

REPORT ON EXAMINATION
OF THE
AXA INSURANCE COMPANY
(Formerly AXA Corporate Solutions Insurance Company)
AS OF
DECEMBER 31, 2007

DATE OF REPORT

JUNE 5, 2009

EXAMINER

JIMMIE NEWSOME

TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	3
	A. Management	4
	B. Territory and plan of operation	5
	C. Reinsurance	7
	D. Holding company system	9
	E. Abandoned property law	12
	F. Significant operation ratios	13
	G. Accounts and records	14
	H. Risk management and internal controls	16
3.	Financial statements	17
	A. Balance sheet	17
	B. Underwriting and investment exhibit	19
4.	Loss and loss adjustment expenses	20
5.	Compliance with prior report on examination	21
6.	Summary of comments and recommendations	24



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

June 5, 2009

Honorable Eric R. Dinallo
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 30213 dated October 7, 2008, attached hereto, I have made an examination into the condition and affairs of the AXA Insurance Company as of December 31, 2007 and submit the following report thereon.

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

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

The examination was conducted at the Company's main administrative office located at 17 State Street, New York, New York 10004.

1. SCOPE OF EXAMINATION

The Department has performed a multi-state examination of AXA Insurance Company. The previous examination was conducted as of December 31, 2002. This examination covers the five-year period from January 1, 2003 through December 31, 2007. Transactions occurring subsequent to this period were reviewed where deemed appropriate, by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners 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 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 evaluation based upon the Company’s Sarbanes-Oxley documentation and testing. The examiners also relied upon audit work performed by the Company’s independent certified public accountants when appropriate.

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

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Pensions, stock ownership and insurance plans
- Territory and plan of operation
- Growth of Company
- Loss experience
- Reinsurance
- Accounts and records
- Statutory deposits
- 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 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.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of the State of New York on November 23, 1990 as the Colonia Insurance Company and commenced business on January 1, 1991. The Company was organized to provide the vehicle for the domestication of the United States Branch of Colonia Insurance Company (Germany) (“the Branch”), pursuant to Article 72 of the New York Insurance Law. The Branch was originally established and commenced business in July 1976. Subsequent to the incorporation of the Company, its ultimate parent, Colonia Versicherung AG merged with AXA S.A.. Its ultimate parent is AXA S.A., a “société anonyme à directoire et conseil de surveillance” (a form of limited liability company) organized under the laws of France.

On January 1, 1999, the Company’s name was changed to AXA Global Risks US Insurance Company. In 2000, AXA’s management announced the creation of AXA Corporate Solutions, an entity which integrated the large corporate and international business and reinsurance operations. On October 19, 2000, the Company’s name was again changed to AXA Corporate Solutions Insurance Company to reflect the restructuring within the AXA group of companies. In 2003, AXA implemented a new strategy and began to restructure the AXA Corporate Solutions group, effectively dismantling it. The Company adopted its current name on December 7, 2005.

At December 31, 2007, capital paid in was \$5,000,000 consisting of 89 shares of common stock with a par value of \$56,179.78 per share. Gross paid in and contributed surplus was \$176,571,506. Gross paid in and contributed surplus increased by \$7,500,000 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2003	Beginning gross paid-in and contributed surplus	\$169,071,506
2005	Cash Contribution	<u>\$7,500,000</u>
	Total Surplus Contributions	<u>7,500,000</u>
2007	Ending gross paid-in and contributed surplus	<u>\$176,571,506</u>

A. Management

Pursuant to the Company's charter and by-laws, as amended, 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 at least one time during each calendar year. At December 31, 2007, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Francois Chavel Larchmont, NY	Retired
Dale Diamond Tinton Falls, NJ	Arbitrator
Richard Dziadzio New York, NY	Chief Financial Officer, AXA Financial
Peter Etzenbach Paris, France	Business Support Director, GIE AXA
William Fawcett New York, NY	Executive Vice President, AXA Liabilities Managers, Inc.
Steven Goldberg New York, NY	Chief Actuary, AXA Liabilities Managers, Inc.
Cedric de Linares Paris, France	Chairman and Chief Executive Officer, AXA Liabilities Managers SAS
John Leston New York, NY	Treasurer & Chief Financial Officer, AXA Liabilities Managers, Inc.
Patrick de la Morinerie Paris, France	Head of Marine Division, AXA Corporate Solutions Assurance
Jean-Paul Rignault Paris, France	Chief Executive Officer, AXA Corporate Solutions Assurance
Alexandre Scherer New York, NY	Chief Executive Officer, AXA Liabilities Managers, Inc.
Lynne Vollmer Bethesda, MD	Chief Executive Officer, PARIS RE America Insurance Company
Susan Wilcher New York, NY	General Counsel & Corporate Secretary, AXA Liabilities Managers, Inc.

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, 2007 the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Cedric de Linares	Chairman
Alexandre Scherer	President & Chief Executive Officer
William Fawcett	Executive Vice President & Chief Legal Officer
John Leston	Senior Vice President, Treasurer & Chief Financial Officer
Susan Wilcher	Senior Vice President, General Counsel & Secretary
Steve Goldberg	Senior Vice President
Arjun Thawani	Vice President & Deputy Chief Financial Officer
John Bado	Vice President
Christian Hilbrecht	Vice President
Robert Wolf	Vice President
Helen Reid	Vice President

B. Territory and Plan of Operation

As of December 31, 2007, the Company was licensed to write business in all fifty states and the District of Columbia. Approximately 43% of the Company's direct writings in 2007 were concentrated in New York, Virginia, New Jersey, Michigan, Texas and Pennsylvania.

As of December 31, 2007, 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>Kind of Insurance</u>
3	Accident and health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability

<u>Paragraph</u>	<u>Kind of Insurance</u>
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 incidental 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, 69th Congress as amended; 33 USC Section 901 et seq. as amended) and the kinds of insurance and reinsurance as authorized by Section 4102(c) of the New York Insurance Law. Additionally, the Company is authorized to transact the business of special risk insurance as defined in Article 63 of the New York Insurance Law.

Based upon the lines of business for which the Company is licensed, and the Company's current capital structure, and pursuant to the requirements of Articles 13, 41 and 63 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$35,000,000.

The following schedule shows the direct premiums written by the Company both in New York and in total for the period under examination:

DIRECT PREMIUMS WRITTEN

<u>Calendar Year</u>	<u>New York State</u>	<u>Total Premiums Written</u>	<u>Premiums Written in New York as a Percentage of Total Premiums Written</u>
2003	\$13,374,001	\$ 94,696,425	14.12%
2004	\$10,609,576	\$104,711,617	10.13%
2005	\$ 7,625,677	\$ 86,976,627	8.77%
2006	\$13,174,941	\$113,443,594	11.61%
2007	\$ 9,869,661	\$ 95,248,389	10.36%

The Company historically wrote multi-line property and casualty coverages and reverse-flow business, but very poor results forced it to refocus on more clearly defined segments. Becoming part of the AXA Corporate Solutions organization in 2000, it began to write corporate business with new underwriting guidelines. However, AXA Corporate Solutions decided at the end of 2002 to withdraw from most of its U.S. property and casualty operations. It exited U.S.-based reinsurance and program

business and began to concentrate only on selected specialty and reverse-flow business, using this company. Since 2003, the Company has focused on writing aviation, space, marine, as well as the U.S. exposures of international entities where the foreign exposures are insured by alien affiliates of the Company. It obtains reinsurance from these alien affiliates in the form of 95% quota share and per risk excess and stop loss treaties. Business is produced through brokers, through AXA Space Inc., an affiliate which acts as the managing general agent and third party administrator for their space and telecommunications business, and through Britt Paulk Insurance Agency which handles their aviation business throughout the United States.

C. Reinsurance

Assumed reinsurance accounted for 8.9% of the Company's gross premium written at December 31, 2007. During the period covered by this examination, the Company's assumed reinsurance business has increased since the last examination. The Company's assumed reinsurance program consists mainly of the Company's space and marine program and policies classified in the company's system as run-off business emanating from the old energy, domestic property and pools underwriting products. The coverage assumed was on a quota share and excess of loss basis, pursuant to the terms of facultative agreements with both authorized and unauthorized cedants.

Additionally, the Company's participation in various voluntary pools is reflected in its assumed reinsurance activity. The Company utilizes reinsurance accounting as defined in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles ("SSAP") No. 62 for all of its assumed reinsurance business.

The Company has structured its ceded reinsurance program to limit its maximum exposure to any one risk to three million dollars. Effective January 1, 2007, the Company entered into four quota share agreements with affiliated companies (collectively referred to as "the reinsurers"), which are similar in nature. Under the terms of the agreements, the Company cedes 95% of the ultimate net loss resulting from each loss occurrence on policies written by the Company. Each quota share agreement has six sections and the maximum exposure on policies ceded is as follows:

- Property, with limits of up to \$450 million each policy.
- Casualty, with limits of \$10 million each policy, \$20 million annual aggregate limit each policy.

- Marine, with limits of \$45 million hull, cargo and third party liability combined each vessel.
- Aviation, with limits of \$112.5 million hull, cargo and third party liability combined each aircraft.
- Terrorism, with limits of \$450 million each policy.
- Other, with limits of \$5 million each policy.

Effective January 1, 2007, the Company entered into three property per risk excess of loss reinsurance agreements and four stop loss agreements with affiliated companies (collectively referred to as “the reinsurers”), which are similar in nature to protect its retention under the quota share agreements. Under the terms of the property per risk excess of loss agreements, the reinsurers shall indemnify the Company for 100% of the amount by which the Company’s ultimate net loss exceeds the Company’s retention of \$3,000,000 up to a limit of \$19,500,000 each risk, each occurrence for policies classified as property and/or aviation. Under the terms of the stop loss agreements, the Company retains and is liable for an amount of aggregate net loss equal to 65% of the subject net earned retained premium (hereinafter “Company’s retention”). The reinsurers reimburse the Company an amount equal to 100% of the greater of (i) the difference between the aggregate net loss and the Company’s retention and (ii) zero up to the reinsurers’ limit of \$45,000,000.

The Company entered into several 100% quota share facultative certificates with affiliates. Upon review of these arrangements, it was noted that the certificates included the required provisions pursuant SSAP No. 62 paragraph 8 of the NAIC Accounting Practices and Procedures Manual.

In 2004, the Company entered into an adverse development reinsurance agreement with its intermediate parent, AXA Corporate Solutions Reinsurance Company. The effect of this agreement is to protect the Company up to a limit of \$15 million against adverse development of net claims occurring in accident years 2003 and prior.

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.

It is the Company’s policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133. The review revealed that

several letters of credit with balances of \$40,984,316 or 99% of the total amount at December 31, 2007 were not in compliance with Part 79 of Department Regulation 133. It is recommended that the Company amend the letters of credit upon their renewals to include all required provisions set forth in Part 79 of Department Regulation 133. A similar recommendation was made in the prior report on examination.

All 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.

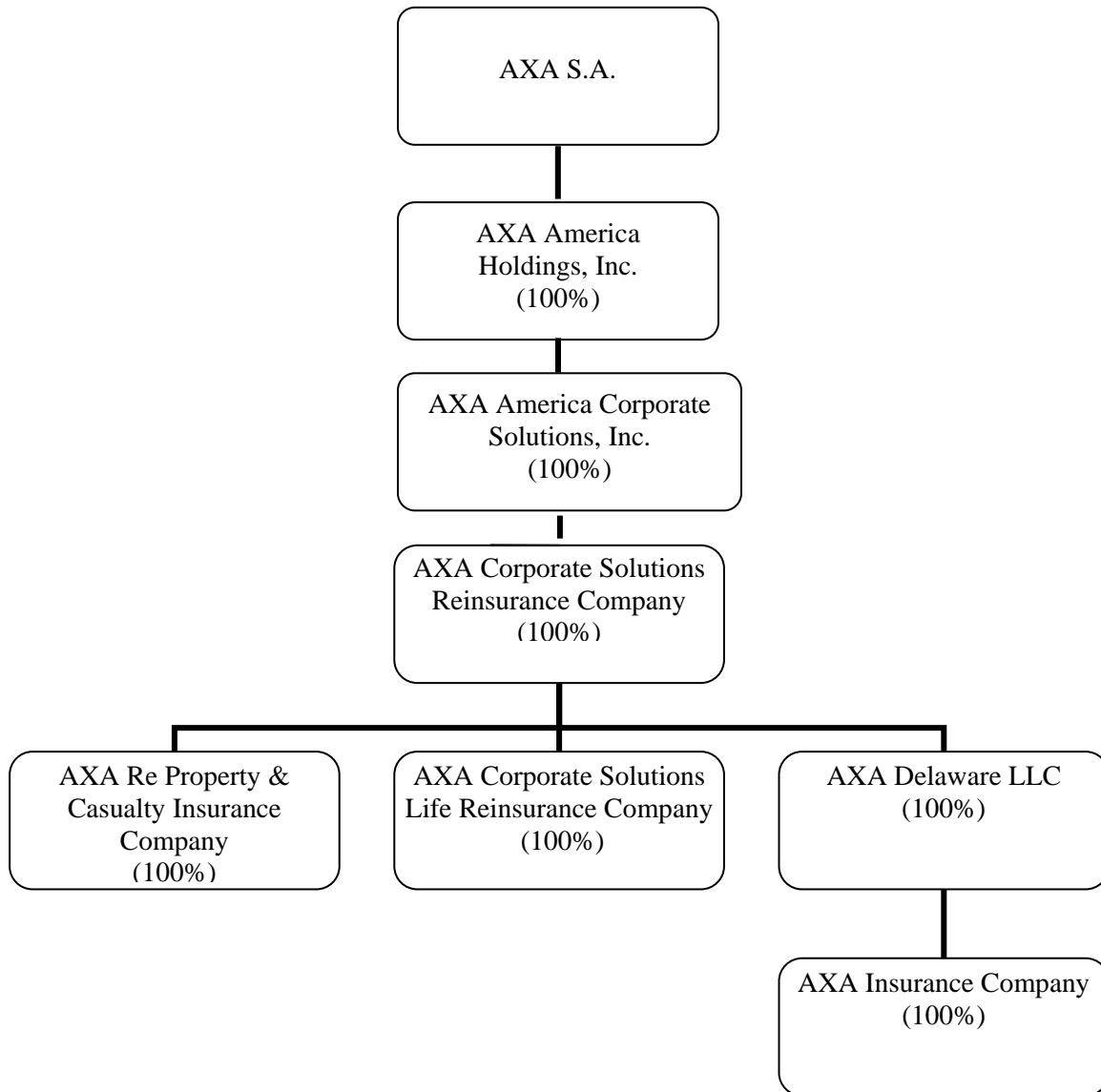
Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's chief executive officer 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 paragraphs 25 and 26 of SSAP No. 62.

D. Holding Company System

The Company is a member of the AXA Group, whose ultimate parent is AXA S.A. ("AXA"), a French "société anonyme à directoire et conseil de surveillance" (a form of limited liability company). The Company is a wholly-owned subsidiary of AXA Delaware LLC, a limited liability corporation domiciled in Delaware, which is ultimately controlled by AXA.

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

The following is an abridged chart of the holding company system at December 31, 2007:



At December 31, 2007, the Company was party to the following agreements with other members of its holding company system:

1. Cost Allocation Agreement

Effective January 1, 2004, as amended September 8, 2005, the Company entered into an administrative and service agreement with its affiliate, AXA Liabilities Managers, Inc. ("AXALM"). Under the terms of the agreement, AXALM will provide or arrange for the provision of administrative, management and other services requested by the Company. All services related to the business operations are included in this agreement.

The agreement and amendment were filed with this Department pursuant to Section 1505 of the New York Insurance Law and approved on December 23, 2003 and September 8, 2005, respectively.

2. Discretionary Investment Advisory Agreement

Effective June 6, 2002, as amended March 19, 2008, the Company entered into a discretionary investment advisory agreement with its affiliate, AllianceBerstein L.P. ("AllianceBerstein"). Under the terms of the agreement, AllianceBerstein has full discretion and agrees to supervise and direct the investment of the Company's investment account in accordance with the written investment objectives, policies and restrictions of the Company.

The agreement and amendment were filed with the Department pursuant to Section 1505 of the New York Insurance Law and was approved on June 4, 2002 and February 4, 2008, respectively.

3. Tax Allocation Agreement

Effective April 2, 2001, the Company entered into a tax allocation agreement with its intermediate parent, AXA America Corporate Solutions, Inc. The agreement was submitted to and non-disapproved by this Department pursuant to the provisions of Section 1505(d) of the New York Insurance Law on November 29, 2000.

The tax allocation agreement by and between the Company and its intermediate parent, AXA America Corporate Solutions, Inc. complied with the guidelines set forth in Department Circular Letter No. 33 (1979).

4. Guarantee Agreement

Effective July 1, 2001, the Company entered into a guarantee agreement with its intermediate parent, AXA Corporate Solutions Reinsurance Company ("ACSRC") for the purpose of strengthening the Company's A.M. Best rating. Under the terms of the agreement, ACSRC unconditionally guarantees the claims paying obligations of the Company arising under insurance contracts issued by the Company.

It was noted that the agreement was not filed with the Department prior to its implementation, but was filed during the course of the last report on examination (2002) on February 19, 2003.

5. Guarantee Agreement

Effective July 20, 2004, the Company entered into a guarantee agreement with its affiliate AXA RE Paris ("AXA RE") for the purpose of strengthening the Company's financial and claims paying rating from the appropriate rating agencies. Under the terms of the agreement, AXA RE unconditionally guarantees the claims paying obligations of the Company arising under insurance contracts issued by the Company. As of December 31, 2007, AXA RE has not been required to make any payments nor establish any reserve under this guarantee agreement.

It was noted that the agreement was not filed with the Department pursuant to the provisions of Section 1505 of the New York Insurance Law. It is recommended that the Company comply with the provisions of Section 1505 of the New York Insurance Law. A similar recommendation was contained in the prior report on examination.

E. Abandoned Property Law

Section 1316 of the New York Abandoned Property Law provides that amounts payable to a resident of this state from a policy of insurance, if unclaimed for three years, shall be deemed to be abandoned property. Such abandoned property shall be reported to the comptroller on or before the first day of April each year. Such filing is required of all insurers regardless of whether or not they have any abandoned property to report.

The Company could not provide documentation that such reports were filed for calendar years 2003 through 2007. In addition, the Company indicated that they were unable to ascertain if any

escheatable funds were required to be submitted to the State Comptroller due to the corruption of the data in their claims system several years ago.

It is recommended that the Company comply with Section 1316 of the New York Abandoned Property Law in filing the required abandoned property reports with the New York State Comptroller's Office and maintain proper documentation indicating that such reports were filed.

It is recommended that the Company submit the appropriate amount of escheatable funds to the State Comptroller in accordance with Section 1316 of the New York Abandoned Property Law.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2007, based upon the results of this examination:

Net premiums written in 2007 to surplus as regards policyholders	0%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	59%
Premiums in course of collection to surplus as regards policyholders	17%

The above 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	\$24,873,773	147.75%
Other underwriting expenses incurred	19,664,399	116.81
Net underwriting loss	<u>(27,703,048)</u>	<u>(164.56)</u>
Premiums earned	<u>\$16,835,124</u>	<u>100.00%</u>

G. Accounts and Records

During the period under examination, the examiners noted the following deficiencies in the Company's system of account and records:

1. Uncollected Premiums & Agents' Balances in Course of Collection

The Company reported \$5,233,295 of installment premiums as premiums in course of collection in the 2007 annual statement. The Company reclassified the installment premiums to deferred premiums, agents' balances and installments booked but deferred and not yet due in 2008.

The Company did not account for overdue agents' balances in accordance with Section 1301(a)(11) of the New York Insurance Law and SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual. The Company used determination dates other than the due dates specified in SSAP No. 6 for calculation of overdue amounts. The incorrect determination dates did not cause a material difference in the amount of overdue premiums; however, it is recommended that the Company report overdue premiums and agents' balances in accordance with Section 1301(a)(11) of the New York Insurance Law and SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual.

2. Deferred Premiums, Agents' Balances and Installments Booked but Deferred and Not Yet Due

The Company did not account for overdue installment premiums in accordance with the provisions of Part 110.1 of the Department Regulation 13A and SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual. The Company only non-admitted the part of the installment premium that was overdue without non-admitting all future installments that have been recorded on that policy, which is contrary to the provisions of Part 110.1 of the Department Regulation 13A and SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual.

The failure to non-admit future installments when the current installments were overdue did not cause a material difference in the amount of overdue installment premiums; however, it is recommended that the Company report overdue installment premiums in accordance with Part 110.1 of the Department Regulation 13A and SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual.

It was also noted that when completing the Annual Statement Blank, the Company failed to classify deferred premiums, agents' balances and installments booked but deferred and not yet due in accordance with the NAIC Annual Statement Instructions. The Company included the installment premiums in the uncollected premiums and agents' balances in the course of collection and reported deferred premiums, agents' balances and installments booked but deferred and not yet due as a contra-asset. It is recommended that the Company adhere to the NAIC Annual Statement Instructions by classifying balance sheet items under their proper line item.

3. Inter-Company Balances

It was noted that while the Company ultimately settled its inter-company receivable balances, such settlements were not in accordance with Department Circular Letter No. 15 (1975). Amounts over ninety days due were still reported in its annual statement as admitted assets. It is recommended that the Company settle its inter-company balances in a timely manner and non-admit any inter-company balances that are over ninety days due.

In addition, the Company was netting all inter-company receivables and payables contrary to the provisions of SSAP No. 64 of the NAIC Accounting Practices and Procedures Manual. It is recommended that the Company comply with SSAP No. 64 of the NAIC Accounting Practices and Procedures Manual with regards to offsetting and netting of assets and liabilities.

4. Cash in Transit (Transfer of Funds Account)

The Company reported an admitted asset in the amount of \$8,097,179 under the caption "Cash in transit." This account is used as a clearing account to record a claim payment when it is processed by the Claims Department until the actual payment is made by the Accounts Payable Department. The account is supposed to be a contra-asset; however, the account has a debit balance due to the fact that the Claims System is closed a few weeks before the Accounting System, so the balance includes payments made by the Accounts Payable Department for which no entry has yet been made from the Claims System.

Once the payment is made by the Accounts Payable Department, the transaction is supposed to clear and the balance should zero out; however, a review of this account indicated that this is not always the case. The review indicated that this account contained amounts from prior years for which the Company was unable to match the claim processed by the Claims Department to a payment made. In 2008, the Company instituted new procedures to better monitor this account and

has since cleared up almost all of the old balances. As of the examination date, the amounts that could not be reconciled were deemed immaterial; therefore, no examination change was deemed necessary.

It is recommended that the Company continue its effort to clear the old balances from the transfer of funds account and to perform timely reconciliation of this account to ensure that these balances are cleared against liabilities in future periods.

H. Risk Management and Internal Controls

The Company has adopted an Enterprise Risk Management (“ERM”) framework for proactively addressing and mitigating risks, including prospective business risks. Exhibit M of the NAIC Financial Condition Examiners Handbook was utilized as guidance for assessing corporate governance. Overall, it was determined that the Company’s corporate governance structure is effective. The corporate governance framework sets an appropriate “tone at the top,” supports a proactive approach to operational risk management, and contributes to an effective system of internal control. It was found that the board of directors and key executives encourage integrity and ethical behavior throughout the Company and senior management promotes a corporate culture that acknowledges, understands, and maintains an effective control environment.

Management has an effective approach to identifying and mitigating risks across the Company, including prospective business risks. The Company deals proactively with its areas of risk and is knowledgeable about mitigation strategies. Management discusses the significant issues and reacts to changes in the environment with a clear commitment to address risk factors and manage the business accordingly. The Company’s overall risk management process is well-defined and takes a proactive approach to identifying, tracking, and dealing with current significant and emerging risk factors.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2007 as determined by this examination. This statement is the same as the balance sheet filed by the Company.

<u>Assets</u>	<u>Assets</u>	Non-Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$70,731,771		\$70,731,771
Preferred stocks	968,055		968,055
Cash and short-term investments	37,406,470		37,406,470
Investment income due and accrued	728,438		728,438
Uncollected premiums and agents' balances in course of collection	20,946,816	\$3,786,359	17,160,457
Deferred premiums, agents' balances and installments booked but deferred and not yet due	(5,233,295)		(5,233,295)
Amounts recoverable from reinsurers	28,921,049		28,921,049
Current federal and foreign income tax recoverable	962,645		962,645
Net deferred tax asset	44,751,592	44,344,600	406,992
Electronic data processing equipment and software	110,770		110,770
Receivable from parent, subsidiaries and affiliates	280,019		280,019
Cash in transit	8,097,179		8,097,179
Equities and deposits in pools	15,281		15,281
Miscellaneous receivables	867,320		867,320
Premium deposits receivable	1,058,254		1,058,254
Other assets non-admitted	38,788	38,788	0
Non-admitted reinsurance recoverable		4,363,000	(4,363,000)
Pension asset	<u>34,479</u>	<u>0</u>	<u>34,479</u>
Total assets	<u>\$210,685,631</u>	<u>\$52,532,747</u>	<u>\$158,152,884</u>

Liabilities, Surplus and Other Funds

<u>Liabilities</u>	<u>Amount</u>
Losses	\$19,647,907
Loss adjustment expenses	9,381,629
Other expenses (excluding taxes, licenses and fees)	1,550,501
Taxes, licenses and fees	332,904
Unearned premiums	641,453
Ceded reinsurance premiums payable	16,562,691
Funds held by company under reinsurance treaties	3,064,538
Amounts withheld or retained by company for accounts of others	58,891
Provision for reinsurance	4,877,364
Miscellaneous liabilities	41,302
Premium deposit payable	1,104,265
Reserve for uncollectible reinsurance	<u>2,632,000</u>
Total liabilities	\$59,895,445
<u>Surplus and Other Funds</u>	
Common capital stock	\$ 5,000,000
Gross paid-in and contributed surplus	176,571,506
Unassigned funds (surplus)	<u>(83,314,067)</u>
Surplus as regards policyholders	<u>98,257,439</u>
Total liabilities, surplus and other funds	<u>\$158,152,884</u>

NOTE: The Internal Revenue Service is in the process of auditing the consolidated federal income tax returns filed on behalf of the Company through tax year 2005. The Internal Revenue Service has not yet begun to audit federal income tax returns covering tax years 2006 through 2007. 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. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$8,950,192 during the five-year examination period January 1, 2003, through December 31, 2007 detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$16,835,124
Deductions:		
Losses incurred	\$14,554,860	
Loss adjustment expenses incurred	10,318,913	
Other underwriting expenses incurred	<u>19,664,399</u>	
Total underwriting deductions		<u>44,538,172</u>
Net underwriting gain or (loss)		\$(27,703,048)

Investment Income

Net investment income earned	\$24,937,231	
Net realized capital gains or (losses)	<u>8,645,982</u>	
Net investment gain or (loss)		33,583,213

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$1,866,476	
Adverse development reinsurance ceded	(750,000)	
Other miscellaneous income or (loss)	(805,243)	
Foreign exchange loss	(380,069)	
Bad debt allowance	<u>(1,700,000)</u>	
Total other income		<u>(1,768,836)</u>
Net income before dividends, after capital gains tax and before all federal and foreign income taxes		\$4,111,329
Dividends to policyholders		<u>0</u>
Net income after dividends, after capital gains tax and before all federal and foreign income taxes		\$4,111,329
Federal and foreign income taxes incurred		<u>(6,248,581)</u>
Net income		<u>\$10,359,910</u>

Capital and Surplus Account

Surplus as regards policyholders per report on examination as of December 31, 2002			\$89,307,247
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income or (loss)	\$10,359,910		
Net unrealized capital gains or (losses)	2,563,199		
Change in deferred income tax		\$5,433,772	
Change in non-admitted assets		5,075,982	
Change in provision for reinsurance		963,163	
Surplus paid in	<u>7,500,000</u>	<u>0</u>	
Total gains and losses	<u>\$20,423,109</u>	<u>\$11,472,917</u>	
Net increase (decrease) in surplus			<u>8,950,192</u>
Surplus as regards policyholders per report on examination as of December 31, 2007			<u>\$98,257,439</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability of \$29,029,536 is the same as the amount reported by the Company as of the examination date. 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 statement.

Data quality issues were noted during the examination analysis. There were several instances in Schedule P where the earned premium and paid loss data were negative. When this matter was brought to the Company's attention, they indicated that some of the negative numbers were due to write-offs in 2007 and that the Schedule P data may be misallocated by line, but are generally correct in the aggregate. In addition, the review found the actuarial report's reconciliation exhibits to be inadequate. Additional exhibits had to be provided to reconcile the actuarial report data to Schedule P, in the aggregate.

It is recommended that the Company take corrective action to fix data quality issues with regard to eliminating the reporting of negative amounts; correct misallocations by line and to include complete exhibits in the actuarial report.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained nineteen recommendations as follows (item letters and page numbers refer to that of the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
i. It is recommended that the Company submit all inter-company contracts to the Department in accordance with Section 1505(d)(2) of the New York Insurance Law.	10
The Company has complied with this recommendation.	
ii. It is recommended that the Company amend the group property excess of loss contracts to include the required insolvency clause in accordance with Section 1308 of the New York Insurance Law.	10
This recommendation no longer applies. The Company has discontinued its group property excess of loss contracts.	
iii. It is recommended that the Company amend the group property excess of loss contracts to include the intermediary clause in accordance with Part 125.6 of the Department Regulation 20.	10
This recommendation no longer applies. The Company has discontinued its group property excess of loss contracts.	
iv. It is recommended the Company have all ceding contracts executed within nine months of the effective date as required by Paragraph 23 of SSAP No. 62 of the NAIC Accounting Practices and Procedures Manual in order to account for the coverage provided as prospective reinsurance.	10
The Company has complied with this recommendation.	
v. It is also recommended that the Company obtain the executed reinsurance contracts in a timely manner in accordance with Part 125.2 of the Department Regulation 20.	10
The Company has complied with this recommendation.	
vi. It is recommended that the Company account for all loss portfolio transfers effective prior to January 1, 2001 in accordance with Department Regulation 108.	13
The Company has complied with this recommendation.	

<u>ITEM</u>	<u>PAGE NO.</u>
vii. It is recommended that the Company amend the letters of credit upon their renewals to include all required clauses set forth in Part 79.3 of the Department Regulation 133.	13
The Company has not complied with this recommendation. A similar recommendation was made in this report.	
viii. It is recommended that the Company comply with the provisions of Section 1505(d)(3) of the New York Insurance Law.	16
The Company has not complied with this recommendation. A similar recommendation was made in this report.	
 B. <u>Abandoned Property Law</u>	
i. It is recommended that the Company submit the appropriate amount of escheated New York funds to the State Comptroller in accordance with Section 1316 of the New York Abandoned Property Law.	17
The Company has not complied with this recommendation. A similar recommendation was made in this report.	
ii. It is also recommended that the Company maintain proof of filing of the abandoned property reports.	18
The Company has not complied with this recommendation. A similar recommendation was made in this report.	
 C. <u>Accounts and Records</u>	
i. <u>Minimum Capital Investments</u>	
It is recommended that the Company monitor its investment to ensure compliance with Section 1402 of the New York Insurance Law.	20
The Company has complied with this recommendation.	
ii. <u>Inter-Company Balances</u>	
It is recommended that the Company settle its inter-company balances in a timely manner and non-admit any inter-company balances that are over ninety days due.	20
The Company has not complied with this recommendation. A similar recommendation was made in this report.	

<u>ITEM</u>	<u>PAGE NO.</u>
iii. <u>Securities Lending Practices</u>	
It is recommended that the Company disclose loaned securities transactions in its annual statement in accordance with the annual statement instructions.	20
This recommendation no longer applies. The Company has discontinued the practice of loaning securities.	
iv. <u>Written Procedures for Agents' Balances</u>	
It is recommended that the Company establish written procedures for aging and reconciliation of agents' balances, timely settlements of receivables and write off of uncollectibles.	21
The Company has complied with this recommendation.	
v. <u>Premiums and Agents' Balances in Course of Collection</u>	
It is recommended that the Company report overdue agents' balances in accordance with Section 1301(a)(11) of the New York Insurance Law and SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual.	21
The Company has not complied with this recommendation. A similar recommendation was made in this report.	
vi. <u>Premiums, Agents' Balances and Installments Booked But Deferred and Not Yet Due</u>	
(a) It is recommended that the Company report installment premiums in accordance with the annual statement instructions in all future statements.	22
The Company has not complied with this recommendation. A similar recommendation was made in this report.	
(b) It is also recommended that the Company report overdue installment premiums in accordance with Part 110.1 of the Department Regulation 13A and SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual.	22
The Company has not complied with this recommendation. A similar recommendation was made in this report.	
vii. <u>Electronic Data Processing Equipment</u>	
It is recommended that the Company review the procedures for depreciation to ensure depreciation of assets are properly recorded.	22
The Company has complied with this recommendation.	

<u>ITEM</u>	<u>PAGE NO.</u>
G. <u>Losses and Loss Adjustment Expenses</u>	
It is recommended that the Company take corrective actions to resolve the data quality issues.	27
The Company has not complied with this recommendation. A similar recommendation is contained in this report.	

6. SUMMARY OF COMMENTS AND RECOMMENDATION

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
It is recommended that the Company amend the letters of credit upon their renewals to include all required provision set forth in Part 79 of Department Regulation 133.	9
B. <u>Holding Company System</u>	
It is recommended that the Company comply with the provisions of Section 1505 of the New York Insurance Law.	12
C. <u>Abandoned Property Law</u>	
i. It is recommended that the Company comply with Section 1316 of the New York Abandoned Property Law in filing the required abandoned property reports with the New York State Comptroller's Office and maintain proper documentation indicating that such reports were filed.	13
ii. It is recommended that the Company submit the appropriate amount of escheatable funds to the State Comptroller in accordance with Section 1316 of the New York Abandoned Property Law.	13
D. <u>Accounts and Records</u>	
i. It is recommended that the Company report overdue premiums and agents' balances in accordance with Section 1301(a) (11) of the New York Insurance Law and SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual.	14
ii. It is recommended that the Company report overdue installment premiums in accordance with Part 110.1 of the Department Regulation 13A and SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual.	14

<u>ITEM</u>	<u>PAGE NO.</u>
iii. It is recommended that the Company adhere to the NAIC Annual Statement Instructions by classifying balance sheet items under their proper line item.	15
iv. It is recommended that the Company settle its inter-company balances in a timely manner and non-admit any inter-company balances that are over ninety days due.	15
v. It is recommended that the Company comply with SSAP No. 64 of the NAIC Accounting Practices and Procedures Manual with regards to offsetting and netting of assets and liabilities.	15
vi. It is recommended that the Company continue its effort to clear the old balances from the transfer of funds account and to perform timely reconciliation of this account to ensure that these balances are cleared against liabilities in future periods.	16
E. <u>Losses and Loss Adjustment Expenses</u>	
i. It is recommended that the Company take corrective action to fix data quality issues with regard to eliminating the reporting of negative amounts; correct misallocations by line and to include complete exhibits in the Actuarial Report.	20

Respectfully submitted,

_____/s/
Jimmie Newsome

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

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

_____/s/
Jimmie Newsome

Subscribed and sworn to before me
this _____ day of _____, 2009.

Appointment No. 30213

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, Eric R. Dinallo, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Jimmie Newsome

as proper person to examine into the affairs of the

AXA INSURANCE COMPANY

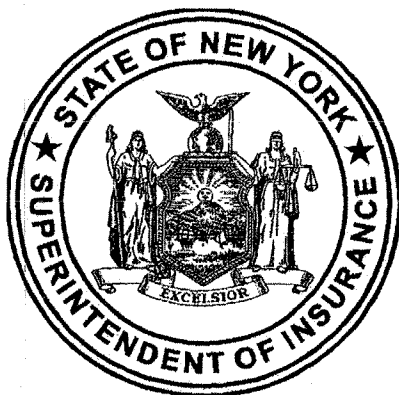
and to make a report to me in writing of the condition of the said

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 October, 2008



A handwritten signature in black ink that reads "Eric Dinallo".

ERIC R. DINALLO
Superintendent of Insurance