

REPORT ON EXAMINATION

OF

TRANSATLANTIC REINSURANCE COMPANY

AS OF

DECEMBER 31, 2019

DATE OF REPORT

MAY 27, 2021

EXAMINER

SUSAN WEIJOLA

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE NO.</u>
1. Scope of examination	2
2. Description of Company	3
A. Corporate governance	4
B. Territory and plan of operation	5
C. Reinsurance ceded	8
D. Holding company system	11
E. Significant ratios	15
3. Financial statements	17
A. Balance sheet	17
B. Statement of income	19
C. Capital and surplus	20
4. Losses and loss adjustment expenses	21
5. Subsequent events	21
6. Compliance with prior report on examination	22
7. Summary of comments and recommendations	22



Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

May 25, 2021

Honorable Linda A. Laceywell
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 32044 dated February 20, 2020, attached hereto, I have made an examination into the condition and affairs of Transatlantic Reinsurance Company as of December 31, 2019, and submit the following report thereon.

Wherever the designation “the Company” or “TRC” appears herein without qualification, it should be understood to indicate Transatlantic Reinsurance Company.

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 remotely due to the Governor’s Executive Order of New York State on PAUSE regarding the COVID-19 pandemic.

1. SCOPE OF EXAMINATION

The Department has performed an examination of the Transatlantic Reinsurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2014. This examination covered the five-year period from January 1, 2015 through December 31, 2019. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination was conducted in conjunction with the state of New Hampshire, which was the lead state of the RSUI subgroup. New York was the lead state for the TransRe subgroup. The TransRe subgroup includes the Company, Fair American Insurance and Reinsurance Company (“FAIRCO”) and Fair American Select Insurance Company (“FASIC”). Both subgroups are part of the Alleghany Group. Other states participating in this examination were Delaware, Nebraska, and Wisconsin.

The examination of the Company was performed concurrently with the examinations of the following insurers:

<u>Insurer</u>	<u>Domicile</u>	<u>NAIC #</u>
Capitol Indemnity Corporation	Wisconsin	10472
Capitol Specialty Insurance Corporation	Wisconsin	10328
Covington Specialty Insurance Company	New Hampshire	13027
Fair American Insurance and Reinsurance Company	New York	35157
Fair American Select Insurance Company	Delaware	15201
Landmark American Insurance Company	New Hampshire	33138
Platte River Insurance Company	Nebraska	18619
RSUI Indemnity Company	New Hampshire	22314

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify current and 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 New York laws, statutory accounting principles, and annual statement instructions.

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

- Company history
- Management and control
- Territory and plan of operation
- Reinsurance
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Significant subsequent events
- Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to the 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

Transatlantic Reinsurance Company was incorporated on October 29, 1952, under the laws of the State of New York and commenced business on December 2, 1952. All of the capital stock of the Company was purchased by the Excess Reinsurance Company of America, Philadelphia, PA, which merged with and into the Company on December 31, 1952. On September 30, 1967, all outstanding stock of the Company was acquired by the American Home Assurance Company, a member of the American International Group, Inc. ("AIG").

On April 17, 1990, shareholders of the Company received common stock of PREINCO Holdings, Inc. in exchange for all their shares. Following the exchange, the name PREINCO Holdings, Inc. was changed to Transatlantic Holdings, Inc. ("THI"), and the Company became a wholly owned subsidiary of THI.

At December 31, 2008, AIG was the majority stockholder of THI, with an ownership of approximately 59%. In June 2009, AIG reduced its ownership in THI, through a secondary offering, to approximately 13.9% of the Company's outstanding common shares. In March 2010, AIG reduced its beneficial ownership through another secondary public offering. Immediately following the March 2010 secondary public offering, AIG beneficially owned approximately 1.1% (excluding shares held by certain mutual funds that are advised or managed by subsidiaries of AIG).

On November 20, 2011, THI entered into an Agreement and Plan of Merger with Alleghany Corporation and Shoreline Merger Sub, Inc. (formerly, Shoreline Merger Sub, LLC), a wholly owned subsidiary of Alleghany Corporation, (“Shoreline”). The merger agreement provided for the merger of THI with and into Shoreline, with Shoreline continuing as the surviving company and as a wholly owned subsidiary of Alleghany Corporation (“Alleghany”). The merger closed on March 6, 2012. Upon completion of the merger, Shoreline's name changed to “Transatlantic Holdings, Inc.”

Prior to March 6, 2012, THI was a public company, with its stock trading on the New York Stock Exchange. On March 6, 2012, through the merger, THI became a privately-held company, and the Company became an indirect wholly-owned subsidiary of Alleghany, a public corporation.

A. Corporate Governance

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 seven nor more than 15 members. The Board meets four times during each calendar year. At December 31, 2019, the board of directors was comprised of the following eight members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Kenneth Apfel New York, NY	Executive Vice President and Chief Actuary, Transatlantic Holdings, Inc.
Paul A. Bonny London, England	Executive Vice President, Transatlantic Holdings, Inc.
Kenneth W. Brandt Alamo, CA	Executive Vice President, Transatlantic Reinsurance Company
Matthew D. Mahoney Darien, CT	Executive Vice President and Chief Financial Officer, Transatlantic Reinsurance Company
Michael C. Sapnar New York, NY	President and Chief Executive Officer, Transatlantic Holdings, Inc.
Gary A. Schwartz New York, NY	Executive Vice President and General Counsel, Transatlantic Holdings, Inc.
Julian H. Spence London, England	Executive Vice President, Transatlantic Reinsurance Company

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Javier E. Vijil ¹ Miami, FL	Executive Vice President, Transatlantic Holdings, Inc.

¹ Javier E. Vijil retired from the Board on December 31, 2019.

As of December 31, 2019, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Michael C. Sapnar	President and Chairman of the Board
Matthew D. Mahoney	Senior Vice President and Chief Financial Officer
Amy M. Cinquegrana	Secretary
Edward J. Kelley	Senior Vice President and Deputy General Counsel
Sandra Rushbrook	Senior Vice President and Chief Compliance Officer
Ken T. Yapp	Senior Vice President and Assistant General Counsel
Gary A. Schwartz	Executive Vice President and General Counsel
Kenneth Apfel	Executive Vice President and Chief Actuary
Paul A. Bonny	Executive Vice President
Kenneth W. Brandt	Executive Vice President
Thomas V. Cholnoky	Executive Vice President
George J. Dimartino	Executive Vice President
Thomas Highet	Executive Vice President
Beth A. Levene	Executive Vice President
Paul F. McKeon	Executive Vice President
Gregory J. Richardson	Executive Vice President
Julian H. Spence	Executive Vice President
Nicholas Tzaneteas	Executive Vice President
Javier E. Vijil	Executive Vice President

B. Territory and Plan of Operation

As of December 31, 2019, the Company was licensed to write business in 34 states, as well as in the District of Columbia, Guam, and Puerto Rico. TRC was a qualified or accredited reinsurer in the remaining 16 states: Alabama, Hawaii, Maine, Maryland, Massachusetts, Missouri, Montana, New Hampshire, North Carolina, North Dakota, Oregon, Rhode Island, Tennessee, Vermont, Virginia and Wyoming.

Through its international locations, the Company has operations worldwide, including in Africa, Australia, Bermuda, Canada, Asia, Central and South America and Europe. It is licensed in Bermuda, Canada, Japan, the United Kingdom, the Dominican Republic, Germany, Australia, Singapore and the Hong Kong Special Administrative Region of the People’s Republic of China. TRC is an admitted reinsurer in Brazil, and is registered and authorized as a foreign reinsurer in Argentina, Panama, Bolivia, Chile, Columbia, Ecuador, El Salvador, France, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, Uruguay and Venezuela. It is authorized to maintain a representative office in Shanghai, the People’s Republic of China. In addition, the Company’s wholly owned subsidiaries, TransRe London Limited (“TRL”), was licensed as a reinsurer in the United Kingdom and India, and TransRe Europe S.A. (“TRESA”), formerly known as TransRe Zurich, Ltd., was licensed as a reinsurer in Dubai, Luxembourg, and Switzerland.

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(i)	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 authorized to transact such workers’ compensation insurance as may be incidental to coverage 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).

The Company was also authorized by Section 4102(c) of the New York Insurance Law to (i) reinsure risks of every kind or description and (ii) insure property or risks of every kind or description located or resident outside of the United States, its territories and possessions. Additionally, the Company is licensed to conduct the business of special risk insurance pursuant to Article 63 of the New York Insurance Law.

Based upon 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. However, pursuant to Section 6302(c)(1) of the New York Insurance Law, in order to be licensed to write special risks, the Company is required to maintain surplus as regards policyholders of at least 200% of its authorized control level risk-based capital. As such, the Company was required to maintain a minimum surplus to policyholders in the amount of \$2,595,824,241 as of December 31, 2019.

The Company is an international property and casualty reinsurance company and does not write direct business. The following schedule shows the total gross premiums for the period under examination:

<u>Calendar Year</u>	<u>Total Gross Premiums</u>
2015	\$3,215,425,084
2016	\$3,897,039,736
2017	\$3,828,440,739
2018	\$4,047,038,552
2019	\$4,591,036,537

As of December 31, 2019, the major lines of business that the Company reinsured were private passenger auto liability; other liability - claims-made (general third party liability, directors & officers, umbrella liability, trade casualty & excess, and surplus lines); and other liability – occurrence (cyber liability, directors & officers, general third party liability, lawyers, architects & engineers, miscellaneous errors & omissions, umbrella liability, representations and warranties, and other professional liability).

The Company assumes all of its business through treaty and facultative reinsurance agreements and these products are distributed through brokers and on a direct basis in both the domestic and foreign markets. The Company assumes business worldwide primarily through TRESA and TRL and has established branch offices in foreign countries to gain access to overseas business.

Effective July 1, 2009, the Company entered into an excess of loss agreement with its wholly owned subsidiary TRESA. This agreement indemnifies TRESA for losses accrued that are not covered by external retrocession arrangements. This agreement remains in force until terminated.

Effective October 8, 2012, the Company entered into a quota share reinsurance agreement with its wholly owned subsidiary, FAIRCO, with the Company as the reinsurer. Under this agreement, the Company assumes a 90% quota share percentage of FAIRCO's contracts of insurance or reinsurance. This agreement remains in force until terminated.

Effective January 1, 2014, the Company entered into a quota share reinsurance agreement with its wholly owned subsidiary, TRL. Under this agreement, the Company assumes a 60% quota share percentage of TRL's contracts of insurance or reinsurance. This agreement remains in force until terminated.

On June 30, 2015, FASIC, a wholly-owned subsidiary of the Company, entered into a quota share reinsurance agreement with the Company, where FASIC cedes a 95.5% quota share of all tax opinion liability risk to the Company. For all other insurance and reinsurance risks effective July 1, 2013, FASIC and the Company have a 90% quota share reinsurance agreement in place. This agreement remains in force until terminated.

C. Reinsurance Ceded

The Company has structured its ceded reinsurance program as follows:

<u>Type of Contract</u>	<u>Cession</u>
<u>Catastrophe Excess of Loss Program (on the entire Property and Engineering portfolio)</u>	All layers placed net of inuring 45% quota share on catastrophe business.
Core Worldwide Aggregate Excess of Loss layers	67% of \$300 million excess of \$250 million, with \$100 million North Atlantic Hurricane Inner Annual Aggregate Deductible and \$25 million per event deductible.
Tail Worldwide Aggregate Excess of Loss layers	42% of \$200 million excess of \$790 million, with \$100 million North Atlantic Hurricane Inner Annual Aggregate Deductible and \$25 million per event deductible.
US Specific Minor Perils Occurrence layer	100% of \$75 million excess of \$75 million, excluding hurricane and earthquake perils.

<u>Type of Contract</u>	<u>Cession</u>
<u>Bowline Catastrophe Bond</u>	State weighted industry loss index triggers; placed on multi-year basis.
Bowline 2018	\$250 million part of \$36.1 billion excess of \$132.2 billion PCS industry loss.
Bowline 2019 Class A	\$145 million part of \$20 billion excess of \$145 billion PCS industry loss.
Bowline 2019 Class B	\$155 million part of \$50 billion excess of \$75 billion PCS industry loss.
<u>Property Catastrophe Quota Share Program</u> Worldwide Property Catastrophe portfolio (excluding Bermuda Retro)	42.2% quota share on all property excess of loss and pro rata business; limit set to 500-year aggregate PML, with \$200 million per event sublimit on catastrophe pro rata business. 2% cession does not cover Japanese business.
Bermuda Retro business	40% quota share on retro business written out of Bermuda branch.
<u>Facultative Catastrophe Excess of Loss</u> Worldwide Occurrence Excess of Loss layers on Facultative Property and Engineering business	50% of \$30 million excess of \$15 million with 1 at 100% reinstatement.
<u>Aviation</u> Pro Rata on Aviation business	100% of \$19.5 million excess of \$1.25 million with 1 reinstatement.
Excess of Loss layers on Aviation business	100% of \$37 million excess of \$10 million with 1 reinstatement.
Industry Loss Warranty	\$5 million limit with \$1 billion industry loss trigger and \$300 million franchise deductible.
<u>Energy</u> Excess of Loss layer on On-shore Energy business	100% of \$10 million excess of \$10 million.
<u>Marine</u> Excess of Loss layers on Marine business	34% of \$65 million excess of \$10 million with 1 reinstatement.

<u>Type of Contract</u>	<u>Cession</u>
Excess of Loss layers on Marine and Political Violence business	50% of \$30 million excess of \$35 million with 1 reinstatement.
<u>Accident and Health</u>	
Excess of Loss layer on A&H business	100% of \$20 million excess of \$10 million with 1 reinstatement.

A majority of the ceded business was to unauthorized reinsurers on a collateralized basis. Ceded exposure is mitigated mainly by trust accounts which have been confirmed. Letters of credit are also held as per contractual provisions and have also been confirmed.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. No exceptions were noted.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It is noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505(d)(2) of the New York Insurance Law.

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 Company 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 and Procedures Manual, Statement of Statutory Accounting Principles ("SSAP") No. 62R, with the exception of those treaties that were accounted for as deposit accounting. As of December 31, 2019, the Company's liability for treaties accounted for as deposit accounting totaled \$2,459,316. In 2019, pre-tax interest income of \$115,955.06 was booked for treaties accounted for as deposit. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC annual statement instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements and utilized reinsurance accounting as set forth in SSAP No. 62R.

D. Holding Company System

The Company is a member of the Alleghany Group. The Company is a wholly-owned subsidiary of THI, a Delaware corporation, which, in turn, is wholly-owned by Alleghany Corporation, a public corporation listed on the New York Stock Exchange.

In 1996, the Company acquired all of the outstanding shares of TransRe Zurich, Ltd., formerly known as Guardian Ruckversicherungs-Gesellschaft or Guardian Re, an international reinsurance company based in Zurich, Switzerland. On July 1, 2019, TRZ re-domesticated to Luxembourg and is now known as TRESA.

In December 2013, TRL, a subsidiary of TransRe London Holdings Limited, formed in the United Kingdom, received authorization to commence writing reinsurance and began binding business with effective dates on or after January 1, 2014. TRL later became a wholly owned subsidiary of TRC.

On September 1, 2015, the Company sold its 40% share of Kuwait Reinsurance Company.

Effective September 30, 2015, the Company acquired Calpe Insurance Company Limited ("Calpe") from THI. Calpe is an auto/motor line insurer that is domiciled in Gibraltar.

Effective November 5, 2015, the Company entered into a stock purchase agreement with FAIRCO, whereby FAIRCO sold 100% of its share capital of subsidiary, FASIC, a domestic surplus line insurer that was incorporated on October 1, 2012 under the laws of the state of Delaware. In connection with this transaction, FASIC became a direct wholly owned subsidiary of TRC.

On July 30, 2017, TRC purchased a 100% interest of Orien Risk Analysts Inc. ("Orien"). Orien was established in October 2000 as a managing general underwriter of specific and aggregate stop loss insurance over self-insured employee benefit programs.

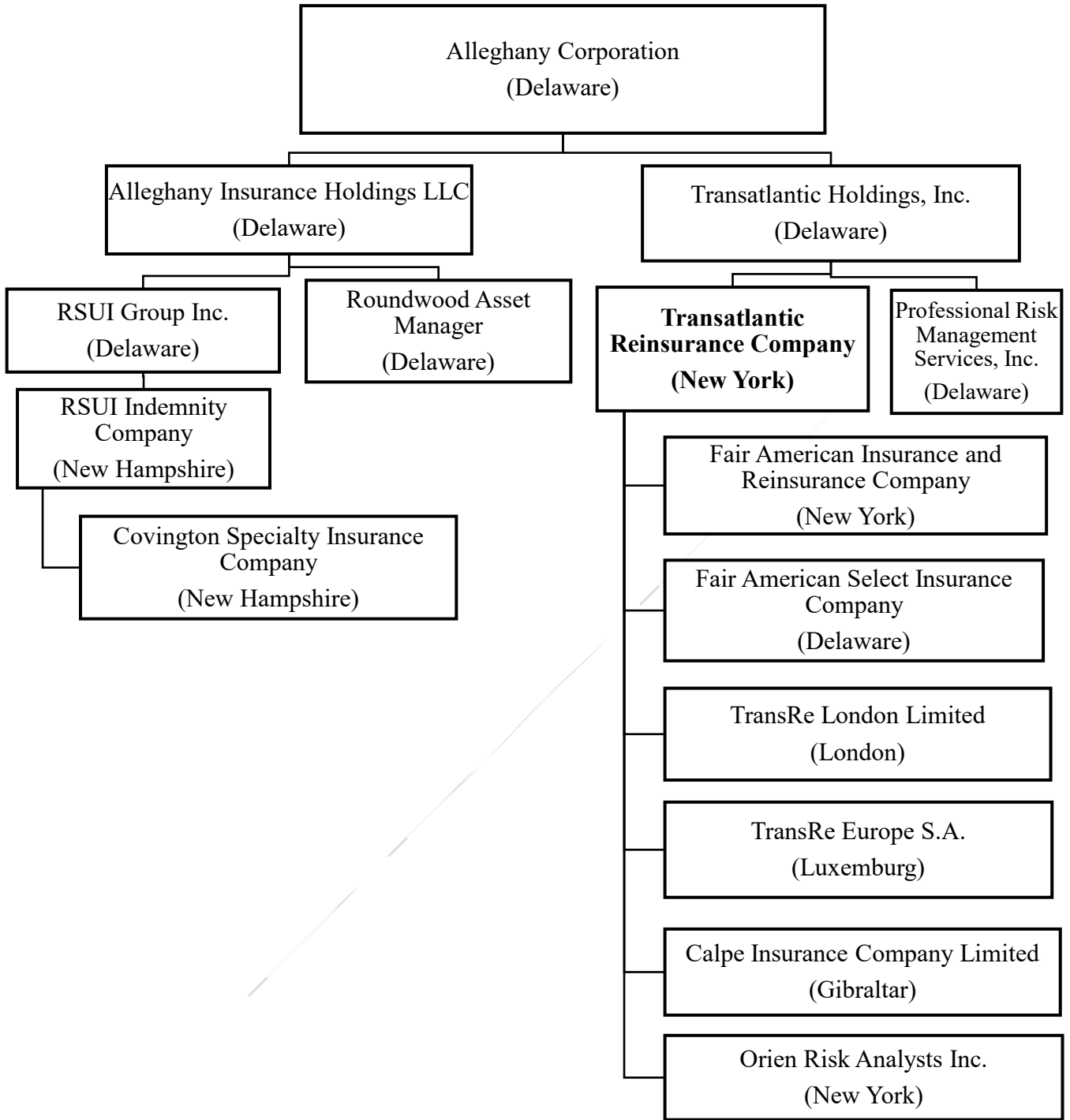
As of December 31, 2019, the Company wholly owned five insurance subsidiaries: FAIRCO, FASIC, TRESA, TRL, and Calpe. Also, the Company owned 99.96% of the common stock of TRC Escritorio de Representacao no Brasil Ltda, a representative office in Brazil, and 46.09% of the common stock of El Sol Del Paraguay CIA De Seguros Y Reaseguros S.A., a representative office in Paraguay. In Panama, the Company wholly owns a representative office, TransRe S.A., and a service company, TRC International Services S.A. The Company holds a 5% interest in the Argentina office, Transatlantic Re

(Argentina) S.A., with the remaining 95% held by TransRe S.A. The Company also wholly owns the service company, TransRe London Services Limited.

Holding company registration statements filed with this Department 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, 2019:





Holding Company Agreements

At December 31, 2019, the Company was party to the following agreements with other members of its holding company system:

Capital Support Agreements

Effective January 3, 2017, the Company entered into a Capital Support Guarantee Agreement with Calpe, whereby, during the term of the agreement, the Company agreed to cause Calpe to have at all times regulatory capital in an amount no less than a minimum solvency capital requirement as calculated in accordance with the requirements set forth by the regulatory authority responsible for the supervision of Calpe. The agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law. This agreement replaced in its entirety the previous Capital Support Guarantee Agreement, dated October 3, 2016.

Effective December 14, 2015, the Company entered into a Capital Support Guarantee Agreement with TRL, whereby, during the term of the agreement, the Company agreed to cause TRL to have at all times regulatory capital in an amount no less than a minimum solvency capital requirement as calculated in accordance with the requirements set forth by the regulatory authority responsible for the prudential regulation and supervision of TRL, the provisions of the Solvency II Directive, the Commission Delegated Regulation and implementing Regulations supporting the Solvency II Directive and the Guidelines published by the European Insurance and Occupational Pensions Authority (“EIOPA”). This agreement replaced in its entirety the previous Capital Support Guarantee Agreement, dated November 17, 2014.

Service Agreement

The Company was a party to an Amended and Restated Services Agreement entered into as of September 5, 2019, by and among TransRe London Services Limited, TRL, Calpe, TReIMCo Limited, TRESA, and TransRe Underwriting Managers Agency Ltd.

Pursuant to the terms of the agreement, TRC provides certain front-office and back-office intercompany and intra-branch services and support services. Front-office services may include actuarial; catastrophe modeling; investment management; management and underwriting services and/or support services. Back-office services may include catastrophe modeling; claims; compliance; finance; human resources; information technology; internal audit; legal; operations; risk management; tax; and underwriting services and/or support services.

The front-office services provided by TRC will be charged to each recipient based on the recipient's proportionate share of the applicable total net premium written, of the direct, indirect, third-party and other intercompany/intra-branch costs of the services provided to recipient pursuant to the agreement, plus a 10% cost surcharge. The back-office services provided by TRC are not subject to a cost surcharge.

Tax Sharing Agreement

Effective April 29, 2014, the Company became a party to a consolidated federal income tax sharing agreement with its parent and affiliates. Parties to this agreement are the Company, Alleghany, Transatlantic Holdings, Inc., FAIRCO, and FASIC. The tax allocation agreement provides that in any year the parties file consolidated federal income tax returns, a computation shall be made on or before the date provided by law for the payment of any federal income tax or estimate of the amount of income taxes or estimated tax refund to which each party would have to make or to which such party would be entitled if it filed at that time a return declaration or refund claim as a separate corporation and had not at the time been a member of the consolidated group.

Investment Management Agreement

Effective March 6, 2012, the Company entered into an investment management agreement with its affiliate, Alleghany Capital Partners LLC. On July 1, 2014, the Company amended the agreement to reflect the name change of Alleghany Capital Partners LLC's to Roundwood Asset Management LLC ("Manager"). Pursuant to the agreement, the Manager makes all investment decisions at the Manager's sole discretion without first consulting the Company in accordance with the investment restrictions and guidelines. The Manager is paid a fee equal to a percentage of the asset account value as of the last trading day of each calendar month.

All agreements subject to Section 1505(d) of the New York Insurance Law were filed with the Department.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2019, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	83%
Adjusted liabilities to liquid assets	92%
Two-year overall operating	96%

Underwriting Ratios

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

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$11,258,245,624	65.53%
Other underwriting expenses incurred	6,237,619,027	36.31%
Net underwriting gain (loss)	<u>(315,582,357)</u>	<u>(1.84)%</u>
Premiums earned	<u>\$17,180,282,294</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 359.7% at December 31, 2019. The RBC score 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 score of 200% or below can result in regulatory action. There were no financial adjustments in this report that impacted the Company's RBC score.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2019, as reported by the Company:

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 8,384,293,752	\$ 0	\$ 8,384,293,752
Preferred stocks (stocks)	11,570,596	0	11,570,596
Common stocks (stocks)	2,830,646,471	17,063,131	2,813,583,340
Other than first liens - mortgage loans on real Estate	480,344,035	0	480,344,035
Properties held for sale	1,500,000	0	1,500,000
Cash, cash equivalents and short-term Investments	747,532,400	0	747,532,400
Other invested assets	313,095,541	0	313,095,541
Receivables for securities	5,482,672	0	5,482,672
Investment income due and accrued	58,627,876		
Uncollected premiums and agents' balances in the course of collection	670,565,931	1,404,492	669,161,439
Deferred premiums, agents' balances and installments booked but deferred and not yet due	59,443,112	0	59,443,112
Amounts recoverable from reinsurers	34,178,299	0	34,178,299
Funds held by or deposited with reinsured Companies	956,367,526	1,393,482	954,974,044
Current federal and foreign income tax recoverable and interest thereon	4,970,785	0	4,970,785
Net deferred tax asset	180,043,569	21,668,358	158,375,211
Electronic data processing equipment and Software	5,431,838	5,431,838	0
Furniture and equipment, including health care delivery assets	543,784	543,784	0
Receivables from parent, subsidiaries and Affiliates	20,023,110	0	20,023,110
Leasehold improvements	19,875,306	19,875,306	0
Other receivable - unapplied cash	9,576,823	0	9,576,823
Other assets – Workday GL implementation	3,098,526	0	3,098,526
MGU commissions receivable	5,033,447	0	5,033,447
Other miscellaneous receivables	3,473,739	1,158,247	2,315,491
Prepaid expenses	4,540,605	4,540,605	0
Other assets	2,198,570	0	2,198,570
Intangible asset	<u>7,357,538</u>	<u>7,357,538</u>	<u>0</u>
Total assets	<u>\$14,819,815,850</u>	<u>\$80,436,781</u>	<u>\$14,739,379,069</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$ 7,659,663,067
Reinsurance payable on paid losses and loss adjustment Expenses	139,344,204
Commissions payable, contingent commissions and other similar charges	(17,712,382)
Other expenses (excluding taxes, licenses and fees)	123,166,853
Taxes, licenses and fees (excluding federal and foreign income taxes)	4,902,609
Unearned premiums	1,477,775,583
Ceded reinsurance premiums payable (net of ceding commissions)	142,427,005
Funds held by company under reinsurance treaties	207,283,301
Provision for reinsurance	13,389,000
Payable to parent, subsidiaries and affiliates	17,065,983
Payable for securities	17,213,778
Loss portfolio transfer reserves	9,954,441
Retrospective reserves	2,730,405
Other Liabilities	<u>38,043,977</u>
Total liabilities	\$ 9,835,247,824

Surplus and Other Funds

Common capital stock	\$ 6,041,658
Loss portfolio transfer gain in surplus	14,233,180
Retrospective gain in surplus	816,036
Gross paid in and contributed surplus	1,134,610,766
Unassigned funds (surplus)	<u>3,748,429,605</u>
Surplus as regards policyholders	<u>4,904,131,245</u>
Total liabilities, surplus and other funds	<u>\$14,739,379,069</u>

Note: The IRS has undertaken a limited scope audit of the Alleghany Group for 2015 through 2017 which focuses on the foreign tax credits of the Company. The Company has stated that the audit is in the final stages in that the auditor's report is with the Joint Committee of Taxation, and that the report did not identify any adjustments except for a positive affirmative adjustment provided for the Company.

B. Statement of Income

The net income for the examination period as reported by the Company was \$1,508,684,908, as detailed below:

Underwriting Income

Premiums earned		\$17,180,282,294
Deductions:		
Losses and loss adjustment expenses incurred	\$ 11,258,245,624	
Other underwriting expenses incurred	<u>6,237,619,027</u>	
Total underwriting deductions		<u>17,495,864,651</u>
Net underwriting gain or (loss)		\$ (315,582,357)

Investment Income

Net investment income earned	\$ 1,639,562,756	
Net realized capital gain	<u>230,738,725</u>	
Net investment gain or (loss)		1,870,301,481

Other Income

Net gain or (loss) from agents' or premium balances charged Off	\$ (13,958,882)	
Foreign exchange gain or (loss)	51,852,300	
Fee income	45,744,238	
Allocated expenses on MGU agreement	(16,000,000)	
Other miscellaneous income	<u>4,660,201</u>	
Total other income		<u>72,297,857</u>
Net income before federal and foreign income taxes		\$ 1,627,016,981
Federal and foreign income taxes incurred		<u>118,332,073</u>
Net income		\$ <u>1,508,684,908</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$133,631,828 during the five-year examination period January 1, 2015 through December 31, 2019, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2014			\$4,770,499,417
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$1,508,684,908		
Net unrealized capital gains or (losses)	344,150,193		
Change in net unrealized foreign exchange capital gain (loss)	16,061,575		
Change in net deferred income tax		\$ 343,376,864	
Change in nonadmitted assets	243,768,968		
Change in provision for reinsurance	20,478,474		
Surplus adjustments paid in		89,076,373	
Dividends to stockholders		1,620,982,146	
Loss portfolio gain in surplus	9,279,458		
Re-domiciliation costs	96,388,201		
Prior period error adjustment	(57,743,422)		
Miscellaneous gains	<u>5,998,856</u>	<u>0</u>	
Total gains and losses	\$2,187,067,211	\$2,053,435,383	
Net increase (decrease) in surplus			<u>133,631,828</u>
Surplus as regards policyholders as reported by the Company as of December 31, 2019			<u>\$4,904,131,245</u>

No adjustments were made to surplus as a result of this examination. Capital paid in is \$6,041,658 consisting of 1,208,331 common shares. Gross paid in and contributed surplus is \$1,134,610,766. Gross paid in and contributed surplus decreased by \$89,076,373 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2014	Beginning gross paid in and contributed surplus	\$1,223,687,139
2015*	Surplus adjustment	\$1,084,638
2016*	Surplus adjustment	(7,661)
2017*	Surplus adjustment	239,350
2018*	Surplus adjustment	488,205
2019*	Surplus adjustment	1,265,920
2019**	TRC Munich Branch dissolution	<u>(92,146,825)</u>
	Total adjustments	<u>(89,076,373)</u>
2019	Ending gross paid in and contributed surplus	<u>\$1,134,610,766</u>

* These adjustments reflect Alleghany stock compensation push down adjustments.

**This adjustment reflects the TRC Munich Branch dissolution at December 31, 2019. TRC Munich was dissolved and became a branch of TRESA.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$7,659,663,067 is the same as reported by the Company as of December 31, 2019. 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.

5. SUBSEQUENT EVENTS

On February 12, 2020, the Company paid a \$72.5 million dividend to its parent, THI.

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus (“COVID-19”) pandemic. The COVID-19 pandemic has continued to develop throughout 2020 and 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. As of March 31, 2021, the estimated total net incurred loss related to the COVID-19 pandemic is \$416 million for overall THI. The majority of these losses are recorded on the Company. The Department has been in communication with TRC regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained five recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Trust Agreements</u>	
It was recommended that the Company include in all future trust agreements, where this term is used, a clear definition of “cash or cash equivalents” and that such definition is drafted to ensure full compliance with the permitted investments referenced in Department Regulation 114.	11
The Company has complied with this recommendation.	
B. <u>Holding Company System</u>	
i. It was recommended that the Company submit agreements between itself and any affiliated entities to the Department for non-disapproval pursuant to the provisions of Section 1505(d) of the New York Insurance Law. A similar recommendation was made in the prior report on examination.	14
The Company has complied with this recommendation.	
ii. It was recommended that the Company submit such agreement to the Department for non-disapproval pursuant to the provisions of Section 1505(d) of the New York Insurance Law.	14
The Company has complied with this recommendation.	
C. <u>Accounts and Records</u>	
i. It was recommended that the Company exercise greater care and complete Schedule Y in accordance with the NAIC Annual Statement Instructions. A similar recommendation was made in the prior report on examination.	16
The Company has complied with this recommendation.	
ii. It was recommended that the Company exercise greater care and complete the Annual Statement Supplement in accordance with the Annual Statement Supplement Instructions.	17
The Company has complied with this recommendation.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination contains no comments or recommendations.

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 _____, 2021.

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Linda A. Lacewell, 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

Transatlantic Reinsurance Company

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, 2020

LINDA A. LACEWELL
Superintendent of Financial Services



By:



Joan Riddell
Deputy Bureau Chief