

REPORT ON EXAMINATION

OF THE

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

AS OF

DECEMBER 31, 2009

DATE OF REPORT

FEBRUARY 4, 2011

EXAMINER

KAREN GARD

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

February 4, 2011

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

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 30601 dated October 6, 2010 attached hereto, I have made an examination into the condition and affairs of the United States Branch of Trygg-Hansa Insurance Company, Ltd. as of December 31, 2009, and submit the following report thereon.

Wherever the designation "the Branch" appears herein without qualification, it should be understood to indicate the United States Branch of Trygg-Hansa Insurance Company, Ltd. Wherever the designation "the Manager" appears herein without qualification, it should be understood to indicate G.F. Dobson & Company, LLC, the United States Manager of the Branch. Wherever the terms "Company" or "Home Office" appear herein without qualification, they should be understood to mean the Trygg-Hansa Insurance Company, Ltd. (aka Trygg-Hansa Försäkrings AB).

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York Insurance Department.

The examination was conducted at the offices of the Manager located at 25 Smith Street, Nanuet, New York 10954.

1. SCOPE OF EXAMINATION

The Department has performed a single-state examination of the United States Branch of Trygg-Hansa Insurance Company, Ltd. The previous examination was conducted as of December 31, 2005. This examination covered the four year period from January 1, 2006 through December 31, 2009. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examiners also relied upon audit work performed by the Company’s independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Financial Condition Examiners Handbook of the NAIC:

- Significant subsequent events
- Company history
- Corporate records
- Management and control
- Fidelity bonds and other insurance
- Territory and plan of operation
- Loss experience
- Reinsurance
- Accounts and records
- Statutory deposits
- Financial statements
- Summary of recommendations

A review was also made to ascertain what action was taken by the Branch with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

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

Effective October 1989, the Branch's home office changed its name from Hansa Marine Insurance Company, Ltd. to Trygg-Hansa Insurance Company, Ltd. On August 6, 1990, an amended license was issued by the Department reflecting the name change to Trygg-Hansa Insurance Company, Ltd. Further, having met the financial requirements of Sections 1312 and 4103(c) of the New York Insurance Law, the Branch was granted authority to transact the kinds of business noted in Section 2(B) of this report and for which its home office is licensed in its domiciliary jurisdiction.

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

A. Management

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

The Branch does not have a board of directors. However, it has an executive review committee (“ERC”). The ERC oversees the activities of the Branch and reports to the Home Office. The ERC meets twice a year in each calendar year and keeps minutes of the meetings. At December 31, 2009, the ERC was composed of two members from the home office and one member from the Manager. The members of the ERC as of December 31, 2009 were as follows:

<u>Name</u>	<u>Company</u>
Christine Stadling	Head of Legal Sweden, Trygg-Hansa Försäkrings AB
Johan Areskoug	Nordic Reinsurance Director, Trygg-Hansa Försäkrings AB
Gordon Frederick Dobson	President, G.F. Dobson & Company, LLC

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

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

B. Territory and Plan of Operation

As of December 31, 2009, the Branch was licensed to write business in New York only.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage

<u>Paragraph</u>	<u>Line of Business</u>
20	Marine and inland marine
21	Marine protection and indemnity

In addition, the Branch is licensed to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress, as amended; 33 USC Section 901 et seq. as amended) to the extent permitted by certified copy of its charter on file with this Department, provided however, the authority conferred by the New York license is limited to the writing of contracts issued for delivery in the United States, insuring risks of policyholders within the United States.

Based on 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 trusted surplus in the amount of \$2,200,000.

C. Reinsurance

As of December 31, 2009, the Branch had no reinsurance contracts in effect.

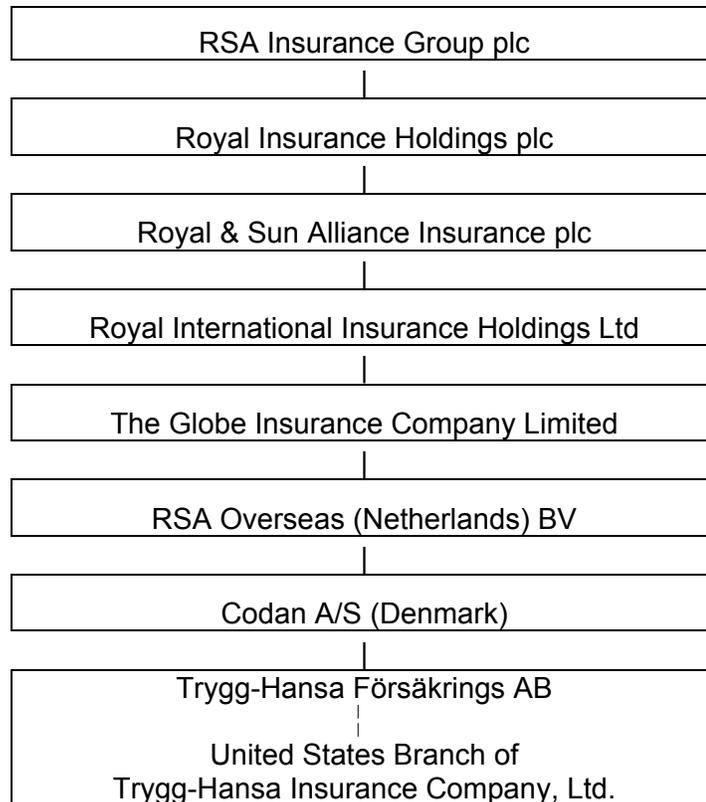
On July 1, 1999, the Branch entered into a contract whereby 100% of all outstanding loss and loss adjustment expense reserves were transferred to Suecia Insurance Company. The transaction was approved by the Department.

D. Holding Company System

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

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is a chart of the holding company system at December 31, 2009:



E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2009, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	0%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	4%
Premiums in course of collection to surplus as regards policyholders	2%

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 four-year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses and loss adjustment expenses incurred	\$351,192	(1,413.19)%
Other underwriting expenses incurred	602,055	(2,422.66)
Net underwriting loss	<u>(978,098)</u>	<u>3,935.85</u>
Premiums earned	<u>\$(24,851)</u>	<u>100.00%</u>

The unusual underwriting ratios noted above are due to the Branch's run-off status.

3. FINANCIAL STATEMENTS

A. Balance Sheet

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

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$3,102,851	\$ 0	\$3,102,851
Cash, cash equivalents and short-term investments	339,657		339,657
Investment income due and accrued	44,026		44,026
Uncollected premiums and agents' balances in the course of collection	79,300		79,300
Amounts recoverable from reinsurers	(9,787)		(9,787)
Funds held by or deposited with reinsured companies	11,045		11,045
Retroactive reinsurance balances	<u>(80,558)</u>	<u>0</u>	<u>(80,558)</u>
Total assets	<u>\$3,486,534</u>	<u>\$ 0</u>	<u>\$3,486,534</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses		\$6,465,815
Reinsurance payable on paid losses and loss adjustment expenses		772,712
Other expenses (excluding taxes, licenses and fees)		33,000
Ceded reinsurance premiums payable (net of ceding commissions)		4,761
Funds held by company under reinsurance treaties		20,356
Provision for reinsurance		99,200
100% Retroactive reinsurance – reserve		(6,465,815)
100% Retroactive reinsurance – balances		<u>(797,829)</u>
Total liabilities		\$ 132,200

Surplus and Other Funds

Statutory deposit	\$ 250,000	
Unassigned funds (surplus)	<u>3,104,334</u>	
Surplus as regards policyholders		<u>3,354,334</u>
Total liabilities, surplus and other funds		<u>\$3,486,534</u>

NOTE: During the period under examination, the Branch has not been audited by the Internal Revenue Service. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

Surplus as regards policyholders decreased \$2,785,325 during the four-year examination period January 1, 2006 through December 31, 2009, detailed as follows:

Underwriting Income

Premiums earned		\$ (24,851)
Deductions:		
Losses and loss adjustment expenses incurred	\$351,192	
Other underwriting expenses incurred	<u>602,055</u>	
Total underwriting deductions		<u>953,247</u>
Net underwriting gain or (loss)		\$(978,098)

Investment Income

Net investment income earned	\$852,334	
Net realized capital gain	<u>60,185</u>	
Net investment gain or (loss)		912,519

Other Income

Aggregate write-ins for miscellaneous income	<u>\$395,737</u>	
Total other income		<u>395,737</u>
Net income before federal and foreign income taxes		\$ 330,158
Federal and foreign income taxes incurred		<u>8,422</u>
Net income		\$ <u>321,736</u>

Surplus as regards policyholders per report on examination as of December 31, 2005			\$6,139,659
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$321,736		
Change in provision for reinsurance	392,939		
Net remittances from or (to) home office	<u>0</u>	<u>\$3,500,000</u>	
Total gains and losses	<u>\$714,675</u>	<u>\$3,500,000</u>	
Net increase (decrease) in surplus			<u>(2,785,325)</u>
Surplus as regards policyholders per report on examination as of December 31, 2009			<u>\$3,354,334</u>

C. Trusteed Surplus Statement

The following statement shows the trustee surplus of the Branch calculated in accordance with the provisions of Section 1312 of the New York Insurance Law as of December 31, 2009:

Assets

Securities deposited with state insurance departments for the protection of all policyholders and creditors within the United States		
With New York, U.S. Treasury Note	\$2,748,043	
Total trustee assets		<u>\$2,748,043</u>

Liabilities

Total liabilities as determined by this examination		\$ 132,200
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Additions To Liabilities

Ceded reinsurance balance payable	\$ 4,761	
Other additions to liabilities	<u>75,797</u>	
Total additions to liabilities		<u>80,558</u>
Total		\$ <u>212,758</u>

Deductions From Liabilities

Reinsurance recoverable on paid loss and loss adjustment expenses		
Authorized companies	\$(11,914)	
Unauthorized companies	2,127	
Agents' balances or uncollected premiums not more than ninety days past due, not exceeding unearned premium reserves carried thereon	79,300	
Unauthorized companies – unpaid reinsurance premiums receivable	<u>11,045</u>	
Total deductions from liabilities		\$ <u>80,558</u>
Net liabilities (per Section 1312)		\$ 132,200
Trusteed surplus		<u>2,615,843</u>
Total trustee liabilities and surplus		<u>\$2,748,043</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$6,465,815 is the same as reported by the Company as of December 31, 2009. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Company's internal records and in its filed annual statements.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Accounts and Records</u>	
i. It is recommended that the minutes of the ERC meetings include a listing of the investment transactions being approved, pursuant to the provisions of Section 1411(a) of the New York Insurance Law.	7
The Company has complied with this recommendation.	
ii. It is recommended that the Branch ensure that the contract with its CPA firm for all future audits complies with the provisions of Part 89.2(c) of Department Regulation 118.	7
The Company has complied with this recommendation.	
iii. It is recommended that the Branch submit the change in trustee under its Deed of Trust to the New York Insurance Department for approval.	7
The Company has complied with this recommendation.	
B. <u>Trusteed Surplus Statement</u>	
i. It is recommended that the Branch fill out the trustee surplus statement in accordance with the NAIC Instructions.	13
The Company has complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report contains no comments or recommendations.

Respectfully submitted,

/S/

Karen Gard
Senior Insurance Examiner

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

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

/S/

Karen Gard

Subscribed and sworn to before me

this _____ day of _____, 2011.

Appointment No. 30601

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

I, James J. Wrynn Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Karen Gard

as proper person to examine into the affairs of the

**TRYGG-HANSA INSURANCE COMPANY, LIMITED
(UNITED STATES BRANCH)**

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

Branch

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 6th day of October, 2010



James J. Wrynn

JAMES J. WRINN

Superintendent of Insurance