

REPORT ON EXAMINATION

OF THE

TM CASUALTY INSURANCE COMPANY

AS OF

DECEMBER 31, 2009

DATE OF REPORT

MARCH 11, 2011

EXAMINER

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

March 11, 2011

Honorable James J. Wrynn
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30448 dated December 10, 2009 attached hereto, I have made an examination into the condition and affairs of TM Casualty Insurance Company as of December 31, 2009, and submit the following report thereon.

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

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

The examination was conducted at the Company's home office located at 230 Park Avenue, New York, NY 10169.

1. SCOPE OF EXAMINATION

The Department has performed a multi-state examination of TM Casualty Insurance Company. The previous examination was conducted as of December 31, 2004. This examination covered the five year period from January 1, 2005 through December 31, 2009. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation of the Company’s own control environment assessment. The examiners also relied upon audit work performed by the Company’s independent public accountants when appropriate.

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

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

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

TM Casualty Insurance Company was incorporated under the laws of the State of New York on August 13, 1998 and commenced business on September 23, 1999. The Company is a wholly-owned subsidiary of The United States Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan (“The Branch”), an alien insurer with port of entry in the State of New York. Tokio Marine Management, Ltd. (“TMM”), a United States affiliate, represents the Company as its manager.

In 2002, The Tokio Marine and Fire Insurance Company, Limited of Tokyo, Japan (“TMF Japan”) and The Nichido Fire and Marine Insurance Company, Limited of Tokyo, Japan (“Nichido Japan”) integrated their management and business under a new publicly traded Japanese holding company called Millea Holdings, Inc. (“Millea”), which later changed its name to Tokio Marine Holdings, Inc., effective July 1, 2008. In October 2004, TMF Japan finalized the merger with Nichido Japan. TMF Japan became the surviving entity and was renamed as Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan (“the Home Office”). In turn, the United States Branch was renamed as The United States Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan.

At December 31, 2009, capital paid in was \$1,500,000 consisting of 15,000 shares of common stock at \$100 par value per share. Gross paid in and contributed surplus remained unchanged at \$750,000 during the examination period.

A. Management

Pursuant to the Company’s charter and by-laws, management of the Company is vested in a board of directors consisting of not less than thirteen nor more than twenty-one members. The board

meets once during each calendar year. At December 31, 2009, the board of directors was comprised of the following thirteen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Caryn Angelson Scarsdale, NY	Senior Vice President, Tokio Marine Management, Inc.
David Coronado Cary, IL	Senior Vice President, Tokio Marine Management, Inc.
Frederick Danback Old Greenwich, CT	Vice President and Chief Information Officer, Tokio Marine Management, Inc.
Ann Ginn Naperville, IL	Senior Vice President, Tokio Marine Management, Inc.
B. Steven Goldstein New York, NY	Senior Vice President, Chief Compliance Officer, Chief Risk Officer, Secretary and General Counsel, Tokio Marine Management, Inc.
David Gottschall Tarrytown, NY	Senior Vice President, Tokio Marine Management, Inc.
Susumu Harada Riverside, CT	Senior Vice President and Corporate Planning Officer, Tokio Marine Management, Inc.
Hayato Isogai New York, NY	Chief Executive Officer, Tokio Marine Management, Inc.
Lisa La Rocca Albertson, NY	Vice Present and Controller, Tokio Marine Management, Inc.
Takashi Okamura Greenwich, CT	Senior Vice President, Tokio Marine Management, Inc.
Nobuki Tamesue Eastchester, NY	Senior Vice President, Tokio Marine Management, Inc.
Shuichi Terakawa Pasadena, CA	Senior Vice President, Tokio Marine Management, Inc.
Hiroyuki Watabiki New York, NY	President, Tokio Marine Management, Inc.

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member has an acceptable record of attendance.

As of December 31, 2009, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Hayato Isogai	President
B. Steven Goldstein	Secretary
Arlene Mahmoud	Treasurer
Lisa La Rocca	Controller

Conflict of Interest

Upon review of the Company's conflict of interest statements it was noted that the Company could not provide some of conflict of interest statements signed by directors and offices as required per the Company's conflict of interest policy.

It is recommended that the Company make a more diligent effort to obtain signed conflict of interest statements.

It is additionally recommended that the Company obtain a signed conflict of interest statement from all directors and officers at the time they are hired and/or elected.

B. Territory and Plan of Operation

As of December 31, 2009, the Company was licensed to write business in the States of New York and New Jersey.

As of the examination date, the Company was authorized to transact workers' compensation and employers' liability insurance as defined in paragraph 15 of Section 1113(a) of the New York Insurance Law.

The Company wrote only workers' compensation insurance business in the State of New York during the examination period.

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance

Law, the Company is required to maintain a minimum capital and surplus to policyholders in the amount of \$1,500,000.

The following schedule shows the direct premiums written by the Company for the period under examination. It should be noted that all of the premiums written were in New York and all of the premiums written was workers' compensation business.

<u>Calendar Year</u>	<u>Total Premiums</u>
2005	\$ 0
2006	\$ 0
2007	\$ 14,838
2008	\$399,823
2009	\$ 6,246

C. Reinsurance

The Company did not assume any premiums during the examination period.

The only active and significant ceded reinsurance contract is a 95% quota share with the Company's parent, the Branch. Effective January 1, 2010 the quota share cession was adjusted to 100%.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in NAIC Accounting Practices and Procedures Manual Statements of Statutory Accounting Principles ("SSAP") No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's chief executive officer pursuant to the NAIC Annual

Statement Instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62.

D. Holding Company System

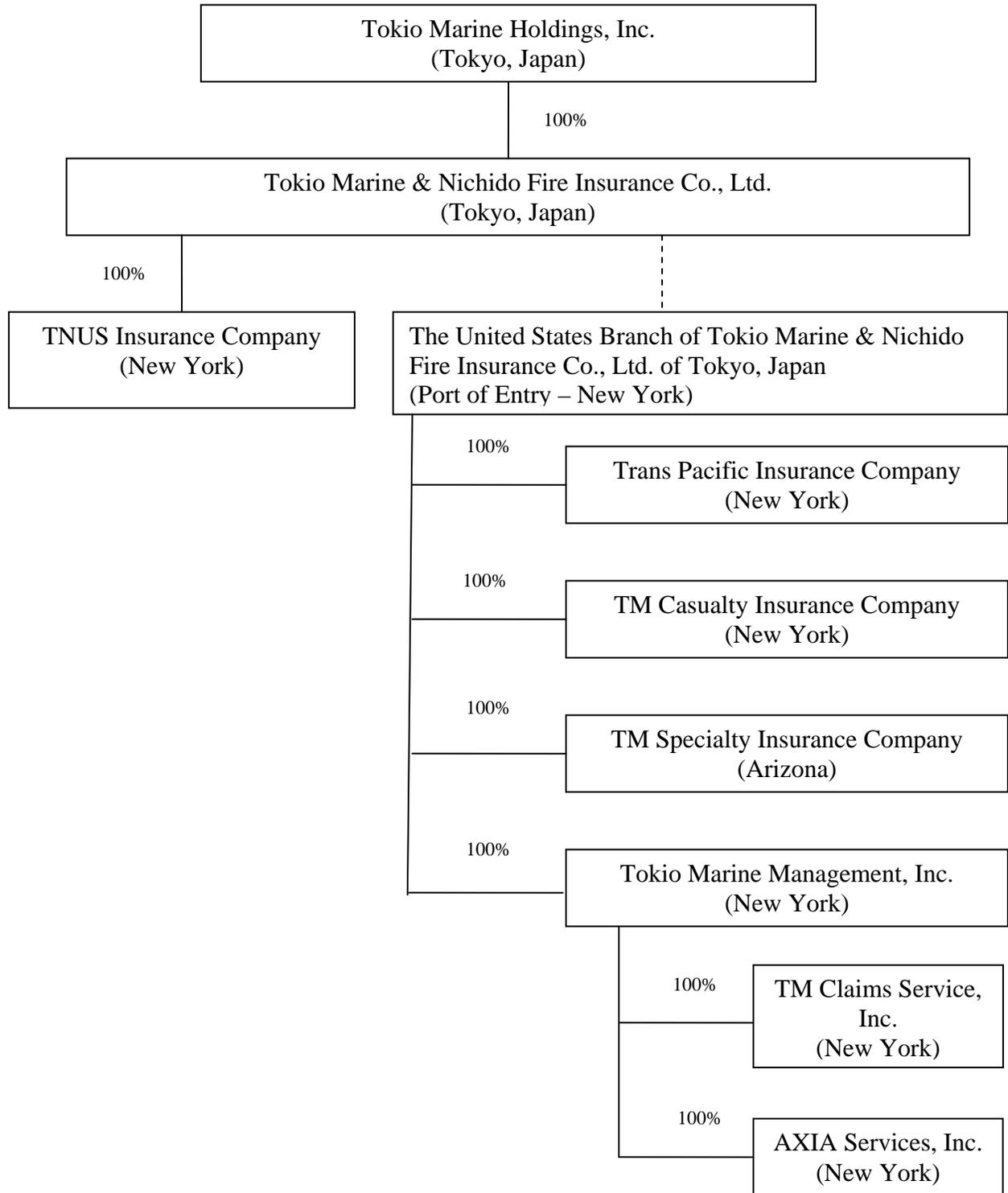
The Company is a wholly-owned subsidiary of The United States Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd., of Tokyo, Japan. In turn, Tokio Marine & Nichido Fire Insurance Co., Ltd., of Tokyo, Japan is a wholly-owned subsidiary of its ultimate Japanese holding company parent, Tokio Marine Holdings, Inc.

In 2002, The Tokio Marine and Fire Insurance Company, Limited of Tokyo, Japan (“TMF Japan”) and The Nichido Fire and Marine Insurance Company, Limited of Tokyo, Japan (“Nichido Japan”) integrated their management and business under a new publicly traded Japanese holding company called Millea Holdings, Inc. In October 2004, TMF Japan finalized the merger with Nichido Japan. TMF Japan became the surviving entity and was renamed as Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan (“the Home Office”). In turn, the United States Branch was renamed as The United States Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan (“the Branch”). On July 1, 2008 Millea Holdings was renamed Tokio Marine Holdings, Inc.

Prior to the merger, the Department has determined the Branch was exempt from the provisions of Article 15 of the New York Insurance Law. After the formation of the holding corporation, the Branch became subject to the holding company act set forth in Article 15 of the New York Insurance Law and Department Regulation 52 effective April 1, 2002.

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

The following is an abridged chart of the holding company system at December 31, 2009:



At December 31, 2009, the Company was party to the following agreements with other members of its holding company system:

Management Agreement

Effective August 13, 1998, the Company appointed Tokio Marine Management Inc. (“TMM”) as its manager for transaction of insurance business on behalf of the Company, inclusive of underwriting, claims handling and other necessary functions. The management agreement was replaced by an updated agreement effective January 1, 2006. The Department approved the updated management agreement on January 26, 2006 in accordance with Article 15 of the New York Insurance Law.

Reinsurance Agreements

As of December 31, 2009, the Company was a party to quota share and excess of reinsurance agreements with its affiliates. The Department approved the affiliated reinsurance agreements in accordance with Article 15 of the New York Insurance Law. Significant affiliated agreements are summarized in Section C – Reinsurance.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2009, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	0%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	6%
Premiums in course of collection to surplus as regards policyholders	*

* Not applicable as there are no premiums in the course of collection.

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$172,711	2,356.22%
Other underwriting expenses incurred	146,880	2,003.82
Net underwriting loss	<u>(312,261)</u>	<u>(4,260.04)</u>
Premiums earned	<u>\$ 7,330</u>	<u>100.00%</u>

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2009 as determined by this examination and as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$2,474,252	\$ 0	\$2,474,252
Cash, cash equivalents and short-term investments	200,457	0	200,457
Investment income due and accrued	15,920	0	15,920
Current federal and foreign income tax recoverable and interest thereon	4,645	0	4,645
Net deferred tax asset	5,062	3,468	1,594
Receivables from parent, subsidiaries and affiliates	<u>22,690</u>	<u>0</u>	<u>22,690</u>
Total assets	<u>\$2,723,026</u>	<u>\$3,468</u>	<u>\$2,719,558</u>

Liabilities, Surplus and Other FundsLiabilities

Losses		\$ 42,983
Loss adjustment expenses		64,000
Other expenses (excluding taxes, licenses and fees)		18,947
Taxes, licenses and fees (excluding federal and foreign income taxes)		401
Payable to parent, subsidiaries and affiliates		15,697
Aggregate write-ins for liabilities		<u>8,478</u>
Total liabilities		\$150,506

Surplus and Other Funds

Common capital stock	\$1,500,000	
Gross paid in and contributed surplus	750,000	
Unassigned funds (surplus)	<u>319,052</u>	
Surplus as regards policyholders		<u>2,569,052</u>
Total liabilities, surplus and other funds		<u>\$2,719,558</u>

NOTE: The Internal Revenue Service has not audited the Company since 2000. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of IncomeUnderwriting Income

Premiums earned		\$ 7,330
Deductions:		
Losses incurred	\$40,265	
Loss adjustment expenses incurred	132,446	
Other underwriting expenses incurred	<u>146,880</u>	
Total underwriting deductions		<u>319,591</u>
Net underwriting loss		\$(312,261)

Investment Income

Net investment income earned	<u>\$441,292</u>	
Net investment gain		<u>441,292</u>
Net income before federal income taxes		\$129,031
Federal and foreign income taxes incurred		<u>67,162</u>
Net income		<u>\$ 61,869</u>

C. Capital and Surplus Account

Surplus as regards policyholders increased \$75,253 during the five-year examination period January 1, 2005 through December 31, 2009, detailed as follows:

Surplus as regards policyholders per report on examination as of December 31, 2004			\$2,493,799
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$61,869		
Change in net deferred income tax	6,348		
Change in non-admitted assets	<u>7,036</u>	<u> </u>	
Total gains and losses	<u>\$75,253</u>	<u>\$ 0</u>	
Net increase in surplus			<u>75,253</u>
Surplus as regards policyholders per report on examination as of December 31, 2009			<u>\$2,569,052</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$106,983 is the same as reported by the Company as of December 31, 2009. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Reinsurance</u>	
It is recommended that the Company amend the 95% quota share reinsurance agreement for the proper arbitration clause and submit the agreement to the Department in accordance with Section 1505 of the New York Insurance Law. The Company subsequently submitted an amendment to the contract with the proper arbitration clause to the Department. The Department approved the amendment on May 23, 2006.	8
The Company has complied with this recommendation.	
B. <u>Accounts and Records</u>	
<u>Drafts Outstanding</u>	
It is recommended that the Company report and classify outstanding checks for claims payments as reduction of cash instead of a liability in accordance with SSAP No. 2 NAIC Accounting Practices and Procedures Manual.	12
The Company has complied with this recommendation.	
<u>Certified Public Accountant (“CPA”) Engagement Letters</u>	
It is recommended that the Company ensure that the contract between the Company and the independent auditors specify the proper workpapers retention period in accordance with the Department Regulations 118 and 152.	13
The Company has complied with this recommendation.	
C. <u>Losses and Loss Adjustment Expenses</u>	
It is recommended that the Company include sufficient detail in the narrative and technical components in its actuarial reports for future periods that meet the requirements of the Annual Statement Instructions and Section 5.2 of the Actuarial Standard of Practice No. 9.	18
The Company has complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A.	<u>Management</u>	
i.	It is recommended that the Company make a more diligent effort to obtain signed conflict of interest statements.	5
	It is additionally recommended that the Company obtain a signed conflict of interest statements from all directors and officers at the time they are hired and/or elected.	5

Respectfully submitted,

_____/S/
Qi Lin
Senior Insurance Examiner

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

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

_____/S/
Qi Lin

Subscribed and sworn to before me

this _____ day of _____, 2011.

Appointment No. 30448

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

I, James J. Wrynn Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Qi Lin

as proper person to examine into the affairs of the

TM CASUALTY INSURANCE COMPANY

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

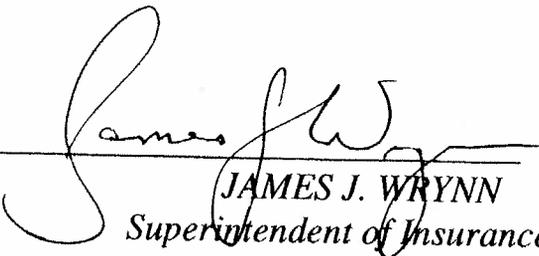
Company

with such other information as she shall deem requisite.

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

this 10th day of December, 2009





JAMES J. WRYNN
Superintendent of Insurance