

REPORT ON EXAMINATION

OF THE

TRANS PACIFIC INSURANCE COMPANY

AS OF

DECEMBER 31, 2009

DATE OF REPORT

MARCH 11, 2011

EXAMINER

QI LIN

## TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1.	Scope of examination	2
2.	Description of Company	3
	A. Management	4
	B. Territory and plan of operation	5
	C. Reinsurance	7
	D. Holding company system	9
	E. Significant operating ratios	11
	F. Accounts and records	12
3.	Financial statements	13
	A. Balance sheet	13
	B. Statement of income	15
	C. Capital and surplus account	16
4.	Losses and loss adjustment expenses	16
5.	Compliance with prior report on examination	17
6.	Summary of comments and recommendations	20



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

March 11, 2011

Honorable James J. Wynn  
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 30447 dated December 10, 2009 attached hereto, I have made an examination into the condition and affairs of Trans Pacific 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 Trans Pacific 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.

## **1. SCOPE OF EXAMINATION**

The Department has performed an association examination of Trans Pacific 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**

Trans Pacific Insurance Company was incorporated under the laws of the State of New York on January 21, 1982, and commenced business on the same date. The Company is a wholly-owned subsidiary of The United States Branch of The Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan, 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 (“TMNF Japan”). 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”).

As of December 31, 2009, capital paid in was \$5,000,000 consisting of 50,000 shares of common stock at \$100 par value per share. In 1989, the Company amended its charter to increase capital from \$2,500,000 to \$5,000,000 by issuing an additional 25,000 shares of common stock at \$100 par value per share.

Gross paid in and contributed surplus increased by \$12,000,000 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2004	Beginning gross paid in and contributed surplus	\$10,000,000
2006	Surplus contribution	<u>12,000,000</u>
2009	Ending gross paid in and contributed surplus	<u>\$22,000,000</u>

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 a year 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.

Name and ResidencePrincipal Business Affiliation

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

A review of Company's conflict of interest statements 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 District of Columbia and all fifty states except Louisiana, New Hampshire, New Mexico and Vermont.

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

<u>Paragraph</u>	<u>Line of Business</u>
3(i)	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company was also licensed to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803. 69<sup>th</sup> Congress as amended; 33 USC Section 901 et seq. as amended).

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$5,000,000.

The majority of the Company's business is attributable to the workers' compensation line of business. The Company markets its business as a direct writer through a network of appointed agents and brokers.

The following schedule shows the direct premiums written by the Company both in total and in New York for the period under examination:

<u>Calendar Year</u>	<u>New York State</u>	<u>Total Premiums</u>	<u>Premiums Written in New York State as a percentage of Total Premium</u>
2005	\$ 641,944	\$ 9,009,115	7.13%
2006	\$1,448,429	\$12,759,799	11.35%
2007	\$1,009,604	\$16,384,508	6.16%
2008	\$1,002,823	\$16,724,234	6.00%
2009	\$1,200,715	\$17,322,353	6.93%

C. Reinsurance

Assumed

Assumed reinsurance accounted for 7.16% of the Company's gross premium written at December 31, 2009. The Company's assumed reinsurance program consists mainly of marine and non-marine property coverage assumed on an excess of loss basis from an affiliated insurer, Tokio Marine & Nichido Fire Insurance Co. Ltd. (Canadian Branch) ("TMNF-CAD") under three separate treaty agreements. Additionally, the Company's participation in various mandated pools is reflected in its assumed reinsurance activity. Effective January 1, 2009, all assumed business from TMNF-CAD is 100% retroceded to Tokio Marine Europe Insurance Ltd., an affiliate. The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62 for all of its assumed reinsurance business.

A summary of the Company's significant ceded reinsurance program for 2009 is as follows:

<u>Type of Coverage</u>	<u>Cession</u>
Casualty –2 layers	50% of \$27M excess of \$3M per occurrence.
Catastrophe –2 Sections	
Sections A- Non-Marine covering property, automobile physical damage and workers' compensation	Section A: \$225M excess of \$25M per occurrence.
Section B- Ocean Marine	Section B: \$75M excess of \$25M per occurrence.
	Section A and Section B combined is limited to \$225M excess of \$25M per occurrence.

<u>Type of Coverage</u>	<u>Cession</u>
100% Retrocession Treaty for Canadian Non-Marine Property Excess of Loss Reinsurance Agreement (per occurrence)	100% Quota Share of up to CAD 85M, ultimate net loss each loss occurrence.
100% Retrocession Treaty for Canadian Non-Marine Property Per Risk Excess of Loss Reinsurance Agreement	100% Quota Share of up to CAD 85M, each and every risk.
100% Retrocession Treaty for Canadian Marine Excess of Loss Reinsurance Agreement	100% Quota Share of up to CAD 85M, ultimate net loss each loss occurrence.
Quota Share—Net liability under all policies	95% Quota Share.

Subsequent to the examination date the Company increased its catastrophe retention to \$50 million from \$25 million, decreased its non-marine catastrophe coverage to \$150 million from \$225 million, and decreased its marine catastrophe coverage to \$50 million from \$75 million.

Additionally effective January 1, 2010, the Company decreased its maximum coverage from CAD 85M to CAD 40M for its 100% quota share on Canadian non-marine property per occurrence and Canadian marine reinsurance agreements and increased its maximum coverage from CAD 85M to CAD 90M for its 100% quota share on Canadian non-marine property per risk reinsurance agreement.

Furthermore, the Company changed its general quota share session to 100% from 95%, effective January 1, 2010.

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

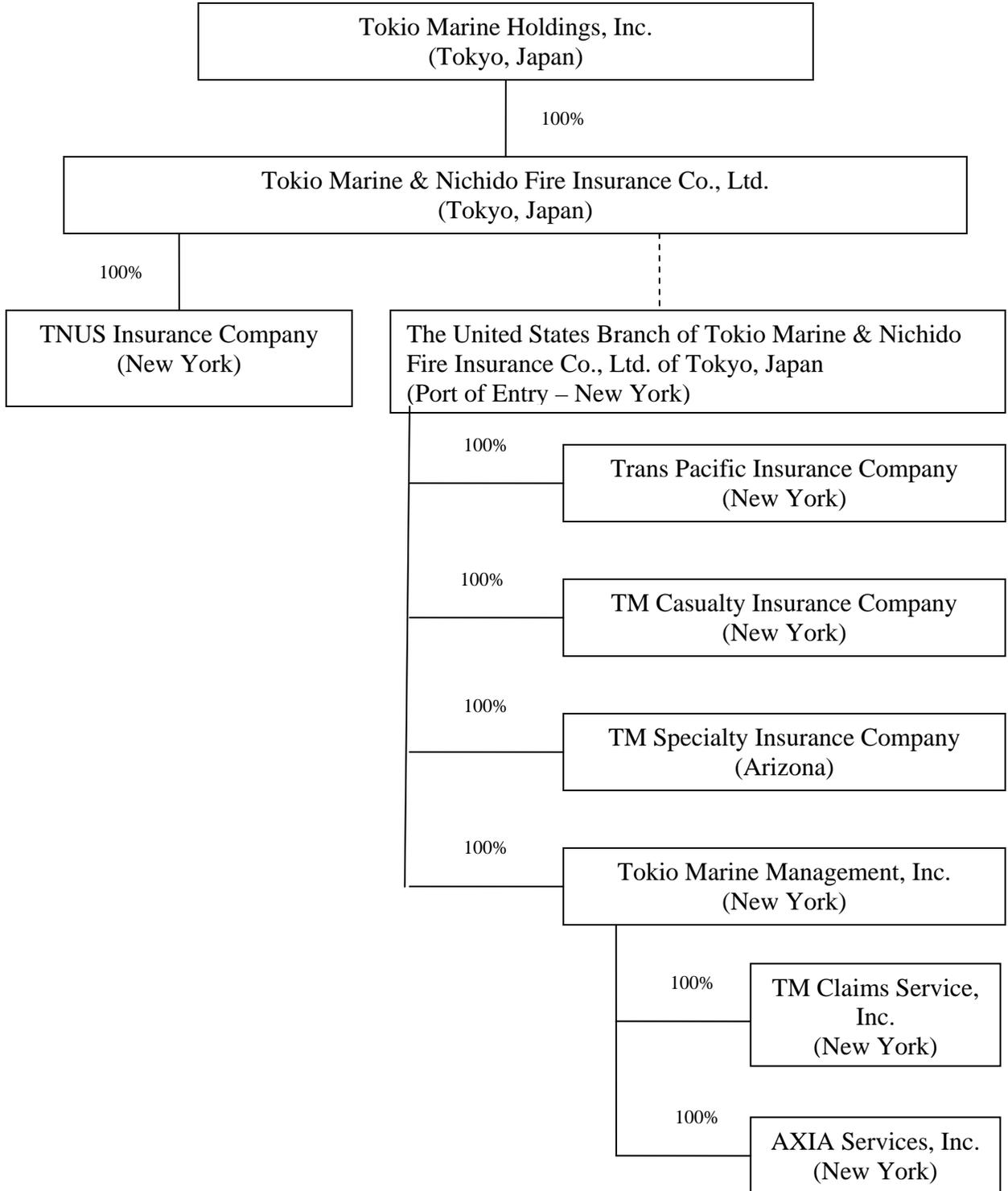
The Company is a wholly-owned subsidiary of the United States Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd., of Tokyo, Japan. In turn, Tokio Marine & Nichido Fire Insurance Co., Ltd., of Tokyo, Japan is a wholly-owned subsidiary of its ultimate Japanese holding company parent, Tokio Marine 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 corporation called Millea Holdings, Inc. In October 2004, TMF Japan finalized the merger with Nichido Japan and the combined company was renamed Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan (“TMNF Japan”). In turn, the Branch was renamed 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.

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 December 31, 1981, 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, excess of loss and master obligatory facultative reinsurance agreements with its affiliates. The Department approved the affiliated reinsurance agreements in accordance with Article 15 of the New York Insurance Law. Limits of liability provided under the significant affiliated agreements are summarized in Item 2C of this report.

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	2%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	25%
Premiums in course of collection to surplus as regards policyholders	3%

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	\$7,409,551	269.26%
Other underwriting expenses incurred	(5,035,086)	(182.97)
Net underwriting gain	<u>377,350</u>	<u>13.71</u>
Premiums earned	<u>\$2,751,815</u>	<u>100.00%</u>

F. Accounts and Records

(i) Agents Premium Receivables

It was noted that the Company's system calculates non-admitted agents' balances as any amount more than 90 days past due. The Company then manually adjusts the non-admitted amount to be any amount more than three calendar months past due. It is noted that the manual adjustment does not have a material effect on the Company's surplus; however, the manual adjustment is incorrect pursuant to Paragraph 9(c) of SSAP No. 6, which states:

The uncollected agent's receivable on a policy by policy basis which is over ninety days due shall be non-admitted regardless of any unearned premium.

It is recommended that the Company determine its non-admitted agents' balances based on amounts that are more than ninety days past due, pursuant to the provisions of SSAP No. 6.

### 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	\$47,515,379	\$ 0	\$47,515,379
Cash, cash equivalents and short-term investments	3,391,305	0	3,391,305
Investment income due and accrued	543,897	0	543,897
Uncollected premiums and agents' balances in the course of collection	2,150,160	632,590	1,517,570
Deferred premiums, agents' balances and installments booked but deferred and not yet due	5,159,127	16,394	5,142,733
Accrued retrospective premiums	4,828,973	482,897	4,346,076
Amounts recoverable from reinsurers	103,327	0	103,327
Current federal and foreign income tax recoverable and interest thereon	559,918	0	559,918
Net deferred tax asset	862,653	339,746	522,907
Receivables from parent, subsidiaries and affiliates	1,110,377	0	1,110,377
Aggregate write-ins for other than invested assets	<u>282,814</u>	<u>0</u>	<u>282,814</u>
Total assets	<u>\$66,507,930</u>	<u>\$1,471,627</u>	<u>\$65,036,303</u>

Liabilities, Surplus and Other FundsLiabilities

Losses	\$6,910,937
Loss adjustment expenses	3,750,608
Commissions payable, contingent commissions and other similar charges	1,704
Other expenses (excluding taxes, licenses and fees)	63,589
Taxes, licenses and fees (excluding federal and foreign income taxes)	324,189
Unearned premiums	359,620
Ceded reinsurance premiums payable (net of ceding commissions)	118,638
Funds held by company under reinsurance treaties	13,086
Remittances and items not allocated	14,097
Provision for reinsurance	922,709
Payable to parent, subsidiaries and affiliates	817,831
Ceded retrospective premiums payable and accrued return retrospective premiums	4,608,907
Other Liabilities	<u>206,618</u>
Total liabilities	\$18,112,534

Surplus and Other Funds

Common capital stock	\$5,000,000
Gross paid in and contributed surplus	22,000,000
Unassigned funds (surplus)	<u>19,923,769</u>
Surplus as regards policyholders	<u>46,923,769</u>
Total liabilities, surplus and other funds	<u>\$65,036,303</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 any such contingency.

B. Statement of Income

Underwriting Income

Premiums earned		\$2,751,815
Deductions:		
Losses and Loss adjustment expenses incurred	\$7,409,551	
Other underwriting expenses incurred	<u>(5,035,086)</u>	
Total underwriting deductions		<u>2,374,465</u>
Net underwriting gain		\$377,350

Investment Income

Net investment income earned	<u>\$9,222,238</u>	
Net investment gain		9,222,238

Other Income

Aggregate write-ins for miscellaneous income	<u>\$(108,070)</u>	
Total other income		<u>(108,070)</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$9,491,518
Dividends to policyholders		<u>1,220,239</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$8,271,279
Federal and foreign income taxes incurred		<u>2,029,954</u>
Net income		<u>\$6,241,325</u>

C. Capital and Surplus Account

Surplus as regards policyholders increased \$17,280,153 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			\$29,643,616
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$ 6,241,325		
Change in net deferred income tax	109,849		
Change in nonadmitted assets		336,292	
Change in provision for reinsurance		734,729	
Surplus adjustments paid in	<u>12,000,000</u>	<u>0</u>	
Total gains and losses	<u>\$18,351,174</u>	<u>\$1,071,021</u>	
Net increase (decrease) in surplus			<u>\$17,280,153</u>
Surplus as regards policyholders per report on examination as of December 31, 2009			<u>\$46,923,769</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$10,661,545 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>	
<ul style="list-style-type: none"> <li>i. It is recommended that the Company amend its obligatory master facultative reinsurance agreement to include the proper insolvency 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 insolvency clause to the Department. The Department approved the amendment on May 23, 2006.</li> </ul> <p>The Company has complied with this recommendation</p>	9
<ul style="list-style-type: none"> <li>ii. It is recommended that the Company amend the 95% quota share reinsurance agreement to include the proper arbitration clause and excess of original policy limits 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, extra contractual obligations clause and excess of original policy limits clause to the Department. The Department approved the amendment on May 23, 2006.</li> </ul> <p>The Company has complied with this recommendation.</p>	9
<ul style="list-style-type: none"> <li>iii. It is recommended that the Company write off uncollectible reinsurance balances and commuted balances through the accounts in which they were originally recorded in compliance with SSAP No. 62 paragraphs 56 and 60 of the NAIC Accounting Practices and Procedures Manual.</li> </ul> <p>The Company has established new procedures for writing off reinsurance recoverable on paid losses, case and IBNR reserves, and ceded balance payable in 2005. The Company also eliminated the balances in the other liability account for the immaterial balances previously written off. The Company has properly recorded the write-off amounts for reinsurance recoverable and payable for the 2005 annual statement.</p> <p>The Company has complied with this recommendation.</p>	10

ITEMPAGE NO.B. Accounts and RecordsDrafts Outstanding

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. 14

The Company has complied with this recommendation.

Certified Public Accountant (“CPA”) Engagement Letters

It is recommended that the Company ensure the contract between the Company and the independent auditors specify the proper workpaper retention period in accordance with the Department Regulations 118 and 152. 15

The Company has complied with this recommendation.

Uncollected Premiums and Agents' Balances in the Course of Collection

It is recommended that the Company report unapplied cash in the Remittances and Items Not Allocated account as a liability in accordance with the Annual Statement Instructions. 16

It is recommended that the Company update the current agents' balances system or invest in a new system that can properly apply policy numbers upon renewals and track policies and premiums for different policy years correctly. 16

It is recommended that the Company conduct periodic audits on processing of premiums and agents' balances. 16

It is recommended that the Company establish clear written guidelines in the following five areas in processing of premiums and agents' balances:

- Billing - If the Company continues to use different policy numbers on renewals, then the new system should have the capability to link all policy numbers for the same policy.
- Collection - The Company should require the Agency Accounting Department to resolve any account discrepancies in a specific time period. The Company should actively work with the agents and brokers to resolve any discrepancies.

ITEMPAGE NO.

16

- Aging - Aging of premiums and agents' balances should be done in accordance with SSAP No. 6 of the NAIC Accounting Practices and Procedures Manual ("NAIC AP&P"). Offsets are allowed only if the conditions of SSAP No. 6 paragraph 9 are met.
- Write-Off – Write-off of premiums and agents' balances should be done in accordance with SSAP No. 6 of the NAIC AP&P. There should be a clear deadline on policy cancellations and premiums and agents' balances write-offs.
- Reconciliation - The Company should require reconciliation of premiums and agents' balances at least on a quarterly basis. Any unresolved balances should be treated as non-admitted in accordance with SSAP # 6 of the NAIC AP&P.

The new guidelines and policies should be clearly communicated to the agency accounting department, the finance department, and the agents and the brokers.

It is recommended that the Company monitor and test implementation of the new guidelines on a periodic basis.

16

The Company has new guidelines and policies in place and has complied with these recommendations.

C. Losses and Loss Adjustment Expenses

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.

21

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 statement from all directors and officers at the time they are hired and/or elected.	5
B.	<u>Account and Records</u>	
i.	It is recommended that the Company determine its non-admitted agents' balances based on amounts that are more than ninety days past due, pursuant to the provisions of SSAP No. 6.	12

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Qi Lin  
Senior Insurance Examiner

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

QILIN, 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.

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*

**TRANS PACIFIC INSURANCE COMPANY**

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

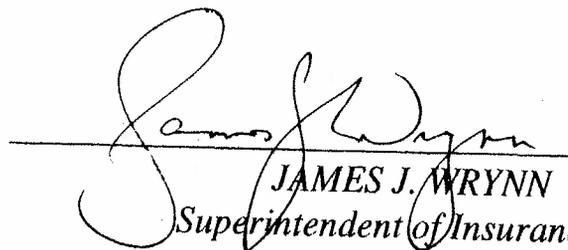
**Company**

*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