

REPORT ON EXAMINATION
OF THE
TRANSATLANTIC REINSURANCE COMPANY
AS OF
DECEMBER 31, 1999

DATE OF REPORT

APRIL 20, 2001

EXAMINER

MOSES EGBON, C.F.E.

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

April 20, 2001

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

Sir:

Pursuant to instructions contained in Appointment Number 21588 dated September 7, 2000, attached hereto, and in accordance with the New York Insurance Law, I have made an examination into the financial condition and affairs of the Transatlantic Reinsurance Company as of December 31, 1999 and respectfully submit the following report thereon.

The examination was conducted at the Company's home office located at 80 Pine Street, New York, New York 10005.

Wherever the designations "Company" or "TRC" appear in this report without qualification, they should be understood to indicate the Transatlantic Reinsurance Company.

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

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1993. This examination covers the six year period from January 1, 1994 through December 31, 1999 and was limited in its 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, loss and loss adjustment expense reserves and the provision for reinsurance.

The examination includes a review of income, disbursements and Company records to the extent 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 Company
- Management and control
- Corporate records
- Fidelity bonds and other insurance
- Territory and plan of operation
- Market conduct activities
- Growth of Company
- Business in force by states
- Reinsurance
- Accounts and records
- Financial statements

A review was also made to ascertain what action the Company has taken with regard to 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.

In addition, Putnam Reinsurance Company, an affiliate, was also examined concurrently with the Company.

2. DESCRIPTION OF COMPANY

The Transatlantic Reinsurance Company was incorporated on October 29, 1952, under the laws of the State of New York. It began business on December 2, 1952, with a capital of \$250,000 consisting of 50,000 shares of \$5 par value per share of stock, all of it owned by the Excess Reinsurance Company of Philadelphia, Pennsylvania. On December 31, 1952, the Excess Reinsurance Company was merged into the Transatlantic Reinsurance Company. The newly constituted company commenced business on January 1, 1953, with \$1,000,000 in capital. On September 30, 1967, all outstanding stock of the Company was acquired by the American Home Assurance Company, a member of American International Group, Inc. ("AIG").

The Transatlantic Reinsurance Company was reorganized and recapitalized on December 15, 1977. The 32,000 outstanding shares, \$50 par value per share, held by AIG (which had purchased all outstanding capital stock from American Home Assurance on June 30, 1977) were exchanged for 472,222 shares, \$5 par value per share, in the reorganized company.

Additionally, 527,778 shares were sold at \$75 each to seven unaffiliated insurers or to such insurers' wholly-owned subsidiaries. After the December 15, 1977 reorganization, financial control (52.8%) was held by the seven non-related shareholders. The remaining interest (47.2%) was transferred on December 15, 1977, via a surplus contribution, to American Home Assurance Company.

On December 27, 1979, American Home Assurance Company and the seven insurers contributed \$50,000,000 to the gross paid-in and contributed surplus of the Company.

On April 23, 1984, the shares formerly owned by Walton Insurance Company of Bermuda were sold to General Reinsurance Corporation. On May 11, 1984, United States Fidelity and Guaranty Company sold half of its shares to Daido Mutual Life Insurance Company and the other half to Nichido Fire and Marine Insurance Company. Effective September 19, 1984, Metropolitan Reinsurance Company transferred 42,000 shares to Metropolitan Reinsurance (U.K.) Limited, a wholly-owned subsidiary.

On December 20, 1985, all shareholders approved an increase in capital from \$5,000,000 consisting of 1,000,000 shares with a par value of \$5 per share, to \$6,041,655, consisting of 1,208,331 shares with a par value of \$5 per share. The additional shares were subscribed to by four of the nine shareholders of record as of that date for \$100 per share.

On September 28, 1988, Metropolitan Reinsurance Company, Metropolitan Tower Corporation and Metropolitan Reinsurance (U.K.) Limited transferred their 194,443 shares to Metropolitan Life Insurance Company.

On April 17, 1990, shareholders of the Company received common stock of PREINCO Holdings, Inc., a holding company incorporated in the State of Delaware, in exchange for all their shares. On April 18, 1990, the name of PREINCO Holdings, Inc. was changed to Transatlantic Holdings, Inc. and it became a public company in June, 1990.

The Company is currently a wholly-owned subsidiary of Transatlantic Holdings. As of December 31, 1999, AIG beneficially owned approximately 59% of Transatlantic Holding's outstanding common stock.

A. Management

Pursuant to the Company's charter and by-laws, management 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 Company had fourteen directors. The board of directors met four times a year during the examination period. The directors as of December 31, 1999 were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
James Balog Vero Beach, FL	Retired Chairman, 1838 Investment Advisors, L.P.
Paul A. Bonny Surrey, UK	Executive Vice President, Transatlantic Reinsurance Company
C. Fred Bergsten Annandale, VA	Director, Institute for International Economics
Ikuo Egashira Tokyo, Japan	Chairman, Nichido Fire and Marine Insurance Company, Limited
Maurice R. Greenberg New York, NY	Chairman and Chief Executive Officer, American International Group, Inc.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John J. Mackowski Ponte Vedra Beach, FL	Retired Chairman and Chief Executive Officer, The Atlantic Mutual Companies
Edward E. Matthews Princeton, NJ	Vice Chairman – Investment & Financial Services, American International Group, Inc.
Michael E. Morrill Stamford, CT	Senior Vice President, Transatlantic Reinsurance Company
Robert V. Mucci Brooklyn, NY	Senior Vice President and Actuary, Transatlantic Reinsurance Company
Robert F. Orlich Manhasset, NY	President/Chief Executive Officer, Transatlantic Holdings, Inc.
Howard I. Smith Woodbury, NY	Executive Vice President and Chief Financial Officer, American International Group, Inc.
Steven S. Skalicky White Plains, NY	Executive Vice President and Chief Financial Officer, Transatlantic Holdings Inc,
Thomas R. Tizzio Middletown, NJ	President, American International Group, Inc.
Javier E. Vijil Miami, FL	Executive Vice President, Transatlantic Holdings Inc,

The minutes of all meetings of the board of directors and committees thereof held during the examination period were reviewed, and the meetings were well attended.

The following were the principal officers of the Company at December 31, 1999:

<u>Name</u>	<u>Title</u>
Maurice R. Greenberg	Chairman of the Board
Robert F. Orlich	President/CEO
Robert V. Mucci	Senior Vice President and Actuary

<u>Name</u>	<u>Title</u>
Paul A. Bonny	Executive Vice President
Steven S. Skalicky	Executive Vice President and Chief Financial Officer
Javier E. Vijil	Executive Vice President
Robert Baldrey	Senior Vice President
John Cho	Senior Vice President
Matthew G. Fay	Senior Vice President
Sidney Kahn	Vice President/Treasurer
Glenn E. Gardner	Senior Vice President
Michael C. Sapnar	Senior Vice President
Michael E. Morrill	Senior Vice President
Ari L. Zalkowitz	Senior Vice President
Gary A. Schwartz	Vice President and General Counsel
Elizabeth M. Tuck	Secretary

B. Territory and Plan of Operation

As of the examination date, the Company was licensed to transact business in all states except for Alabama, Hawaii, Maine, Missouri, Montana, New Hampshire, North Carolina, North Dakota, Oregon, Rhode Island, Tennessee, Virginia and Wyoming. In those states, the Company was authorized as an accredited reinsurer. Credit was also allowed for reinsurance in Maine and New Hampshire.

According to its certificate of authority, the Company was empowered to transact the kinds of business as set forth 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 and health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator

<u>Paragraph</u>	<u>Line of Business</u>
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
19	Motor vehicle and aircraft
20	Marine
21	Marine protection and indemnity

The Company is also authorized to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a), including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended), and as authorized by Section 4102(c), to reinsure of every kind or description.

The Company holds a current certificate of authority issued by the United States Treasury, recognizing it as an admitted reinsurer of surety companies doing business with the United States government and/or its agencies.

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, 41 and 63 of the New York Insurance Law, Transatlantic Reinsurance Company is required to maintain a minimum surplus to policyholders in the amount of \$35,000,000.

The Company, which operates as a treaty and a facultative reinsurer, generates most of its business through reinsurance intermediaries. All of its business is assumed reinsurance. It assumes businesses from anywhere in the world. It has established branch offices in foreign countries to gain access to overseas business.

C. Reinsurance

The Company writes no direct business, and it assumes premiums from direct writers and other reinsurance companies.

The Schedule F data as contained in the Company's annual statements filed for the years covered by the examination was found to accurately reflect its reinsurance transactions.

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

As of December 31, 1999, the Company is protected by the following ceded reinsurance coverage:

<u>Type of Contract</u>	<u>Cession</u>
<u>Property Business:</u>	
International Property Facultative 4 layers	\$37,500,000 excess of \$2,500,000, each risk each occurrence.
Property Catastrophe* Variable Quota Share	42.5% of business classified as property catastrophe in high risk area and 57.5% in low risk area, up to a maximum \$30,000,000, any one program.
Property Super Catastrophe* 3 layers - Common account excess of loss	\$150,000,000 excess of \$50,000,000 each risk and each occurrence.

*Protects only assumed business classified as catastrophe excess of loss.

<u>Type of Contract</u>	<u>Cession</u>
Hurricane Catastrophe	\$40,000,000 excess of \$3,750,000, each risk and each occurrence, and covering limited geographic area.
<u>Casualty Business:</u>	
Healthcare Related Professional Liability Quota Share	25% of treaty business and 40% of facultative business up to \$10 million, each risk and each occurrence.
Facultative Casualty Quota Share	15% professional liability and certain other specialty lines, up to \$10 million, each loss.
Workers' Compensation	\$30,000,000 in excess of \$3,000,000, each risk and each occurrence.
Casualty Clash	\$30,000,000 excess of \$10,000,000, on general liability business each risk and each occurrence.
<u>Marine and Aviation Business:</u>	
Yacht Account	\$1,750,000 excess of \$375,000, each risk and loss occurrence.
Marine and Aviation Catastrophe Protection	\$20,000,000 excess of \$15,000,000, each risk and each occurrence.
<u>All Lines of Business:</u>	
Multi-line Catastrophe 4 layers	Limits and retentions may vary by line of business, with the property business carrying the highest limit of \$70,000,000.
Quota Share-All Lines	5% of net retained business after all other retrocessions.

Relative to the all lines of business contracts, it is noted that commencing January 1, 1995, the Company revised the quota share arrangement whereby it reduced its retrocession from 33% to 5%.

Most of the Company's retrocessions are to authorized reinsurers.

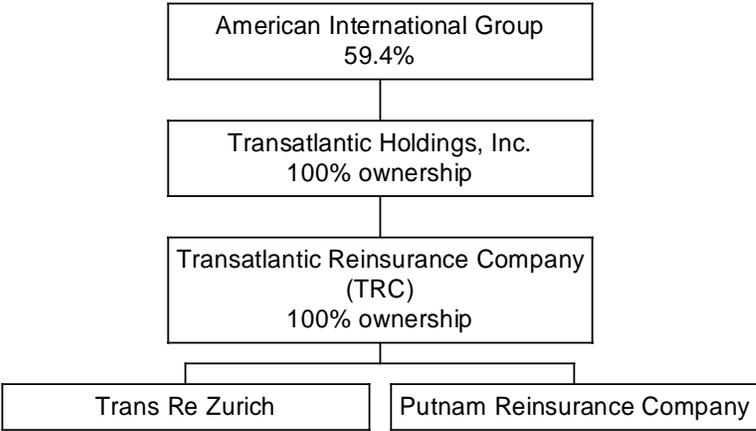
D. Holding Company System

The Company is a wholly-owned subsidiary of Transatlantic Holdings Inc. (formerly PREINCO Holdings, Inc.), a Delaware corporation which became a public company in June 1990. At December 31, 1993, American International Group, Inc. (AIG), a Delaware corporation, beneficially owned approximately 45% of Transatlantic Holdings, Inc.'s outstanding common stock. As of this examination date, the AIG ownership was increased to 59%. Subsequent to the examination date, this Department determined that AIG was the ultimate controlling person.

On August 14, 1996, the Company acquired all shares of Guardian Ruckversicherungs Gesellschaft ("Guardian Re"), Zurich. Prior to this acquisition, the Company notified the Department in a letter dated August 1, 1996, as required by Section 1603(a) of the New York Insurance Law.

The Company has filed the annual reports required by Article 15 of the New York Insurance Law and Department Regulation 52.

The following is the holding company chart as of December 31, 1999:



As of the examination date, the Company was a party to the following agreements with affiliated entities:

1. Service and Expense Agreement with American International Group Inc. (AIG)

The Company is a party to a service and expense agreement with AIG, the Company's ultimate parent, where AIG provides essentially all space, including certain services and personnel necessary for the conduct of its business. On December 2, 1977, the Department approved the service and expense agreement.

2. Investment Management Agreement with AIG Global Investors Inc.

The Company has an investment management agreement with AIG Global Investors, Inc. ("Global"), a wholly-owned AIG subsidiary, whereby Global acts as the manager of the Company's investment portfolio. The Department's approval for this agreement was granted on August 7, 1986.

In addition, the Company participates in a joint asset agreement with AIG and its subsidiaries for the purpose of pooling excess funds for investment in short-term money market instruments. On May 29, 1987, the Department approved the joint asset agreement.

3. Investment Custodian Agreement with AIG Global Investment Trust Services Limited

The Company has an investment custodian agreement with AIG Global Investment Trust Services Limited ("AIG Global"), a wholly-owned subsidiary of AIG and an affiliate, whereby the AIG Global acts as an investment custodian for the safekeeping of the Paris branch's investments. This agreement is dated October 6, 1996, and has not been submitted to the Department, as required by Section 1505(d)(3) of the New York Insurance Law.

It is recommended that the Company submit this agreement to the Department in accordance with Section 1505(d)(3) of the New York Insurance Law.

4. Tax Allocation Agreement with Transatlantic Holdings, Inc.

The Company files a consolidated federal income tax return with its parent, Transatlantic Holdings, Inc., and an affiliate, Putnam Reinsurance Company. The return is filed pursuant to the provisions of a tax allocation agreement approved by the Department on February 28, 1991.

5. AIG Money Market Fund

During the examination period the Company acquired about \$81,232,128 of funds managed by AIG, its affiliates.

E. Accounts and Records

Investment accounts

The Company did not maintain updated investment account identifying numbers for some of the investment accounts, which were under the control of the investment manager. This deficiency was evident when the Company provided its investment account identifying numbers along with the investment locations. The Company omitted some of the investment account identifying numbers.

It was noted that the Company utilized the services of an affiliate, AIG Global Investor Inc., to manage its investments.

With the Company broadening its operations into foreign countries, it becomes imperative that a more assertive stance be taken by the Company relative to monitoring all of its investment accounts and keeping accurate and correct investment account identifying numbers. It is recommended the Company

insist that AIG Global Investor Inc. provide accurate and correct investment account identifying number detail to facilitate the examination process.

Furthermore, the Company reported in its 1999 annual statement certain investments maintained by its branch office in Japan. The Company indicated that these investments were under the safekeeping of the Bank of Tokyo, acting as the investment custodian. This custodian did not respond to the examiner's request for confirmation of the investments held by such branch. However, the amount of these investments were immaterial when compared with the Company's total admitted assets. The Company provided the examiner with the branch's investment holding statements, which revealed no exceptions. However, it is recommended that the Company obtain, at a minimum, quarterly custodian bank statements from its custodian bank in Japan.

F. Custodian Agreement

The Company has custodian agreements with Mellon Trust of New York, Citibank, N.A. of Poland, AIG Global Investment Trust Services Limited of Ireland, and Royal Trust Corporation of Canada. With the exception of the agreement with Citibank, N.A., the custodian agreements lacked the following protective covenants which are evident of good business practices and adequate internal control:

1. The bank shall have in force, for its own protection, Bankers Blanket Bond Insurance of the broadest form available for commercial banks and will continue to maintain such insurance. The bank shall give the Company 60 days written notice of any material change in the form or amount of such insurance or termination of this coverage.
2. The bank will furnish the Company (at least quarterly) with a list of the securities held showing a complete description of each issue, which shall include the number of shares or par value of bonds so held at the end of each quarter.
3. The bank will maintain records sufficient to verify information that the Company is required to report on Schedule D of the annual statement blank.

4. The bank will furnish the appropriate affidavits in the form as may be acceptable to the Company and the New York State Insurance Department in order for the securities in such affidavits to be recognized as admitted assets of the Company.
5. The Company should have access to investment accounts during regular banking hours. The agreement should specify those persons who shall be entitled to examine on the bank's premises securities it holds and records it keeps regarding securities held, but only upon furnishing the bank with written instructions to that effect from any specified authorized officer.
6. Written instructions furnished to the custodian bank shall be signed by any two authorized officers specified in a listing that will be furnished to the bank from time to time, signed by the treasurer or assistant treasurer and certified under the corporate seal by the secretary or assistant secretary.
7. There should be a provision in the agreement that would allow the insurer to obtain the most recent report on the review of the custodian bank's internal control system pertaining to the Company's recordkeeping, issued by internal or independent auditors.

It is recommended that the Company amend its custodian agreements to incorporate the above protective covenants.

G. Abandoned Property Law

Section 1316 of the New York Abandoned Property Law requires the Company to file a report with the Office of the State Comptroller for any amounts payable to residents of New York unclaimed for three years. The Company made the required filings with the Office of the State Comptroller.

H. Significant Operating Ratios

The following ratios have been computed as of December 31, 1999 based upon the results of this examination:

Net premiums written in 1999 to Surplus as regards policyholders	.92:1
Liabilities to Liquid assets (cash and invested assets less investments in affiliates)	74.00%
Premiums in course of collection to Surplus as regards policyholders	1.00%

The above ratios fall within the benchmark ranges established by 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 six year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses incurred	\$4,297,501,509	71.42%
Loss adjustment expenses incurred	288,769,663	4.80
Other underwriting expenses incurred	1,638,487,417	27.23
Net underwriting loss	<u>(207,379,863)</u>	<u>(3.45)</u>
Premiums earned	<u>\$6,017,378,726</u>	<u>100.00%</u>

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, 1999. This statement is the same as the balance sheet filed by the Company:

	Ledger <u>Assets</u>	Non-Ledger <u>Assets</u>	Not-Admitted <u>Assets</u>	Net-Admitted <u>Assets</u>
<u>Assets</u>				
Bonds	\$3,060,987,428	\$	\$13,422,081	\$3,047,565,347
Preferred Stocks	52,323,893		1,132,005	51,191,888
Common Stocks	662,684,632	75,894,471		738,579,103
Cash on deposit	66,761,119			66,761,119
Short-term investments	23,204,435			23,204,435
Receivable for securities	7,263,633			7,263,633
Other invested assets	166,360,683			166,360,683
Premiums and agents' balances in course of collection	(8,496,602)		84,228	(8,580,830)
Premiums, agents' balances and installments booked but deferred and not yet due	27,504,829			27,504,829
Funds held by or deposited with reinsured companies	95,339,384			95,339,384
Reinsurance recoverable on loss and loss adjustment expense payments	52,501,889			52,501,889
Federal income tax recoverable		989,921		989,921
Interest, dividends and real estate income due and accrued		53,773,974		53,773,974
Receivable from parent, subsidiaries and affiliates	2,573,448			2,573,448
Other miscellaneous receivables	3,441,858			3,441,858
Prepaid expenses	759,762		759,762	
Summary of remaining write-ins	132,582		132,582	
Leasehold improvements	4,668,314		4,668,314	
Other assets-non-admitted	<u>3,886,820</u>		<u>3,886,820</u>	
Total assets	<u>\$4,221,898,107</u>	<u>\$130,658,366</u>	<u>\$24,085,792</u>	<u>\$4,328,470,681</u>

Liabilities

Losses	\$2,238,076,313
Loss adjustment expenses	206,540,170
Contingent commissions	10,097,000
Other expenses	5,127,619
Taxes, licenses and fees	25,768
Federal and foreign income taxes	0
Unearned premiums	315,827,849
Dividends declared and unpaid:	
Stockholders	4,350,000
Funds held by Company under reinsurance treaties	25,339,634
Provision for reinsurance	24,181,845
Payable to parent, subsidiaries and affiliates	4,232,849
Other liabilities	38,117,376
Accumulated post-retirement benefit obligation	950,000
Reserve for uncollectible reinsurance	<u>13,033,305</u>

Total liabilities \$2,885,899,728

Common capital stock	\$6,041,655
Gross paid in and contributed surplus	425,838,101
Unassigned funds	<u>1,010,691,197</u>

Surplus as regards policyholders \$1,442,570,953

Total liabilities and surplus \$4,328,470,681

NOTE: The Internal Revenue Service (IRS) has examined the consolidated income tax returns of the Company through 1997. Audits for subsequent tax years have yet to commence. The examiner is unaware of any potential exposure of the Company of any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$1,098,800,586 during the six year examination period January 1, 1994 through December 31, 1999, detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$6,017,378,726
Deductions:		
Losses incurred	\$4,297,501,509	
Loss adjustment expenses incurred	288,769,663	
Other underwriting expenses incurred	<u>1,638,487,417</u>	
Total underwriting deductions		<u>6,224,758,589</u>
Net underwriting loss		\$(207,379,863)

Investment Income

Net investment income earned	\$1,010,856.692	
Net realized capital gains	<u>262,747,720</u>	
Net investment gain		1,273,604,412

Other Income

Net loss from premium balances charged off	\$(3,198,974)	
Aggregate write-ins for miscellaneous income	<u>(31,945)</u>	
Total other Income		<u>(3,230,919)</u>
Net income before dividends to policyholders but before federal and foreign income taxes		\$1,062,993,630
Federal and foreign income taxes incurred		<u>253,067,713</u>
Net income		<u>\$809,925,917</u>

The Company is a reinsurer and does not have direct contact with insureds or claimants. However, during 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.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination, contained seven recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NOS.</u>
A. It is recommended that the Company follow the guidelines of Department Regulations 114 and 133 with regard to trust agreements and letters of credit, and that it adhere to Department requirements as set forth in Sections 1303 and 4117 of the New York Insurance Law, when calculating its liability for provisions for reinsurance.	9-10
The Company has complied with this recommendation.	
B. It is recommended that the Company set up an underwriting file for its Munich AG treaty and maintain underwriting files for all of its reinsurance treaties.	10
The Company has complied with this recommendation.	
C. It is recommended that in the future, the Company make all filings as required by Section 1505 of the New York Insurance Law.	11-12
The Company has complied with this recommendation.	
D. Pursuant to the provisions of the tax allocation agreement, it is recommended that an escrow account and an escrow agreement be established.	14

<u>ITEM</u>	<u>PAGE NOS.</u>
The Company has complied with this recommendation.	
E. It is recommended that the Company establish a written contract with its independent CPA that would fulfill the requirements of Department Regulation 118.	15
The Company has complied with this recommendation.	
F. It is recommended that in the future, the Company report its 25% share in said trust funds in the funds held by or deposited with reinsured companies account.	19-20
The Company has complied with this recommendation.	
Subsequent to the examination date the Company, in its 1994 Annual Statement, reported its 25% share in the trust funds in the funds held by or deposited with reinsured companies account.	20
The Company has complied with this recommendation.	
G. It is recommended that in the future, the Company should not report as an admitted asset, amounts held in excess of carried reserves for a particular reinsurer.	20
The Company has complied with this recommendation.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Holding Company System</u>	
<u>Investment Custodian Agreement with AIG Global Investment Trust Services Limited</u>	
It is recommended that the Company submit this agreement to the Department in accordance with Section 1505(d)(3) of the New York Insurance Law.	14

<u>ITEM</u>	<u>PAGE NO.</u>
B. <u>Accounts and Records</u>	
i. <u>Investment Accounts</u>	
(a) It is recommended the Company insist that AIG Global Investor Inc. provide accurate and correct investment account identifying number detail to facilitate the examination process.	14-15
(b) It is recommended that the Company obtain, at a minimum, quarterly custodian bank statements from its custodian bank in Japan.	15
C. <u>Custodian Agreement</u>	
It is recommended that the Company amend its custodian agreement to incorporate the appropriate protective covenants.	16

Respectfully submitted,

_____/S/_____
Moses Egbon, C.F.E.
Senior Insurance Examiner

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

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

_____/S/_____
Moses Egbon

Subscribed and sworn to before me

this _____ day of _____ 2001.

Appointment No 21588

STATE OF NEW YORK
INSURANCE DEPARTMENT

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

Moses Egbon

as proper person to examine into the affairs of the

Transatlantic Reinsurance Company

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

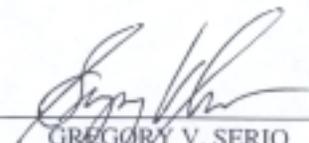
Company

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 7th day of September, 2000





GREGORY V. SERIO
First Deputy Superintendent of Insurance