

REPORT OF EXAMINATION
OF THE
REVIOS REINSURANCE CANADA LTD.
(UNITED STATES BRANCH)

AS OF
DECEMBER 31, 2005

Participating State
and Zone:

California

Filed April 10, 2007

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Los Angeles, California
December 1, 2006

Honorable Alfred W. Gross
Chairman of the NAIC Financial
Condition (EX4) Subcommittee
Commissioner of Insurance
Virginia Bureau of Insurance
Richmond, Virginia

Honorable Gary L. Smith
Secretary, Zone IV-Western
Director of Insurance
Department of Insurance, State of Idaho
Boise, Idaho

Honorable John Garamendi
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Chairman, Director and Commissioner:

Pursuant to your instructions, an examination was made of the

REVIOS REINSURANCE CANADA LTD.
(United States Branch)

(hereinafter also referred to as the Company) at its main administrative office, 175 Bloor Street East, North Tower, Suite 1400, Toronto, Ontario, Canada M4W 3R8. The Company's statutory home office is located at 633 West Fifth Street, 47th Floor, Los Angeles, California 90071-2043.

SCOPE OF EXAMINATION

The previous examination of the Company was made as of December 31, 2002. This examination covers the period from January 1, 2003 through December 31, 2005. The examination was made pursuant to the National Association of Insurance Commissioners' plan of examination. The examination included a review of the Company's practices and procedures, an examination of management records, tests and analyses of detailed transactions within the examination period, and an

evaluation of the assets and a determination of liabilities as of December 31, 2005, as deemed necessary under the circumstances.

This examination was conducted concurrently with the examination of the Company's affiliate, Revios Reinsurance U.S. Inc.

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; officers', employees' and agents' welfare and pension plans; growth of company; business in force by states; mortality and loss experience; accounts and records; and sales and advertising.

SUBSEQUENT EVENTS

On July 5, 2006 the Company's parent, Revios Rückversicherung-AG (RRAG), announced that an acquisition agreement had been entered into between SCOR S.A, and its subsidiary SCOR Vie, S.A. and the Company's intermediate parent, Gerling-Konzern Globale Rückversicherungs-AG, regarding the sale of RRAG and its subsidiaries. With the November 9, 2006 non-disapproval by the California Department of Insurance, the approval process of the acquisition by all regulatory agencies had been completed.

As a result of the acquisition SCOR S.A. and its subsidiary SCOR Vie S.A., now own RRAG of Cologne, Germany which owns Revios Canada Holding Inc., a Delaware Company, which owns the Company.

COMPANY HISTORY

Ultimate control of the Company was previously held by the Private Group of Dr. Gerling (65.5%) and Deutsche Bank – AG (34.5%). In May 2003, Deutsche Bank -AG gave up its 34.5% interest in Gerling-Konzern Versicherungs-Beteiligungs (GKB), the ultimate controlling company, so that GKB's ownership is now held 94% by the Gerling family and 6% by a Gerling nominated individual. In September, 2003 Gerling Life Reinsurance GmbH (GLR) changed its name to Revios Ruckversicherung-AG. In December 2003, the Company changed its name from Gerling Global Life Insurance Company to Revios Reinsurance Canada Ltd. As previously noted, the Company is now owned by SCOR Vie S.A.

MANAGEMENT AND CONTROL

As of the examination date, the Company is a member of an insurance holding company system of which Gerling Konzern Versicherungs-Beteiligungs-AG (GKB) is the ultimate controlling company. The following abridged organizational chart depicts the Company's relationship within the holding company system:



(*) all ownership is 100% unless otherwise noted

Management of the Company is vested in a five-member board of directors elected annually. A listing of the members of the board and principal officers serving on December 31, 2005 follows:

Directors

Name and Residence

Principal Business Affiliation

Klaus Miller
Cologne, Germany

Member of the Executive Board
Revios Rückversicherung-AG

Eugene M. Woodard
Toronto, Canada

President and Chief Executive Officer
Revios Reinsurance U.S. Inc.

Name and Residence

Principal Business Affiliation

Frieder Knüpling
Cologne, Germany

General Manager
Revios Rückversicherung-AG

B. Franklin Shostack
Willowdale, Ontario

Attorney
Black Sutherland LLP

F. Barrie Usher
Etobicoke, Ontario

Retired Insurance Executive

Principal Officers

Name

Title

Eugene M. Woodard

President and Chief Executive Officer

Kathryn A. Hyland

Senior Vice President, Corporate Markets

Gordon R. Creber *

Senior Vice President and Chief Financial Officer

Todd P. Spooner

Senior Vice President, New Markets

Leonard A. Arokium **

Vice President, Client Services and Technology

Christian W. Jacobsen ***

Vice President, New Markets

Robert B. Lau

Vice President, Conventional Markets

Susan C. McCloy

Vice President, Financial Planning and Reporting

André Piché

Vice President, Actuarial Services

(*) Resigned February 17, 2006, replaced by H. Michael Shumrak.

(**) Resigned March 31, 2006, not replaced.

(***) Resigned July 24, 2006, not replaced.

As previously noted, the Company has experienced a significant turnover in senior management since 2004. In 2004 a new president was hired to improve the Company's performance, and it was expected that to accomplish that goal a new senior team would be needed. The result was the turnover in senior management in the examination period and subsequently.

Management Agreements

Service Agreement: Effective October 4, 1996, the Company entered into a Service Agreement with its affiliate, Revios Reinsurance U.S. Inc. (RRUS), in which RRUS pays the Company for providing management and operational services. Reimbursement is based on actual costs. The following were the amounts paid by RRUS to the Company for the services provided during the examination period:

| <u>Year</u> | <u>Amounts</u> |
|-------------|----------------|
| 2003 | \$8,217,658 |
| 2004 | \$10,290,609 |
| 2005 | \$8,830,230 |

Service Agreement: Effective January 1, 2000, the Company entered into a Service Agreement with its parent, Revios Ruckversicherung-AG (RRAG), in which RRAG pays the Company for providing management and operational services. Reimbursement is based on actual costs. The following were the amounts paid by RRAG to the Company for the services provided during the examination period:

| <u>Year</u> | <u>Amounts</u> |
|-------------|----------------|
| 2003 | \$199,662 |
| 2004 | \$218,421 |
| 2005 | \$6,985 |

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write direct life and accident and health policies in the District of Columbia and the following 16 states:

| | | | |
|------------|-----------|-------------|------------|
| California | Iowa | Minnesota | Oregon |
| Colorado | Kentucky | Mississippi | Texas |
| Illinois | Louisiana | New Mexico | Utah |
| Indiana | Michigan | Ohio | Washington |

In addition, the Company is licensed or authorized to transact reinsurance business in the following 21 states:

| | | |
|-------------|----------------|----------------|
| Alabama | Missouri | Rhode Island |
| Arkansas | Montana | South Dakota |
| Connecticut | Nebraska | South Carolina |
| Florida | Nevada | Tennessee |
| Georgia | North Carolina | Virginia |
| Idaho | North Dakota | West Virginia |
| Maryland | Pennsylvania | Wisconsin |

During the period under examination, the Company's business consisted exclusively of life reinsurance assumed from U.S. companies. The majority of business, in turn, is retroceded to other carriers or to Revios Ruckversicherung-AG. In tandem with its affiliate, Revios Reinsurance U.S. Inc, the Company serves as the marketing vehicle for the parent company's U.S. life reinsurance operations.

REINSURANCE

As previously noted, the Company's operations are limited to the assumption of life and accident and health reinsurance from U.S. companies. The majority of business, in turn, is either retroceded to other carriers or to the Company's parent.

Assumed

As of year-end 2005, the Company had approximately 15 assumed reinsurance treaties pertaining solely to its life business in which it reported assumed reserves of \$52.9 million. The three largest treaties, based on assumed reserves, were Chase Insurance Life and Annuity Company (\$16.5 million), Valley Forge Life Insurance Company (\$11.8 million) and Chase Insurance Life Company (\$10.5 million) or 17.3% of the assumed business. These three treaties, in total, represented \$38.8 million or 73.3% of the Company's assumed reserves. The principal form of the assumed reinsurance is on a yearly renewal term basis.

Ceded

As of December 31, 2005 the Company's primary ceded reinsurance agreements, in terms of ceded reserves, was with London Life Reinsurance Company (\$37.2 million), or 93% of the total \$40 million ceded reserves.

Prior to 2003 and in the absence of other retrocession arrangements with non-related parties, the first \$2 million of each risk was allocated on a quota-share basis between the Company (25%) and its parent, Revios Rückversicherung-AG (RRAG) (75%). The business ceded to RRAG was on an original term basis. After 2002, new business was no longer ceded to RRAG.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2005

Summary of Operations and Capital and Surplus Account
for the Year Ended December 31, 2005

Reconciliation of Examination Changes as of December 31, 2005

Trusteed Surplus Statement as of December 31, 2005

Statement of Financial Condition
as of December 31, 2005

| <u>Assets</u> | <u>Ledger and Nonledger Assets</u> | <u>Assets Not Admitted</u> | <u>Net Admitted Assets</u> | <u>Notes</u> |
|--|--|--------------------------------|--------------------------------|--------------|
| Bonds | \$ 29,293,585 | \$ | \$ 29,293,585 | (1) |
| Cash and short-term investments | 2,413,697 | | 2,413,697 | |
| Aggregate write-in for invested assets | 3,056 | | 3,056 | |
| Investment income due and accrued | 317,347 | | 317,347 | |
| Uncollected premiums and agents' balances in course of collection | 3,123,313 | | 3,123,313 | |
| Amounts recoverable from reinsurers | 1,082,975 | | 1,082,975 | |
| Other amounts receivable under reinsurance contracts | 21,208 | | 21,208 | |
| Net deferred tax asset | <u>184,215</u> | <u>64,758</u> | <u>119,457</u> | |
| Total assets | <u>\$ 36,439,396</u> | <u>\$ 64,758</u> | <u>\$ 36,374,638</u> | |
| <u>Liabilities, Surplus and Other Funds</u> | | | | |
| Aggregate reserve for life contracts | | | \$ 12,855,379 | (2) |
| Contract claims: Life | | | 1,940,270 | (3) |
| Interest maintenance reserve | | | 804,234 | |
| Commissions and expense allowances payable on reinsurance assumed | | | 1,647,630 | |
| Taxes, licenses and fees due or accrued | | | 42 | |
| Current federal and foreign income taxes | | | 82,881 | |
| Asset valuation reserve | | | 82,036 | |
| Reinsurance in unauthorized companies | | | <u>1,798</u> | |
| Total liabilities | | | 17,414,270 | |
| Common capital stock | | \$ 2,500,000 | | |
| Unassigned funds (surplus) | | <u>16,460,368</u> | | |
| Capital and surplus | | | <u>18,960,368</u> | |
| Total liabilities, capital and surplus | | | <u>\$ 36,374,638</u> | |

Summary of Operations and Capital and Surplus Account
for the Year Ended December 31, 2005

Statement of Income

| | | |
|---|------------------|---------------------|
| Premiums and annuity considerations | \$ 5,409,675 | |
| Net investment income | 1,412,584 | |
| Amortization of interest maintenance reserve (IMR) | 75,421 | |
| Commissions and expense allowances on reinsurance ceded | <u>6,385,938</u> | |
| Total | | \$ 13,283,618 |
| Death benefits | 4,765,245 | |
| Increase in aggregate reserves for life and accident and health contracts | <u>1,089,498</u> | |
| Total | | 5,854,743 |
| Commissions and expense allowances on reinsurance assumed | 7,210,379 | |
| General insurance expenses | 937,623 | |
| Insurance taxes, licenses and fees | 68,821 | |
| Aggregate write-ins for deductions | <u>61,944</u> | |
| Total | | <u>14,133,510</u> |
| Net loss from operations before federal income taxes | | (849,892) |
| Federal income taxes incurred | | <u>82,881</u> |
| Net income | | <u>\$ (932,773)</u> |

Capital and Surplus Account

| | | |
|---|---------------------|----------------------|
| Capital and surplus, December 31, 2004 | | \$ 22,315,244 |
| Net income | \$ (932,773) | |
| Change in net deferred income tax | 24,350 | |
| Change in non-admitted assets and related items | 25,925,000 | |
| Change in liability for reinsurance in unauthorized companies | 882 | |
| Change in assets valuation reserve | 807,231 | |
| Aggregate write-ins for gains and losses in surplus | <u>(29,179,566)</u> | |
| Net change in capital and surplus for the year | | <u>(3,354,876)</u> |
| Capital and surplus, December 31, 2005 | | <u>\$ 18,960,368</u> |

Reconciliation of Capital and Surplus
from December 31, 2002 through December 31, 2005

| | | | |
|---|-----------------------------|----------------------------|----------------------|
| Capital and surplus, December 31, 2002, per Examination | | | \$ 24,863,217 |
| | <u>Gain in Surplus</u> | <u>Loss in Surplus</u> | |
| Net Income | \$ 312,584 | \$ | |
| Change in net deferred income tax | | 153,267 | |
| Change in nonadmitted assets and related items | 173,119 | | |
| Change in liability for reinsurance in unauthorized companies | 968 | | |
| Change in asset valuation reserve | | 14,893 | |
| Aggregate write-ins for gains and losses in surplus | <u> </u> | <u>6,221,360</u> | |
| Total gains and losses in surplus | <u>\$ 486,671</u> | <u>\$ 6,389,520</u> | |
| Decrease in capital and surplus | | | <u>(5,902,849)</u> |
| Capital and surplus, December 31, 2005, per Examination | | | <u>\$ 18,960,368</u> |

Reconciliation of Examination Changes
as of December 31, 2005

| | <u>Per Company</u> | <u>Per Examination</u> | <u>Surplus Increase (Decrease)</u> | <u>Notes</u> |
|---|------------------------|----------------------------|--|--------------|
| <u>Liabilities</u> | | | | |
| Contract claims – Life | \$840,270 | \$1,940,270 | <u>\$ (1,100,000)</u> | (3) |
| Net decrease to capital and surplus | | | \$ (1,100,000) | |
| Capital and Surplus, December 31, 2005 per Company | | | <u>20,060,368</u> | |
| Capital and Surplus, December 31, 2005 per Examination | | | <u>\$ 18,960,368</u> | |

Trusteed Surplus Statement
as of December 31, 2005

Assets

| | | |
|---|----------------|--------------------------|
| Deposits with state officers (excluding special deposits) | | \$ 2,910,461 |
| Deposits with United States trustee: | | |
| Bonds | \$ 26,433,946 | |
| Cash | 1,018,275 | |
| Short-term investments | 1,395,422 | |
| Accrued investment income | <u>266,525</u> | |
| Total | | <u>29,114,168</u> |
| Total trusteed assets | | <u>\$ 32,024,629</u> |

Liabilities, and Trusteed Surplus

| | | |
|--|----------------|--------------------------|
| Liabilities and reserves | | \$ 16,314,270 |
| Deductions from liabilities | | |
| Amounts recoverable from reinsurers – authorized companies | \$ 1,104,183 | |
| Life insurance premiums deferred and uncollected | 3,123,313 | |
| Aggregate write-ins for other deductions from liabilities | <u>122,513</u> | |
| Total deductions | | <u>4,350,009</u> |
| Total adjusted liabilities | | 11,964,261 |
| Trusteed surplus | | <u>20,071,818</u> |
| Total | | <u>\$ 32,024,629</u> |

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Bonds

California Insurance Code (CIC) Sections 1580 and 1581 provide that an alien insurer organized under the laws of a foreign country and transacting business in the State of California is required to maintain in the United States, trustee assets for the security of all its policyholders and creditors within the United States, and to appoint a trustee of such assets. In connection with this requirement, the U.S. Branch appointed Bank of New York Western Trust Company as its trustee in the United States in 1980.

CIC Section 1582 provides that such trustee assets shall be equal to the minimum amount of the paid-in capital required for admission of insurers issuing policies on a reserve basis and transacting the same classes of insurance which such alien insurer is transacting in the United States. The Company is a reinsurer and does not write any direct business. As of December 31, 2005, there was \$32 million on deposit with the trustee.

(2) Aggregate Reserves for Life Contracts

The California Department of Insurance (CDI), pursuant to California Insurance Code (CIC) Section 733(g), retained an independent actuary for the purpose of providing an actuarial evaluation of the Company's aggregate reserve for life contracts. Predicated upon the results of the actuarial review, which is detailed below, the Company's reported aggregate reserve for life contracts has been accepted.

During the period under examination, the Company's business consisted exclusively of reinsurance assumed, which, in turn, is either retroceded to other carriers or to its parent. The assumed business is administered by the various direct writing companies which provide face amount and reserve information to the Company. The Company also receives reserve opinions from the actuaries of the

direct writing companies. Since the direct writing company information frequently arrives too late for reporting deadlines, the Company estimates the values using trends of face amounts and average reserves. When the actual values are received from the direct writing company, these values are compared to the previously estimated statement values and appropriate adjustments are made.

The trend worksheets used for the estimates and the actual to estimated comparisons were obtained and reviewed. The estimation methodology appears reasonable and the statement values were consistent with the actual values subsequently obtained.

The Company manages its business in terms of profit centers, which consist of the business covered by one or more treaties with a given ceding company. Two profit centers were selected and the underlying treaties reviewed. The statement assumed reserves were compared to the actuarial opinions subsequently received from the ceding companies. The reserves held by the Company were consistent with the opinions.

Some of the Company's business is business with unitary reserves. The Company voluntarily increases its net reserve on this business to meet international accounting standards. The additional reserve held is approximately \$4 million. The Company does not hold an explicit immediate payment of claims reserve, but any such reserve would be offset by the additional reserve held by the Company. Major retrocession contracts were reviewed and retroceded amounts appear consistent with the contracts.

(3) Contract Claims: Life

A nine-month incurred but not reported (IBNR) runoff showed a net liability understatement of approximately \$1.1 million. Based on the above, an examination adjustment to the above-captioned account has been made. The Company has indicated that it intends to refine its IBNR methodology for 2006.

(4) Change in Non-Admitted Assets and Related Items

In 2004 the Company purchased \$30 million in preferred shares of an affiliate, Revios U.S. Holdings Inc. Canadian authorities objected to this purchase as it exceeded 10% of the Company's assets. As a result, the Company non-admitted \$25.9 million of this purchase in 2004. In 2005, the Company reversed this entire transaction. The reversal of this transaction is reflected in the Company's "Summary of Operations - Capital and Surplus Account" included in this report under the captions "Change in Non-Admitted Assets and Related Items" and "Aggregate Write-ins for Gains and Losses in Surplus."

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Contract Claims: Life (Page 16): A nine-month incurred but not reported (IBNR) runoff showed a net liability understatement of approximately \$1.1 million. Based on the above, an examination adjustment to the above-captioned account has been made. The Company has indicated that it intends to refine its IBNR methodology for 2006.

Previous Report of Examination

Corporate Records (Page 5): It was recommended that the Company implement procedures in its board meetings to ensure compliance with California Insurance Code (CIC) Section 735. The Company has complied with this recommendation.

Accounts and Records (Page 7): It was recommended that the management allocate the necessary resources to fully test the disaster recovery process. The Company complied with this recommendation.

ACKNOWLEDGEMENT

The courtesy and cooperation extended by the Company's officers and employees during the course of this examination are hereby acknowledged.

Respectfully submitted,

/S/

Samuel J. Salzman, CFE
Examiner-In-Charge
Senior Insurance Examiner
Department of Insurance
State of California