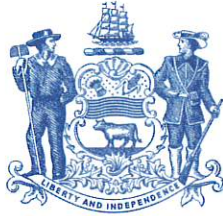


EXAMINATION REPORT
OF
THE TOA REINSURANCE COMPANY OF AMERICA
AS OF
DECEMBER 31, 2017

Trinidad Navarro
Commissioner



Delaware Department of Insurance

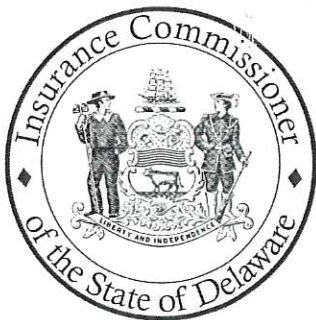
I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2017 of

THE TOA REINSURANCE COMPANY OF AMERICA

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

Attest By: Raymond Brown

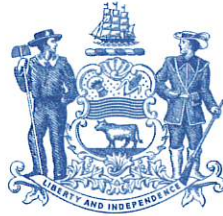
Date: 13th day of May, 2019



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 15th day of May, 2019.

Trinidad Navarro
Trinidad Navarro
Insurance Commissioner

Trinidad Navarro
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF
THE TOA REINSURANCE COMPANY OF AMERICA
AS OF
DECEMBER 31, 2017

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.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

Dated this 15th day of May, 2019

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SALUTATION

April 3, 2019

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 18.023, dated March 14, 2018, an examination has been made of the affairs, financial condition and management of

THE TOA REINSURANCE COMPANY OF AMERICA

hereinafter referred to as the Company or Toa Re and incorporated under the laws of the State of Delaware as a stock company with its registered office located at 2711 Centerville Road, Wilmington, Delaware. The examination was conducted at the administrative office of the Company located at 177 Madison Avenue, Morristown, New Jersey. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The previous regulatory examination of the Company covered the four-year period from January 1, 2010 through December 31, 2013. This examination will cover the four-year period from January 1, 2014 through December 31, 2017, and encompasses a general review of transactions during the period, the Company's business policies and practices,

as well as management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2017. Transactions subsequent to the examination date were reviewed where deemed necessary.

The Company is domiciled in the State of Delaware and is a reinsurer that does not write any direct business. No other states were eligible to participate in this exam.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC 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, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* §321, along with general information about the insurer and its financial condition. There may be other items identified

during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Mazars USA, LLP (Mazars). Certain auditor work papers of the 2017 Mazars audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

The Company was originally incorporated and started operations as the U.S. subsidiary of Toa Fire and Marine Reinsurance Company, Limited, Tokyo, Japan on October 15, 1982. The Company name, The Toa-Re Insurance Company of America, was adopted on that date.

On December 31, 1997, Toa Fire and Marine Reinsurance Company, Limited (Toa Fire) acquired The Mercantile and General Reinsurance Company of America (M&G America) and its wholly-owned subsidiary, Mercantile and General Services, Inc., (M&G Services). The name of M&G Services was changed to Toa Re Services, Inc. effective December 1998. M&G America was then merged with the Company. Pursuant to 18 *Del. C.* §4943 an Agreement and Plan of Merger, the original date of incorporation for the surviving company was deemed March 13, 1922, the original date of incorporation of M&G America.

On April 22, 1999, the Company's name was changed from The Toa-Re Insurance Company of America to The Toa Reinsurance Company of America and the parent's name was changed from Toa Fire to The Toa Reinsurance Company, Limited [Japan] (TRJ).

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 400 shares of common stock with a \$10,000 par value. As of December 31, 2017, the Company had 400 shares of common stock issued and outstanding totaling \$4,000,000. All outstanding common shares of the Company are owned by TRJ. As of December 31, 2017, the Company reported gross paid-in and contributed surplus of \$181,352,611.

Dividends

The Company paid ordinary cash dividends to its sole shareholders during the period under examination as reflected in the Board of Directors (Board) meeting minutes and approved by the Department as follows:

<u>Date Declared</u>	<u>Notification Date</u>	<u>Date Paid</u>	<u>Dividend Paid</u>
March 3, 2014	March 03, 2014	March 20, 2014	\$21,000,000
March 2, 2015	March 03, 2015	March 17, 2015	\$50,000,000
February 25, 2016	March 01, 2016	March 18, 2016	\$50,000,000
March 01, 2017	March 06, 2017	March 21, 2017	\$50,000,000

Dividend payments for all years noted above are in compliance with 18 *Del. C.* §5005 (e).

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and Bylaws, all corporate powers and its business property and affairs are managed by, or under the direction, of its Board.

In accordance with the Company's Bylaws, the number of Directors shall consist of not less than seven members or more than seventeen members. Directors shall be elected annually by the sole stockholder and shall hold office for one year until successors are elected and qualified, or until earlier resignation or removal. The members of the Board, serving as of December 31, 2017, each elected or appointed in accordance with the Company Bylaws were as follows:

<u>Name</u>	<u>Title</u>
Michael J. Cascio	Independent Director
Masaaki Matsunaga	Director
Edward J. Stanco	Chief Executive Officer
Yukihiro Hirahara	Director (TRJ)
Tomoatsu Noguchi	Chairman (President and CEO, TRJ)
Toshiyuki Sugawara	Director (TRJ)
Masachika Inoue	Director/New York Representative
James A. Pilla	Executive Vice President, Underwriting
Nathaniel B. Wallman	Senior Vice President, CFO
Tetsuro Kanda	Director
Richard T. Pisano	Executive Vice President, COO

Officers

In accordance with its Bylaws, officers serving the Company shall be a Chief Executive Officer, a Chief Financial Officer, and a Secretary. The Board may also elect a Chairman, a

President, a Treasurer, one or more Vice Presidents, and such Assistant Secretaries and Assistant Treasurers as they may deem proper. The senior officers, duly appointed in accordance with the Bylaws and serving as of December 31, 2017, are as follows:

<u>Name</u>	<u>Title</u>
Edward J. Stanco	Chief Executive Officer
John M. Pellecchia	SVP, General Counsel and Secretary
Nathaniel B. Wallman	Senior Vice President, CFO
James A. Pilla	Executive Vice President, Underwriting
Peter A. Royek	Senior Vice President, Actuary
Richard T. Pisano	Executive Vice President, COO
Michael P. Blaber	Senior Vice President
Robert B. Clark	Senior Vice President
Jerry A. Farrell	Senior Vice President
William Frazer	Senior Vice President
Brian F. Hopkins	Senior Vice President
Caroline M. Kane	Senior Vice President
Bradley M. Martin	Senior Vice President
Douglas McCabe	Senior Vice President
Bin Zhang	Senior Vice President

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system as it is defined under 18 *Del. C.* §5001 of the Delaware Insurance Code. Holding company registration statements were properly filed by the Company with the Department. The Company maintains that TRJ, a reinsurer domiciled and based in Tokyo, Japan, is the ultimate controlling entity of the group. TRJ has branch operations in Hong Kong, Singapore, and Kuala Lumpur, with representative offices in the United Kingdom, United States of America, and Taiwan, and subsidiary operations in Switzerland.

An abbreviated organizations chart of the Toa Re Group as of December 31, 2017, is as follows:

The Toa Reinsurance Company, Ltd. (TRJ)
The Toa Reinsurance Company of America (Delaware)
The 21st Century Reinsurance Company, Ltd. (Switzerland)

There are more than forty shareholders who own stock in TRJ. All but four of those shareholders own less than 10% of TRJ. The significant shareholders and their percentage holdings as of December 31, 2017, are as follows:

MS & AD Insurance Group Holding, Inc.	20.13%
Sompo Holdings, Inc.	15.09%
Tokyo Marine Holdings, Inc.	15.09%
Mitsubishi UFJ Financial Group, Inc.	13.64%

Disclaimers of control for each of the above listed shareholders were filed with and approved by the Department.

Agreements with Affiliates

Expense Allocation Agreement

Effective December 1, 2013, the Company entered into an Expense Allocation Agreement with its ultimate parent, TRJ. The agreement requires that the Company reimburse

TRJ for certain expenses incurred by TRJ during the course of each calendar year as a consequence of having certain TRJ directors, officers, or employees attend meetings of the Board of the Company.

Internal Audit Expense Allocation Agreement

Effective June 15, 2017, the Company entered into an Internal Audit Expense Allocation Agreement with its ultimate parent, TRJ. TRJ is regulated by the Financial Services Agency of Tokyo, Japan, (FSA) which requires TRJ to maintain a J-SOX control environment and an internal audit function to test and report on the design and operating effectiveness of the J-SOX controls as well as other internal controls and procedures of itself and its significant subsidiaries, as defined by the FSA. The Company is deemed to be a significant subsidiary of TRJ and is therefore required to maintain its own internal audit functions by conducting annual testing of its internal control environment and business processes and functions, and report the results of testing to TRJ. As such, the Company has retained a full-time employee as Internal Auditor to perform the TRA internal audit functions on behalf of both TRA and TRJ and TRJ has agreed to reimburse TRA for the portion of such work which is reasonable and necessary to support TRJ's J-SOX and internal audit requirements promulgated by the FSA.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is a Delaware Corporation and is licensed, or otherwise meets the standards for reinsurance credit, in all fifty states and the District of Columbia. The Company also maintains a branch office located in Toronto, Ontario, which is licensed in Canada by the Office of the Superintendent of Financial Institutions and by the Province of Ontario to write property and casualty reinsurance. During 2017, the Company began writing agricultural

business in the Asian market and wrote approximately \$4.5 million of agricultural premiums in China, South Korea, Thailand, and India. The Company is exploring opportunities for producing agricultural business in Southeast Asia, Brazil, Argentina, and Mexico. The agricultural business is produced out of the Company's Irvine, California office.

Plan of Operations

The Company operates as a treaty and facultative reinsurer underwriting property and casualty business through reinsurance intermediaries. During 2017, 97% of the business was treaty reinsurance and 3% was facultative. The major lines of business reinsured include liability, other liability, property, commercial multi-peril, auto liability, and agriculture.

The Company utilizes the services of several reinsurance intermediaries, including Aon Benfield, Guy Carpenter, and Willis Re, as the primary means of producing its business.

REINSURANCE

Ceded Reinsurance

The Company reported the following distribution of premiums written for the years ended December 31, 2017, and the prior examination date of December 31, 2013:

	<u>2017</u>	<u>% GPW</u>	<u>2013</u>	<u>% GPW</u>
Direct business	\$ -	0.0%	\$ -	0.0%
Reinsurance assumed from affiliates	-	0.0%	-	0.0%
Reinsurance assumed from non-affiliates	<u>488,957,083</u>	<u>100.0%</u>	<u>480,802,338</u>	<u>100.0%</u>
Gross premiums written	<u>\$ 488,957,083</u>	<u>100%</u>	<u>\$ 480,802,338</u>	<u>100%</u>
Reinsurance ceded to affiliates	\$ 65,229,098	13.3%	\$ 77,717,849	16.2%
Reinsurance ceded to non-affiliates	-	0.0%	(2,813)	0.0%
Total ceded	<u>\$ 65,229,098</u>	<u>13.3%</u>	<u>\$ 77,715,036</u>	<u>16.2%</u>
Net premiums written	<u>\$ 423,727,985</u>	<u>86.7%</u>	<u>\$ 403,087,302</u>	<u>83.8%</u>

Ceded Treaty Reinsurance - Affiliated

Two-Line Surplus and Quota Share Reinsurance Agreement

Renewed annually, and effective January 1, the Company entered into a Two-Line Surplus and Quota Share Reinsurance Agreement (Two-Line Agreement) with TRJ covering the general book of business. Under the Two-Line Agreement, the Company may cede the surplus share of the Company's net retention or the quota share of the Company's gross retention on all policies, bonds, binders, and contracts of insurance or reinsurance written or assumed by or on behalf of the Company. This agreement includes the following coverage parts:

1. Non-Obligatory Property Two-Line Surplus Share Treaty – A Two-Line Surplus Treaty covering property or boiler and machinery lines of business written by the Company. The treaty allows the Company to cede up to two times the Company's net retention on any one program subject to maximum cession of \$10 million on any one program. This allows the Company the ability to retain 33.33% and cede up to 66.67% of business written. As of year-end 2017, the Company was only utilizing one line of the Two-Line Surplus Treaty ceding 50% of the business.

Effective January 1, 2018, the Company began retaining 65% while ceding 35% of this business due to the uncertainty of how the federal tax law changes will affect the Company.

2. Private Passenger Automobile and Commercial Liability Quota Share Treaty – A 20% quota share treaty covering all business classified by the Company as private passenger and commercial auto liability, general liability, business owner policies, and special multi-peril exposures assumed by as reinsurance of the Obligatory Quota Share Reinsurance Agreement with Country-Wide Insurance Company, New York, New York. The Company cedes 20% of its gross retention on any one policy subject to a maximum cession of \$1 million on any one loss occurrence.

Ceded Reinsurance - Non-Affiliated

The Company only cedes a very immaterial amount of business to non-affiliated companies.

Assumed Reinsurance

The majority of the Company's assumed reinsurance business is produced through brokers. The Company is a professional reinsurer and had assumed premium in 2017 of \$488,957,083. The Company's business is grouped into three segments as shown below:

<u>Segment</u>	<u>Premiums Written</u>
Treaty	\$376,796,681
Facultative	14,644,409
Agriculture	<u>97,515,993</u>
Total	<u>\$488,957,083</u>

The Treaty Reinsurance Segment is comprised of the following underwriting lines:

<u>Business Segment</u>	<u>United States</u>	<u>Canada (US Dollars)</u>	<u>Other Countries (US Dollars)</u>	<u>Total Written</u>
Property	\$106,789	\$18,905	\$0	\$125,694
Property Facultative	(1)	0	0	(1)
Casualty	179,377	5,613	0	184,990
Motor	59,144	6,942	0	66,086
Motor Facultative	14,645	0	0	14,645
Financial	0	27	0	27
Ag Re	<u>91,205</u>	<u>1,831</u>	<u>4,480</u>	<u>97,516</u>
Total US	<u>\$451,159</u>	<u>\$33,318</u>	<u>\$4,480</u>	<u>\$488,957</u>

The property treaty segment is written primarily on a proportional, excess of loss, catastrophe, and aggregate excess of loss basis. Specialty lines written within the property line include highly protected risk and inland marine.

The casualty treaty business the Company writes includes professional liability, workers' compensation, accident and health, personal lines, and financial guaranty. In addition, it writes casualty clash including professional liability, workers' compensation, accident and health, and personal lines.

Motor includes personal and commercial automobile coverage. The Company's facultative business written is 100% Motor.

The Company began writing agricultural business in the U.S. and Canada in 2011. The agricultural business consists of multi-peril crop reinsurance and a small amount of private products including crop hail. The business written consists primarily of U.S. business with a small amount of Canadian business and foreign business (other than Canada) which the Company began writing during 2017. The foreign business consists of assumed reinsurance agricultural contracts from China, South Korea, Thailand, and India.

The Company's facultative strategy relies on proprietary internal pricing models and underwriting expertise to write narrow buffer layers. The facultative department accounted for 3.0% of the Company's 2017 gross written premium, all of which was automobile liability.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets and Liabilities as of December 31, 2017
- Statement of Income for the year ended December 31, 2017
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2013 to December 31, 2017

**THE TOA REINSURANCE COMPANY OF AMERICA
STATEMENT OF ASSETS
AS OF DECEMBER 31, 2017**

	<u>Ledger Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets 2017</u>
Bonds	\$ 1,181,482,293	\$ -	\$ 1,181,482,293
Common stocks (stocks)	258,306,652	-	258,306,652
Properties held for the production of income	2,575,648	-	2,575,648
Cash	9,148,831	-	9,148,831
Cash equivalents	114,885,065	-	114,885,065
Other invested assets	9,481,141	-	9,481,141
Receivables for securities	4,673,048	-	4,673,048
Subtotals, cash and invested assets	<u>\$ 1,580,552,678</u>	<u>\$ -</u>	<u>\$ 1,580,552,678</u>
Investment income due and accrued	10,474,395	-	10,474,395
Uncollected premiums and agents' balances in the course o	26,142,947	68,303	26,074,644
Deferred premiums; agents' balances and installments booked but deferred and not yet due	130,381,496	-	130,381,496
Amounts recoverable from reinsurers	15,590,379	-	15,590,379
Funds held by or deposited with reinsured companies	478,838	-	478,838
Current federal and foreign income tax recoverable and int	6,271,598	-	6,271,598
Net deferred tax asset	9,091,000	-	9,091,000
Electronic data processing equipment software	1,365,285	1,180,377	184,908
Furniture and equipment, including healthcare delivery ass	86,133	86,133	-
Aggregate write-ins for other than invested assets	41,526,805	353,112	41,173,693
Total Assets	<u>\$ 1,821,961,554</u>	<u>\$ 1,687,925</u>	<u>\$ 1,820,273,629</u>

**THE TOA REINSURANCE COMPANY OF AMERICA
STATEMENT OF LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2017**

		<u>Notes</u>
Losses	\$ 780,441,984	1
Reinsurance payable on paid losses and loss adjustment expenses	11,089,701	
Loss adjustment expenses	98,066,608	1
Commissions payable, contingent commissions and other similar charges	5,465,769	
Other expenses (excluding taxes; licenses and fees)	26,450,307	
Taxes, licenses and fees (excluding federal and foreign income taxes)	398,125	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$12,478,828 and including warranty reserves of \$0)	110,709,050	
Ceded reinsurance premiums payable (net of ceding commissions)	17,800,537	
Funds held by company under reinsurance treaties	87,805,891	
Provision for reinsurance	199,600	
Payable for securities	142,419	
Aggregate write-ins for liabilities	21,507,641	
Total liabilities excluding protected cell liabilities	<u>\$ 1,160,077,632</u>	
Total liabilities	<u>\$ 1,160,077,632</u>	
Common capital stock	\$ 4,000,000	
Gross paid in and contributed surplus	181,352,611	
Unassigned funds (surplus)	474,843,386	
Surplus as regards policyholders	<u>\$ 660,195,997</u>	
Totals of liabilities & surplus	<u><u>\$ 1,820,273,629</u></u>	

**THE TOA REINSURANCE COMPANY OF AMERICA
STATEMENT OF OPERATIONS
AS OF DECEMBER 31, 2017**

Underwriting Income

Premiums earned	<u>\$ 423,138,558</u>
Deductions	
Losses incurred	\$ 311,753,041
Loss adjustment expenses incurred	21,035,099
Other underwriting expenses incurred	<u>121,137,171</u>
Total underwriting deductions	<u>\$ 453,925,311</u>
Net underwriting gain (loss)	<u>\$ (30,786,753)</u>

Investment Income

Net investment income earned	\$ 41,576,095
Net realized capital gains (losses) less capital gains tax of \$(754,593)	<u>6,803,920</u>
Net investment gain (loss)	<u>\$ 48,380,015</u>

Other Income

Net gain (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$2,635)	\$ -
Aggregate write-ins for miscellaneous income	<u>267,066</u>
Total other income	<u>\$ 267,066</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 17,860,328</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 17,860,328
Federal and foreign income taxes incurred	<u>(2,615,350)</u>
Net Income	<u>\$ 20,475,678</u>

RECONCILIATION OF CAPITAL AND SURPLUS
For the Period from the Prior Examination
As of December 31, 2013 to December 31, 2017

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/2013	\$ 4,000,000	\$ 181,352,611	\$ 497,058,878	\$ 682,411,489
12/31/2014			\$ 53,204,864 (1)	\$ 53,204,864
12/31/2014			\$ (21,000,000) (2)	\$ (21,000,000)
12/31/2015	-		7,784,520 (1)	7,784,520
12/31/2015	-		(50,000,000) (2)	(50,000,000)
12/31/2016	-		46,866,376 (1)	46,866,376
12/31/2016	-		(50,000,000) (2)	(50,000,000)
12/31/2017	-		40,928,748 (1)	40,928,748
12/31/2017	-	-	(50,000,000) (2)	(50,000,000)
	<u>\$ 4,000,000</u>	<u>\$ 181,352,611</u>	<u>\$ 474,843,386</u>	<u>\$ 660,195,997</u>

(1) Represents net income, change in unrealized capital gains/(losses), change in provision for reinsurance, change in non-admitted assets, and change in reinsurance for unauthorized and certified reinsurers.

(2) Dividends paid to the Parent, TRJ.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statements as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$ 780,441,984
Loss Adjustment Expenses	\$ 98,066,608

The examination liability for the aforementioned captioned items of \$780,441,984 and \$98,066,608 are the same as reported by the Company as of December 31, 2017. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Generally Accepted Actuarial Principles and Statutory Accounting Principles, including *NAIC Accounting Practices and Procedures Manual*, Statement of Statutory Accounting Principle No. 55 (SSAP # 55).

Based on the INS actuarial review, the estimate of the net loss and LAE reserve of \$955.324 million is higher than the Company carried reserve of \$878.509 million by \$76.815 million, or 8.7% of December 31, 2017 net Annual Statement reserves. As of December 31, 2018, the Company strengthened its net loss and LAE reserves for accident years 2017 and prior by \$103.534 million, representing 11.8% of net reported reserves as of December 31, 2017. Due to the significant strengthening of net reserves in 2018 by the Company, no change was made to the December 31, 2017, financial statements.

SUBSEQUENT EVENTS

Effective January 1, 2018, the Company decreased its participation in the Two-Line Surplus and Quota Share Treaty with TRJ from 50% to 35%.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no recommendations contained in the prior examination report issued by the Department as of December 31, 2013.

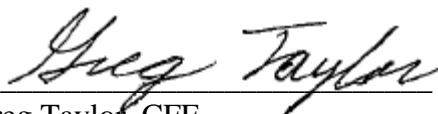
SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

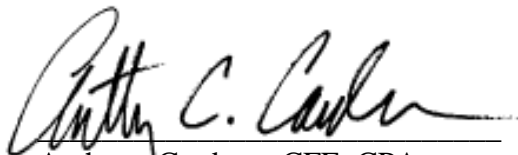
CONCLUSION

The assistance and cooperation of the consulting actuarial firm, INS Consultants, Inc., the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, Mazars, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Greg Taylor, CFE
Examiner In-Charge
State of Delaware



Anthony Cardone, CFE, CPA
Supervising Examiner
State of Delaware