REPORT ON EXAMINATION

OF THE

GENERAL SECURITY NATIONAL INSURANCE COMPANY

AS OF

DECEMBER 31, 2006

DATE OF REPORT	MAY 6, 2008
EXAMINER	QI LIN

TABLE OF CONTENTS

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

May 6, 2008

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 22627 dated March 20, 2007 attached hereto, I have made an examination into the condition and affairs of General Security National Insurance Company as of December 31, 2006, and submit the following report thereon.

Wherever the designations "the Company" or "GSNIC" appear herein without qualification, they should be understood to indicate General Security National Insurance Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the Company's home office located at 199 Water Street, New York, New York 10038.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 2001. This examination covered the five-year period from January 1, 2002 through December 31, 2006. 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, 2006. 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
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 as the Copenhagen Reinsurance Company of America under the laws of the State of New York on May 15, 1980. The Company commenced underwriting on October 1, 1980, by assuming a book of the U.S. domiciled business of its parent, Copenhagen Reinsurance Company, Ltd. of Denmark.

On July 28, 1989, the Company's name was changed to Sorema North America Reinsurance Company when it was acquired by Sorema N.A Holding Corporation, a member of Groupama of France.

On July 31, 2001, SCOR Paris acquired 100% of the stock of Sorema N.A. Holding Corporation. SCOR Paris immediately contributed 100% of the stock of the Company to SCOR Reinsurance Company ("SCOR Re"). Effective January 1, 2002, the name of the Company was changed to General Security National Insurance Company ("GSNIC").

On December 31, 2006, SCOR Reinsurance Company sold 100% of the outstanding stock of the Company to SCOR Paris under its capital restructure plan and the Company became a direct subsidiary of SCOR Paris.

At December 31, 2006, the capital paid in was $5,000,000 consisting of 100 shares of common stock at $50,000 par value per share. Gross paid in and contributed surplus was $230,450,840 and increased by $85,927,659 during the examination period, as follows:

Year	Description		
2001	Beginning gross paid in and contributed surplus		$144,523,180
2002	Surplus withdrawal	$(105,378)	
2003	Surplus contributions	66,232,568	
2004	Surplus contributions	848,469	
2005	Surplus contributions	8,500,000	
2006	Surplus contributions	10,452,000	
	Total Surplus Contributions		85,927,659
2006	Ending gross paid in and contributed surplus		$230,450,839

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 met four times during each calendar year. At December 31, 2006, the board of directors was comprised of the following thirteen members:

Name and Residence	Principal Business Affiliation
John T. Andrews, Jr. Califon, NJ	Retired
Michel Blanc New York, NY	Senior Vice President, SCOR Reinsurance Company
Allan M. Chapin New York, NY	Partner, Compass Advisers L.L.P.
Steven Z. Desner Rockville Center, NY	Senior Vice President, SCOR Reinsurance Company
John Fitzpatrick Chicago, IL	Senior Vice President, SCOR Reinsurance Company
Henry Klecan, Jr. New York, NY	President and Chief Executive Officer, SCOR Reinsurance Company
Mark Kociancic Mendham, NJ	Senior Vice President, Chief Financial Officer and Treasurer, SCOR Reinsurance Company
Sarah Krutov Brooklyn, NY	Senior Vice President and Chief Actuary, SCOR Reinsurance Company
Daniel Lebegue Paris, France	President, Institut Francais Des Administrateuers
Victor Peignet Sevres, France	Chief Operating Officer, SCOR Global P&C
Lee Routledge New York, NY	Senior Vice President, SCOR Reinsurance Company
Patrick Thourot Paris, France	Chief Operating Officer, SCOR Paris
Edward N. Wolff New York, NY	Professor of Economics, Department of Economics, New York University

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member has an acceptable record of attendance.

As of December 31, 2006, the principal officers of the Company were as follows:

Name	Title
Henry Klecan, Jr.	Chairman, President and Chief Executive Officer
Maxine Hilary Verne	Senior Vice President and Corporate Secretary
Mark Kociancic	Senior Vice President , Chief Financial Officer and Treasurer

B. Territory and Plan of Operation

As of December 31, 2006, the Company was licensed to write business in all states except, New Hampshire, Ohio and Vermont. The Company is an accredited reinsurer in New Hampshire and Vermont.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company may also write 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 insurances described in the Longshoremen's and Harbor Workers' Compensation Act

(Public Law No. 803, 69th Congress as amended) and is authorized by Section 4102(c), insurance of every kind or description outside of the United States and reinsurance of every kind or description. Additionally, the Company is licensed to conduct the business of special risk insurance pursuant to 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 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.

It was noted that the Company was licensed to write mortgage guaranty insurance in Florida. However, the Company was not authorized to write this line of business on its New York license. This appears to be a violation of Section 1102(b) of the New York Insurance Law which states as follows:

> "No corporation organized under any law of this state shall do an insurance business outside this state unless so authorized pursuant to the provisions of this chapter or exempted by the provisions of this chapter from such requirement."

It is recommended that the Company comply with Section 1102(b) of the New York Insurance Law by amending its Florida license to only include those lines of business it is authorized to do in accordance with its New York license.

The Company was organized as a multiple line reinsurer engaged in underwriting treaty and facultative reinsurance. However, the Company has been running off its reinsurance business since 2002. Currently, the Company still directly writes a small amount of political risk business produced by a program administrator.

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

Calendar Year	New York State	Total United States	Premiums Written in New York State as a percentage of United States Premium
2002	$335,001	$ 4,926,694	6.80%
2003	$942,265	$11,476,207	8.21%
2004	$303,744	$ 1,910,446	15.90%
2005	$960,013	$ 960,013	100.00%
2006	$881,676	$ 881,676	100.00%

C. Reinsurance

The Company has been in run-off since 2002 and there was no new or renewal reinsurance business in force as of December 31, 2006. Accordingly, the reinsurance activity has been diminishing over the years by claim settlements, the utilization of loss portfolio transfers, and commutation of various reinsurance agreements.

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 NAIC Accounting Practices and 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). Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62.

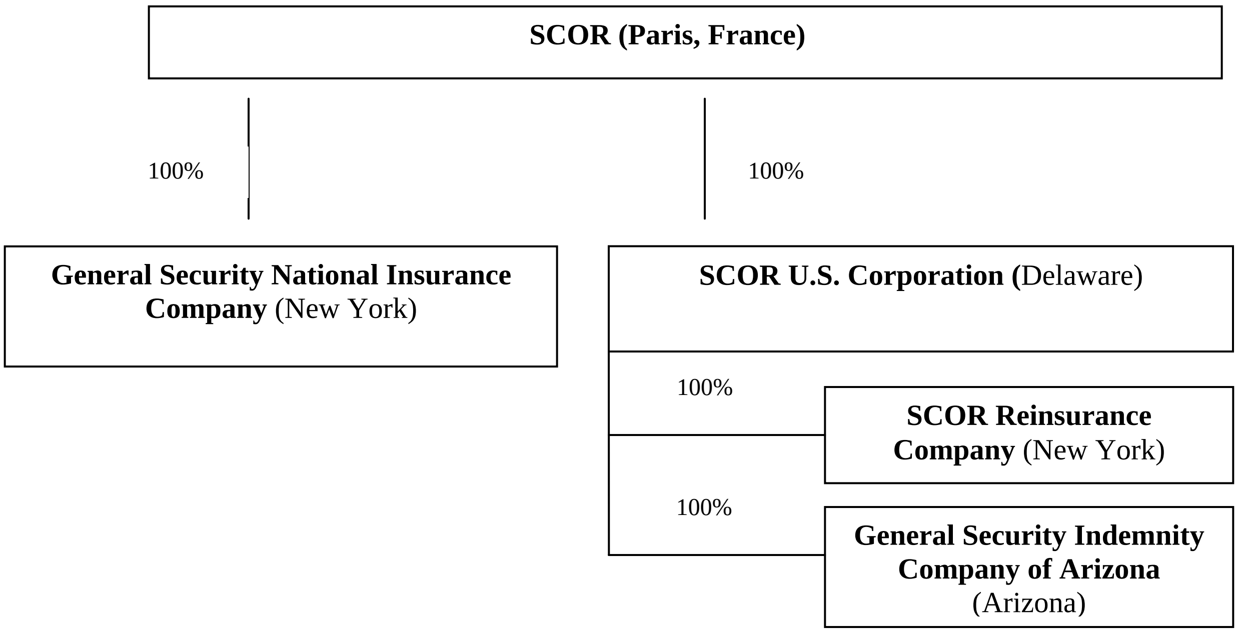
D. Holding Company System

Prior to December 31, 2006, the Company was a controlled insurer owned directly by SCOR Reinsurance Company. SCOR Reinsurance Company sold the Company to their ultimate parent, SCOR Paris, a French reinsurance company effective on December 31, 2006. Thereafter, the Company became a wholly owned direct subsidiary of SCOR Paris.

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, 2006:

Organizational Chart



At December 31, 2006, the Company was party to the following agreements with other members of its holding company system:

Expense Allocation Agreement

Effective August 1, 2001, the Company became a party to an expense allocation agreement with several affiliates. Pursuant to the terms of this agreement, which was originally effective January 1, 1991 and approved by the Department on April 19, 1991, the affiliates agree to provide and make available to each other the services of their personnel, office space, equipment and other services. The agreement and subsequent amendments were filed with this Department pursuant to Section 1505 of the New York Insurance Law.

A review of the inter-company transactions revealed that the Company did not settle its inter-company receivable and payable balances in a timely manner in accordance with the filed expense allocation agreement.

It is recommended that the Company settle its inter-company receivable and payable balances in a timely manner consistent with its filed expense allocation agreement and Department Circular Letter No. 15 (1975).

Tax Allocation Agreement

Pursuant to an agreement, the Company filed a consolidated income tax return with its parent company, SCOR U.S. Corporation, and its affiliates. The agreement was approved by the Department on April 19, 1991 and originally became effective on August 2, 1991. Because of the sale of the Company to SCOR Paris, the Company was no longer a member of the SCOR U.S. Group. Effective on January 1, 2007, the Company terminated the participation in the agreement pursuant to amendment No. 4.

Inter-Company Reinsurance Agreement

During the examination period, the Company entered into indemnity and assumption reinsurance agreements with each of two former affiliates, General Security Insurance Company ("GSIC") and General Security Property and Casualty Company ("GPAC"), in conjunction with the sale of GSIC and GPAC to an unrelated third party, Unitrin, Inc., effective December 31, 2002. Under the indemnity and assumption reinsurance agreements, GSIC and GPAC each ceded to the Company on an indemnity reinsurance basis, 100% of all insurance liabilities under all policies and reinsurance contracts in force on or before December 31, 2002 at no gain or loss. SCOR Re guaranteed the obligations assumed by the Company. The underlying assumed liabilities were retroceded to SCOR Re under a quota share reinsurance agreement, in which the Company ceded 90% of its net retained liabilities under all policies contracts, binders and other evidences of insurance or reinsurance becoming effective or renewing on or after July 1, 2002. Effective December 31, 2006, the Company novated the 90% quota share agreement with SCOR Re to SCOR Global P&C (France), a 100% owned subsidiary of SCOR Paris, the ultimate parent company and current sole shareholder of the Company. Subsequently, the Company commuted the 90% quota share agreement with SCOR Global P&C (France) effective October 1, 2007. All the related agreements were filed with this Department pursuant to Section 1505 of the New York Insurance Law.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2006, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	2%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	102%
Premiums in course of collection to surplus as regards policyholders	2%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$274,408,332	158.72%
Other underwriting expenses incurred	81,111,998	46.92
Net underwriting loss	(182,630,219)	(105.63)
Premiums earned	$172,890,111	100.00%

F. Accounts and Records

(i) Investment

A review of the Company’s investments as of December 31, 2006 revealed that the Company had not made investments in qualified investments in an amount sufficient to meet the requirement of Section 1402(b) of the New York Insurance Law. Subsequently, the Company made investments that were sufficient to meet the minimum capital requirement as of September 30, 2007.

(ii) Letter of Credit

A review of the Company's letters of credit revealed that certain discrepancies were found on the balances reported by the Company in the annual statement and those confirmed by the financial institutions. However, the discrepancies were not material enough to result a change to the annual statement. In addition, the review identified that in some letters of credit either provisions were omitted or did not comply with Department Regulation 133.

It is recommended that the Company take greater care to ensure that it accurately report the balances of the letters of credit in the annual statement.

It is recommended that the Company amend its letters of credit to comply with Department Regulation 133.

(iii) Agents' Balances

A review of the calculation of the not admitted asset for uncollected premiums and agents' balances in course of collection revealed that the Company did not age its receivable balances in accordance with the provisions of SSAP No. 6 and Section 1301 of the New York Insurance Law. The examiners' recalculation of the non-admitted asset resulted in no material difference; therefore, no examination change is included herein.

It is recommended that the Company calculate and report its non-admitted agents' balances in accordance with SSAP No. 6 and Section 1301 of the New York Insurance Law.

(iv) Other Assets and Liabilities

A review of the other assets and liabilities revealed that the Company reported $2,056,938 receivable from pools and associations, and $3,494,579 for other liability as write-ins items in its 2006 balance sheet.

A review of the details for these accounts revealed that they involved some legacy transactions from past systems which had no supporting documentation. Therefore, it was determined that the receivable will not provide any probable future economic benefit to the Company. Similarly, the liability will not result on any probable future cost to the Company. As of result, these assets and liabilities did not meet definitions set forth in the SSAP No.4 and SSAP No.5.

However, the net effect of the other assets and liabilities did not result a material difference to the balance sheet. Therefore, no examination change is included herein.

It is recommended that the Company properly account for write-in assets and liabilities and timely write off any balances that do not meet the provisions of SSAP No. 4 and SSAP No. 5.

(v) Pledged Assets

The Company reported only $21,990,625 out of a total of $35,111,597 funds held for the Rampart contract as pledged assets in the Overflow Page For Write-ins in the 2006 annual statement. The remaining amount was reported as unpledged invested assets. Pursuant to the Rampart contract, the entire $35,111,597 is restricted for use and should have been segregated from the Company's unpledged invested assets.

It is recommended that the Company correctly categorize its assets and properly report the entire funds held with Rampart as pledged assets and report the item in line 23 as aggregate write-ins for other than invested assets in the assets page.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2006 as determined by this examination and as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$122,316,719	$ 0	$122,316,719
Common stocks	155,852	0	155,852
Cash, cash equivalents and short-term investments	204,195,694	0	204,195,694
Investment income due and accrued	1,443,574	0	1,443,574
Uncollected premiums and agents' balances in the course of collection	3,346,813	1,945,000	1,401,813
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,097,909	0	1,097,909
Accrued retrospective premiums	376,198	37,619	338,579
Amounts recoverable from reinsurers	40,522,613	0	40,522,613
Funds held by or deposited with reinsured companies	7,767,719	0	7,767,719
Receivables from parent, subsidiaries and affiliates	1,209,433	0	1,209,433
Aggregate write-ins for other than invested assets	40,572,902	16,179,339	24,393,563
Total assets	$460,819,701	$55,976,233	$404,843,468

Liabilities, surplus and other funds	Examination	Company	Increase (Decrease)
Liabilities			
Losses	$142,382,977	$140,982,977	($1,400,000)
Reinsurance payable on paid losses and loss adjustment expenses	9,498,508	9,498,508	
Loss adjustment expenses	21,834,619	21,834,619	
Commissions payable, contingent commissions and other similar charges	270,899	270,899	
Other expenses (excluding taxes, licenses and fees)	1,719,417	1,719,417	
Taxes, licenses and fees (excluding federal and foreign income taxes)	603,259	603,259	
Unearned premiums	58,384	58,384	
Ceded reinsurance premiums payable (net of ceding commissions)	7,238,686	7,238,686	
Funds held by company under reinsurance treaties	123,849,849	123,849,849	
Provision for reinsurance	2,812,953	2,812,953	
Payable to parent, subsidiaries and affiliates	20,908,618	20,908,618	
Payable for securities	645	645	
Aggregate write-ins for liabilities	7,064,294	7,064,294	
Total liabilities	$338,243,108	$336,843,108	($1,400,000)
Surplus and Other Funds			
Common capital stock	$5,000,000	$5,000,000	
Gross paid in and contributed surplus	$230,450,840	$230,450,840	
Unassigned funds (surplus)	($168,850,480)	($167,450,480)	($1,400,000)
Surplus as regards policyholders	$66,600,360	$68,000,360	($1,400,000)
Totals	$404,843,468	$404,843,468	

NOTE: The Internal Revenue Service had not audited the Company during the examination period. 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 $20,202,013 during the five-year examination period January 1, 2002 through December 31, 2006, detailed as follows:

Underwriting Income		
Premiums earned		$ 172,890,111
Deductions:		
Losses incurred	$ 149,859,681	
Loss adjustment expenses incurred	72,209,300	
Other underwriting expenses incurred	81,111,998	
Total underwriting deductions		303,180,979
Net underwriting gain or (loss)		$ (130,290,868)
Investment Income		
Net investment income earned	$ 39,154,805	
Net realized capital gain	17,108,690	
Net investment gain or (loss)		56,263,495
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (15,721,099)	
Aggregate write-ins for miscellaneous income	4,952,994	
Net income before dividends to policyholders and before federal and foreign income taxes		(84,795,478)
Net income after dividends to policyholders but before federal and foreign income taxes		$ (84,795,478)
Federal and foreign income taxes incurred		(5,735,498)
Net income		$ (79,059,980)

C. Capital and Surplus Account

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2001			$46,398,347
Net income	$ 0	$ 79,059,980	
Net unrealized capital gains or (losses)	15,644,933	0	
Change in net unrealized foreign exchange capital gain (loss)	0	6,772,467	
Change in net deferred income tax	36,719,286	0	
Change in nonadmitted assets	0	51,119,193	
Change in provision for reinsurance	0	1,354,287	
Cumulative effect of changes in accounting principles	19,544,865	0	
Surplus adjustments paid in	85,927,659	0	
Aggregate write-ins for gains and losses in surplus	671,197	0	
Total gains and losses	$ 158,507,940	$ 138,305,927	
Net increase in surplus			20,202,013
Surplus as regards policyholders per report on examination as of December 31, 2006			$66,600,360

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $164,217,596 is $1,400,000 more than the $162,817,596 reported by the Company in its December 31, 2006, filed annual statement. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and was based on statistical information contained in the Company's internal records and in its filed annual statements.

5. MARKET CONDUCT ACTIVITIES

The Company is primarily a reinsurance company and has been in run off since 2002. Therefore, no market conduct review of the Company was done during this examination.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM		PAGE NO.
A	It was recommended that the Company establish the necessary procedures so as to provide for adequate reserves for unpaid losses in all future financial statements filed with this Department, in order to comply with the requirements of Section 1303 of the New York Insurance law. The Company has complied with this recommendation.	17

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Territory and Plan of Operation	
	It is recommended that the Company comply with Section 1102(b) of the New York Insurance Law by amending its Florida license to only include those lines of business it is authorized to do in accordance with its New York license.	6
B.	Holding Company System	
	It is recommended that the Company settle its inter-company receivable and payable balances in a timely manner consistent with its filed expense allocation agreement and Department Circular Letter No. 15 (1975).	9
C.	Account and Record	
i.	Letters of Credit	
a.	It is recommended that the Company take greater care to ensure that it accurately report the balances of the letters of credit in the annual statement.	11
b.	It is recommended that the Company amend its letters of credit to comply with Department Regulation 133.	11
ii.	Agents' Balances	
	It is recommended that the Company calculate and report its non-admitted agents' balances in accordance with SSAP No. 6 and Section 1301 of the New York Insurance Law.	11
iii.	Other Assets and Liabilities	
	It is recommended that the Company properly account for write-in assets and liabilities and timely write off any balances that do not meet the provisions of SSAP No. 4 and SSAP No. 5.	12
iv.	Pledged Assets	
	It is recommended that the Company correctly categorize its assets and properly report the entire funds held with Rampart as pledged assets and report the item in line 23 as aggregate write-ins for other than invested assets in the assets page.	12

Respectfully submitted,

/S/
Qi Lin
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
)
COUNTY OF NEW YORK)

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

/S/
Qi Lin

Subscribed and sworn to before me

this__________ day of ___________________, 2008.

Appointment No .22627

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, Eric R. Dinallo *, Acting Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Qi Lin

as proper person to examine into the affairs of the

GENERAL SECURITY NATIONAL INSURANCE COMPANY

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

Company

with such other information as he shall deem requisite.

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

this 20th *day of* March, *2007*

ERIC R. DINALLO
Acting Superintendent of Insurance