STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Thomas B. Leonardi, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of First Trenton Indemnity Company (the "Company") as of December 31, 2009, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

TO WIT:

1. I, Thomas B. Leonardi, 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.

2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.

3. On January 3, 2011, the verified Examination Report of the Company was filed with the Connecticut Insurance Department.

4. In accordance with Conn. Gen. Statutes §38a-14(e) (3), the Company was afforded a period of thirty (30) days within which to submit to the Connecticut Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.

5. On February 14, 2011, the Company notified the 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 Examination 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 the failure of the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the Connecticut General Statutes.

Dated at Hartford, Connecticut this 14th day of March, 2011

Thomas B. Leonardi
Insurance Commissioner

Exhibit A

ASSOCIATION EXAMINATION REPORT

OF

FIRST TRENTON INDEMNITY COMPANY

AS OF

DECEMBER 31, 2009

BY THE

CONNECTICUT INSURANCE DEPARTMENT

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FIRST TRENTON INDEMNITY COMPANY

January 3, 2011

The Honorable Thomas B. Leonardi
Insurance Commissioner
State of Connecticut Insurance Department
153 Market Street, 6th Floor
Hartford, Connecticut 06103

Dear Commissioner:

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

FIRST TRENTON INDEMNITY COMPANY

(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 State of New Jersey Department of Banking and Insurance as of December 31, 2006. The current examination, which covers the period from January 1, 2007 to December 31, 2009, was conducted by Financial Regulation Division of the Connecticut Insurance Department (Division) at the administrative office of the Company.

As part of the examination planning procedures, the Division reviewed the following materials submitted by the Company from 2007 through 2009:

- Board of Director (Board) minutes;
- Audit reports completed by the CPA firm retained by the Company;
- Management Discussion and Analysis;
- Statement of Actuarial Opinion;
- Internal Audit Reports; and
- Annual Statements filed with the Division.

A review of the 2007 through 2009 independent audit reports and a comprehensive analysis of the Company's financial statements and other filings submitted to the Financial Analysis Unit of the Division indicated no material concerns with respect to financial condition or regulatory compliance issues.

Workpapers prepared by the Company's independent public accountants, KPMG LLP (KPMG), in connection with its annual statutory audit, were reviewed and relied upon to the extent deemed appropriate.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (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 Statutory Accounting Principles and Annual Statement Instructions (Instructions).

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

Concurrent examinations were conducted for the following Connecticut domiciled property-casualty companies that area a part of the Travelers Reinsurance Pool (Pool):

- Travelers Casualty and Surety Company
- The Phoenix Insurance Company
- The Standard Fire Insurance Company
- Farmington Casualty Company
- The Charter Oak Fire Insurance Company
- Travelers Personal Insurance Company
- United States Fidelity and Guaranty Company
- The Automobile Insurance Company of Hartford, Connecticut
- The Travelers Indemnity Company of Connecticut
- The Travelers Indemnity Company of America
- Travelers Property Casualty Company of America
- Travelers Commercial Casualty Company
- Travelers Commercial Insurance Company
- Travelers Casualty Company of Connecticut
- TravCo Insurance Company
- The Travelers Indemnity Company
- Travelers Casualty Insurance Company of America
- Travelers Excess and Surplus Lines Company
- The Travelers Home and Marine Insurance Company
- Travelers Personal Security Insurance Company
- American Equity Specialty Insurance Company
- Travelers Property Casualty Insurance Company

The 2009 Handbook, "encourages states to leverage off of examinations conducted by the domiciliary states or participate in an association examination in lieu of conducting a separate examination. States are encouraged to coordinate examinations of property and casualty insurers that operate pursuant to an intercompany reinsurance and pooling agreement." As such, Arizona, Delaware, Illinois, Iowa, Minnesota, Texas and Wisconsin, who regulate companies that share in the underwriting results of the Pool or who cede 100% of their direct business to the Pool, participated in the examination with an objective of aligning their exam cycle with Connecticut.

The Division also performed a concurrent examination of the following Connecticut domiciled insurers: Travelers Casualty and Surety Company of America (TCSA), Gulf Underwriters Insurance Company (GUI) and Travelers Auto Insurance Company of New Jersey (TAIC).

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 incorporated on July 5, 1991, and received its Certificate of Authority from the State of New Jersey (NJ) on January 9, 1992.

The Company holds all of the outstanding shares of Travelers Auto Insurance Company of New Jersey (TAIC), a Connecticut domiciled insurance company that had been in run-off since 2001. On January 3, 2001, the NJ Department of Banking and Insurance (NJDOBI) approved the withdrawal (the Withdrawal), effective April 16, 2001, of TAIC from the active NJ insurance market and the non-renewal of all TAIC policies. As a condition of the Withdrawal, the Company entered into a 100% quota share basis reinsurance agreement with. The Company assumed all of TAIC's net reported and unreported insurance obligations as of March 31, 2001, in return for a premium equal to net estimated balance on such obligation.

On June 8, 2005, the NJDOBI approved the reentry of TAIC into the NJ private passenger auto insurance market.

On September 28, 2005, the Company entered into a 100% quota share reinsurance agreement with TAIC whereby the Company agreed to assume 100% of the premium and insurance liabilities associated with new insurance business written by TAIC. The Company further agreed to perform all services necessary and bear all expenses required in operations, acquisition and servicing of any business assumed under the reinsurance agreement. Subsequent to the NJDOBI approval of the reinsurance agreement, TAIC began issuance of new automobile insurance policies in NJ. Additionally, the run-off agreement, which became effective between the Company and TAIC on March 31, 2001, remains in-force.

As a condition of the Withdrawal, the Company made a commitment with the NJDOBI to ensure that TAIC maintains the minimum capital and surplus required under NJ law for private passenger automobile insurers until the earlier of the liability run-off of obligations under those policies or the date the NJDOBI released the Company from those obligations. Under the terms of the Re-Admittance Approval, the Company agreed that through December 31, 2010 it will make required capital contributions to TAIC so that its capital is appropriately maintained for the amount of business it writes in accordance with established NJDOBI benchmarks.

Prior to 2005, NJ required companies writing private passenger automobile business in the state to participate in the Unsatisfied Claim Judgment Fund (UCIF) and Automobile Insurance Risk Exchange (AIRE), both mandatory reinsurance facilities. The NJ legislature eliminated the UCIF in 2004 and transferred out most of its former functions to the New Jersey Property-Liability Insurance Guaranty Association (NJPLIGA). Most NJPLIGA assessments are recoupable through future policyholder surcharge. Former reinsurance obligations of the UCIF continue to run-off and are managed by NJPLIGA. The AIRE facility remains in place.

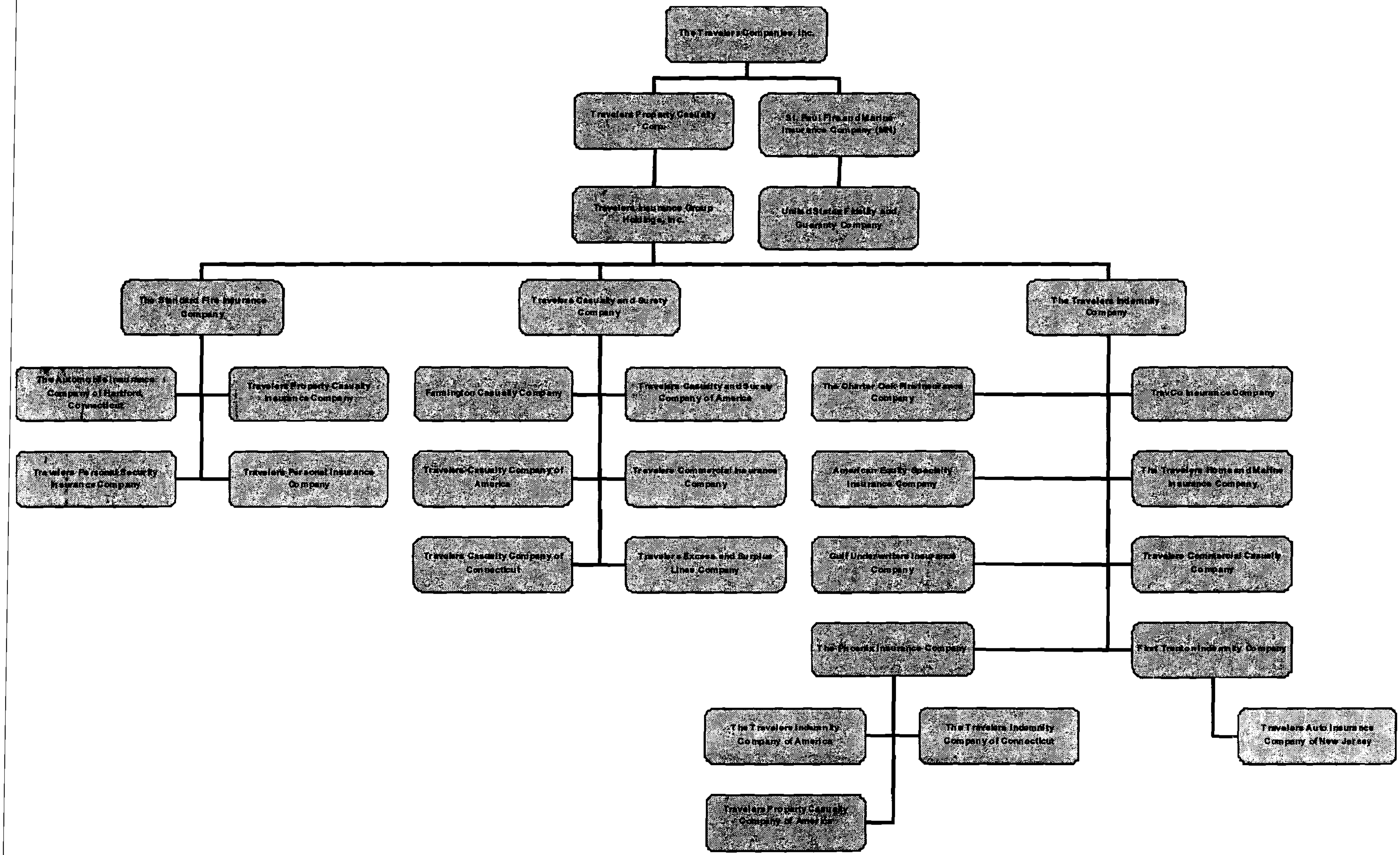
The Company re-domesticated to Connecticut effective December 15, 2009.

The Company is a wholly-owned subsidiary of Travelers Indemnity Company (TINDY), which is a wholly-owned subsidiary of Travelers Insurance Group holdings Inc. (TIGHI), a non-insurance holding company, which is a wholly-owned subsidiary of Travelers Property Casualty Corp. (TPC), a non-insurance holding company, which is a wholly-owned subsidiary of The Travelers Companies Inc. (TRV), a publicly traded holding company.

ORGANIZATIONAL CHART

The following is an organizational chart for the Company and its major affiliates:

FIRST TRENTON INDEMNITY COMPANY



ALL INSURANCE COMPANIES ARE CT DOMICLED WITH THE EXCEPTION OF ST. PAUL FIRE & MARINE INSURANCE COMPANY WHICH IS MN DOMICILED

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, shall 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.

The investment committee shall consist of not less than three members. It shall be the duty of the investment committee to authorize or approve each loan or investment transaction made by the Company and to review the investment policy and program of the Company. Not less than two members shall constitute a quorum for the transaction of business. The investment committee may appoint from among the officers of the Company or an affiliated company, a management investment committee to review the authorizations of loans and investments of the Company.

FIRST TRENTON INDEMNITY COMPANY

Members of the Board serving the Company at December 31, 2009, were as follows.

Director	**Title and Principal Business Affiliation**
Jay S. Benet	Vice Chairman and Chief Financial Officer, The Travelers Companies, Inc.
William H. Heyman	Vice Chairman and Chief Investment Officer, The Travelers Companies, Inc.
Brian W. MacLean	President and Chief Operating Officer, The Travelers, Companies, Inc.
Doreen Spadorcia	Executive Vice President and Chief Executive Officer – Claims Services and Personal Insurance, The Travelers Companies, Inc.
Gregory C. Toczydlowski	President – Personal Insurance, The Travelers Companies, Inc.

The executive officers serving the Company were:

Name	**Title**
Brian W. MacLean	Chairman of the Board, President and Chief Executive Officer
Jay S. Benet	Vice Chairman and Chief Financial Officer
Charles J. Clarke	Vice Chairman
William H. Heyman	Vice Chairman and Chief Investment Officer
Alan D. Schnitzer	Vice Chairman and Chief Legal Officer
John J. Albano	Executive Vice President, Business Insurance
Andy F. Bessette	Executive Vice President and Chief Administrative Officer
William A. Bloom	Executive Vice President, Insurance Operations and Information Technology and Chief Information Officer
John P. Clifford, Jr.	Executive Vice President, Human Resources
William P. Hannon	Executive Vice President, Enterprise Risk Management and Business Conduct Officer
Samuel G. Liss	Executive Vice President, Strategic Development
Maria Olivo	Executive Vice President and Treasurer
Doreen Spadorcia	Executive Vice President, Claim
Kenneth F. Spence, III	Executive Vice President and General Counsel
Gregory C. Toczydlowski	Executive Vice President, Personal Insurance
Douglas Keith Bell	Senior Vice President, Accounting Standards
Douglas K. Russell	Senior Vice President and Corporate Controller

FIRST TRENTON INDEMNITY COMPANY

Name	Title
Scott W. Rynda	Senior Vice President, Corporate Tax
Wendy C. Skjerven	Associate Group General Counsel, Corporate and Corporate Secretary
Smitesh Dave	Vice President and Chief Corporate Actuary

INSURANCE COVERAGES

The Company is insured under policies covering TRV. The Company is covered for losses resulting from employee dishonesty (e.g., embezzlements) by a financial institution bond (fidelity bond) issued by Federal Insurance Company and by excess policies with various insurers. The limit of liability on the primary layer financial institution bond is $15 million, which exceeds the suggested minimum limits of insurance pursuant to the Handbook.

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

Company (in primary or lead role)*	Coverage
Chubb Group of Insurance Companies	Directors and Officers Liability and Fiduciary Liability
American International Group, Inc.	General Liability, Automobile Liability and Workers' Compensation/Employers Liability
Zurich Financial Services Group	Umbrella/Excess Casualty
Lexington Insurance Company	Property

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

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write personal lines coverage in Connecticut and New Jersey. The Company's range of products includes private passenger automobile insurance, homeowners (dwellings, condominiums and rental units), dwelling fire (one to four family dwelling and rental units), personal umbrella policies and personal articles floaters attached to personal property policies.

For 2009, private passenger auto and auto physical damage comprised nearly 85% of the Company's $61 million of direct written premium.

The Company underwrites and markets personal lines products in NJ, and distributes them through both national and regional independent agents and to a lesser extent, affinity groups.

REINSURANCE

The Company maintains various reinsurance agreements with its parent, TINDY, to ensure the availability of funds and to protect itself against unusually severe occurrences or catastrophes in which a number of claims could produce an extraordinary loss. The Company has the following reinsurance in place at December 31, 2009:

- A Personal Umbrella Excess of Loss Reinsurance Agreement providing umbrella coverage of up to $4,000,000 excess of $1,000,000 ultimate net loss, each policy.

- A Personal Liability Excess of Loss Reinsurance Agreement providing coverage for liability risk for 100% of $1,000,000 excess of $1,000,000.

- A Personal Property Excess of Loss Reinsurance Agreement providing coverage for property risks for 100% of $5,000,000 excess of $1,000,000, subject to a maximum limit of liability to the reinsurer of $15,000,000 any one loss occurrence.

- A Property Catastrophe Excess of Loss Reinsurance Agreement providing property catastrophe coverage for up to $55,000,000 excess of $25,000,000, subject to an aggregate limit of liability by the reinsurer of $55,000,000.

Additionally, the Company, as an affiliate of Travelers Group of Companies, is a participant in the Travelers Corporate Catastrophe Treaty Program which is summarized below.

The following table summarizes the Company's coverage under its General Catastrophe Treaty, effective for the period July 1, 2009 through June 30, 2010:

Layer of Loss	Reinsurance Coverage In-Force
$0 - $1.0 billion	Loss 100% retained by the Company, except for certain losses covered by the Earthquake Excess-of-Loss Treaty as described below
$1.0 billion - $1.5 billion	20.0% ($100 million) of loss covered by treaty; 80.0% ($400 million) of loss retained by Company
$1.5 billion - $2.25 billion	56.7% ($425 million) of loss covered by treaty; 43.3% ($325 million) of loss retained by Company
Greater than $2.25 billion	100% of loss retained by Company, except for certain losses incurred in the Northeastern United States, which are covered by the Catastrophe Bond Program and Northeast Catastrophe Treaty as described below

Catastrophe Bond Program - On December 18, 2009, Longpoint Re II, Ltd. (Longpoint Re II), a newly formed independent Cayman Islands insurance company, successfully completed an offering to unrelated investors of $500 million aggregate principal amount of catastrophe bonds. In connection with the offering, the Company and Longpoint Re II entered into two reinsurance agreements (covering a three-year and four-year period, respectively), each providing up to $250 million of reinsurance to the Company from losses resulting from certain hurricane events in the northeastern United States.

Under the terms of these reinsurance agreements, the Company is obligated to pay annual reinsurance premiums to Longpoint Re II for the reinsurance coverage. The reinsurance agreements entered into by the Company with Longpoint Re II utilize a dual trigger that is based upon the Company's covered losses incurred and an index that is created by applying predetermined percentages to insured industry losses in each state in the covered area as reported by Property Claim Services, a division of Insurance Services Offices, Inc. (owned by Verisk Analytics, Inc.). The reinsurance agreements entered into with Longpoint Re II as part of the catastrophe bond program meet the requirements to be accounted for as reinsurance in accordance with the guidance for reinsurance contracts. Amounts payable to the Company under the reinsurance agreements will be determined by the index-based losses, which are designed to approximate the Company's actual losses from any covered event. The amount of actual losses and index losses from any covered event may differ. The principal amount of the catastrophe bonds will be reduced by any amounts paid to the Company under the reinsurance agreements.

The index-based losses attachment point and maximum limit are reset annually to maintain modeled probabilities of attachment and expected loss on the respective catastrophe bonds equal to the initial modeled probabilities of attachment and expected loss. With regard to the Longpoint Re II program, the two reinsurance agreements entered into on December 18, 2009 provide protection for covered events occurring before or on December 18, 2012 and December 18, 2013, respectively. The Company will be entitled to begin recovering amounts under the two reinsurance agreements if the index-based losses in the covered area for a single occurrence reach an initial attachment amount of $2.250 billion. The full $250 million coverage amount of each agreement is available on a proportional basis until index-based losses reach a maximum $2.850 billion limit.

Northeast Catastrophe Reinsurance Treaty - In addition to its General Catastrophe treaty and its multi-year catastrophe bond program, the Company also is party to a Northeast General Catastrophe treaty which provides up to $500 million of coverage, subject to a $2.25 billion retention, for losses arising from hurricanes, earthquakes and winter storm or freeze losses from Virginia to Maine for the period July 1, 2009 through June 30, 2010. Losses from a covered event (occurring over several days) anywhere in the United States, Canada, the Caribbean and Mexico may be used to satisfy the retention. Recoveries under the catastrophe bond programs (if any) would be first applied to reduce losses subject to this treaty.

INFORMATION TECHNOLOGY (IT) AND CONTROLS

The Minnesota Department of Commerce (MNDOC), on behalf of the Division, engaged RSM McGladrey (RSM) to conduct an evaluation of IT controls.

RSM performed a risk-based assessment and review of the Company's IT General Controls and General Application Controls (GACs) based on the responses to the Exhibit C - Evaluation of Controls in IT of the Handbook (Exhibit C). The IT examination team used the new Exhibit C – Part 2, which was released by the NAIC in the spring of 2009.

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

- The Company's responses to Exhibit C indicate the existence of internal controls, including policies and procedures that may be relevant to governing its IT internal control structure.
- The Company has a process in place to effectively identify, mitigate and manage its IT risks.
- The Company's control structure policies and procedures were suitably designed to achieve the control objectives specified in the Exhibit C, and if those policies and procedures were complied with.
- The Company's policies and procedures were in place during the examination period (i.e., from January 1, 2005 to December 31, 2009).

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

In addition, a review of GAC's was performed over the following financially significant systems:

- Written and Paid Utility Processing system (WRAPUP)
- Loss Financial Reporting system (LOFIR)
- Investment Accounting system (CAMRA)
- Investment system (SMART)
- Enterprise Resourcing system (PEOPLESOFT G/L) – This system was implemented in January of 2009 and replaced a number of independent financial applications (also referred to the Financial and Accounting Comprehensive Tool Suite (FACTS)).

RSM also performed independent testing in the following areas: IT governance, end-user computing, logical security, and user access and application security. The IT examination team received and reviewed the results from the post-implementation review performed by PricewaterhouseCoopers and Corporate Audit for the FACTS system.

Based upon the risk-based assessment and review, no material findings were noted which affected the overall reliance on the Company's IT controls.

ACCOUNTS AND RECORDS

The FACTS general ledger feeds accounting data to the Hyperion Financial Management (HFM) consolidation system. HFM then feeds The Complete Package by Booke, the annual 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 2009. Further detail analyses were performed on the individual accounts throughout the examination.

FIRST TRENTON INDEMNITY COMPANY

FINANCIAL STATEMENTS

The following statements reflect the assets, liabilities, surplus and other funds, and statement of income as of December 31, 2009, as reported by the Company and as determined by the examination:

ASSETS

	1 **Ledger Assets**	2 **Nonadmitted Assets**	3 **Net Admitted Assets**
Bonds	$643,620,499	$0	$643,620,499
Preferred stocks	2,089,512	0	2,089,512
Common stocks	64,046,053	0	64,046,053
Cash, cash equivalents and short-term investments	25,662,137	0	25,662,137
Investment income due and accrued	7,985,559	0	7,985,559
Uncollected premiums and agents' balances in the course of collection	11,800,792	510,023	11,290,769
Deferred premiums, agents' balances and installments booked but deferred and not yet due	76,907,379	0	76,907,379
Amounts recoverable from reinsurers	142,483	0	142,483
Current federal and foreign income tax recoverable and interest thereon	8,550,362	0	8,550,362
Net deferred tax asset	22,429,886	2,722,322	19,707,564
Guaranty funds receivable or on deposit	688,892	0	688,892
Furniture and equipment, including health care delivery assets	256,956	256,956	0
Aggregate write-ins for other than invested assets	16,870,989	1,333,909	15,537,080
Total	$881,051,499	$4,823,210	$876,228,289

FIRST TRENTON INDEMNITY COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	$338,451,203
Loss adjustment expenses	61,941,477
Commissions payable, contingent commissions and other similar charges	9,689,477
Other expenses	1,325,157
Unearned premiums	162,889,085
Ceded reinsurance premiums payable, net ceding commissions	7,042,375
Remittances and items not allocated	1,847,495
Provision for reinsurance	576,765
Payable to parent, subsidiaries and affiliates	274,859
Aggregate write-ins for liabilities	23,061
Total liabilities	584,060,955
Aggregate write-ins for special surplus funds	3,881,086
Common capital stock (2,000 shares issued, authorized and outstanding, $1.75 par)	3,500,000
Gross paid in and contributed surplus	133,700,000
Unassigned funds (surplus)	151,086,247
Surplus as regards policyholders	292,167,333
Totals	$876,228,289

FIRST TRENTON INDEMNITY COMPANY

STATEMENT OF INCOME

UNDERWRITING INCOME	
Premiums earned	$392,973,326
DEDUCTIONS	
Losses incurred	286,934,617
Loss adjustment expenses incurred	53,879,007
Other underwriting expenses incurred	90,171,601
Total underwriting deductions	430,985,225
Net underwriting gain (loss)	(38,011,899)
INVESTMENT INCOME	
Net investment income earned	26,754,842
Net realized capital gains (losses)	303,361
Net investment gains	27,058,203
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	(2,483,441)
Finance and service charges not included in premiums	5,102,402
Aggregate write-ins for miscellaneous income	(1,400,034)
Total other income	1,218,926
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(9,734,769)
Dividends to policyholders	0
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(9,734,769)
Federal and foreign income taxes	(8,563,055)
Net income	(1,171,714)
CAPITAL AND SURPLUS ACCOUNT	
Surplus as regards policyholders, December 31 prior year	288,017,055
Net income	(1,171,714)
Change in net unrealized capital gains (losses) less capital gains tax	2,627,185
Change in net deferred income tax	158,150
Change in nonadmitted assets and related items	(1,008,005)
Change in provision for reinsurance	(401,783)
Cumulative effect of change in accounting principles	65,360
Aggregate write-ins for gains and losses in surplus	3,881,086
Change in surplus as regards policyholders for the year	4,150,278
Surplus as regards policyholders, December 31 current year	$292,167,333

AGGREGATE WRITE-INS FOR OTHER THAN INVESTED ASSETS $15,537,080

Within the captioned account the Company reported a "reinsurance receivable intercompany" amount of $11,283,578. This balance represents the net unsettled affiliated reinsurance balances as of December 31, 2009 related to the Company's 100% Quota Share Reinsurance Agreement (Agreement) with TAIC.

According to SSAP No. 62R of the NAIC Practices and Procedures Manual (Manual) and the Instructions, the amounts included as amounts due to/from affiliates for reinsurance shall be reported in the appropriate reinsurance accounts (i.e., reinsurance recoverables, uncollected premiums, assumed reinsurance payable on paid losses and ceded reinsurance premiums payable).

It is recommended that commencing with the 2010 Annual Statement, the Company report unsettled affiliated reinsurance balances in the appropriate reinsurance accounts in accordance with SSAP No. 62R of the Manual and the Instructions. Additionally, Schedule F and the Notes to Financial Statements should be reviewed and corrected where necessary pursuant to the Instructions. The Company should also amend the "prior year" column in the 2010 Annual Statement to comply with the Manual. Implementation of this recommendation by the Company will not effect the Company's surplus position.

Prior to the March 1, 2011 filing deadline, the Company provided the Division with an example of a 2010 Annual Statement to demonstrate its compliance with the above recommendations.

LOSSES AND LOSS ADJUSTMENT EXPENSES (LAE) $400,392,680

The following items were included in the captioned account:

Losses	$338,451,03
LAE	61,941,477
	$400,392,680

The Division engaged Milliman, Inc. (Milliman) to conduct a comprehensive actuarial analysis of the loss and LAE reserves of the Company as of December 31, 2009. Milliman's analysis of the Company's loss and LAE reserves was concentrated in the TRV's Personal Insurance ("PI") segment as business written by the Company belongs entirely to this segment. This included an assessment of the following risks:

Reserving Risk (i.e., the risk that actual losses or other amounts the Company is contractually liable to pay will be greater than the corresponding carried liabilities) – Milliman's assessment of reserve risk included 1) an evaluation of the reconciliation of actuarial data to Schedule P within the annual statement, and 2) a qualitative review of workpapers and documentation supporting estimates of the loss and loss adjustment expense liabilities for selected PI business units. Such review included an assessment as to the appropriateness of methodologies and quality of assumptions.

Pricing and Underwriting Risk – The assessment of pricing and underwriting risk focused on homeowners business and included 1) an evaluation of the actuarial process for the development of rate indications 2) an evaluation of price monitoring processes and controls, and 3) a review on the frequency of and processes for reporting price and underwriting considerations to management.

Liquidity Risk – The assessment of liquidity risk included 1) a qualitative review of the processes for assessing catastrophe exposure and risk concentration 2) a review on the frequency of and processes for reporting assessments to management, and 3) a qualitative review of the reinsurance program with specific attention to:

- Concentration of protection within individual reinsurers
- Aggregation of protection within reinsurers with potential for financial weakness
- Adequacy of reinsurance limits relative to benchmarks such as probable maximum loss, gross policy limits, surplus, etc.

TRV manages its liquidity risk at a corporate level, rather than by legal entity.

The Division 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 data files that were complete and free of error.

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

<u>REMITTANCES AND ITEMS NOT ALLOCATED</u> <u>$1,847,495</u>

While reviewing the composition of the captioned account, it was noted that Company's current process is to reconcile accounts at a business group level and not at a legal entity level. This resulted in some accounts prepared on a legal entity basis having unsettled amounts due to/from affiliates. It is recommended that the Company implement controls to ensure that the reconciliation of accounts is performed at a legal entity level, including the timely settlement of resulting amounts due to/from affiliates.

Effective December 2010, the Company implemented a new policy to ensure that account reconciliations are performed at a legal-entity level and, when necessary, settled through intercompany timely.

POLICYHOLDERS SURPLUS $292,167,333

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

Surplus as regards policyholders, December 31, 2006	$311,115,720
Net Income/(Net Loss)	34,183,405
Change in net unrealized capital gain (loss)	3,458,805
Change in net deferred income tax	(2,971,278)
Change in nonadmitted assets	(389,000)
Change in provision for reinsurance	(576,765)
Cumulative effect of changes in accounting principles	65,630
Surplus adjustments paid in	15,000,000
Dividends to stockholders	(56,600,000)
Change in aggregate write-ins for gains and losses in surplus	3,881,086
Surplus as regards policyholders, December 31, 2009	$292,167,333

As indicated above, changes to the Company's policyholder surplus over the exam period were largely due to results from operations and the payment of ordinary dividends to TINDY. The change in aggregate write-ins for gains and losses in surplus primarily represents the incremental increase to the deferred tax asset as part of the Company's 2009 adoption of SSAP No. 10R which changed the calculation to include Deferred Tax Assets to be realized within 3 years (an increase in 2 years from SSAP No. 10) subject to a cap of 15% of capital and surplus (an increase of 5% from SSAP No. 10).

RECOMMENDATIONS

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16. AGGREGATE WRITE-INS FOR OTHER THAN INVESTED ASSETS

It is recommended that commencing with the 2010 Annual Statement, the Company report unsettled affiliated reinsurance balances in the appropriate reinsurance accounts in accordance with SSAP No. 62R of the Manual and the Instructions. Additionally, Schedule F and the Notes to Financial Statements should be reviewed and corrected where necessary pursuant to the Instructions. The Company should also amend the "prior year" column in the 2010 Annual Statement to comply with the Manual.

Prior to the March 1, 2011 filing deadline, the Company provided the Division with an example of a 2010 Annual Statement to demonstrate its compliance with the above recommendations.

17. REMITTANCES AND ITEMS NOT ALLOCATED

It is recommended that the Company implement controls to ensure that the reconciliation of accounts is performed at a legal entity level, including the timely settlement of resulting amounts due to/from affiliates.

Effective December 2010, the Company implemented a new policy to ensure that account reconciliations are performed at a legal-entity level and, when necessary, settled through intercompany timely.

CONCLUSION

The results of this examination disclosed that as of December 31, 2008, the Company had admitted assets of $876,228,289, liabilities of $584,060,955, and capital and surplus of $292,167,333. During the period under examination, admitted assets decreased $49,163,181, liabilities decreased $30,214,796, and capital and surplus decreased $18,948,386.

It was determined that the Company's assets and liabilities were fairly stated in accordance with guidance outlined in the Manual. Assets were acceptable under Section 38a-102 of the CGS. The liabilities established were adequate to cover the Company's obligations to policyholders.

FIRST TRENTON INDEMNITY COMPANY

SIGNATURE

In addition to the undersigned, William Arfanis, CFE, Donna Nowakowski, AFE, Grace Jiang, CFE, Gerald F. Burke, CFE, Chiffon King, AFE, Edna Bosley, AFE, Kenneth Roulier, AFE, CISA, AES, Richard J. Marcks, FCAS, MAAA, Michael Estabrook, AFE, and Michael Shanahan, of the State of Connecticut Insurance Department, Milliman, Inc. and RSM McGladrey Inc. participated in this examination.

I, William Tatelman, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2009, to the best of my information, knowledge and belief.

Respectfully submitted,

William Tatelman, CFE
Examiner-in-Charge
State of Connecticut
Insurance Department

State of Connecticut ss

County of Hartford

Subscribed and sworn before me, Patricia Butler, Notary Public/Commissioner of the Superior Court, on this 3rd day of January 2011.

Patricia A Butler
Notary Public/Commissioner of the Superior Court
My Commission Exp. Sep. 30, 2013

My Commission Expires ______________