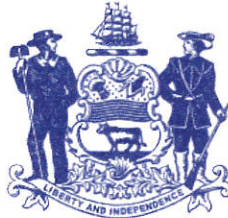


REPORT ON EXAMINATION
OF
COMMERCIAL GUARANTY INSURANCE COMPANY
AS OF
DECEMBER 31, 2014

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

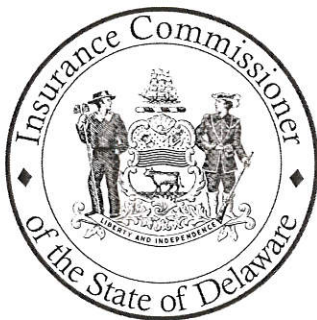
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT OF EXAMINATION, made as of December 31, 2014 of the

COMMERCIAL GUARANTY INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

Attest By: 

Date: June 13, 2016

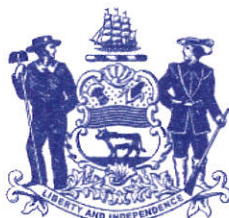


In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 13th day of June, 2016.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT OF EXAMINATION
OF THE
COMMERCIAL GUARANTY INSURANCE COMPANY
AS OF
DECEMBER 31, 2014

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 13th day of June, 2016

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SALUTATION

May 10, 2016

Honorable Karen Weldin Stewart, CIR-ML
Delaware Insurance Commissioner
Delaware Department of Insurance
Rodney Building
841 Silver Lake Blvd.
Dover, Delaware 19904

Dear Commissioner,

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 15.033 dated April 24, 2015, an examination has been made of the affairs, financial condition and management of

COMMERCIAL GUARANTY INSURANCE COMPANY

hereinafter referred to as the “Company” or “CGIC” and incorporated under the laws of the State of Delaware as a stock company. The examination was conducted at the main administrative office of the Company, located at 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808. The examination was a coordinated examination and was conducted concurrently with the State of Connecticut Insurance Department (CID). The CID was assigned as lead state by the National Association of Insurance Commissioners (NAIC) under the Coordination of Holding Company Group Exams guidance. Separate reports of examination were filed for each company in the holding company. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed an examination of the Company. The last examination covered the period of January 1, 2007 through December 31, 2009, and was performed by the Delaware Department of Insurance. This examination covers the period of January 1, 2010 through December 31, 2014, and was performed by the Delaware Department of Insurance.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report, but separately communicated to other regulators and/or the company.

The Company's external auditor KPMG, LLP (KPMG), made available for review all work papers pertinent to its audit of the Company's financial statements for the year ended December 31, 2014. Certain work papers prepared by the external accounting firm were incorporated into the examiners work papers if deemed appropriate and in accordance with the Handbook.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant material adverse findings or financial adjustments as a result of this examination.

COMPANY HISTORY

General

The Company was incorporated on January 9, 1980 under the laws of Delaware under the name of Emmco Insurance Company of Delaware. Effective December 8, 1987, the Company's name was changed to Commercial Guaranty Insurance Company. On October 31, 1989, Ford Holdings, Inc. (Ford), a subsidiary of Ford Motor Company, purchased the Company's upstream parent, Associates First Capital Corporation (Associates). On April 7, 1998, Ford distributed to its stockholders all of its shares in Associates. As result of this action, Associates was no longer a subsidiary of, or controlled by Ford.

On September 5, 2000, Citigroup, Inc. merged with Associates. On October 1, 2001, the Company and its parent Associates Insurance Company were contributed to The Travelers Indemnity Company (Indemnity) directly from Travelers Property Casualty Corporation (TPC), and indirectly from Citigroup, Inc. Effective August 20, 2002, Citigroup, Inc. completed the spin-off of TPC.

Effective September 30, 2002, Associates was contributed from Indemnity to The Northland Company, a downstream noninsurance holding company affiliate of the Company. Associates Insurance Company was renamed Commercial Guaranty Casualty Insurance Company in September, 2004. Indemnity sold Commercial Guaranty Casualty Insurance Company to an unaffiliated third party in 2008.

As more fully described in the “Territory and Plan of Operation” section of this report the Company was placed in a run-off status effective October 25, 2002.

On November 16, 2003 the ultimate parent, The St. Paul Companies, Inc. (SPC) entered into an agreement and plan of merger with TPC. The resulting company became known as The St. Paul Travelers Companies, Inc., and remained a Minnesota corporation with its corporate headquarters in St. Paul, Minnesota.

On February 26, 2007, The St. Paul Travelers Companies, Inc. changed its name to The Travelers Companies, Inc. (TRV) and began trading on the New York Stock Exchange under the new symbol “TRV”.

Capitalization

As of December 31, 2014, the Company had issued and outstanding 18,000 shares of common capital stock, each having a par value of \$100 per share. All shares were issued to Indemnity, the Company’s parent. Capital paid-in amounted to \$1,010,019.

Dividends

During the period under examination, the Company paid dividends to its sole stockholder as follows:

<u>Year</u>	<u>Dividend Paid</u>
2010	\$1,400,000
2011	\$1,000,000

2012	\$1,300,000
2013	\$1,000,000
2014	\$1,100,000

All dividends paid were approved by the Delaware Insurance Department.

MANAGEMENT AND CONTROL

Board of Directors

The bylaws state that the business and affairs shall be managed by a Board of Directors, consisting of one or more directors. The directors shall be elected at the annual meeting of the stockholders and shall hold office until a successor is elected and qualified. The Company's bylaws have not been amended during this examination period.

The Board of Directors, duly elected in accordance with its bylaws and serving at December 31, 2014, is as follows:

<u>Individual</u>	<u>Principal Business Affiliation</u>
Jay Steven Benet	Vice Chairman & Chief Financial Officer The Travelers Indemnity Company
William Herbert Heyman	Vice Chairman & Chief Investment Officer The Travelers Indemnity Company
Brian William MacLean	Chairman, President & Chief Executive Officer The Travelers Indemnity Company
Doreen Spadorcia	Vice Chairman & Chief Executive Officer, Personal Insurance, Bond & Financial Products The Travelers Indemnity Company
Kenneth Franklin Spence, III	Executive Vice President & General Counsel The Travelers Indemnity Company
Gregory Cheshire Toczydowski	Executive Vice President, Personal Insurance The Travelers Indemnity Company

Officers

The Senior Officers of the Company at December 31, 2014, were as follows:

<u>Individual</u>	<u>Office</u>
Brian William MacLean	Chairman, President & Chief Executive Officer
Jay Steven Benet	Vice Chairman & Chief Financial Officer
William Herbert Heyman	Vice Chairman & Chief Investment Officer
Alan David Schnitzer	Vice Chairman & Chief Executive Officer, Business & International Insurance
Doreen Spadorcia	Vice Chairman & Chief Executive Officer, Personal Insurance, Bond & Financial Products
Andy Francis Bessette	Executive Vice President & Chief Administrative Officer
Bruce Richard Jones	Executive Vice President & Chief Risk Officer
Madelyn Joseph Lankton	Executive Vice President & Chief Information Officer
Maria Olivo	Executive Vice President, Strategic Development & Treasurer
Kenneth Franklin Spence, III	Executive Vice President & General Counsel
Douglas Keith Bell	Senior Vice President, Accounting Policy
Douglas Kenneth Russell	Senior Vice President & Corporate Controller
Scott William Rynda	Senior Vice President, Corporate Tax
Wendy Constance Skjerven	Associate Group General Counsel, Corporate & Corporate Secretary
Renee Helou Davis	Vice President & Chief Corporate Actuary

Committees of the Board

The Company's Board of Directors established an executive committee. The following persons were serving as members as of December 31, 2014:

Executive Committee Member

Jay Steven Benet

William Herbert Heyman

Brian William MacLean

The Company's Board of Directors established an investment committee. The following persons were serving as members as of December 31, 2014:

Investment Committee Member

Jay Steven Benet

William Herbert Heyman

Brian William MacLean

Corporate Records

The recorded minutes of the shareholders, Board of Directors (Board), and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events and for the approval of investment transactions in accordance with 18 Del. C. §1304.

Inspection of Company files indicated that an ethics statement/conflict of interest statement was completed by all directors and employees for the examination period. A review of the Company's bylaws revealed that a no changes were made during the examination period.

A review was performed for compliance with 18 Del. C. § 4919 regarding notification of any change of directors, officers. The Company was in compliance.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in 18 Del. C. §5001(4) “Insurance Holding Company System.” The Company’s Holding Company Registration Statements were properly filed for the years under examination.

Organization Chart

The following abbreviated presentation of the holding company system reflects the identities and interrelationships between the Company and other members of the holding company system as of December 31, 2014:

<u>Company</u>	<u>Domiciliary Jurisdiction</u>
The Travelers Companies, Inc.	Minnesota
Travelers Property Casualty Corp.	Connecticut
Travelers Insurance Group Holdings Inc.	Delaware
The Travelers Indemnity Company (25658)	Connecticut
Commercial Guaranty Insurance Company (38385)	Delaware

The five digit codes above indicate the NAIC Company numbers and designate the company as an insurance company.

Affiliated Agreements

Expense Allocation Agreement

Effective January 1, 2007, the Company entered into an agreement to provide for sharing and payment of expenses and costs among affiliates. Individual company allocations appear in the Annual Statement, Underwriting and Investment Exhibit, Part 3.

Tax Allocation Agreement

Effective April 1, 2004, the Company entered into the Travelers tax allocation agreement, which sets forth the manner in which the total consolidated federal income tax is allocated. Income taxes are allocated to member companies of the TRV consolidated return group based on their respective separate taxable income.

Companies with a current federal income tax receivable from TRV will receive a settlement to the extent that such receivables are for tax benefits that have been utilized in the consolidated federal income tax return. Member companies are reimbursed by TRV in the event the Internal Revenue Service levies upon a member's assets for unpaid taxes in excess of the amount specifically allocated to each member.

Money Market Liquidity Pool

Effective May 24, 2006, the company became a party to a private short-term investment pool, known as the Travelers Money Market Liquidity Pool (TRVMMLP), in which affiliated companies may participate. This pool is managed by Indemnity. Each company may convert its position in the pool into cash at any time and may also use its position in the pool to settle transactions with other affiliated participants in the pool. The position of each company in the pool is calculated and adjusted daily. Each participating insurance company carries its share of the pool as a short-term investment in the NAIC Annual Statement, Schedule DA.

Quota Share Reinsurance Agreement

The Company was a participant in an intercompany reinsurance agreement with affiliate American Equity, whereby all of the Company's outstanding loss and loss adjustment expenses are ceded to American Equity. American Equity cedes all of its direct and assumed business to

affiliate Indemnity. No transactions were noted under this agreement for the period under examination.

Effective October 24, 2002, Company management discontinued writing all business, which included non-renewing in-force policies, ceasing the writing of new business, and terminating agency contracts. There are no remaining loss reserves or loss adjustment expense reserves related to the business written prior to October 25, 2002. Please see “Territory and Plan of Operation” for more detail.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2006, the Company was licensed to write business in nine states and was an admitted surplus lines carrier in Louisiana. The Company was licensed to write commercial auto liability and physical damage coverage, with a small amount of personal property and credit insurance, as well as occurrence specific liability on radon gas contamination for an affiliate's relocation business.

At December 31, 2014, the Company reported no direct premiums written. Effective October 24, 2002, management of the Company announced it was exiting its current book of business, which included non-renewing in-force policies, a cessation from writing new business, and terminating agency contracts. The decision was a result of the spin-off from Citigroup, Inc., and the incompatibility of the Company's product distribution channels with those of TRV.

Going forward, all of the Company's business will be in a run-off status. The plan of the ultimate controlling entity as of December 31, 2014, is to preserve the state licenses of the Company and explore future uses of the Company to write business.

REINSURANCE

The Company did not report any assumed or ceded premiums or assumed or ceded loss reserves during the period under examination. See the discussion of the Company's run-off status in the section above.

FINANCIAL STATEMENTS

Financial statements, as reported and filed by the Company with the State Department of Insurance, are reflected in the following:

- Statement of assets, liabilities and surplus
- Statement of operations
- Reconciliation of surplus for the period since the last examination
- Supporting schedules and exhibits to the extent needed

**COMMERCIAL GUARANTY INSURANCE COMPANY
STATEMENT OF ASSETS
DECEMBER 31, 2014**

	Assets	Nonadmitted Assets	Net Admitted Assets	Notes
Bonds	\$ 32,025,566		\$ 32,025,566	1
Short Term Investments	851,681		851,681	
Investment income due and accrued	309,568		309,568	
Net deferred tax asset	22,825	\$ 22,825	-	
Guaranty funds receivable or on deposit	<u>854</u>	<u> </u>	<u>854</u>	
Total Assets	<u>\$ 33,210,494</u>	<u>\$ 22,825</u>	<u>\$ 33,187,669</u>	

**COMMERCIAL GUARANTY INSURANCE COMPANY
STATEMENT OF LIABILITES AND SURPLUS
DECEMBER 31, 2014**

		Notes
Losses	0	2
Other Expenses	44	
Current federal and foreign income taxes	138,614	
Payable to parent, subsidiaries and affiliates	674	
 Total liabilities	 \$ 139,332	
 Common capital stock	 \$ 1,800,000	
Gross paid in and contributed surplus	1,010,019	
Unassigned funds	30,238,318	
 Surplus as regards policyholders	 \$ 33,048,337	
 Total liabilities, surplus and other funds	 \$ 33,187,669	

COMMERCIAL GUARANTY INSURANCE COMPANY
STATEMENT OF INCOME
DECEMBER 31, 2014

Other underwriting expenses incurred	\$ <u>10,701</u>
Net underwriting loss	\$ <u>10,701</u>
Net investment income	1,117,211
Net realized capital gains	<u>14,437</u>
Net investment gain	\$ <u>1,131,648</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign	\$ <u>1,120,947</u>
Federal and foreign income taxes incurred	\$ <u>138,445</u>
Net income	\$ <u><u>982,502</u></u>

**COMMERCIAL GUARANTY INSURANCE COMPANY
RECONCILIATION OF SURPLUS FOR THE PERIOD SINCE THE LAST
EXAMINATION
DECEMBER 31, 2014**

Capital and Surplus, January 1, 2010		\$ <u>33,648,579</u>
Net income		5,190,567
Additions:		
Change in net deferred income tax	\$ 32,016	
Change in nonadmitted assets	<u>10,071</u>	
Total Additions		<u>42,087</u>
Deductions:		
Change in nonadmitted assets	\$ (32,896)	
Dividends to stockholders	<u>(5,800,000)</u>	
Total Deductions		<u>(5,832,896)</u>
Capital and Surplus, December 31, 2014		\$ <u><u>33,048,337</u></u>

ANALYSIS OF CHANGES IN THE FINANCIAL STATEMENTS RESULTING FROM EXAMINATION

There were no financial adjustments to the Company's financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

(Note 1) Bonds **\$ 32,025,566**

The Company's bonds represent 97.4% of invested assets at year-end 2014. 100.0% of the Company's bonds are rated as Class 1 by the NAIC. The percentage of bond maturities between one and ten years is 70.5%. The percentage of bond maturities between ten and twenty years is 29.4%.

(Note 2) Losses and Loss Adjustment Expenses **\$0**

Effective October 25, 2002, Company management discontinued writing all business, which included non-renewing in-force policies, a cessation from writing new business, and terminating agency contracts. There are no remaining loss reserves or loss adjustment expense reserves related to the business written prior to October 25, 2002.

SUBSEQUENT EVENTS

No significant events were identified subsequent to December 31, 2014.

SUMMARY OF RECOMMENDATIONS

Compliance with Prior Exam Recommendations

There were no recommendations as a result of the prior examination.

Current Exam Recommendations

There were no recommendations as a result of this examination.

CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

<u>Description</u>	<u>December 31, 2010</u>	<u>December 31, 2014</u>	Increase <u>(Decrease)</u>
Assets	33,522,716	33,187,669	(335,047)
Liabilities	164,804	139,332	(25,472)
Common Capital Stock	1,800,000	1,800,000	0
Gross Paid In and Contributed Surplus	1,010,019	1,010,019	0
Unassigned Funds (Surplus)	30,547,893	30,238,318	(309,575)
Total Surplus	33,357,912	33,048,337	(309,575)
Totals	33,522,716	33,187,669	(335,047)

In addition to the undersigned, Steven Guest, CFE, (Examination Supervisor) participated in the examination.

Respectfully submitted,



Peter Bliss, CFE
Examiner-In-Charge
State of Delaware