

REPORT ON ASSOCIATION EXAMINATION
OF THE
JEFFERSON INSURANCE COMPANY OF NEW YORK
AS OF
DECEMBER 31, 1998

ZONE

1

2

EXAMINER

DEBORAH SEXTON

JAMES O'SULLIVAN

STATE

NEW YORK

MISSISSIPPI

Honorable Alfred W. Gross
Chairman, Financial Condition Subcommittee
National Association of Insurance Commissioners
2301 McGee
Kansas City, Missouri 64108-2604

Honorable Alfred W. Gross
Secretary-Treasurer, Southeastern Zone
Insurance Commissioner
State Corporate Commission
Bureau of Insurance
Commonwealth of Virginia
P.O. Box 1157
Richmond, Virginia 23218

Honorable Diane Koken
Secretary-Treasurer, Northeastern Zone
Insurance Commissioner
Pennsylvania Insurance Department
1326 Strawberry Square, 13th Floor
Harrisburg, Pennsylvania 17120

Honorable Charles Cohen
Director
Secretary-Treasurer, Western Zone
Arizona Department of Insurance
2910 North 44th Street, Suite 210
Phoenix, Arizona 85018-7256

Honorable Neil D. Levin
Superintendent of Insurance
State of New York
Albany, New York 12257

Commissioners:

In accordance with your several instructions, an Association Examination has been made as of December 31, 1998, into the financial condition and affairs of the Jefferson Insurance Company of New York and the following report is respectfully submitted thereon.

REPORT ON EXAMINATION
OF THE
JEFFERSON INSURANCE COMPANY OF NEW YORK
AS OF
DECEMBER 31, 1998

DATE OF REPORT

SEPTEMBER 13, 2000

EXAMINER

DEBORAH SEXTON

TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	3
	A. Management	3
	B. Territory and plan of operation	5
	C. Reinsurance	7
	D. Holding company system	11
	E. Significant operating ratios	13
	F. Abandoned Property Law	14
	G. Accounts and records	14
3.	Financial statements	15
	A. Balance sheet	15
	B. Underwriting and investment exhibit	17
4.	Common Stocks	19
5.	Losses and loss adjustment expenses	19
6.	Market Conduct Activities	20
7.	Compliance with prior report on examination	21
8.	Summary of comments and recommendations	21



STATE OF NEW YORK
INSURANCE DEPARTMENT
25 Beaver Street
NEW YORK, NEW YORK 10004

GEORGE E. PATAKI
Governor

NEIL D. LEVIN
Superintendent of Insurance

September 13, 2000

Honorable Neil D. Levin
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the directions contained in Appointment Number 21608, dated September 7, 2000 attached hereto, I have made an examination into the condition and affairs of the Jefferson Insurance Company of New York, as of December 31, 1998 and submit the following report thereon.

The examination was conducted at the Company's home office located at Newport Tower, 525 Washington Boulevard, Jersey City, New Jersey 07310.

Whenever the designations "the Company" or "Jefferson" appear herein without qualification, they should be understood to indicate the Jefferson Insurance Company of New York.

Whenever the designation "JEFFCO" appears herein it should be understood to indicate the JEFFCO Management Company.

Whenever the designation “Monticello” appears herein it should be understood to indicate the Monticello Insurance Company, an insurer domiciled in Delaware.

Whenever the designation “Jefferson Insurance Group” appears herein it should be understood to indicate the Jefferson Insurance Company of New York and its wholly owned subsidiaries, Monticello Insurance Company and JEFFCO Management Company.

Whenever the designation “Department” appears herein it should be understood to indicate the New York State Insurance Department.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1995. This examination covers the three-year period from January 1, 1996 through December 31, 1998. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a complete verification of assets and liabilities as of December 31, 1998, a review of income and disbursements deemed necessary to accomplish such verification and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

- History of the Company
- Management and control
- Corporate records
- Fidelity bonds and other insurance
- Territory and plan of operation
- Market conduct activities
- Business in force
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements

The Monticello Insurance Company, Wilmington, Delaware, a wholly-owned subsidiary of the Jefferson Insurance Company of New York, was examined concurrently with this examination by the State of Delaware.

A review was also made to ascertain what action was taken with regard to comments and recommendations 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 Jefferson Insurance Company of New York was established under the laws of the State of New York on March 15, 1950, under the name, Jefferson Insurance Company. On February 1, 1952, the corporate name was changed to the Jefferson Insurance Company of New York.

At December 31, 1998, the capital structure of the Company was \$10,453,700, which is comprised of 104,537 shares of issued and outstanding capital stock with a par value of \$100 per share.

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 fifteen members. As of the examination date, the board of directors was comprised of thirteen members. The board met twice during each calendar year. As of December 31, 1998, the members of the Company's board of directors were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Kenneth James Bolen Middletown, NJ	Senior Vice President-Underwriting, Jefferson Insurance Group
Claus Cardinal Watchung, NJ	President and Chief Executive Officer, Jefferson Insurance Group
Vincent Gabriel Celano Flushing, NY	Senior Vice President and Secretary, Jefferson Insurance Group

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Edwin Joseph Ghigliotty Paramus, NJ	Senior Vice President and Treasurer, Jefferson Insurance Group
Herbert Frieddrich Hansmeyer Gmund, Germany	Chairman, Allianz of America Inc.
Joseph James Harkins South Ponte Verde Beach, Florida	Retired
James Francis Hughes Oceanside, NY	Retired
Robert Janson Highland Beach, Florida	Retired
David Paul Marks Bloomfield, Connecticut	Chief Operating Officer, Allianz of America Inc.
Alan Jay Martin East Hills, NY	Partner, Abrams and Martin, P.C.
Atanas Nikow Englewood Cliffs, NJ	Senior Vice President-Claims, Jefferson Insurance Group
Eugene Charles Rainis Mendham, NJ	Chairman, Brown Brothers
Paul Michael Saffert Novato, California	Vice President, Allianz of America Inc.

The minutes of all board of directors' meetings and committees thereof held during the examination period were reviewed. The meetings were generally well attended and each of the directors had a satisfactory attendance record.

The principal officers of the Company as of December 31, 1998 were as follows:

<u>Name</u>	<u>Title</u>
Claus Cardinal	President
Vincent Gabriel Celano	Senior Vice President and Secretary
Edwin Joseph Ghigliotty	Senior Vice President and Treasurer
Kenneth James Bolen	Senior Vice President, Underwriting
Atanas Nikow	Senior Vice President, Claims
Roger James Cunningham	Vice President
Theotis Clifton Pearson	Vice President
Douglas Francis Vatter	Vice President
Michael John O'Donnell	Vice-President

B. Territory and Plan of Operation

At December 31, 1998, the Company was licensed to transact business in the District of Columbia and in all the states except Hawaii and Louisiana. The Company operates on a surplus lines or non-admitted basis in Hawaii and Louisiana.

The following schedule shows direct premiums written in the State of New York compared to the direct business countrywide for the three calendar years covered by this examination:

DIRECT PREMIUMS WRITTEN (000s)

<u>Calendar Year</u>	<u>New York State</u>	<u>Total United States</u>	<u>Percentage of U.S. Premiums Written in New York State</u>
1996	\$165	\$32,422	.5%
1997	\$406	\$45,902	.89%
1998	\$511	\$66,681	.76%

The Company is licensed to transact the kinds of insurance as set forth in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Kinds of Insurance</u>
3(i)	Accident and health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
12	Collision
13	Personal injury liability
14	Property damage liability
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also empowered to transact such workers' compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113(a), including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law 803, 69th Congress, as amended; USC Section 901 et seq. as amended).

Based upon 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 \$1,600,000.

The Company writes primarily excess, surplus and specialty lines business, concentrating on small commercial and personal exposures that cover substandard risks at surcharged rates.

The business is produced through wholesale general agents and wholesale brokers specializing in excess and surplus lines. The Company assumes that the risks submitted to these brokers have been previously rejected by the standard markets and, therefore, the Company prices and structures its products by applying surcharges, more restrictive terms and higher deductibles.

The wholesale brokers have no underwriting authority and must refer all applications to the home office of the Company. The wholesale and general agents have limited underwriting/binding authority, but cannot place reinsurance nor settle claims. The functions performed by the wholesale general agents on behalf of the Company include the application of underwriting and pricing guidelines, issuance of policies, endorsements, cancellations, collection of premiums and pay commissions for the Company's products. The producers are primarily independent insurance agents or agencies. The wholesale general agents are required to forward all records, including individual policy records to the Company.

C. Reinsurance

The Company entered into a reciprocal quota share agreement with its affiliated company, Monticello Insurance Company, effective January 1, 1977. This contract provides for Jefferson Insurance

Company of New York to assume 100% of the net writings of Monticello Insurance Company and to cede 20% of the combined net writings to Monticello Insurance Company. Underwriting assets and liabilities, all losses, claims expenses and underwriting expenses were shared by Jefferson Insurance Company of New York and Monticello Insurance Company in accordance with their corresponding pooling percentages of 80% and 20%, respectively.

In 1998, Jefferson Insurance Company wrote \$66,681,545 in direct premiums and assumed \$65,342,597 of premiums from Monticello Insurance Company.

In 1998, the Company also assumed premiums totaling \$5,667,000 from various affiliates. The contracts with affiliates were approved in accordance with Section 1505 of the New York Insurance Law.

Ceded Reinsurance

The examiners reviewed all ceded reinsurance contracts in effect during the examination period. The contracts contained the required standard clauses including insolvency clauses meeting the requirements of Section 1308 of the New York Insurance Law.

The Schedules F data contained in the Company's annual statements filed for the years within the examination period was found to accurately reflect its reinsurance transactions.

As of December 31, 1998, Jefferson had in effect the following ceded reinsurance contracts:

<u>Type of contract</u>	<u>Cession</u>
<u>Property Excess of Loss</u>	
First layer 100% authorized	\$500,000 excess of \$250,000, any one risk, limit of \$1,500,000.
Second layer 100% authorized	\$750,000 excess of \$750,000.
Auto facility per risk 100% authorized	\$1,500,000 excess of \$1,500,000 limit of \$7,500,000, any one occurrence (placed with an affiliate).
<u>Variable Quota Share</u>	
<u>Property</u> 100% unauthorized	Covers various zones in Florida, Georgia, North and South Carolina. Cessions range between 20 to 25%.
<u>Excess of loss-Casualty</u>	
First Layer 100% authorized	\$900,000 excess of \$350,000, after an aggregate of \$1,500,000.
Second layer 100% authorized	\$1,750,000 excess of \$1,250,000, per occurrence.
Third layer 100% authorized	\$2,000,000 excess of \$3,000,000, per occurrence.
Fourth Layer -Contingency Excess of Loss 100% authorized	\$5,000,000 excess of \$5,000,000, per occurrence.

The Company also maintains a property catastrophe excess of loss treaty on a per occurrence basis.

For each of the first four layers, ninety-five percent is ceded with five percent (5%) retained by the Company. The limits were as follows:

<u>Type of Contract</u>	<u>Cession</u>
<u>Catastrophe Excess of loss</u>	
<u>Property business</u>	
Special Catastrophe Excess of loss 100% authorized	\$3,000,000 excess of \$500,000, each and every loss occurrence specific retro covering Florida mobile home property written by a specific agent.
<u>Property Excess of Loss</u>	
First layer 50% authorized 50% unauthorized	95% of \$2,000,000 excess of \$3,000,000.
Second layer 64.7% authorized 35.3% unauthorized	95% of \$5,000,000 excess of \$5,000,000.
Third layer 51.1% authorized 48.9% unauthorized	95% of \$10,000,000 excess of \$10,000,000.
Fourth layer 65.8% authorized 34.2 unauthorized	95% of \$10,000,000 excess of \$20,000,000.
Fifth layer 89.5% authorized 10.5% unauthorized	\$10,000,000 excess of \$30,000,000. (100% placed)
Sixth layer 100% unauthorized	\$10,000,000 excess of \$40,000,000. (100% placed)

During the review of reinsurance contracts, it was noted that terms of the special catastrophe excess of loss contract did not transfer any risk, due to the wording of the contract's termination clause. Specifically any losses incurred by the reinsurer can be reimbursed by surcharging the premium the following year.

It is recommended that the Company ensure that the reinsurance contracts, which protect the Company, contain the proper wording as to ensure their validity.

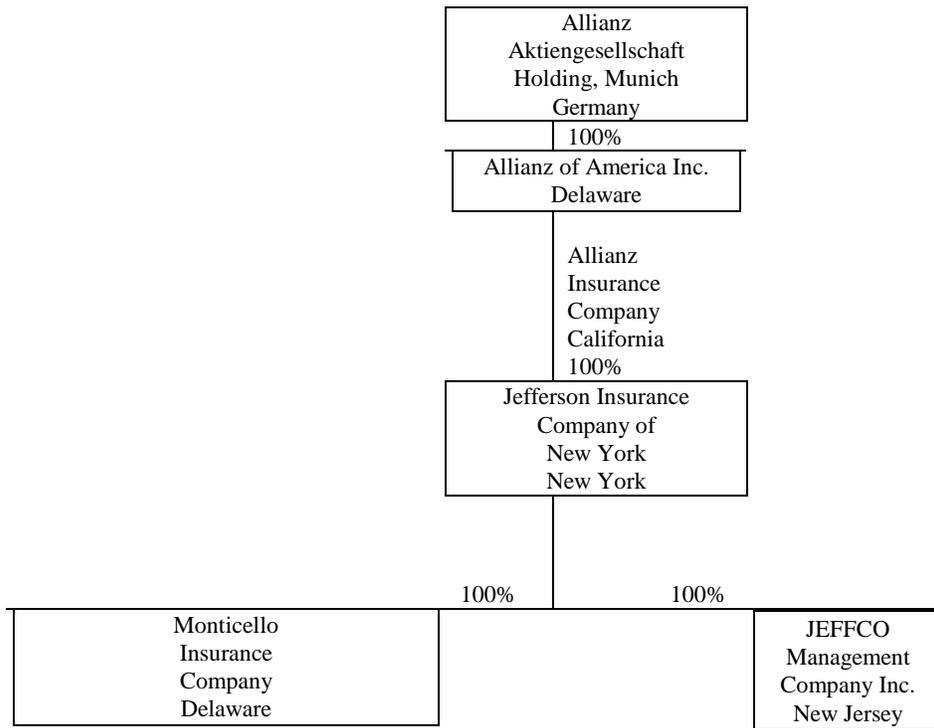
It is noted that during the examination the contract wording was changed by a retroactive endorsement and now the agreement does transfer risk to the reinsurer.

D. Holding Company System

At December 31,1998, one hundred percent of the outstanding shares of the Company were owned by Allianz of America, Inc., a Delaware corporation. The ultimate parent company of Jefferson Insurance Company of New York is Allianz Aktiengesellschaft Holding, Munich, Germany, which is an international holding company of numerous insurance entities and related interests.

The Company has filed with the New York State Insurance Department the required registration statements pursuant to of Section 1503 of the New York State Insurance Law and Department Regulation 52.

The following is an abbreviated organizational chart of the holding company system:



(Appendix "A" is attached hereto is a complete holding company description which includes entities omitted from the chart.)

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 1998, based upon the results of this examination:

Net premiums written in 1998 to Surplus as regards policyholders	1.31 to 1
Liabilities to Liquid assets (cash and invested assets less investments in affiliates)	85.3%
Premiums in course of collection to Surplus as regards policyholders	6.81%

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 three-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$225,572,910	86.67%
Other underwriting expenses incurred	90,148,344	34.64
Net underwriting loss	<u>\$(55,467,368)</u>	<u>(21.31)</u>
Premiums earned	<u>\$260,253,886</u>	<u>100.00%</u>

F. Abandoned Property Law

The Company has not filed the required abandoned property statements with the State Comptroller as required by the provisions of the New York State Abandoned Property Law. Sections 1315 and 1316 of the Abandoned Property Law states as follows:

“Such abandoned property shall be reported to the comptroller annually on or before the first day of April.”

It is recommended that the Company file the required statements with the State Comptroller’s Office as required by the New York State Abandoned Property Law.

G. Accounts and records

During the examination of the account agents’ balances and premiums in course of collection, it was noted that the premium aging report was not included in the Company’s routine computer programs. The Company currently ages agents’ balances and premiums in course of collection manually using the premium run. In order to examine the aging for accuracy, a program was developed using the Auditing Command Language (ACL) program. As the Company amount was not entered into the computer, this examination method could only check a range of accuracy rather than a true comparison. Therefore, even though the ACL program showed a difference of \$250,000 in overdue premiums it did not result in a change of surplus.

It is recommended that the Company age its premiums in course of collection by developing an electronic program to run concurrently with existing premium programs in order to assure that its accounts are being reported in an accurate manner.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as determined by this examination as of December 31,1998.

<u>Assets</u>	<u>EXAMINATION</u>			<u>COMPANY</u>		Surplus Increase (Decrease)
	<u>Ledger Assets</u>	<u>Non-Ledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Admitted Assets</u>	
Bonds	\$208,314,416		\$144,800	\$208,169,616	\$208,169,616	
Preferred Stocks	920,058	\$ 299,605		1,219,663	1,219,663	
Common Stocks	42,702,577	28,319,755		71,022,332	80,116,832	\$(9,094,500)
Cash	4,622,627			4,622,627	4,622,627	
Short-term Investments	20,078			20,078	20,078	
Other invested assets	294,586			294,586	294,586	
Receivable for securities	121,220			121,220	121,220	
Premiums and agents balances in course of collection	5,360,158		204,217	5,155,941	5,155,941	
Funds held by or deposited with reinsured companies	1,203,456			1,203,456	1,203,456	
Reinsurance recoverable on loss and loss adjustment expenses	4,258,635			4,258,635	4,258,635	
Electronic data processing	797,509			797,509	797,509	
Interest, dividends and real estate income and accrued		3,197,768		3,197,768	3,197,768	
Receivable from parent subsidiaries and affiliates	408,073			408,073	408,073	
Other assets nonadmitted	943,683		943,693			
Automobiles	41,128		41,128			
Leasehold improvements	342,016		342,016			
Other assets	<u>152,350</u>		<u>152,350</u>			
Total Assets	<u>\$270,502,580</u>	<u>\$31,817,128</u>	<u>\$ 1,828,204</u>	<u>\$300,491,504</u>	<u>\$309,586,004</u>	<u>\$(9,094,500)</u>

<u>Liabilities</u>	<u>Examination</u>	<u>Company</u>	<u>Surplus Increase (Decrease)</u>
Losses and loss adjustment expenses	\$171,769,509	\$135,391,509	\$(36,378,000)
Reinsurance payable on paid losses	5,825,998	5,825,998	
Contingent commission and other similar charges	1,266,959	1,266,959	
Other expenses	2,162,592	2,162,592	
Taxes, licenses and fees	1,192,000	1,192,000	
Federal and foreign income tax	2,675,268	2,675,268	
Unearned premiums	39,052,999	39,052,999	
Amounts withheld or retained by company for account of others	105,676	105,676	
Provision for reinsurance	303,263	303,263	
Other liabilities	364,719	364,719	
Obligation under capital lease	45,761	45,761	
Total liabilities	224,764,744	188,386,744	\$(36,378,000)
Common capital stock	10,453,700	10,453,700	
Gross paid in and contributed surplus	23,979,284	23,979,284	
Unassigned funds	41,293,776	86,766,276	\$(45,472,500)
Surplus as regards policyholders	75,726,760	121,199,260	\$(45,472,500)
Total liabilities and surplus	<u>\$300,491,504</u>	<u>\$309,586,004</u>	

Note: The Internal Revenue Service has performed audits of the Company's consolidated federal income tax return through tax year 1996. The examiner is unaware of any potential exposure of the Company to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment exhibit

Surplus as regards policyholders decreased \$7,795,830 during the three year examination period, January 1, 1996 through December 31,1998, detailed as follows:

Statement of Income

Underwriting income

Premiums earned		\$260,253,886
Deductions:		
Losses and loss adjustment expenses incurred	\$225,572,910	
Other underwriting expenses incurred	90,148,344	
Total deductions		<u>315,721,254</u>
Net operating loss		\$(55,467,368)

Investment Income

Net investment income earned	\$43,413,710	
Net realized gain	<u>7,055,972</u>	
Net investment gain		\$50,469,682

Other Income

Other income	\$482,073	
Net gain on agents' balances charged off	(587,941)	
Net gain on bad debt	<u>100,000</u>	
Total Other income		<u>\$(105,868)</u>
Net income before Federal income taxes		\$(5,103,554)
Federal income taxes incurred		<u>8,048,000</u>
Net income		<u><u>\$(13,051,554)</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 1995 per report on examination:			\$83,522,590
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net loss		\$13,051,554	
Net unrealized capital gain	\$12,085,753		
Change in not admitted assets	514,817		
Dividends paid to policyholders		7,003,984	
Change in reinsurance provision		240,862	
Total gains and losses	\$12,600,570	\$20,396,400	
Net decrease in surplus as regards policyholders			(7,795,830)
Surplus as regards policyholders, December 31, 1998 per report on examination			\$75,726,760

4. COMMON STOCKS

The examination admitted asset of \$71,022,332 is \$9,094,500 less than the \$80,116,832 as reported by the Company on December 31, 1998. The difference represents the value of the Company's investment in their subsidiary, Monticello Insurance Company.

This examination increased the loss and loss adjustment reserve as stated in Section 5 of this report. Since Jefferson and Monticello pool the losses, Jefferson retains 80% of the increase through its loss reserve and the remaining 20% is retained by Monticello. The value of the investment in Monticello has been decreased by the reserve deficiency as determined by this examination.

5. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability of \$171,769,509 is \$36,378,000 more than the \$135,391,509 as reported by the Company as of December 31, 1998.

The examination reserves were calculated in accordance with generally accepted actuarial principles and practices and were based on statistical information contained in the Company's filed annual statements and their internal statistics.

6. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed as to encompass the more precise scope of a market conduct investigation, which is the responsibility of the Market Conduct Unit of the Property Bureau of this Department.

The general review was directed at practices of the Company in the following major areas:

1. Sales and advertising
2. Underwriting
3. Rating
4. Claims

No problem areas were encountered.

7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained two comments and recommendations which are summarized below with the Company's subsequent actions thereon. (The page numbers shown below refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
It is recommended that the Company maintain present-value cash flow analysis on reinsurance contracts demonstrating compliance with the NAIC's Accounting and Procedures Manual for Property and Casualty Insurance Companies.	11
The Company has complied with this recommendation.	
B. <u>Abandoned Property Law</u>	
It is recommended that the Company comply with the provisions of the Abandoned Property Law and file the required reports with the State Comptrollers Office.	13
The Company has not complied with this recommendation and is reiterated in this report.	

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
It is recommended that the Company ensure that the reinsurance contracts, which protect the Company, contain the proper wording as to ensure their validity.	11
B. <u>Abandoned Property Law</u>	
It is recommended that the Company comply with the provisions of the New York Abandoned Property Law and file the required reports with the New York State Comptrollers Office.	14

ITEMPAGE NO.C. Accounts and Records

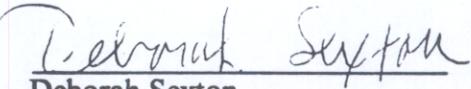
It is recommended that the Company age its premiums in course of collection by developing an electronic program to run concurrently with existing premium programs in order to assure that its accounts are being reported in an accurate manner.

14

Federal ID Number	Name of Insurers and Parent, Subsidiaries or Affiliates	State or Country of Domicile	Owner	Percentage of Ownership
AA-1340026	Allianz Aktiengesellschaft Holding	Germany	Allianz Aktiengesellschaft Holding	100.0
13-2883190	Allianz of America, Inc.	Delaware	Allianz of America, Inc.	100.0
75-2410073	Allianz of America Finance Corporation	Delaware	Allianz of America, Inc.	100.0
75-1723041	Allianz of America Corporation	New York	Allianz of America, Inc.	100.0
95-3323939	Allianz Underwriters Insurance Company	California	Allianz Ins. Co.	100.0
95-3187355	Allianz Insurance Company	California	Allianz of America, Inc.	100.0
41-1366075	Allianz Life Insurance Company of North America	Minnesota	Allianz of America, Inc.	100.0
13-3191369	Preferred Life Insurance Company of North America	New York	Allianz Life Insurance Company of North America	100.0
13-5556470	Jefferson Insurance Company of New York	New York	Allianz Ins. Co.	100.0
13-2872766	Monticello Insurance Company	Delaware	Jefferson Insurance Company of New York	100.0
94-1810280	Fireman's Fund Insurance Company	California	Allianz Ins. Co.	100.0
94-6078027	Fireman's Fund Insurance Company of Texas	Texas	Fireman's Fund Insurance Company	100.0
68-0004572	Parkway Insurance Company	New Jersey	Fireman's Fund Insurance Company	100.0
68-0004569	Fireman's Fund Indemnity Corporation	New Jersey	Fireman's Fund Insurance Company	100.0
43-1598952	Fireman's Fund Insurance Company of Missouri	Missouri	Fireman's Fund Insurance Company	100.0
94-6078058	San Francisco Reinsurance Company	California	Fireman's Fund Insurance Company	100.0
38-3774557	Midway Insurance Company of Illinois	Illinois	Fireman's Fund Insurance Company	100.0
68-0199538	Vintage Insurance Company	California	Fireman's Fund Insurance Company	100.0
71-0528209	Fireman's Fund Insurance Company of Nebraska	Nebraska	Fireman's Fund Insurance Company	100.0
22-1608585	American Automobile Insurance Company	Missouri	Fireman's Fund Insurance Company	100.0
22-1708002	Associated Indemnity Corporation	California	American Automobile Insurance Company	100.0
36-2704843	National Surety Corporation	Illinois	Fireman's Fund Insurance Company	100.0
36-3423817	Warner Insurance Company	Illinois	Fireman's Fund Insurance Company	100.0
22-0731810	The American Insurance Company	Nebraska	Fireman's Fund Insurance Company	100.0
58-1373156	Fireman's Fund Insurance Company of Georgia	Georgia	The American Insurance Company	100.0
94-2725638	Fireman's Fund Insurance Company of Hawaii, Inc.	Hawaii	The American Insurance Company	100.0
94-2740788	Fireman's Fund Insurance Company of Louisiana	Louisiana	The American Insurance Company	100.0
34-0860093	Fireman's Fund Insurance Company of Ohio	Ohio	The American Insurance Company	100.0
39-1338397	Fireman's Fund Insurance Company of Wisconsin	Wisconsin	The American Insurance Company	100.0
36-3046604	Interstate National Corporation	Illinois	Fireman's Fund Insurance Company	100.0
36-2259888	Interstate Fire & Casualty Company	Illinois	Interstate National Corporation	100.0
36-6033855	Interstate Indemnity Company	Illinois	Interstate Fire & Casualty Company	100.0
36-6042949	Chicago Insurance Company	Illinois	Interstate Fire & Casualty Company	100.0
75-6200904	Standard General Agency	Texas	Interstate Fire & Casualty Company	100.0
74-6061214	Fireman's Fund County Mutual Insurance Company	Texas	Fireman's Fund Insurance Company	100.0
75-6200904	American Standard Lloyd's Insurance Company	Texas	Fireman's Fund Insurance Company	100.0
45-0282873	Dawson Hail Insurance Company	Texas	Fireman's Fund Insurance Company	100.0
48-1156645	Plains Insurance Company	North Dakota	Crop Growers Corporation	100.0
AA-2891004	Adratca de Seguros	Kansas	Insurance Acquisition Corporation	100.0
AA-2280010	Allianz Compania de Seguros	Venezuela	Allianz RAS South America	20.0
AA-1120140	Allianz Comhill Insurance Co. Ltd.	Chile	Allianz RAS South America	100.0
AA-1120445	Allianz Comhill International Insurance Co. Ltd.	Hong Kong	Comhill Insurance Company	47.8
AA-5320008	Allianz Comhill (Far East) Insurance PLC	United Kingdom	Allianz U.K. Ltd.	100.0
AA-1580004	Allianz Fire & Marine Ins Co. Ltd.	Hong Kong	Comhill Insurance Company	51.0
AA-1320025	Allianz France Iardl	Greece	Allianz Europe N.L.	52.0
AA-1740025	Allianz General Insurance Company	France	Allianz RAS Holding	100.0
AA-1560078	Allianz Insurance Company of Canada	Greece	Allianz Europe N.L.	52.0
		Canada	Allianz Canada Inc.	100.0

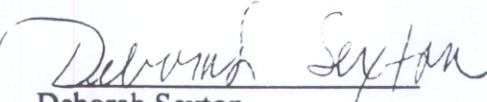
Federal ID Number	Name of Insurers and Parent, Subsidiaries or Affiliates	State or Country of Domicile	Owner	Percentage of Ownership
AA-1990001	Allianz Insurance Ltd.	South Africa	Allianz of South Africa (Pty) Ltd.	100.0
AA-5760013	Allianz Insurance (Singapore) PTE Ltd.	Singapore	Allianz Aktiengesellschaft Holding	100.0
AA-2730006	Allianz Mexico Compania de Seguros	Mexico	Allianz of America, Inc.	99.9
AA-1380007	Allianz Nederland NV	Denmark	Allianz Aktiengesellschaft Holding	100.0
AA-9350001	Allianz Pojistovna	Slovakia	Allianz Aktiengesellschaft Holding	100.0
AA-2131007	Allianz RAS Argentina	Argentina	Allianz RAS South America	100.0
AA-1840005	Allianz RAS Seguros y Reaseguros	Spain	RAS International N.V.	99.8
95-4519757	Allianz Risk Consultants, Inc.	California	Allianz Insurance Company	100.0
AA-1360006	Allianz Subalpina	Italy	Riunione Adriatica di Sicurtà	50.4
AA-1460007	Allianz Versicherung (Schweiz)	Switzerland	RAS International N.V.	89.8
AA-1320310	Allianz Via Assurance France	France	Allianz via Holding France	55.4
AA-1120445	Comhail Insurance Company Ltd.	United Kingdom	Allianz U.K. Ltd.	98.0
AA-1460082	Elvia Swiss	Switzerland	RAS International N.V.	97.7
94-2179407	Famex, Inc.	California	Fireman's Fund Insurance Company	100.0
94-2148339	Fireman's Fund Risk Management Services, Inc.	California	Fireman's Fund Insurance Company	100.0
AA-1440003	Forsikringsaktieselskabet Allianz Nord Europa	Denmark	Riunione Adriatica di Sicurtà	100.0
AA-1280061	Forsikringsaktieselskabet Allianz Nord Europa	Denmark	Riunione Adriatica di Sicurtà	100.0
AA-3190237	International Film Guarantors Reinsurance	Bermuda	International Film Guarantors	100.0
AA-1370006	International Re SA	Luxembourg	Allianz Aktiengesellschaft Holding	100.0
AA-0021120	Perovlok Ost - West Allianz Insurance Co. Ltd.	Russian Federation	Allianz Aktiengesellschaft Holding	100.0
AA-1820002	Portugal Previdente Companhia de Seguros	Portugal	Riunione Adriatica di Sicurtà	49.0
AA-3190283	Professional Agencies Reinsurance Ltd.	Bermuda	Riunione Adriatica di Sicurtà	88.4
AA-5360125	PT Asuransi Allianz Utama Indonesia	Indonesia	PAR Holdings Ltd.	100.0
93-0919739	Receivable Technology, Inc.	Colorado	Allianz Aktiengesellschaft Holding	100.0
AA-1360182	Riunione Adriatica di Sicurtà SPA	Italy	Fireman's Fund Insurance Company	88.0
AA-1860880	KOC Allianz Sigorta AS	Turkey	Fireman's Fund Insurance Company	100.0
13-2692442	Structured Security Company, Inc.	California	Fireman's Fund Insurance Company	33.6
AA-1340218	Tela Vera AG	Germany	Allianz Aktiengesellschaft Holding	100.0
AA-1220068	Allianz Elementar Versicherungs Aktiengesellschaft	Germany	Allianz Aktiengesellschaft Holding	25.0
AA-9840001	T.U. Allianz BGZ Polska S.A.	Austria	Allianz Aktiengesellschaft Holding	89.0
AA-1341001	Hermes Kreditversicherungs	Poland	Riunione Adriatica di Sicurtà	99.2
41-1578384	Life USA	Germany	Allianz Aktiengesellschaft Holding	51.0
AA-3190394	Joint Reinsurance & Assurance Services Ltd.	Minnesota	Allianz Life Insurance Company of North America	21.0
AA-0090002	Hungria Insurance Company Ltd.	Switzerland	Ras Holding S.A.	100.0
AA-1930810	Manufactures Mutual Insurance Ltd.	Hungary	Apollo	99.9
AA-1960043	MHI General Insurance NZ Ltd.	Australia	Allianz of Asia Pacific	100.0
		New Zealand	MHI	100.0

Respectfully submitted,


Deborah Sexton
Senior Insurance Examiner

STATE OF NEW YORK)
) SS.
COUNTY OF NEW YORK)

DEBORAH SEXTON, being duly sworn, deposes and says that the foregoing report submitted by her is true to the best of her knowledge and belief.


Deborah Sexton

Subscribed and sworn to before me
this 31st day of March 2001.

LINDA S. LIEBERMAN
NOTARY PUBLIC, State of New York
No. 41-4843886
Qualified in Nassau County
Commission Expires July 31, 20 01

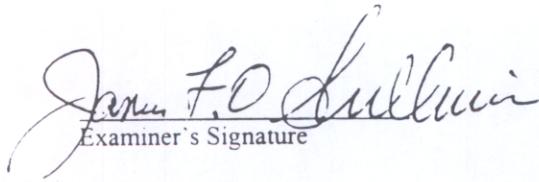
State of New York
County of New York

EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES
USED IN AN EXAMINATION

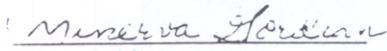
James F. O'Sullivan, BEING DULY SWORN, STATES AS FOLLOWS:

1. I have authority to represent the State of Mississippi in the examination of Jefferson Insurance Company.
2. Mississippi is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.
3. I have reviewed the examination work papers and examination report and the examination of Jefferson Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Mississippi.

The affiant says nothing further.


Examiner's Signature

Subscribed and sworn before me by James F. O'Sullivan on this 27 day of April 2001.


Notary Public

My commission expires May 31 2002 [date].

MINERVA GORDIAN
Notary Public, State of New York
No. 01G05870819
Qualified in Bronx County
Commission Expires May 31, 2002

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GERGORY V. SERIO, First Deputy Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

Deborah Sexton

as proper person to examine into the affairs of the

Jefferson Insurance Company

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

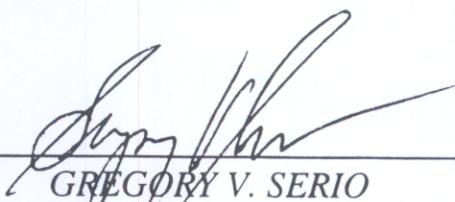
Company

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 7th day of September, 2000





GREGORY V. SERIO
First Deputy Superintendent of Insurance