

REPORT ON EXAMINATION
OF THE
PARTNER REINSURANCE COMPANY OF THE U.S.
AS OF
DECEMBER 31, 2000

DATE OF REPORT

SEPTEMBER 19, 2002

EXAMINER

GLENDAM. GALLARDO, CFE

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Scope of examination	2
2. Description of Company	3
A. Management	4
B. Territory and plan of operation	7
C. Reinsurance	9
D. Holding company system	12
E. Significant operating ratios	14
F. Accounts and records	15
G. Abandoned Property Law	16
3. Financial statements	17
A. Balance sheet	17
B. Underwriting and investment exhibit	19
4. Aggregate write-in for other than invested assets	21
5. Losses and loss adjustment expenses	21
6. Subsequent events	22
7. Compliance with prior report on examination	22
8. Summary of comments and recommendations	22



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

September 19, 2002

Honorable Gregory Serio
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 21777 dated September 18, 2001 attached hereto, I have made an examination into the condition and affairs of Partner Reinsurance Company of the U.S. as of December 31, 2000, and submit the following report thereon.

The examination was conducted at the Company's administrative offices located at One Greenwich Plaza, Greenwich, Connecticut 06830.

Wherever the designations "the Company" or "PRUS" appear herein without qualification, they should be understood to indicate the Partner Reinsurance Company of the U.S. In addition, wherever the designations "parent company" or "PRUSC" appear herein without qualification, they should be understood to indicate PartnerRe U.S. Corporation.

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

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1996. This examination covers the four-year period from January 1, 1997 through December 31, 2000, and it was limited in scope to a review or audit of only those balance sheet items considered by this Department to require analysis, verification or description, including: invested assets, inter-company balances, reinsurance and loss and loss adjustment expense reserves.

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 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 Company
- Management and control
- Corporate records
- Fidelity bonds and other insurance
- Territory and plan of operation
- Growth of Company
- Business in force
- Reinsurance
- Accounts and records
- Financial statements

This report on examination is confined to financial statements and comments on those matters, which involve departures from laws, regulations or rules, which are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of New York on March 30, 1980, as the AGF Reinsurance Corporation of the U.S., and it was licensed to write business on May 27 of the same year. On September 18, 1986, AGF Reassurances, parent of AGF Reinsurance Corporation of the U.S., formed AGF North America Corp., a Delaware corporation. All beneficial owners of the Company sold all of their shares of the Company to AGF North America Corp., thus the latter became the Company's immediate parent.

On September 30, 1991, AGF Reassurances merged with Societe Anonyme Francaise De Reassurances ("SAFR-France"). Subsequent to the merger, on December 2, 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 holding company organized under the laws of Bermuda, acquired SAFR-France and subsidiaries from Swiss Re via a stock purchase agreement. Swiss Re, however, owns directly or indirectly approximately 27% of the common stock of PartnerRe Ltd.

In 1998, the name of the Company was changed to its current title Partner Reinsurance Company of the U.S. ("PRUS"). The Company's immediate parent is PartnerRe U.S. Corporation ("PRUSC"), a holding company domiciled in the State of Delaware. On October 23, 1998, PartnerRe U.S. Corporation acquired Winterthur Life Reinsurance Corporation of America and Winterthur Reinsurance Corporation of America, which subsequently was renamed PartnerRe Insurance Company of New York ("PRNY"). Subsequent to the acquisitions, the parent company contributed 100% of both companies common stock to PRUS. At the end of 1998, PRNY and the Winterthur Life Reinsurance Corporation of America

became wholly-owned subsidiaries of Partner Reinsurance Company of the U.S. In August 2000, the Company sold its interest and liabilities of the life company to a New York insurance company.

During December 1998, PartnerRe U.S. Corporation made a surplus contribution to PRUS in the amount of \$219,529,620, which consisted of \$115 million in cash and 100% of the outstanding shares of PRNY and Winterthur Life Reinsurance Corporation of America, valued at their statutory book value of \$41,812,620 and \$62,717,000, respectively. The Company then contributed \$13 million in additional capital contribution to its subsidiary, PartnerRe Insurance Company of New York.

The Company's authorized capital is \$4,800,000, consisting of 9,600 shares issued and outstanding with a par value of \$500 per share. Paid in and contributed surplus as of the examination date totaled \$305,083,199.

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. As of the examination date, the board of directors was comprised of thirteen members. The directors as of December 31, 2000 were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John N. Adimari Greenwich, CT	Executive Vice President & Chief Financial Officer, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
John B. DiBuduo Stamford, CT	Senior Vice President & Chief Technology Officer, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Jean-Pierre J. Fillebeen New York, NY	Executive Vice President, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Dennis G. Giannos Darien, CT	Senior Vice President, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Cathy A. Hauck Darien, CT	Senior Vice President, General Counsel & Corporate Secretary, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Roger C. Jacobsen Cortlandt Manor, NY	Vice President, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Robert N MacGovern, Jr Bermuda	Director, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Scott D. Moore Darien, CT	President & Chief Executive Officer, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
John A. Murad Old Greenwich, CT	Executive Vice President & Chief Actuarial Officer, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
John J. Robilotta, Jr. Sayville, NY	Vice President, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Patrick A. Thiele Paget, Bermuda	Chairman of the Board, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
Robin M. Williams New York, NY	Executive Vice President & Chief Underwriting Officer, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York
John B. Wong Ridgefield, CT	Senior Vice President & Controller, Partner Reinsurance Company of the U.S. PartnerRe Insurance Company of New York

The minutes of all the meetings of the board of directors and committees thereof held during the examination period were reviewed. The review of the minutes disclosed that the meetings were well attended by all members of the board. During the examination period, only six board meetings were held: two in 1997, one in 1998, one in 1999 and two in 2000. It was noted that most corporate actions taken by the Company's board of directors were by unanimous written consent without holding a regular meeting.

According to the Company's by-laws, "any action taken through unanimous written consent shall be limited to emergency situations and only upon a showing of definite necessity and may not be taken in lieu of a regular meeting of the Board." By approving most of the Corporation's actions by unanimous written consent, the Company was not in compliance with its by-laws.

Additionally, Section 708(b) of the New York Business Corporation Law (BCL) permits corporate action to be taken without a meeting if all members of the board or committee consent in writing to the adoption of a resolution authorizing the action. When the Department allowed insurers to amend their by-laws to carry out the intention and use of Section 708(b), it also emphasized that the board of directors would be permitted to exercise such ability to act only in very limited emergency situations. It is the Department's position that to give broader effect to this provision would conflict with the provisions in the New York Insurance Law governing meetings of the board, whose purpose is to permit directors to make informed decisions about matters affecting the public interest based upon deliberations and an exchange of information and ideas at such meetings.

Examination review of the minutes for year 2001 disclosed that the Company is currently holding regular board meetings. It is recommended that the Company continue to hold annual and regular

meetings of its board of directors and exercise the ability to take corporate actions via unanimous written consent only in limited emergency situations as stated in its by-laws.

As of December 31, 2000, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Scott D. Moore	President & Chief Executive Officer
John N. Adimari	Executive Vice President & Chief Financial Officer
Robin M. Williams	Executive Vice President & Chief Underwriting Officer
John A. Murad	Executive Vice President & Chief Actuarial Officer
Cathy A. Hauck	Senior Vice President, General Counsel & Corporate Secretary
Dennis Giannos	Senior Vice President
Marvin Pestcoe	Executive Vice President
Jean-Pierre Fillebeen	Executive Vice President
John B. Wong	Senior Vice President & Controller
John B. DiBuduo	Senior Vice President & Chief Technology Officer

B. Territory and Plan of Operation

The Company is licensed in seventeen states as follows:

Alabama	Alaska	Arizona	California
Colorado	District of Columbia	Georgia	Illinois
Iowa	Mississippi	Nebraska	Nevada
New York	Ohio	South Dakota	Texas
Washington			

The Company is approved and accredited to write reinsurance business in additional twenty-eight 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(i)	Accident & health
4	Fire
5	Miscellaneous property damage
6	Water damage
7	Burglary & theft
8	Glass
9	Boiler & Machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation & employers' liability
16	Fidelity and Surety
17	Credit
19	Motor vehicle & aircraft physical damage
20	Marine
21	Marine Protection & 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), including insurances described in the Longshoreman's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress, as amended; 33 USC Section 901 et seq. as amended) and as authorized by Section 4102(c), including reinsurance 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, Partner Reinsurance Company of the U.S. is required to maintain a minimum surplus to policyholders in the amount of \$35,000,000.

The Company provides multi-line property and casualty reinsurance to small and mid-size companies. The Company's business mix is primarily property and non-standard automobile written on a

pro rata and per risk excess basis. The remainder of the book of business comprises other miscellaneous coverages that include aviation, agriculture, marine, credit and surety.

The Company markets its business through reinsurance brokers and intermediaries.

C. Reinsurance

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

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

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

It is recommended that the Company incorporate in all of its assumption reinsurance agreements the savings clause required by the Department, or alternatively delete the ECO from the agreements.

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

Effective January 1, 2000, the Company entered into an assumption and novation agreement whereby the Company assumed all the assets and liabilities of a surety contract from PRNY. The agreement was submitted to the Department for review and non-disapproval pursuant to Section 1505(d) of the New York Insurance Law.

The Schedule F data as contained in the Company’s annual statements filed for the examination years was found to accurately reflect the reinsurance transactions except for the reporting of a loss portfolio transfer as described further within this section.

The examiner reviewed all ceded reinsurance contracts effected as of the examination date. These contracts all contained the required standard clauses including insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

On December 31, 1986, the Company entered into a loss portfolio transfer with SAFR-France, whereby net loss and expense reserves for loss years 1981 to 1984 were transferred to SAFR Paris. This agreement provides coverage for \$10 million in excess of losses incurred of \$52.6 million. At year-end 2000, reserves transferred under this arrangement amounted to \$7,880,011. In 1989, the Company was permitted by the Department to recognize 85% credit for reinsurance recoverable on the business that was ceded to its affiliate under the loss portfolio transfer, pursuant to Regulation 20.

Although the Company has properly accounted for its loss portfolio transfer in its balance sheet by reporting loss reserves on a gross basis, it incorrectly reported the activity in Schedule F, Part 3 of its filed 2000 annual statement. Regulation 108 of the New York Insurance Department states that loss portfolio transfers are accounted for as retroactive reinsurance and as such should be excluded from this exhibit.

It is recommended that the Company report its loss portfolio transfer pursuant to the provisions of Department Regulation 108.

The following describes the workers' compensation treaty in effect as of the examination date:

<u>Treaty</u>	<u>Cession</u>
Workers' Compensation Excess of Loss Catastrophe Agreement	100% of \$25,000,000 of the Company's assumed ultimate net loss arising out of each and every occurrence in excess of \$2,500,000.
100% Authorized	Reinsurer liability shall not exceed \$25,000,000 as respects any-one loss occurrence.

Stop Loss Reinsurance Agreement

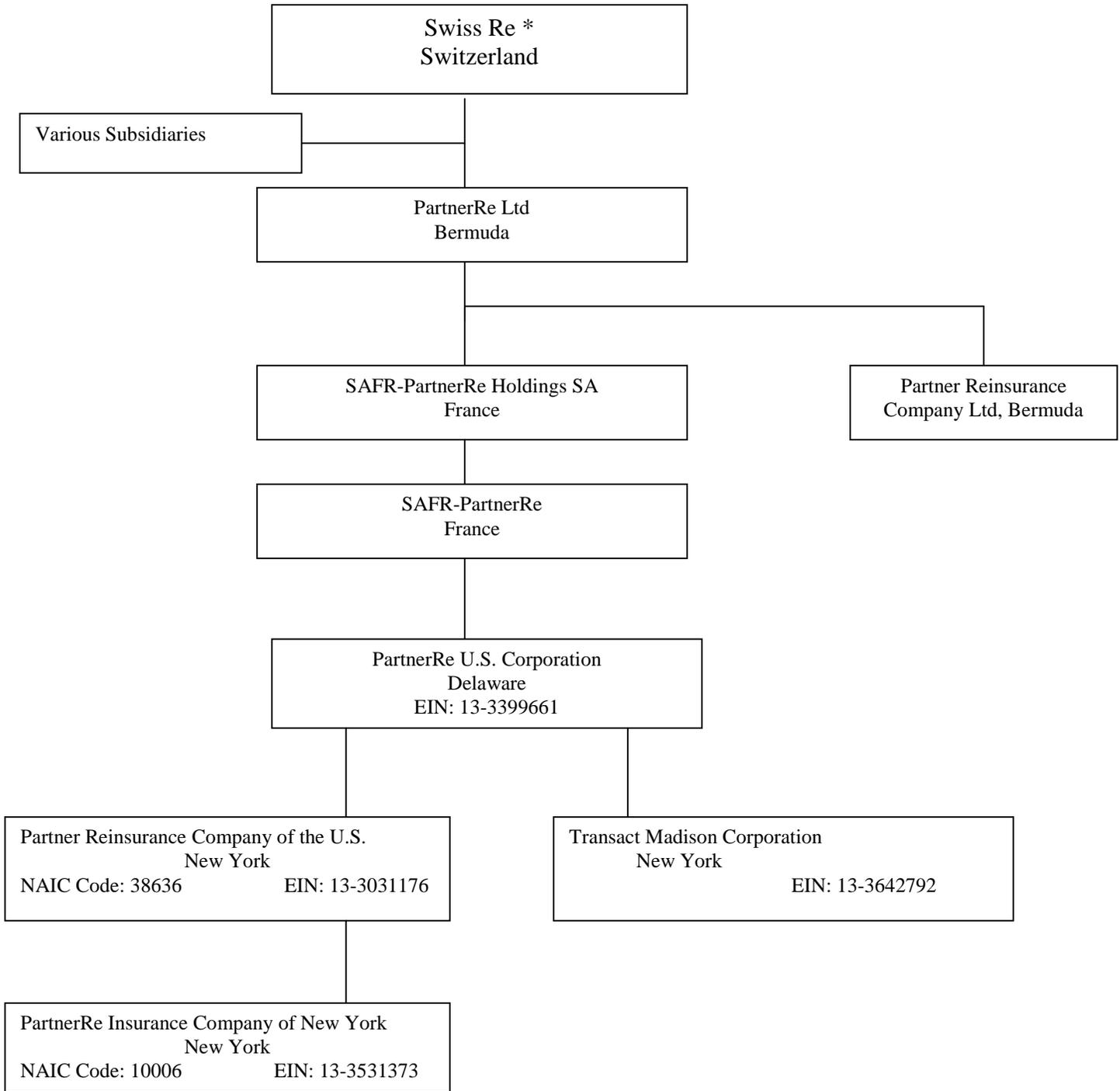
This coverage provides protection for 100% of the aggregate ultimate net loss as respects all loss occurrences exceeding a loss ratio of 76%, subject to an ultimate net loss recovery not exceeding a loss ratio of 40% in excess of the 76% company retention. The maximum aggregate limit of liability should equal to the sum of 40% of the Company's net subject earned premium for the term covered. This agreement was placed with the Partner Reinsurance Company Ltd. The effective date of the agreement was January 1, 2000 and it is subject to renewal every year thereafter. The agreement was submitted to the Department for review and non-disapproval pursuant to Section 1505(d) of the New York Insurance Law.

D. Holding Company System

The Company is a wholly-owned subsidiary of PartnerRe U.S. Corporation, a Delaware holding company.

As a member of a holding company system, the Company files registration statements pursuant to the requirements of Article 15 of the New York Insurance Law and Department Regulation 52. All pertinent files were reviewed and no problem areas were encountered.

The following is a chart of the holding company system:



* SwissRe owns directly and indirectly approximately 27% of the common stock of PartnerRe Ltd.

The Company is party to several agreements with members of its holding company, as follows:

Tax Allocation Agreement

The Company is party to a tax allocation agreement with PartnerRe U.S. Corporation (“PRUSC”) its affiliates and subsidiary. The agreement was originally filed with the Department on March 25, 1998 and amended on December 24, 1998. The Department reviewed the filings pursuant to Section 1505(d)(2) of the New York Insurance Law.

The examination review of the federal income tax liability disclosed that certain provisions of the tax allocation agreement were not being adhered to. Provision 4 of the agreement states that the Company shall remit to PRUSC with sufficient time the amount of estimated federal income tax installments owed on the consolidated income tax returns. The review of the calculation of the liability and related workpapers showed however, that such provision was not followed. In addition, Section 5a of the agreement provides for a method to apply loss carryover (credits) when computing the liability. It was noted that these credits were not properly applied to the entities that are party to the agreement. Subsequent to the examination date, the Company corrected both errors. The amounts were not material to the Company’s balance sheet.

It is recommended that the Company comply with all provisions included in its tax allocation agreement as filed with this Department.

Service Agreement with PartnerRe Insurance Company of New York

Effective December 24, 1998, the Company entered into a service agreement with PRNY. The agreement was established to provide PRNY with all the necessary office space, service and other resources including, but not limited to personnel, tax, legal, financial and investment planning, claims,

underwriting, information technology, etc. with respect to PRNY's business operations. 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.

A review of the transactions related to the service agreement disclosed that the Company was not in compliance with the provision of the service agreement with respect to maintenance of the books and accounts. The agreement states that the books and accounts should be kept in such a way as to disclose clearly and accurately the nature and detail of the transaction to support the reasonableness of charges. Furthermore, the agreement also states that within forty-five days after the end of each quarter the Company shall submit to PRNY a statement of apportioned costs and expenses showing the basis of the apportionment as per item 6 of the agreement. The Company did not adhere to the aforementioned provisions.

It is recommended that the Company comply with and follow the provisions of its service agreement as filed with this Department.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2000, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	1.15:1
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	87%
Premiums in course of collection to surplus as regards policyholders	39%

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

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

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$552,909,520	87.16%
Other underwriting expenses incurred	249,973,858	39.41
Net underwriting loss	<u>(168,564,480)</u>	<u>(26.57)</u>
Premiums earned	<u>\$634,318,898</u>	<u>100.00%</u>

F. Accounts and Records

Reclassification of Balance Sheet Accounts

The examination review of the Company's balance sheet accounts disclosed that certain accounts included balances that were improperly classified. The review indicated that a contingent commission balance was classified as Agents' balances in course of collection. Also, premium installments due the Company were classified as funds held by insured companies. This balance should have been reported as agents' balances booked and deferred but not yet due. It is recommended that the Company be more careful in reporting its balance sheet accounts and classify such according to annual statement instructions.

G. Abandoned Property Law

The examination review of the Company's compliance with the captioned law disclosed that the Company did not file abandoned property reports with the New York State Comptroller as required by Section 1316 of the New York Abandoned Property Law. Pursuant to the captioned law, these filings and

reports should be submitted by April 1st each year. After being made aware of this requirement, the Company filed these reports for calendar year 2001 in early 2002. It is recommended that the Company continue filing these reports as required by Section 1316 of the New York Abandoned Property Law.

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, 2000

and as reported by the Company:

<u>Assets</u>	Surplus Ledger <u>Assets</u>	<u>Examination</u>		<u>Company</u>		Increase (Decrease)
		Non-Ledger <u>Assets</u>	Assets Not <u>Admitted</u>	Net Admitted <u>Assets</u>	Admitted <u>Assets</u>	
Bonds	\$376,054,401	\$(286,050)	\$	\$375,768,351	\$375,768,351	\$
Preferred stocks	10,821,582	(1,063,029)		9,758,553	9,758,553	
Common stocks	140,614,739	48,648,291		189,263,030	189,263,030	
Cash and short term investments	78,585,525			78,585,525	78,585,525	
Other invested assets	11,325,778			11,325,778	11,325,778	
Premiums and agents' balances in course of collection (after deducting ceded balances of \$2,805,415)	121,898,491			121,898,491	121,898,491	
Funds held by or deposited with reinsured comp.	20,428,282			20,428,282	20,428,282	
Reinsurance recoverables	3,657,000			3,657,000	3,657,000	
Electronic data processing equipment	331,115		331,115			
Interest, dividends and real estate income due and accrued		5,134,070		5,134,070	5,134,070	
Receivable from parent, subsidiaries and affiliates	9,148,307			9,148,307	9,148,307	
Other non-admitted assets	1,728,087		1,728,087			
Leasehold improvements	4,528,626		4,528,626			
Telephone system	330,946		330,946			
Capital expenditures	5,665,779		5,665,779			
Aggregate write-ins for other than invested assets	<u>12,563,955</u>		<u>9,992,991</u>	<u>2,570,964</u>	<u>12,563,955</u>	<u>(9,992,991)</u>
Total assets	<u>\$797,682,613</u>	<u>\$52,433,282</u>	<u>\$22,577,544</u>	<u>\$827,538,351</u>	<u>\$837,531,342</u>	<u>\$(9,992,991)</u>

<u>Liabilities</u>	<u>Examination</u>	<u>Company</u>	<u>Surplus Increase (Decrease)</u>
Losses & loss adjustment expenses	\$307,641,458	\$280,641,458	\$(27,000,000)
Reinsurance payable	31,700,927	31,700,927	
Other expenses	22,707,964	22,707,964	
Taxes, licenses & fees	6,826	6,826	
Federal and foreign income taxes (excluding deferred taxes)	949,858	949,858	
Unearned premiums (after deducting ceded UP \$867,515)	120,998,113	120,998,113	
Remittances and items not allocated	2,463,576	2,463,576	
Provision for reinsurance	7,174,381	7,174,381	
Funds held under reinsurance treaties	92,057	92,057	
Payable for securities	8,104,427	8,104,427	
Allowance for uncollectible reinsurance recoverable	11,413,313	11,413,313	
Deferred compensation	3,008,500	3,008,500	
Loss portfolio transfer	<u>(7,880,011)</u>	<u>(7,880,011)</u>	<u> </u>
Total liabilities	<u>\$508,381,389</u>	<u>\$481,381,389</u>	<u>\$(27,000,000)</u>
Aggregate write-ins for Special Surplus funds	\$7,730,011	\$7,730,011	
Common capital stock	4,800,000	4,800,000	
Gross paid in and contributed surplus	305,083,199	305,083,199	
Unassigned surplus	<u>1,543,752</u>	<u>38,536,743</u>	<u>\$(36,992,991)</u>
Surplus as regards policyholders	<u>\$319,156,962</u>	<u>\$356,149,953</u>	<u>\$(36,992,991)</u>
Total liabilities and surplus	<u>\$827,538,351</u>	<u>\$837,531,342</u>	

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

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$204,651,858 during the four-year examination period January 1, 1997 through December 31, 2000, detailed as follows:

Statement of Income

Underwriting Income

Premiums earned:		\$634,318,898
------------------	--	---------------

Deductions:

Losses and loss adjustment expenses incurred	\$552,909,520	
Other underwriting expenses incurred	<u>249,973,858</u>	

Total underwriting deductions		<u>802,883,378</u>
-------------------------------	--	--------------------

Net underwriting loss		\$(168,564,480)
-----------------------	--	-----------------

Investment Income

Net investment income earned	\$65,819,352	
Net realized capital gains	<u>66,955,529</u>	

Net investment gain		132,774,881
---------------------	--	-------------

Other Income

Gain on provision for doubtful reinsurance recoverable	\$2,342,153	
Loss portfolio gain	<u>3,210,809</u>	

Total other income		<u>5,552,962</u>
--------------------	--	------------------

Net loss before Federal & foreign income taxes		\$(30,236,637)
--	--	----------------

Federal & foreign income taxes incurred		<u>5,307,889</u>
---	--	------------------

Net loss		<u>\$(35,544,526)</u>
----------	--	-----------------------

Capital and Surplus Account

Surplus as regards policyholders, December 31, 1996, per report on examination			\$114,505,104
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net loss		\$35,544,526	
Net unrealized capital gains	\$46,944,817		
Change in non-admitted assets		21,878,750	
Change in liability for reinsurance		4,399,303	
Paid in surplus	<u>219,529,620</u>	<u> </u>	
Total gains and losses	<u>\$266,474,437</u>	<u>\$61,822,579</u>	
Net increase in surplus as regards policyholders			<u>204,651,858</u>
Surplus as regards policyholders, December 31, 2001 per report on examination			<u>\$319,156,962</u>

**4. AGGREGATE WRITE-INS FOR OTHER
THAN INVESTED ASSETS**

The examination asset of \$2,570,964 is \$9,992,991 less than the \$12,563,955 reported by the Company reported in its annual statement as of December 31, 2000. The asset was comprised of four account balances, one of which constituted a gross receivable that totaled \$9,992,991 and which the Company classified as contingent commission. Examination analysis of the account indicated that a component part of the contingent commission calculation represented salvage receivable on a surety contract assumed by the Company. This surety contract was originally part of a book of business written by an affiliate of the Company, PartnerRe Insurance Company of New York (“PRNY”), formerly known as Winterthur Reinsurance Corporation of America (“WRCA”). The surety contract was novated to the Company effective January 1, 2000 and it was subsequently cancelled effective December 31, 2000. The Company has stated that it continued to apply a similar calculation of the contingent commission as applied by its predecessor, WRCA. The Company has also stated that it expects to receive full value for the receivable. This receivable does not meet the criteria of admitted assets pursuant to Section 1301(a)(21) of the New York Insurance Law. The amount is not considered material to the Company’s balance sheet.

5. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability of \$307,641,458 is \$27,000,000 more than the \$280,641,458 reported by the Company as of December 31, 2000. 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 its filed quarterly and annual statements.

6. SUBSEQUENT EVENTS

As of December 31, 2001, the Company's exposure to the catastrophic events that took place on September 11, 2001, amounted to \$192.3 million on a gross basis for loss and loss adjustment expense reserves. The net reserve after applying cessions of \$189.0 million totaled \$3.3 million. In addition, the Company also reported exposure to potential claims resulting from the bankruptcy of Enron Corp. in the amount of \$43.2 million, for which no reinsurance is available. The Company indicates that such amount represents the ultimate liability associated with this occurrence.

7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination did not contain any comments or recommendations.

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
It is recommended that the Company continue to hold annual and regular meetings of its board of directors and exercise the ability to take corporate actions via unanimous written consents only in limited emergency situations as stated in its by-laws.	6
B. <u>Reinsurance</u>	
i. It is recommended that the Company incorporate in all of its assumption reinsurance agreements the savings clause required by the Department, or alternatively delete the ECO clause from the agreements.	9

<u>ITEM</u>	<u>PAGE NO.</u>
ii. It is recommended that the Company report its loss portfolio transfer in accordance with Department Regulation 108.	11
 C. <u>Holding Company System</u>	
i. <u>Tax Allocation Agreement</u>	
It is recommended that the Company comply with all provisions included in its tax allocation agreement as filed with this Department.	13
ii. <u>Service Agreement</u>	
It is recommended that the Company comply with and follow the provisions of its service agreement as filed with this Department	14
 D. <u>Accounts and Records</u>	
<u>Reclassification of Balance Sheet Accounts</u>	
It is recommended that the Company be more careful in reporting its balance sheet accounts and classify such according to annual statement instructions.	16
 E. <u>Abandoned Property Law</u>	
It is recommended that the Company continue filing these reports as required by Section 1316 of the New York Abandoned Property Law.	16

Appointment No. 21777

STATE OF NEW YORK
INSURANCE DEPARTMENT

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

Glenda Gallardo

as proper person to examine into the affairs of the

PARTNER REINSURANCE COMPANY OF THE U.S.

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

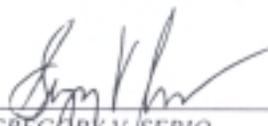
Company

with such other information as she shall deem requisite.

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

this 18th day of September, 2001





GREGORY V. SERIO
Superintendent of Insurance