REPORT ON EXAMINATION

OF THE

TNUS INSURANCE COMPANY

AS OF

DECEMBER 31, 2004

DATE OF REPORT	NOVEMBER 20, 2007
EXAMINER	QI LIN

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

November 20, 2007

Honorable Eric R. Dinallo
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 22401 dated August 9, 2005 attached hereto, I have made an examination into the condition and affairs of TNUS Insurance Company as of December 31, 2004, and submit the following report thereon.

Wherever the designations "the Company" or "TNUS" appear herein without qualification, they 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 office located at 230 Park Avenue, New York, NY 10169.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1999. This examination covered the five-year period from January 1, 2000 through December 31, 2004. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a complete verification of assets and liabilities as of December 31, 2004. The examination included a review of income, disbursements and company records deemed necessary to accomplish such analysis or verification and utilized, to the extent considered appropriate, work performed by the Company's independent public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners ("NAIC"):

History of Company
Management and control
Corporate records
Fidelity bond and other insurance
Territory and plan of operation
Growth of Company
Business in force by states
Loss experience
Reinsurance
Accounts and records
Financial statements

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, which involve departures from laws, regulations or rules, or which 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, TNUS 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 is $4,900,000, which was increased by $400,000 during the examination period, as follows:

Year	Description	Amount
12/31/1999	Beginning gross paid in and contributed surplus	$4,500,000
12/2004	Surplus contribution	$ 400,000
12/31/2004	Ending gross paid in and contributed surplus	$4,900,000

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 at least four times during each calendar year. At December 31, 2004, the board of directors was comprised of the following thirteen members:

Name and Residence	Principal Business Affiliation
Caryn Angelson Scarsdale, NY	Vice President, Tokio Marine Management, Inc.
B. Steven Goldstein New York, NY	Senior Vice President, Secretary, General Counsel & Chief Compliance Officer, Tokio Marine Management, Inc.

Name and Residence	Principal Business Affiliation
Seigo Ishimaru Meguro-ku, Tokyo, Japan	Deputy Manager, International Department, Tokio Marine & Nichido Fire Insurance Co. Ltd
Joji Kawakami Yokohama-shi, Kanagawa, Japan	General Manager, International Department, Tokio Marine & Nichido Fire Insurance Co. Ltd.
Lisa LaRocca Albertson, NY	Assistant Vice President and Assistant Controller, Tokio Marine Management, Inc.
Aidan McManus Jersey City, NJ	Vice President, Tokio Marine Management, Inc.
Lawrence Moloney Sea Girt, NJ	Senior Vice President, Treasurer, Controller and Chief Financial Officer, Tokio Marine Management, Inc.
Masashi Oba Darien, CT	Corporate Planning Officer, Tokio Marine Management, Inc.
Hikaru Ono New York, NY	Senior Account Executive Officer, Tokio Marine Management, Inc.
David Pieffer Bel Air, MD	Senior Vice President, Tokio Marine Management, Inc.
Kanji Senoo Greenwich, CT	Senior Accounting Officer, Tokio Marine Management, Inc.
Nobuki Tamesue Setagaya-ku, Tokyo, Japan	General Manager, Commercial Claims Department, Tokio Marine & Nichido Fire Insurance Co. Ltd.
Mark Woods, Astoria, NY	Vice 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 had an acceptable record of attendance.

As of December 31, 2004, the principal officers of the Company were as follows:

Name	Title
Hikaru Ono	President and Chief Executive Officer
B. Steven Goldstein	Secretary
Lawrence J. Moloney	Treasurer

Conflict of interest statements

Due to the domestication and change in management in 2004, the Company was unable to provide for review the conflict of interest statements of prior board of directors and management for the period from 2000 to 2003. The examiner reviewed the 2004 conflict of interest statements and no material issues were noted.

B. Territory and Plan of Operation

As of December 31, 2004, 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:

Paragraph	Line of Business
3	Accident & health
4	Fire
5	Miscellaneous property damage
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 is also empowered to transact such workers’ compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurance described in the Longshoremen’s and Harbor Workers’ Compensation Act (Public Law 803, 69th Congress, as amended; 33 USC Section 901 etc 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 capital and surplus to policyholders in the amount of $5,000,000.

It was noted that the Company was licensed to write mortgage guaranty insurance in Colorado and financial guaranty insurance and annuities in Rhode Island. In addition, the Company reported premiums written from mortgage guaranty and financial guaranty business during the examination period. However, it was noted that the Company was not authorized to write these lines of business on its New York license. This appears to be a violation of Section 1102(b) of the New York Insurance Law which states as follows:

> "No corporation organized under any law of this state shall do an insurance business outside this state unless so authorized pursuant to the provisions of this chapter or exempted by the provisions of this chapter from such requirement."

Therefore, 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. It is also recommended that the Company discontinue writing any lines of business which it is not licensed to write in New York. Subsequent to the examination period, the Company obtained the amended licenses from Colorado and Rhode Island Department of Insurance indicating that the unauthorized lines of business were deleted.

The Company did not write any direct business in New York during the examination period. All direct business written outside of New York was 100% ceded to Birmingham Fire Insurance Company of Pennsylvania ("Birmingham Fire"), an AIG affiliate. Since its domestication, the Company has not written any direct business.

The following schedule shows the gross direct premiums written by the Company in total for the period under examination:

Calendar Year	Total United States
2000	$4,840,725
2001	$5,236,483
2002	$5,030,259
2003	$4,865,670
2004	$ 731,370

C. Reinsurance

Assumed Reinsurance

Assumed reinsurance accounted for 98% of the Company's gross premiums written in 2004, which is an increase from the prior examination period. The assumed premium is comprised mainly of the Company's participation in a quota share treaty reinsuring commercial business written by the AIG Domestic Brokerage Group ("DBG Agreement"). As of the examination dated, the Company retained all of the business assumed pursuant to the DBG Agreement. Effective January 1, 2005, the Company retroceded 45% of its net assumed liability to its parent, Tokio Marine & Nichido Fire Insurance Company, Limited of Tokyo, Japan, an unauthorized reinsurer. The Company commuted the DBG Agreement as of January 1, 2007.

The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62 for all of its assumed reinsurance business.

Ceded Reinsurance

The Company's ceding program consists of two ceding quota share reinsurance agreements in effect as of December 31, 2004.

1. Effective January 1, 1985, the Company ceded 100% of its direct premiums and loss and loss adjustment expense reserves written through North American Managers, Inc. to Birmingham Fire, an authorized reinsurer.

The Company had directly written two policies in 2004 which were 100% ceded under the quota share agreement with Birmingham Fire. Due to the domestication, one policy was novated to New Hampshire Insurance Company effective June 1, 2004 and the other was renewed by the Company's affiliate, the U.S. Branch of Tokio Marine & Nichido Fire Insurance Co. Ltd. of Tokyo, Japan. The Company had not written any direct business or ceded any business under the quota share agreement with Birmingham Fire since the domestication effective July 1, 2004.

2. The Company ceded 90% of its net liability under all policies, contracts and binders of insurance or reinsurance including renewals effective on and after July 1, 2004 to its affiliate, the U.S. Branch of Tokio Marine & Nichido Fire Insurance Co. Ltd. of Tokyo, Japan. As of December 31, 2004, no premiums or losses had been ceded under this contract.

Reinsurance agreements with affiliates were reviewed for compliance with Article 15 of the New York Insurance Law. It was 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.

Both ceding 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 of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by an attestation from the Company's Chief Executive Officer pursuant to Department Circular Letter No. 8 (2005). Additionally, examination review indicated that the Company 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. 62.

During the period covered by this examination, the Company did not commute any reinsurance agreements.

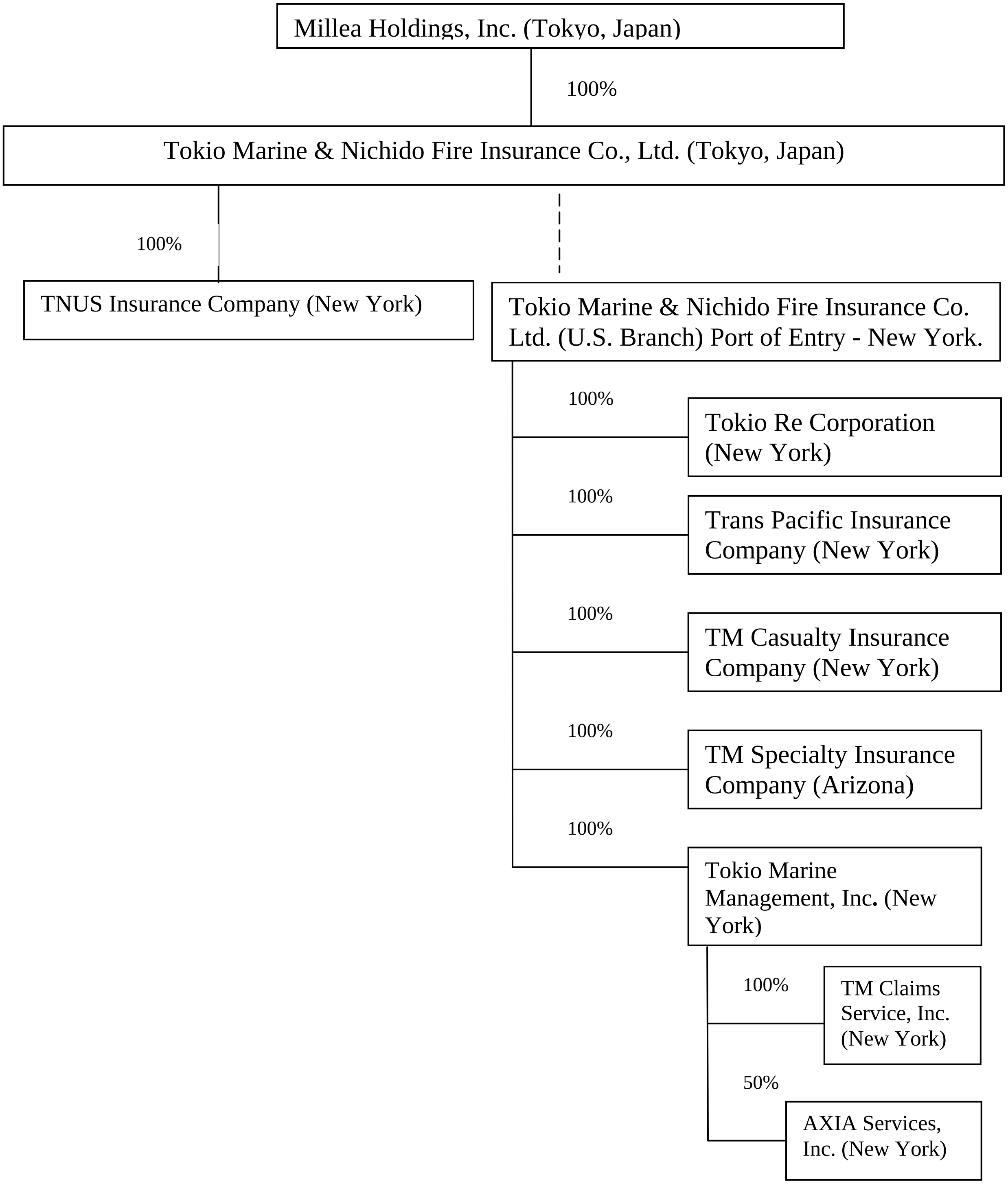
D. Holding Company System

The Company is a member of the Millea 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 Millea 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, 2004:

Organizational Chart



As of December 31, 2004, 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.

Quota Share Reinsurance Agreement

Effective July 1, 2004, the Company entered a quota share reinsurance agreement with its affiliate, the US Branch of Tokio Marine & Nichido Fire Insurance Co., Ltd. of Tokyo, Japan, in which the Company cedes 90% of its net liability under all policies, contracts and binders of insurance or reinsurance. As of December 31, 2004, no business had been ceded under this agreement. The agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law.

E. Abandoned Property Law

Section 1316 of the New York Abandoned Property Law provides that amounts payable to a resident of this state from a policy of insurance, if unclaimed for three years, shall be deemed to be abandoned property. Such abandoned property shall be reported to the comptroller on or before the first day of April each year. Such filing is required of all insurers regardless of whether or not they have any abandoned property to report.

The Company's current management, TMM, had requested its ex-management company, NAM, for the abandoned property filings for the period from 2000 to 2003. However, the Company could not obtain such filings from NAM as of the report date.

The examiner reviewed the Company's 2004 abandoned property filing and noted it was filed on a timely basis pursuant to the provisions of Section 1316 of the New York Abandoned Property Law.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2004, based upon the results of this examination:

Net premiums written to surplus as regarding policyholders	117%
Liabilities to liquid assets (cash and invested assets less investment in affiliates)	80%
Premiums in course of collection to surplus as regards policyholders	28%

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:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$104,728,160	99.56%
Other underwriting expenses incurred	22,058,913	20.97
Net underwriting loss	(21,592,565)	(20.53)
Premiums earned	$105,194,508	100.00%

G. Accounts and Records

Certified Public Accountant ("CPA") Awareness Letter

The 2004 awareness letter issued by the Company's independent certified public accountant indicates that CPA's workpapers will be retained for no less than five years, which does not meet the requirements set forth in the Department Regulations 118 and 152. Regulation 118 requires that audit workpapers and communications must be retained by the CPA for the period specified in Part 243.2(b)(7) and (c) of the Department Regulation 152 which is six years from its creation or until after the filing of the report on examination in which the records are subject to review, whichever is longer.

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 the Department Regulations 118 and 152.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2004 as determined by this examination and as reported by the Company:

Assets	Assets	Examination Assets Not Admitted	Net Admitted Assets	Company Net Admitted Assets	Surplus Increase (Decrease)
Bonds	$ 98,628,583	$ 0	$ 98,628,583	$ 98,628,583	$0
Cash, cash equivalents and short-term Investments	3,635,249	0	3,635,249	3,635,249	0
Investment income due and accrued	1,236,892	0	1,236,892	1,236,892	0
Uncollected premiums and agents' balances in the course of collection	8,811,266	0	8,811,266	8,811,266	0
Current federal and foreign income tax recoverable and interest thereon	100,885	0	100,885	100,885	0
Net deferred tax asset	3,589,850	1,558,995	2,030,855	2,030,855	0
Taxes, Licenses and Fees Recoverable	49,859	0	49,859	49,859	0
Total assets	$116,052,584	$1,558,995	$114,493,589	$114,493,589	$0

Liabilities, surplus and other funds Liabilities	Examination	Company	Increase (Decrease)
Losses	$ 51,284,513	$ 38,587,513	$(12,697,000)
Reinsurance payable on paid losses and loss adjustment expenses	5,223,180	5,223,180	0
Loss adjustment expenses	5,628,935	5,628,935	0
Other expenses (excluding taxes, licenses and fees)	80,823	80,823	0
Unearned premiums	20,016,080	20,016,080	0
Payable to parent, subsidiaries and affiliates	441,400	441,400	0
Total liabilities	$ 82,674,931	$ 69,977,931	$(12,697,000)
Surplus and Other Funds			
Common capital stock	$ 5,000,000	$ 5,000,000	$ 0
Gross paid in and contributed surplus	4,900,000	4,900,000	0
Unassigned funds (surplus)	21,918,658	34,615,658	(12,697,000)
Surplus as regards policyholders	$ 31,818,658	$ 44,515,658	$(12,697,000)
Total surplus and other funds	$114,493,589	$114,493,589	

NOTE: The Internal Revenue Service had not audited the Company during the examination period.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders decreased $13,548,478 during the five-year examination period January 1, 2000 through December 31, 2004, detailed as follows:

Statement of Income

Underwriting Income		
Premiums earned		$105,194,508
Deductions:		
Losses incurred	$90,510,264	
Loss adjustment expenses incurred	14,217,896	
Other underwriting expenses incurred	22,058,913	
Aggregate write-ins for underwriting deductions	0	
Total underwriting deductions		126,787,073
Net underwriting gain or (loss)		$ (21,592,565)
Investment Income		
Net investment income earned	$21,794,332	
Net realized capital gain	794,305	
Net investment gain or (loss)		22,588,637
Other Income		
Aggregate write-ins for miscellaneous income	$ 28,109	
Total other income		28,109
Net income after dividends to policyholders but before federal And foreign income taxes		$ 1,024,181
Federal and foreign income taxes incurred		1,812,585
Net Income		$ (788,404)

C. Capital and Surplus Account

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 1999			$45,367,136
Net income		$ 788,404	
Change in net deferred income tax	$2,159,231		
Change in non-admitted assets		1,558,995	
Cumulative effect of changes in accounting principles	1,430,618		
Capital changes transferred from surplus (stock dividend)	5,000,000		
Surplus adjustments paid in	400,000		
Net remittances from or (to) home office		14,928,421	
Aggregate write-ins for gains and losses in surplus	0	5,262,507	
Total gains and losses	$8,989,849	$22,538,327	
Net increase (decrease) in surplus			(13,548,478)
Surplus as regards policyholders per report on examination as of December 31, 2004			$31,818,658

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $56,913,448 is $12,697,000 more than the $44,216,448 reported by the Company in its December 31, 2004, filed annual statement. The examination change is due to adverse development for business assumed from the AIG DBG Pool.

The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and was based on statistical information contained in the Company's internal records and in its filed annual statements.

A review of the Company's Schedule P revealed that the total salvage and subrogation was omitted in Schedule P, Part 1, Summary. It was also noted that the Company failed to include claim count information for the number of claims closed, outstanding and reported (direct and assumed) in Schedule P Part 5. The prior report on examination had commented on these omissions.

It is again recommended that the Company report salvage or subrogation received or anticipated in Schedule P in accordance with NAIC annual statement instructions.

It is again recommended that the Company report claim count information in Schedule P in accordance with NAIC Annual Statement Instructions.

5. MARKET CONDUCT ACTIVITIES

During the examination period, the Company's main business was assumed reinsurance; therefore, no market conduct review was conducted during the course of this examination.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM		PAGE NO.
A	Deed of Trust	
	It was recommended that the Nichido file with the Department an amendment to its Deed of Trust stating the trusteed assets of the United States Branch will be maintained continuously in the State of New York in accordance with Section 1315 of the New York Insurance Law.	3
	Since the Company has domesticated in New York during the examination, this recommendation is not applicable.	
B	Conflict of interest statements	
	It was recommended that the Branch:	
	1. Exercise due care obtaining and maintaining completed and signed conflict of interest statements from all of its officers and directors.	5
	2. Review and enforce its conflict of interest policy. The board of directors should properly oversee and handle any potential conflicts disclosed.	6
	3. Maintain complete minutes of its board of directors' proceedings involving such matters.	6
	Due to the domestication, the board of directors and management had been changed and the prior management could not provide the conflict of interest statements for the period from 2000 to 2003.	
	The conflict of interest statements for 2004 were reviewed. It was noted that the Company has complied with this recommendation.	

ITEM		PAGE NO.
C	Reinsurance	
	It is again recommended that the Branch comply with the NAIC annual statement instructions by reporting assumed premiums and assumed paid losses separately in Schedule F, Part 1 of the Branch's annual statement filed with the Insurance Department.	8
	The Company has complied with this recommendation.	
D	Loss and Loss Adjustment Expense Reserves	
	1. It is recommended that the Branch report in Schedule P salvage or subrogation received or anticipated in its file annual statements pursuant to the NAIC annual statement instructions.	16
	The Company has not complied with this recommendation. A similar comment is made in this report.	
	2. It is recommended the Branch report claim count information in Schedule P in accordance with the NAIC annual statement instructions.	16
	The Company has not complied with this recommendation. A similar comment is made in this report.	
	3. It is recommended that any discount applied by the Branch to its workers' compensation loss reserves be done in accordance with Section 4117(d) (1) of the New York Insurance Law.	17
	The Company has complied with this recommendation.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM			PAGE NO.
A	Territory and Plan of Operation		
	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. Subsequent to the examination period, the Company obtained the amended licenses from Colorado and Rhode Island Departments of Insurance indicating the unauthorized lines of business were deleted.	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
B	Accounts and Records		
	CPA Awareness Letter		
	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
C	Loss and Loss Adjustment Expenses		
	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
	ii.	It is again recommended that the Company report claim count information in Schedule P in accordance with NAIC Annual Statement Instructions.	15

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 ____________________, 2008

Appointment No ***22401***

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, HOWARD MILLS, *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 9th day *of August, 2005*

HOWARD MILLS
Superintendent of Insurance