



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Katharine L. Wade, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of Travelers Casualty and Surety Company of America (the "Company") as of December 31, 2014, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

TO WIT:

1. I, Katharine L. Wade, as the Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("CGS").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On February 11, 2016, the verified Report of the Company was filed with the Connecticut Insurance Department ("Insurance Department").
4. In accordance with Section 38a-14(e)(3) of the CGS, the Company was afforded a period of thirty (30) days within which to submit to the Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On April 1, 2016, the Company notified the Insurance Department of certain responses and comments on certain items contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Company hereby is adopted as filed with the Insurance Department.
2. That the Company shall comply with all of the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the CGS.

Dated at Hartford, Connecticut, this 15th day of April, 2016

A handwritten signature in black ink that reads "Katharine L. Wade". The signature is written in a cursive style with a horizontal line underneath the name.

Katharine L. Wade
Insurance Commissioner

Exhibit A

EXAMINATION REPORT

OF

**TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
(NAIC #31194)**

AS OF

DECEMBER 31, 2014

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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February 11, 2016

The Honorable Katharine L. Wade
Commissioner of Insurance
State of Connecticut Insurance Department
153 Market Street
Hartford, Connecticut 06103

Dear Commissioner Wade:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the General Statutes of the State of Connecticut (CGS), the undersigned has made a financial examination of the condition and affairs of the

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

(hereinafter referred to as the Company), a corporation with capital stock, incorporated under the laws of the State of Connecticut and having its statutory home office and its main administrative office located at One Tower Square, Hartford, Connecticut. The report on such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department), as of December 31, 2009. The current examination, which covers the period from January 1, 2010 to December 31, 2014, was conducted at the statutory home office of the Company.

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Company:

- Board of Director (Board) minutes from 2009 through the latest 2015 meeting;
- statutory audit reports, completed by the Company's independent certified public accountants, KPMG LLP (KPMG) from 2010 through 2014;
- Management's Discussion and Analysis from 2010 through 2014;
- Statements of Actuarial Opinion from 2010 through 2014;
- documentation supporting Section 404 of the Sarbanes-Oxley Act of 2002;
- Annual Statements from 2010 through 2014; and
- reports of the Company's Internal Audit Department from 2010 through 2015.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, reports from the National Association of Insurance Commissioners (NAIC) database, as well as the independent audit reports which indicated no material concerns with respect to financial condition or regulatory compliance issues.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

Workpapers prepared by KPMG in connection with its annual statutory audit were reviewed and relied upon to the extent deemed appropriate.

INS Regulatory Insurance Services, Inc. (INS) was engaged by the Department to conduct an evaluation of the Information Technology (IT) controls.

Risk & Regulatory Consulting (RRC) was engaged by the Department to conduct an evaluation of the Company's investment holdings and provided staff accounting services.

Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman) was engaged by the Department to conduct an evaluation of the Company's reserving and underwriting processes.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Condition Examiners Handbook (the Handbook). The 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 inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management compliance with the NAIC Accounting Practices & Procedures Manual and the NAIC Property and Casualty Annual Statement Instructions.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

Concurrent examinations were made of the following Connecticut and non-Connecticut domestic property and casualty companies within The Travelers Companies, Inc. (TRV), collectively referred to as the Travelers Reinsurance Pool (TRV Pool):

St. Paul Fire and Marine Insurance Company	Travelers Casualty and Surety Company
The Travelers Indemnity Company (IND or TINDY)	The Phoenix Insurance Company
The Standard Fire Insurance Company	United States Fidelity and Guaranty Company
Travelers Casualty Insurance Company of America	Farmington Casualty Company (FAR)
The Automobile Insurance Company of Hartford, Connecticut	The Travelers Indemnity Company of Connecticut
The Charter Oak Fire Insurance Company	Northland Insurance Company
*St. Paul Surplus Lines Insurance Company	St. Paul Protective Insurance Company
The Travelers Indemnity Company of America	*Northfield Insurance Company
Travelers Casualty Company of Connecticut	Travelers Commercial Casualty Company
Travelers Commercial Insurance Company	St. Paul Mercury Insurance Company
Travelers Property Casualty Company of America	The Travelers Casualty Company
Travelers Property Casualty Insurance Company	TravCo Insurance Company
Travelers Constitution State Insurance Company	Northland Casualty Company
Travelers Excess and Surplus Lines Company	Travelers Personal Insurance Company
The Travelers Home and Marine Insurance Company	St. Paul Guardian Insurance Company
Travelers Personal Security Insurance Company	Discover Specialty Insurance Company
*Fidelity and Guaranty Insurance Underwriters, Inc.	American Equity Specialty Insurance Company
Discover Property & Casualty Insurance Company	

*Non Connecticut domestic

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Arizona, Delaware, Iowa, Texas, Florida and Wisconsin, which regulate companies that share in the underwriting results of the TRV Pool, or cede 100% of their direct business to the TRV Pool, or have stand-alone companies, participated in this examination with an objective of aligning their exam cycles with Connecticut.

The Department also performed concurrent examinations of Gulf Underwriters Insurance Company and Premier Insurance Company of Massachusetts.

Comments in this report are generally limited to exceptions noted or to items considered to be of a material nature.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

The Company was chartered as the Aegis Insurance Company (Aegis) by Special Act of the February 1974 session of the Connecticut General Assembly. Aegis, through a charter amendment at its organization on July 18, 1974, changed its name to Aetna Casualty and Surety Company of America. It commenced business on July 24, 1974. The present name became effective July 1, 1997.

In January 1996, Travelers Insurance Group Holdings Inc. (TIGHI) was formed to hold Travelers Property Casualty Corp. (TPC) property and casualty insurance subsidiaries. In April 1996, TIGHI purchased from Aetna Services, Inc. (Aetna) all of Aetna's significant property and casualty insurance subsidiaries for approximately \$4.2 billion in cash.

On October 8, 1998, Citigroup merged with and into a newly formed wholly-owned subsidiary of Travelers Group Inc. (Travelers Group). Also on this date, Travelers Group changed its name to Citigroup Inc. (Citigroup).

On August 20, 2002, Citigroup made a tax-free distribution to its stockholders of a portion of its ownership interest in TPC which, together with the shares issued in an initial public offering in March 2002, represented more than 90% of TPC's ownership. TPC became the ultimate holding, controlling entity.

On November 16, 2003, TPC and subsidiaries entered into an agreement and plan of merger with The St. Paul Companies, Inc. (SPC). Under the terms of the merger agreement, each share of TPC's Class A and Class B common stock was exchanged for 0.4334 of a share of SPC's common stock. On March 3, 2004, the merger was approved by the Commissioner of the Department and became effective on April 1, 2004.

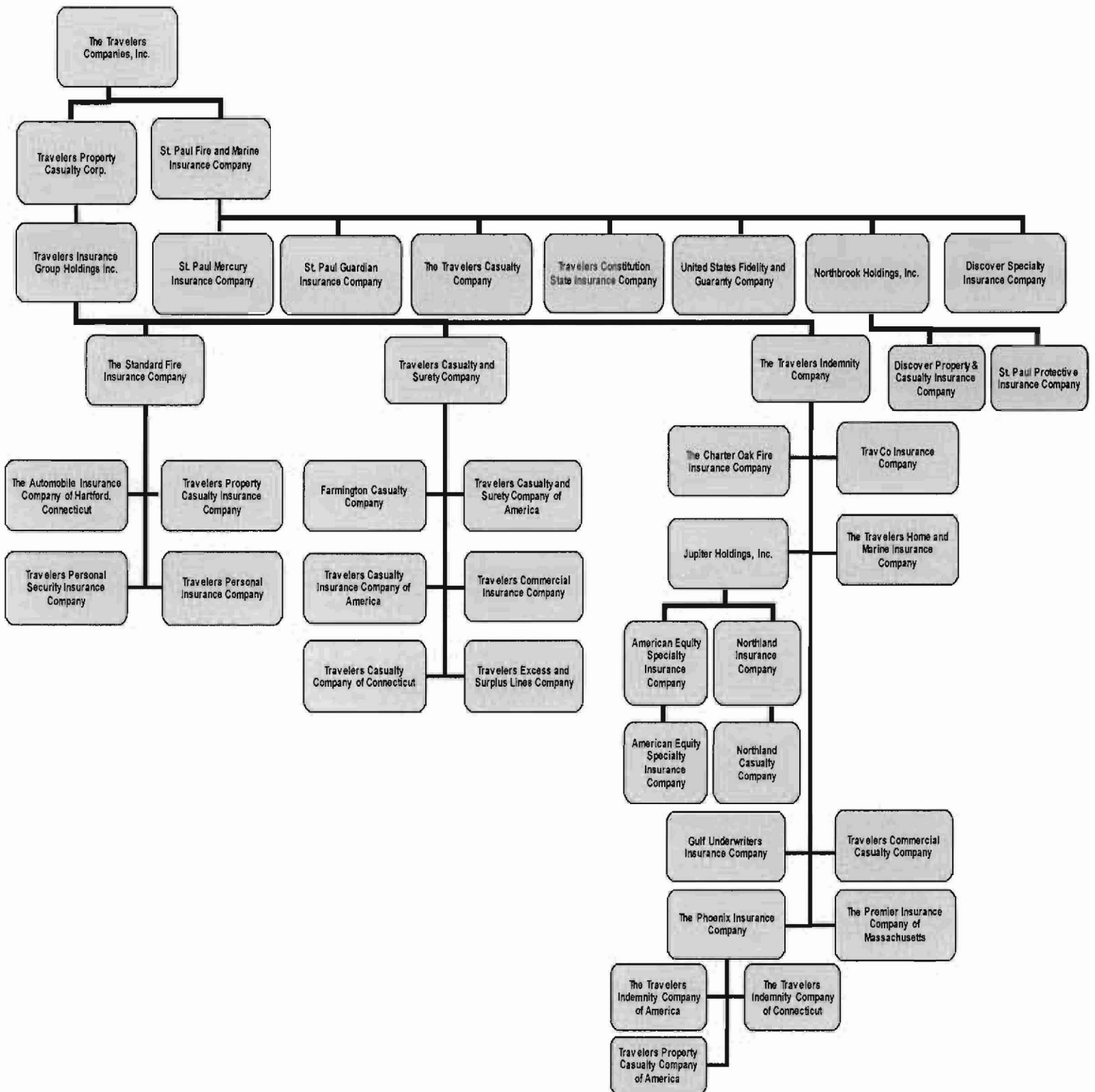
The Company is a wholly-owned subsidiary of Travelers Casualty and Surety Company (TCS), a member of the TRV Pool, which is a wholly-owned subsidiary of TIGHI, a non-insurance holding company, which is a wholly-owned subsidiary of TPC, a non-insurance holding company, which is a wholly-owned subsidiary of the TRV.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

ORGANIZATIONAL CHART

The following is an organizational chart of the Company and its parent, subsidiaries and affiliated companies as of December 31, 2014:

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA



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MANAGEMENT AND CONTROL

The Company's bylaws provide that an annual meeting of the shareholders shall be held at such time and place as the Board may appoint. Special meetings of the shareholders may be called at any time by the chairman of the board (Chairman) or the president or by a majority of directors.

There shall be a minimum of three and a maximum of twelve directors. At each meeting of the shareholders, directors shall be elected, each to hold office until the next succeeding annual meeting of the shareholders or until a successor has been elected and qualified.

A majority of the shares of voting capital stock outstanding shall constitute a quorum for the transaction of business at such meetings.

Regular meetings of the Board shall be held at such place and time as the directors may designate by vote. Special meetings of the Board may be called at any time by the Chairman or the president or by any three directors.

Not less than one-third of the Board shall constitute a quorum for the transaction of business at any meeting of the Board. At any special meeting called by three directors, not less than seven directors shall constitute a quorum.

At the annual meeting, the Board shall elect from its members a Chairman and may elect a president and one or more vice chairmen.

The Board, by resolution, may annually appoint from among its members or otherwise, an investment committee and an audit committee. The Board may also appoint and prescribe the duties and authority of other committees.

Members of the Board serving the Company at December 31, 2014, were as follows:

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
Jay S. Benet	Vice Chairman & Chief Financial Officer, The Travelers Companies, Inc.
William H. Heyman	Vice Chairman & Chief Investment Officer, The Travelers Companies, Inc.
Brian W. MacLean	President & Chief Operating Officer, The Travelers, Companies, Inc.
Doreen Spadorcia	Vice Chairman & Chief Executive Officer – Personal Insurance, Bond & Specialty Insurance, The Travelers Companies, Inc.
Kenneth F. Spence, III	Executive Vice President & General Counsel, The Travelers Companies, Inc.
Gregory C. Toczydlowski	Executive Vice President & President – Personal Insurance, The Travelers Companies, Inc.

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The executive officers serving the Company at December 31, 2014, were as follows:

<u>Name</u>	<u>Title</u>
Brian W. MacLean	Chairman, President & Chief Executive Officer
Jay S. Benet	Vice Chairman & Chief Financial Officer
William H. Heyman	Vice Chairman & Chief Investment Officer
Doreen Spadorcia	Vice Chairman & Chief Executive Officer – Personal Insurance, Bond & Specialty Insurance
Andy F. Bessette	Executive Vice President & Chief Administrative Officer
Bruce R. Jones	Executive Vice President & Chief Risk Officer
Madelyn J. Lankton	Executive Vice President & Chief Information Officer
Maria Olivo	Executive Vice President, Strategic Development & Treasurer
Kenneth F. Spence, III	Executive Vice President & General Counsel
Douglas K. Bell	Senior Vice President, Accounting Policy
Douglas K. Russell	Senior Vice President & Corporate Controller
Scott W. Rynda	Senior Vice President, Corporate Tax
Wendy C. Skjerven	Associate Group General Counsel, Corporate & Corporate Secretary
Renee H. Davis	Vice President & Chief Corporate Actuary

RELATED PARTY AGREEMENTS

Expense Allocation Agreement

The Company is party to an Expense Allocation Agreement whereas IND provides certain services in the ordinary course of business. The expenses are then allocated based on the services provided and IND is reimbursed for the amount due.

Intercompany Netting Agreement

The Company is party to Intercompany Netting Agreement, whereas each party agrees that its eligible obligations to another party may be set off and netted against the other party's eligible obligation. To the extent that the eligible obligations between parties are so netted, the obligations shall be deemed finally settled, and only the netted obligation shall remain.

Money Market Liquidity Pool Agreement

TRV maintains a private short-term investment pool known as the Travelers Money Market Liquidity Pool (MMLP), in which affiliated companies may participate. The MMLP is managed by IND. Each company may convert its position in the MMLP into cash at any time and may also use its position in the MMLP to settle transactions with other affiliated participants. The

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

position of each company in the MMLP is calculated and adjusted daily. Each participating company carries its share in MMLP as a short-term investment.

Master Domestic Custody Agreement

The Company is party to a Master Domestic Custody Agreement that sets out the terms governing custodial, settlement and certain other associated services offered by the “Bank”. The Bank is responsible for the performance of only those securities’ custody duties that are set forth in this agreement.

Tax Allocation Agreement

The Company is party to a tax allocation agreement that sets forth the manner in which total consolidated federal income tax is allocated among companies included in the consolidated return. Member companies are allocated taxes annually based upon their separate taxable income. Companies with a current federal income tax receivable will receive settlement to the extent that such receivables are for tax benefits that have been utilized in the consolidated federal income tax return.

INSURANCE COVERAGES

The Company is a named insured on a Financial Institution Bond (fidelity bond) which covers TRV and its affiliates against loss resulting directly from employee dishonesty (e.g., embezzlements). The primary \$15 million aggregate limit, which exceeded the suggested minimum limit of insurance pursuant to the Handbook, is provided by Federal Insurance Company.

In addition to fidelity bond coverage, the Company and its affiliates maintain insurance coverages with various insurers including the following lines:

<u>Company (in primary or lead role)*</u>	<u>Coverage</u>
Chubb Group of Insurance Companies	Directors and Officers Liability, Fiduciary Liability, Computer Crime and Cyber-Privacy Breach Liability
American International Group, Inc.	General Liability, Automobile Liability, Workers’ Compensation/Employers Liability and Professional Liability
Zurich Financial Services Group	Umbrella/Excess Casualty and Property

* Actual policies may be issued by underwriting subsidiaries of the companies listed above.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

TERRITORY AND PLAN OF OPERATION

The Company is licensed in all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

The Company's range of products includes fidelity and surety bonds, directors and officers liability insurance, errors and omissions insurance, professional liability insurance, employment practices liability insurance, fiduciary liability insurance, and other related coverages.

The Company underwrites and markets its products to national, mid-size and small businesses and organizations as well as individuals and distributes through national and wholesale brokers, retail agents and regional brokers.

REINSURANCE

Effective January 1, 1997, the Company participates in both cross-business and excess affiliated reinsurance agreements. The details of these agreements are as follows:

Cross-Business Reinsurance Agreement – The TRV Pool members cede bond business to the Company. The Company cedes non-bond business to TINDY and TINDY retrocedes this business (after external reinsurance has been placed) to the TRV Pool participants.

Excess Reinsurance Agreement – TINDY reinsures the excess of any single bond risk exceeding the single risk limitation of the Company up to TINDY's single risk limitation; second, TCS reinsures the excess of any single bond risk exceeding the combined single risk limits of the Company and TINDY up to TCS's single risk limitation; third, The Standard Fire Insurance Company (SFIC) reinsures the excess of any single bond risk exceeding the combined single risk limits of the Company, TINDY and TCS up to SFIC's single risk limitation; finally, FAR reinsures the excess of any single risk exceeding the combined single risk limits of the Company, TINDY, TCS and SFIC up to FAR's single risk limitation.

The summary details the Company's most significant external ceded reinsurance treaty as of December 31, 2014:

Reinsurance Contract	Company Retention	Attachment	Limits
Surety Excess of Loss (eight layers)	First \$50 million plus a 10% co-participation on layers one through eight (\$250 million xs \$50 million) each principal, each loss discovered	\$50 million each principal, each loss discovered	Up to \$250 million excess of \$50 million each principal, each loss discovered; subject to co-participation of 10% on layers one through eight

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INFORMATION TECHNOLOGY CONTROLS

INS performed a risk-based assessment and review of the Company's IT General Controls (ITGCs) in accordance with NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Company's ITGCs was derived from Exhibit C Part 1 – Information Technology Planning Questionnaire (ITPQ) and Exhibit C Part 2 – Information Technology Work Program (collectively, Exhibit C). The Company's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

INS's objectives were to obtain reasonable assurance about whether:

- the Company had a process in place to effectively identify, mitigate and manage its IT risks;
- the Company's control structure and policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
- the Company was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing the Company's policies and procedures, testing in key areas related to Exhibit C, interviewing the Company's IT senior management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by KPMG and the Company's Corporate Audit Department.

Based upon the risk-based assessment and review, the Company's ITGCs were determined to be effective.

ACCOUNTS AND RECORDS

The Financial Accounting Comprehensive Tool Suite general ledger feeds accounting data to the Hyperion Financial Management (HFM) consolidation system. HFM then feeds The Complete Package by Booke, the statutory statement preparation software package used by the Company to prepare the quarterly and annual statutory financial statements for each legal entity.

General ledger account balances were reconciled and traced to the amounts reported in the annual statement for 2014. Further detailed analyses were performed on the individual accounts throughout the examination.

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FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2014. No adjustments were made to surplus as a result of the examination.

ASSETS

	1	2	3
	Ledger Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$3,411,436,937		\$3,411,436,937
Common stocks	326,931,879		326,931,879
Cash, cash equivalents and short-term investments	127,187,283		127,187,283
Other invested assets	4,019,416		4,019,416
Securities lending reinvested collateral assets	8,224,694		8,224,694
Investment income due and accrued	45,277,103		45,277,103
Uncollected premiums and agents' balances in the course of collection	95,250,760	\$16,701,483	78,549,277
Deferred premiums, agents' balances and installments booked but deferred and not yet due	138,455,697	7,022,070	131,433,627
Amounts recoverable from reinsurers	17,397,751		17,397,751
Net deferred tax asset	73,408,334	10,768,490	62,639,844
Guaranty funds receivable or on deposit	84,282		84,282
Receivables from parent, subsidiaries, and affiliates	9,057,199		9,057,199
Aggregate write-ins for other than invested assets	2,994,372		2,994,372
Total	<u>\$4,259,725,708</u>	<u>\$34,492,043</u>	<u>\$4,225,233,665</u>

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LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$680,168,443
Reinsurance payable on paid losses and loss adjustment expenses	420,202
Loss adjustment expenses	356,911,923
Commissions payable, contingent commissions and other similar charges	34,142,046
Other expenses	40,097,405
Taxes, licenses and fees	11,534,866
Current federal and foreign income taxes	24,133,560
Unearned premiums	855,349,712
Advanced premiums	1,327,118
Dividends declared and unpaid - policyholders	7,376,699
Ceded reinsurance premiums payable, net of ceding commissions	28,084,142
Amounts withheld or retained by company for account of others	41,744,996
Remittances and items not allocated	11,062,682
Provision for reinsurance	3,416,505
Payable for securities	4,590,766
Payable for securities lending	8,224,694
Aggregate write-ins for liabilities	1,990,431
Total liabilities	2,110,576,190
Aggregate write-ins for special surplus funds	5,794,503
Common capital stock	6,480,000
Gross paid in and contributed surplus	433,803,760
Unassigned funds (surplus)	1,668,579,213
Surplus as regards policyholders	2,114,657,475
Totals	<u>\$4,225,233,665</u>

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

STATEMENT OF INCOME

	UNDERWRITING INCOME	
Premiums earned		\$1,361,647,918
DEDUCTIONS		
Losses incurred		178,308,039
Loss adjustment expenses incurred		(56,436,228)
Other underwriting expenses incurred		540,861,721
Total underwriting deductions		662,733,532
Net underwriting gain (loss)		698,914,386
	INVESTMENT INCOME	
Net investment income earned		142,920,183
Net realized capital gains (losses)		3,174,771
Net investment gains		146,094,954
	OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off		(526,625)
Finance and service charges not included in premiums		266,824
Aggregate write-ins for miscellaneous income		(619,397)
Total other income		(879,198)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		844,130,142
Dividends to policyholders		6,456,356
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		837,673,787
Federal and foreign income taxes		271,899,197
Net income		565,774,590
	CAPITAL AND SURPLUS ACCOUNT	
Surplus as regards policyholders, December 31 prior year		1,881,720,088
Net income		565,774,590
Change in net unrealized capital gains (losses) less capital gains tax		(99,398,737)
Change in net unrealized foreign exchange capital gain (loss)		3,767
Change in net deferred income tax		(36,871,623)
Change in nonadmitted assets		202,875,412
Change in provision for reinsurance		553,978
Dividends to stockholders		(400,000,000)
Change in surplus as regards policyholders for the year		232,937,387
Surplus as regards policyholders, December 31 current year		<u>\$2,114,657,475</u>

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LOSSES AND LOSS ADJUSTMENT EXPENSES (LAE)

\$1,037,080,366

The following items were included in the captioned account:

Losses	\$680,168,443
LAE	<u>356,911,923</u>
	<u>\$1,037,080,366</u>

The Company reserves are estimated by the business unit actuaries within the Bond and Specialty Insurance (B&SI) business segment of TRV. The reserve and pricing processes, procedures and controls for B&SI are similar across all Travelers business segments.

Oliver Wyman conducted a comprehensive actuarial analysis of the loss and LAE reserves of the Company as of December 31, 2014, and reviewed the actuarial pricing processes. This included an assessment of the following risks:

- **Reserve Risk:** Actual losses or other contractual payments reflected in the corresponding reserves will be greater than the carried liabilities.
- **Pricing and Underwriting Risk:** Pricing and/or underwriting practices are inappropriate for risks assumed.

The scope of Oliver Wyman's actuarial review included:

- An assessment of reserve risk including but not limited to:
 - participation in the interviews with Company officers responsible for establishing the carried actuarial liabilities and direction on actuarial risk areas;
 - meetings with officers and reserve actuaries in corporate actuarial and the business segment to understand the reserve level indication process;
 - a review of the processes and controls in place that are intended to mitigate the key areas of reserve risk and the process for reporting actuarial indications to management; and
 - a review of the Company's processes used to estimate loss and LAE reserves by line of business (i.e. fidelity and surety bonds, and management liability including directors/officers liability, employment practices liability, crime and fiduciary coverages) to assess the appropriateness of methodologies and reasonableness of assumptions used.
- An assessment of pricing and underwriting risk including but not limited to:
 - meetings with officers and pricing actuaries responsible for establishing pricing and underwriting practices and policies;
 - a review of the pricing and underwriting risks and the controls in place to mitigate those associated risks; and
 - a review of selected rate level indication analyses and rate filings to assess the appropriateness of the methodologies and reasonableness of the assumptions.

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The actuarial review was conducted in accordance with generally accepted actuarial reserving and ratemaking standards and principles, and in accordance with the risk focused approach as detailed in the Handbook. Oliver Wyman based its review on the following information provided by the Company which included but was not limited to:

- the December 2013 and 2014 Statements of Actuarial Opinion and Actuarial Opinion Summaries;
- the 2014 Annual Report and Form 10-K;
- the Corporate Actuarial Report for December 2013 and 2014;
- the 2014 actuarial presentation to the audit committee of the Board;
- certain 2014 KPMG actuarial workpapers;
- copies of the Company's internal business unit reserve analysis for selected lines of business;
- the 2010-2014 Annual Statements;
- selected rate filings and rate level indication analyses; and
- other information requested and obtained during the course of the review through emails, discussions and meetings with key personnel of the Company.

The Department performed data validation and inclusion testing in order to gain confidence that the extraction files were complete and correct. It was concluded that the Company's reserves were based upon information contained within data files that were complete and free of material error.

As a result of Oliver Wyman's review, it was concluded that:

Reserve Risk: The reserving processes and controls were found to be appropriate. The Company's overall approach, assumptions and methodologies were reasonable and consistent with the current actuarial standards for estimating losses and LAE reserves.

Pricing and Underwriting Risk: The pricing processes and controls were found to be appropriate. The pricing methodology established by the Company was both reasonable and consistent with current actuarial standards of practices and was appropriate for the risks assumed.

Based upon the risk-based assessment and review, no material findings were noted which affected the Company's ability to manage its reserving and pricing and underwriting risk.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

POLICYHOLDERS SURPLUS

\$2,114,657,475

The following is a reconciliation of policyholders surplus during the period under examination:

Surplus as regards policyholders, December 31, 2010	\$ 1,836,848,661
Net Income/(Net Loss)	2,284,564,724
Change in net unrealized capital gain (loss)	(192,635,238)
Change in net unrealized foreign exchange capital gain (loss)	2,277
Change in net deferred income tax	(18,598,994)
Change in nonadmitted assets	10,784,448
Change in provision for reinsurance	4,533,997
Cumulative effect of changes in accounting principles	(2,211,577)
Surplus adjustments paid in	0
Dividends to stockholders	(1,804,300,000)
Change in aggregate write-ins for gains and losses in surplus	(4,330,826)
Surplus as regards policyholders, December 31, 2014	<u>\$ 2,114,657,472</u>

Changes in the Company's policyholder surplus over the exam period were largely due to results from operations and the payment of ordinary dividends to TCS.

SUBSEQUENT EVENT

Effective December 1, 2015, Alan D. Schnitzer succeeded Jay S. Fishman as Chief Executive Officer of TRV.

CONCLUSION

As of December 31, 2014, the Company reported admitted assets of \$4,225,233,665, liabilities of \$2,110,576,190, and surplus of \$2,114,657,475. During the period under examination, admitted assets decreased \$109,029,884, liabilities decreased \$386,838,697, and surplus as regards policyholders increased \$277,808,814.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Edna Bosley, William Arfanis, CFE; Richard Beverage, FCAS, MAAA; Susan Gozzo-Andrews, FCAS, MAAA, RPLU+; Kenneth Roulier, AFE, CISA, AES; Michael Shanahan, CFE; Lisa Pagliaro, AFE; Robert Linnell, CFE; Daniel Levine, AFE; Cecilia Arnold, CFE; Sharon Altieri, CPA; Susan Pulaski, CPA; Ronald Jankowski, CFE; and the professional services firms of RRC, Oliver Wyman and INS.

I, Wayne Shepherd, CFE, do solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2014, to the best of my information, knowledge and belief.

Respectfully submitted,

Wayne Shepherd
Wayne Shepherd, CFE
Examiner-In-Charge
State of Connecticut
Insurance Department

State of Connecticut

ss.

County of Hartford

Subscribed and sworn to before me, Patricia A Butler
Notary Public on this 8th day of March, 2016.

Patricia A. Butler
Notary Public
My Commission Expires
September 30, 2018