REPORT ON EXAMINATION

OF THE

AMERICAN HEALTHCARE INDEMNITY COMPANY

AS OF

DECEMBER 31, 2008

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 ON EXAMINATION, made as of December 31, 2008 of the

AMERICAN HEALTHCARE INDEMNITY COMPANY

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

Attest By: Sonia C. Harris

Date: 24 June 2010

Insurance Commissioner of the State of Delaware

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 2010.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

841 Silver Lake Blvd., Dover, DE 19904-2465 • www.delawareinsurance.gov
(302) 674-7300 Dover • (302) 739-5280 fax • (302) 577-5280 Wilmington

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

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AMERICAN HEALTHCARE INDEMNITY COMPANY

AS OF

DECEMBER 31, 2008

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.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 24th day of June, 2010

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TABLE OF CONTENTS

SALUTATION 1
SCOPE OF EXAMINATION 2
HISTORY 4
HOLDING COMPANY SYSTEM 6
CAPITALIZATION 8
Common Capital Stock 8
Gross Paid-in and Contributed Surplus 8
MANAGEMENT AND CONTROL 9
Management 9
Board of Governors 9
Officers: 10
Committees 10
Corporate Governance 10
Enterprise Risk Management 12
Code of Ethics 12
Internal Audit 12
INTERCOMPANY AGREEMENTS 13
Tax Allocation Agreement 13
Management Agreement 13
Inter-company Pooling Agreement 14
TERRITORY AND PLAN OF OPERATION 14
Territory 14
Plan of Operation 14
GROWTH OF COMPANY 15
REINSURANCE 16
Inter-Company Pooling Agreement 16
Assumed 16
Ceded 17
ACCOUNTS AND RECORDS 18
FINANCIAL STATEMENTS 18
Analysis of Assets 19
Liabilities, Surplus and Other Funds 19
Summary of Operations 20
Capital and Surplus Account 21
Schedule of Examination Adjustments 21
Notes to the Financial Statements 21
COMPLIANCE WITH PRIOR REPORT RECOMMEDATIONS 23
SUMMARY OF RECOMMENDATIONS 24
Custodial Agreement 24
CONCLUSION 24

SALUTATION

May 20, 2010

Honorable Alfred W. Gross
Chairman, Financial Condition (E)
Committee, NAIC
Commissioner
Bureau of Insurance
Virginia State Corporation Division
P.O. Box 1157
Richmond, Virginia 23219

Honorable Paulette J. Thabault
Secretary, Northeastern Zone
Commissioner
Vermont Insurance Division
Dept. of Banking, Insurance, Securities, and
Health Care Administration
89 Main Street
Montpelier, Vermont 05620-3101

Honorable Christina Urias
Secretary, Western Zone
Director
Arizona Department of Insurance
2910 N. 44th Street, Suite 210
Phoenix, Arizona 85018-7269

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

Dear Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 09.013, dated July 14, 2009, an examination has been made of the affairs, financial condition and management of the

AMERICAN HEALTHCARE INDEMNITY COMPANY

hereinafter referred to as "Company" or "AHIC", incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 1 Rodney Square, 10th Floor, Wilmington, Delaware. The examination was conducted concurrently with that of its ultimate parent, The Doctors Company (TDC), and its direct parent and reinsurance pool lead company, SCPIE Indemnity Company (SCPIE), both California domestic companies. The examinations of AHIC and SCPIE were conducted at their principal offices located at 1888

Century Park East Suite 800, Los Angeles, California. The examination of TDC was conducted at its principal offices, located at 185 Greenwood Road, Napa, California. Separate reports of examination were filed for each company. The examination report of AHIC is hereby respectfully submitted.

SCOPE OF EXAMINATION

The last examination of the Company was conducted as of December 31, 2003. This examination covers the intervening five (5) year period beginning January 1, 2004, through December 31, 2008, and consisted of a general review of the Company's business policies and practices; management and any corporate matters incident thereto; a verification and evaluation of assets; a determination of liabilities; and a determination of the financial condition of the Company at December 31, 2008. Transactions subsequent to the examination date were reviewed to the extent deemed necessary.

In planning and conducting the examination, consideration was given to the concepts of materiality, risk assessment, and the efficient allocation of examination resources. The format of this report will describe the Company and its operations in those areas detailed and explain findings and changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction, improvement; or in violation of SSAP, Annual Statement Instructions, or Delaware Insurance Laws and Regulations. In such cases, these matters were thoroughly discussed with responsible personnel or officials during the course of the examination.

We conducted our examination in accordance with rules established by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, (the

NAIC Handbook), as adopted by the Delaware Insurance Department under Delaware Insurance Code Section 526, and generally accepted statutory insurance examination standards. The examination was conducted under Risk Focused Surveillance (RFS) guidelines of the NAIC Handbook. These guidelines require that we plan and perform the examination to evaluate financial condition and identify prospective risks by analyzing information about the Company and identifying and assessing current and prospective inherent risk to which the Company is considered exposed, evaluating its system of controls and procedures used to mitigate those risks, and as deemed necessary performing substantive examination procedures to address residual risks and other concerns identified. Operational process areas subject to review included activities related to: underwriting, premiums, reinsurance, loss reserving, claims handling, investments, and treasury. The examination also included assessing corporate governance, financial reporting, and the principles used by management to make significant estimates.

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:

Corporate Records
Employee and Agents Welfare
Fidelity Bonds and Other Insurance
Conflicts of Interest
NAIC Ratios
Legal Actions
Regulatory Agency Correspondence
All Other Asset and Liability Items not Mentioned

During the course of this examination, consideration was given to work performed by both the Company's Internal Audit Department (IAD) as regards their oversight of Sarbanes-Oxley (SOX); risk analysis, documentation, test work, remediation efforts over weaknesses identified, and by the Company's independent external accounting firm, Ernst and Young

(E&Y). Certain auditor workpapers have been incorporated into the workpapers of the examiners and were utilized in determining the scope and areas of emphasis in conducting the examination. After review, the examiners also relied extensively on examination work completed by examiners representing the California Department of Insurance in their examinations of both TDC and SCPIE, the ultimate parent, and reinsurance pool lead company, respectively.

HISTORY

The Company was originally incorporated October 3, 1980, under the laws of the State of Florida as the General Electric Mortgage Insurance Corporation of Florida and commenced business pursuant to a Certificate of Authority issued by the Florida Department of Insurance on November 24, 1980.

The Company amended its Articles of Incorporation on September 3, 1985 to change the name to General Electric Mortgage Reinsurance Corporation and was subsequently sold on February 7, 1986, to General Electric Mortgage Capital Corporation, a Delaware Corporation. The Company was re-domesticated to the State of North Carolina effective July 1, 1989.

Effective July 10, 1991, the Company amended its Articles of Incorporation to change the name to FG Insurance Corporation. On March 23, 1992, the Company re-domesticated to the State of Delaware in connection with the purchase by Citibank Delaware. The Company ceased being a direct writer as of June 1, 1995.

Effective March 29, 1996, SCPIE Holdings Inc. ("SCPIE Holdings"), a Delaware corporation, purchased all of the issued and outstanding shares of common capital stock of the Company from Citibank Delaware pursuant to the Stock Purchase Agreement dated January 26,

1996. Effective July 16, 1996, the name of the Company was changed to American Healthcare Indemnity Company ("AHIC").

On January 29, 1997, the holding company, SCPIE Holdings, was reorganized when the Southern California Physicians Insurance Exchange ("the Exchange") merged with and into SCPIE Indemnity Company ("SCPIE Indemnity"). As a result of the merger, SCPIE Holdings became the parent company of SCPIE Indemnity and SCPIE Management Company ("SCPIE Management") became a wholly-owned subsidiary of SCPIE Indemnity.

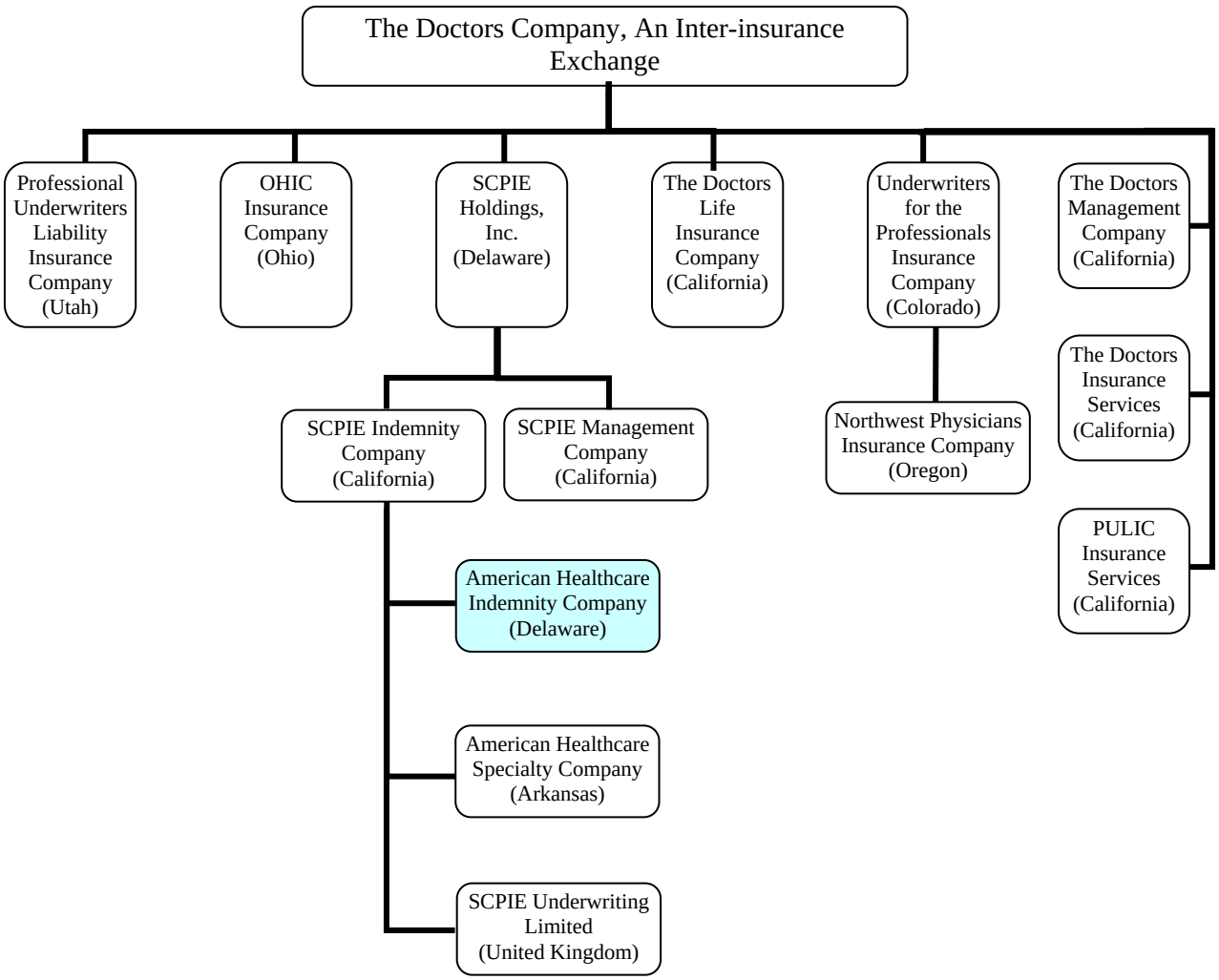
On August 5, 1997, the Board of SCPIE Indemnity approved a dividend payable on September 30, 1997 to its sole shareholder, SCPIE Holdings, in the form of all the stock of SCPIE Management, a wholly-owned subsidiary of SCPIE Indemnity. SCPIE Management and its two subsidiary corporations, SCPIE Insurance Services, Inc. and SCPIE Management Services, Inc. thereby became wholly-owned subsidiaries of SCPIE Holdings. SCPIE Insurance Services, Inc. is a California licensed broker-agent and SCPIE Management Services, Inc., a California corporation, provides management and claims services to unaffiliated entities. On February 3, 2003, but effective December 31, 2002, the Company's parent, SCPIE Holdings transferred all the Company's issued and outstanding stock to its other wholly-owned direct subsidiary, SCPIE Indemnity.

On June 30, 2008, The Doctors Company (TDC) acquired SCPIE Holdings and its subsidiaries, including AHIC, for $28 in cash for each outstanding share of SCPIE Holdings' common stock in a merger transaction. TDC is a reciprocal insurer organized under the laws of the State of California.

HOLDING COMPANY SYSTEM

The Company is a member of The Doctors Company insurance holding company system. TDC is a member owned reciprocal insurer organized under the laws of the State of California, and an admitted carrier in forty-eight states, the District of Columbia, and the Territory of Guam. TDC and its insurance subsidiaries write professional medical malpractice insurance and other insurance including; errors and omissions and, directors and officers coverage to the healthcare industry on a national basis. Products are sold to physicians, physician groups, hospitals and other healthcare entities either directly or through agents and brokers. TDC also offers risk assessment and management services to its member clients. As of December 31, 2008, TDC possessed a nationwide membership of over 45,000 clients, and on a statutory basis reported assets of approximately $2.771 billion, policyholder surplus of approximately $821 million, and earned net income of approximately $78.5 million on net premiums earned of approximately $579 million. TDC is rated by A.M. Best as A- (Excellent), and by Fitch Ratings as A (Strong).

The following organizational chart depicts the Companies' relationship within the holding company system at December 31, 2008:


The Doctors Company, An Inter-insurance Exchange
Professional Underwriters Liability Insurance Company (Utah)
OHIC Insurance Company (Ohio)
SCPIE Holdings, Inc. (Delaware)
The Doctors Life Insurance Company (California)
Underwriters for the Professionals Insurance Company (Colorado)
The Doctors Management Company (California)
The Doctors Insurance Services (California)
PULIC Insurance Services (California)
SCPIE Indemnity Company (California)
SCPIE Management Company (California)
Northwest Physicians Insurance Company (Oregon)
American Healthcare Indemnity Company (Delaware)
American Healthcare Specialty Company (Arkansas)
SCPIE Underwriting Limited (United Kingdom)

CAPITALIZATION

Common Capital Stock

The value of the Company's common stock as of the examination date has not changed since the prior examination. There are 50,000 shares of common stock authorized and outstanding. Par value per share remains at $100 for a total common stock value of $5,000,000. All common stock is owned by SCPIE Indemnity Company, a California corporation. For more information regarding ownership, please see the "Holding Company System" section above.

Gross Paid-in and Contributed Surplus

Gross Paid-In and Contributed Surplus as of December 31, 2008 remains $39,264,000. There has been no change in this account since the prior examination.

The following chart depicts the change in Unassigned Surplus over the period 2004 through 2008:

	Common Capital Stock	Preferred Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
December 31, 2004	$ 5,000,000	$ -	$ 39,264,000	$ (4,746,486)	$ 39,517,514
Operations 2005 (1)				1,419,583	1,419,583
Dividends 2005 (2)				-	-
Operations 2006 (1)				(1,433,680)	(1,433,680)
Dividends 2006 (2)				-	-
Operations 2007 (1)				624,901	624,901
Dividends 2007 (2)				-	-
Operations 2008 (1)				4,093,876	4,093,876
Dividends 2008 (2)				-	-
December 31, 2008	$ 5,000,000	$ -	$ 39,264,000	$ (41,806)	$ 44,222,194

1. Operations is defined as net income (loss), change in net unrealized capital gains or (losses), change in non-admitted assets, change in liability for reinsurance in unauthorized companies, and change in asset valuation reserve.
2. No Dividends Paid

MANAGEMENT AND CONTROL

Management

Pursuant to the General Corporation Laws of the State of Delaware as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers of the Company and its business, property, and affairs are managed by or under the direction of its Board of Governors.

Board of Governors

In accordance with Article II, Section 1 of the Company's bylaws, the number of governors shall be four (4). The governors shall be elected at the annual meeting of the shareholder and each governor shall be elected until his successor is qualified and elected. The governors serving as of December 31, 2008 were as follows:

Name and Residence	Principal Business Affiliation
Richard E. Anderson, M.D. Napa, California	Chairman and Chief Executive Officer The Doctors Company
Robert D. Francis Napa, California	Chief Operating Officer The Doctors Company
Dennis Bryan Lawton, PhD Sausalito, California	Chief Governance Officer The Doctors Company
David G. Preimesberger, CPA Napa, California	Treasurer and Chief Financial Officer The Doctors Company

Officers:

In accordance with Article IV, Section 1 of its bylaws, officers of the Company are elected annually by the Board of Governors and shall be a Chairman of the Board of Governors, a President, one or more Vice-Presidents, a Treasurer, a Secretary, and such other officers as may be deemed proper by the Board of Governors. As of December 31, 2008, Company officers and their respective titles are as follows:

Name	Position
Richard E. Anderson, M.D.	President
Bryan Lawton Ph.D	Secretary
David G. Preimesberger, CPA	Chief Financial Officer
Robert D. Francis	Chief Operating Officer
Edward G. Marley	Vice President & Treasurer
Steve Freedman	Vice President
Paula Jenkins	Vice President

Committees

The Board of Directors for the Company has no committees as those functions are handled by the committees for TDC. The Board of Governors of TDC has seven working committees that meet quarterly. All governors serve on one or more of the committees without additional compensation. The committees include: Audit, Finance, Governance, Compensation and Benefits, Government Relations, Investment and Technology.

Corporate Governance

The examiner's assessment of TDC's corporate governance was considered **strong** with no identified areas of concern. The examiners found that oversight of operational processes, business planning, non-routine transactions, and material events are vetted through appropriate levels of management and the Board. This assessment impacted the exam approach by tending to lower inherent risks and impacted the exam approach further by lowering risk assessments for

all key activities and their sub components. Our assessment of Corporate Governance concluded that management gives appropriate attention to the Company's internal control environment. Prior to the merger with TDC, effective June 30, 2008, management had taken measures to ensure that SCPIE (including the Company) was in compliance with requirements of the Sarbanes-Oxley Act. It was concluded that TDC Board of Governors and related committees exercise active and effective oversight of operations. Management maintains effective controls over its IT environment, and maintains frequent correspondence with Ernst and Young, its independent CPA firm, regarding accounting issues. TDC maintains an active, well-qualified Board of Governors and the Audit Committee has open lines of communication with top management and Ernst and Young. The Audit Committee members are independent from management. The management structure of the Company shows clear assignment of responsibilities within the Company and authorization for transactions is clearly established at appropriate levels.

Financial statements of the Company are prepared by the Accounting and Finance Department and reviewed and approved by the CFO, Controller, and Board of Governors. In addition, TDC has an internal actuarial department that performs an actuarial analysis on a semi-annual basis. TDC is actively involved in reviewing the estimates made by the actuarial group for accuracy and consistency from prior periods and reserves estimates are reviewed by the Reserve Committee.

The Company's mission statement encompasses the goals of defending, protecting and rewarding their client members. The AHIC, through the top-down guidance from TDC, strives to improve the environment in which their doctors practice by taking a comprehensive, systematic view of risk.

Management considers functioning internal controls to be an integral part of running an effective and efficient business operation. Their commitment to strong functioning internal controls is evident throughout the examination's review of Company records.

Enterprise Risk Management

Risk management is practiced daily by all Vice Presidents. Emerging risks are identified through information gathered from trade associations, agents, outside counsel, reinsurers, field claims adjusters, etc. Risks are discussed during the officer's monthly meetings and plans are developed to manage and mitigate those risks. Departments interact and communicate with each other frequently. Management reports are sufficiently detailed to allow management to make sound decisions.

Code of Ethics

Both a Code of Ethics and a Mission Statement are in effect. TDC's ethics program is under the direction of the VP of Business Assessment. Annual conflicts of interest statements are required for all officers and directors. The corporate culture emphasizes good ethics and values and is communicated to employees routinely. All directors and employees are required to attend ethics training every two years.

Internal Audit

The Internal Audit Department presents their testing plans and results to the Audit Committee, which has active input into the scope of the work. Ernst and Young is also in attendance at these meetings and observes the interaction between the Internal Audit Department and the Audit Committee.

The Board of Governors also takes an active role and interest in discussing the Company's internal control structure. Additionally, the Board of Governors and Audit Committee have an active role in overseeing the Company's operations and results.

INTERCOMPANY AGREEMENTS

The following is a list of written management and service agreements with affiliates, officers, employees, and any former officers or employees:

Tax Allocation Agreement

Effective July 1, 2008, the Company entered into an amended Tax Allocation Agreement with TDC and affiliates under which TDC files the consolidated federal tax return representing all subsidiaries. Allocation of tax liability is based upon separate return calculations with inter-company tax liabilities normally settled no later than 30 days after the month in which the tax payments have been made or after the filing of the consolidated return if any additional payments are due.

Management Agreement

On March 31, 2001, the Company entered into a management agreement with SCPIE Management Company (SMC), an affiliated California corporation. Under the terms of the agreement, SMC provides the Company with (1) management and support services relating to policy forms, (2) business solicitation, (3) underwriting, rating and issuance of policies, (4) claims administration, (5) reinsurance, (6) corporate legal matters and administrative support and (7) the filing of reports as required by the State of Delaware. As compensation for these services, the Company reimburses SMC for all of its costs incurred in the performance of its duties under this agreement.

Inter-company Pooling Agreement

The Company participates in an inter-company pooling agreement with SCPIE Indemnity Company (SCPIE), a California corporation and American Healthcare Specialty Insurance Company (AHSIC), an Arkansas corporation. For more detail on the pooling agreement, see the "Reinsurance" section of this report.

TERRITORY AND PLAN OF OPERATION

Territory

At December 31, 2008, the Company was licensed to write business in forty-seven states and the District of Columbia.

Plan of Operation

The Company was acquired by the SCPIE Group to write professional medical malpractice insurance and other insurance, such as errors and omissions coverage and directors and officers' coverage, to the healthcare industry on a national basis. The Company's products were sold to physicians, physician groups, hospitals and other healthcare entities directly or through several channels, including agents and brokers and also directly.

The Company has no plan for acquisition of new business and is currently in a run off. All of the Company's policies are being renewed are on The Doctors Company paper.

Most of the coverage is written on a "claims made" basis.

GROWTH OF COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the period from the prior examination to December 31, 2008:

Year	Admitted Assets	Surplus as Regards Policyholders	Gross Written Premium	Net Written Premium	Net Underwriting Gain (Loss)	Net Income (Loss)
2003	$ 128,148,535	$ 32,602,593	$ 89,262,486	$ 7,398,142	$ (2,295,843)	$ (1,098,621)
2004	117,071,544	39,517,514	46,539,637	6,149,740	(1,531,843)	1,492,627
2005	96,439,728	40,937,097	42,866,666	6,412,576	(813,779)	1,486,857
2006	98,509,583	39,503,418	78,640,531	42,587,227	(2,548,966)	(1,964,403)
2007	112,089,219	40,128,319	72,037,419	35,816,870	(631,930)	563,137
2008	124,739,539	44,222,194	62,228,190	32,145,886	2,350,780	4,115,858

Approximately 75% of the total admitted assets for the Company are made up of invested assets. As of December 31, 2008, the Company's cash and invested assets totaled $92.7 million as compared to $83.5 million as of December 31, 2007, an increase of $9.2 million. The overall increase in cash and invested assets is principally the result of cash flow associated with its pooling percentage increase in 2006. Following the acquisition of the Company by The Doctors Company in June 2008, the Company established new investment objectives. AHIC increased its cash and short-term holdings from $37.5 million as of December 31, 2007 to $52.8 million as of December 31, 2008. Investments in fixed-income securities decreased to $39.9 million as of December 31, 2008 from $46.0 million as of December 31, 2007.

Net premiums decreased $3.3 million during 2008. The decrease was primarily due to premiums on loss-sensitive programs and the business that was renewed by TDC.

Net income was $4.1 million in 2008 as compared to a net income of $.6 million in 2007, an increase of $3.5 million. The increase in net income in 2008 was attributable primarily to favorable loss experience in the core direct healthcare segment income and the utilization of the Company's remaining net deferred tax asset net operating loss (NOL) carry-forward during 2008.

REINSURANCE

Inter-Company Pooling Agreement

Effective February 14, 2006, the Company and its affiliates are participants in an inter-company pooling arrangement whereby each participating affiliate cedes 100% of its business to SCPIE Indemnity Company for policy years 1996 and after.

The pooling participants and each of their percentage participation for the period under review are as follows:

Participant	NAIC #	2004-2005	2006-2008
SCPIE Indemnity Company (CA)	10352	90%	55%
American Healthcare Indemnity Co. (DE)	39152	5%	30%
American Healthcare Specialty Ins Co. (AK)	38920	5%	15%

The Companies terminated the pooling agreement on a run-off basis effective December 31, 2008. All new and renewal business is being written through TDC.

Assumed

In 2002, the Company concentrated on divesting its assumed reinsurance operations. On December 2002, the Company entered into a 100% quota share agreement with Rosemont Re, domiciled in Bermuda, where the Company cedes the majority of its assumed unearned reinsurance premiums as of June 30, 2002 for years-ended 2001 and 2002 and almost all of its

assumed reinsurance premiums written after that date. World Trade Center losses or any earned premiums or losses prior to June 30, 2002 are not included.

Ceded

From 2002 through 2008, the Company, as part of the SCPIE Group's reinsurance program, retained the first $2 million of losses and loss adjustment expenses per incident for physician coverage up to $20 million. In 2002 and 2003, the Company had additional coverage for approximately 92% of losses in excess of $20 million up to $50 million.

The following is a schedule of the principal ceded reinsurance contracts in force as of December 31, 2008:

Type of Contract	**Reinsurer(s) Name**	**Company's Retention**	**Reinsurer's Maximum Limits**
Excess of Loss			
First Layer	65.00% Various Lloyd's of London Syndicates 35.00% Hannover Ruckverschrungs	$ 2,000,000	$3,000,000 xs $2,000,000
Second Layer	70.00% Various Lloyd's of London Syndicates 30.00% Hannover Ruckverschrungs	$ 5,000,000	$5,000,000 xs $5,000,000
Third Layer	85.00% Various Lloyd's of London Syndicates 15.00% Hannover Ruckverschrungs	$10,000,000	$10,000,000 xs $10,000,000

As of December 31, 2008 the SCPIE Group reinsurance recoverables for all ceded reinsurance totaled $123 million or 61% of surplus as regards policyholders. $114 million of the reinsurance recoverables were from the SCPIE Group's subsidiaries.

Beginning in August 2008, the SCPIE Group entered into a 100% quota share cession of its ancillary programs (Managed Care Errors and Omissions, Directors and Officers Insurance

Organization Liability, Employment Practices Liability, Directors and Officers Liability and SCPIE Best Defense (legal expense, fines, and penalties reimbursement) to Lloyds of London. The Program is administered by NAS Insurance Services. Direct premiums ceded during 2008 were $381,000.

ACCOUNTS AND RECORDS

The accounts and records review included an evaluation of the Company's operational and organizational controls. The areas evaluated were: computer systems, accounting systems, organizational structure, and the processing structure. In general, it has been determined that the Company does have a sufficient level of controls in place for the above areas.

All necessary accounting records of the Company are maintained on electronic data processing equipment. The general ledger is maintained on a statutory basis with additional accounts used to convert to the accrual basis suitable for General Accepted Accounting Principles.

The Company's trial balance was traced to the various schedules and exhibits in its filed 2008 Annual Statement.

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2008.

Analysis of Assets
Liabilities, Surplus and Other Funds
Summary of Operations
Capital and Surplus Account
Schedule of Examination Adjustments
Notes to the Financial Statements

Analysis of Assets
December 31, 2008

Assets	Ledger and Non-ledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$39,892,600		$39,892,600	(1)
Cash and short-term investments	52,764,884		52,764,884	(1)
Investment income due and accrued	451,545		451,545	
Uncollected prem. & agents' bal. in course of coll.	1,452,119	$13,291	1,438,828	
Deferred Premiums	6,444,089		6,444,089	
Funds held by or deposited with reinsured companies	8,136,444		8,136,444	
Other amounts receivable under reins contracts	7,971,340		7,971,340	
Net deferred tax asset	3,695,016	2,509,782	1,185,234	
Receivable from parent, subsidiary and affiliate	6,454,575		6,454,575	
Total Assets	$127,262,612	$2,523,073	$124,739,539	

Liabilities, Surplus and Other Funds
December 31, 2008

Losses		$42,894,919	(2)
Loss adjustment expenses		25,885,918	(2)
Commissions payable		9,793,662	
Other Expenses		60,000	
Taxes, licenses and fees		(107,015)	
Federal and foreign income taxes		24,809	
Unearned premiums		4,892,028	
Advance premiums		52,334	
Remittances and items not allocated		252,237	
Provision for reinsurance		239,288	
Payable to parent, subsidiaries and affiliates		1,835,420	
Aggregate write-ins for liabilities:			
Retrospective losses		(5,306,255)	
Total Liabilities		$80,517,345	
Common capital stock	$ 5,000,000		
Gross paid-in and contributed surplus	39,264,000		
Unassigned funds (surplus)	(41,806)		
Surplus as regards policyholders		$44,222,194	
Total liabilities, capital and surplus		$ 124,739,539	

Summary of Operations
For the Period Ended December 31, 2008

Underwriting Income		
Premiums earned		$ 33,204,381
Deductions:		
Losses incurred	$ 13,701,162	
Loss expense incurred	10,166,706	
Other underwriting expenses incurred	6,831,184	
Aggregate write-ins for underwriting deductions	154,549	
Total underwriting deductions		$30,853,601
Net underwriting gain		$ 2,350,780
Investment Income		
Net investment income earned	$ 2,313,697	
Net realized capital gains	393,562	
Net investment gain		$2,707,259
Other Income		
Aggregate write-ins for miscellaneous income	$ 53,472	
Total other income		$ 53,472
Net income before federal income taxes		$5,111,511
Federal income taxes incurred		995,653
Net income		$ 4,115,858

Capital and Surplus Account
For the Period Ended December 31, 2008

Surplus as regards policyholders, December 31, 2007		$ 40,128,319
Net income (2008)	$ 4,115,858	
Change in net deferred income tax	(362,338)	
Change in nonadmitted assets	318,995	
Change in provision for reinsurance	21,360	
Change in surplus as regards policyholders		$ 4,093,875
Surplus as regards policyholders, December 31, 2008		$ 44,222,194

Schedule of Examination Adjustments

As a result of this examination, no financial adjustments were made for the purposes of this report.

Notes to the Financial Statements

Note 1

Bonds	$ 39,892,600
Short-term Investments	$ 48,396,271

The Company's bond holdings totaling $39,892,600 were categorized as Class 1 or 2, with respect to NAIC credit quality standards. Procedures were performed to confirm the existence and ownership of the investments reported in Schedule D - Part 1 and Schedule DA-Part 1. These procedures were performed without exception.

The majority of bonds in the Company's portfolio at year-end 2008 were classified as unaffiliated other bonds. Per the Exhibit of Net Investment Income, it was noted that investment expenses appear reasonable. Net investment income earned showed a decrease from prior year, especially when compared to total cash and invested assets. The overall increase in cash and

invested assets was primarily the result of cash flow associated with its pooling percentage increase in 2006.

As follow up to a recommendation made in its 2003 examination report, it was determined that the Company's custodial agreement still does not contain all the recommended safeguards and controls as required by the NAIC. Specifically, the custodial agreement does not maintain the required provision related to the registration of the custodial securities, or the separate identification requirement for securities held in fungible bulk by the custodian, in a clearing corporation, or in the Federal Reserve book-entry system. Also, the custodial agreement does not refer to the "Delaware Department of Insurance" in its termination provision.

It is recommended that the Company revise its custodial agreement to include all of the pertinent provisions indicated by the NAIC.

It is also recommended that the Company include the "Delaware Department of Insurance" as part of the termination provision of its custodial agreement.

During the process of this examination, custodial safeguards and control issues were brought to the attention of the Company. The Company and the custodian are currently in the process of resolving these issues by making the recommended changes to the custodial agreement.

Note 2

Losses	$42,894,919
Loss Adjustment Expense	$25,885,918

As noted under the caption "Reinsurance", the Company is part of an inter-company reinsurance pool with its parent, SCPIE Indemnity Company and its affiliate, American Healthcare Specialty Insurance Company. SCPIE Indemnity Company is the lead company in

the pool. In conjunction with the SCPIE Indemnity Company pooled examination, the California Insurance Department's actuarial analysis and report was also utilized and accepted for this American Healthcare Indemnity Company examination.

To assist with the actuarial analysis including the determination of the reasonableness of the Company's loss and loss adjustment expense reserves, the Company retained the actuarial firm of Towers Perrin, Atlanta, GA office. Based upon the analysis by Towers Perrin and the review of their work by a California Department of Insurance casualty actuary, the reserves for losses and loss adjustment expenses were determined to be reasonably stated.

COMPLIANCE WITH PRIOR REPORT RECOMMEDATIONS

In the Company's prior report on examination, three recommendations were made. The examination team has reviewed the Company's response to these examination findings. Furthermore, the examiners have evaluated compliance through the examination of evidence and/or the performance of audit procedures.

The Company has complied with the following 2003 Examination Report Recommendations:

- Inter-Company Pooling Agreement Settlements
- Loss and LAE Reconciliations

However, the recommendation regarding specific language of the custodial agreement has not been satisfied. See the "Summary of Recommendations" below for the repeat recommendation.

SUMMARY OF RECOMMENDATIONS

Custodial Agreement

It is recommended that the Company revise its custodial agreement to include all of the pertinent provisions indicated by the NAIC.

It is also recommended that the Company include the "Delaware Department of Insurance" as part of the termination provision of its custodial agreement. (Notes to the Financial Statements, page 24.)

CONCLUSION

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

Description	December 31, 2008	December 31, 2003	Change
Admitted Assets	$124,739,539	$128,148,535	($3,408,996)
Liabilities	$80,517,345	$95,545,942	($15,028,597)
Capital and Surplus	44,222,194	32,602,593	11,619,601
Totals	$124,739,539	$128,148,535	($3,408,996)

The assistance of the California Department of Insurance during this examination is kindly acknowledged.

Respectfully submitted,

Craig P. Jackson, CFE
Examiner-In-Charge
State of Delaware

SUBSEQUENT EVENTS

The examiners were supplied the 2009 filed Annual Statement for the Company. From a cursory review, it appears the Company continues to enjoy profitable operations in both underwriting and investments. The Company was able to recognize some favorable development in its loss reserves. Overall results posted a greater than $4 million increase to surplus. It is worthy to note that premiums, written and earned, decreased dramatically due to the run-off of current business. Finally, during 2009 the Company declared a dividend of $1.01 million.