complied with this recommendation.</p>	<p>11</p>
<p>C. <u>Accounts and Records</u></p> <p><u>Custodial Agreements</u></p> <p>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.</p> <p>The Company has complied with this recommendation.</p>	<p>13</p>

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
<p>A. <u>Reinsurance</u></p> <p>It is recommended that the Company continue its efforts to amend the ECO clauses in all of its assumption agreements to include the savings clause required by the Department or delete the ECO clause.</p>	<p>8</p>

Respectfully submitted,

Joseph Revers, CFE
Senior Insurance Examiner

STATE OF NEW JERSEY)
)ss:
COUNTY OF BERGEN)

JOSEPH REVERS, being duly sworn, deposes and says that the foregoing report, subscribed by him,
is true to the best of his knowledge and belief.

Joseph Revers

Subscribed and sworn to before me

this _____ day of _____, 2012.

Appointment No. 30628

STATE OF NEW YORK
INSURANCE DEPARTMENT

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

Joseph Revers

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 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 4th day of January, 2011



James J. Wrynn

JAMES J. WRYNN
Superintendent of Insurance