

REPORT ON EXAMINATION
OF THE
XL INSURANCE COMPANY OF NEW YORK, INC.
AS OF
DECEMBER 31, 1999

DATE OF REPORT:

MAY 31, 2002

EXAMINER:

MARY MEANEY

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

May 31, 2002

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

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with instructions contained in Appointment No. 21596 dated August 23, 2000, attached hereto, I have made an examination into the condition and affairs of XL Insurance Company of New York, Inc. as of December 31, 1999 and submit the following report thereon.

The Company's home office is located at 140 Broadway, Suite 5105, New York, NY 10005. The examination was conducted at the Company's home office and at the Company's administrative office located at 70 Seaview Avenue, Stamford, CT 06902-6040.

Wherever the designations "the Company" or "XLNY" appear herein without qualification, they should be understood to indicate XL Insurance Company of New York, Inc. Wherever the designation "NAC" appears herein, it should be understood to indicate NAC Reinsurance Corporation, renamed XL Reinsurance America Inc. as of January 9, 2001. Wherever the designation "the Department" appears herein without qualification, it should be understood to indicate the New York Insurance Department.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1996. The current examination covers the three-year period from January 1, 1997 through December 31, 1999. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a complete verification of assets and liabilities as of December 31, 1999, a review of income and disbursements deemed necessary to accomplish such verification, and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

- History of the Company
- Management and control
- Corporate records
- Fidelity bonds and other insurance
- Territory and plan of operation
- Market conduct activities
- Growth of Company
- Business in force by states
- 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, or which are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

XL Insurance Company of New York, Inc., a New York domiciled insurer, originally known as Great Lakes American Reinsurance Company (“GLARC”) was incorporated under the Laws of New York State on September 23, 1994 and was licensed to transact business on October 1, 1994. At the time of its incorporation in 1994, GLARC was a member of the Munich Reinsurance Group and a wholly-owned subsidiary of the Great Lakes Reinsurance Company (“GLRC”). GLRC was a federal Canadian company, established in 1951, under the laws of the Dominion of Canada. On August 28, 1981, a United States Branch (“Branch”) was established under the laws of the State of New York. The Branch was a wholly-owned subsidiary of GLRC and was under the management of Great Lakes Re Management Corporation, a New York business corporation also wholly-owned by GLRC.

Folksamerica Holding Company and Folksamerica Reinsurance Company filed an application to acquire Great Lakes American Reinsurance Company, which was approved by the Department on July 15, 1997. Effective August 25, 1997, the name of the Company was changed to Folksamerica General Insurance Company. Also in 1997, the Company entered into a transfer and assumption agreement with Folksamerica Reinsurance Company. Under this agreement, all of the assets and liabilities of the Company were transferred to Folksamerica Reinsurance Company. As part of this agreement, the Company entered into a loss portfolio transfer.

On March 5, 1998, X.L. America, Inc. (“XLA”), a U.S. holding company formed by XL Capital Ltd., a Cayman Islands holding company, purchased Folksamerica General Insurance Company. The name was then changed to X.L. Insurance Company of America, Inc. on May 7, 1998 and, effective April 9, 1999, to X.L. Insurance Company of New York, Inc. (“XLNY”).

On June 18, 1999, XL Capital Ltd. completed its merger with NAC Re Corporation (“NAC Re”). Subsequent to this acquisition, a reorganization plan was submitted to the Department. As part of this restructuring, NAC Reinsurance Corporation (“NAC”) acquired 100% of the common stock of XLNY from XLA. Effective July 1, 1999, the Company became a participant in the X.L. America, Inc. (“XLA”) intercompany reinsurance pooling agreement (see Section 2D of this report).

Share Repurchase Agreement

On September 30, 1999, the Company entered into a stock purchase agreement with XLA whereby NAC agreed to purchase all of the issued and outstanding shares of capital stock of XL Insurance Company of New York, Inc. (“XLNY”). In exchange for the 1,200,000 shares of XLNY, NAC transferred \$99,377,905 in cash and securities to XLA. This amount was equal to the policyholder surplus of XLNY as of August 1, 1999. The agreement was approved by the Department in September 1999.

On September 30, 1999, NAC entered into a share repurchase agreement with XLNY in which NAC agreed to sell 780,000 shares of XLNY stock for \$65,000,000. This agreement was approved by the Department on November 19, 1999.

As of December 31, 1999, the Company’s paid in capital was \$6,000,000 which consisted of 1,200,000 shares of common stock at \$5 par value per share, all issued to NAC.

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 nineteen members. As of the examination date, the board of directors was comprised of thirteen members. The directors as of December 31, 1999 were as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>
Robert Clements Stamford, CT	Director, XL Capital Ltd
Robert John Cooney Hamilton, Bermuda	President, XL Insurance Ltd
Michael Patrick Esposito, Jr. Oradell, NJ	Director, X.L. America Inc.
Paul Saverio Giordano Warwick, Bermuda	Executive Vice President & Secretary, XL Capital Ltd.
Christopher Venire Greetham St. Georges, Bermuda	Executive Vice President, Investments, XL Capital Ltd
Ian Roger Heap Savannah, GA	Chairman of the Board, XL Insurance Company of New York, Inc.
Robert Martin Litchen Port Washington, NY	Director & Deputy Chairman, Inter-Atlantic Capital Partners
Richard Rocco Morano Stamford, CT	President and Chief Executive Officer, X.L. Global Services, Inc.
Brian Michael O'Hara Paget, Bermuda	Chairman, President & Chief Executive Officer, XL Capital Ltd
Dr. Robert Stratton Parker Washington, DC	Professor of Strategy & Finance, Georgetown University
Alan Zachary Senter New York, NY	Director, XL Capital Ltd
Dr. Ellen Elizabeth Thrower New York, NY	President, The College of Insurance
John Wolfgang Weiser Kentfield, CA	Director, Bechtel Group

The Company's charter provides that there shall be an annual meeting of the stockholders on the fourth Tuesday in March each year and at least two regular Board of Directors meetings during the year. The Company held one meeting in 1998 and no meetings in 1999. It is recommended that the Company comply with its charter and by-laws by having at least two regular meetings of the board of directors, in addition to the annual meeting of stockholders.

Board members were not elected to the board at the annual stockholders' meeting as required by the Company's charter and by-laws. It is recommended that the Company comply with its charter and by-laws by electing the board members at the annual stockholders' meeting.

The charter also states that whenever stockholders are required or permitted to take any action by vote, such action may be taken by written consent without a meeting. However, any action without a meeting of the board of directors shall be limited to those situations where time is of the essence and not in lieu of a regularly scheduled meeting. All actions taken during 1998 and 1999 were taken by written consent. It is recommended that the Company comply with its charter and only take action via written consent in those situations where time is of the essence and not in lieu of a regularly scheduled meeting.

Section 1411 (a) of the New York Insurance Law states :

"No domestic insurer shall make any loan or investment..., unless authorized or approved by its board of directors or a committee thereof responsible for supervising or making such investment or loan. The committee's minutes shall be recorded and a report submitted to the board of directors at its next meeting."

Since there were no board meetings in 1999, investments were not approved by the board of directors. It is recommended that the Company comply with Section 1411(a) of the New York Insurance Law and have all investments approved by its board of directors. It is also recommended that a detailed list of purchases and sales of investments be attached to the minutes.

The officers of the Company at December 31, 1999 were as follows:

<u>Name</u>	<u>Title</u>
Paul Richard Hackenburg	President & Chief Executive Officer
Robert John Tausz	Vice President, Assistant Treasurer & Secretary
Susan Lee Cross	Vice President & Chief Actuary

Subsequent to the examination period, in January 1999, Stan Galanski became Chief Executive Officer and President of the Company. In January 2001, Stan Galanski resigned and Nicholas Mark Brown Jr. was appointed President and Chief Executive Officer of XLNY.

B. Territory and Plan of Operation

As of December 31, 1999, the Company was authorized to transact business in the District of Columbia and the following thirty two-states:

Alabama	Hawaii *	Missouri *	Oregon
Alaska	Illinois	Montana	South Carolina
Arizona	Indiana	Nevada	South Dakota
Arkansas	Iowa	New Jersey	Texas
California	Kansas	New York	Utah
Connecticut *	Massachusetts *	North Dakota	Washington
Delaware	Michigan	Ohio	Wisconsin
Florida *	Mississippi	Oklahoma	Wyoming *

*Company licensed as a qualified or accredited reinsurer

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

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 \$4,200,000.

All business is produced through brokers.

C. Reinsurance

Assumed

The Company is a direct writer and does not assume any reinsurance.

Ceded

At December 31, 1999, the Company had the following reinsurance agreements:

1. 90% Quota Share reinsurance agreement with XL Insurance Company, Ltd., an affiliated Bermuda corporation. This reinsurance agreement covered all lines of business except satellite insurance. In September 2000, XL Mid Ocean Reinsurance Ltd, another Bermuda affiliate,

replaced XL Insurance Company, Ltd. on this agreement. The agreement was approved by the Department.

2. 90% Quota Share reinsurance agreement with XL Mid Ocean Reinsurance Ltd, a Bermuda corporation. The reinsurance agreement was effective for the 1999 year and covers satellite business only. The agreement was approved by the Department. Subsequent to the examination, on January 1, 2000, the satellite business was no longer written by XLNY and was taken over by XL Specialty Insurance Company (see Section 6 of this report).

Additionally, the Company is a participant in an intercompany pooling arrangement described in item D following.

D. Holding Company System

The Company is wholly-owned by NAC Reinsurance Corporation, a New York company. A review determined that the Company made the required annual filings, as registrant, pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

An organization chart as of December 31, 1999, which details members of the system, is shown in Appendix A. The chart in Appendix A is incomplete. Prime Advisors and Convenient Property and Casualty are two affiliates missing from the chart. The annual statement instructions state that the chart should contain the identities of and interrelationships between the parent, all affiliated insurers and other affiliates. It is recommended that the Company follow the annual statement instructions when completing Schedule Y of the annual statement and include all required affiliates.

Service Agreement

The Company is party to a service and expense agreement with its direct parent, NAC Reinsurance Corporation, dated September 30, 1998. The Company has not been complying with this service agreement. NAC appears to have been paying most of the expenses such as rent, utilities and personnel. However, with the advent of the pooling agreement on July 1, 1999, these expenses are shared by pool members according to pool percentages. Subsequent to this examination date, in April 2001, a revised service agreement was submitted to the Department. This agreement was approved on August 2, 2001 with an effective date of April 1, 2001.

Inter-Company Pooling Agreement

The Company participates in an inter-company pooling agreement with four affiliates. The pooling agreement provides for pooling of premiums, losses and expenses based on the pool participation percentages of these five pool companies. This agreement became effective on July 1, 1999 and was approved by the Department on September 30, 1999. The original pool percentages were not used in the 1999 pool calculations. The Company amended these percentages, as shown in the following chart, but did not submit the amendment to the Department. It is recommended that the Company submit all amendments to the pooling agreement to the Department for approval.

<u>Pool Company</u>	<u>State of Domicile</u>	Original Participation Percentage (Effective <u>7/1/99</u>)	Amended Participation Percentage (Effective <u>12/31/99</u>)
NAC Reinsurance Corporation	NY	78.2%	76%
XL Insurance Company of New York, Inc.	NY	6.4	7
XL Specialty Insurance Company	IL	5.9	7
Greenwich Insurance Company	CA	4.8	5
Indian Harbor Insurance Company	ND	<u>4.7</u>	<u>5</u>
Total pool		<u>100%</u>	<u>100%</u>

Under the terms of the pooling agreement, 100% of the members' net premiums, net losses, insurance-related expenses and other related underwriting activities are assumed by NAC as pool leader, reapportioned, and then ceded to the pool members in accordance with their participation percentages. Any cessions to or from external reinsurers under reinsurance agreements placed by the individual pool members occur prior to the cession of business to NAC, the pool leader.

Subsequent to the examination, an amended pooling agreement was put into effect in order to clarify certain items as follows:

1. exclude specific lines of business from the pool,
2. provide for "funds withheld balance" and
3. provide that cessions to the pool will be on a "net basis."

This agreement was approved by the Department on August 6, 2001 and was implemented on January 1, 2002.

In April 2001, the Company submitted a second amended pooling agreement to the Department. This agreement became effective on January 1, 2001 and changes the pool percentages to reflect the individual company's surplus at year-end. The pool percentages to be used for the 2001 are as follows:

<u>Pool Company</u>	<u>State of Domicile</u>	<u>Amended Participation Percentage (Effective 1/1/01)</u>
NAC Reinsurance Corporation	NY	76%
XL Insurance Company of New York	NY	5
XL Specialty Insurance Company	IL	10
Greenwich Insurance Company	CA	5
Indian Harbor Insurance Company	ND	4
Total pool		<u>100%</u>

The major change to this agreement is that cessions to the pool will be made on a gross basis. Reinsurance will be placed by NAC as pool leader and reinsurance recoverables for all pool companies will be assigned to NAC.

Tax Sharing Agreement

The Company participates in a tax sharing agreement with its four pool members, seven additional affiliates, and its parent, X.L. America, Inc. This agreement is in effect since the year 1999 and was approved by the Department on October 29, 1999. Upon review, it was determined that the agreement is in compliance with the minimum guidelines set forth in the New York Insurance Department's Circular Letter No. 33 (1979).

E. 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	.54 to 1
* Liabilities to liquid assets (cash and invested assets less investment in affiliates)	183.72%
Premiums in course of collection to surplus as regards policyholders	35.01%

* The above ratios do not fall within the benchmark range established by the Insurance Regulatory Information System of the National Association of Insurance Commissioners. The liabilities to liquid assets ratio is high due to the significant increase in the loss reserve as a result of this examination. The examination loss reserve increase is reflected in Section 6 of this report.

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

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$71,800,503	116.78%
Other underwriting expenses incurred	25,708,549	41.81
Net underwriting gain (loss)	<u>(36,025,473)</u>	<u>(58.59)</u>
Premiums earned	<u>\$61,483,579</u>	<u>100.00%</u>

F. Abandoned Property Law

The Company had no abandoned property for the three years under examination. The Company filed a negative report with the State Comptroller for each year as required by Sections 1315 and 1316 of the New York Abandoned Property Law.

G. Accounts and Records

During the examination period, the books and records of the Company were kept in Stamford, Connecticut. Section 325(b) of the New York Insurance Law states:

“ A domestic insurer may keep and maintain its books of account without this state if, in accordance with a plan adopted by its board of directors and approved by the Superintendent, it maintains in this state suitable records in lieu thereof; provided, however, that the Superintendent may... direct such insurer to return all or any of its books of account to this state if such is reasonably necessary...to permit the inspection in this state...”

It is recommended that the Company file a revised Section 325(b) plan with the Department setting forth where the Company maintains its records. Subsequent to the examination, in April 2001 the Company submitted a revised Section 325(b) plan to the Department, which was approved on August 1, 2001.

The Company stated in the evaluation of controls questionnaire that it does not have a disaster recovery plan. It is recommended that the Company institute a disaster recovery plan as a good business practice.

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:

	EXAMINATION			COMPANY		
	Ledger Assets	Non-Ledger Assets	Not-Admitted Assets	Admitted Assets	Assets	Surplus Increase (Decrease)
<u>Assets</u>						
Bonds	\$23,016,109	\$	\$	\$23,016,109	\$23,016,109	\$
Preferred stocks	3,638,419			3,638,419	3,638,419	
Cash and short-term investments	75,090,857			75,090,857	75,090,857	
Premiums, agents' balances in course of collection	98,450,881	3,822,000	101,627,203	645,678	98,310,208	(97,664,530)
Funds held by or deposited with reinsured companies		101,486,530		101,486,530		101,486,530
Reinsurance recoverable on loss and loss adjustment expense payments	102,662			102,662	102,662	
Interest, dividends and real estate income due and accrued		619,074		619,074	619,074	
Total assets	<u>\$200,298,928</u>	<u>\$105,927,604</u>	<u>\$101,627,203</u>	<u>\$204,599,329</u>	<u>\$200,777,329</u>	<u>\$3,822,000</u>

<u>Liabilities</u>	<u>Examination</u>	<u>Company</u>	<u>Surplus Increase (Decrease)</u>
Losses and loss adjustment expenses	\$108,291,975	\$90,883,975	\$(17,408,000)
Contingent commissions	464,603	464,603	
Other expenses	2,709,011	2,709,011	
Taxes, licenses and fees	127,731	127,731	
Federal and foreign income taxes	6,479,874	6,479,874	
Unearned premiums	7,033,713	7,033,713	
Provision for reinsurance	814,913	86,913	(728,000)
Payable to parent, subsidiaries & affiliates	67,056,067	67,056,067	
Premiums received in advance	252,452	252,452	
Total liabilities	<u>\$193,230,339</u>	<u>\$175,094,339</u>	<u>\$(18,136,000)</u>
<u>Policyholders' Surplus</u>			
Capital paid up	\$6,000,000	\$6,000,000	\$
Gross paid in and contributed surplus	93,846,581	93,846,581	
Unassigned funds	(23,477,591)	(9,163,591)	(14,314,000)
Treasury stock	(65,000,000)	(65,000,000)	
Surplus as regards policyholders	<u>\$11,368,990</u>	<u>\$25,682,990</u>	<u>\$(14,314,000)</u>
Total liabilities and surplus	<u><u>\$204,599,329</u></u>	<u><u>\$200,777,329</u></u>	

NOTE: The Internal Revenue Service has not commenced any audits of the consolidated income tax returns filed on behalf of the Company. The examiner is unaware of any potential exposure of the Company to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased \$94,630,546 during the three-year period,

January 1, 1997 through December 31, 1999, detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$61,483,579
Deductions:		
Losses and loss adjustment expenses incurred	\$71,800,503	
Other underwriting expenses incurred	<u>25,708,549</u>	
Total underwriting deductions		<u>97,509,052</u>
Net underwriting loss		\$(36,025,473)

Investment Income

Net investment income earned	\$13,965,748	
Net realized capital gains	<u>(5,961,890)</u>	
Net investment gain		8,003,858

Other Income

Net gain from agents' balances charged off	<u>\$3,822,000</u>	
Total other income (loss)		<u>3,822,000</u>
Net income before dividends to policyholders and federal and foreign income taxes		\$(24,199,615)
Federal and foreign income taxes incurred		<u>4,747,774</u>
Net income (loss)		<u>\$(28,947,389)</u>

Capital and Surplus Account

Surplus as regards policyholders, per report on examination, as of December 31, 1996			\$105,999,536
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net loss		\$28,947,389	
Change in non-admitted assets	\$806,902		
Change in provision for reinsurance		779,913	
Surplus contribution	92,650,000		
Purchase of treasury stock		65,000,000	
Loss portfolio transfer		93,360,146	
	<u> </u>	<u> </u>	
Total gains and losses	<u>\$93,456,902</u>	<u>\$188,087,448</u>	
Net decrease in surplus as regards policyholders			<u>94,630,546</u>
Surplus as regards policyholders, per report on examination, as of December 31, 1999			<u>\$11,368,990</u>

4. PREMIUMS IN COURSE OF COLLECTION

The examination asset of \$645,678 is \$97,664,530 less than the \$98,310,208 reported by the Company as of December 31, 1999. The examination change is due to the following:

Reclass to Funds Held by Others	\$(101,486,530)
Premium recorded after the statement date but due for the examination period	<u>3,822,000</u>
Net change	<u>\$97,664,530</u>

5. FUNDS HELD OR DEPOSITED WITH REINSURED COMPANIES

The examination asset of \$101,486,530 was not reported at all by the Company as of December 31, 1999. The examination change is due to a reclassification from Premiums in Course of Collection. The Company reported the balance due under the pooling agreement incorrectly in 1999, the first year of the pooling agreement.

6. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability of \$108,291,975 is \$17,408,000 greater than the \$90,883,975 reported by the Company as of December 31, 1999. 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 in its filed annual statements.

The examination increase of \$17,408,000 is the result of an increase in the Company's loss reserves at December 31, 2001 for years 1999 and prior. This amount is shown in the Company's 2001 annual statement.

7. PROVISION FOR REINSURANCE

The examination liability of \$814,913 is \$728,000 more than the \$86,913 reported by the Company in its December 31, 1999 filed annual statement. The change is due to additional losses ceded to third party unaffiliated unauthorized reinsurers related to the examination increase in loss reserves.

8. MARKET CONDUCT ACTIVITIES

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

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

- A. Sales and advertising
- B. Underwriting
- C. Rating
- D. Claims

No exceptions were noted in this examination.

9. SUBSEQUENT EVENTS

Brockbank Insurance Services, Inc. in 1999, wrote satellite insurance business for XLNY. Beginning January 2001, the satellite book of business was taken over by XL Specialty Insurance Company as part of a restructuring business activity within the group.

10. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination comments referred to Great Lakes American Reinsurance Company and do not apply to XL Insurance Company of New York, Inc.

11. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
i. It is recommended that the Company comply with its charter by having at least two regular meetings of the board of directors, in addition to the annual meeting of the stockholders.	5
ii. It is recommended that the Company comply with its charter and by-laws by electing the board members at their annual stockholders' meeting.	6
iii. It is recommended that the Company comply with its charter and only take action via written consent in those situations where time is of the essence and not in lieu of a regularly scheduled meeting.	6
iv. It is recommended that the Company comply with Section 1411(a) of the New York Insurance Law and have all investments approved by its board of directors.	6
v. It is also recommended that a detailed list of purchases and sales of investments be attached to the minutes.	6

<u>ITEM</u>		<u>PAGE NO.</u>
B.	<u>Holding Company System</u>	
i.	It is recommended that the Company follow the annual statement instructions when completing Schedule Y of the annual statement and include all required affiliates.	9
ii.	It is recommended that the Company submit all amendments to the pooling agreement to the Department for approval.	10
C.	<u>Accounts and Records</u>	
i.	It is recommended that the Company file a revised Section 325(b) plan with the Department setting forth where the Company maintains its records. Subsequent to the examination, in April 2001 the Company submitted a revised Section 325(b) to the Department.	13
ii.	It is recommended that the Company institute a disaster recovery plan.	14

APPENDIX A

XL Capital Holding Company Chart At December 31, 1999

NAIC #

<u>FEIN #</u>		
XL CAPITAL LTD – Cayman		
98-0191089		
EXEL HOLDINGS LIMITED - Cayman		
XL Insurance Ltd – Bermuda		
XL Financial Assurance Ltd. (85%) – Bermuda		
XL Capital Products Ltd - Bermuda		
XL Investments Ltd - Bermuda		
	X.L. Investment Private Trustee Ltd. - <i>Bermuda</i>	
	XL Investments (Barbados) Inc. - <i>Barbados</i>	
	First Cumberland Bank, Inc. - <i>Barbados</i>	
	Garrison Investments Inc. - <i>Barbados</i>	
	Kensington Investments Inc. - <i>Barbados</i>	
	XLB Partners Inc. - <i>Barbados IBC</i>	
	Cumberland Holdings, Inc. – <i>DE</i>	
98-0174616		
	Cumberland California, Inc. - <i>DE</i>	
98-0174621		
	Pareto Hughes Research (30%) - <i>DE</i>	
95-4590570		
	Pareto Partners (30%) - <i>CA</i>	
13-3609837		
	Cumberland New York, Inc. - <i>DE</i>	
98-0174619		
	Pareto (30%) - <i>NY</i>	
95-4627346		
	InQuisLogic Ltd. – <i>Barbados</i>	
	InQuisLogic Inc. – <i>DE</i>	
06-1542517		
	RiskConnect Ltd. – <i>Barbados</i>	
	RiskConnect Inc. – <i>DE</i>	
	Financial Security Assurance International Ltd. (80%) – Bermuda	
	XL Global Services (Bermuda) Ltd. – Bermuda	
	XL Holdings Barbados Ltd. - Barbados	
	X.L. America, Inc. - <i>DE</i>	
06-1516268		
	ECS INC. (71%) – <i>PA</i>	
	23-2152934	
	ECS Alternative Market Services, Inc. - <i>PA</i>	
	23-2741979	
	ECS Holdings, Inc. – <i>DE</i>	
	23-2683777	
	ECS International, Inc. – <i>DE</i>	
	23-2683775	
	ECS Asesores en Seguros Medioambientales, S.A.R.L. - <i>Spain</i>	
	The ECS Group, Ltd – <i>UK</i>	
2711579		
	ECS Underwriting Ltd. – <i>UK</i>	
2549841		
	Environmental Compliance Svcs Ltd. – <i>UK</i>	
2551297		
	Consulting Services International Ltd. – <i>UK</i>	
2551297		
	ECS Asesores en Aseguramiento de Riesgos Ambientales S.A. de C.V. - <i>Mexico</i>	
	Risk & Insurance Services, Inc. - <i>Barbados</i>	
	ECS Underwriting, Inc. - <i>PA</i>	
23-2901851		
	ECS Claims Administrators, Inc. - <i>PA</i>	
23-2614107		
	ECS Risk Control, Inc. - <i>PA</i>	
23-2321718		
	ECS Child Care Center, Inc. - <i>PA</i>	
23-2866192		
	Brockbank Insurance Services, Inc. - <i>CA</i>	
	Global Credit Analytics, Inc. - <i>DE</i>	
	XL Global Services, Inc. – <i>DE</i>	
06-1527321		
NAC RE CORPORATION - DE		
13-3297840		
	NAC Re International Holdings Ltd - <i>UK</i>	
	NAC Reinsurance International Limited - <i>UK</i>	
	Denham Syndicate Management Ltd - <i>UK</i>	
	Stonebridge Underwriting Ltd - <i>UK</i>	
	NAC Re International Services Co., Ltd - <i>UK</i>	
	NAC Reinsurance Corporation (A - 76%) - <i>NY</i>	

20583

			NAC Re Investment Holdings, Inc. - <i>DE</i>	
	06-1529606		Greenwich Insurance Company (A - 5%) - <i>CA</i>	22322
	95-1479095		Indian Harbor Insurance Company (A - 5%) - <i>ND</i>	36940
	06-1346380		XL Insurance Company of New York, Inc. (A - 7%) - <i>NY</i>	40193
13-3787296			XL Capital Assurance Inc. - <i>NY</i>	
	11007	13-4709733	Intercargo Corporation - <i>DE</i>	
36-3414667			International Advisory Services Inc. - <i>IL</i>	
36-3081634			XL Specialty Insurance Company(A - 7%) - <i>IL</i>	37885
85-0277191			Intercargo Insurance Company HK Ltd. - <i>HK</i>	
			Intercargo International Limited - <i>BVI</i>	
AA-004102			ECS INC. (29%) - <i>PA</i>	
			23-2152934	
			Prime Advisors	
			Convenient Property & Casualty	
			Sovereign Risk Insurance Ltd. (50%) - <i>Bermuda</i>	
			X.L. One Ltd. - <i>Bermuda</i>	
			XL Europe (50%) - <i>Republic of Ireland</i>	
			X.L. Two Ltd. - <i>Bermuda</i>	
			XL Europe (50%) - <i>Republic of Ireland</i>	
			XL Australia Pty Ltd - <i>Australia</i>	
			XL Prevent Ltd - <i>UK</i>	
			Le Mans Re (A - 49%) - <i>France</i>	
			IPT Compliance Limited - <i>UK</i>	
			EXEL Cumberland Limited - <i>UK</i>	
			Pareto Partners (30%) - <i>UK</i>	
			Pareto Australia - <i>Australia</i>	
			Vision Loyal Ltd. (30%) - <i>UK</i>	
			InquisCapital Holdings (Bermuda) Limited - <i>Bermuda</i>	
			InquisLogic (Bermuda) Limited - <i>Bermuda</i>	
			RiskConnect Limited - <i>Bermuda</i>	

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NAIC #

			Annuity Life & Re (Holdings) Ltd (12%) - <i>Bermuda</i>	
			EXEL Acquisition Ltd. - <i>Cayman</i>	
			GCR Holdings Limited - <i>Cayman</i> (In Liquidation)	
			Reeve Court Insurance Company (.04%) - <i>Bermuda</i>	
			Reeve Court Holdings Ltd. (50%) - <i>Bermuda</i>	
			X.L. Property Holdings Ltd. - <i>Bermuda</i>	
			Mid Ocean Limited (100%) - <i>Cayman</i>	
			Mid Ocean Holdings Limited - <i>Bermuda</i>	
			XL Mid Ocean Reinsurance Ltd - <i>Bermuda</i>	
			ECS Reinsurance Company Inc. - <i>Barbados</i>	
98-0086637			Sunshine State Holdings Corporation (24%) - <i>FL</i>	
			The Shipowners Insurance and Guaranty Company Ltd. (4.6%) - <i>Bermuda</i>	
			Global Capital Underwriting Ltd. - <i>UK</i>	
			LARC Holdings Ltd. - <i>Bermuda</i>	
			Latin America Reinsurance Company Ltd. - <i>Bermuda</i>	
			Ridgewood Holdings Company - <i>Bermuda</i>	
			Admiral Group Limited (10%)	
			The Brockbank Group Plc - <i>UK</i>	
			Brockbank Holdings Limited - <i>UK</i>	
			Baltusrol Holdings Ltd - <i>Bermuda</i>	
			County Down Limited - <i>Corporate member Syndicate 2253</i>	
			Dornoch Limited - <i>Corporate member Syndicate 1209</i>	
			Brockbank Underwriting Limited - <i>UK</i>	
			Brockbank Personal Lines Limited - <i>Syndicates 253/2253</i>	
			Cassidy Brockbank Limited (<i>Dormant</i>)	
			Brockbank Syndicate Management Limited - <i>Syndicates 588/861/1209</i>	
			Brockbank Syndicate Services Limited	
			Sextant International Limited (20%)	

A. Company is a member on NAC Reinsurance, Intercargo Pooling Agreement with individual company pooling %'s noted.

Respectfully submitted,

_____/S/_____
Mary Meaney
Principal Insurance Examiner

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

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

_____/S/_____
Mary Meaney

Subscribed and sworn to before me
this ____ day of _____ 2003.

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:

Mary Meaney

as proper person to examine into the affairs of the

XL Insurance Company of New York, Inc.

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

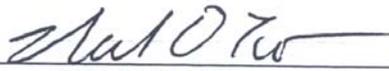
Company

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 23 rd day of August, 2000




NEIL D. LEVIN
Superintendent of Insurance