REPORT ON EXAMINATION

OF THE

UNITED STATES BRANCH OF TOKIO MARINE & NICHIDO FIRE INSURANCE CO, LTD.
OF TOKYO, JAPAN

AS OF

DECEMBER 31, 2009

DATE OF REPORT	MARCH 11, 2011
EXAMINER	QI LIN

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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 30446 dated December 10, 2009 attached hereto, I have made an examination into the condition and affairs of the United States Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan as of December 31, 2009, and submit the following report thereon.

Wherever the designation “the Branch” appears herein without qualification, it should be understood to indicate the United States Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan.

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 Branch’s administrative office located at 230 Park Avenue, New York, NY.

1. SCOPE OF EXAMINATION

The Department has performed an association examination of the United States Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan. 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 Branch by obtaining information about the Branch including corporate governance, identifying and assessing inherent risks within the Branch 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 Branch were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation of the Branch's own control environment assessment. The examiners also relied upon audit work performed by the Branch'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
Branch history
Corporate records
Management and control
Fidelity bonds and other insurance
Pensions, stock ownership and insurance plans
Territory and plan of operation
Growth of Branch
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 Branch 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 BRANCH

The Tokio Marine and Fire Insurance Company, Limited of Tokyo, Japan ("TMF Japan") was established in 1879 and was reorganized in 1944 under the laws of Japan. TMF Japan started its branch office operations in the United States in 1911. Such operations were maintained until the outbreak of World War II, at which time TMF Japan suspended its United States operations. The Branch resumed its operations under the laws of the State of New York in December 1955.

In 2002, 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., 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" or "the Home Office"). In turn, the Branch was renamed as The United States Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan.

The Branch operates as a branch of the Home Office and is the lead company of the Home Office's United States property and casualty segment.

A. Management

From December 30, 1955 to December 31, 1976, the Branch was managed by Appleton and Cox, Inc. In 1976, the Home Office formed Tokio Marine Management, Inc. ("TMM") under New

York laws as the wholly-owned subsidiary of the Branch. The Home Office, by the power of attorney, appointed TMM as its attorney and the United States manager effective January 1, 1977. The power of attorney authorizes TMM to conduct for the Home Office all the business affairs of its United States Branch and the insurance business, which the Home Office shall be authorized to transact under the laws and authority of the United States or of any states, territories or districts thereof.

At December 31, 2009, TMM's board of directors was comprised of the following seven members:

Name and Residence	Principal Business Affiliation
B. Steven Goldstein New York, NY	Senior Vice President, Chief Compliance Officer, Chief Risk Officer, Secretary and General Counsel, Tokio Marine Management, Inc.
Ichiro Ishii Yokohama-shi, Kanagawa, Japan	General Manager, International Business Development Department, Tokio Marine Holdings, Inc.
Hayato Isogai New York, NY	Chief Executive Officer, Tokio Marine Management, Inc.
James Maguire, Jr. Fort Washington, PA	President and Chief Executive Officer, Philadelphia Insurance Companies
Fumiaki Namekawa Kashiwa-shi, Chiba, Japan	Senior General Manager, Corporate Accounting Department, Tokio Marine & Nichido Fire Insurance Co., Ltd.
Hiroyuki Watabiki New York, NY	President, Tokio Marine Management, Inc.
James Zrebiec Leonardo, NJ	Self-employed

The TMM board of directors meets an average of four times a year. 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 Branch were as follows:

Name	Title
Hayato Isogai	Chief Executive Officer
B. Steven Goldstein	Senior Vice President and Secretary
Arlene Mahmoud	Vice President and Treasurer
Lisa La Rocca	Vice President and Controller

Conflict of Interest

A review of Branch's conflict of interest statements noted that that the Branch could not provide some of conflict of interest statements signed by directors and offices as required per the Branch's conflict of interest policies.

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

It is additionally recommended that the Branch obtain signed conflict of interest statements 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 Branch was licensed to write business in all fifty states as well as the District of Columbia and the Commonwealth of Puerto Rico.

As of the examination date, the Branch 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:

Paragraph	Line of Business
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

Paragraph	Line of Business
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
26	Gap
28	Service contract reimbursement

The Branch was also licensed to transact such workers’ compensation insurance as may be incident to coverages contemplated under paragraph 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 Congress as amended; 33 USC Section 901 et seq. as amended), provided that the authority conferred by this license shall be limited to the writing of contracts issued for delivery in the United States, insuring risks of policyholders within the United States.

The Branch was also licensed to do within New York State the business of special risk insurance pursuant to Article 63 of the New York Insurance Law.

Based on the lines of business for which the Branch is licensed and pursuant to the requirements of Articles 13 and 63 of the New York Insurance Law, the Branch is required to maintain a minimum surplus to policyholders in the amount of $8,300,000.

The Branch writes both property and casualty lines for commercial and personal lines business. Premiums are generated mostly from ocean marine, other liability-occurrence, fire, commercial auto liability, workers’ compensation and commercial multiple peril for major international entities. The Branch 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 Branch both in total and in New York for the period under examination:

Calendar Year	New York State	Total Premiums	Premiums Written in New York State as a Percentage of Total Premium
2005	$38,358,022	$440,955,177	8.70%
2006	$37,245,221	$459,228,438	8.11%
2007	$35,058,667	$479,069,433	7.32%
2008	$35,544,152	$454,245,812	7.82%
2009	$34,188,755	$410,210,074	8.33%

C. Reinsurance

Assumed

Assumed reinsurance accounted for 7.9% of the Branch's gross premium written for 2009. Approximately 53.4% is assumed from unaffiliated cedants. This business consists mainly of multi-lines coverage assumed on a quota share basis, pursuant to the terms of facultative and treaty agreements.

Most of the affiliated assumed business comes through a 95% quota share agreement with the Branch's subsidiary, Trans Pacific Insurance Company. Effective January 1, 2010, the percentage of the quota share changed to 100%.

Ceded

The Branch indicated that its largest net aggregate amount insured in any one risk in 2009, excluding workers compensation was $14,500,000.

A summary of the Branch's significant ceded reinsurance coverage for 2009 is as follows:

Type of Coverage	Cession
Property excess of loss –2 layers	1st layer: 90% of $95M excess of $5M per risk. 2nd layer: 100% of $130M excess of $100M per risk.
Casualty excess of loss –2 layers	50% of $27M excess of $3M per occurrence.

Type of Coverage	Cession
Catastrophe excess of loss –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.
Various lines (Cover 1000 and 2000)	Facultative agreement, approximate $95M premiums ceded in 2009.
Marine Cargo	$40M excess of $5M per reported risk.
Global Aerospace business-fronting business	100% quota share, approximately $32 million in premium ceded under this contract in 2009.

Subsequent to the examination date the Branch 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 the Branch increased its retention under its property excess of loss contract to $20 million from $5 million and decreased it coverage to $210 million from $225 million.

The Branch has a large amount of reinsurance recoverables from ceded reinsurance contracts in run-off. Most of these recoverables relate to business placed with the Branch by a former subsidiary named Tokio Re Corporation ("TRC"). TRC placed business with the Branch and its affiliates from 1979 to 2001. The TRC business was put into run-off by the Branch in 2001. The Branch reported approximately $261 million in reinsurance recoverables related to the TRC business at December 31, 2009. TRC was dissolved effective July 31, 2009 and Tokio Marine Management took over TRC's responsibilities.

The day-to-day operations of the run-off business of TRC are currently handled by an unaffiliated vendor named Reinsurance Solutions LLC. ("RSL") under a three-year portfolio management agreement effective March 31, 2009. Prior to the accident year 1986, the TRC run-off book contains heavily long-tailed casualty exposure, including asbestos and environmental and other latent liability exposure. From accident years 1986 and subsequent, it shifted to short-tail property business and had minimal exposure to product liability and other long-tailed casualty coverages with the exception of accident and health coverages.

As of December 31, 2009, there were three significant ceded reinsurance contracts, covering the TRC run-off business.

The first is the reinsurance agreement “cover 4000” contract, which covers all business assumed for underwriting year 1997 and prior. Under this agreement, the Branch retroceded 94% of its assumed exposure on all business assumed from underwriting year 1997 and prior to Tokio Marine Global Reinsurance Ltd., an unauthorized affiliate. As of December 31, 2009, there was approximately $69.9M in reinsurance recoverables retroceded under this agreement.

The second contract provides coverage for the Branch’s Specialty Accident Reinsurance Facility (“SARF”) Program. SARF is a middle-to-high layer accident and health product, similar to a workers’ compensation “carve-out” product. The SARF is 100% retroceded to Unum Life Insurance Company of America (“Unum”), an authorized non-affiliated reinsurer. As of December 31, 2009, there was approximately $65.7M in reinsurance recoverables retroceded to Unum. Effective January 5, 2011, the Branch commuted the assumed and ceded contracts for the SARF business. There was no net gain or loss recognized on this commutation.

The third contract provides coverage for the Branch’s Special Casualty Accident Reinsurance Facility (“SCARF”) Program, which is also a middle-to-high layer accident and health product, similar to a workers’ compensation “carve-out” product. The Branch currently retrocedes approximately 70% of theses liabilities. As of December 31, 2009, there was approximately $110.4M in reinsurance recoverables retro-ceded under the SCARF.

It is the Branch's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit obtained by the Branch to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. No exceptions were noted.

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 Branch 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 Branch's chief executive officer pursuant to the NAIC Annual Statement Instructions. Additionally, examination review indicated that the Branch was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth SSAP No. 62.

During the period covered by this examination, the Branch commuted various reinsurance agreements where it was a ceding/assuming reinsurer. These commutations resulted in a gain to the Branch's surplus position.

D. Holding Company System

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" or "the Home Office"). In turn, the Branch was renamed The United States Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan. On July 1, 2008, Millea Holdings, Inc. was renamed as Tokio Marine Holdings, Inc.

Prior to the merger, the Department had 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.

The Branch owned 100% of the following subsidiaries as of December 31, 2009:

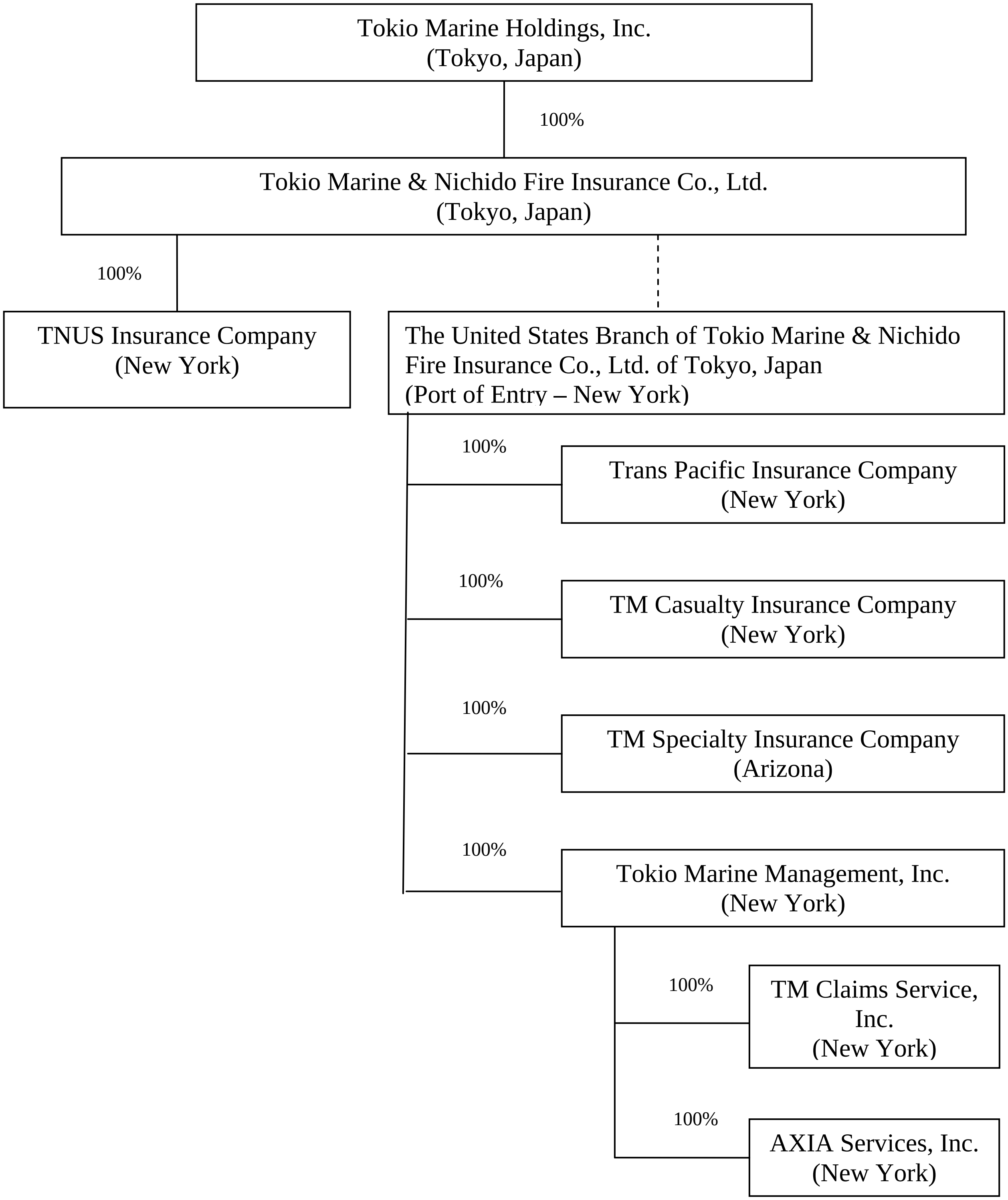
- Trans Pacific Insurance Company ("TPI"), a New York domiciled insurer
- TM Casualty Insurance Company ("TMC"), a New York domiciled insurer
- TM Specialty Insurance Company ("TMS"), an Arizona domiciled insurer
- Tokio Marine Management, Inc. ("TMM"), a New York non-insurer

Tokio Marine Management, Inc. in turn owned 100% of Axia Services, Inc. and 100% of TM Claims Service, Inc. as of December 31, 2009. Axia Services, Inc. was dissolved effective November 5, 2010.

It should be noted that the Branch erroneously indicated in its 2009 Schedule Y that it owned a company called Tokio Marine Compania de Seguros when in fact the Company was owned by the Home Office directly. This was corrected with the filing of the 2010 annual statement.

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:


Tokio Marine Holdings, Inc.
(Tokyo, Japan)
100%
Tokio Marine & Nichido Fire Insurance Co., Ltd.
(Tokyo, Japan)
100%
TNUS Insurance Company
(New York)
The United States Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan
(Port of Entry – New York)
100%
Trans Pacific Insurance Company
(New York)
100%
TM Casualty Insurance Company
(New York)
100%
TM Specialty Insurance Company
(Arizona)
100%
Tokio Marine Management, Inc.
(New York)
100%
TM Claims Service, Inc.
(New York)
100%
AXIA Services, Inc.
(New York)

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

Management Agreements

TMF Japan, by the power of attorney, appointed TMM as its attorney and manager of its United States business effective January 1, 1977. Under the management agreement dated December 28, 1976, TMM accepted TMF Japan's appointment as its United States Manager for transaction of insurance business on behalf of TMF Japan as defined in the power of attorney, inclusive of underwriting, claims handling and other necessary functions. Since the management agreement was dated prior to the merger of TMF Japan and Nichido Japan, the management agreement was not subject to Section 1505 of the New York Insurance Law. The Branch executed an updated management agreement with TMM effective January 1, 2006. The Department approved the updated management agreement on January 26, 2006 in accordance with Section 1505 of the New York Insurance Law.

Reinsurance Agreements

As of December 31, 2009, the Branch 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 significant affiliated agreements are summarized in Item 2C – Reinsurance 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	45%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	70%
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:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$949,668,201	61.39%
Other underwriting expenses incurred	444,616,227	28.74
Net underwriting gain	152,754,340	9.87
Premiums earned	$1,547,038,768	100.00%

F. Accounts and Records

(i) Agents Premium Receivables

It was noted that the Branch's system calculates non-admitted agents' balances as any amount more than 90 days past due. The Branch 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 Branch'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 Branch 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.

ii. Claim Data and Claim System

Upon review of the Branch's claim data, it was noted that some claim information contained in the paper claim files was not consistent with the information recorded in the claim system, especially the claims processed by the Branch's third party administrator. The inconsistencies included some differences in loss reserves and paid amounts due to timing differences and differences in report dates. The differences did not appear to be widespread and therefore, would not have a material financial impact on the Company.

It is recommended that the Branch implement polices and procedures to ensure the claim system captures and maintains accurate and updated information that is consistent with claim files.

In addition, it was noted the Branch's current claim system does not limit the number or amount of payments that can be processed after a claim has been closed.

It is recommended that the Branch enhance its claim system to limit the number and amount of payments that can be processed after a claim has been closed.

United States Trustee

The Tokio Marine and Nichido Fire Insurance Company, Limited of Tokyo, Japan ("the Home Office") appointed Mitsubishi UFJ Trust and Bank Corporation (U.S.A.) as its United States trustee by a deed of trust effective October 10th, 2008, pursuant to Section 1315 of the New York Insurance Law.

Pursuant to the deed of trust, the trustee shall have the power to receive securities and property belonging to the Home Office. Legal title of such securities and property shall be vested in the trustee. The trustee shall hold the securities and property for security of all policyholders and creditors of the Home Office within the United States. The trustee shall execute all business transactions with the written direction of the board of directors, or the Home Office's United States Manager ("TMM") representing the Branch. The trusteed assets shall not be withdrawn, other than income, earnings, or dividends or as specified in Section 1315(e)(3) of the New York Insurance Law, without the written approval of the Superintendent. Any modification or amendment to the deed of trust shall not become effective unless approved in writing by the Superintendent.

The trustee may resign or be removed provided that no such resignation or removal shall be effective until a successor has been appointed and has qualified and has been approved by the Superintendent.

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 Branch:

Assets	Assets	Assets Not Assets	Net Admitted Assets
Bonds	$1,283,445,389	$ 0	$1,283,445,389
Common stocks	73,779,508	0	73,779,508
Cash, cash equivalents and short-term investments	54,676,188	0	54,676,188
Investment income due and accrued	15,369,420	0	15,369,420
Uncollected premiums and agents' balances in the course of collection	25,205,509	7,547,690	17,657,819
Deferred premiums, agents' balances and installments booked but deferred and not yet due	72,716,627	3,079,809	69,636,818
Accrued retrospective premiums	30,998,601	3,099,860	27,898,741
Amounts recoverable from reinsurers	17,037,045	0	17,037,045
Funds held by or deposited with reinsured companies	9,782,814	0	9,782,814
Current federal and foreign income tax recoverable and interest thereon	1,260,136	0	1,260,136
Net deferred tax asset	48,580,678	28,976,862	19,603,816
Receivables from parent, subsidiaries and affiliates	114,006	0	114,006
Amounts receivable under high deductible policies	855,941	13,081	842,860
Funds held by or deposited – others	5,499,740		5,499,740
Equities and deposits in pools and associations	574,240		574,240
Prepaid expenses	1,687,578		1,687,578
Miscellaneous receivables	1,289		1,289
Receivable for securities balance overdue	280,000	280,000	0
Other assets	112,553	51,400	61,153
Total assets	$1,641,977,262	$43,048,702	$1,598,928,560

Liabilities, Surplus and Other Funds

Liabilities		
Losses		$632,541,354
Reinsurance payable on paid losses and loss adjustment expenses		897,848
Loss adjustment expenses		206,808,691
Commissions payable, contingent commissions and other similar charges		2,945,557
Other expenses (excluding taxes, licenses and fees)		841,593
Taxes, licenses and fees (excluding federal and foreign income taxes)		2,327,364
Unearned premiums		103,755,317
Ceded reinsurance premiums payable (net of ceding commissions)		37,579,839
Funds held by company under reinsurance treaties		617,535
Amounts withheld or retained by company for account of others		3,378,090
Remittances and items not allocated		2,143,395
Provision for reinsurance		5,219,700
Drafts outstanding		807,067
Payable to parent, subsidiaries and affiliates		4,281,793
Accrued retro return premiums		10,266,255
Syndicate balance on fronting business		3,388,076
Other liabilities		595,137
Total liabilities		$1,018,394,611
Surplus and Other Funds		
Statutory deposits	$ 5,400,000	
Unassigned funds (surplus)	575,133,949	
Surplus as regards policyholders		580,533,949
Total liabilities, surplus and other funds		$1,598,928,560

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

B. Statement of Income

Underwriting Income		
Premiums earned		$1,547,038,768
Deductions:		
Losses incurred	$670,226,215	
Loss adjustment expenses incurred	279,441,986	
Other underwriting expenses incurred	444,640,435	
Aggregate write-ins for underwriting deductions	(24,208)	
Total underwriting deductions		1,394,284,428
Net underwriting gain		$152,754,340
Investment Income		
Net investment income earned	$283,269,814	
Net realized capital gain	(585,906)	
Net investment gain		282,683,908
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (297,843)	
Aggregate write-ins for miscellaneous income	95,736	
Total other income		(202,107)
Net income before dividends to policyholders and before federal and foreign income taxes		$435,236,141
Dividends to policyholders		1,833,055
Net income after dividends to policyholders but before federal and foreign income taxes		$433,403,086
Federal and foreign income taxes incurred		125,264,347
Net income		$308,138,739

C. Capital and Surplus Account

Surplus as regards policyholders increased $170,867,609 during the five-year examination period January 1, 2005 through December 31, 2009, detailed as follows:

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2004			$409,666,340
Net income	$308,138,739	$ 0	
Net unrealized capital gains or (losses)		41,681,552	
Change in net unrealized foreign exchange capital gain (loss)		626,631	
Change in net deferred income tax	2,387,063		
Change in nonadmitted assets	4,194,089		
Change in provision for reinsurance		1,544,099	
Net remittances to home office	0	100,000,000	
Total gains and losses	$314,719,891	$143,852,282	
Net increase (decrease) in surplus			170,867,609
Surplus as regards policyholders per report on examination as of December 31, 2009			$580,533,949

D Trusteed Surplus Statement

The following shows the trusteed surplus of the Branch as of December 31, 2009 calculated pursuant to Section 1312 of New York Insurance Law:

Assets		
Bonds deposited with the state insurance departments for the protection of all policyholders and creditors within the United States:		
New York	$ 3,775,643	
Accrued interest thereon	73,867	
Total deposits with state insurance departments		$ 3,849,510
Vested in and held by United States Trustee:		
Cash	$ 1,011,890	
Bonds	967,430,096	
Stocks	49,670,968	
Accrued interest thereon	9,840,307	
Total trusteed assets		1,027,953,261
Total gross assets		$1,031,802,771
Liabilities		
Total liabilities per examination		$1,018,394,611
Deduction from liabilities:		
Reinsurance recoverable on paid losses:		
Authorized companies	$ 4,895,761	
Unauthorized companies	12,141,284	
Special deposits, not exceeding net liabilities carried in this statement on liabilities in each respective state	148,819,224	
Accrued interest on state deposit	2,984,292	
Agents' balances or uncollected premiums not more than ninety days past due, not exceeding unearned premium reserves carried thereon	115,193,378	
Other assets offsetting liabilities	6,902,824	
Total deductions		290,936,763
Net liabilities (Section 1312)		$727,457,848
Trusteed surplus (Section 1312)		304,344,923
Total liabilities and trusteed surplus		$1,031,802,771

It is noted that the Branch reported $6,902,824 for “Other assets offsetting liabilities” in its Trustee Surplus Statement. These assets represents fund held by third party administrators (“TPA”) and receivables under large deductible policies. These types of assets are not specified as acceptable liability offsets per Section 1312 of the New York Insurance Law.

It is recommended that in determining the net amount of its liabilities in the United States on its Trusteed Surplus Statement, the Branch only include deductions that are permitted pursuant to Section 1312(a)(2) of the New York Insurance Law. Given the immateriality of the amount involved there have been no changes to the trusteed surplus statement presented in this report.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $632,541,354 is the same as reported by the Branch 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 Branch’s internal records and in its filed annual statements.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained the following recommendations (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Reinsurance	
i.	It is recommended that the Branch submit all reinsurance agreements with related parties to the Department in a timely manner in accordance with Section 1505(d)(2) of the New York Insurance Law.	8
	The Branch has subsequently filed the aforementioned agreement with the Department.	
	The Branch has complied with this recommendation.	
ii.	It is recommended that the Branch amend its letters of credit to include the proper required wording in order to take credit for unauthorized reinsurance in accordance with Department Regulation 133.	9
	The Branch has complied with this recommendation.	

ITEM		PAGE NO.
iii.	It is recommended that the Branch amend its obligatory master facultative reinsurance agreement for Cover 1000 and Cover 2000 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. The Branch has complied with this recommendation.	9
iv.	It is recommended that the Branch amend its reinsurance agreements to include the proper arbitration clause, extra contractual obligations clause and excess of original policy limits clause and submit the agreements 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. The Branch has complied with this recommendation.	10
v.	It is recommended that the Branch 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. The Branch has established new procedures for writing off reinsurance recoverable on paid losses, case and IBNR reserves, and ceded balance payable in 2005. The Branch also eliminated the balances in the other liability account for the immaterial balances previously written off. The Branch has properly recorded the write off amounts for reinsurance recoverable and payable for the 2005 annual statement. The Branch has complied with this recommendation.	11
B.	<u>Accounts and Records</u> <u>Drafts Outstanding</u>	
	It is recommended that the Branch 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. The Branch has complied with this recommendation.	16

ITEM	PAGE NO.
Certified Public Accountant ("CPA") Engagement Letters	
It is recommended that the Branch ensure the contract between the Branch and the independent auditors specify the proper workpaper retention period in accordance with the Department Regulations 118 and 152.	17
The Branch has complied with this recommendation.	
Uncollected Premiums and Agents' Balances in the Course of Collection	
It is recommended that the Branch report unapplied cash in the "Remittances and items not allocated" account as a liability in accordance with the Annual Statement Instructions.	17
It is recommended that the Branch 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.	18
It is recommended that the Branch conduct periodic audits on processing of premiums and agents balances.	18
It is recommended that the Branch establish clear written guidelines in the following five areas in processing of premiums and agents' balances:	18
• Billing - If the Branch 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.	18
• Collection - The Branch should require the Agency Accounting Department to resolve any account discrepancies in a specific time period. The Branch should actively work with agents and brokers to resolve any discrepancies.	
• 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 # 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 cancellation and premiums and agents' balances write off.	
Reconciliation - The Branch should require reconciliation of premiums and agents' balances at least on a quarterly basis. Reconciling items that are over 90 days due should be non-admitted in accordance with SSAP No. 6 of the NAIC AP&P.	

ITEM PAGE NO.

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

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

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

Adjustments to Earned But Unbilled Premiums

It was noted that the Branch's actuary adjusted 2004 year end EBUB premiums by $10,000,000. However, the Branch neglected to adjust the EBUB premium balances for the annual statement. The Branch subsequently adjusted EBUB premiums in first quarter 2005 according to the Branch's latest actuarial projection. The Branch has also updated the review process in an attempt to avoid such errors in the future. 18

The Branch has complied with this recommendation.

C. Trusteed Surplus

The examination trusteed surplus of $99,788,146 is $2,177,489 less the $101,965,655 reported by the Branch in its Trusteed Surplus Statement as of December 31, 2004. The difference represents accrued interest on state deposits for policyholders of specific states that the Branch erroneously included twice as part of the trusteed surplus. Subsequent to the examination date, the Branch noted the error and amended the formula for calculating trusteed surplus for 2006. 24

The Branch has complied with this recommendation.

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. 26

The Branch has complied with this recommendation.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Management	
i.	It is recommended that the Branch make a more diligent effort to obtain signed conflict of interest statements.	5
	It is additionally recommended that the Branch obtain a signed conflict of interest statements from all directors and officers at the time they are hired and/or elected.	5
B.	Account and Records	
i.	It is recommended that the Branch 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.	14
ii.	It is recommended that the Branch implement polices and procedures to ensure the claim system captures and maintains accurate and updated information that is consistent with claim files.	15
iii.	It is recommended that the Branch enhance its claim system to limit the number and amount of payments that can be processed after a claim has been closed.	15
C.	Trustee Surplus Statement	
i.	It is recommended that in determining the net amount of its liabilities in the United States on its Trusteed Surplus Statement, the Branch only include deductions that are permitted pursuant to Section 1312(a)(2) of the New York Insurance Law.	21

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. 30446

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

TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.
UNITED STATES BRANCH

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

Branch

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