REPORT ON EXAMINATION

OF

THE TOA REINSURANCE COMPANY OF AMERICA

AS OF

DECEMBER 31, 2013

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, 2013 of the

TOA REINSURANCE COMPANY OF AMERICA

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

Attest By: ______________________

Date: June 10, 2015

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 10th day of June, 2015.

____

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

REPORT OF EXAMINATION

OF THE

TOA REINSURANCE COMPANY OF AMERICA

AS OF

DECEMBER 31, 2013

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.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 10th day of June, 2015

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SALUTATION

May 28, 2015

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. 14.027, NAIC # 42439 dated July 11, 2014, an examination has been made of the affairs, financial condition and management of

THE TOA REINSURANCE COMPANY OF AMERICA

hereinafter referred to as “Company” or “Toa Re”, incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. The examination was conducted at the Company’s administrative office located at 177 Madison Avenue, Morristown, New Jersey 07962. The examination report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last examination was as of December 31, 2009. This examination covered the period of January 1, 2010 through December 31, 2013, 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 at December 31, 2013. Transactions subsequent to the examination date were reviewed where deemed necessary.

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 Laws and Regulations of the State of Delaware. The NAIC Handbook 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. The examination also included 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 accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report addresses regulatory issues reviewed during the examination process.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, WeiserMazars LLP (WeiserMazars). Certain auditor work papers of their 2013 audit 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.

In addition to items noted in this report, the topics below were reviewed without material exception and are included in the work papers of this examination:

Fidelity Bonds and Other Insurance
Pensions, Stock Ownership and Insurance Plans
Statutory Deposits

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, adjustments to the financial statements, or specific recommendations as a result of this examination.

SUBSEQUENT EVENTS

Dividends to Stockholders:

The Company's Board of Directors (Board) declared and paid an ordinary cash dividend to the stockholder of record on March 20, 2014, for $21.0 million, which was approved by the Delaware Department of Insurance.

The Company's Board declared and paid an ordinary cash dividend to the stockholder of record on March 17, 2015, for $50.0 million, which was approved by the Delaware Department of Insurance.

Affiliated Agreement:

The Company entered into a Japanese Sarbanes Oxley (J-SOX) Cost Reimbursement Agreement with parent Toa Reinsurance Company Ltd. (Toa-Japan) effective March 26, 2014, which covers the reimbursement of the consulting expenses related to the implementation and testing of J-SOX at the Company.

Unaffiliated Agreement:

The Company entered into a Trust Agreement with Bank of America, N.A. effective July 3, 2014, for a new single agreement for a new plan participant, which covers administration of the Company's Supplemental Employee Retirement Plans assets.

COMPANY HISTORY

The Company was originally incorporated and started operations as The Toa Re-Insurance Company of America, a U.S. subsidiary of Toa Fire and Marine Reinsurance Company, Limited [Tokyo, Japan], on October 15, 1982.

On December 30, 1997, Toa Fire and Marine Reinsurance Company, Limited 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). M&G America was then merged with The Toa Re-Insurance Company of America on the same date. Pursuant to 18 Del. C. § 4943 Preservation of old charter in merger or consolidation and 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 changed its name from The Toa Re-Insurance Company of America to The Toa Reinsurance Company of America. On that same date, the Company's parent changed its name from Toa Fire and Marine Reinsurance Company, Limited, to The Toa Reinsurance Company, Ltd. (Toa-Japan).

MANAGEMENT AND CONTROL

Management

Pursuant to the General Corporation Law 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, 2013, each elected or appointed in accordance with Company bylaws, were as follows:

Individual	Principal Business Affiliation
John Joseph Hayden Morristown, New Jersey	Senior Vice President, General Counsel and Secretary The Toa Reinsurance Company of America
George Thompson Hutton Menlo Park, California	Managing Partner Thompson Hutton LLC.
Tetsuro Kanda Tokyo, Japan	Managing Director The Toa Reinsurance Company, Ltd.
Satoru Koizumi Tokyo, Japan	Director The Toa Reinsurance Company, Ltd.
Masaaki Matsunaga Tokyo, Japan	Director The Toa Reinsurance Company, Ltd.
Tomoatsu Noguchi Tokyo, Japan	President and Chief Executive The Toa Reinsurance Company, Ltd.
Teruhiko Ohtani Tokyo, Japan	Chairman The Toa Reinsurance Company, Ltd.
Koichiro Onuki Tokyo, Japan	Senior Vice President – International Development The Toa Reinsurance Company of America
James Anthony Pilla Morristown, New Jersey	Executive Vice President – Underwriting The Toa Reinsurance Company of America
Edward Joseph Stanco Morristown, New Jersey	Chief Executive Officer The Toa Reinsurance Company of America
Toshiyuki Sugawara Tokyo, Japan	Managing Director The Toa Reinsurance Company, Ltd.
Nathaniel Benjamin Wallman Morristown, New Jersey	Senior Vice President and Chief Financial Officer The Toa Reinsurance Company of America

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 and one or more Vice-Presidents as necessary. The senior officers, duly appointed in accordance with the bylaws and serving at December 31, 2013, are as follows:

Individual	Office
Teruhiko Ohtani	Chairman of the Board
Edward J. Stanco	Chief Executive Officer
James A. Pilla	Executive Vice President – Underwriting
Michael P. Blaber	Senior Vice President – Treaty Underwriting
Robert B. Clark	Senior Vice President – Treaty Underwriting
John J. Hayden	Senior Vice President, General Counsel and Secretary
Caroline M. Kane	Senior Vice President and Chief Agent in Canada
Koichiro Onuki	Senior Vice President – International Development
Peter A. Royek	Senior Vice President and Actuary
Sandra K. Van Enk	Senior Vice President – Claims
Nathaniel B. Wallman	Senior Vice President and Chief Financial Officer
Bin Zhang	Senior Vice President

As of December 31, 2013, the Board of Directors had two standing committees: the Conflict of Interest Committee constituted by Edward J. Stanco and Koichiro Onuki and the Audit Committee constituted by Edward J. Stanco and George T. Hutton.

Corporate Records

The minutes of the meetings of the Stockholder and Board of Directors, which were held during the period of examination, were read and noted. Attendance at meetings, election of directors and officers and approval of investment transactions were also noted.

Inspection of Company files indicated that an ethics statement/conflict of interest statement was completed by all key officers and directors for the examination period.

Holding Company System

The Company is a member of a holding company system collectively known as “The Toa Re Group” and is subject to the holding company registration requirements of Chapter 50 of the

Delaware Insurance Code. The Company maintains that Toa-Japan, a reinsurer domiciled and based in Tokyo, Japan, is the ultimate controlling entity of the group. Toa-Japan has branch operations in Hong Kong, Kuala Lumpur and Singapore, with representative offices in London, Taipei and New York, and subsidiary operations in Switzerland. As of March 31, 2013, Toa-Japan had consolidated assets of $6.362 billion and shareholders' equity of $2.514 billion.

An organizational chart of the Toa Re Group as of December 31, 2013, is as follows:

The Toa Reinsurance Company, Ltd. [Japan], 100% owner of
The Toa Reinsurance Company of America [Delaware]
The Toa 21^{st} Century Reinsurance Company, Ltd [Switzerland]

Pursuant to 18 Del. C. §5005 and 18 Del. Admin. Code §1801, in seeking authorization to enter into certain transactions, the Company submitted Form D Prior Notice of Transaction statements with the Delaware Insurance Department. In addition, the Company filed the annual Form B and Form C holding company registration statements for the years under examination.

Affiliated Agreements

The Company was not a party to a tax sharing agreement during the examination period. Other than the reinsurance agreement with parent Toa-Japan (see the Reinsurance section of this report), the only other affiliated agreement was an Expense Allocation Agreement with parent Toa-Japan effective December 1, 2013, which covers the reimbursement of the travel expenses of the Japanese directors of the Company.

Unaffiliated Agreements

Custodian Agreement:

The Company entered into a Custodian Agreement with Brown Brothers Harriman & Co., L.P. (BBH), a New York Limited Liability Company, with an effective date of February 2, 2005. Pursuant to the agreement, BBH acts as the custodian for the Company's portfolio of investment securities. As of the examination date, BBH held long-term bonds with market and book adjusted carrying values of $949,365,210 and $933,444,932 respectively, and common stocks with market values of $269,631,798. A review of the terms of the custodian agreement indicates that the agreement contains the minimum standards required under the NAIC Handbook.

Trust Agreement:

The Company entered into a Trust Agreement with RBC Dexia and RBC Dominion Securities (collectively RBC, formerly Royal Trust Company of Canada) effective January 1, 1999, for investments held to fulfill Canada’s regulatory requirements. As of the examination date, RBC held long-term bonds with an aggregate market value of USD $227,995,131 and book adjusted carrying value of USD $224,966,082 excluding cash, respectively. A review of the terms of the trust agreement indicates that the agreement contains the minimum standards required under the NAIC Handbook.

Management and Agency Agreement:

The Company participates in a Management and Agency Agreement with Cushman & Wakefield, Inc. (Cushman & Wakefield) effective July 17, 1998. The agreement acknowledges that the Company appoints Cushman & Wakefield to act as sole agent for the management of the principal offices of the Company located at 177 Madison Avenue, Morristown, New Jersey.

Investment Advisory Agreements:

The Company has entered into Investment Advisory Agreements with investment managers which manage a portfolio of the Company’s investment securities primarily held by custodian BBH in accordance with the investment guidelines established by the Company as follows:

Investment Advisor	Agreement Effective Date	12/31/2013 Bond Market Value (in 000s)	12/31/2013 Book/Adj. Carrying Value (in 000s)	12/31/2013 Stock Market Value (in 000s)
Western Asset Management	04/20/1998	$ 304,857	$ 302,573	$ 0
William Blair & Company	03/10/1999	0	0	62,684
Gabelli Asset Management Company	11/13/2002	0	0	144,942
Morgan Stanley Investment Mgmt. (*)	03/03/2004	561,893	549,162	0
Wells Capital Management Incorporated	06/10/2009	0	0	45,428
Managed by Toa		310,610	306,676	16,578
Totals		$1,177,360	$1,158,411	$269,632

(*) The original agreement is with Weiss, Peck & Greer Investments, a division of Robeco USA, LLC, which was assigned to Morgan Stanley effective April 11, 2008

Software Licensing and Reporting Services Agreement:

The Company has entered into a Software Licensing and Reporting Services Agreement with Clearwater Analytics LLC (Clearwater) effective May 2, 2012. Pursuant to the agreement, Clearwater provides the Company with investment accounting software.

TERRITORY AND PLAN OF OPERATION

Territory

At December 31, 2013, the Company has certificates of authority to write business in twenty-four states and the District of Columbia and meets the standards as an approved reinsurer in the remaining twenty-six states. In addition to being recognized by the U.S. Treasury as an approved reinsurer, the Company maintains a Canadian branch located in Toronto, Ontario, which is licensed in Canada by the Office of the Superintendent of Financial Institutions (OSFI) and by the Province of Ontario to write property and casualty reinsurance.

The principal office facilities of the Company are located in Morristown, New Jersey, and are supplemented by branch operations in Toronto. The Canadian branch contributed $64.8 million USD in assumed written premiums in 2013, or 13.3%, of the Company's 2013 total assumed written premiums of $480.8 million.

As of the examination date, the Company had a rating of "A+" *(Superior)* from A.M. Best.

Plan of Operation

Toa Re operates as a treaty (98.5%) and facultative (1.5%) reinsurer primarily engaged in the underwriting of casualty and general property business through numerous unaffiliated reinsurance brokers. The Company assumes business from insurance and reinsurance companies domiciled in the United States and abroad, which meet certain financial and underwriting criteria established by the Company.

At December 31, 2013, the classes of business on a net premiums written basis were split as follows:

Class	Percent
Casualty lines	31.34%
Property lines	20.83%
Property and Casualty Combined lines	1.51%
All Other Lines	0.31%
Non-proportional Reinsurance lines	46.01%
Total	100.00%

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the four preceding years since its last examination (2009):

Year	Admitted Assets	Capital & Surplus	Premiums Earned	Net Income
2013	$1,779,405,889	$682,411,489	$394,142,065	$70,689,562

2012	$1,670,280,788	$599,094,197	$374,989,196	$32,552,404
2011	$1,577,638,461	$586,910,774	$285,516,298	$63,736,744
2010	$1,515,632,486	$563,443,185	$238,679,483	$66,772,907
2009	$1,414,447,591	$476,026,036	$235,640,355	$33,330,150

Since December 31, 2009, the Company's financial results were as follows:

- 25.80% increase in admitted assets
- 43.36% increase in capital and surplus
- 67.26% increase in premiums earned
- 112.09% increase in net income

The increase in premiums earned is due to the expansion of many existing lines of businesses during the economic recovery that started in 2009. The Company began writing agricultural business (AgRe) in 2011 with $31.3 million in MPCI reinsurance and a small amount of crop hail. AgRe premiums increased to $51.2 million and $62.5 million, in 2012 and 2013, respectively.

Toa Re's net income for 2013 was $70.7 million, compared to $32.6 million in 2012. Contributing to the large net income amount in 2013 was a $10.1 million foreign exchange gain on the Canadian business, which represents 14.3% of net income. While foreign exchange produced a positive net income result this year and all years of the examination, foreign exchange exposure could at some point in the future produce negative net income. Also contributing to the large positive net income in 2013 was a $7.5 million favorable development of prior years due to the non-cat casualty class tail factors. Common stock portfolio gains in 2013 substantially aided net income with the average equity markets increasing over 30% across the board. Additionally, bond yields started 2013 at near historic lows of around 1.8% but increased to around 3% at year-end.

Despite the difficult economic recovery conditions of the past four years, the Company has remained highly profitable even with dividends to its parent of $94 million during the exam period.

REINSURANCE

General

The Company reported the following distribution of net premiums written for 2013:

Direct	$ 0
Reinsurance assumed from affiliates	0
Reinsurance assumed from non-affiliates	480,802,338
Total gross (direct and assumed)	$480,802,338
Reinsurance ceded to affiliates	$ 77,717,849
Reinsurance ceded to non-affiliates	(2,813)
Total ceded	$ 77,715,036
Net premiums written	$403,087,302

The Company retained 83.84% of its gross business in 2013.

Assumed

The Company assumes business from a wide range of insurance and reinsurance companies and focuses a significant portion of its treaty marketing efforts on small to medium sized regional property and casualty insurers. Marketing is generally controlled by the underwriting department in conjunction with senior management. The Company advertises in business trade publications emphasizing strong capitalization and support from its parent.

2013 assumed premiums by cedent (top 5) are as follows:

	Premiums (in 000s)	Percent of Total
Hanover Insurance Company (NH)	$ 33,385	6.94%
Liberty International of Canada (CN)	29,328	6.10%
GuideOne Mutual Insurance Company (IA)	20,848	4.34%
Great American Insurance Company (OH)	17,153	3.57%
Anchor General Insurance Company (CA)	16,972	3.53%

All Others	364,709	75.52%
Total	$480,802	100.00%

The Company uses reinsurance intermediaries responsible for handling treaties and monitoring the reinsured. The reinsurance intermediary agreements were found to be in compliance with 18 Del. C. §1603 and §1604.

Ceded

As of December 31, 2013, the Company had one significant retrocessional agreement covering the general book of business.

Renewed annually and effective January 1, the Company entered into a two-line surplus treaty and quota share reinsurance agreement with parent Toa-Japan. Under this agreement, the Company cedes both the surplus share of its net retention or quota share of its gross retention on all policies, bonds, binders and contracts of insurance or reinsurance written or assumed and classified as property or boiler and machinery (Class 1) and business classified by the Company as private passenger auto liability, commercial automobile liability, general liability, business owners policies (BOP) and special multi-peril (SMP) which is assumed under one specific treaty (Class 3). Class 1 coverage provides the Company with protection up to 200% of the Company's net retention on any one program subject to a maximum cession of $10 million for any one program. Class 3 coverage provides the Company with protection of up to 20% of the Company's gross retention on any one policy subject to a maximum cession of $1 million any one loss occurrence. This agreement was in place as of the last examination and is renewed annually.

The Schedule F data contained in the Company's annual statements filed for the years within the examination period were found to accurately reflect its reinsurance transactions. The only material reinsurance agreement is the two-line surplus treaty and quota share reinsurance agreement with parent Toa-Japan noted above, which was reviewed and evaluated for compliance with Statement Statutory Accounting Principles (SSAP) 62 of the *NAIC Accounting Practices and Procedures Manual* and appeared to include the required contractual clauses.

LOSS EXPERIENCE

Reserves as of the examination date were $839 million. As of December 31, 2014, $211 million has been paid for incurred loss and loss adjustment expense attributable to insured events of prior years. Reserves remaining for prior years as at 2013 and 2014 were $607 million and $601 million, respectively. As a result of the re-estimation of unpaid claims and claims adjustment expenses, principally on liability lines, there has been favorable development from December 31, 2013, to December 31, 2014.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records and supporting data were reviewed and tested to the extent deemed necessary and found to be satisfactory. The trial balance prepared from the Company's general ledger for the year ended December 31, 2013, was agreed to the annual statement.

The Company maintains its records on a combination of client server and network applications which utilize various reporting systems to record and report financial information.

The accounts and records reviewed included an evaluation of the Company's operational and organizational controls. The areas evaluated included computer systems, accounting systems, organizational structures, and the processing structure. The Company performs full system backups and rotates copies of programs and data files to its off-site storage facility on a weekly basis.

The accounts and records review included an assessment of the Company's risk management process in identifying and controlling risks in the key operational areas of the Company. In making the assessment in each key area, processes were reviewed, risks were identified, operational and organizational controls were identified and tested and the Company's methodology for assessing the effectiveness of the established mitigation factors was evaluated.

The Delaware Department of Insurance engaged INS Services, Inc. to perform a review and assessment of the Company's information systems and the related control environment. There were no reportable examination findings with respect to the Company's information technology systems and controls.

FINANCIAL STATEMENTS

The following pages contain the Company's Financial Statements for the year ending December 31, 2013, as determined by this examination, with supporting exhibits as detailed below:

Assets
Liabilities, Surplus and Other Funds
Statement of Income
Capital and Surplus Account
Reconciliation of Surplus since last Examination

Assets
As of December 31, 2013

Assets	Ledger Assets	Non-Admitted Assets	Net-Admitted Assets	Note
Bonds	$1,158,411,014		$1,158,411,014	1
Common stocks	269,631,798		269,631,798	
Real estate	3,283,556		3,283,556	
Cash and Short Term Investments	117,068,783		117,068,783	
Other invested assets	32,085,140		32,085,140	
Receivables for securities	736,571		736,571	
Investment income due and accrued	11,519,610		11,519,610	
Premiums and Considerations:				
Uncollected premiums and agents balances	6,963,243	$337,842	6,625,401	
Deferred premium	108,374,613		108,374,613	
Reinsurance:				
Amounts recoverable from reinsurers	17,914,798		17,914,798	
Funds held by or deposited with reinsured companies	301,209		301,209	
Net deferred tax asset	14,020,000		14,020,000	
EDP equipment and software	529,057	12,775	516,282	
Furniture and equipment	123,483	123,483	0	
Aggregate write-ins for other than invested assets	38,935,113	17,999	38,917,114	
Total Assets	**$1,779,897,988**	**$492,099**	**$1,779,405,889**	

Liabilities, Surplus and Other Funds
As of December 31, 2013

			NOTE
Losses	$	748,872,713	2
Reinsurance payable on paid losses		5,072,829	
Loss adjustment expenses		89,809,948	2
Commissions payable		1,254,070	
Other expenses		19,335,879	
Taxes, licenses and fees		369,775	
Current federal and foreign income taxes		456,252	
Unearned premiums		111,420,012	
Ceded reinsurance premiums payable		21,510,055	
Funds held by company under reinsurance		87,297,493	
Provision for reinsurance		633,400	
Payable for securities		2,236,801	
Aggregate write-ins for liabilities		8,725,173	3
Total Liabilities	$	1,096,994,400	
Common capital stock	$	4,000,000	
Gross paid in and contributed surplus		181,352,611	
Unassigned funds (surplus)		497,058,878	
Surplus as regards policyholders	$	682,411,489	
Total liabilities, surplus and other funds	**$**	**1,779,405,889**	

Statement of Income
As of December 31, 2013

Deductions		
Losses incurred	$	237,041,557
Loss expenses incurred		19,337,013
Other underwriting expenses incurred		104,413,426
Total underwriting deductions	$	360,791,996
Net underwriting gain	$	33,350,069

Investment Income

Net investment income earned	$	40,925,260
Net realized capital gains less capital gains tax of $1,531,341		17,719,402
Net investment gain	$	58,644,662

Other Income

Net gain or (loss)	$	0
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		495,776
Total other income	$	495,776
Net Income, after dividends to policyholders, but before federal & foreign income taxes	$	92,490,507
Federal income taxes		21,800,945
Net Income	$	70,689,562

Capital and Surplus Account
As of December 31, 2013

Capital and Surplus Account

Surplus as regards policyholders December 31, 2012	$	599,094,197
Net Income	$	70,689,562
Change in net unrealized capital gains		35,244,760
Change in net unrealized foreign exchange capital gain		(14,023,544)
Change in net deferred income tax		4,593,948
Change in non-admitted assets and related items		759,348
Change in provision for reinsurance		(136,200)
Cumulative effect of changes in accounting principle		(15,937,405)
Dividends to stockholder		(10,000,000)
Aggregate write-ins for gains in surplus		12,126,823
Change in surplus as regards policyholders for the year	$	83,317,292
Surplus as regards policyholders December 31, 2013	**$**	**682,411,489**

Reconciliation of Surplus since last Examination

	Common Capital Stock	Gross Paid -in & Contributed Surplus	Unassigned Funds (Surplus)	Total
December 31, 2009	$ 4,000,000	$ 181,352,611	$ 290,673,425	$ 476,026,036
2010 Operations (1)			93,417,149	93,417,149
2010 Dividends			(6,000,000)	(6,000,000)
2011 Operations (1)			43,467,589	43,467,589
2011 Dividends			(20,000,000)	(20,000,000)
2012 Operations (1)			62,425,423	62,425,423
2012 Dividends			(58,000,000)	(58,000,000)
2012 Effect of changes in accounting principles (2)			7,758,000	7,758,000
2013 Operations (1)			109,254,697	109,254,697
2013 Effect of changes in accounting principles (3)			(15,937,405)	(15,937,405)
2013 Dividends			(10,000,000)	(10,000,000)
December 31, 2013	$ 4,000,000	$ 181,352,611	$ 497,058,878	$ 682,411,489

(1) Operations are defined as: net income and all activity **except** capital changes, surplus adjustments, dividends to stockholders or aggregate write-ins for special surplus funds.

(2) Effect of changes in accounting principles are defined as: the adoption of SSAP No. 101 Income Taxes.

(3) Effect of changes in accounting principles are defined as: the adoption of SSAP No. 92 Accounting for Postretirement Benefits Other Than Pensions and SSAP No. 102 Accounting for Pensions.

Dividends

According to Company records for the years indicated, and as reflected in minutes of the Board of Directors' meetings, ordinary cash dividends were paid to the sole stockholder and approved by the Delaware Insurance Department as follows:

Date Declared	Date Paid	Dividend Paid
March 10, 2010	March 24, 2010	$6,000,000

March 10, 2011	March 28, 2011	$20,000,000
March 10, 2012	March 28, 2012	$58,000,000
March 11, 2013	March 28, 2013	$10,000,000

Capitalization

The Company is authorized to issue 400 shares of common capital stock capital with a par value of $10,000 per share. Currently, all 400 shares are issued and held by Toa-Japan. The following table reflects the Company's capitalization activity since the prior examination:

	Capital Stock	Gross Paid-in & Contributed Surplus
December 31, 2009	$4,000,000	$181,352,611
Activity	0	0
December 31, 2013	$4,000,000	$181,352,611

SCHEDULE OF EXAMINATION ADJUSTMENTS

No financial adjustments were made as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

(Note 1) Bonds **$1,158,411,014**

The Company's bonds represent 73.3% of invested assets at year-end 2013. 99.03% of the Company's bonds are rated as Class 1 or Class 2 by the NAIC. 42.35% of the bond portfolio is comprised of investments maturing between five to ten years. During 2013, the Company realized $2.6 million and $26.3 million in net capital gains from fixed income and common stock disposals respectively.

(Note 2) Losses	**$748,872,713**
Loss Adjustment Expenses	**$89,809,948**

INS Consultants, Inc. (INS) was retained by the Delaware Insurance Department to conduct a review of the Company's reserve methodologies and adequacy. INS evaluated the Company's book of business by line of business for losses and LAE. The conclusions reached by INS are largely based upon information supplied by the Company's staff, which included an in-depth actuarial analysis. The INS reserve analysis was performed on both a gross and net of reinsurance basis and did not address the collectability of reinsurance recoverables. The INS reserve review found the Company's combined net loss and LAE reserves were adequate to support the business underwritten.

Loss and LAE reserves are subject to errors of estimation arising from the fact that the ultimate liability for claims evaluated as of the valuation date are dependent on future contingent events which cannot always be anticipated. The possible occurrence of such events, as well as the inherent uncertainty associated with statistical estimates, allows no guarantee that the actual ultimate liabilities will be the same as the reserve levels described in this examination report. The review was conducted in conjunction with the current financial examination. Based on the review, INS has accepted the conclusion that additional actuarial reserves were not required as of December 31, 2013.

(Note 3) Aggregate write-ins for liabilities **$8,725,173**

$8,513,764 of the aggregate write-ins for liabilities balance is attributed to a post retirement liability. The Company maintains a qualified noncontributory defined benefit pension plan, which covers substantially all of its employees. The Company also maintains a supplemental employee retirement plan for several key persons. In addition to recording a liability for the 2013 funding of the defined benefit pension plan the Company recorded a decrease in surplus of $15,937,405 in 2013 related to the pension plan. The decrease to surplus was the result of a change in accounting policy. Effective January 1, 2013, the Company adopted the provisions of SSAP No. 92 Accounting for Postretirement Benefits Other Than Pensions, a replacement of SSAP No. 14 and SSAP No. 102, Accounting for Pensions, a replacement of SSAP No. 89.

PRIOR EXAM COMMENTS AND RECOMMENDATIONS

There were no recommendations made in the prior examination report.

COMMENTS AND RECOMMENDATIONS

There were no recommendations made in the examination report.

CONCLUSION

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

Description	December 31, 2009	December 31, 2013	Increase (Decrease)
Assets	$ 1,414,447,591	$ 1,779,405,889	$ 364,958,298
Liabilities	$ 938,421,555	$ 1,096,994,400	$ 158,572,845
Common Capital Stock	4,000,000	4,000,000	-
Gross Paid In and Contributed Surplus	181,352,611	181,352,611	-
Unassigned Funds (Surplus)	290,673,425	497,058,878	206,385,453
Total Surplus as Regards Policyholders	$ 476,026,036	$ 682,411,489	$ 206,385,453
Totals	$ 1,414,447,591	$ 1,779,405,889	$ 364,958,298

The assistance of the Delaware Insurance Department's consulting actuarial firm, INS Consultants, Inc. and INS Services, Inc., is acknowledged.

Respectfully submitted,

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Examiner-In-Charge
State of Delaware