REPORT ON EXAMINATION

OF

TOKIO MILLENNIUM RE AG (U.S. BRANCH)
(now known as RENAISSANCERE EUROPE AG, US BRANCH)

AS OF

DECEMBER 31, 2017

DATE OF REPORT	MAY 10, 2019
EXAMINER	SUSAN WEIJOLA

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May 10, 2019

Honorable Linda A. Lacewell
Acting Superintendent
New York State Department 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 31710 dated February 20, 2018, attached hereto, I have made an examination into the condition and affairs of Tokio Millennium Re AG (U.S. Branch) as of December 31, 2017, and submit the following report thereon.

Wherever the designation "the Branch" or "TMRUS" appears herein without qualification, it should be understood to indicate Tokio Millennium Re AG (U.S. Branch).

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 Branch's administrative office located at One Landmark Square, Stamford, CT 06901.

1. SCOPE OF EXAMINATION

The Department has performed an examination of the Branch, a multi-state reinsurer. This is the first financial examination of the Branch after the report on organization, which was conducted as of May 20, 2014. This examination covered the period from May 20, 2014 through December 31, 2017. 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 current and 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 New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

Branch history
Management and control
Territory and plan of operation
Holding company description
Reinsurance
Financial statement presentation
Loss review and analysis
Significant subsequent events
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 COMPANY

Tokio Millennium Re AG ("TMR") is a reinsurer incorporated in Switzerland which began writing business on March 15, 2000. TMR is a wholly-owned subsidiary of Tokio Marine & Nichido Fire Insurance Co., Ltd. ("TMNF") and was formed as the reinsurance arm of Tokio Marine Holdings, Inc. ("TMHD"). Tokio Millennium Re AG U.S. Branch was organized under the laws of Switzerland on May 20, 2014. It became licensed by the State of New York on June 2, 2014 and commenced business the same day.

A. Corporate Governance

As a United States branch of an alien insurer licensed in New York, the Branch is required to operate its business through a manager that is located in the United States. In that capacity, TMR has appointed TMR Management, Inc. ("TMRM"), a wholly-owned subsidiary.

Pursuant to New York Office of General Counsel Opinion 2005-208 (August 12, 2005), directors and officers of the manager are the directors and officers of the U.S. Branch. At December 31, 2017, the TMRM's board of directors was comprised of the following three members:

Name and Residence	Principal Business Affiliation
Masahiro Koike Cos Cob, CT	President, Tokio Millennium Re AG (U.S. Branch)
Stephan Ruoff Zurich, Switzerland	Chief Executive Officer, Tokio Millennium Re AG
Christopher Paul Taylor Paget, Bermuda	Head of Group IT, Tokio Millennium Re AG

As of December 31, 2017, the principal officers of the Branch were as follows:

Name	Title
Masahiro Koike	President
Rajiv Raval	Secretary
Brian Finkelstein	Treasurer

B. Territory and Plan of Operation

As of December 31, 2017, the Branch was licensed in New York, Kansas, and Washington, and authorized as an accredited reinsurer in the remaining 47 states and the District of Columbia. The Branch does not write any direct business.

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
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
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity
22	Residual value
24	Credit unemployment
26	Gap
28	Service contract reimbursement
29	Legal services
30	Involuntary unemployment
31	Salary protection

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 $35 million. Pursuant to the provisions of Section 1315 of the New York Insurance Law, an alien insurer is required to maintain, in the United States, trusteed assets for the security of all its U.S. policyholders and creditors, and to appoint a trustee of such assets. Under the terms of a deed trust dated July 30, 2014, TMR designated the Bank of New York Mellon as its U.S. trustee. The required minimum trusteed surplus is $35 million.

The Branch is a reinsurer and did not write any direct premiums during the examination period. The following schedule shows the assumed premiums written by the Company for the period under examination:

Calendar Year	Assumed Premiums	Total Gross Premiums
2014	$121,976,923	$121,976,923
2015	$649,764,724	$649,764,724
2016	$540,161,140	$540,161,140
2017	$557,984,539	$557,984,539

The Branch has three business segments: property, casualty, and specialty. Starting in 2014, the non-catastrophe reinsurance business that had been previously written by the TMR Bermuda branch, is now being underwritten and renewed by TMRUS. Most business is assumed using brokers.

C. Reinsurance Ceded

The Branch has a small ceded reinsurance program. It is limited to a few specific retrocessions on individual assumed agreements. These retrocessions are policy specific and do not apply to all the Branch business. No retrocessions are ceded to unauthorized reinsurers. TMR purchases catastrophe reinsurance which covers all branches.

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 found that the Schedule F data reported by the Branch in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle (“SSAP”) No. 62R. Representations were supported by appropriate risk transfer analyses and an attestation from the Branch's president and secretary 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 in SSAP No. 62R.

D. Holding Company System

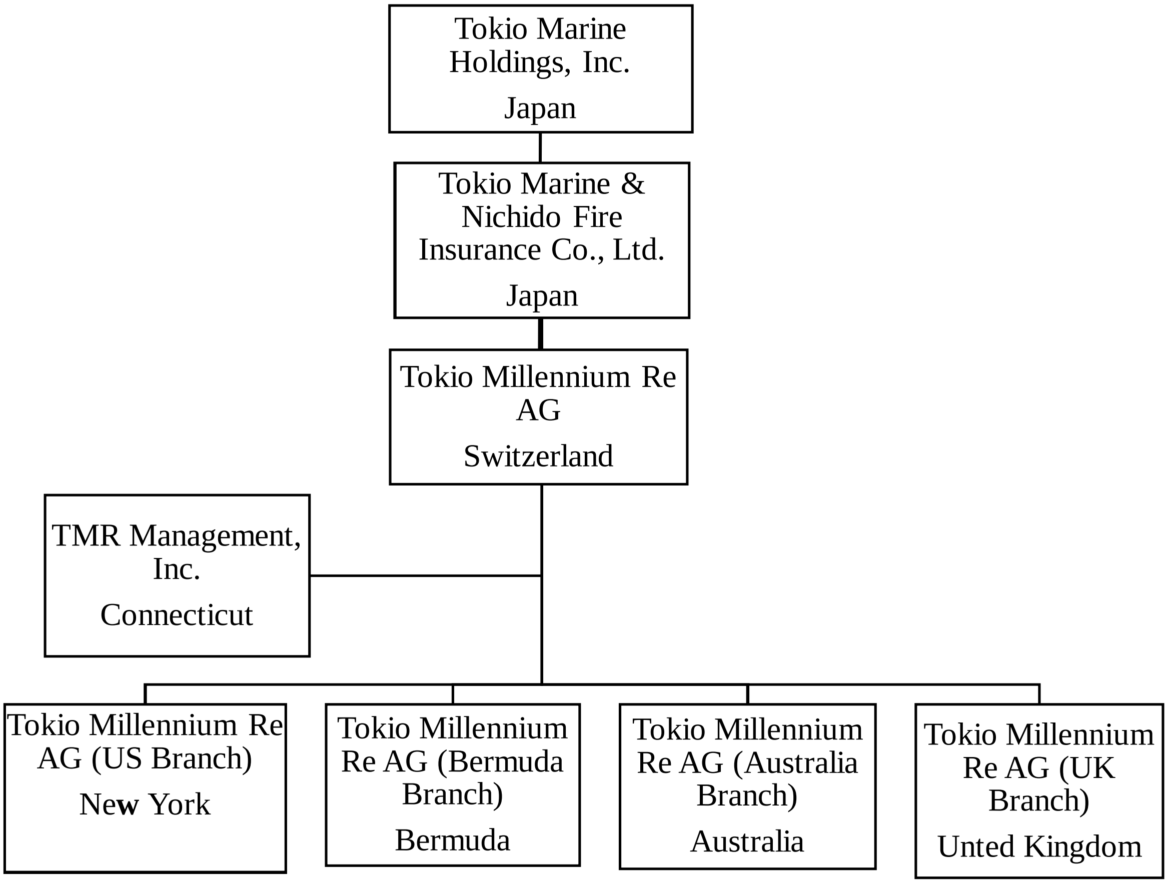
TMRUS is one of four branches of TMR, a Swiss corporation. TMR is a member of the Tokio Marine Group and is a wholly-owned subsidiary of TMNF, an insurer domiciled in Japan. The ultimate parent is TMHD, a company incorporated in Japan.

TMR, as a Swiss-based reinsurance company, is licensed and regulated by the Swiss Financial Market Supervisory Authority (“FINMA”). TMR was formed in Bermuda on March 15, 2000 and redomesticated to Switzerland on October 15, 2013. TMR operates in the United States through TMRUS. TMRUS is managed by TMRM.

TMRUS was established to further expand TMR’s non-catastrophe reinsurance portfolio and focuses primarily on non-catastrophe product lines. TMR’s four branches are located in Bermuda (Hamilton), Australia (Sydney), the United States (Stamford, CT) and the United Kingdom (London).

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, 2017:


Tokio Marine Holdings, Inc.
Japan
Tokio Marine & Nichido Fire Insurance Co., Ltd.
Japan
Tokio Millennium Re AG
Switzerland
TMR Management, Inc.
Connecticut
Tokio Millennium Re AG (US Branch)
New York
Tokio Millennium Re AG (Bermuda Branch)
Bermuda
Tokio Millennium Re AG (Australia Branch)
Australia
Tokio Millennium Re AG (UK Branch)
Unted Kingdom

Holding Company Agreements

At December 31, 2017, the following agreements were in place with members of the holding company system:

Deed of Guarantee

TMR benefits from a Deed of Guarantee ("Guarantee") originally issued on September 1, 2004 by TMNF. The Guarantee was amended and restated as of July 1, 2015 to add Tokio Marine & Nichido Life Insurance Co. Ltd. ("TMNL") as a co-guarantor under the Guarantee. TMNF and TMNL guarantee, to any holder of a reinsurance contract issued by TMR, the performance of the obligations of such reinsurance contracts in accordance with their terms and conditions.

Net Worth Maintenance

Effective July 1, 2015, TMNF and TMR entered into a Net Worth Maintenance Agreement. According to the terms of the agreement, TMNF shall take actions as necessary and appropriate to cause TMR to maintain at all times the greater of a minimum capital and surplus of either U.S. $1 billion or 120% of the target capital under the Swiss Solvency Test, as calculated by TMR.

Management

Effective April 22, 2014, TMR and TMRM entered into a Management Agreement whereby TMR appointed and authorized TMRM to act as the manager for TMRUS. Pursuant to the agreement, TMRM provides all administrative services necessary and appropriate for TMRUS, including, but not limited to: claims; underwriting and policyholder services; producer management; collection and processing of premiums; licensing; marketing support and product development; and information technology. All expenses shall be allocated in accordance with Department Regulation 30 and calculated in accordance with SSAP No. 70.

This agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law. As of December 31, 2017, the Branch reported payables due to related parties of $2,693,496 and incurred $14,612,975 of expenses pursuant to the management agreement.

E. Significant Ratios

All but one of the Branch's operating ratios, computed as of December 31, 2017, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

Operating Ratios	Result
Net premiums written to policyholders' surplus	256%
Adjusted liabilities to liquid assets	85%
Two-year overall operating	111%

The unusual value for the two-year overall operating ratio is mainly attributed to the Branch's unfavorable underwriting results.

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the four-year period covered by this examination:

	Amounts	Ratio
Losses and loss adjustment expenses incurred	$1,039,657,025	74.99%
Other underwriting expenses incurred	671,125,261	48.41
Net underwriting gain (loss)	(324,367,344)	(23.40)
Premiums earned	$1,386,414,942	100.00%

The Branch's reported risk-based capital ("RBC") score was 355.3% at December 31, 2017. The RBC is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC of 200 or below can result in regulatory action.

F. Accounts and Records

As a Swiss-domiciled company, TMR's principal supervising authority is FINMA. In 2017, FINMA issued Circular 2017/06 which relates to "direct transmission of non-public information to foreign authorities and entities by supervised parties". This Circular provides conditions that must be met for supervised parties to transmit non-public information to foreign authorities and entities, as well as the circumstances under which the transmission of information must be reported to FINMA beforehand. Hence, TMR was unable to provide the examiners with a full set of board and committee minutes because FINMA determined that transmission of the complete set of minutes relating to all aspects of the legal entity based in Switzerland would go beyond the purpose of local supervision. In addition, the examiner could not access most of the CPA and internal audit work done at TMR. The unavailability of the audit work papers and the board and committee minutes significantly increased the time and expense needed to complete the examination.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2017, as reported by the Branch:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$ 814,322,889	$ 0	$ 814,322,889
Cash, cash equivalents and short-term investments	70,091,300	0	70,091,300
Investment income due and accrued	5,651,193	0	5,651,193
Uncollected premiums and agents' balances in the course of collection	17,368,495	161,297	17,207,198
Deferred premiums, agents' balances and installments booked but deferred and not yet due	253,587,055	0	253,587,055
Funds held by or deposited with reinsured companies	64,423,646	0	64,423,646
Current federal and foreign income tax recoverable and interest thereon	900,000	0	900,000
Electronic data processing equipment and software	44,604	44,604	0
Furniture and equipment, including health care delivery assets	180,748	180,748	0
Leasehold improvements	1,511,161	1,511,161	0
Automobiles	8,174	8,174	0
Total assets	$1,228,089,265	$1,905,984	$1,226,183,281

Liabilities, Surplus and Other Funds

Liabilities

Losses and loss adjustment expenses		$ 504,395,762
Reinsurance payable on paid losses and loss adjustment expenses		12,896,319
Commissions payable, contingent commissions and other similar charges		(7,308,632)
Other expenses (excluding taxes, licenses and fees)		115,209
Unearned premiums		478,145,921
Ceded reinsurance premiums payable (net of ceding commissions)		431,961
Payable to parent, subsidiaries and affiliates		2,693,496
Payable for securities		3,250,000
Lease incentive		404,734
Total liabilities		$ 995,024,770
Surplus and other funds		
Gross paid in and contributed surplus	$507,609,778	
Unassigned funds (surplus)	(276,451,267)	
Surplus as regards policyholders		231,158,511
Total liabilities, surplus and other funds		$1,226,183,281

Note: The Branch has not been audited by the Internal Revenue Service. 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 examination period as reported by the Branch was $274,545,284, as detailed below:

Underwriting Income		
Premiums earned		$1,386,414,942
Deductions:		
Losses and loss adjustment expenses incurred	$1,025,957,025	
Other underwriting expenses incurred	671,125,261	
Total underwriting deductions		1,697,082,286
Net underwriting gain or (loss)		$(310,667,344)
Investment Income		
Net investment income earned	$ 31,208,279	
Net realized capital gain	2,546,509	
Net investment gain or (loss)		33,754,788
Other Income		
Interest income on funds held	$ 2,505,621	
Net realized foreign exchange gain or (loss)	(138,349)	
Total other income		2,367,272
Net income (loss)		$ (274,545,284)

C. Capital and Surplus

Surplus as regards policyholders increased $192,408,511 during the examination period, as reported by the Branch, detailed as follows:

Surplus as regards policyholders as reported by the Branch as of May 20, 2014			$38,750,000
	Gains in Surplus	Losses in Surplus	
Net income		$274,545,284	
Change in nonadmitted assets		1,905,983	
Surplus adjustments paid in	$468,859,778	0	
Net increase (decrease) in surplus	$468,859,778	$276,451,267	192,408,511
Surplus as regards policyholders as reported by the Branch, as of December 31, 2017			$231,158,511

Capital paid in was $507,609,778 at December 31, 2017 and increased by $468,859,778 during the examination period, as follows:

Year	Description		Amount
2014	Beginning gross paid in and contributed surplus		$38,750,000
2014	Surplus contribution	$113,734,319	
2015	Surplus contribution	234,585,100	
2017	Surplus contribution	120,540,359	
	Total surplus contributions		355,125,459
2017	Ending gross paid in and contributed surplus		$507,609,778

D. Analysis of Changes to Surplus

Surplus as regards policyholders as of December 31, 2017, as reported by the Branch	$231,158,511
Surplus increase (decrease) due to examination change in loss and loss adjustment expense reserves	(13,700,000)
Surplus at December 31, 2017, per report on examination	$217,458,511

E. Analysis of Changes to Income

Net income for the examination period, as reported by the Branch	$(274,545,284)
Income increase (decrease) due to examination change in loss and loss adjustment expense reserves	(13,700,000)
Net loss for the examination period, after examination adjustments	$(288,245,284)

F. Trusteed Surplus Statement

The following statement shows the trusteed surplus of the Branch calculated in accordance with the provisions of Section 1312 of the New York Insurance Law, as reported by the Branch:

Assets		
Securities deposited with state insurance departments for the protection of all policyholders and creditors within the United States; New York	$ 4,408,541	
Accrued interest thereon	24,321	
Total deposits with state insurance departments		$ 4,432,862
Vested in and held by United States trustee:		
Cash	$ 25,447,118	
Bonds	702,695,321	
Accrued interest thereon	4,867,960	
Total trusteed assets		733,010,399
Total gross assets		$737,443,261
Liabilities		
Total liabilities		$995,024,770
Deduction from liabilities:		
Unpaid reinsurance premiums receivable, not exceeding losses and loss adjustment expenses due to reinsured:		
Authorized companies	$313,264,750	
Unauthorized companies	21,953,149	
Total deductions		335,217,899
Net liabilities (Section 1312)		$659,806,871
Trusteed surplus (Section 1312)		77,636,390
Total liabilities and trusteed surplus		$737,443,261

G. Analysis of Changes to Trusteed Surplus

Trusteed surplus as regards policyholders as of December 31, 2017, as reported by the Branch	$77,636,390
Surplus increase (decrease) due to examination change in loss and loss adjustment expense reserves	(13,700,000)
Surplus at December 31, 2017, per report on examination	$63,936,390

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $518,095,762 is $13,700,000 more than the $504,395,762 reported by the Branch in its 2017 filed Annual Statement. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including SSAP No. 55. The reserves were concentrated in the commercial auto liability (17%); homeowners/farm-owners (14%); and private passenger auto liability (13%) lines of business.

The Department's actuarial indications showed that the Branch's net carried loss and loss adjustment expense reserves at December 31, 2017 were deficient by $13,700,000 representing 5.9% of its year-end 2017 surplus of $231,158,511 or 2.7% of its year-end 2017 carried reserves of $504,395,762. The projected deficiencies were mainly in the Specialty and Professional lines of business.

Section 1303 of the New York Insurance Law states:

> "Every insurer shall…maintain reserves in an amount estimated in the aggregate to provide for the payment of all losses or claims incurred on or prior to the date of statement, whether reported or unreported, which are unpaid as of such date and for which such insurer may be liable, and also reserves in an amount estimated to provide for the expenses of adjustment or settlement of such losses or claims".

Further, Paragraph 10 of SSAP No. 55 states:

> "The liability for claim reserves and claim liabilities, unpaid losses, and loss/claim adjustment expenses shall be based upon the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that would modify past experience".

It is recommended that the Branch address the reserving inadequacy and increase its carried reserves to an appropriate level, pursuant to the provisions of Section 1303 of the New York Insurance Law and Paragraph 10 of SSAP No. 55.

By virtue of the Branch's one-year adverse runoff for all lines of business and for accident years 2017 and prior, as reported in its filed 2018 annual statement, the Branch has recognized $11.223 million of the Department's $13.7 million projected loss and loss adjustment expense reserve deficiency. We further note that the Commercial Auto runoff shown in Schedule P - Part 2C (deemed "Specialty") indicates a one-year adverse development of $21.842 million; as other lines of business show favorable development, the overall one-year adverse development for all lines of business is $11.223 million. As the Branch's adverse development as of December 31, 2018 already recognizes the Department's indicated reserve deficiency, no further change to the Branch's financial statements is required.

5. SUBSEQUENT EVENTS

On March 22, 2019, TMR, its subsidiaries and its affiliate, Tokio Millennium Re (UK) Ltd. ("TMRUK") (collectively, "the TMR Group"), were acquired by RenaissanceRe Holdings Ltd. ("RenRe"). RenRe acquired the TMR Group for approximately $1.5 billion in total consideration, consisting of cash and RenRe common shares. Following the acquisition, the TMR Group became a wholly-owned subsidiary of RenRe. The acquisition required the approval of various supervisory authorities and was approved by this Department on March 12, 2019. In connection with the transaction, TMNF agreed to provide TMR and TMRUK a $500 million adverse development cover that will protect TMR's and TMRUK's stated reserves at closing, including unearned premium reserves. The agreement was approved by this Department on February 19, 2019.

On May 3, 2019, the Branch changed its name to RenaissanceRe Europe AG, U.S. Branch.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on organization contained no recommendations.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Loss and Loss Adjustment Expenses	
	It is recommended that the Branch address the reserving inadequacy and increase its carried reserves to an appropriate level, pursuant to the provisions of Section 1303 of the New York Insurance Law and Paragraph 10 of SSAP No. 55.	18

Respectfully submitted,

____________/S/___________________
Susan Weijola, CPCU
Associate Insurance Examiner

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

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

___________/S/____________
Susan Weijola

Subscribed and sworn to before me

this__________ day of ___________________, 2019.

APPOINTMENT NO. 31710

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **Maria T. Vullo**, 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:*

Susan Weijola

as a proper person to examine the affairs of the

Tokio Millennium Re AG (US Branch)

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 20th day of February, 2018

MARIA T. VULLO
Superintendent of Financial Services

By: Joan P Riddell

Joan Riddell
Deputy Bureau Chief