

REPORT ON EXAMINATION

OF THE

PARTNERRE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2010

DATE OF REPORT

JANUARY 31, 2012

EXAMINER

JOSEPH REVERS

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Benjamin M. Lawsky  
Superintendent

January 31, 2012

Honorable Benjamin M. Lawsky  
Superintendent of Financial Services  
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30629 dated January 4, 2011, attached hereto, I have made an examination into the condition and affairs of PartnerRe Insurance Company of New York as of December 31, 2010, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate PartnerRe Insurance Company of New York.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company’s administrative office located at One Greenwich Plaza, Greenwich, CT 06830-6352.

## **1. SCOPE OF EXAMINATION**

The Department has performed a group examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2005. This examination covered the five-year period from January 1, 2006 through December 31, 2010. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination of the Company was performed concurrently with the examination of Partner Reinsurance Company of the U.S., a New York domiciled insurer.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation of the Company’s own control environment assessment and an evaluation based upon the Company’s Sarbanes Oxley documentation and testing. The examiners also relied upon audit work performed by the Company’s independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Handbook:

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance

Financial statements  
Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

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

## 2. DESCRIPTION OF COMPANY

The Company originally entered the United States in 1936 as the United States Branch (“Branch”) of the Winterthur Swiss Insurance Company of Winterthur, Switzerland (“Winterthur”). Winterthur, founded in 1875, was one of the largest insurance companies in Switzerland. On September 6, 1989, the Branch was domesticated under the laws of New York with the transfer of all assets and liabilities of the former Branch to the newly formed insurer, Winterthur Reinsurance Corporation of America. In 1997, Winterthur and its worldwide affiliates were acquired by Credit Suisse Group.

On October 23, 1998, all 300,000 outstanding shares of the Company’s common stock were acquired by PartnerRe U.S. Corporation (“PRUSC”), a Delaware domiciled holding company. Subsequent to the acquisition, PRUSC contributed the capital stock of the Company to Partner Reinsurance Company of the U.S. Concurrently at year-end 1998, Partner Reinsurance Company of the U.S. contributed \$13 million to the Company. Effective March 1, 1999, the name of the Company was changed to PartnerRe Insurance Company of New York.

At December 31, 2010, capital paid in is \$6,000,000 consisting of 300,000 shares of common stock at \$20.00 par value per share. Gross paid in and contributed surplus is \$13,000,000.

### 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. The board meets four times during each calendar year. At December 31, 2010, the board of directors was comprised of the following fourteen members:

Name and ResidencePrincipal Business Affiliation

John Noel Adimari  
Greenwich, CT

Executive Vice President and Chief Operations Officer  
PartnerRe Insurance Company of New York  
Partner Reinsurance Company of the U.S.

John Baptist DiBuduo  
Woodbridge, CT

Senior Vice President & Chief Technology Officer,  
PartnerRe Insurance Company of New York  
Partner Reinsurance Company of the U.S.

Jeffrey Alan Englander  
New Rochelle, NY

Senior Vice President,  
PartnerRe Insurance Company of New York  
Partner Reinsurance Company of the U.S.

Vincent James Forgione  
Newtown, CT

Senior Vice President,  
PartnerRe Insurance Company of New York  
Partner Reinsurance Company of the U.S.

Thomas Lester Forsyth  
Wilton, CT

Executive Vice President, General Counsel &  
Corporate Secretary,  
PartnerRe Insurance Company of New York  
Partner Reinsurance Company of the U.S.

Charlene Abruscato Heffernan  
Stamford, CT

Vice President,  
PartnerRe Insurance Company of New York  
Partner Reinsurance Company of the U.S.

John Daniel Hickey  
New Canaan, CT

Executive Vice President,  
PartnerRe Insurance Company of New York  
Partner Reinsurance Company of the U.S.

Constantinos Miranthis  
Smiths Parish, Bermuda

President & Chief Executive Officer  
PartnerRe Ltd.

Carol Ann O'Dea  
Ridgefield, CT

Senior Vice President,  
PartnerRe Insurance Company of New York  
Partner Reinsurance Company of the U.S.

John Spencer Peppard  
Huntington Station, NY

Senior Vice President,  
PartnerRe Insurance Company of New York  
Partner Reinsurance Company of the U.S.

David Samuel Phillips  
New York, NY

Chief Investment Officer,  
PartnerRe Insurance Company of New York  
Partner Reinsurance Company of the U.S.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Richard Newell Sanford Wilton, CT	Executive Vice President, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Theodore Cuyler Walker Greenwich, CT	President & Chief Executive Officer, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
John Bullitt Wong Ridgefield, CT	Senior Vice President & Controller, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member had an acceptable record of attendance.

As of December 31, 2010, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Theodore Cuyler Walker	President & Chief Executive Officer
John Noel Adimari	Executive Vice President and Chief Operations Officer
Thomas Lester Forsyth	Executive Vice President, General Counsel and Secretary

B. Territory and Plan of Operation

As of December 31, 2010, the Company was licensed to write business in forty states and the District of Columbia. It is an accredited reinsurer in an additional ten states.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery

<u>Paragraph</u>	<u>Line of Business</u>
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 physical damage
20	Marine and inland 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) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69<sup>th</sup> Congress, as amended; 33 USC Section 901 et seq. as amended) and as authorized by Section 4102(c) of the New York Insurance Law to reinsure risks of every kind or description.

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$35,000,000.

From 1999 through 2003, the Company's operations consisted mainly of a small volume of assumed property and casualty reinsurance, which was ceded 100% to Partner Reinsurance Company of the U.S. From 2004 through 2009, the Company did not write any new business. In 2010, the Company began writing Space (Aviation) business on a direct basis, which had previously been written by PARIS RE America Insurance Company. Total direct premiums written in 2010 were \$583,411.

C.

C. Reinsurance

Assumed Reinsurance

The Company did not assume any business during the examination period.



### Ceded Reinsurance

The Company has structured its ceded reinsurance program as follows:

Effective January 1, 1999, the Company entered into a 100% quota share reinsurance agreement under which all new and renewal reinsurance business for underwriting years 1999 and subsequent is ceded to its parent Company, Partner Reinsurance Company of the U.S. ("PRUS"). The agreement was submitted to the Department for review and non-disapproval pursuant to Section 1505(d) of the New York Insurance Law.

### Loss Portfolio Transfer with Partner Reinsurance Company Ltd. ("PRE Ltd.")

Effective December 31, 1998, the Company entered into a ceded loss portfolio transfer agreement with PRE Ltd., an affiliated authorized reinsurer, whereby PRE Ltd. agreed to assume 100% of the Company's loss and allocated loss adjustment expense reserves outstanding as of December 31, 1998, and relating to accident years 1998 and prior, except for business written through the Company's Canadian branch. The agreement has no aggregate limit. Pursuant to the agreement, the Company transferred initial reserves in the amount of \$259,309,841, for which the Company paid an initial consideration of \$259,309,841; therefore, no initial gain on this contract at inception. As of the examination date, the adjusted reserves transferred as reported by the Company were \$308,042,284, which resulted in a surplus gain to the Company in the amount of \$48,732,443, which it reported as a segregated surplus item. As of the examination date, there is a contra-liability in the amount of \$83,161,047 related to outstanding losses and loss adjustment expenses transferred under this agreement. The agreement was accounted for by the Company pursuant to the provisions of Department Regulation 108. The loss portfolio transfer agreement was approved by the Department.

As of the examination date, the transferred losses were fully collateralized by a Department Regulation 114 trust established by PRE Ltd. for the benefit of the Company. However, in 2010, PRE Ltd. received "accredited reinsurer" status in the State of New York; therefore, the trust agreement was no longer necessary and it was cancelled on March 29, 2011.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

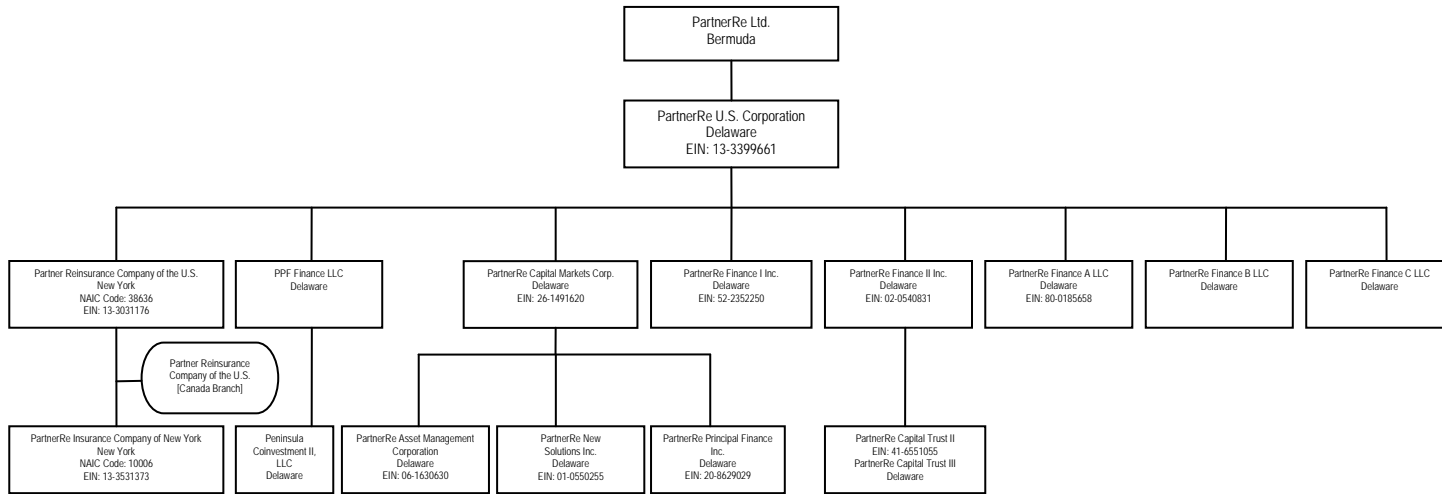
Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's chief executive officer and chief financial officer pursuant to the NAIC Annual Statement Instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62.

D. Holding Company System

The Company is a member of the PartnerRe Group. The Company is a wholly-owned subsidiary of Partner Reinsurance Company of the U.S., a New York corporation, which is ultimately controlled by PartnerRe Ltd., a Bermuda reinsurer.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is a chart of the holding company system at December 31, 2010:



At December 31, 2010, the Company was party to the following agreements with other members of its holding company system:

Tax Allocation Agreement

Effective March 25, 1988, and as subsequently amended, the Company is party to a tax allocation agreement with PartnerRe U.S. Corporation (“PRUSC”) and PRUSC’s subsidiaries. The agreement was submitted to the Department pursuant to the provisions of Department Circular Letter No. 33 (1979).

Service Agreement with Partner Reinsurance Company of the U.S.

Effective January 1, 2005, and as amended on March 5, 2010, the Company entered into a service agreement with PRUS, its parent company. The agreement was established to provide the Company with certain executive and administrative support services and other resources as required to conduct its corporate, insurance and reinsurance business including, but not limited to personnel, tax, administrative and office functions, legal, internal audit, claims, underwriting, accounting, information technology, and overall corporate management as needed and required by the Company. The agreement was submitted to the Department for review and non-disapproval as required by Section 1505(d)(3) of the New York Insurance Law.

Advisement and Investment Management Agreement

Effective April 1, 2002, and as subsequently amended, the Company appointed PartnerRe Asset Management Corporation (“PRAM”), an affiliated Delaware corporation, as its investment manager. Pursuant to this agreement, PRAM provides the Company and PRUS (collectively, “the Companies”) with advice, oversight management and recommendations with regard to their investment portfolios, and will manage the Companies’ assets in accordance with the Companies’ investment guidelines. The agreement was submitted to the Department for review and non-disapproval as required by Section 1505(d)(3) of the New York Insurance Law.

Consulting Services Agreement

Effective December 1, 2002, and as amended on April 15, 2004, the Company entered into a consulting services agreement with PartnerRe New Solution Inc. (“NS”), a Delaware corporation. According to the agreement, NS agrees to provide the Company and PRUS with advice, oversight

management and recommendations with respect to consulting services for structuring a full range of financial transactions and risk financing and capital markets products, including but not limited to, insurance linked securities, alternative risk transfer products, financial guarantees, total return swaps and finite and financial reinsurance structures. The agreement was submitted to the Department for review and non-disapproval as required by Section 1505(d)(3) of the New York Insurance Law.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2010, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	N/A
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	11%
Premiums in course of collection to surplus as regards policyholders	2%

The net premiums written to surplus as regards policyholders ratio was not calculated because the Company is currently ceding 100% of its net writings to its parent company, PRUS. The remaining ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

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

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred <sup>1</sup>	\$29,180,470	718.06%
Other underwriting expenses incurred	1,866,302	45.93
Net underwriting loss	<u>(26,983,003)</u>	<u>(663.99)</u>
Premiums earned <sup>2</sup>	<u>\$4,063,769</u>	<u>100.00%</u>

Note 1: \$21,279,494 of the Losses and loss adjustment expenses incurred relate to accident year 1998 and prior losses, which were covered by the loss portfolio transfer agreement. The remaining losses and loss adjustment expenses incurred relate to the unearned premiums at December 31, 1998, which were not covered by the loss portfolio transfer agreement.

Note 2: The premiums earned represents treaties assumed in underwriting years 1998 and prior with premium adjustment features calculated based on the incurred losses.

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2010 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$105,925,881	\$ 0	\$105,925,881
Cash, cash equivalents and short-term investments	2,192,306		2,192,306
Receivables for securities	1,071,452		1,071,452
Investment income due and accrued	1,128,374		1,128,374
Uncollected premiums and agents' balances in the course of collection	2,441,238		2,441,238
Deferred premiums, agents' balances and installments booked but deferred and not yet due	585,253		585,253
Accrued retrospective premiums	90,672		90,672
Amounts recoverable from reinsurers	1,643,271		1,643,271
Funds held by or deposited with reinsured companies	6,673,420		6,673,420
Net deferred tax asset	406,553	247,721	158,832
Paid loss recoverable from loss portfolio transfer	959,334		959,334
Purchase of renewal rights	<u>\$ 544,444</u>	<u>544,444</u>	<u>0</u>
Total assets	<u>\$123,662,198</u>	<u>\$792,165</u>	<u>\$122,870,033</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 91,915,543
Current federal and foreign income taxes	348,880
Ceded reinsurance premiums payable (net of ceding commissions)	931,059
Funds held by company under reinsurance treaties	(91,055)
Remittances and items not allocated	(160,469)
Provision for reinsurance	2,085,744
Payable to parent, subsidiaries and affiliates	1,019
Payable for securities	1,051,542
Loss portfolio transfer	(83,161,047)
Miscellaneous	<u>76,017</u>
Total liabilities	\$ 12,997,233

Surplus and Other Funds

Loss portfolio transfer account	\$48,732,443	
Common capital stock	6,000,000	
Gross paid in and contributed surplus	13,000,000	
Unassigned funds (surplus)	<u>42,140,357</u>	
Surplus as regards policyholders		<u>109,872,800</u>
Total liabilities, surplus and other funds		<u>\$122,870,033</u>

NOTE: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through tax year 2008. All adjustments, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2009 and 2010. 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.

B. Statement of Income

Surplus as regards policyholders increased \$11,960,961 during the five-year examination period January 1, 2006 through December 31, 2010, detailed as follows:

Underwriting Income

Premiums earned		\$ 4,063,769
Deductions:		
Losses and loss adjustment expenses incurred	\$29,180,470	
Other underwriting expenses incurred	<u>1,866,302</u>	
Total underwriting deductions		<u>31,046,772</u>
Net underwriting gain or (loss)		\$(26,983,003)

Investment Income

Net investment income earned	\$21,458,254	
Net realized capital gain	<u>1,414,508</u>	
Net investment gain or (loss)		22,872,762

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ 373,972	
Aggregate write-ins for miscellaneous income	<u>21,161,645</u>	
Total other income		<u>21,535,617</u>
Net income before federal and foreign income taxes		\$ 17,425,376
Federal and foreign income taxes incurred		<u>5,084,121</u>
Net income		\$ <u>12,341,255</u>



Capital and Surplus Account

Surplus as regards policyholders per report on examination as of December 31, 2005			\$ 97,911,839
	Gains in <u>Surplus</u>	Losses in <u>Surplus</u>	
Net income	\$12,341,255		
Net unrealized capital gains or (losses)	92,431		
Change in net deferred income tax		\$332,320	
Change in non-admitted assets		55,504	
Change in provision for reinsurance		80,993	
Miscellaneous		<u>3,908</u>	
Total gains or losses in surplus	\$ <u>12,433,686</u>	\$ <u>472,725</u>	
Net increase (decrease) in surplus			<u>11,960,961</u>
Surplus as regards policyholders per report on examination as of December 31, 2010			<u>\$109,872,800</u>

**4. LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$91,915,543 is the same as reported by the Company as of December 31, 2010. 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.

It is noted that there is a contra-liability in the amount of \$83,161,047, representing losses and loss adjustment expenses from accident years 1998 and prior, which are 100% reinsured pursuant to a loss portfolio transfer agreement. The remaining \$8,754,496 of outstanding losses and loss adjustment expenses relates to the unearned premiums at December 31, 1998 that are not covered by the loss portfolio transfer or the 100% quota share reinsurance agreement on business written after January 1, 1999.

**5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION**

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

**6. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report on examination does not contain any comments or recommendations.



*Appointment No. 30629*

**STATE OF NEW YORK  
INSURANCE DEPARTMENT**

*I, James J. Wrynn Superintendent of Insurance of the State of New York,  
pursuant to the provisions of the Insurance Law, do hereby appoint:*

**Joseph Revers**

*as proper person to examine into the affairs of the*

**PARTNERRE INSURANCE COMPANY OF NEW YORK**

*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 4th day of January, 2011*



*James J. Wrynn*  
\_\_\_\_\_  
JAMES J. WRYNN  
Superintendent of Insurance