# REPORT ON EXAMINATION

# OF THE

# AXA CORPORATE SOLUTIONS
# LIFE REINSURANCE COMPANY

# AS OF

# DECEMBER 31, 2007

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2007 of the

**AXA CORPORATE SOLUTIONS LIFE REINSURANCE COMPANY**

is a true and correct copy of the document filed with this Department.

Attest By: Sonia C. Harris

Date: 30 June 2009

Insurance Commissioner of the State of Delaware

*In Witness Whereof*, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 30th day of June 2009.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

REPORT ON EXAMINATION

OF THE

AXA CORPORATE SOLUTIONS LIFE REINSURANCE COMPANY

AS OF

DECEMBER 31, 2007

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 30th day of June, 2009

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## SALUTATION

March 11, 2009

Honorable Albert Gross
Chairman, Financial Condition (E)
Committee, NAIC
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Honorable Joel Ario
Secretary, Northeastern Zone (I), NAIC
Pennsylvania Insurance Department
1326 Strawberry Square
Harrisburg, PA 17120

Honorable James J. Donelson
Secretary, Southeastern Zone (II), NAIC
Louisiana Department of Insurance
1702 North Third Street
Baton Rouge, LA 70802

Honorable Merle D. Scheiber
Secretary, Midwestern Zone (III), NAIC
South Dakota Division of Insurance
Department of revenue and Regulation
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Pierre, SD 57501-3185

Honorable Morris J. Chavez
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Department of Insurance
State of New Mexico
P. O. Box 1269
Santa Fe, NM 87504-1269

Honorable Karen Weldin Stewart, CIR-ML
Insurance Commissioner
Delaware Department of Insurance
841 Silver Lake Boulevard
Dover, DE 19904

Dear Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority Number 08-019, an examination has been made of the affairs, financial condition and management of:

**AXA CORPORATE SOLUTIONS LIFE REINSURANCE COMPANY**

hereinafter referred to as "the Company" incorporated under the laws of the State of Delaware, the statutory home office of which was located at The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801. The examination was conducted at the main administrative offices of the Company's management services provider, AXA Equitable Life

Insurance Company ("AXA Equitable"), located at 1290 Avenue of the Americas, New York, New York.

The report of examination thereon is respectfully submitted.

## SCOPE OF EXAMINATION

The last financial condition examination of the Company covered the period from January 1, 2002 through December 31, 2004. This examination covered the period from January 1, 2005 through December 31, 2007 and consisted of a general review of the Company's business policies and practices; management, any corporate matters incident thereto; a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed to the extent deemed necessary.

The format of this report is designed to explain the procedures employed on the examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible personnel and/or officials during the course of the examination.

The examination followed rules established by the National Association of Insurance Commissioners (NAIC) Committee on Financial Condition Examiners Handbook as adopted by the Delaware Department of Insurance under Delaware Insurance Code Section 526, and generally accepted statutory insurance examination standards. In planning and conducting the examination, consideration was given to the concepts of materiality and risk, and examination efforts were directed accordingly.

In accordance with these efforts and the aforementioned Handbook, the consulting firm of INS Services reviewed and tested, in part, the Company's high level controls over Information Technology systems and control environment based on its responses to questions contained in the Evaluation of Controls in Information Systems Questionnaire – Exhibit C. Other planning exhibits were reviewed and tested, as needed, by the Examiners. Work papers prepared by the Company's external accounting firm, PricewaterhouseCoopers, LLC (PwC), New York, NY, in connection with its annual audit, were extensively reviewed in order to ascertain its analysis, review of controls, audit procedures, and conclusions. We relied upon and utilized PwC's work papers to the fullest extent possible. In addition, Sarbanes-Oxley (SOX) Section 404, compliance documentation of the Company's management services provider, AXA Equitable, related to the identification of financial reporting Key Activities and the attendant processes and controls maintained therein was also reviewed and relied upon to the fullest extent possible, and where applicable. Based upon the review of PwC work papers, SOX compliance documentation, as well as the performance of other examination planning procedures including; account analysis, the assessment of management and the AXA Equitable organization (as a whole), the assessment of account specific and cycle controls, and the assessment of the AXA Equitable control environment, an overall assessment was made determining; compliance risk, operational risk, financial reporting risk, and risk of material mistatement. In those areas in which a high reliance was placed on controls, and where we determined a low likelihood of material mistatement, limited examination procedures were performed. In other areas, we attempted to identify examination procedures to specifically address those concerns or risk noted, based on professional judgement.

In addition to items noted in this report, the following topics were reviewed and are included in the workpapers of this examination:

Corporate Records
Fidelity Bonds
NAIC Ratios
Legal Actions
Officers, Employees and Agents' Welfare
Regulatory Agency Correspondence
All Asset and Liability items not mentioned

The examination was conducted in accordance with the Association Plan of Examination guidelines established by the NAIC. No other states participated in the examination.

## HISTORY

The Company, originally known as MML Life Insurance Company ("MML") was formed and incorporated by the Massachusetts Mutual Life Insurance Company on May 20, 1981, under the laws of the State of Delaware as a stock life insurance company having perpetual existence. The Company began business on January 5, 1983.

On July 31, 1991, MML was purchased by Reliance Life Insurance Company ("Reliance Life"), a Pennsylvania domiciled company. At the time of sale, all business of MML was assumed by its former parent, Massachusetts Mutual Life Insurance Company. On December 20, 1991, MML and Reliance Life merged, with the surviving entity being MML. On January 28, 1992, the Articles of Incorporation were amended to change the Company's name to Reliance Life Insurance Company.

On January 13, 1995, the Company was sold to AXA America Corporate Solutions, Inc. (the "Parent Company"), a Delaware corporation, by Reliance Insurance Company.

Effective September 11, 2000 the name of the Company was changed to AXA Corporate Solutions Life Reinsurance Company.

The Company was placed in run-off effective December 31, 2002. Attendant with this decision and per discussions with the Delaware Department of Insurance, the Company entered into a surplus maintenance agreement with its Parent Company, giving additional assurance that sufficient capital would be maintained while the business was being run-off. Under terms of this agreement, the Company is subject to quarterly actuarial reviews to ensure liabilites properly reflect current market conditions. The Company, with its parent's commitment, must maintain minimum risk based capital levels as defined by the "Company Action Level". A guarantee by AXA Re, France supporting the obligations of the Company under insurance and reinsurance contracts can not be terminated without prior approval of the Delaware Department of Insurance. Concurrently with the establishment of this agreement, a capital contribution of $225 million was received February 7, 2003 and considered effective for the year-end 2002 by the Delaware Department of Insurance.

## CAPITALIZATION

AXA Corporate Solutions Life Reinsurance Company is authorized to issue one thousand five hundred (1,500) shares of common stock with a par value of seven thousand dollars ($7,000) per share. As of December 31, 2007, four hundred sixty seven (467) shares, representing capital totaling $3,269,000 were issued and outstanding. All outstanding shares of the Company's stock are owned by AXA Corporate Solutions Reinsurance Company (Parent).

Effective December 21, 2006, the Company issued a seventy million dollar ($70,000,000) surplus note to its Parent (see below). Changes in the Company's Capital structure during the period under examination are as illustrated in the following schedule:

| | December 31, 2005 | December 31, 2006 | December 31, 2007 |
|---|---|---|---|
| Common capital stock | $ 3,269,000 | $ 3,269,000 | $ 3,269,000 |
| Surplus Note | | 70,000,000 | 70,000,000 |
| Paid in and Contributed Surplus | 332,550,087 | 332,550,087 | 332,550,087 |
| Unassigned Funds | 14,196,721 | 69,696,286 | 82,055,807 |
| Total Capital and Surplus | $ 350,015,808 | $ 475,515,373 | $ 487,874,894 |

Dividends

On November 22, 2005, the Company's Board of Directors declared a $12,150,000 extraordinary dividend to be paid to its Parent. The Delaware Department of Insurance approved the payment of this dividend on November 29, 2005.

Surplus Note

On December 11, 2006, the Company's Board of Directors by written consent approved the issuance of a $70 Million Surplus Note to its Parent. The surplus note has a maturity date of December 20, 2011 and carries an annual interest rate of 5.75%. Semi-annual interest payments are to be paid on June 20th, and December 20th in each year after the Company has obtained the approval of the Delaware Insurance Commissioner to make such payments. The Delaware Department of Insurance approved the issuance of the note on December 18, 2006. During 2007, the Company requested and received permission to make interest payments of $2,012,500 in June and December.

## MANAGEMENT AND CONTROL

The Company operates under the proprietary plan with control held by the sole stockholder and the corporate powers and management authority exercised by the Board of Directors. Detailed comments on the various proprietary and management bodies follow under separate sub-captions:

### Board of Directors

The Board of Directors shall consist of no less than three (3) and no more than ten (10) members. Currently the Board is comprised of six (6) members. Directors are elected for one-year terms at the Annual Meeting of the Stockholder. Individuals elected and serving on the Board of Directors at December 31, 2007 were:

| **Director** | **Principal Business Affiliation** |
|---|---|
| Kevin Robert Byrne | AXA Equitable Life Insurance Company |
| Cédric de Linares | AXA Liabilities Managers, France |
| Richard Steven Dziadzio | AXA Equitable Life Insurance Company |
| Peter Etzenbach | AXA GIE |
| Alexandre Jean-Marie Scherer | AXA Liabilities Managers, U.S. |
| Susan Burns Wilcher | AXA Liabilities Managers, U.S. |

Newly elected directors may hold their first meeting for the purpose of organization and the transaction of business, if a quorum is present, immediately after the annual meeting of the stockholders or at any such time and place as may be fixed by written consent of all the Directors. The Company's bylaws provide that the Board of Directors, by resolution, may designate one or more committees as deemed appropriate and each committee must consist of at least two members. In 2005, the Board of Directors appointed an Executive Committee and an Investment Committee. No committees were appointed during 2006 or 2007.

Officers

The bylaws of the Company state that the elected officers of the corporation shall be a President, a Treasurer and a Secretary. The Board of Directors may elect other officers as it may from time to time deem appropriate. Seniors officers elected and serving at December 31, 2007 were:

| **Officer** | **Office** |
|---|---|
| Kevin Robert Byrne | President & Chief Investment Officer |
| Keith Elliott Floman | Senior Vice President & Appointed Actuary |
| Debra Anne Udicious | Senior Vice President & Chief Financial Officer |
| Susan Burns Wilcher | Corporate Secretary |
| Anthony Amodeo | Senior Vice President |
| Stuart Lawrence Faust | Senior Vice President |
| William John Casill | Senior Vice President |
| Paul Loewith Harinstein | Senior Vice President, Investment Officer |
| Charles Angelo Marino | Senior Vice President and Actuary |
| Paul Robert Boucher | Vice President |
| Jonathan Edward Gaines | Vice President & Associate General Counsel |
| Ronald Richard Quist | Vice President and Assistant Treasurer |
| John William Sawula Jr. | Vice President and Controller |
| Steven Andrew Sutter | Vice President, Reinsurance Services |
| John Charles Taroni | Vice President and Treasurer |

Conflict of Interest

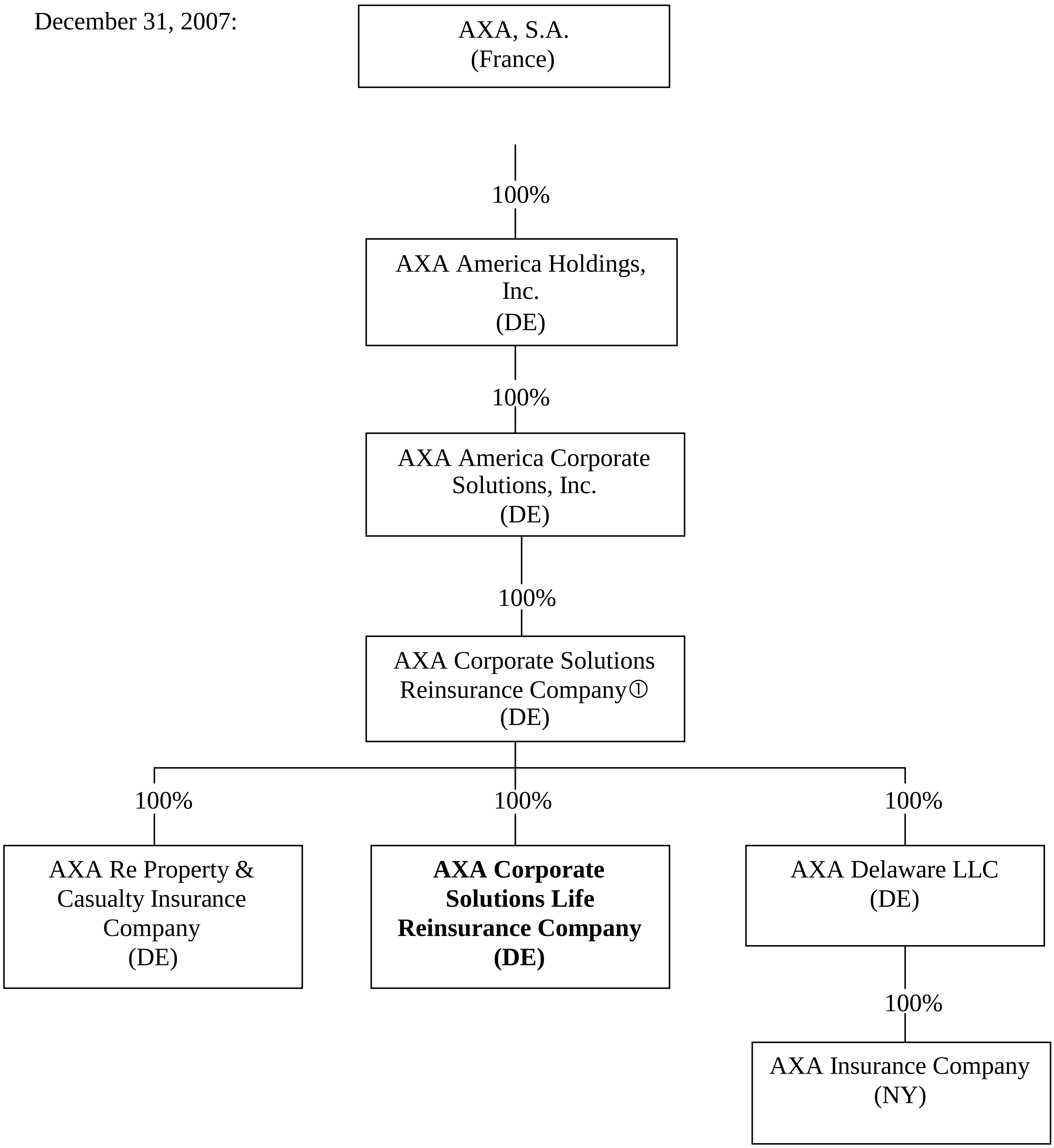
The Company has an established procedure for the disclosure to its Board of Directors of any material interest or affiliation on the part of any of its officers, directors, or responsible employees which is in or is likely to conflict with the official duties of such person. The disclosures are made annually. Completed questionnaires filed for the period under examination were reviewed and the information contained therein disclosed no evidence of conflicting interests.

## INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System pursuant to Title 18, Chapter 50 "Insurance Holding Company System" of the Delaware Insurance Code. The Company is a wholly owned subsidiary of AXA Corporate Solutions Reinsurance Company, a Delaware domiciled property and casualty reinsurer, which is a wholly owned subsidiary of AXA America Corporate Solutions, Inc. and ultimately AXA America Holdings, Inc., a U.S. holding company (Delaware) of AXA, S.A. ("AXA"), the ultimate controlling entity in the Holding Company System.

AXA's principal business is to serve as a holding company for an international group of insurance and related financial services companies. AXA is one of the largest insurance groups in the world. AXA operates primarily in Western Europe, North America and the Asia/Pacific region and to a lesser extent, in other regions, including the Middle East, Africa and South America. AXA has five operating business segments: life and savings, property and casualty, international insurance (including reinsurance), asset management, and other financial services. In addition, various holding companies within AXA conduct certain non-operating activities. AXA is traded on the NYSE under the ticker symbol AXA. As of December 31, 2007, AXA possessed assets totaling $1,063 billion, shareholders' equity of $67 billion, and reported net consolidated income of $8.8 billion on revenues of $128.2 billion. The insurer financial strength ratings of AXA and its principal insurance subsidiaries as of March 26, 2008 were; Standard and Poor's as AA, Moody's as Aa3, and Fitch as AA.

The following abbreviated organizational chart of which the Company is a part, illustrates the identities and relationships between its parent, affiliates and subsidiaries as of December 31, 2007:




① AXA Corporate Solutions Reinsurance Company was renamed Coliseum Reinsurance Company on June 30, 2008.

## INTERCOMPANY AGREEMENTS

The Company has entered into various agreements with members of the affiliated group in an effort to obtain efficiencies in operations and limit cost.

Management Services Agreement

Effective March 1, 2004, the Company entered into an Administration and Services Agreement with AXA Equitable covering such costs associated with technological support, financial and actuarial services, legal and compliance and human resource functions. Pursuant to terms of this agreement, AXA Equitable is to provide the Company with personnel, property and services necessary to perform the Company’s management, administrative and other required operational functions. The services to be provided include but are not limited to, management, corporate finance, strategic planning, administration, office and general supplies, financial and cash management, printing, actuarial, accounting, tax, auditing, legal, human resources, corporate and financial communications, marketing, risk management, technology, data processing and corporate secretarial services. The Company pays actual cost (direct or indirect) and expenses incurred by AXA Equitable in providing such services. In determining the basis for the apportionment of costs and expenses, specific identification or estimates based on time, company assets, square footage or any other mutually agreeable method providing for a fair and reasonable allocation of costs and expenses will be used. Services fees paid by the Company to AXA Equitable during the period under examination were $5,535,235, $3,006,253, and $4,926,551, for the years 2005, 2006, and 2007, respectively.

Investment Advisory Agreement

Effective February 1, 2005, the Company entered into a new Investment Advisory & Management Agreement with AllianceBernstein, LP (the Adviser), whereby the Adviser provides non-discretionary advisory and asset management services regarding the investment portfolio. Services are paid in accordance with a fee schedule attached to the agreement and may be amended from time to time by mutual written consent between the Company and the Adviser. Fees paid by the Company pursuant to this agreement totalled $1,021,100 and $700,073 in 2007 and 2006 respectively. There were no payments made under terms of this agreement in 2005. This agreement was approved by the Delaware Department of Insurance on February 8, 2005. Prior to the Investment Advisory Agreement with AllianceBernstein, the Company was party to an Investment Management Agreement with Conning Asset Management (Conning). During 2005, the Company paid Conning $285,315 for such services.

### Federal Income Taxes

Effective November 3, 2004, the Company's U.S. parent was realigned with other U.S. affiliates under a new holding company, AXA America Holdings, Inc. Subsequent to this reorganization, the Company was required to file a separate, unconsolidated return for the next five years before becoming eligible for re-consolidation with the new entity. The Company's statutory effective tax rate was 23.0% and 26.4% for 2007 and 2006, respectively.

## TERRITORY AND PLAN OF OPERATION

### Territory

The Company is licensed to transact business in 45 states and the District of Columbia and is recognized as an accredited reinsurer in Maine, North Carolina, Virginia and Wyoming.

### Plan of Operation

Since December 31, 2002, the Company has been in run-off status, ceasing all underwriting for all lines of business. All existing reinsurance treaties with open facilities were closed to additional business by December 31, 2004. The Company's operations consist primarily of asset-based reinsurance (ABR) covering variable annuity products, with select traditional risks assumed for individual, ordinary life and group long term disability. ABR products constitute approximately three-quarters of the business.

The Company reinsures variable annuity products with guaranteed minimum death benefits ("GMDB") and guaranteed minimum income benefits ("GMIB"). The risk associated with these products is related to the performance of the financial markets. The Company has sought risk mitigation through the capital markets and commenced a hedging program in May 2005 upon approval of its derivative usage plan by the Delaware and New York Insurance Departments. The Company's dynamic hedging program utilizes exchange traded equity index futures to mitigate its exposure on the GMDB features. In October and November 2006, the Company expanded the business covered under the dynamic hedging program, including all GMDB and GMIB policies under the program. The futures contracts used in the hedging program are managed to correlate with the changes in the value of the underlying policy guarantees that result from equity market movements. The Company retains interest rate risk, basis risk, and risk associated with actual versus expected assumption for mortality and persistency rates.

The Company also assumed life risks primarily on a direct basis, while group accident and health and special risks were obtained through brokers and intermediaries.

Management continues to focus on portfolio volatility, evaluating existing business to determine whether exposure may be reduced further through buy-out, retrocession and alternative forms of risk transfer, while continuing to expand and fine-tune in-place hedging programs to achieve the same result.

## GROWTH OF COMPANY

The financial growth of the Company since its last examination (2004) is summarized as follows and was compiled from its filed Annual Statements and examination changes:

| Year | Net Written Premium | Assets | Liabilities | Common Stock | Gross Paid-in Surplus * | Unassigned Funds * | Net Income |
|---|---|---|---|---|---|---|---|
| 2004 | 138,402,110 | 640,456,087 | 310,671,602 | 3,269,000 | 332,550,087 | (6,034,602) | 46,735,844 |
| 2005 | 127,236,589 | 666,335,082 | 316,319,274 | 3,269,000 | 332,550,087 | 14,196,721 | 24,466,286 |
| 2006 | 112,290,640 | 770,302,822 | 294,787,449 | 3,269,000 | 332,550,087 | 69,696,286 | 62,762,578 |
| 2007 | 101,920,900 | 817,071,157 | 329,196,263 | 3,269,000 | 332,550,087 | 82,055,807 | 19,838,653 |

* On December 15, 2006, the Company issued its Parent, a $70 million surplus note which is not included in the above surplus balances.

Since its last examination, growth of the Company has taken the form of the following:

- A 26% decrease in net premiums written
- A 28% increase in admitted assets
- A 6% increase in liabilities
- A 0% increase in Gross Paid-in
- A 1,460% increase in unassigned surplus
- A 58% decrease in net income

The following factors contributed to the Company's growth:

- The continuing decrease from 2004 to 2007 in net written premium is directly attributable to the Company's strategic decision to enter into run-off effective December 2002.
- The large increase in unassigned funds in 2006 is primarily attributable to a $70 million surplus note issued to the Company's parent, AXA Corporate Solutions Reinsurance Company.

## REINSURANCE

The Company is in the business of assuming reinsurance and does not write any direct business. Prior to January, 2004, virtually all of the Company's reinsurance ceded was retroceded to an affiliate, AXA RE in Paris, France. That arrangement has been replaced with external coverage from retrocessionaires. The Company retains a 10% share of the risk associated with individual ordinary business, with certain exceptions, contingent upon the retrocessionaire's retention policy.

The Company reported the following distribution of premiums in 2007:

| Type of Premium | Direct | Assumed | Ceded | Net Premiums or Net Considerations |
|---|---|---|---|---|
| Ordinary Life | $ 0 | $ 15,181,113 | $ 9,479,356 | $ 5,701,757 |
| Individual Annuities | 0 | 97,850,006 | 1,567,219 | 96,282,787 |
| Credit Life | 0 | 0 | 0 | 0 |
| Group Life | 0 | (21,701) | 0 | (21,701) |
| Group A&H | 0 | (41,943) | 0 | (41,943) |
| Credit A&H | 0 | 0 | 0 | 0 |
| Other A&H | 0 | 0 | 0 | 0 |
| 2007 Totals | $ 0 | $112,967,475 | $ 11,046,575 | $ 101,920,900 |

Assumed

The assumed reinsurance arrangements include Asset Based Reinsurance for Variable Annuities (ABR), Ordinary Life, Group Life and Health, and Structured Settlements. There are 95 active contracts.

The Company was placed into run-off effective December 31, 2002. At the exam date, the Company was no longer reinsuring any new business. During the exam period the Company focused on recapture, retrocession and termination of its various existing assumed risks.

Ceded

Effective January 1, 2004, the Company replaced its internal retrocession of ordinary life business with AXA RE, Paris with two agreements between John Hancock Life Insurance Company USA (formerly Manufacturers Life Insurance Company) ("John Hancock") and the U.S. branch of Sun Life Assurance Company of Canada ("Sun Life"). The Company retroceded to each 45 percent of each risk associated with its individual ordinary life business with certain exceptions, contingent upon each retrocessionaires' retention policy. The Company retained 10 percent of each risk. Both treaties contain essentially identical administration terms, although pricing terms differ (premium allowances vary). Premiums are paid quarterly in advance.

The Ordinary Life Retrocession Block is the Company's largest retrocession arrangement, covering 16 of 18 business line contracts with $3.4 billion of $4.6 billion in total in-force volume of risk as of December 31, 2007. This total volume of risk after retrocession is 27 percent retained by the Company, 43 percent ceded to John Hancock, and 30 percent ceded to Sun Life.

Contained within the aforementioned Ordinary Life Retrocession Block is a Facultative Obligatory Retrocession arrangement with John Hancock, effective May 6, 1999, that covers one business line contract with $26 million of $64 million total in-force volume of risk as of December 31, 2007. This total volume of risk after all retrocession is 6 percent retained by the Company, 40 percent ceded to John Hancock as layer 1 (Facultative Obligatory Retrocession), then 43% ceded to John Hancock and 11% to Sun Life as layer 2 (Ordinary Life Retrocession).

The GMAB Retrocession arrangement covers the Guaranteed Minimum Accumulation Benefit, a persistency benefit that guarantees a minimum return at the end of the persistency period equal to a specified percentage (100%) of the initial deposit adjusted for withdrawals. The assumed business covers two business line contracts with $2.3 million volume of risk as of December 31, 2007. This total volume of risk after retrocession is 5 percent retained by the Company, 95 percent ceded to AXA Re Paris, where a hedging program is in place for the benefit. The Company classifies this business as asset based reinsurance (ABR). Note this arrangement will conclude in 2009, by which point any benefits due will have been paid.

## ACCOUNTS AND RECORDS

The accounts and records reviewed included an evaluation of the Company's operational and organizational controls. The areas evaluated included computer systems, financial reporting processes and controls as well as the Company's organizational structure, compliance, management, and operations. The Company operates in a computer dominated environment. All services and operational needs of the Company are provided under its Management Services Agreement with AXA Equitable.

PwC audits the statutory-based financial statements of AXA Equitable, its subsidiaries and certain affiliates (including the Company) annually. PwC reviewed the internal control structure of AXA Equitable in order to establish necessary audit procedures required to express an opinion on the December 31, 2007 financial statements. No material qualifying deficiencies were found to exist in either the design or oversight of the internal control structure of AXA Equitable.

Based on the examination review of the Company's accounts and records related to its filed Annual Statements, observations, discussions with management, and our review of financial reporting processes and controls, the accounting; systems, processes, and procedures were found to conform to required insurance accounting practices.

## FINANCIAL STATEMENTS

The following financial statements as determined by this examination are presented herein:

Analysis of Assets, as of December 31, 2007
Liabilities, Surplus and Other Funds, as of December 31, 2007
Summary of Operations, as of December 31, 2007
Capital and Surplus Account, as of December 31, 2007
Schedule of Examination Changes

## Analysis of Assets

## As of December 31, 2007

| | Assets | Nonadmitted Assets | Net Admitted Assets | Note |
|---|---|---|---|---|
| Bonds | $ 664,786,511 | | $ 664,786,511 | 1 |
| Cash and short-term investments | 109,567,267 | | 109,567,267 | |
| Other invested assets | 213,879 | | 213,879 | |
| Aggregate write-ins for invested assets: | | | | |
| Derivative instruments | 6,180,800 | | 6,180,800 | |
| Other investments | 92,494 | | 92,494 | |
| Subtotals: Cash and invested assets | $ 780,840,951 | $ | $ 780,840,951 | |
| Investment income due and accrued | 8,284,050 | | 8,284,050 | |
| Uncollected premiums & agents' balance in the course of collection | 26,473,227 | | 26,473,227 | |
| Funds held by or deposited with reinsurance companies | 429,640 | | 429,640 | |
| Other amounts receivable under reinsurance contracts | 23,819 | | 23,819 | |
| Net deferred tax asset | 4,592,845 | 3,628,015 | 964,830 | |
| Aggregate write-ins for other than invested assets: | | | | |
| Other assets | 593,458 | 538,818 | 54,640 | |
| Interest maintenance reserve asset | 1,219,850 | 1,219,850 | 0 | |
| Totals | $ 822,457,840 | $ 5,386,683 | $ 817,071,157 | |

## Liabilities, Surplus and Other Funds

## As of December 31, 2007

| | |
|---|---|
| Accident and Health Contract Claims | 7,541,898 |
| Commissions and expense allowances payable on reinsurance assumed | 31,466 |
| General expenses due or accrued | 1,795,239 |
| Taxes licenses and fees due or accrued | 224,846 |
| Current federal and foreign income taxes | 596,437 |
| Remittances and items not allocated | 7,934,877 |
| Asset valuation reserve | 1,669,851 |
| Reinsurance in unauthorized companies | 1,167,708 |
| Total liabilities | $ 329,196,263 |
| | |
| Common capital stock | 3,269,000 |
| Surplus notes | 70,000,000 |
| Gross paid in and contributed surplus | 332,550,087 |
| Unassigned funds (surplus) | 82,055,807 |
| Surplus | $ 484,605,894 |
| | |
| Totals Capital and Surplus | $ 487,874,894 |
| Total Liabilities, Surplus and Other Funds | $ 817,071,157 |

## Summary of Operations

## As of December 31, 2007

| | |
|---|---|
| Premiums and annuity considerations | $ 101,920,900 |
| Net investment income | 32,341,264 |
| Amortization of Interest Maintenance Reserve (IMR) | (40,899) |
| Commissions and expense allowances on reinsurance ceded | 78,404 |
| Totals Income | $ 134,299,669 |
| | |
| Death benefits | $ 12,745,500 |
| Annuity benefits | 37,269,336 |
| Disability benefits and benefits under accident and health contracts | 11,758,162 |
| Interest and adjustments on contract or deposit-type contract funds | 12,665 |
| Increase in aggregate reserves for life and accident and health contracts | 34,438,757 |
| Commissions and expense allowances on reinsurance assumed | 269,654 |
| General insurance expenses | 4,101,078 |
| Insurance taxes, licenses and fees; excluding federal income taxes | 201,308 |
| Miscellaneous expense | 17 |
| Total Expenses | $ 100,796,477 |
| | |
| Net gain from operations after dividends to policyholders and before federal income taxes | $ 33,503,192 |
| Federal and foreign income taxes incurred | 7,993,700 |
| | |
| Net gain from operations after dividends to policyholders and federal income tax and before realized capital gains or (losses) | $ 25,509,492 |
| Net realized capital gains or (losses) less capital gains tax | (5,670,839) |
| | |
| Net income | $ 19,838,653 |
| | |
| Capital and surplus; December 31, 2006 | $ 475,515,373 |
| | |
| Net income | $ 19,838,653 |
| Change in net unrealized capital gains (losses) | (5,044,278) |
| Change in net deferred income tax | 267,665 |
| Change in nonadmitted assets and related items | (1,507,199) |
| Change in liability for reinsurance in unauthorized companies | (1,167,708) |
| Change in asset valuation reserve | (27,612) |
| Net change in capital and surplus for the year | $ 12,359,521 |
| | |
| Capital and surplus; December 31, 2007 | $ 487,874,894 |

## Schedule of Examination Changes

Based upon the results of the examination, no financial changes were made.

## NOTES TO FINANCIAL STATEMENTS

**Note 1**

| | |
|---|---|
| Bonds | $664,786,511 |

Procedures were performed to confirm the existence and ownership of the bond investments reported in Schedule D, Part 1 of the 2007 Annual Statement. These procedures were performed without exception. The Company's bond portfolio comprised 81.36% of total admitted assets as of December 31, 2007. All of the Company's bonds were rated class 2 or better by the NAIC Securities Valuation Office.

During the examination of investments, it was noted that the Company's Custodial Agreement did not include all the safeguard standards suggested in the NAIC examiners handbook.

**Note 2**

| | |
|---|---|
| Aggregate Reserve for Life Contracts | $ 244,988,536 |
| Aggregate Reserve for Accident and Health Contract | $ 40,457,176 |

Aggregate Reserve for Life and Accident and Health Contracts represent 86.71% of the Company's liabilities as of December 31, 2007.

INS Consultants, Inc. (INS) was retained by the Delaware Department of Insurance to conduct a review of the Company's reserve methodologies and adequacy. The examination included a review of the Actuarial Opinion Memorandum (AOM). The paragraphs below highlight INS's review of the Company's Aggregate Reserves:

Annuities

This reserve is for structured settlement annuities (SSA) assumed by the Company. INS has performed extensive reserve calculations for sample policies in previous exams and valuation certificate submissions. No exceptions were noted. Since this is a closed block of business and reserves have been thoroughly tested in previous exams (including compliance with Actuarial Guideline (AG 9)), no sample reserve calculations were done for this exam. INS performed a trend analysis for the examination period and found the trend was reasonable. Additional actuarial reserves of $3.5 million were held for the SSA. Based on the above discussion and analysis, INS concluded the SSA reserve is reasonable.

Asset Based Reinsurance

This business consists entirely of the assumed reinsurance business under which the Company reinsures guaranteed minimum death benefits (GMDB) and guaranteed minimum income benefits (GMIB) associated with variable annuities. The Company refers to this business as asset based reinsurance (ABR). As part of its Actuarial Opinion Memorandum (AOM) analysis, cash flow testing was performed for the ABR reserves. Based on INS' review, INS accepted the appointed actuary's conclusion that additional ABR reserves are not needed.

The Company calculates the GMDB and GMIB statutory reserves under AG34 and AG39 respectively and the Generally Accepted Accounting Principles (GAAP) reserves using an internal system called PPR. For both GMDBs and GMIBs, the Company then adds 75% of the difference between the GAAP reserve and the statutory reserve to the statutory reserve to get the final statutory reserve. The Company was unable to provide sample reserve calculations for the AG34, AG39 or GAAP reserves. (See Actuary's Conclusion below.) The Company was, however, able to provide aggregate reserve calculations for the GMDB and GMIB using the AG34 and AG39 methodology. The aggregate statutory reserve for the GMDB and GMIB was less than the final statutory reserves held by the Company. INS reviewed the aggregate reserve calculation and found it was reasonable. Based on the above discussion and analysis, INS concluded that the reserve for guaranteed benefits appears reasonable.

<u>Additional Reserves</u>

In compliance with Delaware Regulation 305, the Company prepared an Actuarial Opinion Memorandum (AOM). Based on the Company's analysis performed as part of the AOM, the Company held $3.5 million of additional actuarial reserves for structured settlement annuities. The additional actuarial reserve was based on results from sensitivity tests involving increased expenses and caps on net bond yields. This level of reserve strengthening first occurred as of December 31, 2005 and continued through December 31, 2007. Based on INS' review, the additional actuarial reserve as of December 31, 2007 appears reasonable.

<u>Liability/Reserve Analysis</u>

INS reviewed the Company's methodology for ordinary life reserves and ordinary life incurred but not reported (IBNR) liability. INS believes the methodologies are reasonable. The Company was unable to provide sample reserve calculations for their asset based reinsurance

(ABR) which included guaranteed minimum death benefit (GMDB) and guaranteed minimum income benefit (GMIB) reserves. (See Actuary's Conclusion below.) INS accepted these reserves based on the sufficiency of the cash flow testing results for the ABR business and the Company's aggregate reserve calculation which showed reserves were adequate.

INS also tested the adequacy of the A&H claim reserve and liabilities and found they were slightly deficient. Since the deficiency was offset by interest earned on the underlying long term reserves, no financial adjustment was recommended.

Actuary's Conclusion

Based on INS' analysis of the Company's balance sheet line items included in the actuarial examination scope and a review of its December 31, 2007 Actuarial Opinion Memorandum (AOM), certain matters were noted regarding both AOM requirements and supporting information to Valuation Certificate submissions. These matters were discussed with management and as agreed, the Company will provide the additional supporting information listed below beginning with the year 2009:

- a narrative which discusses the basis for all of the "best estimate" assumptions detailed as "Investment Assumptions" and "Liability Assumptions";
- the definition of "materiality" as used to exclude reserves from the AAT;
- a table comparing (1) the CFT assets as of the valuation date with the corresponding assets as of December 31 and (2) the tested liabilities as of the testing date with the actuarial liabilities as of December 31;
- sample ABR reserve calculations as a part of future Valuation Certificate submissions.

For this examination, reliance was placed on the ceding companies for validity of the in force data underlying the liabilities. As a result of this study, the reserves were accepted as reported by the Company at December 31, 2007.

## COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

It was recommended that the Company comply with 18 Del.C. §4919 , requiring prompt notification of changes in Directors and Officers. The Company has complied with this recommendation.

## SUMMARY OF RECOMMENDATIONS

None

## CONCLUSION

As a result of this examination, the financial condition of the AXA Corporate Solutions Life Reinsurance Company, as of December 31, 2007, was determined as follows:

| | Current Examination | Prior Examination | Increase (Decrease) |
|---|---|---|---|
| Admitted Assets | $ 817,071,157 | $ 640,456,087 | $ 176,615,070 |
| Liabilities | $ 329,196,263 | $ 310,671,602 | $ 18,524,661 |
| Common Capital Stock | 3,269,000 | 3,269,000 | 0 |
| Surplus Notes | 70,000,000 | 0 | 70,000,000 |
| Gross Paid-in and Contributed Surplus | 332,550,087 | 332,550,087 | 0 |
| Unassigned Funds (Surplus) | 82,055,807 | (6,034,602) | 88,090,409 |
| Total Capital and Surplus | $ 487,874,894 | $ 329,784,485 | $ 158,090,409 |
| Total Liabilities, Surplus and Other Funds | $ 817,071,157 | $ 640,456,087 | $ 176,615,070 |

Since the last examination, the Company's Admitted Assets have increased $176,615,070; Liabilities have increased $18,524,661; and Capital and Surplus increased $158,090,409; of which $70,000,000. is directly attributed to a Surplus note issued to the Company's parent, AXA Corporate Solutions Reinsurance Comapny. In addition to the undersigned, acknowledgment is made of the assistance provided by the Delaware Department Insurance's actuarial consulting firm, INS Consultants, Inc. and its information systems consulting firm, INS Services, Inc.

Respectfully submitted,

Bill W. Holmes, CFE
Examiner-in-Charge
State of Delaware
Northeastern Zone (I), NAIC

## SUBSEQUENT EVENTS

Certain events of notable concern regarding the Company's financial condition subsequent to the examination date are described below:

Surplus Note

Due to fourth quarter, 2008 deteriorating market conditions and material increases in Aggregate Reserves related to its guaranteed annuity products (discussed below), Company management determined that it would need additional capital in order to keep its Risk Based Capital (RBC) level above 150%. In order to maintain its RBC ratio above the Authorized Control Level and comply with its "Surplus Maintenance Agreement" (see Capitalization) which provides assurance that sufficient capital will be maintained while in run-off, the Company secured $250 million from its Parent with the issuance of a surplus note. The surplus note, issued on December 15, 2008, carries an interest rate of 6.35% and a maturity date of December 1, 2018. Principal and interest payments are subject to the approval of the Delaware Department of Insurance.

Risk-based Capital (RBC)

Including its capital infusion of $250 million (discussed above), Company RBC levels did not significantly change during 2008. Total adjusted RBC for the years ending 2007 and 2008 were $489,544,745 and $257,196,633, respectively. Authorized control level RBC for the same period was $146,141,751 and $78,169,934, respectively, resulting in RBC ratios of 335% and 329%, respectively.

Net admitted assets almost doubled from $817,071,157 (2007) to $1,540,933,420 (2008). This increase was mainly the result of proceeds from the aforementioned $250 million surplus note issued to the Company's Parent and gains recognized from derivative instruments totaling

$376.6 million.  Aggregate Reserves increased four-fold over this same period to $1,217,079,684 (2008) from $285,445,712 (2007) (see below).

Increase in Aggregate Reserves

Statutory aggregate reserves increased substantially during 2008 on its asset based reinsurance business, whereby the Company reinsures guaranteed minimum death and income benefits on variable annuity contracts.  As a result of the material decline in market conditions during 2008, the reinsured net amount at risk increased as the guarantees became more ‘in the money’.  This increases the expectations for future reinsurance claims which require a commensurate increase in reserves.  Market conditions continued to deteriorate during the first quarter of 2009.  As of this report date, March 11, 2009, proforma estimates were not available and the Company is closely monitoring development.