

REPORT ON EXAMINATION

OF THE

UNITED STATES BRANCH OF TRYGG-HANSA INSURANCE COMPANY, LTD.

AS OF

DECEMBER 31, 2014

DATE OF REPORT

AUGUST 18, 2015

EXAMINER

JOSEPH REVERS, CFE

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Shirin Emami  
Acting Superintendent

August 18, 2015

Honorable Shirin Emami  
Acting Superintendent of Financial Services  
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31265 dated January 6, 2015, attached hereto, I have made an examination into the condition and affairs of the United States Branch of Trygg-Hansa Insurance Company, Ltd. as of December 31, 2014, 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 Trygg-Hansa Insurance Company, 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 terms “Company” or “Home Office” appear herein without qualification, they should be understood to mean the Trygg-Hansa Insurance Company, Ltd. (aka Trygg-Hansa Försäkrings AB).

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the offices of the Manager located at 220 White Plains Road, Tarrytown, New York, 10591.

## 1. SCOPE OF EXAMINATION

The Department has performed an individual examination of the Branch, a single-state insurer. The previous examination was conducted as of December 31, 2009. This examination covered the five-year period from January 1, 2010 through December 31, 2014. 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. 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 Handbook:

- 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

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 Branch was licensed in 1976 under the laws of the State of New York as the United States Branch of Hansa Marine Insurance Company, Ltd., a Swedish insurer established in 1918.

Effective 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 Section 312 and 4103(c) of the New York Insurance Law, the Branch was granted authority to transact the kinds of business noted in Item 2(B) of this report and for which its Home Office is licensed in its domiciliary jurisdiction.

The Branch placed itself in run-off on December 15, 1994, with a resolution from the Home Office board of directors.

### A. **Management**

Effective May 1, 1995, G.F. Dobson & Company LLC, was appointed the Manager of the Branch. The Manager is a New York corporation and is not part of any holding company system. The Branch's run-off operations are conducted by the Manager. Pursuant to the terms of the management agreement, the Manager was granted binding authority for and on behalf of the Branch and is appointed as the attorney-in-fact with full power and authority to invest all the Branch's funds in accordance with the insurance investment laws of New York State and the Branch's investment guidelines, to perform all administrative services, to participate in and direct all loss audits and claims administration as directed by the executive review committee and to do all other acts and things necessary or proper for the conduct of the Branch's business and operations. The Manager is not authorized to underwrite on the Branch's behalf, and is not authorized to commit the Branch to underwrite any insurance or reinsurance of any kind or nature without the prior written consent of the Branch.

The Branch does not have a board of directors, however, it has an executive review committee (“ERC”) which oversees the activities of the Branch and reports to the Home Office. The ERC meets twice annually and keeps minutes of the meetings. At December 31, 2014, the ERC was composed of two members from the Home Office and one member from the Manager. The members of the ERC as of December 31, 2014 were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Johan Isaakson Sweden	Head of Legal Sweden, Trygg-Hansa Försäkrings
Eva Groth Sweden	Head of Financial Management & Control, Trygg-Hansa Försäkrings
Scott Gottesman New York, USA	President and Treasurer, G.F. Dobson & Company LLC

As of December 31, 2014, the principal officers of the Manager were as follows:

<u>Name</u>	<u>Title</u>
Scott Gottesman	President and Treasurer, G.F. Dobson & Company LLC
Josianne Leveille	Secretary , G.F. Dobson & Company, LLC

B. Territory and Plan of Operation

As of December 31, 2014, the Company was licensed to write business in New York only.

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
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Department approved the Branch's request to drop its fidelity and surety and credit lines of business from its license on January 13, 2014.

Based on the lines of business for which the Branch is licensed and the Branch's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Branch is required to maintain a minimum trusteed surplus in the amount of \$1,550,000.

C. Reinsurance

At the examination date the Company was in run-off status and therefore had no ceded reinsurance agreements with active cessions. There were ceded reinsurance agreements in run-off through which the Company took approximately \$2,260,000 in statutory credit.

Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions.

On July 1, 1999, the Branch entered into a contract whereby 100% of all the net outstanding loss and loss adjustment expense reserves were transferred to Suecia Insurance Company ('Suecia'). Additionally Suecia took on the risk of the collectability of the Branch's third party reinsurance recoverables as part of this agreement. The transaction was approved by the Department.

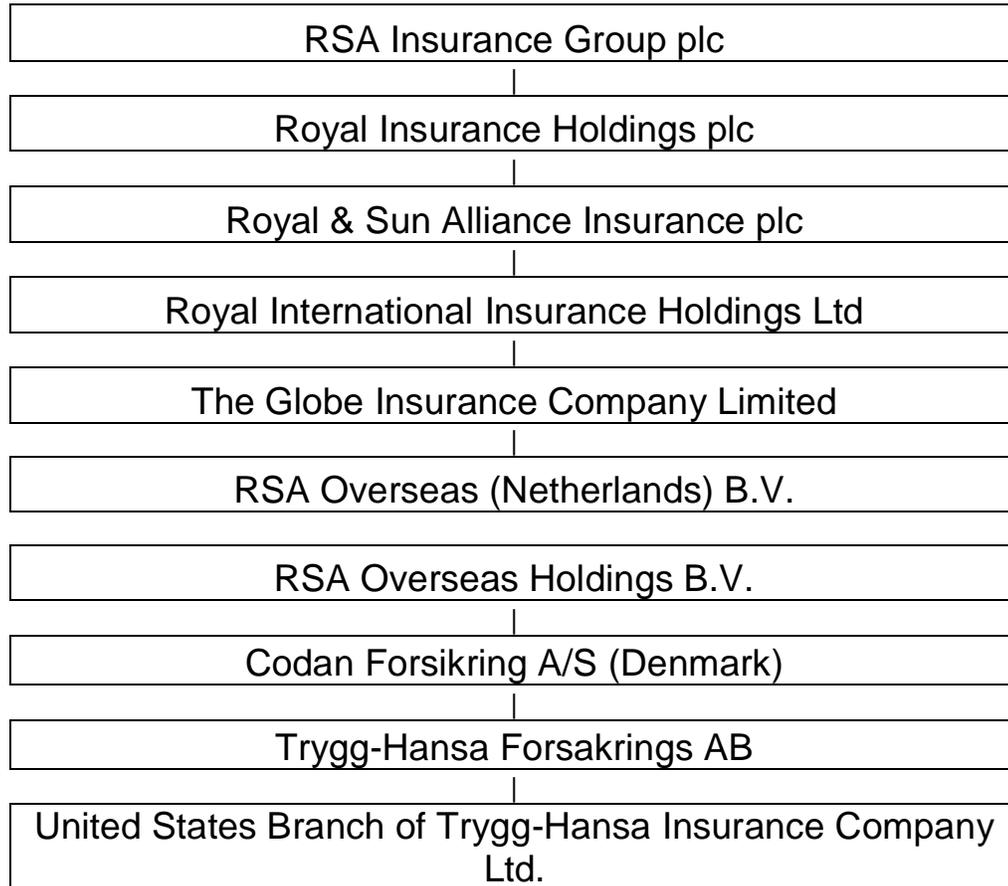
At December 31, 2014 the Branch took statutory credit, of approximately \$5,720,057, in connection with the retro-active reinsurance treaty with Suecia. These reinsurance recoverables are the Branch's most significant financial items. The Branch's most significant financial risk is ultimately its ability to collect on these reinsurance recoverables. It is noted that Suecia was examined concurrently with the Branch and there were no examination changes made to Suecia's balance sheet and income statement.

D. Holding Company System

The Company is a member of Great Britain's RSA Insurance Group plc (fka Royal & Sun Alliance Insurance Group, plc). The Company is wholly-owned by Codan A/S (Denmark). The Company's entry into the United States market is through the Branch.

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 a chart of the holding company system at December 31, 2014:



E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2014, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	0%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	3%
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.

F. Subsequent Events

Effective March 31, 2015, the Company, including the Branch, was merged into Codan Forsikring A/S ('Codan'). In connection with the merger the Branch changed its name from Trygg Hansa Insurance Company, Ltd (US Branch) to Codan Insurance Company, Ltd. (US Branch). Effective April 1, 2015, the license was amended to reflect the name change.

The Department determined that, subsequent to the merger, the Branch should keep its original license date and minimum surplus requirements. As part of the approval process for the merger Codan and RSA Insurance Group plc acknowledged their obligation to seek the Department's approval prior to underwriting new insurance business in the US through the Branch. It is noted that this is required by Section 1203(b) of the New York Insurance Law which states in part:

*“Any domestic insurer which ceases to do any insurance business for more than one year continuously shall forfeit its right to resume an insurance business, except with the prior approval of the superintendent...”*

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2014, as determined by this examination and as reported by the Branch:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$1,510,704	\$0	\$1,510,704
Cash, cash equivalents and short-term investments	880,663		880,663
Investment income due and accrued	1,439		1,439
Uncollected premiums and agents' balances in the course of collection	19,366		19,366
Amounts recoverable from reinsurers	(143,315)		(143,315)
Funds held by or deposited with reinsured companies	6,469		6,469
100% Retroactive reinsurance balances	<u>117,480</u>	<u>          </u>	<u>117,480</u>
Total assets	<u>\$2,392,806</u>	<u>\$0</u>	<u>\$2,392,806</u>

Liabilities, surplus and other fundsLiabilities

Losses and loss adjustment expenses	\$5,381,257
Reinsurance payable on paid losses and loss adjustment expenses	313,507
Other expenses (excluding taxes, licenses and fees)	35,750
Ceded reinsurance premiums payable (net of ceding commissions)	553
Funds held by company under reinsurance treaties	24,744
Provision for reinsurance	41,366
100% Retroactive reinsurance - reserve	(5,381,253)
100% Retroactive reinsurance - balances	<u>(338,804)</u>
Total liabilities	\$77,120

Surplus and Other Funds

Statutory deposit	\$ 250,000
Unassigned funds (surplus)	<u>2,065,686</u>
Surplus as regards policyholders	<u>\$2,315,686</u>
Total liabilities, surplus and other funds	<u>\$2,392,806</u>

Note: The Branch has not been audited by the Internal Revenue Service during the period under examination. 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

The net loss for the five-year examination period was \$596,482 as detailed below:

Underwriting Income

Premiums earned		\$ (3,727)
Deductions:		
Losses and loss adjustment expenses incurred	\$ 93,814	
Other underwriting expenses incurred	<u>875,176</u>	
Total underwriting deductions		<u>968,990</u>
Net underwriting gain or (loss)		\$(972,717)

Investment Income

Net investment income earned	<u>\$156,118</u>	
Net investment gain or (loss)		156,118

Other Income

Retroactive reinsurance gain	<u>220,117</u>	
Total other income		<u>220,117</u>
Net income		<u>\$(596,482)</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$1,038,648 during the five-year examination period January 1, 2010 through December 31, 2014, detailed as follows:

Surplus as regards policyholders per report on examination as of December 31, 2009			\$ 3,354,334
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income		\$ 596,482	
Change in provision for reinsurance	57,834		
Net remittances from or (to) home office	<u>          </u>	<u>500,000</u>	
Total gains and losses in surplus	<u>\$57,834</u>	<u>\$1,096,482</u>	
Net increase (decrease) in surplus			<u>\$(1,038,648)</u>
Surplus as regards policyholders per report on examination as of December 31, 2014			<u>\$ 2,315,686</u>

D. 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 as of December 31, 2014:

Assets

Securities deposited with state insurance departments for the protection of all policyholders and creditors within the United States.

Bonds	\$1,984,388	
Accrued interest on trustee assets	<u>1,439</u>	
Total trustee assets		<u>\$1,985,827</u>

<u>Liabilities</u>		77,120
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Additions to liabilities:

Ceded reinsurance balances payable: Retroactive reinsurance	\$ 553 <u>(118,033)</u>	
Total additions to liabilities		<u>(117,480)</u>
Total		\$ (40,360)

Deductions from liabilities:

Reinsurance Recoverable (Authorized companies)	(132,884)	
Reinsurance Recoverable (Unauthorized companies)	(10,431)	
Agents' balances not more than ninety days past due	19,366	
Unpaid reinsurance premiums receivable not exceeding losses and loss adjustment expenses (Unauthorized)	<u>6,469</u>	
Total deductions from liabilities		<u>\$(117,480)</u>
Net liabilities (per Section 1312)		\$ 77,120
Trusteed Surplus		<u>1,908,707</u>
Total trustee liabilities and surplus		<u>\$1,985,827</u>

**4. LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$0 is the same as reported by the Company as of December 31, 2014. This zero liability is reflective of the loss portfolio transfer, effective July 1, 1999, whereby the Branch ceded 100% of its outstanding net loss and loss adjustment reserves to Suecia Insurance Company. This loss portfolio transfer was accounted for on a retrospective basis with the statutory credit recorded as a write-in item on the balance sheet.

5. **COMPLIANCE WITH PRIOR REPORT ON EXAMINATION**

The prior report on examination contained no comments or recommendations.

6. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

This report contains no comments or recommendations.

Respectfully submitted,

\_\_\_\_\_/s/  
Joseph Revers, CFE  
Senior Insurance Examiner

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

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

\_\_\_\_\_/s/  
Joseph Revers

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2015.

**APPOINTMENT NO. 31265**

**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:

**Joseph Revers**

as a proper person to examine the affairs of the

**Trygg Hansa Insurance Company Ltd US Branch**

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

**COMPANY**

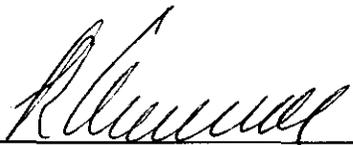
with such other information as he shall deem requisite.

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

this 6th day of January, 2015

**BENJAMIN M. LAWSKY**  
Superintendent of Financial Services

By:



Rolf Kaumann  
Deputy Chief Examiner

