

Report of Examination of

Transamerica Casualty Insurance Company
Columbus, Ohio

As of December 31, 2014

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Columbus, Ohio
May 11, 2016

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lt. Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Transamerica Casualty Insurance Company

an Ohio domiciled, stock, property and casualty insurance company, hereinafter referred to as the “Company or Transamerica.”

Scope of Examination

The Department last examined the Company as of December 31, 2009. The Department’s current examination covers the period from and including January 1, 2010 through December 31, 2014.

The examination of Transamerica was conducted in connection with the coordinated examination of the AEGON USA Group as of December 31, 2014. The Iowa Insurance Division (“IID”) served as the lead state for the overall examination, with representatives from the states of Arkansas, New York, Ohio and Vermont as participating states. The IID led this examination from AEGON USA group’s office located in Cedar Rapids, Iowa. The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s 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 Statements of Statutory Accounting Principles (“SSAP”). 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, as mentioned in the ORC Section 3901.07 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.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
Brenda K. Clancy	Global Chief Technology Officer, AEGON, N.V.
Michael A. Eubanks	Senior Vice President, Secretary & Business Unit General Counsel, The Company
Glyn D. Mangum, Jr.	Senior Vice President & Division Chief Pricing Actuary, The Company
Martha A. McConnell	Vice President, The Company
Jason Orlandi	Senior Vice President, Assistant Secretary & General Counsel, The Company
Brian A. Smith	Senior Vice President-Critical Change Initiatives, The Company
Edward H. Walker, III	President and Chairman of the Board, The Company

Officers

As of the examination date, the following officers were serving in the designated position:

Name	Title
Edward H. Walker, III	President and Chairman of the Board
Eric J. Martin	Senior Vice President & Corporate Controller
Michael A. Eubanks	Senior Vice President, Secretary & Business Unit General Counsel

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in ORC Section 3901.32. Transamerica is owned by AEGON USA, LLC, an Iowa domiciled holding company that conducts substantially all of its insurance operations through subsidiary insurance companies. AEGON USA, LLC is an indirect wholly-owned subsidiary of AEGON N.V. a holding company organized under the laws of the Netherlands. All of the AEGON USA companies are fully integrated and share management and investment management, as well as support services.

Territory and Plan of Operations

The Company is licensed to operate in all 50 states and the District of Columbia and Guam. Transamerica primarily writes travel insurance (inland marine). Travel insurance provides coverage for trip interruption, cancellation, delay, baggage damage and medical assistance in excess of the insured's primary insurance. The majority of the travel premium is produced by managing general agents ("MGAs") that have authority to underwrite and administer policies and to settle claims. Since 2014, Transamerica made a strategic decision to exit all of the remaining lines of business that it had been underwriting. The other lines included both credit unemployment and credit disability which was marketed through credit card issuers, and through the operations of an affiliate, Stonebridge Life Insurance Company. In addition, Transamerica had written Guaranteed Auto Protection ("GAP") coverage. GAP provides reimbursement to an individual insured in the event that the remaining amount of an outstanding auto loan exceeds the funds paid by the auto insurance in the event of totaled loss.

Reinsurance

Catastrophe losses in excess of \$2.5 million up to \$10 million per occurrence are reinsured to an affiliate Stonebridge Life Insurance Company, subject to an annual limit of two times the per occurrence limits. This coverage was terminated in 2014. In addition, most workers' compensation, GAP, and vehicle service contract exposures are 100% reinsured by quota share agreements with reinsurers.

Effective October 31, 2014, the Company entered into an indemnity reinsurance agreement with White Shoals Reinsurance, LTD, a non-affiliated company to cede the remaining risk related to a runoff block of general liability and commercial multi-peril lines of business. The Company paid \$35,604,937 cash and

transferred \$35,604,937 of claims reserves. No gain or loss was realized on the transaction; therefore no segregation of special surplus was required.

Significant Operating Results

The Company reported the following net underwriting results during the examination period, reported in thousands.

	2014	2013	2012	2011	2010
Premiums earned	<u>\$280,265</u>	<u>\$227,011</u>	<u>\$169,421</u>	<u>\$123,139</u>	<u>\$135,965</u>
Losses incurred	171,340	140,069	87,945	70,981	81,761
Loss adjustment expenses incurred	1,741	1,884	1,154	2,535	1,567
Other underwriting expenses incurred	<u>99,261</u>	<u>87,706</u>	<u>65,597</u>	<u>46,315</u>	<u>51,092</u>
Total underwriting deductions	<u>272,342</u>	<u>229,659</u>	<u>154,696</u>	<u>119,831</u>	<u>134,420</u>
Net underwriting gain (loss)	<u>\$ 7,923</u>	<u>\$ (2,648)</u>	<u>\$ 14,725</u>	<u>\$ 3,308</u>	<u>\$ 1,545</u>

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Capital and Surplus

Statement of Income

Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Capital and Surplus
December 31, 2014**

Bonds	\$ 249,457,704
Cash, cash equivalents, and short term investments	15,821,918
Other invested assets	91,026
Securities lending reinvested collateral assets	<u>18,672,964</u>
Subtotal, cash and invested assets	284,043,612
Investment income due and accrued	2,573,704
Uncollected premiums and agents' balances	14,031,001
Amounts recoverable from reinsurers	7,901,000
Other amounts receivable under reinsurance contracts	47,190
Net deferred tax asset	3,500,978
Guaranty funds receivable or on deposit	7,116
Accounts receivable	<u>310,265</u>
Total admitted assets	<u>\$ 312,414,866</u>

Statement of Assets, Liabilities, Capital and Surplus
December 31, 2014

Losses	\$ 74,795,761
Reinsurance payable on paid losses and loss adjustment expenses	(437,815)
Loss adjustment expenses	3,390,688
Commissions payable, contingent commissions, etc.	8,703,204
Other expenses	468,366
Taxes, licenses and fees (exc. federal and foreign income taxes)	1,229,738
Current federal and foreign income taxes	2,464,882
Borrowed money	10,084,917
Unearned premiums	36,782,305
Advance premium	69
Ceded reinsurance premiums payable (net of ceding commissions)	3,051
Funds held by company under reinsurance treaties	36,046,335
Remittances and items not allocated	880,447
Provision for reinsurance	7,743,586
Payable to parent, subsidiaries and affiliates	15,636,839
Payable for securities lending	18,672,964
Retroactive reinsurance reserve ceded	(38,187,940)
Contingency and accident & sickness active life reserves	<u>4,226,477</u>
Total liabilities	<u>182,503,874</u>
Common capital stock	8,724,386
Gross paid in and contributed surplus	67,217,108
Unassigned funds (surplus)	<u>53,969,498</u>
Total capital and surplus	<u>129,910,992</u>
Total liabilities, capital and surplus	<u>\$ 312,414,866</u>

Statement of Income
As of December 31, 2014

Premiums earned	<u>\$ 280,265,488</u>
Losses incurred	171,339,815
Loss adjustment expenses incurred	1,740,827
Other underwriting expenses incurred	<u>99,261,141</u>
Total underwriting deductions	<u>272,341,783</u>
Net underwriting gain	<u>7,923,705</u>
Net investment income earned	12,152,318
Net realized capital gain (losses)	<u>(286,095)</u>
Net investment gain	<u>11,866,223</u>
Aggregate write-ins for miscellaneous income	<u>1,847,437</u>
Total other income	<u>1,847,437</u>
Net income before federal income taxes	21,637,365
Federal income taxes incurred	<u>6,647,050</u>
Net income	<u><u>\$ 14,990,315</u></u>

**Statement of Changes in the Capital and Surplus Account
(in thousands)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital and surplus, beginning of the year	\$ <u>118,122</u>	\$ <u>105,653</u>	\$ <u>89,812</u>	\$ <u>108,852</u>	\$ <u>101,555</u>
Net income	14,990	4,064	17,031	10,238	8,364
Change in net unrealized capital gains	281	589	961	441	466
Change in net deferred taxes	(3,015)	(21)	253	(1,191)	366
Change in non-admitted assets	1,738	872	(397)	810	185
Change in provision for reinsurance	(2,215)	4,617	(1,995)	1,126	237
Surplus adjustments-paid in	0	0	0	(14,000)	0
Dividends to stockholders	0	0	0	(16,000)	0
Aggregate write-ins for gains & losses	<u>10</u>	<u>2,348</u>	<u>(12)</u>	<u>(464)</u>	<u>(2,321)</u>
Net change in capital and surplus during the year	<u>11,789</u>	<u>12,469</u>	<u>15,841</u>	<u>(19,040)</u>	<u>7,297</u>
Capital and surplus, end of the year	\$ <u>129,911</u>	\$ <u>118,122</u>	\$ <u>105,653</u>	\$ <u>89,812</u>	\$ <u>108,852</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3925.08 and valued in accordance with the relevant SSAP and the NAIC Securities Valuation Office.

Loss and Loss Adjustment Expense Reserves

The Company's Board of Directors appointed Ann M. Conway, FCAS, MAAA, of Towers Perrin, to render the Company's Statement of Actuarial Opinion ("Opinion"). Ms. Conway prepared an Actuarial Report supporting the Opinion in connection with the preparation of the Company's December 31, 2014 Annual Statement.

Thomas S. Botsko, ACAS, MAAA, the Department's Chief Property & Casualty Actuary, reviewed the 2014 Actuarial Report prepared by Ms. Conway. Mr. Botsko reviewed Ms. Conway's results and selections for reasonableness and the Company's 2015 September Quarterly Statement for the run-off of the 2014 reserves that occurred to date.

Mr. Botsko determined that the Loss and Loss Adjustment Expense ("LAE") Reserves presented in the Company's December 2014 Annual Statement appear to have been reasonably determined.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2014, and is summarized as follows:

Total Assets	<u>\$ 312,414,866</u>
Liabilities	182,503,874
Capital and Surplus	<u>129,910,992</u>
Total Liabilities, Capital and Surplus	<u>\$ 312,414,866</u>

Subsequent Events

There have been no subsequent events to the examination date that would have a material effect on the financial condition of the Company.

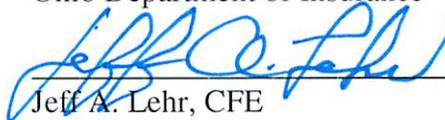
Acknowledgement

In addition to the aforementioned and undersigned, Louis Radecky, CPA (inactive), CFE, and Bradley Schroer of the Department participated in this examination.

Respectfully,



Nicholas J. Kostoff, CPA, CFE
Examiner-In-Charge
Ohio Department of Insurance



Jeff A. Lehr, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2014.

[Signature]
Examiner-In-Charge

5/19/16
Date

[Signature]
Assistant Chief Examiner

5-19-16
Date

State of Ohio
County of Franklin

Personally appeared before me the above named Nicholas J. Kostoff personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 19 day of May, 2016.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires

Personally appeared before me the above named Jeff A. Lehr personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 19 day of May, 2016.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires