REPORT ON EXAMINATION

OF

SCOR REINSURANCE COMPANY

AS OF

DECEMBER 31, 1998

DATE OF REPORT	APRIL 2, 2002
EXAMINER	MARC BRUCKSTEIN

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

April 2, 2002

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the instructions contained in Appointment Number 21409, dated May 21, 1999 and attached hereto, I have made an examination into the condition and affairs of SCOR Reinsurance Company as of December 31, 1998, and respectfully submit the following report thereon.

The examination was conducted at the Company's home office located at Two World Trade Center, New York, New York. Subsequent to the date of this examination, upon the destruction of the Company's offices on September 11, 2001, operations were moved to 199 Water Street, New York, NY 10038.

Whenever the designations "Company" or "SCOR" appear herein without qualification, they should be understood to indicate SCOR Reinsurance Company.

Whenever the designation the "Department" appears herein without qualification, it should be understood to indicate the New York Insurance Department.

1. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1994. This examination covered the four-year period from January 1, 1995 through December 31, 1998. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised of 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 bond and other insurance
Territory and plan of operation
Growth of the Company
Business in force
Loss experience
Reinsurance
Market conduct activities
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 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.

Concurrent examinations were made of the Company's three New York domiciled subsidiaries, General Security Property and Casualty Company, General Security Indemnity Company, and General Security Insurance Company. Separate reports thereon have been rendered for each of the above mentioned entities.

2. DESCRIPTION OF COMPANY

SCOR Reinsurance Company of Texas was incorporated on March 22, 1974 under the laws of Texas and began business on April 16 of the same year. SCOR Reinsurance of New York was incorporated on November 8, 1984 to serve as the vehicle for the domestication of the Texas company. This was accomplished when the Texas company merged into the New York company on September 30, 1985. Concurrent with the 1985 merger, the surviving entity adopted its present name.

Effective January 1, 1994, General Security Assurance Corporation, an affiliate of the Company, merged into SCOR Reinsurance Company with SCOR Reinsurance Company being the surviving Company and retaining its name.

Effective September 15, 1996 SCOR U.S., through its subsidiary SCOR Reinsurance Company, purchased the assets and assumed substantially all of the liabilities of Allstate Insurance Company's ("Allstate") U.S. reinsurance division as of January 1, 1985 and subsequent book of business. Allstate retained the assets and liabilities associated with reinsurance division's pre-1985 book of business.

Pursuant to its charter, the Company's paid up capital of $5,000,000 consists of 5,000 authorized and outstanding shares of $1,000 par value per share common stock. SCOR U. S. Corporation, a Delaware Corporation, owns all of the issued and outstanding stock.

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 date of this examination date, the board of directors was comprised of the following fourteen members:

Name and Residence	Principal Business Affiliation
Louis Anthony Adanio Morganville, NJ	Senior Vice President, SCOR U.S. Corporation
Jacques Patrick Blondeau Paris, France	Chairman and Chief Executive Officer, SCOR S.A.
Allan Melville Chapin New York, NY	Senior Partner, Sullivan & Cromwell
John Roger Cox Roseland, NJ	Retired
Jeffrey Dale Cropsey New Canaan, CT	Senior Vice President and Chief Financial Officer, SCOR U.S. Corporation
Robert Thomas Faber Sleepy Hollow, IL	Senior Vice President, SCOR Reinsurance Company
Jerome Faure Larchmont, NY	Executive Vice President, SCOR U.S. Corporation,
Jerome Karter New York, NY	President and Chief Executive Officer, SCOR U.S. Corporation
Dominique Philippe Lavallee Toronto, Ontario, Canada	President and Chief Executive Officer, SCOR Canada Reinsurance Company
Serge Michel Phillippe Osouf Paris, France	President and Chief Operations Officer, SCOR S.A.
Patrick Peugeot Paris, France	President, La Mondiale

Name and Residence	Principal Business Affiliation
Francois Reach Paris, France	Group Senior Vice President, SCOR S.A.
David J. Sherwood Ponte Vedra Beach, FL	Retired
Ellen Elizabeth Thrower New York, NY	President, The College of Insurance

The board met four times during each calendar year. The minutes of the Board of Directors' meetings as well as committees thereof, held during the examination period were reviewed. All meetings were satisfactorily attended.

The following were the principal officers of the Company on December 31, 1998:

Name	Title
Jacques P. Blondeau	Chairman of the Board of Directors
Serge M. P. Osouf	Vice Chairman of the Board of Directors
Jerome Karter	President and Chief Executive Officer
Louis Adanio	Senior Vice President
John T. Andrews, Jr.	Senior Vice President & Corporate Secretary
Jeffrey D. Cropsey	Senior Vice President and Chief Financial Officer

B. Territory and Plan of Operation

As of this examination date, the Company is licensed in the District of Columbia and all states except Connecticut, Florida, Maine, Maryland, Massachusetts, Missouri, South Carolina, Vermont, Virginia, and Wyoming. It is also licensed in Guam and Puerto Rico.

The Company specializes in underwriting treaties covering commercial and technical risks as well as providing property/casualty and special risk facultative coverages. The Company targets technical property risks, such as boiler and machinery as well as oil, gas and chemical plants. Its underwriting strategy emphasizes the development of long-term relationships with small to medium sized regional and specialty companies. SCOR's treaty book is written principally through reinsurance intermediaries, while facultative business is underwritten both through reinsurance intermediaries and on a direct basis. The corporate headquarters are located in New York City with branch offices in Itasca, IL, Miami, San Francisco, Hartford, Chicago and Dallas.

As of December 31, 1998 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:

Paragraph	Line of Insurance
3	Accident and 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
20	Marine
21	Marine protection and indemnity

The Company may also write such workers' compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the NYIL including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th

Congress as amended). Additionally, the Company is licensed to conduct the business of special risk pursuant to Article 63 of the New York Insurance Law.

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 of $35,000,000.

C. Reinsurance

i. Inter-company Reinsurance

The Company participated in an inter-company pooling agreement with certain affiliated companies. Pursuant to the terms of an agreement effective January 1, 1991 and approved by the Department on April 5, 1991, Unity Fire and General Insurance Company (now General Security Property and Casualty Company ["GSP&C"]), General Security Insurance Company (GSIC), and General Security Indemnity Company (GSIND) cede their net liability under all new and renewal business written after January 1, 1991 to SCOR Reinsurance Company (SCOR). The pooled business was then allocated among the pool members as follows:

Pool Company	Percentage of Participation
SCOR	80%
GSP&C	5
GSIC	10
GSIND	5
	100%

Business written prior to 1991 by the pool members was 100% ceded to SCOR except for direct written business by GSPC, which was not ceded to the pool.

The pooling agreement was terminated December 31, 1996. Net unearned premiums of $46,141,000 and net losses and loss adjustment expense reserves of $117,219,000 were returned to the pool participants that initially transferred such business to the pool. The remaining pool assets and liabilities was then distributed to the pool participants in accordance with their established participation.

The pooling agreement was replaced with a quota share reinsurance agreement between SCOR and its subsidiaries effective December 31, 1996. Under this agreement SCOR assumed 90% of GSIND, GSIC, and GSP&C net underwriting assets and reserves as of December 31, 1996 and 90% of all policies written on or after January 1, 1997. The New York Insurance Department approved the reinsurance agreement on December 18, 1996.

During the course of the examination, an attempt was made to verify the data reported in Schedule F of the Company's filed annual statement. Relative to the assumed data reported by the Company on Schedule F, Part 1 of its filed annual statement, the Company was unable to provide the examiners with the documentation to support amounts reported for "reinsurance payable on paid losses" and "funds held or deposited with reinsured companies" in a timely manner. When attempts were made to sample balances payable to reinsureds, the Company could not provide any detailed documentation to support the amounts sampled. It was noted that the Company had undergone a change in its computer systems. The back up data retained by the Company for its calendar year 1998 reinsurance payable on paid losses and loss adjustment expenses was difficult to reconcile to the filed annual statement due to that systems conversion and therefore did not provide a sufficient audit trail.

It is recommended that the Company maintain periodic back-ups, in magnetic form, of all information contained in the database, in unadulterated form, to support the amounts reported in its annual and quarterly statements, pursuant to Part 243 of the New York State Regulation 152. For the other parts of Schedule F, the data as contained in the Company's annual statements filed for the years within the examination period was found to accurately reflect its reinsurance transactions.

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

As of December 31, 1998, the Company's ceded reinsurance program consisted of the following:

Type of Contract	Cession
Casualty (100.00% unauthorized)	90% of $3,500,000 excess of $2,500,000 net loss, each occurrence.
Property and Casualty (100% unauthorized)	This is a Variable Retro established for specific placement, max cession 100%
Property and Casualty and Surety (100.00% unauthorized)	This is a Variable Retro established for specific placement, max cession 100%.
Underlying Property (100.00% unauthorized)	$25,000,000 excess of $5,000,000 each loss, each occurrence.
Property Catastrophe (100.00% unauthorized)	
Three Layers	95% of $180,000,000 excess of $30,000,000 each loss occurrence.

Type of Contract	Cession

Surety, Fidelity and Credit (100% unauthorized)	
Three Layers	95% of $22,500,000 excess of $2,500,000 ultimate net loss any one risk, subject to a $7,500,000 aggregate deductible.
Statutory Workers' Compensation Per Claimant Excess of Loss (48% authorized, 52% unauthorized)	
Two Layers	$8,000,000 excess of $2,000,000 each loss, each claimant.
Per Occurrence Excess of Loss	
First Layer	$3,000,000 excess $2,000,000 each loss occurrence.
Second Layer	(a) $5,000,000 excess $5,000,000 each occurrence- based on $10,000,000 statutory coverage (b) $15,000,000 excess $ 5,000,000 each occurrence – based on unlimited statutory coverage.
Third Layer	$30,000,000 excess $20,000,000 each loss occurrence.
Fourth Layer	$50,000,000 excess of $50,000,000 each loss occurrence.
Primary Property Nuclear Pools (100% unauthorized)	100% of $11,721,600 gross liability.
Foreign Nuclear Pools (100% unauthorized)	100% of $14,250,000 gross liability.
Liability Nuclear Pools (100% unauthorized)	100% of $3,717,500 gross liability.
Political Quota Share (100% unauthorized)	95% quota share of any one/policy acceptance of net retained liability, maximum cession of $4,750,000.
Healthcare/Workers' Compensation Variable Quota Share (100% unauthorized)	95% maximum quota share, requires approval on a case by case basis.

<u>Type of Contract</u> <u>Cession</u>

Excess Property Nuclear Pools (100% unauthorized)	100% of $1,718,000 gross liability.
California Earthquake Authority (100% unauthorized)	100% of $21,594,800 gross liability.

- 100% retrocede to SCOR (Paris), Company's parent. These agreements were filed and approved by the New York Insurance Department.

American Credit Indemnity
Business assumed from ACI
(100% unauthorized)

First Layer	95% of 15% of $500,000 ($75,000) excess of $500,000 each loss occurrence, $2,000, 000 aggregate deductible.
Second Layer	95% of 13% of $29,000,000 ($3,770,000) excess of $1,000,000 each loss occurrence.
Third Layer	95% of 13% of $70,000,000 ($9,100,000) excess of $30,000,000 each loss occurrence.
Fourth Layer	95% of 15% $100,000,000 ($15,000,000) excess of $100,000,000 each loss occurrence.
Fifth Layer	95% of 20% of $150,000,000 ($30,000,000) excess of $200,000,000 each loss occurrence.

The majority of the Company's ceded reinsurance agreements are with affiliated companies. Section 1505(d)(2) of the New York Insurance Law provides that :

> " The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period: … (2) reinsurance treaties or agreements…"

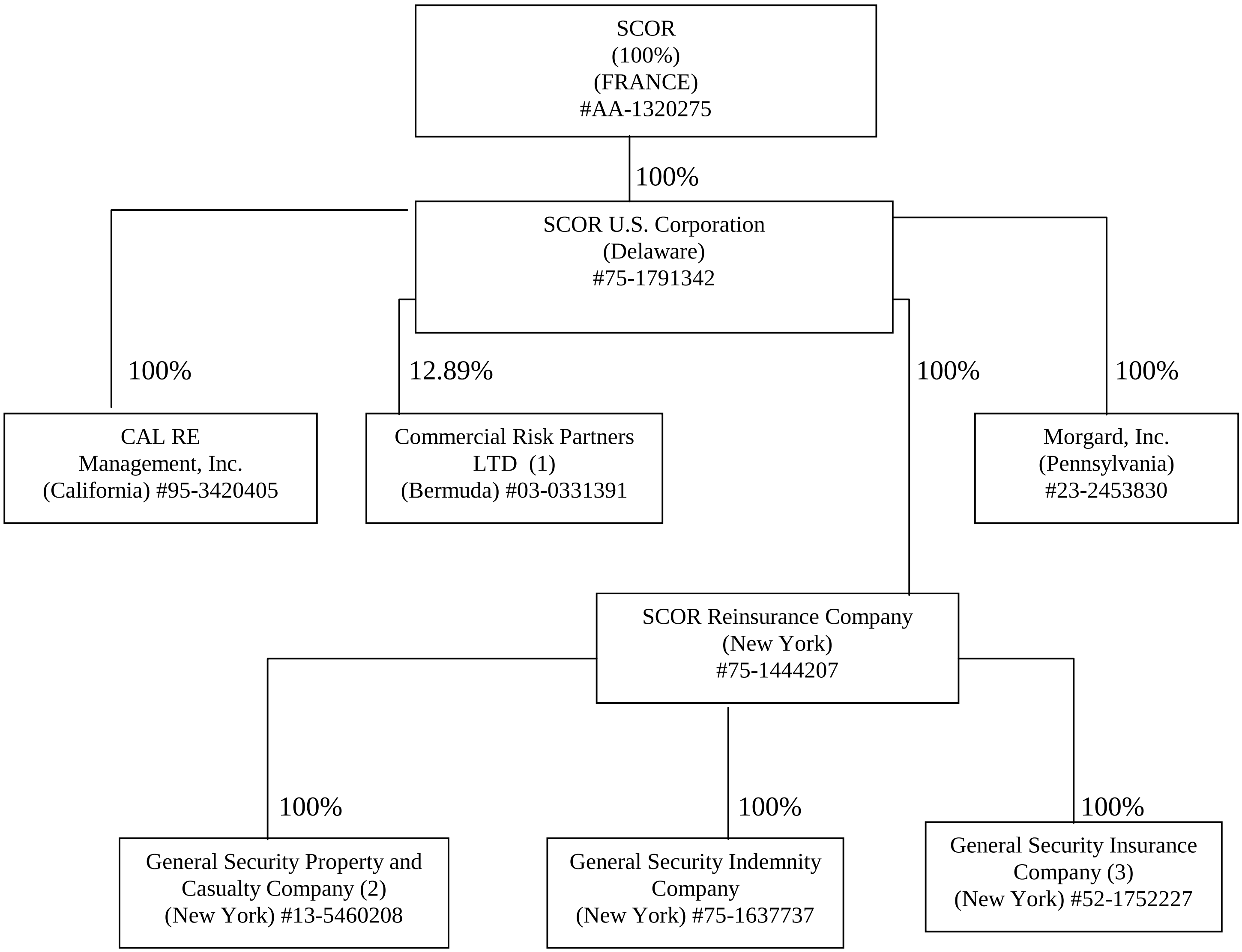
During the course of the examination, it was noted that the Company did not always adhere to the advance filing requirements set forth in the statute. It is recommended that the Company comply the provisions of Section 1505 of the New York Insurance Law at all times.

D. Holding Company System

The Company is a subsidiary of SCOR U.S. Corporation, a Delaware corporation, which in turn is 100% owned by SCOR S.A., a French reinsurance company. The Company has made the appropriate filings required by Article 15 of the New York Insurance Law and Department Regulation 52.

The following is a partial chart of the holding company system:

SCOR U.S. GROUP
HOLDING COMPANY CHART



1. 52.36%of Commercial Risk Partners Limited is owned by SCOR; 34.75% by Western General Insurance LTD.
2. Prior to April 18, 1996, was known as The Unity Fire & General Insurance Company
3. General Security Insurance Company redomesticated from Maryland to NY, effective 12/31/96.

At December 31, 1998, the Company had the following service agreements in effect with its parent:

1. Expense Allocation Agreement

Pursuant to the terms of this agreement, which was effective and approved by this Department in 1991, and subsequently amended in 1991, 1994, and 1996, SCOR Reinsurance, SCOR U.S. Corporation, SCOR Services, Inc., Bind, Inc., NARG, Inc., California Reinsurance Management Corporation, General Security Property & Casualty Company (formerly Unity Fire and General and General Insurance Company), Morgard, Inc., Morgard Partners Inc., Unistrat Corporation of America, General Security Insurance Company, and General Security Indemnity Company agree to provide and make available to each other the services of their personnel, office space, equipment and other services. The amendments were approved by this Department.

2. Tax Allocation Agreement

The Company is a party to the consolidated income tax return filed with the Internal Revenue Service by SCOR U.S. Corporation and its affiliates. The agreement was effective August 2, 1991 and approved by the Department on April 19, 1991. The agreement was amended May 5, 1994 and approved by the Department.

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.	4.42:1
Liabilities to liquid assets (Cash and invested assets less investment in affiliates)	108.80%
Premiums in course of collection to surplus as regards policyholders	56.11%

All three of the above ratios exceed the benchmark ranges of the Insurance Regulatory Information System of the National Association of Insurance Commissioners. The exceptional results are due to examination increases to the Company's carried loss and loss adjustment expense reserves.

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

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$1,516,298,736	83.07%
Other underwriting expenses incurred	698,063,955	38.24
Net underwriting loss	(388,994,219)	(21.31)
Premiums earned	$1,825,368,472	100.0%

F. Lack of Cooperation

Section 310(a)(2) and (3) of the New York Insurance Law provides as follows:

> "(2) Any examiner authorized by the superintendent shall be given convenient access at all reasonable hours to the books, records, files, securities and other documents of such insurer or other person, including those of any affiliated or subsidiary companies thereof, which are relevant to the examination, and shall have power to administer oaths and to examine under oath any officer or agent of such insurer or other person, and any other person having custody or control of such documents, regarding any matter relevant to the examination. (3) The officers and agents of such insurer or other person shall facilitate such examination and aid such examiners in conducting the same so far as it is in their power to do so."

Company management had been slow in providing the examiners with certain documentation necessary to complete examination in a timely manner. Additionally, in some instances, management could not provide supporting documentation for items being examined. Complete responses to several examination requests remained outstanding for over six months and many simple requests were outstanding for several months. Some of these delays were due to issues relating to the Company's system conversion and the nature or format of the data retained.

It is recommended that for future examinations, Company management respond fully and completely to the examination requests in a timely manner in order to ensure compliance with Section 310 of the New York Insurance Law.

G. Accounts and Records

i. Derivative Use Plan

The Company invested in covered call options in 1998, however, management did not submit a derivative use plan to this Department, as required under New York State's Regulation 163, until December 31, 1999. The agreement was subsequently approved in August 2000.

ii. Unreconciled or Unsupported Items

Retrospective premium adjustment and contingent commissions calculations were not completed. The Company could not provide the examiners with details to support the sample of six of eight items selected from the list of contingent commissions. Due to immateriality no financial change was made. It is recommended that the Company maintain all documentation that supports amounts reported in its filed annual statement.

The Company's actuarial department maintains a database of historical claim and premium information which is used to estimate the Company's loss and loss adjustment expense reserves. During the course of the examination, it was noted that a formal reconciliation between this database and the gross premiums, paid losses and case reserves recorded in Schedule P and in the General ledger was not available at December 31, 1998. Such a reconciliation is necessary to ensure that all premiums and reported claim information is appropriately considered by the actuaries in estimating the Company's loss and loss adjustment expense reserves. The Company attributes this to its system conversion. It is recommended that the Company ensure that a formal reconciliation is prepared between their database of their gross premiums written, paid losses and case reserves to the amounts reported in the detailed schedules of its annual and quarterly statements.

H. Abandoned Property Law

Pursuant to Sections 1315 and 1316 of the Abandoned Property Law, any amount issued and payable to a resident of this State shall be abandoned, if unclaimed for three years by the person entitled to the funds. It was noted that even though there was no abandoned property, the Company is still required to fill out and send an unclaimed property form to the Office of the State Comptroller.

It is recommended that the Company annually file a verification and checklist for Unclaimed Property form to the Office of the State Comptroller, as required by Sections 1315 and 1316 of the Abandoned Property Law.

3. FINANCIAL STATEMENTS

A. Balance Sheet

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

Assets	Ledger Assets	Non-ledger Assets	Not Admitted Assets	Examination Admitted Assets	Company Admitted Assets	Surplus Increase (Decrease)
Bonds	$1,101,628,015	$		$1,101,628,015	$1,101,628,015	$
Common stocks	95,435,808		$2,231,877	93,203,931	93,203,931	
Cash on hand and on deposit	6,484,444			6,484,444	6,484,444	
Short-term investments	257,453,559			257,453,559	257,453,559	
Receivables for securities	89,888			89,888	89,888	
Premiums and agents' balances in course of collection	138,238,922			138,238,922	138,238,922	
Premiums, and agents' balances and installments booked but deferred and not yet due	88,612,405			88,612,405	88,612,405	
Accrued retrospective premiums	10,992,953		1,099,295	9,893,658	9,893,658	
Funds held by or deposited with reinsured companies	15,565,121			15,565,121	15,565,121	
Reinsurance recoverables on loss and loss adjustment expense payments	7,863,000			7,863,000	7,863,000	
Federal income tax recoverable and interest thereon	11,200,442			11,200,442	11,200,442	
Interest, dividends and real estate income due and accrued		14,922,965		14,922,965	14,922,965	
Total assets	$1,733,564,557	$14,922,965	$3,331,172	$1,745,156,350	$1,745,156,350	$

Liabilities	Examination	Company	Surplus Increase (Decrease)
Losses and loss adjustment expenses	$1,258,460,150	$1,038,460,150	$(220,000,000)
Reinsurance payable on paid losses and loss adjustment expenses	22,424,242	22,424,242	
Contingent commissions and other similar charges	11,368,318	11,368,318	
Other expenses (excluding taxes, licenses and fees)	5,259,051	5,259,051	
Unearned premiums	226,645,693	226,645,693	
Funds held by company under reinsurance treaties	21,378,197	21,378,197	
Provision for reinsurance	29,837,862	5,131,862	(24,706,000)
Net adjustment in assets and liabilities due to foreign exchange rates	1,025,522	1,025,522	
Payable to parent, subsidiaries and affiliates	2,480,216	2,480,216	
Net aggregate excess of loss retrocessional agreement - 1990	(22,000,000)	(22,000,000)	
Assumed retroactive reinsurance	11,868,385	11,868,385	
Deposits basis premiums received	18,157,603	18,157,603	
Financial option written	305,525	305,525	
Total liabilities	$1,587,210,764	$1,342,504,764	$(244,706,000)
Surplus			
Net aggregate excess of loss retrocessional agreement - 1990	$22,000,000	$22,000,000	$
Special surplus retroactive reinsurance	(11,868,385)	(11,868,385)	
Common capital stock	5,000,000	5,000,000	
Gross paid in and contributed surplus	335,332,427	335,332,427	
Unassigned funds (surplus)	(192,518,456)	52,187,544	$(244,706,000)
Surplus as regards policyholders	$157,945,586	$402,651,586	$(244,706,000)
Total liabilities and surplus	$1,745,156,350	$1,745,156,350	

Note: The Internal Revenue Service has completed its audits of the consolidated income tax returns filed on behalf of the Company through the tax year ended 1988. All material adjustments, if any, made subsequent to the examination date and arising from said audits, are reflected in the financial statements included in this report. Audits covering the tax years ended 1989 to 1996 are in progress, and 1997 and 1998 are yet to commence. Except from any impact that might result from the examination change in this report, 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.

Note: See "Subsequent Events," Item 6 herein.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased $85,470,474 during the four year examination period, January 1, 1995 through December 31, 1998 detailed as follows:

Statement of Income

Underwriting Income		
Premiums earned		$1,825,368,472
Deductions		
Losses and loss adjustment expenses incurred	$1,516,298,736	
Other underwriting expenses incurred	698,063,955	
Total underwriting deductions		2,214,362,691
Net loss from underwriting		$(388,994,219)
Investment Income		
Net investment income earned	$225,328,167	
Net realized capital gains	25,603,432	
Net investment gains		250,931,599
Other Income		
Loss on foreign exchange rates	$(1,957,439)	
Net loss from agents' or premium Balances c/o	(2,500,194)	
Interest on funds held	(4,344,454)	
Retroactive reinsurance gain	35,577,157	
Excess liability over assets purchased	(8,337,654)	
Miscellaneous income	(195,617)	
Total other income		18,241,799
Net income (loss) before federal and foreign income taxes		$(119,820,821)
Federal and foreign income taxes incurred		57,304,447
Net income (loss)		$(177,125,268)

Capital and Surplus Account

Surplus as regards policyholders, per December 31, 1994 per report on examination			$243,416,060
	Gains in Surplus	Losses in Surplus	
Net loss	$	$177,125,268	
Net unrealized capital gain	17,783,847		
Change in non-admitted assets	2,959,007		
Change in provision for reinsurance		18,679,832	
Change in foreign exchange adjustment		41,472	
Paid in capital	142,000,000		
Dividends to stockholders		61,000,000	
Extraordinary amounts of taxes prior years	8,633,244		
Total gains and losses	$171,376,098	$256,846,572	
Net decrease in surplus			(85,470,474)
Surplus as regards policyholders, per December 31, 1998 per report on examination			$157,945,586

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability of $1,258,460,150 is $220,000,000 more than the $1,038,460,150 reported by the Company in its 1998 filed annual statement. The examination reserve was based on the three-year loss and loss expense development reported by the Company in its December 31, 2001 Annual Statement.

5. PROVISION FOR REINSURANCE

The examination liability of $29,837,862 is $24,706,000 greater than the $5,131,862 reported by the Company in its 1998 filed annual statement. The increase represents that portion of the provision for reinsurance liability corresponding to the increase in loss and loss adjustment expenses.

6. SUBSEQUENT EVENTS

This examination has determined that as of December 31, 1998, the Company's loss and loss adjustment expense reserves were deficient by $220,000,000, or 21.8%. This deficiency, coupled with other examination changes, reduced the Company's reported surplus from $402,651,586 to $157,945,586, or 60.8%. In order to protect its surplus from adverse loss and loss adjustment expense development for accident years 1997 through 1999, the Company, effective September 30, 2000, entered into a loss portfolio transfer agreement with unaffiliated parties. The effect of this loss portfolio transfer for accident years 1998 and prior resulted in approximately a $70,000,000 increase to surplus. The agreement was approved by this Department. Additionally, the Company received surplus contributions of $133,669,252 in 2000 and 2001, as well as surplus notes of $63,000,000 in 2001. These subsequent events resulted in an increase of $266,669,252 to the Company's surplus.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained the following comments detailed as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Management	
	It is recommended that the Company adhere to the requirements of Section 1201 of the New York Insurance Law and maintain at least three New York State residents on its board of directors.	5
	The Company has complied with this recommendation.	
B.	Reinsurance	
	1. It is recommended that the Company designate reinsurers listed in Schedule F of the annual statement as authorized and unauthorized.	9-10
	The Company has complied with this recommendation.	
	2. It is recommended that the Company adhere to the provisions of Section 1505(d) of the New York Insurance Law and submit all intercompany reinsurance agreements to the Department.	10
	The Company has not always submitted executed intercompany reinsurance agreements to the Department in a timely manner.	
C.	Holding Company System	
	1. It is recommended that the Company comply with the the provisions of Section 1505(d) of the law and submit all arrangements deemed to be holding company transactions to the Department.	11-12
	The Company has complied with this recommendation.	

ITEM	PAGE NO.
2. It was noted that an amendment to the tax allocation agreement and an amendment to the pooling agreement were submitted after the effective dates of the amendments. It is recommended that the Company comply with the provisions of Section 1505 (d) of the New York Insurance Law and submit all intercompany agreements, including amendments thereto, within the time frame set forth in the statute. The Company has complied with this recommendation.	14

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Reinsurance	
	i. It is recommended that the Company maintain periodic back-ups, in in the database, in unadulterated form, to support the amounts reported in its annual and quarterly statements, pursuant to Part 243 of the New York State Regulation 152.	9
	ii. It is recommended that the Company comply with the provisions of Section 1505 of the New York Insurance Law at all times.	11
B.	Lack of Cooperation	
	It is recommended that for future examinations, Company management respond fully and completely to all examination requests in a timely manner in order to ensure compliance with Section 310 of the New York Insurance Law.	16
C.	Accounts and Records	
	i. It is recommended that the Company maintain all documentation that supports amounts reported in its filed annual statement.	16
	ii. It is recommended that the Company ensure that a formal reconciliation between their database of their gross premiums written, paid losses and case reserves to the amounts reported in the detailed schedules of its annual and quarterly statements.	17

Respectfully submitted,

_________/S/____________
Marc Bruckstein
Senior Insurance Examiner

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

MARC BRUCKSTEIN, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

__________/S/___________

MARC BRUCKSTEIN

Subscribed and sworn to before me

This ____day of ____2002

Appointment No 21409

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, NEIL D. LEVIN *, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Marc Bruckstein

as proper person to examine into the affairs of the

Scor Reinsurance 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 21st *day of* May, 1999

NEIL D. LEVIN
Superintendent of Insurance