

EXAMINATION REPORT
OF THE
ADMIRAL INDEMNITY COMPANY
AS OF
DECEMBER 31, 2013

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT OF EXAMINATION, made as of December 31, 2013 of the

ADMIRAL INDEMNITY COMPANY

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

Attest By:  _____

Date: May 13, 2015



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 13th day of May, 2015.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT OF EXAMINATION
OF THE
ADMIRAL INDEMNITY COMPANY
AS OF
DECEMBER 31, 2013

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 13th day of May, 2015

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SALUTATION

March 17, 2015

Honorable Karen Weldin Stewart, CIR-ML
Commissioner of Insurance
Delaware Department of Insurance
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19904

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 14.005, dated December 9, 2013, an examination has been made of the affairs, financial condition and management of the

ADMIRAL INDEMNITY COMPANY

hereinafter referred to as "Company" at the main administrative offices of the Company located at 475 Steamboat Road, Greenwich, CT 06830. The examination was a coordinated examination and was conducted concurrently with other insurance entities in the W.R. Berkley Corporation Group. The State of Delaware was the assigned lead state by the National Association of Insurance Commissioners. Separate reports of examination were filed for each company. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last examination of the Company was conducted by the Delaware Department of Insurance as of December 31, 2009, and covered the three (3) year period from January 1, 2007 to December 31, 2009. This examination covers the four (4) year period from January 1, 2010

ADMIRAL INDEMNITY COMPANY

through December 31, 2013, and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company as of December 31, 2013. Transactions subsequent to the examination date were reviewed where deemed necessary.

We conducted our examination in accordance with the *National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook* ("NAIC Handbook") and generally accepted statutory insurance examination standards consistent with the insurance laws and regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risk within the Company and evaluating its system controls and procedures used to mitigate those risks. The examination also includes an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to Delaware state regulations.

All accounts and activities of the Company were considered in accordance with the NAIC Handbook risk focused examination process. The examination report only addresses regulatory information revealed by the examination process.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, KPMG, LLP ("KPMG"). Certain auditor work papers have been incorporated into the examination work papers and have been utilized in determining the scope and areas of emphasis in conducting the examination. In addition, the Company was

ADMIRAL INDEMNITY COMPANY

Sarbanes Oxley (“SOX”) Section 404 compliant as of the examination date. The examination reviewed and relied on the Company’s SOX work where deemed appropriate.

The Company is an indirect subsidiary of the W.R. Berkley Corporation (“WRBC”) and member of NAIC Group Number 98, W.R. Berkley Corporation Group (“Group”). The Company’s direct parent is the Admiral Insurance Company (“AIC”), which is a wholly owned subsidiary of the Berkley Insurance Company (“BIC”). BIC is the direct or indirect owner of all companies in the Group, with the exception of Union Standard Lloyds. Including the Company, the Group consists of twenty-four property and casualty insurance companies and one life and health insurance company. The companies in the Group and the state of domicile are summarized as follows:

<u>Company Name</u>	<u>NAIC Number</u>	<u>State of Domicile</u>
Acadia Insurance Company	31325	NH
Admiral Indemnity Company	44318	DE
Admiral Insurance Company	24856	DE
American Mining Insurance Company	15911	IA
Berkley Insurance Company	32603	DE
Berkley Assurance Company	39462	IA
Berkley Life and Health Insurance Company	64890	IA
Berkley National Insurance Company	38911	IA
Berkley Regional Insurance Company	29580	DE
Berkley Regional Specialty Insurance Comp	31295	DE
Carolina Casualty Insurance Company	10510	IA
Clermont Insurance Company	33480	IA
Continental Western Insurance Company	10804	IA
Firemen’s Insurance Company of Wash, D.C.	21784	DE
Gemini Insurance Company	10833	DE
Great Divide Insurance Company	25224	ND
Key Risk Insurance Company	10885	NC
Midwest Employers Casualty Company	23612	DE
Nautilus Insurance Company	17370	AZ
Preferred Employers Insurance Company	10900	CA
Riverport Insurance Company	36684	MN
StarNet Insurance Company	40045	DE
Tri-State Insurance Company	31003	MN
Union Insurance Company	25844	IA

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

Fidelity Bonds and Other Insurance

Pensions, Stock Ownership and Insurance Plans

Statutory Deposits

Loss Experience

SUMMARY OF SIGNIFICANT FINDINGS

None.

SUBSEQUENT EVENTS

None.

COMPANY HISTORY

The Company was incorporated in April of 1992, as a stock property and casualty insurance company under the laws of the District of Columbia and received a certificate of authority to commence operations in October of 1992. The Company was formed by Fireman's Insurance Company of Washington, D.C. as the FICO Insurance Company. Effective March 23, 1995, the Company re-domesticated to the State of Maryland. On December 31, 1999, ownership of the Company was transferred to Admiral Insurance Company, the Company's name was changed to Admiral Indemnity Company and the Company was re-domesticated to the State of Delaware.

CORPORATE RECORDS

The minutes of the Stockholder and Board of Directors were reviewed for the period under examination. The recorded minutes documented activities and transactions of the Company.

The Bylaws require the Board of Directors to meet annually immediately after the annual stockholder meeting. Regular meetings of the Board of Directors shall be held prior to October 31st of each year. Special meetings may be called by one or more of the Directors or by the President. The minutes of the meetings verified annual meetings took place in each year of the examination period.

All applicable agreements were filed with and approved by the Delaware Department of Insurance in accordance with 18 *Del. C.* § 5005 (a)(2) of the Delaware Insurance Code.

MANAGEMENT AND CONTROL

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and Bylaws, the property, business and affairs of the Company shall be managed by a Board of Directors. The Bylaws require the Board of Directors consist initially of nine directors and thereafter may consist of any number determined by resolution of the Board of Directors.

The Directors are elected annually by the stockholder and hold office until the next annual election and until their successors are elected and qualify. Directors duly elected and serving as of December 31, 2013, were as follows:

<u>Name</u>	<u>Business Affiliation</u>
William James Johnston	President Clermont Specialty Managers

ADMIRAL INDEMNITY COMPANY

Holly Michelle Fettinger	Vice President, Business & Technology Operations Clermont Specialty Managers
Andrea Carol Kanefsky	Chief Financial Officer & Treasurer Clermont Specialty Managers
Belinda Mychajliw	Senior Vice President, Underwriting Clermont Specialty Managers
Richard Henry Starkie	Senior Vice President, Claims & Legal Clermont Specialty Managers
Stephanie Ann Miller	Vice President & Chief Actuary Clermont Specialty Managers

Officers were elected in accordance with the Bylaws during the period under examination. The Bylaws require election of a President and a Secretary. The Board of Directors may also elect such other officers as considered necessary for the proper conduct of the business of the Company. The primary officers serving as of December 31, 2013 were as follows:

<u>Name</u>	<u>Title</u>
William James Johnston	President
Andrea Carol Kanefsky	Treasurer
Holly Michelle Fettinger	Secretary
Richard Henry Starkie	Senior Vice President
Spencer Lees Coyle	Vice President
Joseph Lee Mathews	Vice President
Belinda Mychajliw	Senior Vice President

ADMIRAL INDEMNITY COMPANY

Holding Company System

The Company is a member of an Insurance Holding Company System as defined under Chapter 50 of the Delaware Insurance Code. The Company and its upstream parent companies are ultimately controlled by WRBC. WRBC is a publically traded insurance holding company that trades on the New York Stock Exchange.

The following is an abbreviated organizational chart that reflects the identities and interrelationships between the Company, its parents and subsidiaries, and other affiliates with direct business relationships with the Company as of December 31, 2013:

W.R. Berkley Corporation

- All American Agency Facilities, Inc.
- Berkley Dean & Company, Inc.
- Berkley Holdings Corp. Two
 - Berkley Holdings, LLC
- Berkley Insurance Services, LLC
- Berkley International, LLC
- Greenwich Knight Insurance Company
- LD Realty Advisors LLC
- LDPG Realty Investors L.P.
- MADA Reciprocal Services, Inc.
- Queen's Island Insurance Company, Ltd.
 - Signet Star Holdings, Inc.
 - Berkley Insurance Company
 - Admiral Insurance Company
 - Admiral Indemnity Company
 - Admiral Risk Insurance Services, Inc.
 - Armada Insurance Services, Inc.
 - Carolina Casualty Insurance Company
 - Clermont Insurance Company
 - Jersey International Brokerage Corporation
 - Nautilus Insurance Company
 - ARS Investors II 2012-1 HVB, LLC (99% Ownership)
 - Berkley Alternative Markets Insurance Services, LLC
 - Berkley Administrators of Connecticut, Inc.
 - Berkley Medical Excess Underwriters, LLC
 - Berkley Risk Administrators Company, LLC
 - All Claims of Nevada, Inc.
 - Berkley Risk Administrators of Texas, Inc.

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Berkley Risk Services of Vermont, Inc.
Independent Plan Administrators, LLC
Rasmussen Agency, Inc.
Key Care, LLC
Key Risk Management Services, LLC
Key Risk Underwriting Managers, LLC
Midwest Employers Casualty Group, LLC
Midwest Employers Services, LLC
Preferred Employers Group, LLC
Riverport Insurance Services, LLC
Berkley Assurance Company
Berkley Canada Inc.
Berkley Capital Investors, LP
CC Investors, LLC
GRG Investment Holdings, Ltd.
Insurance Agency Holdings, LLC
Berkley Capital, LLC
Berkley Capital Administrative LLC
Berkley Design Professional Underwriters, LLC
Berkley Insurance Company – Escritorio de Representacao no Brasil Ltda.
Berkley Life and Health Insurance Company
Berkley London Holdings, Inc.
W.R. Berkley London Finance, Limited
W.R. Berkley London Holdings, Limited
W.R. Berkley Insurance (Europe), Limited
W.R. Berkley London Staff, Limited
Berkley National Insurance Company
Berkley Regional Insurance Company
Acadia Insurance Company
Maine Compensation Services, Inc.
American Mining Insurance Company
Berkley Regional Specialty Insurance Company
CGH Insurance Group, LLC
American Mining Claims Service, Inc.
CGH Claims Service, Inc.
Mining Insurance Markets, Inc.
Continental Western Insurance Company
Firemen's Insurance Company of Washington, D.C.
Tri-State Insurance Company of Minnesota
Union Insurance Company
Union Standard Management Company, Inc.
Berkley Regional Insurance Services, LLC
Acadia Insurance Group, LLC
American Mining Insurance Group, LLC
Berkley Mid-Atlantic Group, LLC
Berkley North Pacific Group, LLC

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Berkley Regional Specialty, LLC
Berkley Surety Group, LLC
Continental Western Group, LLC
Regional Excess Underwriters, LLC
Union Standard Insurance Group, LLC
ZES Insurance Agency, LLC
Berkley Specialty Insurance Services, LLC
Admiral Insurance Group, LLC
Berkley Custom Insurance Managers, LLC
Berkley Professional Liability, LLC
Berkley Select, LLC
Berkley Specialty Underwriting Managers, LLC
Carolina Casualty Insurance Group, LLC
Clermont Specialty Managers, Ltd.
Monitor Liability Managers, LLC
Nautilus Excess Insurance Agency, LLC
Nautilus Insurance Group, LLC
Southwest International Underwriting Managers, Inc.
Vela Insurance Services, LLC
Verus Underwriting Managers, LLC
Berkley Southeast Insurance Group, LLC
CC Equity Holdings, LLC
Center Place Holdings LLC (93% owned by CC Equity Holdings)
Franchise Credit LLC
Gemini Insurance Company
Great Divide Insurance Company
Greenwich AeroGroup, Inc.
Key Risk Insurance Company
Middle Patent Capital, LLC
Loan Opportunity Fund I, LLC
Loan Opportunity Fund II, LLC
Loan Opportunity Fund III, LLC
Midwest Employers Casualty Company
Preferred Employers Insurance Company
Select Marketing Insurance Services, LLC
Reinserco, Inc.
Merrill Management Corporation
Riverport Insurance Company
SilverCap Greenwich, LLC (98.04% Ownership)
StarNet Insurance Company
Starnet Insurance Services, LLC
Berkley Accident and Health, LLC
Berkley Asset Protection Underwriters, LLC
Berkley Aviation, LLC
Berkley Facultative Reinsurance Services, LLC
Berkley Global Underwriters, LLC

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Berkley Latin American and Caribbean Managers, LLC
Berkley International Puerto Rico, LLC
Berkley Life Sciences, LLC
Berkley LS Insurance Solutions, LLC
Berkley Net Underwriters, LLC
Berkley Program Specialists, LLC
Berkley Public Entity Managers, LLC
Berkley Offshore Underwriting Managers, LLC
Berkley Oil & Gas Specialty Services, LLC
Berkley Re America, LLC
Berkley Re Direct, LLC
Berkley Risk Solutions, LLC
Berkley Technology Services, LLC
Berkley Technology Underwriters, LLC
BIL Advisors, LLC
Facultative ReSources, Inc.
FinSecure, LLC
Gemini Transportation Underwriters, LLC
WRBC Support Services, LLC
Surety-Pro Services, Inc.
W.R. Berkley Syndicate Holdings Limited
WRBC Corporate Member Limited
W.R. Berkley Syndicate Limited
W.R. Berkley Syndicate Management Limited
860 Development Co LLC
860 Washington Street LLC (75% Ownership)
Commodore Re Management Corporation
East Isles Reinsurance, Ltd.
Northwest International Underwriting Manager, Inc.
Steamboat Asset Management, LLC
WRBC Transportation, Inc.
Interlaken Capital Aviation Holdings, Inc.
Interlaken Capital Aviation Services, Inc.
WRBC Aviation Leasing, LLC
W.R. Berkley Capital Trust II
W.R. Berkley Capital Trust III
33 GP LLC
33 Grosvenor Place Limited
34 Leadenhall Street Limited
27 Leadenhall Street Properties Limited
120dB Films Capital, LLC
120 Films Lending, LLC

Management Contract and/or Lending Relationship (Non-owned)
MADA Insurance Exchange
States Self-Insurers Trust

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States Self Insurers Risk Retention Group
Union Standard Lloyds

Management, Service, and Other Agreements

Below is a summary of significant affiliated agreements (excluding reinsurance agreements) in effect as of December 31, 2013. All affiliated agreements and amendments were properly filed and approved by the Delaware Department of Insurance.

Affiliated Agreements

As of December 31, 2013, the Company had the following significant service and other agreements in effect with affiliates:

- Tax Allocation Agreement – Effective April 6, 1992, the Company and WRBC entered into an affiliated Tax Allocation Agreement. In accordance with the agreement, the Company will participate in WRBC's election to file a consolidated federal income tax return as long as the Company is a member of WRBC. For years where a consolidated federal tax return is filed, WRBC will pay or discharge, or cause to be paid or discharged, the consolidated federal tax liability of WRBC. Taxes are calculated on a separate return basis, and the Company will pay WRBC an amount equal to the federal income tax liability it would have incurred if it had filed on a separate return. Conversely, if the Company's separate return calculation results in a net operating loss, capital losses, deductions, tax credits or similar items, WRBC shall compensate the Company an amount equal to its federal income tax liability calculated on a separate return basis. In accordance with the contract, WRBC and the Company shall each pay its own state and local taxes.

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- Investment Advisory Agreement – Effective February 3, 2006, the Company entered into an Investment Advisory Agreement with Berkley Dean and Company, Inc. (“Berkley Dean”). In accordance with the agreement, Berkley Dean provides certain investment advisory and management services based upon criteria, standards and guidelines established by the Company. The Company has ultimate and final authority over decisions and policies on purchases and sales of securities.

TERRITORY AND PLAN OF OPERATION

The Company is a licensed insurer in forty (40) states and the District of Columbia. The Company primarily writes package insurance programs for residential condominiums and co-op associations as well as for up-scale restaurants in the metropolitan New York City area. For the year ended December 31, 2013, the Company’s gross premium written was derived from this direct business produced primarily by Clermont Specialty Managers and a small amount of workers compensation from Acadia Insurance Group. The following further describes the business written by each Profit Center:

- Clermont Specialty Managers is a provider of package insurance programs for high-end cooperative, condominium and quality rental apartment buildings and upscale restaurants in the New York, New Jersey and Chicago metropolitan markets.
- Acadia Insurance Group is a Northeast regional property casualty underwriter offering a broad portfolio of products exclusively through local independent agents in Connecticut, Maine, Massachusetts, New Hampshire, New York and Vermont. In addition to its general offerings, Acadia has specialized in insuring regional businesses and industries such as construction, lumber and fishing. Beginning in 2013, Acadia Insurance Group

ADMIRAL INDEMNITY COMPANY

produced a small amount of regional workers' compensation business on behalf of the Company in Connecticut and New York.

GROWTH OF THE COMPANY

The following information reflects the admitted assets, surplus as regards policyholders, gross premiums written and net income of the Company since the prior examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus as Regards Policyholders</u>	<u>Gross Premiums Written</u>	<u>Net Income</u>
2013	\$ 58,210,992	\$ 38,596,172	\$ 65,810,379	\$ 2,097,037
2012	82,888,714	33,284,711	55,930,562	1,878,244
2011	66,713,317	34,625,687	55,734,064	3,960,121
2010	71,701,734	29,028,126	56,535,765	4,351,693
2009	73,647,933	31,925,783	55,887,537	6,200,582

For the year ended December 31, 2013, the Company's financial position was not significantly affected by the transfer of assets and liabilities and the first year of operations under the Assignment, Novation and Amendment of Reinsurance Contract because the Company has historically ceded the majority of its risks to an affiliate. Since the prior examination, the Company has reported an increasing trend in gross premium written and increases in admitted assets until 2013 when admitted assets were transferred related to the increased ceding percentage under the Assignment, Novation and Amendment of Reinsurance Contract.

REINSURANCE

The Company reported the following distribution of premiums written for the year ended December 31, 2013:

	<u>2013</u>	<u>% GPW</u>	<u>2009</u>	<u>% GPW</u>
Direct business	\$ 65,810,379	100.0%	\$ 55,887,537	100.0%
Reinsurance assumed	-	0.0%	-	0.0%
Gross premiums written ("GPW")	<u>\$ 65,810,379</u>	<u>100%</u>	<u>\$ 55,887,537</u>	<u>100%</u>
Reinsurance ceded to affiliates	\$ 71,903,033	109.3%	\$ 29,766,980	53.3%
Reinsurance ceded to non-affiliates	(6,092,654)	-9.3%	13,363,280	23.9%
Total ceded	<u>\$ 65,810,379</u>	<u>100.0%</u>	<u>\$ 43,130,260</u>	<u>77.2%</u>
Net premiums written	<u>\$ -</u>	<u>0.0%</u>	<u>\$ 12,757,277</u>	<u>22.8%</u>

Ceded Reinsurance – Affiliated

Effective January 1, 2013, the Company, AIC and BIC entered an Assignment, Novation and Amendment of Reinsurance Contract to replace AIC with BIC as the named reinsurer in the original quota share agreement between the Company and AIC and increase the participation in the original agreement from 70% to 100%. In accordance with the new agreement, BIC assumes 100% of net liabilities under policies, contracts and binders of insurance and reinsurance (1) issued and attaching prior to the effective date and (2) issued or renewed and attaching on or after the effective date. The maximum liability assumed by BIC under the agreement cannot exceed 300% of premiums ceded for the twelve months immediately preceding the month in which the loss occurred. The agreement appoints BIC to act as manager to do all things necessary and incidental to conduct the business as defined by the contract, and provides BIC the right to subcontract any of the duties and obligations to various Profit Centers, other affiliates or unrelated third parties.

“Profit Centers” within the Group specialize in property and casualty insurance underwriting, claims adjustment and payment and other management services. In accordance

ADMIRAL INDEMNITY COMPANY

with the agreement, BIC contracted with Profit Centers to act on its behalf and do all things necessary and incidental to conduct the business of the Company. Profit Centers are authorized to subcontract any of the services furnished under the agreement to any subsidiary, affiliate or unrelated third party subject to BIC's approval.

Ceded Reinsurance - Unaffiliated

In accordance with the affiliated Assignment, Novation and Amendment of Reinsurance Contract effective January 1, 2013, BIC assumed or received all obligations, properties, rights, monies, considerations and accounting and/or liabilities with respect to the business of the Company. This includes any future unaffiliated reinsurance recoveries received by the Company. Accordingly, BIC now reports the NAIC Annual Statement *Schedule F – Part 3 Ceded Reinsurance* schedules as if it replaced the Company (original cedant) in all ceded reinsurance contracts issued by the Company prior to the agreement. After January 1, 2013, all aggregate and facultative reinsurance purchased to cover business underwritten by the Company is acquired in the name of BIC.

ACCOUNTS AND RECORDS

Effective January 1, 2013, the Company's accounts and records and information technology processes and applications are maintained by BIC, or its designee, in accordance with the Assignment, Novation and Amendment of Reinsurance Contract between the Company, AIC and BIC.

The accounts and records review included an assessment of the Company's risk management process for identifying and controlling risks in key operational areas. In making the assessment for each key area, processes were reviewed, risks were identified and controls were

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identified and tested. The Company's methodology for assessing the effectiveness of the established mitigation factors was also evaluated.

The Company's information technology ("IT") platforms, applications and services are decentralized and managed locally at each Profit Center by local IT management and/or centralized by WRBC under an affiliated computer services agreement with Berkley Technology Services, LLC (BTS). BTS manages WRBC corporate IT applications and services that are provided to all Profit Centers. These applications include the PeopleSoft general ledger, the PAM investment software and the Freedom Reinsurance System.

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

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus as regards policyholders of the Company, as determined by this examination, as of and for the period ended December 31, 2013:

- Assets
- Liabilities, Surplus and Other Funds
- Statement of Income
- Capital and Surplus Account
- Reconciliation of Capital and Surplus From the Prior Examination

ADMIRAL INDEMNITY COMPANY

Assets
As of December 31, 2013

	Ledger	Assets Not	Net Admitted	
	<u>Assets</u>	<u>Admitted</u>	<u>Assets</u>	<u>Notes</u>
Bonds	\$ 41,423,745	\$ -	\$ 41,423,745	<i>I</i>
Cash and short-term investments	1,892,682	-	1,892,682	
Receivables for securities	19,250	-	19,250	
Investment income due and accrued	550,703	-	550,703	
Uncollected premiums and agent balances	7,991,104	97,308	7,893,796	
Deferred premiums	5,380,416	-	5,380,416	
Current federal income tax recoverable	638,795	-	638,795	
Net deferred tax asset	231,296	164,369	66,927	
Electronic data processing equipment and software	57,240	29,312	27,928	
Furniture and equipment	70,225	70,225	-	
Aggregate write-ins for other than invested assets	<u>316,750</u>	<u>-</u>	<u>316,750</u>	
 Total assets	 <u>\$ 58,572,206</u>	 <u>\$ 361,214</u>	 <u>\$ 58,210,992</u>	

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Liabilities, Surplus and Other Funds
December 31, 2013

		<u>Notes</u>
Losses	\$ -	2
Reinsurance payable on paid loss and loss adjustment expenses	-	
Loss adjustment expenses	-	2
Commission payable, contingent commissions and other similar charges	98,117	
Other expenses	(86)	
Taxes, licenses and fees	1,083,097	
Current federal & foreign income taxes	-	
Ceded reinsurance premiums payable	12,141,599	
Amount withheld or retained by company for account of others	9,010	
Remittances and items not allocated	-	
Payable to parent, subsidiaries and affiliate	6,283,083	
Aggregate write-ins for liabilities	<u>-</u>	
 Total liabilities	 <u>\$ 19,614,820</u>	
 Common capital stock	 \$ 3,506,250	
Gross paid in and contributed surplus	17,600,000	
Unassigned funds (surplus)	<u>17,489,922</u>	
 Total surplus as regards policyholders	 <u>\$ 38,596,172</u>	
 Total liabilities, capital and surplus	 <u>\$ 58,210,992</u>	

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Statement of Income
For the Period Ended December 31, 2013
and
Capital and Surplus Account
From December 31, 2012 to December 31, 2013

Income:		
Premiums earned		\$ -
Net investment income earned		1,500,645
Net realized capital gains		(42,403)
Other income		<u>70,777</u>
Total income		<u>\$ 1,529,019</u>
Expenses:		
Losses incurred		\$ -
Loss adjustment expenses incurred		-
Other underwriting expenses		-
Net loss from agents' or premium balances charged off		70,777
Federal and foreign income taxes incurred		<u>(638,795)</u>
Total expenses		<u>\$ (568,018)</u>
Net income:		<u>\$ 2,097,037</u>
Surplus as regards to policyholders, December 31, 2012		\$33,284,711
Net income		2,097,037
<u>Additions:</u>		
Change in nonadmitted assets	\$ 1,626,774	
Change in provision for reinsurance	<u>3,068,539</u>	
Total additions		4,695,313
<u>Deductions:</u>		
Change in nonadmitted assets	<u>\$(1,480,889)</u>	
Total deductions		(1,480,889)
Surplus as regards to policyholders, December 31, 2013		<u>\$38,596,172</u>

ADMIRAL INDEMNITY COMPANY

Reconciliation of Capital and Surplus From Prior Examination
December 31, 2009 to December 31, 2013

	Common Capital <u>Stock</u>	Gross Paid-in & Contributed <u>Surplus</u>	Unassigned Funds <u>(Surplus)</u>	<u>Total</u>
December 31, 2009	\$ 3,506,250	\$ 17,600,000	\$ 10,819,533	\$ 31,925,783
2010 Operations (1)	-	-	3,223,726	3,223,726
2010 Special Surplus	-	-	-	-
2010 Dividends	-	-	(6,121,383)	(6,121,383)
2011 Operations (1)	-	-	5,597,561	5,597,561
2011 Special Surplus	-	-	-	-
2011 Dividends (2)	-	-	-	-
2012 Operations (1)	-	-	(1,340,976)	(1,340,976)
2012 Special Surplus	-	-	-	-
2012 Dividends	-	-	-	-
2013 Operations (1)	-	-	5,311,461	5,311,461
2013 Special Surplus	-	-	-	-
2013 Dividends	-	-	-	-
December 31, 2013	<u>\$ 3,506,250</u>	<u>\$ 17,600,000</u>	<u>\$ 17,489,922</u>	<u>\$ 38,596,172</u>

(1): Operations is defined as: net income, change in net unrealized capital gains or (losses), change in net deferred income tax, change in non-admitted assets, change in provision for reinsurance, and aggregate write-ins for gains and losses to surplus.

(2): See discussion of dividends below.

Common Capital Stock and Paid-in Surplus

As amended, the Certificate of Incorporation authorizes the Company to issue 250,000 shares of common stock with a \$16.50 par value and 150,000 shares of preferred stock with a \$10 par value. As of December 31, 2013, the Company had 212,500 common shares totaling \$3,506,250. The Company had no preferred shares issued and outstanding. All outstanding common shares of the Company are owned by Admiral Insurance Company.

As of December 31, 2013, the Company reported gross paid in and contributed surplus of \$17.6 million. Gross paid in and contributed surplus did not change during the exam period.

ADMIRAL INDEMNITY COMPANY

Dividends

The Company paid an ordinary dividend during the examination period in the amount of \$6.1 million for the year ended 2010. The dividend was paid in the form of cash or transfer of invested assets.

SCHEDULE OF EXAMINATION ADJUSTMENTS

None.

NOTES TO THE FINANCIAL STATEMENTS

Note 1:

Bonds

\$ 41,423,745

As of December 31, 2013, the Company reported total bond investments on Schedule D – Part 1 with book adjusted carrying values in the amount of \$41.4 million and fair market values of \$43.2 million. Bonds were comprised of the following classes:

	<u>Statement Value</u>	<u>% of Total</u>
U.S. Governments	\$ 2,009,727	4.9%
U.S. States, Territories & Possessions	1,024,502	2.5%
U.S. Political Subdivisions of States, Territories & Possessions	4,142,746	10.0%
U.S. Special Revenues	33,022,005	79.7%
Industrial and Miscellaneous	1,224,765	3.0%
Total	<u>\$ 41,423,745</u>	<u>100.0%</u>

The Company reported an additional \$1.9 million in bonds at book adjusted carrying value as cash equivalents and short-term investments for total bond holdings of \$43.3 million. Of the Company's total bond holdings, \$42.55 million or 98.2% were categorized as Class 1 with respect to NAIC credit quality standards. The remaining holdings were NAIC Class 2 bonds. The bond holdings were 98.9% publically traded and 1.1% private placement securities. Bond maturities were diversified relative to maturity with 14.2%, 35.8%, 37.2%, 12.6% and 0.2%

ADMIRAL INDEMNITY COMPANY

maturing in less than one year, one to five years, five to ten years, ten to twenty years, and over twenty years, respectively. The examination verified the existence, ratings and reported values for the bond securities as of December 31, 2013.

Note 2:

Losses	\$ 0
Loss Adjustment Expenses	\$ 0

INS Consultants, Inc. (“Consulting Actuary”) performed a review of the inherent risks, management oversight and other mitigating controls over the Company’s actuarial processes and procedures. The Consulting Actuary’s review included detail testing and an independent calculation of the Company’s loss and loss adjustment expense reserves as of December 31, 2013. The Company’s actuarial staff provided the Consulting Actuary its Statement of Actuarial Opinion and the supporting actuarial data, documents and calculations. The Consulting Actuary determined the Company’s loss and loss adjustment expenses reserves were sufficient on a gross basis as of December 31, 2013.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no recommendations contained in the prior examination report as of December 31, 2009.

SUMMARY OF RECOMMENDATIONS

None.

CONCLUSION

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

<u>Description</u>	<u>December 31, 2013</u>	<u>December 31, 2009</u>	<u>(Decrease)</u>
Assets	\$ 58,210,992	\$ 73,647,933	\$ (15,436,941)
Liabilities	\$ 19,614,820	\$ 41,722,150	\$ (22,107,330)
Capital and Surplus	\$ 38,596,172	\$ 31,925,783	\$ 6,670,389

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc. and the consulting information technology specialist with INS Services, Inc. is acknowledged.

Respectfully submitted,



Richard E. Palmatary, CPA, CFE
Examiner In-Charge
State of Delaware