REPORT ON EXAMINATION

OF THE

SCOR REINSURANCE COMPANY

AS OF

DECEMBER 31, 2004

DATE OF REPORT	DECEMBER 14, 2006
EXAMINER	DOUGLAS BARTLETT, CFE

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

December 14, 2006

Honorable Howard Mills
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 22367 dated April 26, 2005 attached hereto, I have made an examination into the condition and affairs of Scor Reinsurance Company as of December 31, 2004, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Scor Reinsurance Company.

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

The examination was conducted at the Company's home office located at 199 Water Street, New York, New York.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 2001. This examination covered the three-year period from January 1, 2002 through December 31, 2004, and was limited in scope to these balance sheet items considered by this Department to require analysis, verification or description, including: Amounts recoverable from reinsurers, Funds held by or deposited with reinsured companies, Loss and loss adjustment expense reserves, Reinsurance payable on paid losses and loss adjustment expenses, and the Provision for reinsurance as well as a review of the Company's ceded reinsurance contracts.

Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner. The examination included a review of income, disbursements and company records deemed necessary to accomplish such analysis or verification and utilized, to the extent considered appropriate, work performed by the Company's independent certified public accountants ("CPA").

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

2. DESCRIPTION OF COMPANY

The Company was incorporated on November 8, 1984 under the name SCOR Reinsurance Company of New York under the laws of New York to serve as the vehicle for the redomestication of its operational predecessor and parent, SCOR Reinsurance Company, Irving, Texas. The predecessor company was incorporated on March 22, 1974, under the laws of Texas and began business on April 16 of the same year. Effective September 30, 1985, the two companies merged and the surviving entity adopted its present name.

The Company is a wholly-owned subsidiary of SCOR U.S. Corporation ("SCOR U.S."), a Delaware holding company, which is in turn wholly-owned by SCOR ("SCOR Paris"), a French corporation. SCOR U.S. was a publicly traded company from September 25, 1986 until December 1995. SCOR U.S., the holding company, acquired ownership of the predecessor company on December 31, 1981, through a share for share exchange of stock.

In July 2001, SCOR Paris acquired 100% of the stock of Sorema N.A. Holding Corporation (“Sorema N.A.”), a Delaware corporation. Sorema N.A. owned Sorema North America Reinsurance Company, which in turn owned General Security Indemnity Company of Arizona (“GSINDA”) (formerly Fulcrum Insurance Company). Immediately upon acquisition, SCOR Paris contributed the stock of Sorema North America Reinsurance Company to the Company. In 2002, Sorema North America Reinsurance Company’s name was changed to General Security National Insurance Company (“GSNIC”).

Effective as of the close of business on December 31, 2002, the Company sold two of its subsidiaries, General Security Insurance Company (“GSIC”) and General Security Property and Casualty Company (“GPAC”) to Unitrin, Inc. Concurrent with the sale, GSNIC assumed all of the outstanding insurance liabilities of GSIC and GPAC on all insurance policies and reinsurance contracts in force on or before December 31, 2002 pursuant to an indemnity and assumption reinsurance agreement. The Department required that the agreement provide that the liabilities assumed by GSNIC are guaranteed by the Company. The premium payable pursuant to the indemnity and assumption agreement was 100% of the outstanding reserve liabilities. During 2003, insurance and reinsurance contracts with reserves of $19.2 million were novated by GSNIC. No novations were done in 2004.

Effective at the close of business October 1, 2003, the Company sold General Security Indemnity Company (“GSIND”) to Odyssey America Reinsurance Corporation. Concurrent with the sale, GSINDA assumed all of the outstanding insurance liabilities of GSIND on all insurance policies and reinsurance contracts in force on or before October 1, 2003 pursuant to an indemnity reinsurance basis. The Department required that the agreement provide that the liabilities assumed by GSNIC are guaranteed by the Company. The premium payable pursuant to the indemnity and assumption agreement was 100% of the outstanding reserve liabilities. During 2003, insurance and reinsurance contracts with reserves of $32.9 million were novated by GSINDA. No novations were done in 2004.

At December 31, 2004, the capital paid in was $5,000,000 consisting of 5,000 shares of $1,000 par value per share common stock. All authorized shares were outstanding. Gross paid in and contributed surplus was $871,001,666. There were also surplus notes of $156,766,000. Gross paid in and contributed surplus and/or capital paid in increased by $402,000,000 during the examination period, as follows:

Year	Description		
2002	Beginning gross paid in and contributed surplus		$ 469,001,678
2003	Surplus contribution	$282,000,000	
2004	Surplus contribution	120,000,000	
	Total surplus contributions		402,000,000
2004	Ending gross paid in and contributed surplus		$871,001,666

A. Territory and Plan of Operation

As of December 31, 2004, the Company was licensed to write business in thirty states and the District of Columbia. It was also licensed in Canada and the province and territory of Quebec.

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

Based on the lines of business for which the Company was 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 million.

B. Reinsurance

Reinsurance Assumed

The Company does not write direct business. Substantially all of the Company’s gross premiums are assumed from domestic ceding companies and affiliates.

Reinsurance Ceded

The current ceded reinsurance is all with affiliates, SCOR (Paris) and Irish Reinsurance Partners, Limited. These treaties also cover any business written by GSNIC (which is in run-off) and GSINDA which is a direct surplus lines writer.

Property Catastrophe

Covers Treaty and Facultative

1st Excess CAT	$40M excess of $10M
2nd Excess CAT	$65M excess of $50M

Casualty

Covers Treaty and Facultative

Coverage A: Excess of Loss - Scor Business Solutions (SBS)	$15M excess of $5M
Coverage B: Excess of Loss – Clash Cover	$25M excess of $7.5M
Coverage C: Excess of Loss - Treaty and Non SBS	$ 6M excess of $5M

Facultative Property

Covers Facultative and Direct

Facultative Property Ultimate Loss Excess of Loss	$13.75M excess of $5M each loss
Facultative Excess of Loss (Specific Risk Excess of Loss)	$11.25M excess of $18.75M each loss
Facultative Excess of Loss (Specific Risk Excess of Loss)	$18.75M excess of $30M each loss
Facultative Excess of Loss (Specific Risk Excess of Loss)	$26.25M excess of $48.75M each loss

Property & Casualty

Covers Treaty and Facultative

25% quota share to Irish Reinsurance Partners, Limited

Other Ceded Reinsurance

In 2002, the Company entered into an aggregate excess of loss reinsurance agreement whereby its ultimate parent, SCOR, provided coverage for an amount up to $270,000,000 in excess of the loss and loss adjustment expense reserves reported by the Company as of December 31, 2001. There was no consideration paid for this coverage. There was no gain or loss associated with this contract at its January 1, 2002 effective date and prospective reinsurance accounting for the contract was utilized. On April 25, 2002, the Department approved the contract. The Company had exhausted this coverage as of December 31, 2003.

Loss Portfolio Transfer

Effective September 30, 2000, the Company obtained a loss portfolio transfer agreement with three unaffiliated reinsurers covering adverse development on certain business for underwriting years 1997, 1998 and 1999. The Company fully commuted the loss portfolio transfer agreement with all of the reinsurers in 2003 and 2004. On February 25, 2004, the Company notified the Department that it became aware in late 2003 that its ultimate parent, SCOR Re, had provided retrocessional coverage to these unaffiliated loss portfolio transferees, which had the effect of limiting the transferees' ultimate liability under the agreement.

Had it been known that this retrocessional coverage was in place at the time the Company entered into the loss portfolio transfer, the Company would have been required to account for this agreement as a non-complying loss portfolio transfer pursuant to the provisions of National Association of Insurance Commissioners Statements of Statutory Accounting Principles ("SSAP") No. 62, Property and Casualty Reinsurance.

Based on the fact that the loss portfolio transfer agreement had already been commuted and therefore, the cumulative effect of using deposit accounting on surplus at December 31, 2003 would be zero, the Department did not require the Company to restate and refile its prior year statutory financial statements and allowed retroactive reinsurance accounting treatment to continue through the commutation date. However, the Department requested that the Company include footnote disclosure of the accounting impact of this transaction in the Notes to Financial Statements in its subsequently filed annual statements.

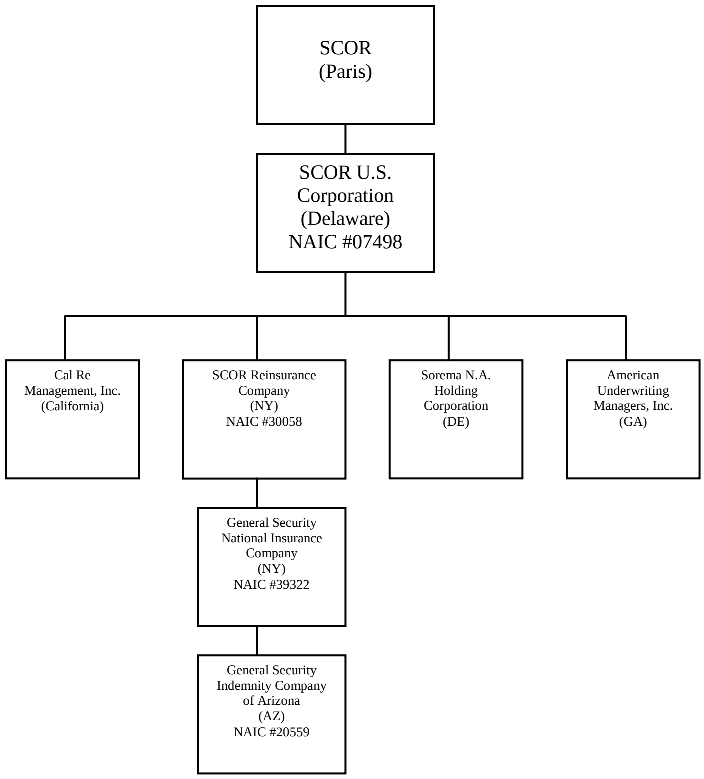
Unauthorized Reinsurance

The trust agreements and letters of credit obtained by the Company in order to take credit for cessions made to unauthorized reinsurers were reviewed for compliance with Department Regulations 114 and 133, respectively. No exceptions were noted.

C. Holding Company System

The Company is a wholly-owned subsidiary of SCOR U.S. Corporation, which is a wholly owned subsidiary of SCOR, a French reinsurance company.

The following is an abbreviated chart of the holding company system at December 31, 2004:



D. Significant Operating Ratios

The following ratios have been computed as of December 31, 2004, based upon the results of this examination:

Net premiums written in 2004 to surplus as regards policyholders	29%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	114%
Premiums in course of collection to surplus as regards policyholders	15%

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

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$616,042,966	63.29%
Other underwriting expenses incurred	308,132,129	31.66
Net underwriting gain	49,163,702	5.05
Premiums earned	$973,338,797	100.00%

The Company has reported significant operating/underwriting losses in recent years attributable to under pricing in the soft market. Reserve deficiencies, primarily from underwriting years 1997 to 1999 have led to large and repeated reserve strengthening during the three years under examination. Despite a loss portfolio transfer and an aggregate stop loss treaty entered into with its parent to address these reserving problems, the company has registered substantial underwriting losses over the past several years. As the result of the Company’s significant adverse development on reserves, the Department has required the Company to obtain its actuarial opinion from an outside actuary.

E. Accounts and Records

The Company could not produce all of the detailed records to support reinsurance recoverable on paid losses. In addition the Company did not produce a detail aging schedule for reinsurance recoverable.

For 2003 and prior, the allocation between Losses Recoverable and Ceded Balances Payable for Schedule F, Part 3 was based on the total balance due, whereby reinsurers with overall debit balances were recoded as Losses Recoverable and reinsurers with overall credit balances were recorded as Ceded Balances Payable. In 2004, in order to more accurately report Schedule F, the Company devised a program that would separate the Losses Recoverable from the Ceded Balances Payable. The Company only saved the file supporting Schedule F in a summary format as the transactions backing up the summary were very voluminous.

As a result, although the Company could show the details of the breakdown in Schedule F, it was only by company. A breakdown by contract could be done for the two categories, losses recoverable and ceded balances payable. The file could not be re-created; therefore the examiners could not test individual transactions that made up these balances.

The Company produced a breakdown by contract for SCOR (Paris), which had 88% of the ceded balances total and 92% of the losses recoverable total. The Company also produced details of its quota share treaty with Irish Reinsurance Partners Limited (an affiliate) which had 5% of the ceded balances total and 2% of the losses recoverable total.

It is recommended the Company maintain sufficient detailed records of the reinsurance recoverable on paid losses and paid loss adjustment expenses to identify individual claim payment detail. It is also recommended that the Company be able to support its aging schedule with detailed records.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2004, as determined by this examination and as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$ 816,696,695	$0	$ 816,696,695
Common stocks	162,053,984	0	162,053,984
Cash, cash equivalents and short-term investments	390,050,641	0	390,050,641
Receivable for securities	3,390	0	3,390
Investment income due and accrued	7,247,722	0	7,247,722
Uncollected premiums and agents' balances in the course of collection	65,702,148	0	65,702,148
Deferred premiums, agents' balances and installments booked but deferred and not yet due	60,488,027	0	60,488,027
Accrued retrospective premiums	2,584,067	0	2,584,067
Amounts recoverable from reinsurers	246,684,731	0	246,684,731
Funds held by or deposited with reinsured companies	22,948,431	0	22,948,431
Electronic data processing equipment and software	439,375	0	439,375
Receivables from parent, subsidiaries and affiliates	131,548,309	0	131,548,309
Other assets nonadmitted	410,567	410,567	0
Reinsurance recoverable on Scor Paris Commutation	61,298,727	0	61,298,727
Miscellaneous receivable	1,688,698	0	1,688,698
Other assets	732,587	0	732,587
Total assets	$1,970,578,099	$410,567	$1,970,167,532

Liabilities, Surplus and Other Funds Liabilities	Examination	Company	Surplus Increase (Decrease)
Losses and loss adjustment expenses	$1,048,082,690	$ 978,982,690	$(69,100,000)
Reinsurance payable on paid losses and loss adjustment expenses	74,364,874	74,364,874	0
Commissions payable, contingent commissions and other similar charges	(3,223,574)	(3,223,574)	0
Other expenses (excluding taxes, licenses and fees)	8,424,421	8,424,421	0
Taxes, licenses and fees (excluding federal and foreign income taxes)	178,546	178,546	0
Unearned premiums	40,525,710	40,525,710	0
Ceded reinsurance premiums payable (net of ceding commissions)	214,472,954	214,472,954	0
Funds held by company under reinsurance treaties	139,903,135	139,903,135	0
Provision for reinsurance	5,906,490	5,906,490	0
Payable to parent, subsidiaries and affiliates	479,281	479,281	0
Deposit basis premiums received	999,650	999,650	0
Minimum liability for pensions	3,391,960	3,391,960	0
Total liabilities	$1,533,506,137	$1,464,406,137	$(69,100,000)
Surplus and Other Funds			
Common capital stock	$5,000,000	$5,000,000	$0
Surplus notes	156,766,000	156,766,000	0
Gross paid in and contributed surplus	871,001,686	871,001,686	0
Unassigned funds (surplus)	(596,106,291)	(527,006,291)	(69,100,000)
Surplus as regards policyholders	$ 436,661,395	$ 505,761,395	$(69,100,000)
Total liabilities, surplus and other funds	$1,970,167,532	$1,970,167,532	

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased $1,171,260,757 during the three year examination period January 1, 2001 through December 31, 2004, detailed as follows:

Underwriting Income		
Premiums earned		$973,338,797
Deductions:		
Losses incurred	$458,420,077	
Loss adjustment expenses incurred	157,622,889	
Other underwriting expenses incurred	308,132,129	
Total underwriting deductions		924,175,095
Net underwriting gain or (loss)		$ 49,163,702
Investment Income		
Net investment income earned	$125,682,308	
Net realized capital gain	(3,423,301)	
Net investment gain or (loss)		122,259,007
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (5,961,539)	
Loss on Loss Portfolio Transfer and other miscellaneous losses	(53,767,728)	
Total other income		$ (59,729,267)
Net income before dividends before federal and foreign income taxes		$111,693,442
Federal and foreign income taxes incurred		(27,174,997)
Net income		$138,868,439

C. Capital and Surplus Accounts

Surplus as regards policyholders per report on examination as of December 31, 2001			$ (734,599,360)
	Gains in Surplus	Losses in Surplus	
Net income	$ 138,868,439		
Net unrealized capital gains or (losses)		$46,504,125	
Change in net unrealized foreign exchange capital gain (loss)		1,409,324	
Change in nonadmitted assets	177,548,831		
Change in provision for reinsurance		3,870,090	
Change in surplus notes	93,766,000		
Prior examination changes for loss portfolio transfer reinsurance	414,253,016		
Surplus adjustments paid in	402,000,000		
Change in minimum liability for pensions	0	3,391,990	
Total gains and losses	$1,226,436,286	$55,175,529	
Net increase (decrease) in surplus			1,171,260,755
Surplus as regards policyholders per report on examination as of December 31, 2004			$ 436,661,395

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $1,048,082,690 is $69,100,000 greater than the $978,982,690 reported by the Company as of December 31, 2004. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Companies internal records and in its filed annual statements.

During 2005 and 2006, subsequent to the Examination period, the company consummated several commutations that resulted in a reduction of the reserve liabilities for a number of a business segments.

The Department Actuary noted the following during the review of the Company's December 31, 2004 reserves:

a) The Company was not responsive to numerous requests for their internal reserve analysis in support of their carried December 31, 2004 reserves.

b) The Company lacks documentation to substantiate their carried reserves by business segment which precludes the Department Actuary from commenting on the differences between carried amounts and their estimates or on any of the methods or assumptions underlying the carried amounts.

c) The Company did not adequately explain the data provided to the Department Actuary and did not provide a key data file that would have allowed the Department Actuary to more readily understand the adjustments that needed to be made to the raw data to tie to the data in Tillinghast's analysis.

d) The Company did not adequately explain the business that was written by SCOR US but was not assumed by the Company.

5. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Accounts and Records	
i.	It is recommended the Company maintain sufficient detailed records of the reinsurance recoverable on paid losses and paid loss adjustment expenses to identify individual claim payment detail.	9
ii.	It is recommended that the Company be able to support its aging schedule with detailed records.	9
B.	Loss and Loss Adjustment Expenses	
i.	The Company was not responsive to numerous requests for their internal reserve analysis in support of their carried December 31, 2004 reserves.	14
ii.	The Company lacks documentation to substantiate their carried reserves by business segment which precludes the Department Actuary from commenting on the differences between carried amounts and their estimates or on any of the methods or assumptions underlying the carried amounts.	14
iii.	The Company did not adequately explain the data provided to the Department Actuary and did not provide a key data file that would have allowed Department Actuary to more readily understand the adjustments that needed to be made to the raw data to tie to the data in Tillinghast's analysis.	14
iv.	The Company did not adequately explain the business that was written by SCOR US but was not written or assumed by the Company.	14

Respectfully submitted,

_______/S/__________________
Douglas Bartlett, CFE,

STATE OF NEW YORK)
)SS:
)
COUNTY OF NEW YORK)

DOUGLAS BARTLETT, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_______/S/__________________
Douglas Bartlett

Subscribed and sworn to before me

this__________ day of ____________________, 2007

Appointment No *22367*

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, *Acting Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Douglas Bartlett

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 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 26th *day of* *April, 2005*

HOWARD MILLS
Acting Superintendent of Insurance