

ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais, 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, 2019, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

TO WIT:

1. I, Andrew N. Mais, 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 ("C.G.S.").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On May 5, 2021, the verified Report of the Company was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Company was afforded a period of thirty (30) days within which to submit to the Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On June 3, 2021, 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 Report of the Company is hereby adopted as filed with the Department.
2. That the Company shall comply with 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 C.G.S.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the Board of Directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the Commissioner, in writing, that a copy of the report or summary has been provided to each director."

Please address the certification to the Commissioner but send said certification to the care/attention of Mark Murphy, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary the chief executive officer or the chief financial officer of the entity examined shall present the report of summary to the entity's Board of Directors or similar governing body at a regular or special meeting."

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 15th day of June, 2021.



Andrew N. Mais
Insurance Commissioner

Exhibit A

EXAMINATION REPORT

OF

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

AS OF

DECEMBER 31, 2019

BY THE

CONNECTICUT INSURANCE DEPARTMENT



TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Scope of Examination	1
History	3
Organizational Chart	5
Management and Control	6
Significant Related Party Agreements	8
Territory and Plan of Operation	9
Reinsurance	9
Information Technology Controls	10
Accounts and Records	10
Financial Statements	11
Assets	11
Liabilities, Surplus and Other Funds	12
Statement of Income	13
Losses and Loss Adjustment Expenses	14
Policyholders' Surplus	14
Subsequent Event	14
Conclusion	15
Signature	16

April 7, 2021

The Honorable Andrew N. Mais
Commissioner of Insurance
State of Connecticut Insurance Department
153 Market Street
Hartford, Connecticut 06103

Dear Commissioner Mais:

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, 2014. The current examination, which covers the period from January 1, 2015 to December 31, 2019, was conducted virtually and at the statutory home office of the Company.

Concurrent examinations were performed for 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
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.
Discover Property & Casualty Insurance Company

American Equity Specialty Insurance Company

*Non Connecticut domestic

In addition, concurrent examinations of the following entities which cede 100% of their direct business to the TRV Pool were conducted:

*American Equity Insurance Company
Gulf Underwriters Insurance Company
*Select Insurance Company
*Fidelity and Guaranty Insurance Company
*The Travelers Lloyds Insurance Company
*Travelers Lloyds of Texas Insurance Company

*Non Connecticut domestic

Arizona, Delaware, Iowa, Texas, 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, participated in this examination with an objective of aligning their examinations with Connecticut.

Additionally, the Florida Office of Insurance Regulation concurrently conducted a financial examination of First Floridian Home and Auto Insurance Company.

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

- Board of Director (Board) and other committee minutes (through the latest 2020 minutes);
- statutory audit reports completed by the Company's independent certified public accountants, KPMG LLP (KPMG);
- Management's Discussion and Analysis;
- Statements of Actuarial Opinion;
- documentation supporting Section 404 of the Sarbanes-Oxley Act of 2002;
- Annual Statements filed with the Department; and
- reports of the Company's Internal Audit Department.

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.

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

Risk & Regulatory Consulting, LLC (RRC) was engaged by the Department to conduct an evaluation of the Information Technology (IT) controls.

Milliman was engaged by the Department to conduct an evaluation of the Company's reserving, reinsurance and pricing/underwriting processes.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

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

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

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

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.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

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, 2019:

<u>Company</u>	<u>State of Domicile</u>
The Travelers Companies, Inc.	Minnesota
St. Paul Fire and Marine Insurance Company	Connecticut
St. Paul Mercury Insurance Company	Connecticut
St. Paul Guardian Insurance Company	Connecticut
St. Paul Surplus Lines Insurance Company	Delaware
The Travelers Casualty Company	Connecticut
Travelers Constitution State Insurance Company	Connecticut
Discover Property and Casualty Insurance Company	Connecticut
St Paul Protective Insurance Company	Connecticut
Discover Specialty Insurance Company	Connecticut
United States Fidelity and Guaranty Company	Connecticut
Fidelity and Guaranty Insurance Underwriters, Inc.	Wisconsin
Fidelity and Guaranty Insurance Company	Iowa
Travelers Property Casualty Corp.	Connecticut
Travelers Insurance Group Holding Inc.	Delaware
The Standard Fire Insurance Company	Connecticut
The Automobile Insurance Company of Harford, CT	Connecticut
Travelers Personal Security Insurance Company	Connecticut
Travelers Property Casualty Insurance Company	Connecticut
Travelers Personal Insurance Company	Connecticut
Travelers Casualty and Surety Company	Connecticut
Farmington Casualty Company	Connecticut
Travelers Casualty and Surety Company of America	Connecticut
Travelers Casualty Insurance Company of America	Connecticut
Travelers Casualty Company of Connecticut	Connecticut
Travelers Commercial Insurance Company	Connecticut
Travelers Excess and Surplus Lines Company	Connecticut
Travelers Lloyds of Texas Insurance Company	Texas
The Travelers Indemnity Company	Connecticut
The Charter Oak Fire Insurance Company	Connecticut
First Floridian Auto and Home Insurance Company	Florida
Gulf Underwriters Insurance Company	Connecticut
Select Insurance Company	Texas
American Equity Insurance Company	Arizona
American Equity Specialty Insurance Company	Connecticut
Northland Insurance Company	Connecticut
Northfield Insurance Company	Iowa
Northland Casualty Company	Connecticut
The Phoenix Insurance Company	Connecticut
The Travelers Indemnity Company of America	Connecticut
The Travelers Indemnity Company of Connecticut	Connecticut
Travelers Property Casualty Company of America	Connecticut
TravCo Insurance Company	Connecticut
Travelers Commercial Casualty Company	Connecticut
The Travelers Home and Marine Insurance Company	Connecticut
The Travelers Lloyds Insurance Company	Texas

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

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, 2019, were as follows:

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
Daniel Stephen Frey	Executive Vice President and Chief Financial Officer The Travelers Companies, Inc.
William Herbert Heyman	Vice Chairman and Chairman of the Investment Policy Committee, The Travelers Companies, Inc.
Christine Kucera Kalla	Executive Vice President and General Counsel The Travelers Companies, Inc.
Nicholas Seminara	Executive Vice President and Chief Claim Officer The Travelers Companies, Inc.
Gregory Cheshire Toczydlowski	Executive Vice President and President of Business Insurance, The Travelers Companies, Inc.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

The executive officers serving the Company at December 31, 2019, were as follows:

<u>Name</u>	<u>Title</u>
Thomas Michael Kunkel	President
Jay Steven Benet	Vice Chairman
William Herbert Heyman	Vice Chairman
Avrohom Yaakov Kess	Vice Chairman and Chief Legal Officer
Andy Francis Bessette	Executive Vice President and Chief Administrative Officer
Daniel Stephen Frey	Executive Vice President and Chief Financial Officer
Bruce Richard Jones	Executive Vice President, Enterprise Risk Management and Chief Risk Officer
Christine Kucera Kalla	Executive Vice President and General Counsel
Morgan Mehdian Lefebvre	Executive Vice President and Chief Technology and Operations Officer
David Donnay Rowland	Executive Vice President and Co-Chief Investment Officer
Daniel Tei-Hwa Yin	Executive Vice President and Co-Chief Investment Officer
Douglas Keith Bell	Senior Vice President, Accounting Policy
Douglas Kenneth Russell	Senior Vice President, Treasurer and Corporate Controller
Scott William Rynda	Senior Vice President, Corporate Tax
Wendy Constance Skjerven	Vice President, Corporate Secretary and Group General Counsel
Julie Marie Joyce	Vice President and Chief Corporate Actuary

COMMITTEES

The Audit Committee is to assist the Board in exercising its oversight of: (i) the Company's accounting and financial reporting processes; (ii) audits of the Company's financial statements; (iii) the Company's compliance with legal and regulatory requirements; (iv) the independent auditor's qualifications and independence; and (v) the performance of the Company's internal audit function and independent auditors.

The Risk Committee is to assist the Board in exercising its oversight of the operational activities of the Company and the identification and review of those risks that could have a material impact on the Company.

The Investment and Capital Market Committee is to assist the Board in exercising its oversight of management's investment of the Company's investment portfolio and to review and monitor the financial affairs of the Company.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

The Compensation Committee is responsible for compensation of the Chairman and Chief Executive Officer (CEO) and the CEO's direct reports, development of compensation policies, and production of an annual report for inclusion in the Company's proxy statement.

The Nominating and Governance Committee is responsible for: identifying and selecting (or recommending to the Board selection of) individuals qualified to become members of the Board and its committees; developing and recommending a set of corporate governance principles; developing and recommending the committee structure to the Board; advising the Board on matters pertaining to director compensation; reviewing succession plans of the CEO and the CEO's direct reports; and overseeing the annual evaluation of the Board's performance.

The Executive Committee is to act on behalf of the Board during intervals between meetings of the Board in order to provide a degree of flexibility and ability to respond to time-sensitive business and legal matters.

SIGNIFICANT RELATED PARTY AGREEMENTS

Amended and Restated Expense Allocation Agreement

The Company is party to an Amended and Restated 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.

Amended Reinsurance Allocation Agreement

The Company is party to an Amended Reinsurance Allocation Agreement which sets forth the allocation of external reinsurance ceded premiums and losses between IND on behalf of itself and the members of the TRV Pool and its non-member insurers.

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 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.

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.

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

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.

Per Bond Excess Reinsurance Agreement – The Company is a party to a Per Bond Excess Reinsurance Agreement with certain other property-casualty insurance subsidiaries of TRV. Under the terms of this agreement the Company reinsures business classified as surety, written or assumed during the terms of this agreement, for losses in excess of the Company's single risk limitation authorized by the U.S. Treasury on a per bond basis.

Per Principal Excess Reinsurance Agreement - The Company is a party to a Per Principal Excess Reinsurance Agreement with certain other property-casualty insurance subsidiaries of TRV. Under and during the terms of this agreement, the Company reinsured written or assumed business classified as surety, for losses in excess of the Company's single risk limitation authorized by the U.S. Treasury.

The summary details the Company's most significant external ceded reinsurance treaties as of December 31, 2019:

Reinsurance Contract	Company Retention	Attachment	Limits
Surety Excess of Loss (seven layers)	First \$75 million (\$475 million xs \$75 million) each principal, each loss discovered, with a 10% co-participation in xs of the retention.	\$75 million each principal, each loss discovered	90% of \$475 million excess of \$75 million each principal, each loss discovered

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

CyberRisk Quota Share	57% of each loss	First Dollar	\$10 million for each policy with up to 10 policies with \$20 million
-----------------------	------------------	--------------	---

INFORMATION TECHNOLOGY CONTROLS

RRC performed a risk-based assessment and review of the Company's Information Technology 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.

RRC'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 policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
- the Company's policies and procedures were in place during the examination period.

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 and reviewing IT risk assessment processes.

In accordance with the Handbook, specific areas of review included:

- IT governance and organization structure;
- strategic planning, systems architecture and project oversight;
- IT risk management;
- vendor management;
- development and maintenance of policies;
- physical and logical security;
- business continuity and disaster recovery planning;
- end user or business developed applications; and
- cybersecurity and incident response.

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.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

General ledger account balances were reconciled and traced to the amounts reported in the annual statement for 2019. Further detailed analyses were performed on the individual accounts throughout the examination.

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2019. No adjustments were made to surplus as a result of the examination.

ASSETS

	1	2	3
	Ledger Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$3,590,884,327		\$3,590,884,327
Common stocks	302,555,542	\$4,622,497	297,933,044
Cash, cash equivalents and short-term investments	90,238,215		90,238,215
Other invested assets	4,050,015	63,501	3,986,514
Securities lending reinvested collateral assets	3,732,602		3,732,602
Investment income due and accrued	37,250,410		37,250,410
Uncollected premiums and agents' balances in the course of collection	129,796,977	33,978,556	95,818,421
Deferred premiums, agents' balances and installments booked but deferred and not yet due	176,878,173	9,332,331	167,545,842
Amounts recoverable from reinsurers	31,203,529		31,203,529
Funds held by or deposited with reinsured companies	13,939		13,939
Net deferred tax asset	56,157,512	4,022,586	52,134,926
Guaranty funds receivable or on deposit	41,974		41,974
Receivables from parent, subsidiaries, and affiliates	11,831,826		11,831,826
Aggregate write-ins for other than invested assets	4,086,451		4,086,451
Total	<u>\$4,438,721,491</u>	<u>\$52,019,472</u>	<u>\$4,386,702,020</u>

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$772,047,572
Reinsurance payable on paid losses and loss adjustment expenses	98,598
Loss adjustment expenses	174,714,866
Commissions payable, contingent commissions and other similar charges	46,970,467
Other expenses	43,134,646
Taxes, licenses and fees	14,728,588
Current federal and foreign income taxes	12,674,197
Unearned premiums	1,079,715,557
Advanced premiums	2,140,883
Dividends declared and unpaid - policyholders	11,482,845
Ceded reinsurance premiums payable, net of ceding commissions	46,059,812
Amounts withheld or retained by company for account of others	26,565,278
Remittances and items not allocated	17,964,746
Provision for reinsurance	9,837,205
Payable for securities lending	3,732,602
Aggregate write-ins for liabilities	1,149,592
Total liabilities	2,263,017,456
Aggregate write-ins for special surplus funds	7,559,978
Common capital stock	6,480,000
Gross paid in and contributed surplus	433,803,760
Unassigned funds (surplus)	1,675,840,825
Surplus as regards policyholders	2,123,684,564
Totals	<u>\$4,386,702,020</u>

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

STATEMENT OF INCOME

UNDERWRITING INCOME		
Premiums earned		\$1,621,077,552
DEDUCTIONS		
Losses incurred		480,671,222
Loss adjustment expenses incurred		63,614,165
Other underwriting expenses incurred		652,644,472
Total underwriting deductions		1,196,929,859
Net underwriting gain (loss)		424,147,693
INVESTMENT INCOME		
Net investment income earned		122,915,666
Net realized capital gains (losses)		1,743,016
Net investment gain		124,658,682
OTHER INCOME		
Net gain (loss) from agents' or premium balances charged off		(735,585)
Finance and service charges not included in premiums		553,328
Aggregate write-ins for miscellaneous income		(1,420,807)
Total other income		(1,603,064)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		547,203,311
Dividends to policyholders		5,459,094
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		541,744,217
Federal and foreign income taxes incurred		108,401,311
Net income		433,342,906
CAPITAL AND SURPLUS ACCOUNT		
Surplus as regards policyholders, December 31 prior year		2,111,227,178
Net income		433,342,906
Change in net unrealized capital gains (losses) less capital gains tax		2,854,356
Change in net unrealized foreign exchange capital gain (loss)		(846)
Change in net deferred income tax		6,014,012
Change in nonadmitted assets		(2,557,193)
Change in provision for reinsurance		(2,195,849)
Dividends to stockholders		(425,000,000)
Change in surplus as regards policyholders for the year		12,457,386
Surplus as regards policyholders, December 31 current year		<u>\$2,123,684,564</u>

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

LOSSES AND LOSS ADJUSTMENT EXPENSES (LAE) \$946,762,438

The following items were included in the captioned account:

Losses	\$772,047,572
LAE	<u>174,714,866</u>
	<u>\$946,762,438</u>

Milliman’s review was conducted in accordance with the Risk Focused Approach as detailed in the Handbook. The scope of the review included assisting with the assessment of reserve risk, pricing risk, and liquidity risk for the TRV Pool.

Based on the scope of work conducted, the Department did not identify any material concerns that affected the TRV Pool’s ability to manage its reserving, pricing and underwriting and liquidity risks.

POLICYHOLDERS’ SURPLUS \$2,123,684,564

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

Surplus as regards policyholders, December 31, 2014	\$2,114,657,475
Net income/(Net loss)	2,275,613,868
Change in net unrealized capital gain (loss)	(23,697,607)
Change in net unrealized foreign exchange capital gain (loss)	(41)
Change in net deferred income tax	(17,041,001)
Change in nonadmitted assets	(17,527,430)
Change in provision for reinsurance	(6,420,700)
Dividends to stockholders	(2,201,900,000)
<i>Surplus as regards policyholders, December 31, 2019</i>	<u>\$2,123,684,564</u>

Changes in the Company’s policyholders’ surplus over the examination period were largely due to results from operations and the payment of ordinary dividends to TCS.

SUBSEQUENT EVENT

The COVID-19 pandemic has continued to develop throughout 2020 and 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the Department’s review of the Company noted that there has not been a significant impact to the Company. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

CONCLUSION

As of December 31, 2019, the Company reported admitted assets of \$4,386,702,020, liabilities of \$2,263,017,456, and surplus of \$2,123,684,564. During the period under examination, admitted assets increased \$161,468,355, liabilities increased \$152,441,266, and surplus as regards policyholders increased \$9,027,089.

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; Mark Murphy, CFE; Kenneth Roulier, AFE, CISA, AES; Michael Daniels, CFE; Cecilia Arnold, CFE; Dawn Cormier, CPA; Sharon Altieri, CPA; Joseph Marcantonio, AFE, CISA, AES; Ronald Jankoski, CFE; Keith Kleindienst, CFE; Wanchin Chou, FCAS, MAAA; Qing He, FSA, MAAA; and the professional services firms of RRC and Milliman.

I, Michael Shanahan, 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, 2019, to the best of my information, knowledge and belief.

Respectfully submitted,



Michael Shanahan, CFE
Examiner-In-Charge
State of Connecticut
Insurance Department

State of Connecticut

ss.

County of Hartford

Subscribed and sworn to before me, Jane J. Murphy
Notary Public on this 5TH day of May, 2021.

JANE J. MURPHY
NOTARY PUBLIC
MY COMMISSION EXPIRES JULY 31, 2023