

REPORT ON EXAMINATION
OF THE
UNITED STATES BRANCH OF THE TRYGG-HANSA INSURANCE CO., LTD
AS OF
DECEMBER 31, 2000

DATE OF REPORT:

FEBRUARY 28, 2002

EXAMINER:

JAMES MURPHY

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

February 28, 2002

Honorable Gregory Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to instructions contained in Appointment No. 21808, dated December 6, 2001 and attached hereto, I have made an examination of the conditions and affairs of the United States Branch of the Trygg-Hansa Insurance Company, Ltd. as of December 31, 2000 and submit the following report thereon.

The examination was conducted at the offices of G.F. Dobson and Company, LLC, the Branch's United States Manager, located at 25 Smith Street, Nanuet, New York 10954.

Wherever the designations "the Branch" or "Trygg-Hansa" appear herein without qualification, they should be understood to indicate the United States Branch of the Trygg-Hansa Insurance Co., Ltd. Wherever the designation "the Manager" appears herein without qualification, it should be understood to indicate G.F. Dobson & Company, LLC., the United States Manager of the Branch.

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

1. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1995. This examination covers the period from January 1, 1996 through December 31, 2000. Transactions occurring subsequent to this period were reviewed where deemed necessary by the examiner.

The examination was limited in its scope to only those balance sheet items considered by this Department to require analysis. The items reviewed were cash and invested assets, loss and loss adjustment expense reserves, provisions for reinsurance and loss portfolio transfer. The examination included a review of income, disbursements and Branch records deemed necessary to accomplish such analysis or verification and utilized, to the extent considered appropriate, work performed by the Branch's independent certified public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

- Branch History
- Management and control
- Branch records
- Fidelity bonds and other insurance
- Territory and plan of operation
- Growth of Branch
- Loss experience
- Reinsurance
- Accounts and records
- Financial statements

A review was 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 which involve departures from laws, regulations, or rules or which require explanation or description.

2. DESCRIPTION OF BRANCH

The Branch is licensed pursuant to Article 11 of the New York Insurance Law. The home office was established in 1918 under the laws of Sweden. A United States Branch was licensed in 1976 under the laws of the State of New York.

Effective in October 1989, the Branch's home office changed its name from Hansa Marine Insurance Company, Ltd. to Trygg-Hansa Insurance Company, Ltd.. On August 6, 1990 an amended license was issued by the Department reflecting the name change to Trygg-Hansa Insurance Company, Ltd., Further, having met the financial requirements of Sections 1312 and 4103 (c) of the New York Insurance Law, the Branch was granted authority to transact the kinds of business noted in Section B of this report and for which its home office is licensed in its domiciliary jurisdiction.

The Branch placed itself in voluntary runoff on December 15, 1994, with a resolution from the board of directors.

A. Management

Effective May 1, 1995, G.F. Dobson & Company, LLC., was appointed United States Manager of the Branch. G.F. Dobson & Company, LLC., is a New York corporation and is not part of any holding company system. The Branch's runoff operations are conducted by the Manager. Pursuant to the terms of

the agreement, the Manager is given exclusive powers to bind insurance, issue policies and certificates of reinsurance, settle losses, effect reinsurance and collect premiums.

As of December 31, 2000, the principal officers of the Branch were as follows:

<u>Name</u>	<u>Title</u>
Gordon F. Dobson	President-US Manager
George W. Murphy	Secretary and Treasurer-US Manager

B. Territory and Plan of Operation

The Branch is licensed to write business in the following twelve states:

Arizona	New York
Delaware	Ohio
Illinois	Pennsylvania
Indiana	Tennessee
Kentucky	Texas
Maryland	West Virginia

As of December 31, 2000, 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:

<u>Paragraph</u>	<u>Kind of Insurance</u>
3	Accident and 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

<u>Paragraph</u>	<u>Kind of Insurance</u>
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

In addition, the Branch is licensed to transact such workers' compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113(a), including insurances 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).

Based upon the lines of business for which the Branch is licensed and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Branch is required to maintain a minimum surplus to policyholders in the amount of \$2,200,000.

C. Reinsurance

As of December 31, 2000, the Branch did not maintain any active reinsurance coverage.

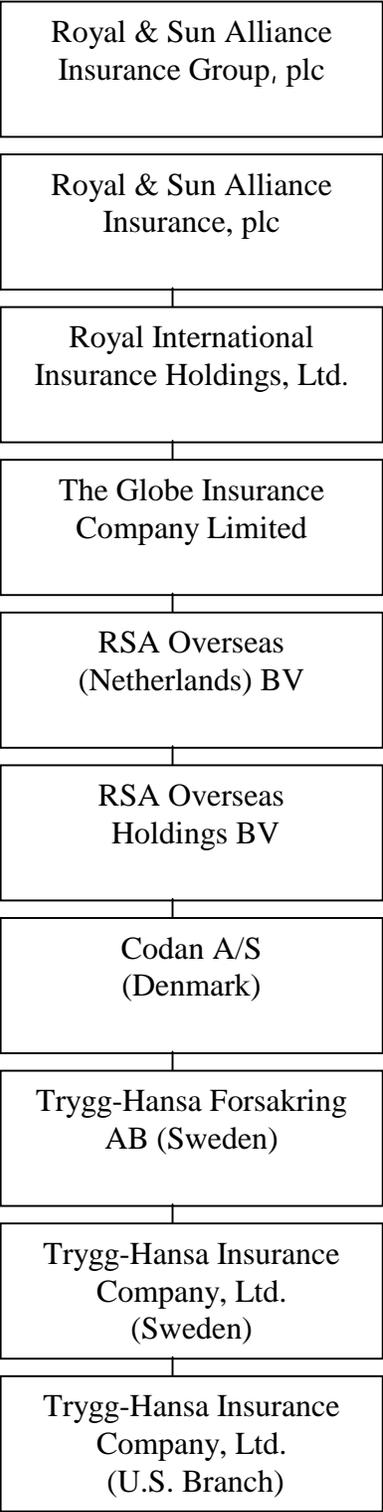
On July 1, 1999, the Branch entered into a contract whereby 100% of all outstanding loss and loss adjustment expense reserves were transferred to Suecia Insurance Company. The transaction was approved by the Department.

D. Holding Company System

The Branch and its Home Office, Trygg-Hansa Insurance Company, Ltd. of Stockholm, Sweden, are controlled insurers of their ultimate parent, Codan (Denmark).

As a member of a holding company system, the Branch files registration statements as required by Article 15 of the New York Insurance Law and Department Regulation 52. All registration files were reviewed and no problems were encountered.

The following is a chart of the holding company system as of December 31, 2000:



E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2000, based on the results of this examination:

Net premiums written in 2000 to surplus as regards policyholders	0.0 to 1
Liabilities to liquid assets	4%
Premiums in course of collection to surplus as regards policyholders	2.0%

All of the above ratios fall within the benchmark ranges of 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 incurred	\$(5,751,347)	450%
Loss adjustment expenses incurred	4,231,264	(331)
Other underwriting expenses incurred	856,350	(67)
Net underwriting loss	<u>(612,845)</u>	<u>48</u>
Premiums earned	<u>\$(1,276,578)</u>	<u>100%</u>

The unusual underwriting ratios noted above are due to the Branch's runoff status.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following statements show the assets, liabilities and surplus as regards policyholders as determined by this examination as of December 31, 2000. It is the same as the balance sheet filed by the Branch:

<u>Assets</u>	<u>Ledger Assets</u>	<u>Non-Ledger Assets</u>	<u>Not-Admitted Assets</u>	<u>Net-Admitted Assets</u>
Bonds	\$7,571,562	\$	\$	\$7,571,562
Cash and short-term investments	5,563,569			5,563,569
Agents' balances or uncollected premiums	258,318			258,318
Funds held by or deposited with reinsured companies	78,132			78,132
Reinsurance recoverable on loss and loss adjustment expense payments	411,901			411,901
Federal income tax recoverable and interest thereon	4,825			4,825
Interest, dividends and real estate income due and accrued		140,199		140,199
Loss portfolio transfer	<u>(748,351)</u>	<u> </u>	<u> </u>	<u>(748,351)</u>
Total assets	<u>\$13,139,956</u>	<u>\$ 140,199</u>	<u>\$ 0</u>	<u>\$13,280,155</u>

Liabilities

Losses	\$8,034,590
Reinsurance payable on paid loss and loss adjustment expenses	1,504,798
Loss adjustment expenses	2,155,790
Other expenses	72,008
Funds held by company under reinsurance treaties	7,659
Provision for reinsurance	391,267
Loss portfolio transfer	<u>(11,702,835)</u>
Total liabilities	\$463,277

Surplus and Other Funds

Statutory deposit	\$ 250,000
Unassigned funds (surplus)	<u>12,566,878</u>
Surplus as regards policyholders	<u>12,816,878</u>
Total liabilities and surplus	<u>\$13,280,155</u>

Note: The Branch has never been audited by the Internal Revenue Service. The examiner is unaware of any potential exposure of the Branch to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$708,848 during the five-year examination period from January 1, 1996 through December 31, 2000 detailed as follows:

<u>Statement of Income</u>		
<u>Underwriting Income</u>		
Premiums earned		\$(1,276,578)
Deductions:		
Losses incurred	\$(5,751,347)	
Loss adjustment expenses incurred	4,231,264	
Other underwriting expenses incurred	815,557	
Miscellaneous underwriting deductions	<u>40,793</u>	
Total underwriting deductions		<u>(663,733)</u>
Net underwriting loss		\$ (612,845)
<u>Investment Income</u>		
Net investment income earned	\$7,428,603	
Net realized capital gains (losses)	<u>810,006</u>	
Net investment gain		8,238,609
<u>Other Income</u>		
Net loss from agents' balances charged off	\$ (63,905)	
Loss on retroactive reinsurance	(3,100,622)	
Miscellaneous	<u>100,908</u>	
Total other income		<u>(3,063,619)</u>
Net income before federal income taxes		\$ 4,562,145
Federal income taxes incurred		<u>55,000</u>
Net income		<u>\$ 4,507,145</u>

Capital and Surplus Account

Surplus as regards policyholders, per report on examination as of December 31, 1995			\$12,108,030
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$4,507,145	\$	
Change in non-admitted assets			
Change in excess of statutory reserves over statement reserves	271,400		
Foreign exchange adjustment		11,624	
Paid-in-capital	87,500		
Net remittances to home office		4,000,000	
Miscellaneous adjustments		117,106	
Change in provision for reinsurance	<u> </u>	<u>28,467</u>	
Total gains and losses	<u>\$4,866,045</u>	<u>\$4,157,197</u>	
Net increase in surplus as regards policyholders			<u>708,848</u>
Surplus as regards policyholders, per report on examination as of December 31, 2000			<u>\$12,816,878</u>

C. Trusteed Surplus Statement

The following statement shows the trustee surplus of the Branch calculated in accordance with the provisions of Section 1312 of the New York Insurance Law and as amended by this examination:

Assets

Bonds on deposit with various states of the United States for the protection of all the Branch's policyholders and creditors within the United States:

New York	\$2,502,980	
Ohio	<u>365,005</u>	
Total		\$2,867,984

Assets held within the United States by trustees for the protection of all the Branch's policyholders and creditors within the United States:

Bonds	\$5,870,982	
Accrued interest on trustee assets	<u>140,199</u>	
Total		<u>6,011,181</u>

Total assets \$8,879,165

Liabilities

Liabilities as determined by this examination \$ 463,277

Additions to liabilities:

Ceded reinsurance balances payable:	\$ 44,564	
Retroactive reinsurance	<u>748,351</u>	
Total additions		792,915

Deductions from liabilities:

Reinsurance recoverable	\$ 411,901	
Agents' balances not more than ninety days past due	302,882	
Unpaid reinsurance premiums receivable not exceeding losses and loss adjustment expenses	<u>78,132</u>	
Total deductions		<u>792,915</u>

Net liabilities (per Section 1312) \$ 463,277

Trusteed surplus \$8,415,889

Total \$8,879,166

4. LOSS AND LOSS ADJUSTMENT EXPENSES

The examination liabilities for losses of \$8,034,590 and loss adjustment expenses of \$1,504,798 are the same amounts reported by the Branch as of the examination date. The analysis of the liabilities 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.

4. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

Following are the violations, recommendations and comments contained in the prior report on examination and the subsequent actions taken by the Branch in response to each citation (page numbers refer to the prior report):

<u>Item</u>	<u>Page No.</u>
A. <u>Management</u>	
It is recommended that management secure and maintain fidelity bond coverage as indicated in the NAIC Handbook.	5
The Branch has complied with this recommendation.	
B. <u>Losses and Loss Adjustment Expenses</u>	
1). It is recommended that management review its unallocated loss adjustment expenses and establish an ultimate reserve to runoff its business.	17
The Branch has complied with this recommendation.	
2). It is also recommended that management review the Underwriting and Investment Exhibit (Part 4-Expenses) to establish a more accurate allocation of its expenses between loss and underwriting functions.	17
The Branch has complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no comments and recommendations in this report on examination.

Respectfully submitted,

/S/

James Murphy
Associate Insurance Examiner

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

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

/S/

James Murphy

Subscribed and sworn to before me

this _____ day of _____ 2002.

Appointment No. 21808

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

James Murphy

as proper person to examine into the affairs of the

**TRYGG-HANSA INSURANCE COMPANY, LIMITED
(UNITED STATES BRANCH)**

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

Branch

with such other information as he 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 6th day of December, 2001





GREGORY V. SERIO
Superintendent of Insurance

