

REPORT ON EXAMINATION
OF THE
NETSUI SUMITOMO INSURANCE COMPANY OF AMERICA
AS OF
DECEMBER 31, 2012

DATE OF REPORT

DECEMBER 20, 2013

EXAMINER

DIANNE BATISTONI

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

December 20, 2013

Honorable Benjamin M. Lawsky
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 31018 dated July 15, 2013, attached hereto, I have made an examination into the condition and affairs of the Mitsui Sumitomo Insurance Company of America as of December 31, 2012 and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate the Mitsui Sumitomo Insurance Company of America.

Wherever the designation "Department" appears herein without qualification, it should be understood to indicate the New York State Department of Financial Services.

The examination was conducted at the Company's main administrative office located at 15 Independence Boulevard, Warren, New Jersey 07059.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2007. This examination covered the five-year period from January 1, 2008 through December 31, 2012. 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 Handbook:

- 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
- 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 in the prior report on examination.

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

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of the State of New York on March 29, 2001 as the Sumitomo Marine and Fire Insurance Company of America and commenced business on September 28, 2001. The Company was organized as the vehicle for the domestication of the United States Branch of Sumitomo Marine & Fire Insurance Company, Limited (“U.S. Branch”), pursuant to Article 72 of the New York Insurance Law. The domestication was a reorganization of the U.S. Branch whereby the Company succeeded to all business, assets and liabilities of the U.S. Branch.

Sumitomo Marine & Fire Insurance Company, Limited was formed in 1944 under the sponsorship of Sumitomo Financial Group through the amalgamation of The Osaka Marine and Fire Insurance Company and The Sumitomo Marine & Fire Insurance Company, Limited (known prior to 1940 as Fuso Marine and Fire Insurance Company, Limited), which were founded in 1893 and 1917, respectively, under the laws of Japan. A branch office of Sumitomo Marine & Fire Insurance Company, Limited was maintained in the United States from 1920 until World War II. The U.S. Branch was re-established under the laws of New York on January 1, 1971 and began business on the same day.

On October 1, 2001, Sumitomo Marine & Fire Insurance Company, Limited and Mitsui Marine and Fire Insurance Company, Ltd. merged and became the Mitsui Sumitomo Insurance Company, Limited (“MS Japan”). The Company adopted its current name, Mitsui Sumitomo Insurance Company of America, on July 1, 2003.

Effective January 1, 2002, the Company became a wholly-owned subsidiary of MSIG Holdings (U.S.A.), Inc. (“MSIG”). MSIG is a wholly-owned subsidiary of MS Japan and was established on January 1, 2002. Prior to January 1, 2002, the Company was a wholly-owned subsidiary of MS Japan.

In 2009, a merger and alliance (“Merger”) between Mitsui Sumitomo Insurance Group

Holdings, Inc. (“Holdings Japan”), Aioi Insurance Company, Limited (“Aioi Japan”) and Nissay Dowa General Insurance Co., Ltd (“Nissay Dowa”), all of them Japanese corporations, was announced. Effective April 10, 2010, the Merger was implemented by a Share Exchange Agreement previously executed by the parties pursuant to the Japan Corporation Law. Holdings Japan was the surviving entity on merger and its name was changed to MS & AD Insurance Group Holdings, Inc. effective that same date. Subsequent to the Merger, Nissay Dowa Japan merged with and into Aioi Japan on October 1, 2010. Aioi Japan was the surviving entity on merger with Nissay Dowa Japan and was renamed Aioi Nissay Dowa Insurance Company, Limited, also effective October 1, 2010. Holdings Japan, renamed as MS & AD Insurance Group Holdings, is the ultimate parent of both MS Japan and Aioi Japan.

As of December 31, 2012, capital paid in is \$5,000,000 consisting of 500,000 shares of common stock at \$10 par value per share. Gross paid in and contributed surplus is \$176,139,661. Gross paid in and contributed surplus increased by \$21,917,414 during the examination period as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2008	Beginning gross paid in and contributed surplus	\$154,222,247
2008	Surplus contribution	\$21,917,414
	Total surplus contributions	\$ <u>21,917,414</u>
2012	Ending gross paid in and contributed surplus	\$ <u>176,139,661</u>

A. Management

Pursuant to the Company’s charter and by-laws, as amended, 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 four times during each calendar year. At December 31, 2012, the board of directors was comprised of the following seventeen members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Takehisa Chiba New York, NY	Senior Vice President and Zone Coordinator, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Michael J. Daly Wyckoff, NJ	Senior Vice President and Chief Underwriting Officer, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Leonard S. Dome Roslyn Heights, NY	Retired, Mound, Cotton, Wollan and Greengrass

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
James P. Donovan Scarsdale, NY	Partner, Wilson, Elser, Moskowitz, Edelman and Dicker LLP
Joseph L. Farrell Belle Mead, NJ	Senior Vice President, Chief Financial Officer and Co-Treasurer, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Kenneth C. Froewiss Short Hills, NJ	Professor, New York University Stern School of Business
Gary R. Garcia Bedminster, NJ	President and Chief Operating Officer, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Hitoshi Goto Weehawken, NJ	Executive Vice President and Co-Treasurer, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Masahiro Horiike Tenafly, NJ	Senior Vice President, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Kazumasa Kobayashi Tenafly, NJ	Senior Vice President, Corporate Secretary and Compliance Controller, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Maki Kumagai Scarsdale, NY	Chairman and Chief Executive Officer, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
David R. Leskauskas Bernardsville, NJ	Senior Vice President and Chief Claims Officer, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Shin Miyatsu Tenafly, NJ	Vice President and Chief Information Officer, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Hideki Sano Ridgewood, NJ	Vice President, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Esther D. Stomel Wayne, NJ	Senior Vice President and Human Resources Manager, Mitsui Sumitomo Marine Management (U.S.A.), Inc.
Stephen P. Tasy Pittstown, NJ	Senior Vice President and General Counsel, Mitsui Sumitomo Marine Management (U.S.A.), 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 had an acceptable record of attendance.

As of December 31, 2012 the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Maki Kumagai	President and Chief Executive Officer
Gary R. Garcia	Chief Operating Officer
Kazumasa Kobayashi	Senior Vice President and Corporate Secretary
Joseph L. Farrell	Senior Vice President, Chief Financial Officer and Co-Treasurer
Michael John Paul Daly	Senior Vice President and Chief Underwriting Officer
David R. Leskauskas	Senior Vice President for Claims
Robert B. Miller	Senior Vice President for Claims
Stephen P. Tasy	Senior Vice President
Hitoshi Goto	Executive Vice President and Co-Treasurer

B. Territory and Plan of Operation

As of December 31, 2012, the Company was licensed to write business in all fifty states, as well as the District of Columbia and Puerto Rico. 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	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also authorized to transact such workers compensation insurance as may be incident to coverage contemplated under paragraphs 20 and 21 of Sections 1113 (a) of the New York Insurance Law, including insurance described in the Longshoremen's and Harbor Workers'

Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended), and as authorized by Section 4102(c) of the New York Insurance Law, insurance of every kind or description outside of the United States and reinsurance of every kind or description to the extent permitted by the certified copy of its charter on file with the Insurance Department.

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 \$35,000,000.

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>
2008	\$29,191,974	\$185,002,788	15.78%
2009	\$28,569,548	\$180,320,382	15.84%
2010	\$26,182,331	\$171,023,056	15.31%
2011	\$26,071,443	\$184,348,330	14.14%
2012	\$25,896,447	\$177,966,986	14.55%

The Company is a wholly owned subsidiary of MSIG Holdings (Americas), Inc. ("MSIG"). MSIG is owned by MS Japan. The Company specializes in providing coverage to commercial and institutional accounts related to U.S. interests of its parent's Multinational clients.

Approximately 59.5% of the Company's direct writings in 2012 were concentrated in California, New York, Illinois, Texas and New Jersey. Major product lines written direct as of December 31, 2012 were in Workers' compensation (30.7%), Commercial multiple peril (24.4%), Other liability-occurrence (13.2%), Ocean marine (10.8%) and Aircraft (9.7%). Business is produced through a managing general agent and independent agents and brokers located throughout the United States.

C. Reinsurance

Assumed reinsurance accounted for 37% of the Company's gross premium written at December 31, 2012. During the period covered by this examination, the Company's assumed reinsurance business has increased since the last examination. The Company's assumed reinsurance

program consists mainly of property, casualty and multi-line coverage assumed on a quota share and excess of loss basis pursuant to the terms of facultative and treaty agreements with both authorized and unauthorized cedants. Additionally, the Company's participation in various mandated pools is reflected in its assumed reinsurance activity. The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principles ("SSAP") No. 62R for all of its assumed reinsurance business.

On January 1, 2001, Mitsui Sumitomo Insurance USA Inc. ("MSU"), an affiliate of the Company, entered into a retroactive quota share agreement with Great American Insurance Company ("GAI"), whereby MSU assumed 100% of the outstanding loss and loss adjustment expense reserves related to the Japanese Division of GAI. Pursuant to the agreement, MSU received \$122,069,000, which was equal to the loss and loss adjustment expense reserves assumed; since the consideration received was equal to the reserves assumed, there was no initial gain or loss on this contract at inception. Through December 31, 2012, losses reimbursed totaled \$117,153,219 and the remaining reserves outstanding were \$23,101,737. The Company assumes 90% of the above amounts pursuant to the pooling agreement with MSU, as described further herein. At December 31, 2012, the Company reported a liability under the caption "Retroactive reinsurance reserve – assumed" in the amount of \$20,791,563, representing 90% of the remaining outstanding reserves. The agreement was accounted for by the Company as retroactive reinsurance pursuant to the provisions of SSAP No. 62 and SSAP No. 75.

Effective January 1, 2003, Mitsui Sumitomo Insurance Company of America (the "Pool Leader") and Mitsui Sumitomo Insurance USA Inc. (the "Pool Member") entered into a reinsurance pooling agreement. The Companies will share in premiums and losses net of reinsurance as well as liabilities and non-invested assets of each participant are pooled by means of mutual reinsurance on a fixed percentage basis, as follows:

<u>Pool Participants</u>	<u>Percentage</u>
Mitsui Sumitomo Insurance Company of America	90%
Mitsui Sumitomo Insurance USA Inc.	10%

The agreement was submitted to and approved by the Department pursuant to the provisions of Sections 1505(d) of the New York Insurance Law. Under the terms of the agreement, the Company acting as the Pool Leader assumes from the Pool Member 100% of the member premiums and losses and in turn retrocedes to the Pool Member its participating pooled percentage of premiums and losses. Other liabilities and non-invested assets are allocated to each company based on their

pooled percentage share. The following items are excluded from the agreement: federal taxes, interest and dividend income, shareholder dividends and provision for reinsurance.

As of the examination date, the Company had the following ceded reinsurance program in place:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Property Per Risk</u>	
First Excess of Loss (100% Authorized)	\$3,000,000 excess of \$2,000,000 any one risk, each loss, occurrence limit: \$6,000,000; annual limit: \$12,000,000
Second Excess of Loss (100% Authorized)	\$5,000,000 excess of \$5,000,000 any one risk, each loss, occurrence limit: \$10,000,000; annual limit: \$20,000,000
Third Excess of Loss (100 % Authorized)	\$15,000,000 excess of \$10,000,000 any one risk, each loss, occurrence limit: \$15,000,000; annual limit: \$45,000,000
Fourth Excess of Loss (100% Authorized)	\$25,000,000 excess of \$25,000,000 any one risk, each loss, occurrence limit: \$25,000,000; annual limit: \$50,000,000
Fifth Excess of Loss (100% Authorized)	\$25,000,000 excess of \$50,000,000 any one risk, each loss, occurrence limit: \$25,000,000; annual limit: \$50,000,000
<u>Casualty Per Risk</u>	
First Excess of Loss (100% Authorized/25% affiliated)	\$2,500,000 excess of \$3,500,000 each and every occurrence, with an aggregate limit of \$15,000,000 during the contract year & \$5,000,000 aggregate limit for terrorism.
Second Excess of Loss (100% Authorized)	\$5,000,000 excess of \$6,000,000 each and every occurrence, with an aggregate limit of \$18,000,000 during the contract year & \$10,000,000 aggregate limit for terrorism.
<u>Catastrophe</u>	
First Layer (100% Authorized)	\$5,000,000 excess of \$5,000,000 each and every occurrence, with an aggregate limit of \$10,000,000 during the contract year.

<u>Type of Treaty</u>	<u>Cession</u>
Second Layer (100% Authorized)	\$10,000,000 excess of \$10,000,000 each and every occurrence, with an aggregate limit of \$20,000,000 during the contract year.
Third Layer (100% Authorized)	\$35,000,000 excess of \$20,000,000 each and every occurrence, with an aggregate limit of \$70,000,000 during the contract year.

Workers' Compensation (Catastrophe)

First Layer (100% Authorized)	\$10,000,000 excess of \$11,000,000 each occurrence.
Second Layer (100% Authorized)	\$15,000,000 excess of \$21,000,000 each occurrence.

Adverse Loss Development Retrocession Contract

Effective October 1, 2006, the Company and its affiliate, Mitsui Sumitomo Insurance USA Inc., (collectively referred to as "the reinsureds") entered into an Adverse Loss Development Retrocession Contract with an unauthorized, unaffiliated reinsurer, whereby the reinsurer assumed 100% of the ultimate net losses and allocated loss adjustment expenses paid by the reinsureds on or after the effective date and arising from certain subject business previously written by the reinsureds. Pursuant to the agreement, the Company transferred initial reserves in the amount of \$27,360,000 (representing the Company's 90% share of \$30,400,000), for which it paid an initial consideration of \$27,360,000; since the consideration paid was equal to the reserves transferred, there was no initial gain on this contract at inception. The agreement provides coverage up to a combined aggregate limit of \$60,000,000 for both reinsureds. The Company reported a contra-liability in the amount of \$17,502,761 related to this agreement as of the examination date. The agreement was accounted for by the Company as retroactive reinsurance pursuant to the provisions of SSAP's 62 and 75.

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 and non-disapproved by the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

All 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.

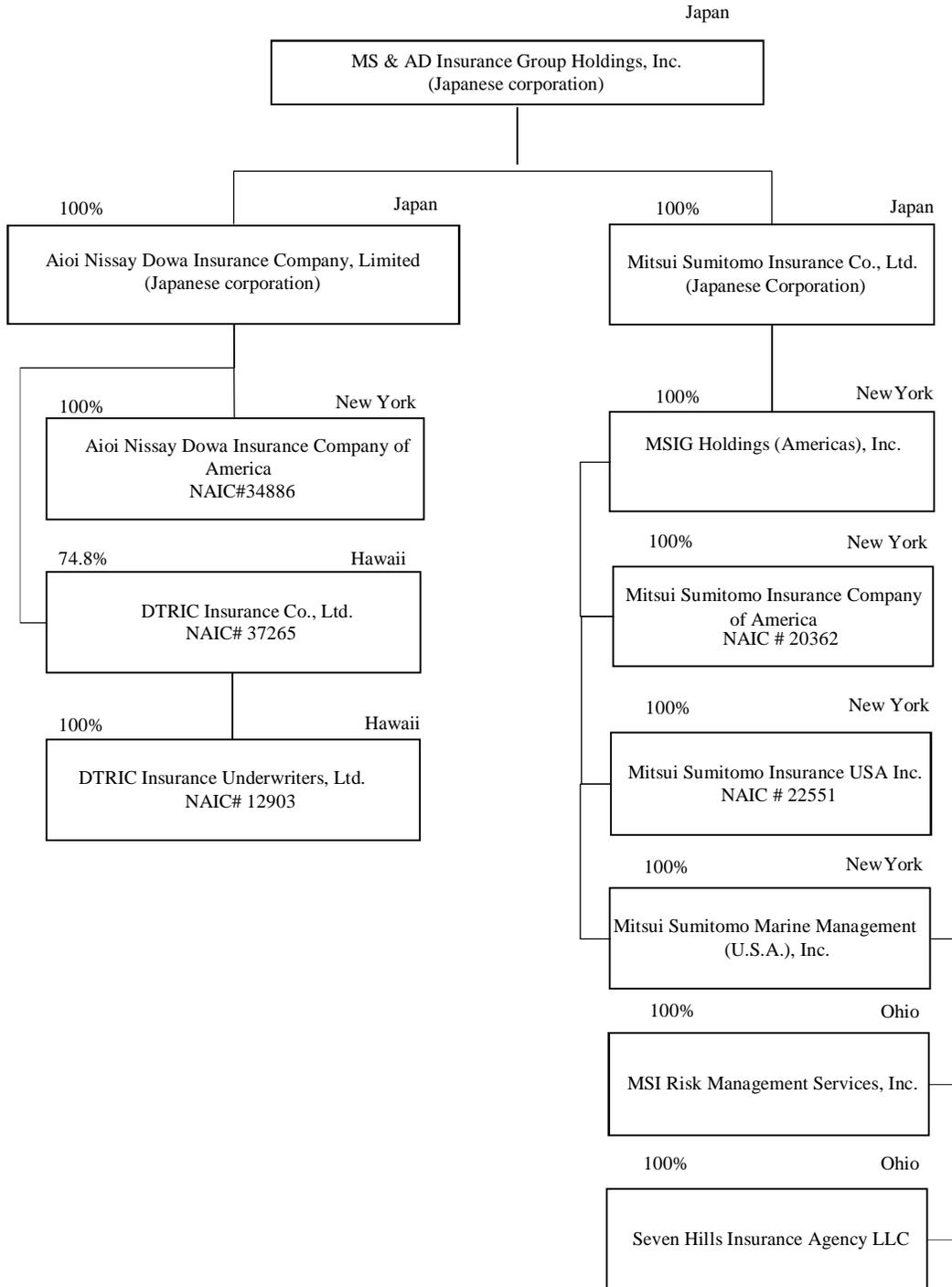
Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62R. 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. 62R.

D. Holding Company System

The Company is a member of the Mitsui Sumitomo Insurance Group. The Company is a wholly-owned subsidiary of MSIG Holdings (Americas), Inc., a New York corporation, which is ultimately controlled by MS & AD Insurance Group Holdings, Inc., a Japanese Corporation.

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 abbreviated chart of the holding company system at December 31, 2012:



At December 31, 2012, the Company was party to the following agreements with other members of its holding company system:

Management Agreement

Effective January 1, 2002 and amended on April 1, 2006, the Company entered into a management agreement with its affiliate, Mitsui Sumitomo Marine Management (U.S.A), Inc. (“MSMM”). Under the terms of the agreement, MSMM will provide various management services on behalf of the Company including claims, underwriting, policyholder services, investment, producer management, collection and handling of premiums and other funds, reinsurance, accounting and financial, marketing support and product development and administration, information technology, legal and governmental relations, and human resources. In addition, MSMM agrees to make available to the Company its facilities and equipment (whether leased or owned) as the Company may determine to be reasonably necessary to conduct its business. The agreement was filed with and non-disapproved by this Department pursuant to Section 1505 of the New York Insurance Law.

Tax Allocation Agreement

Effective July 1, 2003 the Company entered into a tax allocation agreement with its immediate parent, MSIG Holdings (Americas), Inc. The agreement was submitted to and non-disapproved by this Department pursuant to the provisions of Section 1505(d) of the New York Insurance Law.

The agreement complies with the guidelines set forth in Department Circular Letter No. 33 (1979).

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2012 based upon the results of this examination:

Net premiums written to surplus as regards policyholders	52%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	69%
Premiums in course of collection to surplus as regards policyholders	12%

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	\$483,389,107	68.56%
Other underwriting expenses incurred	219,457,831	31.12
Net underwriting loss	<u>2,247,998</u>	<u>0.32</u>
Premiums earned	<u>\$705,094,936</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, 2012 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	\$531,356,623	\$ 0	\$531,356,623
Common stocks	46,668,068		46,668,068
Properties occupied by the company	21,046,135		21,046,135
Cash, cash equivalents and short-term investments	59,815,217		59,815,217
Investment income due and accrued	6,956,374		6,956,374
Uncollected premiums and agents' balances in the course of collection	40,467,137	5,259,025	35,208,112
Deferred premiums, agents' balances and installments booked but deferred and not yet due	46,465,882		46,465,882
Accrued retrospective premiums	1,237,826	123,783	1,114,043
Amounts recoverable from reinsurers	11,810,911		11,810,911
Funds held by or deposited with reinsured companies	1,155,980		1,155,980
Current federal and foreign income tax recoverable and interest thereon	3,025,415		3,025,415
Net deferred tax asset	14,462,484		14,462,484
Guaranty funds receivable or on deposit	135,035		135,035
Receivables from parent, subsidiaries and affiliates	19,287		19,287
Aggregate write-ins for other than invested assets	<u>11,177,364</u>	<u>652,941</u>	<u>10,524,423</u>
Total assets	<u>\$795,799,738</u>	<u>\$6,035,749</u>	<u>\$789,763,989</u>

Liabilities, surplus and other FundsLiabilities

Losses and loss adjustment expenses	\$372,033,401
Reinsurance payable on paid losses and loss adjustment expenses	436,760
Commissions payable, contingent commissions and other similar charges	640,724
Other expenses (excluding taxes, licenses and fees)	522,803
Taxes, licenses and fees (excluding federal and foreign income taxes)	2,529,230
Current federal and foreign income taxes	85,296
Unearned premiums	69,088,716
Dividends declared and unpaid : Policyholders	10,493
Ceded reinsurance premiums payable (net of ceding commissions)	22,993,411
Funds held by company under reinsurance treaties	144,942
Amounts withheld or retained by company for account of others	750,872
Provision for reinsurance	686,294
Payable to parent, subsidiaries and affiliates	9,043,568
Aggregate write-ins for liabilities	<u>12,572,044</u>
Total liabilities	\$491,538,554

Surplus and Other Funds

Common capital stock	\$ 5,000,000
Gross paid in and contributed surplus	176,139,661
Unassigned funds (surplus)	<u>117,085,775</u>
Surplus as regards policyholders	<u>298,225,435</u>
Total liabilities, surplus and other funds	<u>\$789,763,989</u>

Note: The Internal Revenue Service has completed its audits of the consolidated federal income tax returns filed on behalf of the Company through tax year 2009. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. The Internal Revenue Service has not yet begun to audit federal income tax returns covering tax years 2010 through 2012. 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 Income

Surplus as regards policyholders increased \$84,156,645 during the five-year examination period January 1, 2008, through December 31, 2012 detailed as follows:

Underwriting Income

Premiums earned		\$705,094,936
Deductions:		
Losses and loss adjustment expenses incurred	\$483,389,107	
Other underwriting expenses incurred	219,409,511	
Aggregate write-ins for underwriting deductions	<u>48,320</u>	
Total underwriting deductions		<u>702,846,938</u>
Net underwriting gain or (loss)		\$ 2,247,998

Investment Income

Net investment income earned	\$127,036,900	
Net realized capital gain	<u>7,885,795</u>	
Net investment gain or (loss)		134,922,695

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (640,606)	
Finance and service charges not included in premiums	21,943	
Aggregate write-ins for miscellaneous income	<u>(2,559,438)</u>	
Total other income		<u>(3,178,101)</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$133,992,592
Dividends to policyholders		<u>945,999</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$133,046,593
Federal and foreign income taxes incurred		<u>40,057,143</u>
Net income		\$ <u>92,989,450</u>

Surplus as regards policyholders per report on examination as of December 31, 2007			\$214,068,791
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$ 92,989,450		
Net unrealized capital gains or (losses)		2,669,787	
Change in net deferred income tax		4,058,974	
Change in non-admitted assets	8,600,624		
Change in provision for reinsurance	447,289		
Cumulative effect of changes in accounting principles	5,430,629		
Surplus adjustments paid in	21,917,414		
Dividends to stockholders		<u>38,500,000</u>	
Total gains and losses	<u>\$129,385,406</u>	<u>\$45,228,761</u>	
Net increase (decrease) in surplus			\$ <u>84,156,645</u>
Surplus as regards policyholders per report on examination as of December 31, 2012			<u>\$298,225,436</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability of \$372,033,401 is the same as the amount reported by the Company as of the examination date. 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 statement.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

There were no recommendations from the prior examination.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report does not contain any comments or recommendations.

Respectfully submitted,

Dianne Batistoni
Examiner In Charge

STATE OF NEW YORK)
)SS:
)
COUNTY OF NEW YORK)

Dianne Batistoni, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

Dianne Batistoni

Subscribed and sworn to before me

this _____ day of _____, 2014.

APPOINTMENT NO. 31018

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **BENJAMIN M. LAWSKY**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Diane Batistone

as a proper person to examine the affairs of the

Mitsui Sumitomo Insurance Company of America

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

COMPANY

with such other information as she shall deem requisite.

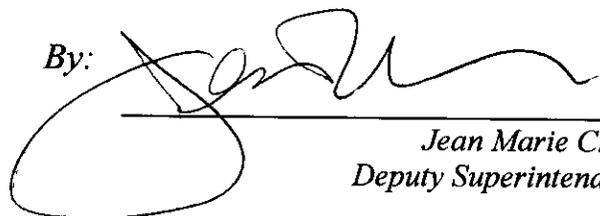
*In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York*

this 15th day of July, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services



By:



Jean Marie Cho
Deputy Superintendent