

REPORT ON EXAMINATION
OF THE
AMERICAN CREDITORS LIFE INSURANCE 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

AMERICAN CREDITORS LIFE INSURANCE COMPANY

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

Attest By: _____

Date: June 24, 2015



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 24th day of June, 2015.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT OF EXAMINATION
OF THE
AMERICAN CREDITORS LIFE INSURANCE 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", is written over a horizontal line.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 24th day of June, 2015

TABLE OF CONTENTS

SALUTATION	1
SCOPE OF EXAMINATION.....	2
SUMMARY OF SIGNIFICANT FINDINGS	3
SUBSEQUENT EVENTS	3
COMPANY HISTORY	3
CORPORATE RECORDS	4
MANAGEMENT AND CONTROL	4
Board of Directors.....	5
Officers	5
Committees	6
Conflict of Interest	6
Insurance Holding Company System.....	6
Intercompany Management and Service Agreements	8
Fidelity Bonds.....	8
TERRITORY AND PLAN OF OPERATION	9
GROWTH OF THE COMPANY	9
ACCOUNTS AND RECORDS.....	10
FINANCIAL STATEMENTS	11
Assets	12
For The Year Ended December 31, 2013	12
Liabilities, Surplus and Other Funds	13
Summary of Operations	14
Reconciliation of Capital and Surplus for the Exam Period	15
Common and Preferred Capital Stock	16
SCHEDULE OF EXAMINATION ADJUSTMENTS.....	16
NOTES TO FINANCIAL STATEMENTS.....	17
COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS	20
SUMMARY OF RECOMMENDATIONS	21
CONCLUSION.....	22

SALUTATION

April 15, 2015

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

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 14.026, dated July 08, 2014, an examination has been made of the affairs, financial condition and management of the

AMERICAN CREDITORS LIFE INSURANCE COMPANY

hereinafter referred to as “the Company” and incorporated under the laws of the State of Delaware. The Company’s registered office in the State of Delaware is located at 2711 Centerville Road, Suite 400, Wilmington, Delaware.

The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last examination was completed as of December 31, 2008. This examination covered the period of January 1, 2009 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 at 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 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 risk focused examination process. The examination report only addresses regulatory information revealed by the examination process.

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:

- Pensions
- Reinsurance
- Statutory Deposits
- Loss Experience
- Reinsurance
- All Asset and Liability Items Not Mentioned

SUMMARY OF SIGNIFICANT FINDINGS

The Company's minutes did not note approval of its investments in accordance with 18 Del. C. §1304. See "Corporate Records" section below for further details.

The Company was not in compliance with Article III of its bylaws that sets the number of directors at three (3). See "Board of Directors" section below for further details.

The Company did not provide evidence that it has fidelity bond coverage for its directors, officers, or employee. See "Fidelity Bond" section below for further details.

The Company did not provide evidence that it is licensed in the states it list in its Annual Statement. See "Territory and Plan of Operation" section below for further details.

The Company did not non-admit aged balances in accordance with NAIC Annual Statement instructions. See "Notes to Financial Statements" Note 3 below for further details.

The Company did not have a custody agreement for its investments not physically held. See "Notes to Financial Statements" Note 1 below for further details.

SUBSEQUENT EVENTS

There are no material subsequent events or changes to be reported.

COMPANY HISTORY

The Company was incorporated November 28, 1978 under the laws of the State of Delaware. Since its formation through 2002, the Company wrote single premium credit life and credit disability business written through independent agents, servicing automobile dealerships on automobile loans and leases. The Company was placed in run-off in 2002. The Company underwent substantial ownership and capital restructure in 2003. The common capital stock of the Company had been wholly owned by the Company's founder, Nelson Bobb, either directly or indirectly through Dealer Services Corporation. As part of planning for management succession

and estate planning, additional common and preferred stock were authorized and were issued. Mr. Bobb transferred all of his stock into a revocable *Inter Vivos* trust and then into The Nelson and Gail Bobb Family Limited Partnership (Partnership). He designated Joel Rosenblum as general partner of the Partnership. Mr. Bobb resigned as director and president of the Company in November, 2003 and elected Mr. Rosenblum to succeed him as president. Mr. Rosenblum, as general partner of the Partnership and as 100% owner of the Company's preferred capital stock, exercises voting control of the Company. Mr. Rosenblum, as general partner of the Partnership and as 100% owner of the Company's preferred capital stock, exercises voting control of the Company. All of the Company's common capital stock is owned by the Nelson and Gail Bobb Family Limited Partnership.

CORPORATE RECORDS

The minutes of the Stockholder and Board of Directors were reviewed for the period under examination.

There was no approval noted of Company investments transactions in the minutes, therefore;

It is recommended that the Company comply with 18 Del. C § 1304 Authorization; record of investments which states an insurer shall not make any investment or loan (other than policy loans or annuity contract loans of a life insurer) unless the same is authorized or approved by the insurer's board of directors or by a committee thereof charged with supervision of investments and loans.

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 and business of the Company shall be managed by the Board. The bylaws provide that the number of directors shall

be three members. Each director shall be elected for a term of one year and serve until such director's successor is elected and qualified.

Dividends on the Company may be declared by the Board at any regular or special meeting and shall be paid out of funds legally available.

Board of Directors

In accordance with Article III, Section 1 of its bylaws the number of directors shall be three (3).

As noted in the previous exam, the Company only had two directors whereas its bylaws required three, therefore;

It is again recommended that the Company comply with its bylaws and add an additional director.

The two members of the Board of Directors serving as of December 31, 2013, were as follows:

Joel Milton Rosenlum	Chairman
Thomas Marshall Madison	Secretary

Officers

The bylaws of the Company state that officers shall be elected or appointed by the Board. As of December 31, 2013, the Company's principal officers and their respective titles are as follows:

Joel Milton Rosenlum	President, Treasurer and Assistant Secretary
Thomas Marshall Madison	Secretary
Arthur Rosenblum	Assistant Treasurer

Committees

The Company's bylaws provide that the Board may establish one or more committees. Given the current minimal size of the Company and its limited operations, the Board has no committees.

Conflict of Interest

The Company is a closely held family business and has only one employee, its President. There was no formal written conflict of interest policy noted during the period covered by this exam.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 Del. C. Ch. 50, "Insurance Holding Companies" of the Delaware Insurance Code. Holding company registration statements were filed by the Company with the Delaware Insurance Department.

The Nelson and Gail Bobb Family Limited Partnership (Partnership) own 100% of the Company's common capital stock and 100% of the Company's preferred capital stock is held by Joel Rosenblum, President. Dealer Services Corporation owns 43.24% and Joel Rosenblum owns 25.21% of the Partnership and various other family estate trusts own the remaining 33.55% of the Partnership.

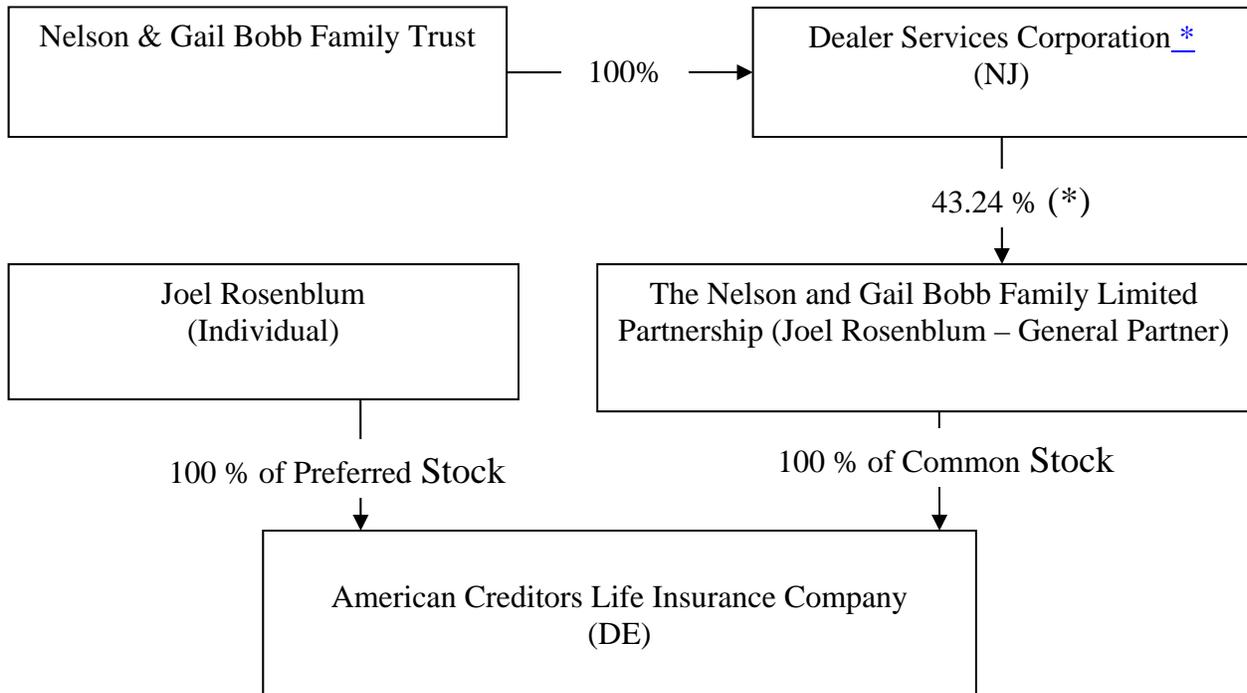
As part of the Company's restructuring as noted in "Company History" section above, Joel Rosenblum agreed to purchase all of the issued 2,100,000 shares of the Company's preferred stock at a price of \$0.24 per share (the preferred stock had a par value \$0.08 per share) under his employment agreement as chief executive officer and president of the Company. The shares were purchased with (and are collateral for) five promissory notes issued by the Company totaling \$504,000, accruing annual interest at a rate of 4.6%. The Company had been carrying

these notes as a non-admitted asset since 2003. The interest and principle on the notes is to be paid annually, with principal to be repaid in ten annual installments beginning in 2008. The Company did not provide the examiner copies of these five promissory notes.

It is again recommended that the Company provide copies of the promissory notes. It is noted that the Company did provide evidence of repayment of principle and interest of these notes.

In order to prevent alienation of control of the Company and its economic interest, voluntarily or involuntary, to someone not active in the Company's business, the holders of both common and preferred stock of the Company entered into a Shareholder Agreement. The agreement restricts the transfer, assignment, hypothecation or encumbrance of Company shares without the approval of the other shareholders and the Company.

The following organizational chart illustrates the Company and its affiliates within the current Holding Company System as of December 31, 2013:



* The remaining 56.76% is owned by assorted family trusts and Joel Rosenblum.

Intercompany Management and Service Agreements

There were no intercompany or service agreements noted during the period covered by this exam.

Fidelity Bonds

The Company does not have fidelity bond coverage for directors, officers, or employee. Per the NAIC guidelines the Company should have minimum fidelity bond coverage of \$100,000.

It is again recommended that the Company have and provide evidence that it has adequate fidelity bond coverage for all directors, officers, or employees.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2013, the Company claimed to be licensed to transact business in 12 states. Excluding Delaware, no evidence was presented substantiating its claim.

It is again recommended that the Company present evidence that it is licensed in the states it is authorized to write business and that these licenses are current and up to date.

The North Dakota Insurance Commissioner issued an Order revoking the Certificate of Authority of the Company. The revocation was based on the Company failing to comply with the laws of the State of North Dakota by not filing premium tax statements and renewal statements and paying appropriate fees and penalties.

Plan of Operation

By the end of 2009, all credit life and credit disability policies had expired or been cancelled. The Company's current in-force policies comprise of 3 deferred annuity policies written in the 80's, all of which are held by officers of the Company or their families and which are carried at their surrender value.

The Company has no specific plans to develop new business and per its President; the Company plans to put itself out of business during 2015 or 2016.

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the five proceeding years since its last examination (2008):

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Unassigned Surplus</u>	<u>Net Written Premiums</u>	<u>Net Income</u>
2008	\$17,200,743	\$5,116,014	\$8,052,755	\$0	\$(434,501)
2009	\$17,178,774	\$5,423,350	\$7,723,450	\$0	\$(314,552)
2010	\$17,171,518	\$5,941,681	\$7,197,863	\$0	\$ (621,715)
2011	\$17,142,786	\$6,485,856	\$6,624,956	\$0	\$ (521,567)
2012	\$14,562,221	\$ 4,231,879	\$6,499,968	\$0	\$ (106,499)
2013	\$14,310,482	\$ 4,391,532	\$6,138,976	\$0	\$ (338,491)

Since December 31, 2008, growth of the Company has taken the form of the following:

- Approximately 17% decrease in admitted assets
- Approximately 14% decrease in liabilities
- Approximately 24% decrease in unassigned surplus

The decreases in assets and liabilities above are mainly due to the Company ceasing to write or renew business and paying annuity benefits in excess of investment income.

ACCOUNTS AND RECORDS

The Company operates in a personal computer and spreadsheet environment. The Company uses QuickBooks software for general ledger maintenance and investment data is maintained on spreadsheets to be later posted in QuickBooks. The primary accounting function performed by the Company's only employee is investment management and reconciliation. The Company uses an outside actuary to determine reserves for the three deferred annuity policies still in force. The Company uses an outside bookkeeping service to perform more complicated accounting, reconciliation and reporting services.

The Company is not required to have and does not have an annual audit by an outside CPA firm.

Based on the examination review of the filed Annual Statement, observations and subsequent discussions with the Company's President, and excluding comments and

recommendations made in this report, the accounts and records maintained by the Company were found to conform to its limited needs.

FINANCIAL STATEMENTS

The financial condition of the Company and the results of its operations for the-year ended December 31, 2013 are reflected in the following statements:

- Assets;
- Liabilities, Surplus and Other Funds;
- Statement of Income;
- Schedule of Examination Adjustments;
- Reconciliation of Capital and Surplus for the exam period

American Creditors Life Insurance Company
Assets
For The Year Ended December 31, 2013

Preferred Stocks	\$ 100,000	1
Common Stocks	1,220,588	1
Cash and short term investments	<u>11,613,019</u>	2
Subtotals	<u>\$ 14,245,619</u>	
Investment income due and accrued	\$ 64,863	
Aggregate write-ins for other than invested assets	<u>0</u>	3
Total Assets	<u><u>\$ 14,310,482</u></u>	

**American Creditors Life Insurance Company
Liabilities, Surplus and Other Funds
For The Year Ended December 31, 2013**

		<u>Note</u>
Aggregate reserve for life contracts	\$ 2,863,043	4
Interest maintenance reserve	38,182	
Current federal income tax	66,101	
Asset valuation reserve	214,511	
Aggregate write-ins for liabilities	<u>1,209,695</u>	5
Total Liabilities	\$ 4,391,532	
Common capital stock	\$ 1,774,000	
Preferred capital stock	84,000	
Gross paid in and contributed surplus	1,921,974	
Unassigned funds (surplus)	<u>6,138,976</u>	3
Surplus as Regards Policyholders	<u>\$ 9,918,950</u>	
Total Liabilities, Surplus & Other Funds	<u><u>\$ 14,310,482</u></u>	

**American Creditors Life Insurance Company
Summary of Operations
For The Year Ended December 31, 2013**

Premiums and annuity considerations	\$ 0
Net investment income	96,849
Amortizaion of interest maintenance reserve	5,584
Aggregate write-ins for miscellaneous income	14,152
Totals	<u>\$ 116,585</u>
Annuity benefits	\$ 179,000
Increase in aggregate reserves	(7,732)
Totals	<u>\$ 171,268</u>
General insurance expense	218,723
Insurance taxes, licenses and fees	11,187
Aggregate write-ins for deductions	74,277
Totals	<u>\$ 475,455</u>
Net gain from operations before dividends	\$ (358,870)
Dividends to policyholders	0
Net gain from operations after dividends	(358,870)
Federal and foreign income taxes incurred	0
Net gain from operations after dividends and federal tax and before realized capital gains	<u>\$ (358,870)</u>
Net realized capital gains (losses)	20,379
Net Income	<u><u>\$ (338,491)</u></u>

Reconciliation of Capital and Surplus for the Exam Period

	Common Capital Stock	Preferred Capital Stock	Paid In & Contributed Surplus	Unassigned Funds (Surplus)	Total
December 31, 2008	\$1,774,000	\$168,000	\$2,089,974	\$8,052,755	\$12,084,729
2009					
Operations (1)				(318,859)	(318,859)
Dividends (2)				(10,447)	(10,447)
2010					
Operations (1)				(514,886)	(514,886)
Dividends (2)				(10,702)	(10,702)
2011					
Operations (1)				(562,482)	(562,482)
Dividends (2)				(10,424)	(10,424)
2012					
Operations (1)				(116,588)	(116,588)
Preferred Stock Redemption (2)		(67,200)	(134,400)		(201,600)
Dividends (3)				(8,400)	(8,400)
2013					
Operations (1)				(349,245)	(349,245)
Preferred Stock Redemption (2)		(16,800)	(33,600)		(50,400)
Dividends (3)				(8,538)	(8,538)
Unassigned Funds (Surplus) (4)			-	(3,210)	(3,210)
December 31, 2013	\$1,774,000	\$84,000	\$1,921,974	\$6,138,974	\$9,918,948

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

(2) When issued, the Company's preferred capital stock was valued at 24 cents per share with a par value of 08 cents per share. On December 31, 2012, 840,000 shares of preferred capital stock were redeemed for 24 cents per share. 08 cents per share (\$67,200) was credited to preferred capital stock and 16 cents per share (\$134,400) was credited to paid in surplus. On December 31, 2013, 210,000 shares of preferred capital stock were redeemed for 24 cents per share. 08 cents per share (\$16,800) was credited to preferred capital stock and 16 cents per share (\$33,600) was credited to paid in surplus.

- (3) The Company paid dividends on its stock each year during the period covered by this examination.
- (4) The examiner non admitted \$3,210 of agent's balance over 90 days old. Amount was immaterial, but was non-admitted due to noncompliance with previous exam recommendation.

Common and Preferred Capital Stock

At December 31, 2013, the Company's had 2,000,000 common stock shares authorized with 1,774,000 common stock shares issued and outstanding at par value of \$1.00 per share with a common capital of \$1,774,000. The Company also had 1,050,000 authorized issued and outstanding preferred stock shares at par value of \$0.08 per share with a preferred capital of \$84,000.

SCHEDULE OF EXAMINATION ADJUSTMENTS

<u>Description</u>	<u>Per Examination</u>	<u>Per Company</u>	<u>Surplus Increase (Decrease)</u>	<u>Note</u>
Assets:				
Due from agents	\$ 0	\$ 3,210	\$ (3,210)	3
Adjusted Admitted Assets	<u>\$ 0</u>	<u>\$ 3,210</u>	<u>\$ (3,210)</u>	
Liabilities and Surplus:				
Unassigned funds (surplus)	\$ 8,060,950	\$ 8,064,160	\$ (3,210)	3
Adjusted Liabilities and Surplus	<u>\$ 8,060,950</u>	<u>\$ 8,064,160</u>	<u>\$ (3,210)</u>	

NOTES TO FINANCIAL STATEMENTS

<u>Note 1 – Bonds, Preferred and Common Stocks</u>	\$ 1,312,012
<u>Note 1 – Preferred Stocks</u>	\$ 100,000
<u>Note 1 – Common Stocks</u>	\$ 1,220,588

The above-captioned amounts, which are the same as reported by the Company in its Annual Statement, have been accepted for purposes of this report.

At December 31, 2013, the Company owned long term bonds, preferred and common stocks which were in the custody of at least three (3) different custodians, Charles Schwab, Fidelity Investments, and Wells Fargo. Per the Company’s 2013 General Interrogatory, number 28, none of aforementioned custodians had agreements which complied with *NAIC Financial Condition Examiners Handbook*. The Company did not provide any custodial agreements for review during the course of this examination.

It is recommended that the Company obtain a custodial agreement containing acceptable language with regards to provisions in Section I, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the *NAIC Financial Condition Examiner’s Handbook*.

The bond composition for the year ending 2013 was comprised of the following:

	<u>Amount</u>	<u>Percent</u>
U.S. Governments	\$ 911,649	69.5%
Industrial & Miscellaneous – U.S.	400,363	30.5%
Total	<u>\$1,312,012</u>	<u>100.0%</u>

Of the Company’s total bond holdings, \$1,213,403 or 92.5% were categorized as Class 1 with respect to NAIC credit quality standards. The remaining holdings were categorized as NAIC Class 2 bonds.

Note 2 – Cash and Short-Term Investments

\$ 11,613,019

The above-captioned amounts, which are the same as reported by the Company in its Annual Statement, have been accepted for purposes of this report.

The Company's cash and short-term investments comprised approximately 81.5% of total invested assets and approximately 81.1% of total admitted assets.

Note 3 – Aggregate Write-ins for Other than Invested Assets

\$ 0

The above-captioned amount is \$3,210 less than then amount reported by the Company in its Annual Statement.

The amount is comprised of agents balances that are over 90 days past due and should have been non admitted by the Company. The amount was deemed immaterial but was not admitted due to the noncompliance with the same recommendation from the previous examination.

It is again recommended that the Company non-admit amounts due from agents over 90 days past due.

Note 4 – Aggregate Reserve for Life Contracts

\$ 2,863,043

The above-captioned amount, which is the same as reported by the Company in its Annual Statement, has been accepted for purposes of this report.

The Delaware Department of Insurance retained the services of INS Consultants (INS), to perform actuarial services in conjunction with the financial examination of the Company as of December 31, 2013.

This liability was reported on Page 3, Line 1 and in Exhibit 5 of the Company's 2013 Annual Statement. The reserve breakdown in Exhibit 5 was \$2,313,043 for deferred annuities and miscellaneous reserves of \$550,000. Each reserve item is discussed below in further detail.

Annuities **\$ 2,313,043**

This reserve was held in connection with three deferred annuity contracts. The reserve is equal to the account value which is deemed appropriate for these contracts. In addition, each year during the certificate process, INS performs a roll forward of the annuity account value for each contract taking into consideration any additional deposits, withdrawals and interest credited. Also, the credited rate of interest is verified to be greater than or equal to the minimum guaranteed rate of 5%. No exceptions were noted for which indicates a reasonable reserve trend for the period under examination. INS therefore concluded that the reserve for deferred annuities is fairly stated.

Miscellaneous Reserves (net) **\$ 550,000**

This reserve is entirely for additional annuity reserves resulting from cash flow testing. The reserve was reviewed by evaluating the 2013 Actuarial Opinion Memorandum and is discussed in Appendix A of this report. Based on the discussion in Appendix A, INS concluded that the Exhibit 5 miscellaneous reserves appear reasonable.

<u>Note 5 – Accrued Salary</u>	\$ 810,000
<u>Note 5 – Interest Payable on Accrued Salary</u>	\$ 348,991

As part of the re-structuring noted in “History” section above, the Company’s President, Joel Rosenblum, became a party to an employment agreement with the Company. Under this agreement, the Company and Mr. Rosenblum also entered into a non-funded deferred compensation plan under which Mr. Rosenblum elected to defer \$6,750 per month in compensation (or \$81,000 per year). The \$810,000 liability noted above is ten years of his deferred compensation. Interest payable on the deferred compensation was \$348,991 at December 31, 2013. This deferred compensation and accrued interest is an unsecured general liability of the Company.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

1. It was recommended that the Company present evidence that the Board of Directors did meet and that meeting minutes be provided for verification of Board of Directors approving dividends.
 - **The Company has complied with this recommendation.**
2. It was recommended that the Company present evidence that the shareholders' did meet and that meeting minutes be provided for verification of elections of directors.
 - **The Company has complied with this recommendation.**
3. It was recommended that the Company present evidence that the Directors did meet and that meeting minutes be provided for verification of appointment of officers and other board of directors discussions.
 - **The Company has complied with this recommendation.**
4. It was recommended that the Company add an additional director to become in compliance with its bylaws.
 - **The Company did not add directors to comply with this recommendation.**
5. It was recommended that the Company present evidence that the Board of Directors did appoint Arthur Rosenblum as an officer and that meeting minutes be provided for verification of appointment of officers.
 - **The Company has complied with this recommendation.**
6. It was recommended that the Company have and provide evidence that it has adequate fidelity bond coverage for all directors, officers, or employees.
 - **The Company did not provide evidence that it has adequate fidelity bond coverage for its directors, officers and employee.**
7. It was recommended that the Company include Dealer Services Corporation in Schedule Y – Part 1 since Dealer Services owns almost 44% of The Nelson and Gail Bobb Family Limited Partnership.
 - **The Company has complied with this recommendation.**
8. It was recommended that the Company provide copies of the promissory notes and provide evidence that repayment of those notes was started in 2008.

- **The Company did comply with portions of this recommendation. It did provide evidence of repayment of the promissory notes, but was unable to provide copies of those notes.**
9. It was recommended that the Company present evidence that it is licensed in the states it is authorized to write business and that these licenses are current and up to date.
- **The Company did not provide evidence that it was licensed in the states it is authorized to write business and that these licenses are current and up to date.**
10. It was recommended that the Company charge off or non-admit aged asset balances.
- **The Company did not charge off or non-admit aged asset balances.**
11. It was recommended that the Company keep accurate bond account information and provide evidence that all bonds exist.
- **The Company has complied with this recommendation.**
12. It was recommended that the Company obtain a custodial agreement containing acceptable language with regards to provisions in Volumes 1, Part 1, “General”, Section IV – J “Conducting Examinations – Custodial and Safekeeping Agreements”, Sections 1 of the *NAIC Financial Examiner’s Handbook*.
- **The Company did not provide evidence that its investments were held in the custody of a bank or trust company nor was a custodial or safekeeping agreement provided.**
13. It was recommended that the Company keep accurate cash account information and provide evidence that all cash accounts exist.
- **The Company has complied with this recommendation.**
14. It was recommended that the Company non-admit amounts due from agents over 90 days past due.
- **The Company did not non-admit amounts due from agents over 90 days past due.**

SUMMARY OF RECOMMENDATIONS

It is recommended that the Company comply with 18 Del. C. §1304 and authorize and approved all Company investments and note such approval in the Company’s minutes.

It is recommended that the Company comply with Article III of its bylaws and add an additional director.

It is recommended that the Company have and provide evidence that it has adequate fidelity bond coverage for all directors, officers, or employees.

It is recommended that the Company present evidence that it is licensed in the states it is authorized to write business and that these licenses are current and up to date.

It is recommended that the Company charge non-admit agents balances over 90 days past due.

It is recommended that that the Company move all investments not physically held by the Company into a custodial account located in a bank or trust company in accordance with Section, Sub Section F, Page 82 of the NAIC Financial Examiner's Handbook.

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, 2008</u>	<u>December 31, 2013</u>	<u>Increase (Decrease)</u>
Assets	\$17,200,743	\$14,310,482	\$ (2,890,261)
Liabilities	\$5,116,014	\$4,391,532	\$ (724,482)
Common Capital Stock	1,774,000	1,774,000	-
Preferred Capital Stock	168,000	84,000	(84,000)
Gross Paid In and Contributed Surplus	2,089,974	1,921,974	(168,000)
Unassigned Funds (Surplus)	8,052,755	6,138,976	(1,913,779)
Total Surplus as Regards Policyholders	<u>\$12,084,729</u>	<u>\$9,918,950</u>	<u>(\$2,165,779)</u>
Totals	<u>\$17,200,743</u>	<u>\$14,310,482</u>	<u>\$ (2,890,261)</u>

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc. is acknowledged.

Respectfully submitted,



Greg Taylor, CFE
Examiner-In-Charge
State of Delaware