REPORT ON EXAMINATION

OF

TRANS PACIFIC INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

DATE OF REPORT	APRIL 1, 2016
EXAMINER	KEVIN MCNAMEE

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Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

April 1, 2016

Honorable Maria T. Vullo
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 31223 dated April 6, 2015, attached hereto, I have made an examination into the condition and affairs of Trans Pacific Insurance Company as of December 31, 2014, and submit the following report thereon.

Wherever the designation "the Company" or ("TPI") appears herein without qualification, it should be understood to indicate Trans Pacific Insurance 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 at the Company's home office located at 230 Park Avenue, New York, NY 10169.

1. SCOPE OF EXAMINATION

The Department has performed a group examination of the Company, a multi-state insurer. The previous examination was conducted as of December 31, 2009. This examination covered the five year period from January 1, 2010 through December 31, 2014. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination of the Company was performed concurrently with the examinations of Tokio Marine America Insurance Company ("TMAIC") and TNUS Insurance Company ("TNUS").

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. This examination also included a review and evaluation of the Company's own control environment assessment. The Company utilizes a process used by its ultimate parent, Tokio Marine & Nichido Fire Insurance Co., Ltd., domiciled in Japan ("TMNF-Japan") known as "J-SOX" which is substantially similar to Sarbanes Oxley. 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 Handbook:

Significant subsequent events
Company history
Corporate records
Management and control
Fidelity bonds and other insurance

Territory and plan of operation
Growth of Company
Loss experience
Reinsurance
Accounts and records
Financial statements
Summary of recommendations

A review was also made to ascertain the action 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 that involve departures from laws, regulations, rules or that are deemed to require explanation or description

2. DESCRIPTION OF COMPANY

TPI was incorporated under the laws of the State of New York on January 21, 1982 and commenced business on the same date.

The Company is a wholly owned subsidiary of Tokio Marine North America, Inc. ("TMNA") which is wholly-owned by TMNF-Japan. Prior to September 30, 2012, the Company was a wholly-owned subsidiary of the United States Branch of TMNF-Japan. Effective November 30, 2012, TMNF-Japan transferred all the stock of TPI to TMNA. Tokio Marine Management, Inc. ("TMM"), a United States affiliate and wholly-owned subsidiary of TMNA, represents the Company as its manager. Subsequently, effective December 31, 2015, the common stock of TPI and TMM was contributed to TMAIC by TMNA.

As of December 31, 2014, TPI's total common capital stock was $5,000,000; consisting of 50,000 shares of $100 par value stock issued and outstanding. All outstanding shares are owned by TMNA. The Company's gross paid in and contributed surplus is $22,000,000.

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 seven nor more than thirteen members. Corporate governance is performed at two levels. At a group level, TMM as manager conducts quarterly and annual meetings where the affairs of the Company are discussed. The majority of discussions regarding the Company are held at this level. Corporate governance is also performed at the individual entity level. However, most of the board meetings are conducted by unanimous written consent. As noted in the by-laws, there is no requirement for the board of directors to physically meet.

As of December 31, 2014, the board of directors was comprised of the following seven members:

Name and Residence	Principal Business Affiliation
Ann Ginn Summit, NJ	Senior Vice President-Underwriting, Tokio Marine Management, Inc.
B. Steven Goldstein New York, NY	Executive Vice President & General Counsel, Tokio Marine Management, Inc.
David Gottschall Tarrytown, NY	Senior Vice President and Chief Quality Officer Tokio Marine Management, Inc.
Shigeo Kuwabara Eastchester, NY	Senior Vice President and Chief Information Officer, Tokio Marine Management, Inc.
Adam LaPierre Simi Valley, CA	Senior Vice President, Tokio Marine Management, Inc.
Satoru Teramoto Harrison, NY	Corporate Liaison, Tokio Marine Management, Inc.
Koki Umeda New York, NY	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, 2014, the principal officers of the Company were as follows:

Name	Title
Koki Umeda	President
Karen Gilmer-Pauciello	Chief Financial Officer
Edward Sayago	Secretary
Arlene Mahmoud	Treasurer

B. Territory and Plan of Operation

As of December 31, 2014, the Company was licensed to write commercial lines of business in all states including the District of Columbia except for Louisiana, New Hampshire, New Mexico and Vermont. 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 and health
4	Fire
5	Miscellaneous property damage
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 employer's liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

Based upon the line of business for which TPI is licensed, the Company's current capital structure and pursuant to the requirements of Articles 13, 63 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $2,150,000 and minimum capital of $500,000.

The following schedule shows the direct premiums written by the Company both in total and in New York for the period under examination:

Calendar Year	New York State	Total United States	Percentage of Premiums Written in New York
2010	$1,164,990	$16,152,011	7.21%
2011	$567,838	$19,023,713	2.98%
2012	$955,678	$18,818,712	5.08%
2013	$630,172	$23,265,032	2.71%
2014	$1,487,772	$31,602,743	4.71%

TPI primarily underwrites workers' compensation business; however the Company also writes all property and casualty lines of business. TPI is authorized to transact such workers' compensation insurance under paragraphs 20 and 21 of Section 1113(a), including insurance described in the longshoremen's and Harbor Workers' Compensation Act (Public Law No.803, 69 Cong, as amended; 33 USC Section 901 et seq. as amended. The Company is also licensed within the State of New York Special Risk Insurance pursuant to Article 63 of the New York Insurance Law.

The total direct written premium in 2014 was $31,602,743. Premiums are generated mostly from Workers' compensation $22,158,236 (70.11%) and Commercial multiple peril $6,509,005 ($20.60%).

The direct premiums written in 2014 in the top two states were: California $10,794,048 (34.16 %) and Illinois $2,643,548 (8.36%). The Company markets its business as a direct writer through a network of approximately 280 appointed independent agents and national brokers.

C. Reinsurance

Assumed

Assumed reinsurance accounted for 21.1% of the Company's gross premium written as of December 31, 2014. During the period covered by this examination, TPI's assumed reinsurance business has increased since the last examination. The Company's assumed reinsurance program consists mainly of multi-line coverage assumed on a quota share and excess of loss basis, pursuant to the terms of facultative and treaty agreements. Additionally, TPI's participation in a mandated pool is reflected in its assumed reinsurance activity. The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62 for all of its assumed reinsurance business.

Ceded

TPI has structured its ceded reinsurance program to limit its maximum exposure to any one risk as follows:

Type of Coverage	Cession
*Property Per Risk Excess of Loss 3 layers	90% of $95,000,000 in excess of $5,000,000 in respect of each loss and each risk
Casualty Excess of Loss 2 layers	$27,000,000 in excess of $3,000,000 per occurrence; each layer subject to a maximum limit liability of $9,000,000 first layer and $18,000,000 second layer
*Catastrophe Excess of Loss	88% of $75,000,000 in excess of $50,000,000 each loss occurrence subject to a liability limit of $75,000,000 each loss occurrence
Non-Obligatory Quota Share Boiler and Machinery/Equipment Breakdown	50-100% Quota Share covering risks related to Boiler and Machinery/Equipment of highly protected risks and large property business
Non-Obligatory Quota Share Boiler and Machinery/Equipment Breakdown	50-100% Quota Share covering risks related to Boiler and Machinery/Equipment middle market only
Non-Obligatory Quota Share Boiler and Machinery/Equipment	100% Quota Share covering business related to Boiler and Machinery/Equipment of both middle-market and highly protected and large property risks

* TMNF-Japan is the largest participant on these treaties covering property, catastrophe and ocean marine risks.

In addition to the above, effective January 1, 2014, TPI entered into an excess of loss reinsurance agreement with its parent company, TMNF-Japan, which provides coverage for a portion of the Company's liability related to all property risks accepted by the Company either by fronting or by facultative reinsurance. The reinsurer's liability under this contract shall not exceed $160,000,000 in excess of $100,000,000 with respect to each loss on any one risk.

Effective January 1, 2014, the Company entered into an excess of loss reinsurance agreement with its parent company, TMNF-Japan. Under the terms of this agreement, the Company may cede to TMNF-Japan and TMNF-Japan shall obligatorily accept and provide reinsurance on all contracts assumed by the Company from Tokio Marine & Nichido Fire Insurance Company, Ltd, (Canadian Branch). This agreement covers Canadian property, casualty and marine business.

As of December 31, 2014, TPI was party to a facultative reinsurance agreement with its parent company, TMNF-Japan. Under the terms of this agreement, the Company may cede to TMNF-Japan and TMNF-Japan shall obligatorily accept and provide reinsurance on policies written and issued by the Company in the United States and its territories. This agreement covers property, casualty and marine business.

The Company participates in a quota share agreement with TMAIC, whereby the Company agrees to cede and TMAIC agrees to assume 100% of the Company's premiums written and losses and loss adjustment expenses incurred, net of all other reinsurance. This agreement covers 100% of the Company's unallocated loss adjustment expenses, including management fee.

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.

The majority of the business was ceded to authorized and affiliated reinsurers. 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.

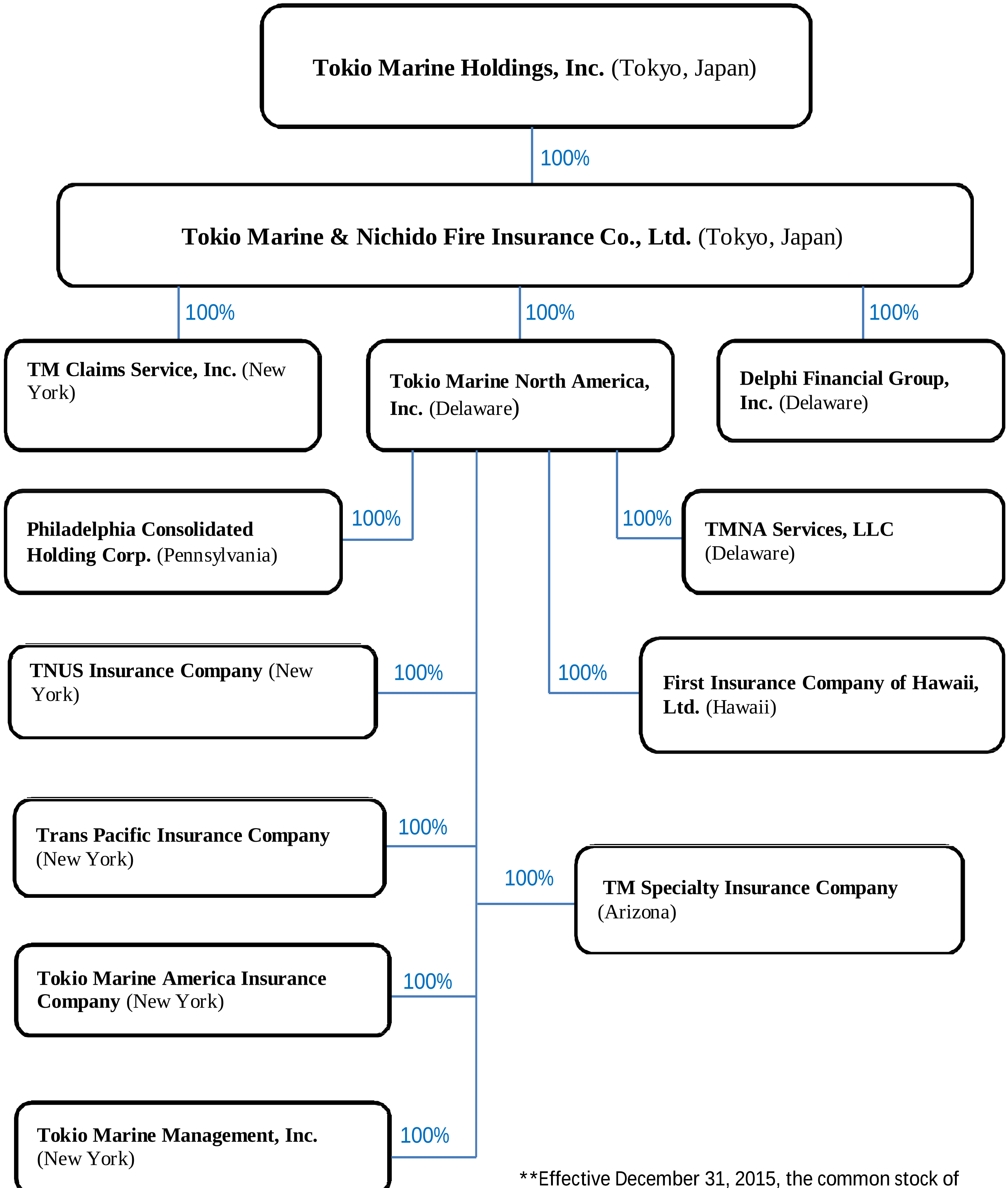
Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by 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. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62.

D. Holding Company System

TPI is a 100% wholly-owned subsidiary of Tokio Marine North America, Inc., an insurance holding company domiciled in the state of Delaware that is a wholly-owned subsidiary of Tokio Marine & Nichido Fire Insurance Co., Ltd, an insurance company domiciled in Japan which is ultimately controlled by Tokio Marine Holdings, Inc., an insurance holding company organized under the Companies Act of Japan and publicly trading on the Tokyo Stock Exchange and the Osaka Securities Exchange.

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 Section 1503 (a) of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2014:



**Effective December 31, 2015, the common stock of Tokio Marine Management, Inc., TNUS Insurance Company, Trans Pacific Insurance Company and TM Specialty Insurance Company was contributed by Tokio Marine North America, Inc. to Tokio Marine America Insurance Company.

As of December 31, 2014, TPI was party to the following agreements with other members of its holding company system:

Service Agreement

Effective February 26, 2013, the Company entered into a service agreement with TMNA Services, LLC, to provide for certain services such as accounting, human resources, legal, investment, actuarial, enterprise risk management and information technology to the Company.

Management Agreement

Effective February 26, 2013, the Company entered into a management agreement with Tokio Marine Management, Inc. under which the Manager will provide certain management services in respect to the Company's business in the United States, such as: claims, underwriting, policyholder services, producer management, collection and handling of premiums and other funds, reinsurance, marketing support, product development and administration and facilities.

Tax Allocation Agreement

Effective December 1, 2012, the Company entered into an intercompany tax allocation agreement. The terms of the agreement name TMNA as the parent for the Group Companies. The parties to the agreement agree that TMNA shall file a consolidated federal income tax return on behalf of the Group Companies. The parties include: TMNA, TMAIC, TMM, TPI, TM Specialty Insurance Company and TNUS.

Capital Support Agreement

Effective January 1, 2014, TMNF-Japan entered into a capital support agreement with TMAIC, TPI, TMS and TNUS. The agreement states that TMNF-Japan will provide certain support to the companies to maintain their respective financial strength ratings.

All agreements subject to approval and non-disapproval were filed with this Department pursuant to Section 1505 of the New York Insurance Law.

E. Significant Operating Ratios

The following IRIS ratios were computed as of December 31, 2014:

Liabilities to liquid assets (cash and invested assets less investments in affiliates)	18%
Premiums in course of collection to surplus as regards policyholders	5%

The two ratios listed above fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios were not calculated since they do not provide meaningful information. The Company cedes all its business to affiliate TMAIC.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2014 as reported by the Company:

Assets

	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$50,865,370	$ 0	$50,865,370
Cash	1,706,310	0	1,706,310
Investment income due and accrued	391,804	0	391,804
Uncollected premiums and agents' balances in the course of collection	4,035,363	1,442,168	2,593,195
Deferred premiums, agents' balances and installments booked but deferred and not yet due	9,004,090	98,894	8,905,196
Accrued retrospective premiums	686,825	68,682	618,143
Amounts recoverable from reinsurers	1,722,340	0	1,722,340
Current federal and foreign income tax recoverable and interest thereon	78,676	0	78,676
Net deferred tax asset	893,044	195,238	697,806
Receivables from parent, subsidiaries and affiliates	305,836	0	305,836
Miscellaneous receivables	237,034	0	237,034
Totals	$69,926,692	$1,804,982	$68,121,710

Liabilities, Surplus and Other Funds

Liabilities	
Losses and loss adjustment expenses	$10,662,793
Commissions payable, contingent commissions and other similar charges	35,300
Other expenses (excluding taxes, licenses and fees)	39,489
Taxes, licenses and fees (excluding federal and foreign income taxes)	349,756
Ceded reinsurance premiums payable (net of ceding commissions)	3,518,859
Funds held by company under reinsurance treaties	314
Amounts withheld or retained by company for account of others	687,627
Provision for reinsurance	40,994
Drafts outstanding	221,223
Payable to parent, subsidiaries and affiliates	2,210,946
Other liabilities	706,594
Total liabilities	$18,473,895
Surplus and Other Funds	
Common capital stock	$ 5,000,000
Gross paid in and contributed surplus	22,000,000
Unassigned funds (surplus)	22,647,815
Surplus as regards policyholders	$49,647,815
Total liabilities, surplus and other funds	$68,121,710

Note: No IRS audits have been performed for Trans Pacific Insurance Company. 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

The net income for the exam period was $2,265,347 detailed as follows:

Underwriting Income		
Premiums earned		$ 222,734
Deductions:		
Losses and loss adjustment expenses incurred	$8,365,728	
Other underwriting expenses incurred	(5,190,378)	
Total underwriting deductions		3,175,350
Net underwriting gain or (loss)		(2,952,616)
Investment Income		
Net investment income earned	$7,321,147	
Net realized capital gain	63,715	
Net investment gain		7,384,862
Other Income		
Net gain from agents' or premium balances charged off	$ 4,201	
Other income	(224,122)	
Total other income or (loss)		(219,921)
Net income before dividends to policyholders and before federal and foreign income taxes		$4,212,325
Dividends to policyholders		1,158,725
Net income after dividends to policyholders but before federal and foreign income taxes		$3,053,600
Federal and foreign income taxes incurred		788,253
Net Income		$2,265,347

C Capital and Surplus

Surplus as regards policyholders increased $2,724,046 during the five year examination period January 1, 2010 through December 31, 2014, detailed as follows:

Surplus as regards policyholders per report on examination as of December 31, 2009			$46,923,769
	Gains in Surplus	Losses in Surplus	
Net income	$2,265,347		
Change in net deferred income tax	30,391		
Change in non-admitted assets		$453,830	
Change in provision for reinsurance	881,715		
Cumulative effect of changes in accounting principles	423		
Total gains and losses	$3,177,876	$453,830	
Net increase in surplus			2,724,046
Surplus as regards policyholders per report on examination as of December 31, 2014			$49,647,815

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $ $10,662,793 is the same as reported by the Company as of December 31, 2014. 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 the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55 ("SSAP No. 55").

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained 3 recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A	Management	
	It was recommended that the Branch make a more diligent effort to obtain signed conflict of interest statements.	5
	It was additionally recommended that the Company obtain a signed conflict of interest statements from all directors and officers at the time they are hired and/or elected.	5
	The Company has complied with these recommendations.	
B	Account and Records	
	It was recommended that the Company determine its non-admitted agents' balances based on amounts that are more than ninety days past due, pursuant to the provisions of SSAP No. 6.	12
	The Company has complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
	This report contains no comments or recommendations.	

Respectfully submitted,

_____________/s/_____________
Kevin McNamee
Senior Insurance Examiner

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

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

_____________/s/_____________
Kevin McNamee

Subscribed and sworn to before me

this__________day of ____________________, 2016.

APPOINTMENT NO. 31223

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **BENJAMIN M. LAWSKY**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Kevin McNamee

as a proper person to examine the affairs of the

Trans Pacific Insurance Company

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

COMPANY

with such other information as he shall deem requisite.

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

this 6th day of April, 2015

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Rolf Kaumann
Deputy Chief Examiner