

**REPORT ON EXAMINATION
OF THE
XL RE LIFE AMERICA INC.
AS OF
DECEMBER 31, 2007**

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

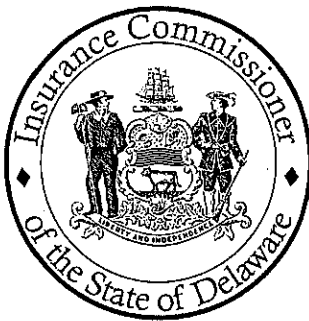
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2007 of the

XL RE LIFE AMERICA, INC.

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

Attest By: *Sonia C. Harris*

Date: 30 June 2009



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
XL RE LIFE AMERICA, INC.
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.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart", is written over a horizontal line.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 30th day of June, 2009

TABLE OF CONTENTS

SCOPE OF EXAMINATION.....2

HISTORY.....3

CAPITALIZATION4

MANAGEMENT AND CONTROL4

HOLDING COMPANY SYSTEM.....6

MANAGEMENT AND SERVICE AGREEMENTS.....7

TERRITORY AND PLAN OF OPERATION.....7

GROWTH OF THE COMPANY.....8

REINSURANCE.....9

ACCOUNTS AND RECORDS.....11

FINANCIAL STATEMENTS12

Analysis of Assets13

Liabilities, Surplus and Other Funds.....13

Statement of Income14

Capital and Surplus Account14

NOTES TO FINANCIAL STATEMENTS15

CONCLUSION16

SUBSEQUENT EVENTS.....17

SALUTATION

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Chairman, Financial Condition (E)
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Pennsylvania Insurance Department
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Harrisburg, PA 17120

Honorable Karen Weldin Stewart
Insurance Commissioner
Delaware Department of Insurance
841 Silver Lake Blvd.
Dover, DE 19904

April 29, 2009

Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 08.041, dated November 21, 2008, an examination has been made of the affairs, financial condition and management of

XL RE LIFE AMERICA INC.

hereinafter referred to as the "Company" or "XL Re", incorporated under the laws of the state of Delaware with its statutory office located at 1201 North Market, Wilmington, DE. The examination was conducted at the main administrative office located at 70 Seaview Avenue, Stamford, CT.

The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last examination of the Company was conducted as of December 31, 2002, by its then domestic regulator, the State of Connecticut. This examination for the period January 1, 2003 to March 1, 2006, included an operational financial analysis and a review of its sale and purchase, effective March 2, 2006 (see History). It consisted of a general survey of the Company's business 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 and have been commented upon to the extent deemed necessary.

This report is presented on an exception basis. It is designed to set forth material facts with regards to adverse findings discovered during the examination. Where applicable, the text will 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 general procedure of 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.

Work papers prepared by the Company's external accounting firm, PricewaterhouseCoopers LLP, New York, New York, in connection with their annual audit, were extensively reviewed in order to ascertain their analysis, review of controls, audit procedures, and conclusions. We relied upon and utilized PricewaterhouseCoopers LLP work papers to the fullest extent possible.

Due to time, cost constraints and the timely availability of supporting documentation, an administrative decision was made to place no reliance on corporate governance or the overall control environment maintaining and supporting financial reporting, as regarded planning field work of this examination. After reviewing current operations, NAIC financial analytics, Delaware Department of Insurance Financial Analysis, as well as examiner prepared general ledger examination period fluxuation analysis and quantitative risk assessment, this examiner was directed to conduct a substantive examination of the Company's operations and balance sheet as presented in its Annual Statement, based on determined risk of material misstatement. In those areas where we determined a low likelihood of material misstatement, limited examination procedures were performed. In other areas, we identified examination procedures to specifically address risks or concerns noted, based on professional judgment.

In addition to noted items in this report, the following topics were reviewed without material exceptions and are included in the work papers of this examination. No exceptions or errors were noted during our review of these items:

Fidelity Bond and Other Corporate Insurance	Risk Based Capital
Corporate Records	Prior Examination Recommendations
Dividends to Stockholder	Examination Recommendations
NAIC Financial Ratios	All Asset and Liability Items Not Mentioned

HISTORY

The Company was incorporated during 1957 in Connecticut as Royal Globe Life Insurance Company, a wholly owned subsidiary of Royal Maccabees Life Insurance Company (RMLIC). During 1996, the Company's then parent, Royal Insurance Holdings, plc merged with Sun Alliance Group, plc. The new organization was named Servus & Sun Alliance Insurance Group, plc.

Effective December 31, 1997, all of the common stock of the Company was purchased by Hartford Life Insurance Company from RMLIC. Prior to sale, the insurance business of the Company was transferred to RMLIC as part of a coinsurance/assumption reinsurance agreement. While owned by The Hartford, the Company was running off a closed block of deferred fixed annuities and supplemental contracts which is 100% reinsured to a third party reinsurer.

Effective March 2, 2006, all of the common stock of the Company was purchased by XL Life and Annuity Holding Company, a Delaware insurance holding company. Subsequent to its acquisition, \$45 million was contributed to Company Paid in Surplus. With effect from September 18, 2006, the Company converted from a Connecticut domiciled life insurance corporation to a Delaware domiciled life insurance corporation, changing its name from Servus Life Insurance Company to XL Re Life America Inc.

CAPITALIZATION

At December 31, 2007, the Company had 25,000 common shares authorized and outstanding with a par value of \$100 per share, for common stock totaling \$2,500,000. All shares were issued to the Company's parent, XL Life and Annuity Holding Company.

MANAGEMENT AND CONTROL

The Company's Bylaws state that its business and affairs shall be conducted and managed by its Board of Directors. The number of directors shall consist of five (5) to thirteen (13) members as elected by the shareholder. As of the examination date, the Company had five (5) directors. Directors are elected at the annual meeting of the shareholder and each Director serves until his successor shall have been elected and qualified.

The Board of Directors shall hold an annual meeting for the purpose of organization and the transaction of any business immediately after the annual meeting of the shareholder, provided a quorum is present. Special meetings of the Board may be called by the chairman, president or any officer. The presence of one third (1/3) of the Directors constitutes a quorum at any meeting of the Board.

The minutes of the meetings of the shareholders and the Board of Directors which were held during the period of examination were reviewed. Attendance at meetings, election of directors and officers and approval of investment transactions were also noted.

Directors serving at December 31, 2007 were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Andrew John Batley	Director
David Gary Castano	General Counsel & Secretary
Robert Wilfred Douglas	Director
Richard Bruce Lassow	Senior Vice President and CFO
Michael W. Pado	President, Chairman

The following officers had been elected by the Board of Directors and were serving at December 31, 2007.

<u>Name</u>	<u>Title</u>
Michael W. Pado	President
Richard Bruce Lassow	Senior Vice President, Chief Financial Officer
David Gary Castano.	General Counsel & Secretary
Eric James Carlson	Vice President
Maria Christina Downey	Vice President
Robert Gandjean	Vice President
Thomas James Hartlett	Vice President
Joseph John Rao	Vice President & Appointed Actuary

Committees

There were no committees as of December 31, 2007.

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 wholly owned by XL Life and Annuity Holding Company, a Delaware domiciled corporation, and part of the XL America, Inc. group of companies. XL America, the ultimate up stream United States parent of the Company as well as its insurer and non-insurer subsidiaries are members of the Cayman Island based, XL Capital, Ltd. Holding Company System. XL Capital, through its operating subsidiaries, is a leading provider of global insurance and reinsurance coverage to industrial, commercial and professional service firms, insurance companies, and other enterprises.

The organizational chart of XL Capital, Ltd, showed approximately 133 separate legal entities, which the Company is a member of, as of December 31, 2007. For reporting purposes of this legal entity, the following organization chart illustrates those upstream and affiliate relationships considered most pertinent:

XL Capital, Ltd

X.L. America, Inc.

NAC RE Corporation

XL Reinsurance America, Inc.

Greenwich Insurance Company

XL America Insurance, Inc.

XL Select Insurance Company

XL Insurance Company of New York

XL Specialty Insurance Company

Indian Harbor Insurance Company

XL Lloyds Insurance Company

XL Life and Annuity Holding Company

XL Life and Annuity Company

XL Asset Funding Company I LLC

XL Re Life America, Inc

MANAGEMENT AND SERVICE AGREEMENTS

The Company is a party to intercompany agreements, which were disclosed by the Company in filings with the Delaware Department of Insurance. The agreements are summarized as follows.

Management Agreement

The Company and X.L. America, Inc., a Delaware corporation, entered into a General Services Agreement effective November 1, 2006. The Company shares investment, legal, data processing, managerial and other administrative services on a shared cost basis. These arrangements are settled at least quarterly.

Investment Advisory Agreement

The Company and XL Investment Management LTD, a company incorporated under the laws of Bermuda, entered into a Management Agreement on March 29, 2006. XL Investment Management provides investment management services at an annual fee per terms in the agreement based on the net asset value of the portfolio at the end of each quarter with billing rendered on a quarterly basis at one fourth of the annual rate.

TERRITORY AND PLAN OF OPERATION

Territory:

The Company is licensed in 48 states and the District of Columbia to write life, including annuities, variable annuities, variable life and health, and is an accredited reinsurer in the State of New Jersey.

Plan of Operation:

The Company operates as a reinsurer of direct life insurance companies offering coinsurance and mortality risk transfer reinsurance arrangements. The Company does not write policies directly to the public. XL Capital, the ultimate controlling person of the Company, through its affiliate XL

Re, has been writing life insurance and life reinsurance business in the United Kingdom since 1999. The Company's customer base is US life insurance companies only. The Company has identified its core business as reinsurance of new individual life insurance both on a coinsurance and yearly renewable term basis. The Company may also reinsure other lines of business or in-force blocks of business as situations arise. During 2007 an increase in new business volume was reported over 2006. That increase is driven by life reinsurance assumed from four authorized insurance companies. Significant premium allocations by major states are North Carolina, Wisconsin, Minnesota, Georgia, and Texas.

GROWTH OF THE COMPANY

The following information was extracted from the Company's filed Annual Statements and covers four of the five years from its last examination as of December 31, 2002, through this examination, December 31, 2007:

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus as Regards to Policyholders</u>	<u>Net Written Premiums</u>	<u>Net Income</u>
2007	\$57,550,892	\$46,960,391	\$899,989	\$<4,869,044>
2006	58,955,540	52,693,033	38,658	<1,017,029>
2005	11,696,247	8,678,233	-0-	195,451
2004	11,579,840	8,483,241	-0-	147,957
2003	12,340,848	9,262,752	-0-	218,964
2002	12,203,982	9,047,860	-0-	1,265

The changes over the period December 31, 2004, through this examination, December 31, 2007 are as follows:

- A 418% increase in Admitted Assets
- A 458% increase in Surplus as Regards Policyholders
- A 3,391% decrease in Net Income

During the above period under review, admitted assets increased in the amount of \$45.9 million (418%) and surplus increased in the amount of \$38.4 million (458%) from 2004 to 2007. The increase was due to paid in and contributed surplus of \$45 million during 2006.

The Company's net loss increased \$3.9 million (378%) over 2006. The increase in net loss is primarily driven by growth in new business as reflected in the changes over 2006 premiums.

REINSURANCE

As of December 31, 2007, the Company reported the following distribution of net premiums written:

Direct business	\$61,200
Reinsurance assumed (from affil.)	-0-
Reinsurance assumed (from non-affil.)	6,003,986
Total direct and assumed	\$6,065,186
Reinsurance ceded (to affil.)	4,413,922
Reinsurance ceded to (non-affil.)	751,275
Total ceded	\$5,165,197
Net premiums Written	899,989

A general outline of the significant assumed reinsurance agreements in effect at December 31, 2007 follows:

Assumed Reinsurance – Affiliates

The Company did not assume any business from affiliates.

Assumed Reinsurance – Non-Affiliates

Assumed reinsurance in force consists of 30 treaties covering \$4.1 billion of net amount-at-risk (NAR). As of December 31, 2007, total statutory policy reserves were \$3.8 million. Coinsurance represents 32.3% of the NAR in force and 33.6% of the corresponding statutory policy reserves. The respective balances of NAR and reserves consist entirely of Yearly Renewable Term

reinsurance. Each of the coinsurance treaties covers original plans of level premium term insurance, while the YRT treaties cover a variety of original plans of permanent insurance, both single life and survivorship, as well as term insurance. All but one of these treaties covers newly issued policies. Premiums under the treaties are payable on monthly, annual, and quarterly payment modes.

Ceded

The Company has entered into a number of retrocessional arrangements. One of these arrangements represents approximately 60% of the Company's total reserve credit for reinsurance ceded, which includes a \$5,907,022 credit associated with the afore-mentioned coinsurance-assumption reinsurance agreement. This arrangement is with an affiliate, XL Life Ltd, an unauthorized reinsurer. The reserve credit taken as of December 31, 2007 is \$11,409,134 and is supported by a letter of credit (LOC).

This treaty cedes business from a number of the Company's assumed reinsurance treaties. Subject to XL Group's maximum retention (\$2 million for most issue age and risk combinations), the Company retains a 25% quota share of each risk. The terms of retrocession follow the terms of the original cession.

Amounts in excess of XL Group's maximum retention are retroceded externally to a pool consisting of four retrocessionaires. The terms of external retrocession, including premium rates and allowances, vary by treaty.

The Company has no reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credits. The Company did not write off any uncollectible reinsurance during the year.

ACCOUNTS AND RECORDS

All accounting, financial reporting and management oversight of the Company are provided under its Management Agreement with its up stream parent, XL America. The accounts of the Company are maintained electronically. Records of the Company are maintained both electronically and in hard copy. Depending on the subject matter, hard copy records of the Company are maintained at its main administrative office in Stamford, Connecticut, as well as XL America offices in Chicago, Illinois. Company accounting and financial reporting are performed at its main administrative office in Stamford, Connecticut. Reinsurance and investment functions are performed at the offices XL Capital Holdings, in Hamilton, Bermuda.

PricewaterhouseCoopers (PWC), LLP audits the statutory-basis financial statements on a consolidated basis for XL Life and Annuity and its subsidiaries (including the Company), annually. As part of their annual audit, PWC reviewed the internal control structure applicable to the XL America group through its affiliated General Services Agreements in order to establish the necessary audit procedures required to express an opinion on the December 31, 2007 financial statements. No material or qualifying deficiencies were found to exist in the design or operation of the internal control structure. The Company does not have its own internal audit department. The internal audit function is maintained at the corporate level of XL America.

The closing balance sheet and other documents were reviewed for the purposes of this examination. A review of the adjusted trial balance as of December 31, 2007, indicated that the balances supported the financial data of the Company's 2007 Annual Statement.

Based on the examination review of the Company's accounts and records related to its filed Annual Statements classifications made therein, discussions with management, and our performance

of substantive procedures, no material instances were noted that did not conform to required insurance accounting standard practices and requirements.

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
Statement of Income for the Year Ended December 31, 2007
Capital and Surplus Account for the one year period ending December 31, 2007

It should be noted that the various schedules and exhibits may not add to the totals shown due to rounding.

Analysis of Assets
As of December 31, 2007

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>	<u>Note</u>
Bonds	\$ 53,561,830	\$ -0-	\$ 53,561,830	1
Cash and short-term invest. accrued	2,624,675 512,374		2,624,675 512,374	
Uncollected premiums in course of collection	(1,515,979)		(1,515,979)	
reinsurers	99,102		99,102	
reinsurance contracts	2,183,954		2,183,954	
Net deferred tax asset	84,936		84,936	
Total Assets	<u>\$ 57,550,892</u>	<u>\$ -0-</u>	<u>\$ 57,550,892</u>	

Liabilities, Surplus and Other Funds
As of December 31, 2007

Aggregate reserve for life contracts	\$ 3,803,044	<u>Note</u> 2
Contract claims	395,118	
Interest maintenance reserve	5,839	
Commissions and expense allowances payable on reinsurance	1,067,447	
General expenses due or accrued	1,133,035	
Asset valuation reserve	67,656	
Reinsurance in unauthorized companies	866,223	
Payable to parent, subsidiaries and affiliates	752,140	
Total Liabilities	<u>\$ 8,090,502</u>	
Common capital stock	\$ 2,500,000	
Gross paid in and contributed surplus	52,578,789	
Unassigned funds	<u>(5,618,398)</u>	
Surplus as regards policyholders	<u>\$ 49,460,391</u>	
Total Liabilities, Surplus and Other Funds	<u>\$ 57,550,893</u>	

Statement of Income
For the Year Ended December 31, 2007

Premium and annuity considerations for life contracts:	\$ 899,990
Net investment income earned	2,979,277
Amortization of interest maintenance reserve	5,861
Commissions and expense allowances on reinsurance ceded	3,668,586
Total	<u>\$ 7,553,714</u>
Death benefits	\$ 422,183
Increase in aggregate reserves for life contracts	3,681,410
Totals	<u>\$ 4,103,593</u>
Commissions on premiums and annuity considerations	\$ 2,449
Commissions and expense allowances on reinsurance assumed	4,865,083
General insurance expenses	3,313,258
Taxes, licenses and fees	138,374
Total	<u>\$ 12,422,757</u>
Net gain from operations before dividends and before federal income tax	<u>\$ (4,869,043)</u>
Net income after dividends to policyholders and before federal income tax	<u>\$ (4,869,043)</u>
Net Income	<u><u>\$ (4,869,043)</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2006	<u>\$ 55,193,031</u>
Net income	(4,869,044)
Change in net deferred income tax	1,706,115
Change in nonadmitted assets	(1,678,531)
Change in liability for reinsurance in unauthorized companies	(865,236)
Change in asset valuation reserve	(25,944)
Net change in capital and surplus	<u>\$ (5,732,640)</u>
Capital and surplus, December 31, 2007	<u>\$ 49,460,391</u>

EXAMINATION FINANCIAL CHANGES

No financial changes were made as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

Note 1

Bonds

\$53,561,830

Investments in bonds were reported at values (amortized cost) adopted and approved by the Securities and Valuation Office (SVO) of the NAIC. As of the examination date, \$53,561,830 (100%) of the Company's bond investments were designated by the SVO with the highest quality of "Class 1". Bonds with carrying values of \$7,013,276 were on deposit with states or government insurance departments in compliance with insurance laws. The Company did not have any securities on loan.

Note 2

Aggregate reserves for life contracts

\$3,803,044

The Company establishes reserves and related liabilities that satisfy the minimum standards of the state of Delaware. Statutory reserves for life insurance policies follow Model Regulation XXX methodology, and utilize valuation rates of interest and mortality as specified in the Valuation Law.

The Annual Statutory Statement, Actuarial Opinion, Actuarial Memorandum on Asset Adequacy Analysis and Valuation Summary as of December 31, 2007 prepared in accordance with Delaware requirements were reviewed along with correspondence and material provided by the Company's appointed actuary and by an independent actuary of PWC.

The independent review indicates that the methods and assumptions used by the Company to calculate the actuarially computed statutory liabilities as of December 31, 2007 are consistent with generally accepted actuarial practices. As stated in its opinion, underline baseline assumptions, reserves as of December 31, 2007 appeared to be adequate. In addition, the Company performed sensitivity tests on mortality, lapse, expense, and interest discount rates. Results indicate that no additional reserves are required. We relied on the opinion of PWC's independent and qualified actuary and their expressed opinion that Company stated reserves were adequate.

CONCLUSION

The following schedule shows the results of this Delaware Department of Insurance examination and the results of the prior Connecticut Insurance Department examination with changes between examination periods.

Description	12/31/07 Current Examination	12/31/02 Prior Examination	Changes Increase (Decrease)
Assets	<u>\$57,550,892</u>	<u>\$12,203,982</u>	<u>\$45,346,910</u>
Liabilities	<u>\$ 8,090,501</u>	<u>\$ 656,121</u>	<u>\$7,434,380</u>
Common capital stock	2,500,000	2,500,000	0
Gross paid in and contributed surplus	52,578,789	7,569,218	45,009,571
Unassigned funds (surplus)	<u>(5,618,398)</u>	<u>1,478,642</u>	<u>(7,097,040)</u>
Total capital and surplus	<u>\$ 49,960,391</u>	<u>\$ 11,547,860</u>	<u>\$ 38,412,531</u>
Totals	<u>\$57,550,892</u>	<u>\$12,203,982</u>	<u>\$45,346,910</u>

During the examination period, assets increased \$45,346,910, liabilities increased \$7,434,380 and surplus increased \$38,412,531.

The cooperation and assistance rendered by the officers and employees of the Company during the course of the examination are hereby acknowledged.

Respectfully submitted,



Frederick C Doran Jr. CIE, CFE
Examiner-in-Charge
State of Delaware
Northeastern Zone, NAIC

SUBSEQUENT EVENTS

The Company's ultimate parent, XL Capital, Ltd, is currently restructuring and also considering value enhancement options for the entire XL Group of Companies. These actions are being taken in response to current global economic conditions and material financial strains XL Capital is experiencing in both its portfolio of investments and loss reserves. The restructuring includes reduction in key management positions throughout the XL America insurance units.

As of this report date, management losses at XL Re Life American, Inc. include three directors, among them the chairman and president, as well as three vice presidents. These key individuals served during the examination period under review and were responsible for critical organizational functions. These functions are currently being handled by existing staff.

Existing management at XL Capital has initiated a strategic review of the Company including the impact on the company from loss of experienced personnel.