

REPORT ON EXAMINATION

OF THE

SWISS REINSURANCE AMERICA CORPORATION

AS OF

DECEMBER 31, 2011

DATE OF REPORT

MAY 21, 2013

EXAMINER

KAREN GARD, AFE

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Benjamin M. Lawsky  
Superintendent

May 21, 2013

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 30759 dated September 6, 2011, attached hereto, I have made an examination into the condition and affairs of Swiss Reinsurance America Corporation as of December 31, 2011, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Swiss Reinsurance America Corporation.

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 home office located at 175 King Street, Armonk, New York 10504.

## **1. SCOPE OF EXAMINATION**

The Department has performed an individual examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2006. This examination covered the five-year period from January 1, 2007 through December 31, 2011. 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 (“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 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
- 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 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 was incorporated on July 26, 1940 as the North American Casualty and Surety Reinsurance Company and commenced business on September 18 of that year. At the time of incorporation, it was a wholly-owned subsidiary of the United States Branch of the European General Reinsurance Company, Ltd. In May 1951, European General Reinsurance Company, Ltd was absorbed by Swiss Reinsurance Company, Ltd., a Swiss corporation which was organized in 1863. The Company changed its name to North American Reinsurance Corporation on November 28, 1956.

In 1973, Swiss Re Holding (North America) Inc., a Delaware corporation, was organized to hold the stock of the operating companies of the Swiss Reinsurance Group in the United States. In May 1995, Swiss Re Holding (North America) Inc. changed its name to Swiss Re America Corporation. Simultaneously, the Company adopted its current title. Swiss Re America Corporation later changed its name to Swiss Re America Holding Corporation.

On June 1, 1995, the Company assumed 100% of all of the assets and liabilities of the United States Branch of the Swiss Reinsurance Company pursuant to a Domestication Agreement and a Transfer and Assumption Agreement, which were approved by this Department. Swiss Reinsurance Company had entered the United States to transact reinsurance business through its United States Branch in 1910.

In June 2006, Swiss Reinsurance Company, Ltd. (“SRZ”) and Swiss Re Funding (“SRF”) acquired GE Insurance Solutions (now known as Swiss Re Solutions Holding Corporation (“SRSHC”)). Swiss Re Zurich transferred 61% of the common stock of SRSHC to Swiss Re America Holding Corporation (“SRAHC”); SRF retained the remaining 39%. SRF subsequently merged with SRAHC, with SRAHC being the surviving entity. On December 29, 2006, SRAHC transferred all of the outstanding shares of the Company to SRSHC.

In January 2007, GE Reinsurance Corporation (“GE Re”), an affiliated Illinois-domiciled reinsurer, was merged with and into the Company, with the Company being the surviving entity.

In February 2011, Swiss Re, Ltd (“SRL”) was formed. It was originally established as a subsidiary of SRZ; however, via a 1:1 exchange offer with SRZ, SRL became the ultimate parent of the Swiss Reinsurance Group. SRL is a Swiss-based publicly-traded company.

The Company has 60,019 authorized shares of common stock, of which 40,019 shares are outstanding. Capital paid in is \$6,002,850 consisting of 40,019 shares of \$150 par value per share common stock. Gross paid in and contributed surplus is \$3,223,559,761 and remained unchanged during the examination period (Gross paid in and contributed surplus was restated due to the GE Re merger).

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 seven nor more than 21 members. The board meets four times during each calendar year. At December 31, 2011, the board of directors was comprised of the following ten members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Walter Alfred Bell Mobile, AL	Chairman of the Board, Swiss Reinsurance America Corporation
David Alan Cole Kilchberg, Switzerland	Chief Risk Officer, Swiss Re Ltd.
John Sabatino D’Alimonte New York, NY	Retired
Gail Deschner Fosler Chevy Chase, MD	President, The GailFosler Group LLC
David Leonard Jahnke Minneapolis, MN	Retired
Pierre Leon Ozendo Naples, FL	Retired
George Quinn Horgen, Switzerland	Chief Financial Officer, Swiss Re Ltd.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Carlos Eduardo Represas Villeneuve, Switzerland	Retired
Philip Keebler Ryan Westmount, Quebec	Chief Financial Officer and Executive Vice President, Power Corporation of Canada
John Eric Smith New Canaan, CT	Chief Executive Officer, Swiss Reinsurance America Corporation

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, 2011, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
John Eric Smith	Chief Executive Officer
William Edward Donnell	President
Elissa Beth Reuben Kenny	Senior Vice President and Secretary
William John Steilen	Chief Financial Officer
Kurtis James Krogull	Controller

B. Territory and Plan of Operation

As of December 31, 2011, the Company was licensed to write business in the 50 states, as well as the District of Columbia, Guam and Puerto Rico.

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

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

10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company may also write such workers' compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69<sup>th</sup> Congress as amended), and the kinds of insurance and reinsurance as defined in Section 4102(c) of the New York Insurance Law.

In addition, the Company is licensed to do within this State the business of special risk insurance pursuant to Article 63 of the New York Insurance Law.

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. However, pursuant to Section 6302(c)(1) of the New York Insurance Law, in order to be licensed to write special risks, the Company is required to maintain surplus as regards policyholders of at least 200% of its authorized control level risk based capital; therefore, the Company was required to maintain a minimum surplus to policyholders in the amount of \$2,299,947,356 as of December 31, 2011.

The Company's current reinsurance business mix is approximately 55% property, 36% casualty, and 9% other (including Marine, Aviation, Surety, Engineering, Nuclear, and Multi-lines). Approximately 60% of the business is written on a proportional basis, and 40% on a non-proportional basis. Approximately 11% of the business is written on a facultative basis. The risks assumed by the Company are not concentrated in any geographic area. Although the Company does reinsure non-traditional reinsurance, the majority of the business is traditional reinsurance. The Company obtains its business through direct channels and through affiliated and non-affiliated reinsurance intermediaries.

## C. Reinsurance

### Assumed

The Company does not have any direct business but instead operates as a professional reinsurer. Therefore, all of the Company's business is assumed reinsurance.

### Ceded

The Company's reinsurance program has been structured to limit its maximum exposure on any one risk. Reinsurance protection is primarily provided by its penultimate parent company Swiss Reinsurance Company Ltd. (SRZ), a certified reinsurer. As of December 31, 2011, the Company had the following reinsurance contracts in effect:

#### Quota Share Retrocession Agreement with National Indemnity Corporation ("NIC")

Effective January 1, 2008, the Company, as well as its affiliates ("the retrocedents") as part of the Swiss Re Group, entered into a quota share agreement with NIC, an authorized reinsurer. Under the terms of the agreement, NIC, as retrocessionaire, indemnifies the retrocedents on a 20% quota share basis covered losses paid by the retrocedents for underwriting years 2008 through 2012. Covered losses include, subject to certain exclusions, the retrocedents' outward cash flows for deposit accounted business and retroactive business, and the ultimate net liability on all other business. This agreement expired on December 31, 2012 and was not renewed.

The following ceded reinsurance agreements have been entered into with Swiss Reinsurance Company, Ltd. ("SRZ"):

#### Multiple-Line Non-Obligatory Quota Share

This agreement originated in 2001 and has been subsequently amended numerous times. Under the terms of the agreement, the Company has the option to cede a variable cession rate of not less than 10% of the ultimate net liability on any lines of business assumed by the Company, less specifically excluded risks, and SRZ obligates itself to accept such cession. The cession percentage is documented in a separate executed cession letter agreed to by both parties. During the examination period, the percentage of business ceded was 50%. The agreement was amended effective January 1,

2010 to cover losses on policies attaching (as opposed to losses occurring) on or after January 1, 2010; SRZ remains liable for losses occurring on all policies covered in force at January 1, 2010, and all policies shall continue until their natural expiry, cancellation or next anniversary. Additionally, this agreement was further amended effective January 1, 2011 on business in-force, as well as on new and renewal business, to modify the terms of the agreement to comply with the newly-revised Department Regulation 20. In alignment with the corporate restructuring of the Swiss Re Group, by further amendments effective midnight December 31, 2011, the Company terminated, on a cut-off basis, its cessions under this cover of the:

- i. Corporate Solutions Treasury Limit Business and Corporate Solutions Business assumed by the Company from the NAS companies (North American Elite Insurance Company, North American Capacity Insurance Company, North American Specialty Insurance Company, and Washington International Insurance Company);
- ii. Corporate Solutions Treasury Limit Business and Corporate Solutions Business assumed by the Company from the Westport companies (Westport Insurance Corporation and its subsidiary, First Specialty Insurance Corporation); and,
- iii. Corporate Solutions Latin American Reinsurance Business assumed by the Company from cedents other than the NAS or Westport companies.

#### Property Catastrophe Excess of Loss Reinsurance Agreement

This agreement replaced the previous excess of loss agreement with SRZ, and is effective January 1, 2011 until terminated. The first layer provides 90% of \$900 million excess of \$100 million ultimate net loss, any one loss occurrence resulting from all covered natural perils. The second layer provides 90% of \$2.6 billion in excess of \$1 billion ultimate net loss any one loss occurrence. Each layer is subject to two reinstatements.

#### Loss Portfolio Transfer Reinsurance Agreement

Effective December 31, 2008, the Company entered into a loss portfolio transfer agreement, whereby SRZ accepts a 100% quota share participation of the ultimate net loss incurred by the Company on 1986 and prior year reserves, and any future development thereon. The agreement was accounted for prospectively by the Company pursuant to paragraphs 28 through 34 of SSAP 62R.

### Adverse Development Covers

Effective June 30, 2009, the Company entered into a ceded reinsurance agreement, whereby SRZ agreed to assume 100% of the Company's loss and allocated loss adjustment expense reserves outstanding as of June 30, 2009 relating to accident years 1987 through 2008, and any future development thereon. The agreement provides that the reinsurer will pay the ultimate net loss up to a maximum aggregate amount of \$1 billion. The agreement is accounted for prospectively by the Company pursuant to the provisions of paragraphs 28 through 34 of SSAP 62R.

Effective January 1, 2005, the Company entered into a ceded retroactive reinsurance agreement covering adverse loss development up to \$1.5 billion on reserves outstanding as of December 31, 2004 for all business assumed and earned prior to January 1, 2005, excluding GE Re business. The limit of this cover has been fully exhausted. When the Department approved this agreement in 2005, it was determined that the contract should be accounted for as retroactive reinsurance pursuant to the provisions of paragraph 28 of SSAP 62R.

### Aggregate Stop Loss Reinsurance Agreement

In addition to the coverage described above, the Company limits its aggregate exposure pursuant to the provisions of the Accident Year All Lines Stop Loss Reinsurance Agreement. This agreement is a continuation of the previous stop loss cover that the Company had in place with SRZ but has been modified to comply with the requirements of the Tenth Amendment to Regulation 17, 20 and 20-A Credit for Reinsurance. This agreement applies to business in force at January 1, 2011, as well as new and renewal business effective on or after January 1, 2011. Covered losses under this agreement represent the product of the Company's loss ratio in excess of 72% and the subject net earned premium. Coverage is subject to an aggregate limit of 40% of the subject net earned premium, as well as a property aggregate sublimit of \$675 million.

### Special Account Cover

Effective January 1, 2012, the Company entered into a Special Account Multiple Line Non-Obligatory Quota Share Reinsurance Agreement with SRZ. Per the terms of the agreement, the Company has the option to cede not less than 10% of the Ultimate Net Liability of Special Account business to SRZ. Special Account business is solely determined by the Company and includes Special Account business in force at January 1, 2012 as well as new and renewal Special Account

business effective on or after January 1, 2012. The line of business, program, special account, or individual risk cession percentage is documented in an executed cession letter agreed to by both parties which may be revised annually.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It is noted that all affiliated reinsurance agreements were filed with and non-disapproved by 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 and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. No exceptions were noted. The Company also reduces its provision for reinsurance pursuant to the provisions of Parts 125.4 of Department Regulation 20.

It is noted that the Company's cessions during the examination period exceeded 50% of unearned premiums. Pursuant to Section 1308(e)(1) of the New York Insurance Law, no domestic insurer may cede more than 50% of its unearned premium without the Superintendent's permission. The agreements underlying the cessions to SRZ were submitted to and approved by the Department pursuant to the provisions of Section 1308(e)(1) 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.

The 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. 62R with the exception of those treaties that were accounted for as Deposit Accounting in accordance with Paragraph of SSAP No. 75. Representations were supported by attestations from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC Annual Statement Instructions. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

During the period covered by this examination, the Company commuted various reinsurance agreements. These commutations resulted in a net gain to the Company's surplus position.

D. Holding Company System

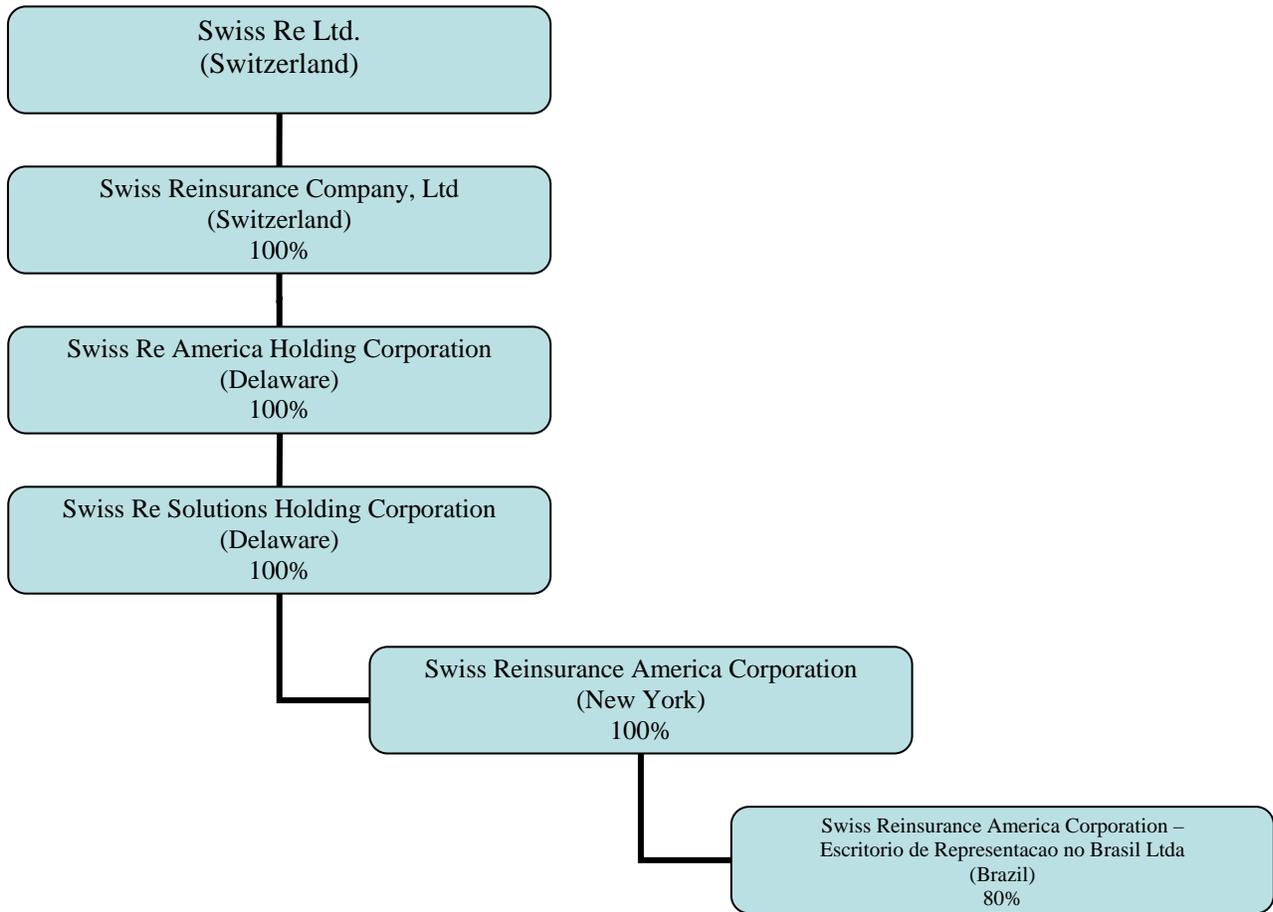
The Company is a member of the Swiss Reinsurance Group. The Company is a wholly-owned subsidiary of Swiss Re Solutions Holding Corp., a Delaware corporation, which is ultimately controlled by Swiss Re Ltd. (“SRL”), a publicly-traded company based in Zurich, Switzerland.

In 2011, the Swiss Reinsurance Group underwent a corporate realignment. The realignment involved the formation of Swiss Re Ltd, and the formation of three distinct and separate business units under Swiss Re Limited: Corporate Solutions (relating to all direct commercial insurance); Reinsurance (relating to all reinsurance business; the Company operates under the umbrella of this unit); and AdminRe (relating to the administration of closed in-force books of life and health insurance business, either through reinsurance or acquisition).

In 2011, in association with the realignment, the Company made a non-cash dividend distribution of its subsidiaries: North American Elite Insurance Company, North American Capacity Insurance Company, North American Specialty Insurance Company, and Washington International Insurance Company (collectively, the “NAS companies”) to Swiss Re Solutions Holding Corporation. The purpose of the dividend distribution was to align the NAS Companies, and Westport Insurance Company (“Westport”), First Specialty Insurance Corporation (a subsidiary of Westport), as well as SR Corporate Solutions America Holding Corporation (“SRCS-AH”) under Swiss Re Corporate Solutions Ltd (“SRCS”), a sister company of Swiss Reinsurance Company, Ltd. (“SRZ”).

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 an abridged chart of the holding company system at December 31, 2011:



At December 31, 2011, the Company was party to the following agreements with other members of its holding company system:

Service Agreement with Swiss Re America Holding Corporation (“SRAHC”)

Effective July 1, 2009, the Company entered into a Service Agreement with SRAHC, whereby SRAHC provides the Company general management and administrative services, including legal and government relations services, personnel and payroll services, information systems and technology services, tax services, corporate accounting and auditing services, claims advisory services and office administration, property management and supply services. SRAHC may use other providers, including affiliates, to provide these services. This agreement was amended on September 1, 2010 to update the description of the services provided and to add additional services. This agreement and the amendment were filed with the Department pursuant to Section 1505(d) of the New York Insurance Law.

Service Agreement with Westport Insurance Company (“WIC”)

Effective April 1, 2010, the Company entered into a Service Agreement with WIC. In order to achieve operating efficiencies and improve joint services to the benefit of both parties, each party provides to the other party general management and administrative services, legal and government relation services, auditing services, financial services, actuarial services, risk management services, underwriting services, claims advisory and related claims services, and other services as requested. The parties may utilize other providers, including affiliates, to provide these services. This agreement was filed with Department pursuant to Section 1505(d) of the New York Insurance Law.

Representation Office Services Agreement

Effective May 26, 2008, the Company entered into a Representation Office Services Agreement with Swiss Re America Escritorio de Representacao No Brasil Ltda (“SRABR”). The Company has an 80% interest in SRABR; SRZ has 20%. Per the terms of the agreement, SRABR provides services and assists the Company in the analysis and evaluation of insurance and reinsurance programs underwritten or renewed by the Company with respect to business underwritten by insurers and reinsurers domiciled or licensed in Brazil, and assists in the revision and monitoring of claims arising under such business. This agreement has been filed with the Department pursuant to Article 16 of the New York Insurance Law.

Reinsurance Coordination Agreement with SRZ

Effective September 30, 2008, the Company entered into a Reinsurance Coordination Agreement with SRZ. Per the terms of the agreement, SRZ provides reinsurance coordination services to the Company and other Swiss Re Group companies in connection with the whole account property and casualty retrocession placed under the aforementioned Quota Share Retrocession Agreement with NIC. Services include accumulation of historic premium and loss data, aggregating, collating and presenting historic data, structuring and pricing alternative reinsurance programs, and reporting of quarterly premium, loss and commissions. This agreement was filed with the Department pursuant to Section 1505(d) of the New York Insurance Law.

Brokerage Agreement with Swiss Re Atrium Corporation (“Atrium”)

Effective May 1, 2009, the Company entered into a Brokerage Agreement with Atrium. This agreement replaced the Atrium Underwriting Management Agreement dated April 14, 1998. Per the terms of the agreement, Atrium, as a reinsurance broker intermediary, provides brokerage and related services to the Company. This agreement was filed with the Department pursuant to Section 1505(d) of the New York Insurance Law.

Broker Service Agreement with Swiss Brokers Mexico

Effective December 31, 2003 the Company entered into a Broker Service Agreement with Swiss Brokers Mexico, Intermediario de Reaseguro, S.A. de C.V. (“Broker”), a corporation organized under the laws of Mexico. Per the terms of the agreement, Broker acts as a reinsurance broker intermediary on non-US business assumed by the Company from insurers and reinsurers licensed or domiciled in South America or Mexico. This agreement was subsequently amended to revise the brokerage fee and to expand the territorial scope to include certain Central American countries. In 2006, it was further amended to change the underwriting limits, the covered lines of business, and the territorial scope to include all of Latin America. Effective January 31, 2013, the Company amended the agreement to expand the geographic scope of the Broker’s authorization to not only include Latin America, but also the Caribbean, the British overseas territories, the Dutch Caribbean islands, and the U.S. minor outlying islands. This agreement was filed with the Department pursuant to Section 1505(d) of the New York Insurance Law.

Underwriting Management Agreement with Swiss Re Underwriters Agency, Inc. (“SRU”)

Effective January 1, 2001, the Company entered into an Underwriting Management Agreement with SRU. Per the terms of the agreement, SRU has the authority to procure, negotiate, underwrite and bind the Company on contracts of reinsurance, and to renegotiate, cancel and commute contracts of reinsurance. This agreement was filed with the Department pursuant to Section 1505(d) of the New York Insurance Law.

Investment Advisory Agreement

Effective January 1, 2000, and subsequently amended on numerous occasions, the Company entered into an Investment Advisory Agreement with Swiss Reinsurance Financial Services Corporation (“SRFSC”), formerly known as Swiss Re Asset Management (Americas) Inc. Per the terms of the agreement, SRFSC, along with authorized sub-advisors, manages the Company’s portfolio of investments within the parameters established by the Company. SRFSC also provides investment accounting and related services. This agreement was filed with the Department pursuant to Section 1505(d) of the New York Insurance Law.

Tax Allocation Agreement

Swiss Re America Holding Company entered into a tax allocation agreement with 51 members of its holding company group to jointly file consolidated federal income tax returns. This agreement was amended effective January 1, 2005, to include other affiliates and replaces the prior agreement. A review of this agreement determined that it is in compliance with Department Circular Letter No. 33 (1979).

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2011, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	33%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	79%
Premiums in course of collection to surplus as regards policyholders	5%

All of 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	\$4,971,702,617	55.52%
Other underwriting expenses incurred	2,700,429,958	30.15
Net underwriting loss	<u>1,283,097,240</u>	<u>14.33</u>
Premiums earned	<u>\$8,955,229,815</u>	<u>100.00%</u>

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2011 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	\$ 7,769,424,477	\$ 0	\$ 7,769,424,477
Common stocks	396,148,974	0	396,148,974
Cash, cash equivalents and short-term investments	376,843,154	0	376,843,154
Derivatives	17,247,252	0	17,247,252
Other invested assets	962,900,002	0	962,900,002
Receivables for securities	130,885,344	0	130,885,344
Investment income due and accrued	56,160,620	0	56,160,620
Uncollected premiums and agents' balances in the course of collection	274,060,137	7,223,566	266,836,571
Deferred premiums, agents' balances and installments booked but deferred and not yet due	893,409,835	0	893,409,835
Amounts recoverable from reinsurers	1,139,051,431	0	1,139,051,431
Funds held by or deposited with reinsured companies	423,778,658	4,081,007	419,697,651
Net deferred tax asset	264,381,001	101,190,982	163,190,019
Receivables from parent, subsidiaries and affiliates	16,059,739	0	16,059,739
Aggregate write-ins for other than invested assets	<u>108,084</u>	<u>0</u>	<u>108,084</u>
Totals	<u>\$12,720,458,708</u>	<u>\$112,495,555</u>	<u>\$12,607,963,153</u>

## Liabilities, surplus and other funds

Losses and loss adjustment expenses	\$ 6,019,854,633
Reinsurance payable on paid losses and loss adjustment expenses	223,549,459
Commissions payable, contingent commissions and other similar charges	9,129,085
Other expenses (excluding taxes, licenses and fees)	1,925
Current federal and foreign income taxes	196,656,911
Unearned premiums	751,683,566
Ceded reinsurance premiums payable (net of ceding commissions)	965,401,534
Funds held by company under reinsurance treaties	743,364,152
Amounts withheld or retained by company for account of others	(25,229)
Remittances and items not allocated	(17,876,039)
Provision for reinsurance	39,673,922
Payable to parent, subsidiaries and affiliates	26,858,721
Payable for securities	513,963
Liability for deposit accounting, assumed retroactive reinsurance and other	83,556,532
Excess ceding commission liabilities	104,137,385
Advances from Latin America office	389,917
Interest payable on CDS	55,000
Other liability	94,441
Recoverable on ceded retroactive reinsurance contract	<u>(1,500,000,000)</u>
Total liabilities	\$ <u>7,647,019,875</u>
Cumulative effect of retroactive reinsurance contract	\$ 1,150,000,000
DTA admitted under SSAP 10R	74,315,750
Common capital stock	6,002,850
Gross paid in and contributed surplus	3,223,559,761
Unassigned funds (surplus)	<u>507,064,917</u>
Surplus as regards policyholders	\$ <u>4,960,943,278</u>
Total liabilities, surplus and other funds	\$ <u>12,607,963,153</u>

Note: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through tax year 2008. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. Audits covering tax years 2009 and 2010 are currently under examination. The Internal Revenue Service has not yet begun to audit tax returns covering tax year 2011. 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 \$2,721,555,653 during the five-year examination period January 1, 2007 through December 31, 2011, detailed as follows:

Premiums earned		\$8,955,229,815
Deductions:		
Losses and loss adjustment expenses incurred	\$4,971,702,617	
Other underwriting expenses incurred	2,660,661,246	
Change in accrued excess ceding commission	<u>39,768,712</u>	
Total underwriting deductions		<u>7,672,132,575</u>
Net underwriting gain or (loss)		\$1,283,097,240

### Investment Income

Net investment income earned	\$1,584,415,454	
Net realized capital gain	<u>431,394,687</u>	
Net investment gain or (loss)		\$2,015,810,141

### Other Income

Net gain or (loss) from agents' or premium balances charged off	\$( 27,337,397)	
Effect of ceded retroactive reinsurance contract	2,726,782	
Interest on funds held	(80,200,917)	
Deposit accounting contracts and assumed retroactive reinsurance	72,873,065	
Other expense	<u>(33,265,391)</u>	
Total other income		\$ <u>(65,203,858)</u>
Net income before dividends to policyholders and before federal and foreign income taxes		<u>\$3,233,703,523</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$3,233,703,523
Federal and foreign income taxes incurred		<u>594,157,420</u>
Net Income		<u>\$2,639,546,105</u>

Surplus as regards policyholders per report on examination as of December 31, 2006			\$2,239,387,625
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$2,639,546,105		
Net unrealized capital gains or (losses)		\$ 111,088,499	
Change in net unrealized foreign exchange capital gain (loss)		22,411,981	
Change in net deferred income tax		134,428,160	
Change in nonadmitted assets	102,412,035		
Change in provision for reinsurance	43,729,818		
Cumulative effect of changes in accounting principles	18,859,877		
Dividends to stockholders		669,089,306	
DTA admitted under SSAP 10R	74,315,750		
Change in accrued excess ceding commission		39,312,000	
Correction of error		28,050,117	
Surplus adjustment due to quasi-reorganization (GE Re merger)	<u>847,072,131</u>	<u>0</u>	
Net increase (decrease) in surplus	<u>\$3,725,935,716</u>	<u>\$1,004,380,063</u>	<u>\$2,721,555,653</u>
Surplus as regards policyholders per report on examination as of December 31, 2011			<u>\$4,960,943,278</u>

#### 4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$6,019,854,633 is the same as reported by the Company as of December 31, 2011. 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.

## 5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>		<u>PAGE NO.</u>
A	It was recommended that the Company establish individual escrow accounts for each insurance company, as required by the filed tax allocation agreement.	12
	The Company has complied with this recommendation.	
B	It was recommended that the Company file a revised service agreement with the Department, which properly reflects the parties to the agreement, the method of allocation of expenses and that it follows such allocation methods.	13
	The Company has complied with this recommendation.	
C	It was recommended that the Company settle its inter-company balances within 90 days of billing.	13
	The Company has complied with this recommendation.	
D	It was recommended that the Company reimburse SRUA as stated in the filed underwriting agreement.	13
	The Company has complied with this recommendation.	
E	It was recommended that the Company revise its investment management agreement with SRAM to fully and more extensively describe the scope of the services rendered by SRAM to the Company.	14
	The Company has complied with this recommendation.	
F	It was recommended that the Company comply with the Annual Statement Instructions when reporting its cash call advances.	15
	The Company has complied with this recommendation.	
G	It was recommended that the Company revise its custodian agreement to include the provision cited.	16
	The Company has complied with this recommendation.	

<u>ITEM</u>		<u>PAGE NO.</u>
H	It was recommended that the Company establish and implement controls and procedures to verify that security lending transactions are being conducted according to New York requirements.  The Company has complied with this recommendation.	16
I	It was recommended that the Company establish a written and formal disaster recovery plan.  The Company has complied with this recommendation.	16
J	It was recommended that the Company address these ongoing reserving inadequacies and increase their carried reserves to an appropriate level, pursuant to the provisions of Section 1303 of the New York Insurance Law and Paragraph 8 of SSAP No. 55.  The Company has complied with this recommendation.	21

## 6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report contains no comments or recommendations.

Respectfully submitted,

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Karen Gard, AFE  
Associate Insurance Examiner

STATE OF NEW YORK     )  
  )ss:  
COUNTY OF NEW YORK    )

Karen Gard, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

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Karen Gard

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2013

Appointment No. 30759

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:

**Karen Gard**

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

**SWISS REINSURANCE AMERICA CORPORATION**

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

**Company**

*with such other information as she shall deem requisite.*

*In Witness Whereof, I have hereunto subscribed by the  
name and affixed the official Seal of this Department, at  
the City of New York,*

*this 6th day of September, 2011*



*James J. Wrynn*  
\_\_\_\_\_  
JAMES J. WRYNN

Superintendent of Insurance