

REPORT ON EXAMINATION

OF THE

TNUS INSURANCE COMPANY

AS OF

DECEMBER 31, 2009

DATE OF REPORT

MARCH 11, 2011

EXAMINER

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

March 11, 2011

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

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30449 dated December 10, 2009 attached hereto, I have made an examination into the condition and affairs of TNUS 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 TNUS 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 TNUS 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

The Company commenced business on September 4, 1975, as the United States Branch of the Nichido Fire & Marine Insurance Company, Limited of Tokyo, Japan (“Nichido”). In October 2004, Nichido merged with the Tokio Marine and Fire Insurance Company, Limited of Tokyo, Japan and the surviving entity was named Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan (“TMNF”). On February 11, 2004, TNUS Insurance Company was formed as the vehicle for the domestication of the United States Branch of Nichido, and the domestication was finalized on July 1, 2004. The Company is a wholly-owned subsidiary of TMNF. Since the domestication, the Company has been managed by Tokio Marine Management, Inc. (“TMM”), a US affiliate.

The Company’s 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 at \$4,900,000 remained unchanged during the examination period.

A. Management

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

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
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.
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.
Shuzo Mochizuki Greenwich, CT	Corporate Liaison, Tokio Marine Management, Inc.
Takashi Okamura Greenwich, CT	Senior Vice President, Tokio Marine Management, Inc.
Nobuki Tamesue Eastchester, NY	Senior Vice President, Tokio Marine Management, Inc.
Shuichi Terakawa Pasadena, CA	Senior Vice President, Tokio Marine Management, Inc.
Hiroyuki Watabiki New York, NY	President, Tokio Marine Management, Inc.

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

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

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

Conflict of Interest

A review of Company's conflict of interest statements revealed 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 states except Maine, North Carolina and Wyoming.

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
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. 69th 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.

During the examination period, the Company did not write any direct business; all of its business was derived from assumed reinsurance. The following schedule shows the gross assumed premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Gross Assumed Premiums Written</u>
2005	\$33,048,277
2006	\$37,325,019
2007	\$(19,382,768)
2008	\$5,878,365
2009	\$5,878,356

Prior to December 31, 2006, all of the Company's written premiums were derived from an assumed quota share reinsurance agreement with National Union Fire Insurance Company, American Home Assurance Company, Commerce and Industry Insurance Company, Birmingham Fire Insurance Company of Pennsylvania, The Insurance Company of the State of Pennsylvania and AIU Insurance Company ("the Domestic Brokerage Group Pool Agreement"). Effective January 1, 2007, the Domestic Brokerage Group Pool Agreement was cancelled on a cut-off basis.

Effective August 1, 2007, the Company entered into a 40% quota share reinsurance agreement with its affiliate, the United States Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan ("the Branch"). All of the Company's written premiums from August 1, 2007 through the examination date were derived from this agreement. This agreement was terminated effective January 1, 2010 and the Company was discharged of all obligations under this agreement with a payment of \$10,415,687 to the Branch.

Subsequent to the examination date, the Company began writing workers' compensation business on a direct basis.

C. Reinsurance

Assumed reinsurance accounted for 100% of the Company's gross premium written at December 31, 2009. From August 1, 2007 through the examination date, all of the Company's written premiums were derived from a 40% quota share reinsurance agreement with its affiliate, the Branch. The agreement covered all business produced by a specific producer, the National Specialty Underwriters. Subsequently, this quota share agreement was commuted effective January 1, 2010. This commutation resulted in a gain to the Company's surplus.

Effective July 1, 2004, the Company entered into a ceded quota share reinsurance agreement with its affiliate, the Branch, whereby the Company ceded a 90% quota share of its net liability under all policies, contracts and binders of insurance or reinsurance, excluding business assumed under the 40% quota share reinsurance agreement with the Branch. Effective January 1, 2009, the agreement was amended to increase the quota share percentage from 90% to 100%. No business was ceded to this agreement prior to 2010 since all of the Company's business was derived from the 40% quota share reinsurance agreement with the Branch.

The Company utilizes reinsurance accounting as defined in NAIC Accounting Practices and Procedures Manual Statements of Statutory Accounting Principles ("SSAP") No. 62 for all of its assumed reinsurance business.

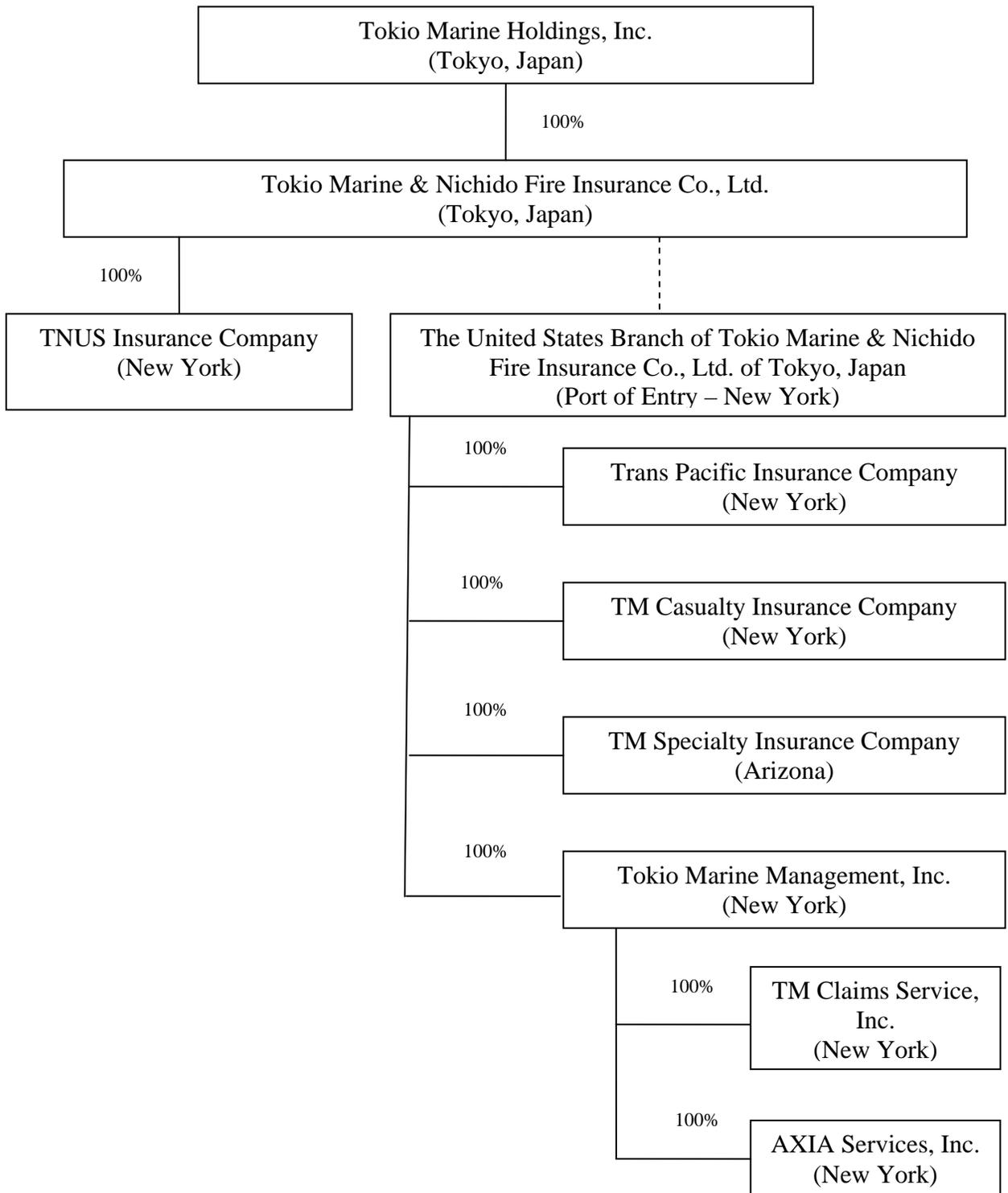
There was no significant ceded reinsurance coverage for the business assumed by the Company as of the examination date.

D. Holding Company System

The Company is a member of the Tokio Marine Holdings, Inc. of Tokyo, Japan. The Company is a wholly-owned subsidiary of Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan, which in turn is ultimately controlled by Tokio Marine Holdings, Inc.

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

The Company appointed its affiliate, Tokio Marine Management, Inc. (“TMM”), as its manager via a management agreement effective July 1, 2004. Under the management agreement, TMM provides management services, inclusive of underwriting, claims handling and other necessary functions, and facilities and equipment for the Company’s operation. The agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law.

Reinsurance Agreement

As of December 31, 2009, the Company was a party to one active affiliated quota share detailed in Section C- Reinsurance.

The Company was also a participant in a 100% quota share cession with its affiliate, the United States Branch of TMNF, which was not active at December 31, 2009. In 2010, the Company began writing workers’ compensation business on a direct basis, which was ceded out under this agreement.

The Department approved the affiliated reinsurance agreements in accordance with Article 15 of the New York Insurance Law.

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	12%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	20%
Premiums in course of collection to surplus as regards policyholders	1%

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	\$39,097,973	78.59%
Other underwriting expenses incurred	9,949,236	20.00
Net underwriting gain	<u>700,657</u>	<u>1.41</u>
Premiums earned	<u>\$49,747,866</u>	<u>100.00%</u>

3. FINANCIAL STATEMENTS

A Balance Sheet

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

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$56,525,843	\$ 0	\$56,525,843
Cash, cash equivalents and short-term investments	2,121,168	0	2,121,168
Investment income due and accrued	777,254	0	777,254
Uncollected premiums and agents' balances in the course of collection	524,224	0	524,224
Current federal and foreign income tax recoverable and interest thereon	328,851	0	328,851
Net deferred tax asset	<u>1,290,226</u>	<u>1,290,226</u>	<u>0</u>
Total assets	<u>\$61,567,566</u>	<u>\$1,290,226</u>	<u>\$60,277,340</u>

Liabilities, Surplus and Other FundsLiabilities

Losses		\$6,027,523
Reinsurance payable on paid losses and loss adjustment expenses		303,697
Loss adjustment expenses		2,999,265
Other expenses (excluding taxes, licenses and fees)		32,890
Taxes, licenses and fees (excluding federal and foreign income taxes)		19,086
Unearned premiums		2,547,038
Payable to parent, subsidiaries and affiliates		<u>119,850</u>
Total liabilities		\$12,049,349

Surplus and Other Funds

Common capital stock	\$5,000,000	
Gross paid in and contributed surplus	4,900,000	
Unassigned funds (surplus)	<u>38,327,991</u>	
Surplus as regards policyholders		<u>48,227,991</u>
Total liabilities, surplus and other funds		<u>\$60,277,340</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 IncomeUnderwriting Income

Premiums earned		\$49,747,866
Deductions:		
Losses incurred	\$28,298,503	
Loss adjustment expenses incurred	10,799,470	
Other underwriting expenses incurred	<u>9,949,236</u>	
Total underwriting deductions		<u>49,047,209</u>
Net underwriting gain		\$700,657

Investment Income

Net investment income earned	\$17,111,437	
Net realized capital gain	<u>138,628</u>	
Net investment gain		17,250,065

Other Income

Aggregate write-ins for miscellaneous income	<u>\$ 81,165</u>	
Total other income		<u>81,165</u>
Net income before federal income taxes		\$18,031,887
Federal and foreign income taxes incurred		<u>(408,301)</u>
Net income		<u>\$18,440,188</u>

C. Capital and Surplus Account

Surplus as regards policyholders increased \$16,409,333 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			\$31,818,658
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$18,440,188		
Change in net deferred income tax		\$2,299,624	
Change in nonadmitted assets	<u>268,769</u>	<u>0</u>	
Total gains and losses	<u>\$18,708,957</u>	<u>\$2,299,624</u>	
Net increase (decrease) in surplus			<u>16,409,333</u>
Surplus as regards policyholders per report on examination as of December 31, 2009			<u>\$48,227,991</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$9,026,788 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 three recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Territory and Plan of Operation</u>	
i. It is recommended that the Company amend its Colorado and Rhode Island licenses to match its New York license to comply with Section 1102(b) of the New York Insurance Law.	6
ii. It is recommended that the Company discontinue writing any line of business which it is not licensed to write in New York.	6
The Company has complied with this recommendation.	
B. <u>Accounts and Records</u>	
<u>CPA Awareness Letter</u>	
i. It is recommended that the Company ensure that the awareness letters between the Company and the independent certified public accountant specify the proper record retention period to comply with Regulations 118 and 152.	11
The Company has complied with this recommendation.	
C. <u>Loss and Loss Adjustment Expenses</u>	
i. It is again recommended that the Company report salvage or subrogation received or anticipated in Schedule P in accordance with NAIC annual statement instructions.	15
It is again recommended that the Company report claim count information in Schedule P in accordance with NAIC Annual Statement Instructions.	15
The Company has complied with these recommendations.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Respectfully submitted,

_____/S/_____
Qi Lin
Senior Insurance Examiner

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

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

_____/S/_____
Qi Lin

Subscribed and sworn to before me

this _____ day of _____, 2011.

**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

TNUS INSURANCE COMPANY

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

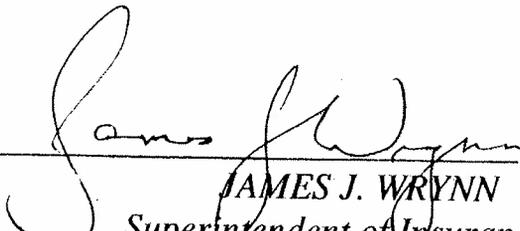
Company

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