

REPORT ON EXAMINATION

OF THE

AMERICAN INTERNATIONAL INSURANCE COMPANY
OF DELAWARE
(n.k.a. – 21st Century Assurance Company)

AS OF

DECEMBER 31, 2009



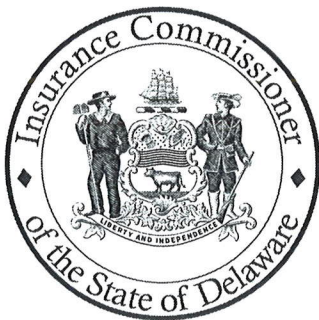
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2009 of the

21ST CENTURY ASSURANCE COMPANY

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

Attest By: Sonia C. Harris

Date: 11 August 2011



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 11th day of August, 2011.

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

Karen Weldin Stewart, CIR-ML
Insurance Commissioner



REPORT ON EXAMINATION
OF THE
21st Century Assurance Company
AS OF
DECEMBER 31, 2009

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 11th day of August, 2011

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SALUTATION

May 16, 2011

Honorable Joseph Torti, III
Chairman, Financial Condition (E) Committee,
NAIC
Deputy Director and Superintendent of Insurance
and Banking
Division of Insurance
Department of Business Regulation
State of Rhode Island
1511 Pontiac Avenue, Bldg # 69-2
Cranston, Rhode Island 02920

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

Honorable Mila Kofman
Secretary, Northeastern Zone
Superintendent of Insurance
Department of Professional and Financial
Regulation
Maine Bureau of Insurance
34 State House Station
Augusta, Maine 04333-0034

Dear Commissioners:

In compliance with instructions contained in Certificate of Authority No. 10.014 an examination has been made of the affairs, financial condition and management of the

AMERICAN INTERNATIONAL INSURANCE COMPANY OF DELAWARE

hereinafter referred to as “Company” or “AIICD”, incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 3 Beaver Valley Road, Wilmington, Delaware. The examination was conducted at the principal office of the Company

located at 3 Beaver Valley Road, Wilmington, Delaware. The examination report thereon is respectfully submitted.

EXAMINATION SCOPE

The last examination was as of December 31, 2007. This examination is a comprehensive risk-focused examination which covers the two-year period from January 1, 2008 to December 31, 2009 via a multi-state examination involving nine states for which California was the lead state. In accordance with the 2009 edition of the **National Association Of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook**, this examination will evaluate the financial condition and identify prospective risks by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. AIICD is a member of Farmers Property and Casualty companies and is directly owned by Farmers Insurance Exchange (FIE) (80%), Truck Insurance Exchange (Truck) (10%), and Fire Insurance Exchange (Fire) (10%) located in Los Angeles, California.

At the time of the previous examination, the Company was not a member of a Inter-Company Reinsurance Pool. Effective January 1, 2008, AIICD joined the 21st Century Personal Lines Pool (Pool), and the Company was examined in conjunction with the examination of that Pool.

As such, the Delaware examination team leveraged off the work that was performed by the California Department of Insurance (referred to as CADOI), the “lead state” in the examination. Insurance companies domiciled in California comprised 21.25% of the Pool as of year end 2009. In addition, the examination team also leveraged off of the premium work performed by the Pennsylvania Insurance Department.

During the course of this examination, consideration was given to work performed by the Company's external auditing firm, PricewaterhouseCoopers LLP (PwC). Certain auditor work papers have been incorporated into the work papers of the examination.

SUMMARY OF SIGNIFICANT FINDINGS

There was one significant findings pertaining to the Related Party key activity (See Service and Management Agreements below). There were no material adjustments to the Company's financial statement that warranted disclosure in this examination report.

SUBSEQUENT EVENTS

Effective April 1, 2010, the Company's name was changed to 21st Century Assurance Company.

COMPANY HISTORY

AIICD was originally incorporated in the State of Delaware on September 22, 1989. Prior to July 1, 2009, the Company was ultimately owned by the American International Group, Inc. (AIG). On December 29, 2006, as part of a reorganization of AIG's domestic property-casualty insurance operations, AIG contributed 100% of the Company's common stock to AIG Property Casualty Group, a Delaware corporation and directly wholly owned subsidiary of AIG.

Effective July 1, 2009, AIICD and the other member companies in the 21st Century Personal Auto Group (21st Century PAG) were acquired by Farmers Group, Inc. (FGI), a subsidiary of Zurich Financial Services Ltd., from AIG. Subsequently on July 1, 2009, FGI sold the 21st Century PAG entities to FIE (80%), Truck (10%), and Fire (10%). The July 1, 2009 acquisition of the 21st Century PAG companies was approved by the Delaware Insurance Department. 21st Century PAG is comprised of eighteen insurance companies domiciled in nine states and ten related non-insurance entities.

The eighteen insurance companies that comprise 21st Century PAG are members of the 21st Century Personal Lines Pool (Pool). A few of the changes that impacted the 21st Century PAG companies as a result of the acquisition by FIE, Truck, and Fire follows:

1. A block of business called “Private Client Group” previously written by the Pool companies was retained by AIG and was not part of the sale to FIE, Truck and Fire.
2. The Pool companies generated business through both agency and direct response channels. After the acquisition, 21st Century PAG management announced that the agency generated business would be transitioned to other Farmers Property and Casualty companies whose focus is on business written through independent agents and that 21st Century PAG would focus on business from direct response channels.

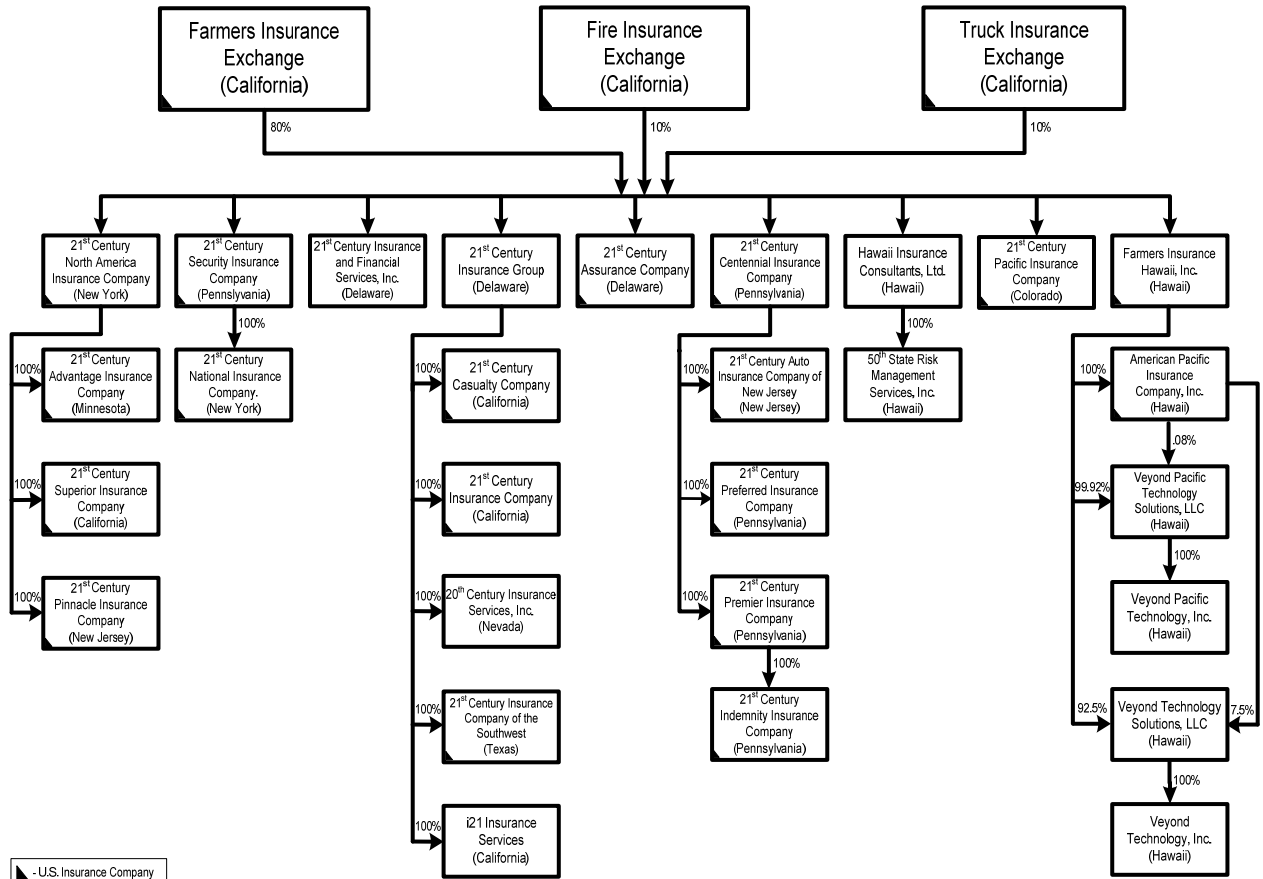
The above changes in the Personal Auto Group had minimal effect on AIICD which writes business through direct response channels in the State of New Jersey and did not write Private Client Group business.

CORPORATE RECORDS

The recorded minutes of the shareholders, Board of Directors (Board), and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events.

MANAGEMENT AND AFFILIATED AGREEMENTS

The following abridged organizational chart depicts the Company’s relationship within the holding company system and displays the 21st Century PAG companies’ new names as of April 1, 2010:



The affairs of the Company shall be managed by a Board of Directors (Board). The Board can set the number of Directors, as long as the number is at least seven. The Directors are elected by the Shareholders at the annual meeting but need not be Shareholders to qualify as Directors. The Company's Board consisted of the following members as of December 31, 2009:

<u>Name</u>	<u>Primary Occupation</u>
Anthony J. DeSantis	Chairman of the Board of Directors, President and CEO, 21st Century Insurance and Financial Services, Inc.
Glenn A. Pfeil	CFO, Executive Vice President & Treasurer, 21 st Century Insurance and Financial Services, Inc.
William D. Loucks, Jr.	Executive Vice President & COO, 21st Century Insurance and Financial Services, Inc.
James A. Porcari, III	Sr. Vice President – Claims, 21st Century Insurance and Financial Services, Inc.
Donald W. Procopio	Sr. Vice President & Chief Actuary, 21st Century Insurance and Financial Services, Inc.
Mhayse G. Samalya	Executive Vice President-Commercial Lines, Farmers Group, Inc.
F. Robert Woudstra	CEO, Farmers Group, Inc.
Jeffrey J. Dailey	Executive Vice President – Personal Lines, Farmers Group, Inc.

The following principal officers were elected and serving as of December 31, 2009:

<u>Name</u>	<u>Title</u>
Anthony J. DeSantis	President, CEO
Glenn A. Pfeil	CFO, Executive VP, Treasurer
Esta L. Cain	Sr. Vice President, Secretary, General Counsel

SERVICE AND MANAGEMENT AGREEMENTS

Amended and Restated Inter-Company Pooling Agreement

Effective January 1, 2008, the Company became party to an inter-company pooling agreement, the 21st Century Personal Lines intercompany Pooling Agreement. In accordance with the terms and conditions of the pooling agreement, 100% of the net business written by each of the participants is ceded to American International Insurance Company (AIIC) (now known as 21st Century North America Insurance Company), the lead company in the 21st Century Personal Lines Pool (Pool). Effective June 30, 2009, AIICD and other member companies of the Pool entered into an amended and restated inter-company pooling agreement (Amended Agreement). The Amended Agreement is also discussed in the Reinsurance section of this report

Under the terms of the Amended Agreement, AIIC is responsible for managing and administrating all of the business ceded under this agreement. These services include but are not limited to the following activities: underwriting, accepting risks, and issuing policies; billing and managing the collection of all premiums; canceling policies for nonpayment of premiums; providing policy owner servicing for policies; administering any inuring reinsurance maintained by pool participants, including the timely submission of reinsurance claims for payment; reporting to the pool members all losses; handling all regulatory filings; ensuring compliance with applicable laws and regulations; compiling statistical data for pool members to comply with financial reporting and regulatory reporting requirements; providing or arranging for all data

processing and accounting services and keeping all necessary records to account for transactions. AIIC may delegate any of these duties and authority to third parties.

Per the examiners' review of the supporting documentation, inter-company balances at December 31, 2009 between AIIC and AIICD were not settled within the terms of the Amended Agreement, which states that the accounts shall be remitted quarterly within fifteen days after the end of each calendar quarter and settlement shall be made within fifteen days thereafter. The balances were not settled until March of 2010. Therefore the following examination recommendation will be made:

"It is recommended that the Company settle intercompany balances according to the terms provided in the Amended and Restated Inter-Company Pooling Agreement".

Tax Sharing Agreement

The Company had a written tax sharing agreement with its former ultimate parent, American International Group, Inc. (AIG) which was terminated as of July 1, 2009.

Effective July 1, 2009, the Company, and its affiliates participate in a similar tax sharing agreement with FIE. FIE receives from its affiliates the tax they would pay if they had filed separate returns and pays to the affiliates amounts for the tax benefits realized by the consolidated group through the utilization of their net losses. Intercompany tax balances are settled monthly based on estimates with the final settlement made annually within 30 days after the return has been filed.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

As a result of the acquisition of 21st Century PAG by Farmers Insurance Exchange (80%), Truck insurance Exchange (10%) and Fire Insurance Exchange (10%), participation in the AIG sponsored Retirement Plan (pension) by 21st Century PAG participants ended, effective June 30, 2009. All future benefit obligations under the AIG pension plan ceased and the frozen accrual benefit transferred to the non-contributory retirement plan sponsored by FGI. 21st Century PAG participants began accruing benefits under the FGI formula on July 1, 2009.

Effective July 1, 2009, all eligible 21st Century PAG employees participate in the Cash Balance Program. Under this program, FGI and the Farmers Property and Casualty companies make regular contributions based on a percentage of base pay. The contributions vary based on age and length of service. In addition, the Cash balance Program has a minimum annual return of 5%. 21st Century PAG employees also entered into the FGI sponsored postretirement benefit plan on July 1, 2009.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2009 the Company is licensed to write property and casualty insurance in thirty eight states and the District of Columbia. The Company is predominantly a personal lines property and automobile insurer in New Jersey writing through the mass marketing and direct response programs of 21st Century PAG. All of the Company's net

personal auto insurance premiums written are ceded to AIIC. Under the Amended and Restated Inter-Company Pooling Agreement, effective June 30, 2009, the Company continues to cede 100% of its net business to AIIC but only assumes back, based on its pooling participation percentage, liabilities with a date of loss prior to July 1, 2009. Losses which have a date of loss on and after July 1, 2009 are ceded to Farmers Insurance Exchange by AIIC under a 100% quota share reinsurance agreement effective July 1, 2009. The Company shows good liquidity with a conservative investment portfolio and it is relatively well capitalized.

For 2009, the Company reported the following distribution of premiums:

Direct	\$ 80,622,725
Assumed	4,405,359
Ceded	<u>(80,622,725)</u>
Net Written Premiums	<u>\$ 4,405,359</u>

The Company's direct written premiums are private passenger auto and auto physical damage lines of business. As of December 31, 2009, the Company reported direct premium in the following lines of business:

Private passenger auto liability	\$57,707,586
Auto physical damage	<u>22,915,139</u>
Total	<u>\$80,622,725</u>

REINSURANCE

Amended and Restated Inter-Company Pooling Agreement

The Company is Party to an inter-company pooling agreement, the 21st Century Personal Lines Intercompany Pooling Agreement. In accordance with the terms and conditions of the

pooling agreement, 100% of the net business written by each of the participants is ceded to AIIC, the lead company in the 21st Century Personal Lines Pool (Pool).

Prior to July 1, 2009, AIIC and National Union Fire Insurance Company of Pittsburgh, PA (NU) were parties to a quota share reinsurance agreement under which AIIC ceded 50% of the net business of the Pool to NU. After this cession, each member company of the Pool assumed its appropriate share of the net business, which in the case of the Company was 2%. In connection with the sale of the 21st Century PAG companies by AIG to FIE, Truck and Fire, the 50% quota share reinsurance agreement between AIIC and NU was commuted, effective June 30, 2009.

Effective June 30, 2009, the 21st Century Personal Lines Intercompany Pooling Agreement was amended and restated (Amended Agreement). Under the terms of the Amended Agreement, liabilities with a date of loss prior to July 1, 2009 are ceded to the Pool members by AIIC, based on each Pool member's fixed pooling participation percentage, which in the case of the Company is 2%. Losses which have a date of loss on and after July 1, 2009 are ceded to FIE by AIIC under 100% quota share reinsurance agreement, effective July 1, 2009.

The following is a list of member companies in the Pool and the applicable participation percentages as of December 31, 2009.

<u>Pool Participant</u>	<u>Pool Percentage</u>
American International Insurance Company	23.00%
AIG Centennial Insurance Company	20.00%
21 st Century Insurance Company	20.00%
AIG Premier Insurance Company	10.00%

New Hampshire Indemnity Company, Inc.	8.00%
AIG Hawaii Insurance Company, Inc.	4.00%
AIG Indemnity Insurance Company	2.00%
AIG Preferred Insurance Company	2.00%
American International Insurance Company of Delaware	2.00%
American International Pacific Insurance Company	2.00%
American International Insurance Company of New Jersey	1.75%
AIG Auto Insurance Company of New Jersey	1.50%
American International Insurance Company of California	1.00%
AIG Advantage Insurance Company	1.00%
AIG National Insurance Company, Inc.	1.00%
American Pacific Insurance Company, Inc.	0.50%
21st Century Casualty Company	0.25%
21st Century Insurance Company of the Southwest	0.00%

Under the terms of the Purchase Agreement between AIG and FGI, the Pool companies cannot use the terms “AIG” or “American International” in their corporate titles. As a result, in 2010 many of the Pool members underwent name changes. Effective April 1, 2010, the Company is known as 21st Century Assurance Company, and AIIC is titled 21st Century North America Insurance Company.

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the three year period including the previous examination:

Year	Admitted Assets	Policyholder Surplus	Net Premiums Collected	Net Gain (Losses) Pre Tax	Net Income
2007	\$ 197,381,204	\$ 45,201,877	\$ 125,520,156	\$ (3,406,582)	\$ 125,657
2008	104,996,078	48,302,552	23,469,612	5,647,547	6,811,234
2009	\$ 80,112,037	\$ 54,914,693	\$ 25,755,857	\$ 6,920,160	\$ 6,421,418

Total admitted assets of the Company amounted to \$80.1 million at year end 2009, a decrease of \$24.9 million or 23.7% from year-end 2008. The Company does not have any premium receivable as of year end 2009 due to the Amended and Restated Intercompany Pooling Agreement and the 100% Quota Share Reinsurance Agreement between AIIC and FIE, effective July 1, 2009.

Policyholders Surplus as of December 31, 2009 amounted to \$54.9 million, an increase of \$6.6 million or 13.7% from 2008. The increase is the result of after tax net income of \$6.4 million.

The Company's overall gross written premium decreased by \$84.0 million or 49.7% from 2008, while net premium written and net premium earned decreased from the 2008 levels by 85.9% and 59.4% respectively. The decline in premiums is attributed to the Company's cession

of 100% of gross written and earned premiums to FIE effective July 1, 2009. Written premium variances are also due to the effect of the commutation of certain reinsurance agreements with former AIG affiliates effective June 30, 2009. Underwriting expenses have decreased by \$7.6 million from 2008 resulting from these cessions.

Net income amounted to \$6.4 million in 2009 as compared to \$125,657 in 2007. This significant increase was mainly due to the Company entering the 21st Century Personal Lines Pool on January 1, 2008.

LOSS EXPERIENCE

During 2009, incurred losses and LAE decreased by \$24 million or 64.5%, while net earned premiums decreased by \$27.8 million or 59.4%, resulting in a decrease in the Company's combined loss and LAE ratio from 79.6% to 69.6% during 2009.

The Company was directed by the California Department of Insurance (CADOI), the lead state in the examination, under CIC Section 733(g) to retain the independent actuarial firm of American Actuarial Consulting Group (AACG) for the purpose of assisting this examination in determining the reasonableness of the Company's loss and loss adjustment expense reserves. Based on the analysis by AACG and the review of their work by a Casualty Actuary from the CADOI, the Company's December 31, 2009 reserves for losses and loss adjustment expenses were determined to be within a range of reasonable estimates, and have been accepted for the purpose of this examination.

ACCOUNTS AND RECORDS

The accounts and records review included an evaluation of the Company's operational and organizational controls. The areas evaluated included computer systems, accounting systems, organizational structures, and the processing structure.

The independent certified public accounting firm, PwC, audited the Company's records for the years ended 2008 and 2009 and issued an unqualified audit opinion in each year. Audit reports and applicable work papers were made available for the examiners' use.

The accounts and records review also included an assessment of the Company's risk management process in identifying and controlling risks in the key operational areas of the Company. In making the assessment in each key area, processes were reviewed, risks were identified, operational and organizational controls were identified and tested and the Company's methodology for assessing the effectiveness of the established mitigation factors was evaluated.

As part of the examination of the 21st Century Personal Lines Pool, the CADOI retained the services of Ernst & Young LLP to conduct a review of certain Information Technology (IT) general controls, surrounding the systems and applications that support certain significant business activities. No significant issues were noted.

In 2009, the Company changed its method of accounting for deferred income taxes due to the adoption of Statement of Statutory Accounting Principles (SSAP) No. 10R, *Income Taxes – Revised, A Temporary Replacement of SSAP 10*.

STATUTORY DEPOSITS

As of December 31, 2009, the Company reported \$3,556,858 on Schedule E - Part 3 - Special Deposits. There were \$2,612,111 or 73% of deposits with the State of Delaware. The examination verified ownership of security, traced and agreed by par value to a "Certificate of Deposit" obtained directly from the State of Delaware.

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, 2009.

Assets
Liabilities, Surplus and Other Funds
Statement of Income
Capital and Surplus Account
Analysis of Financial Statement Changes resulting from Examination

AMERICAN INTERNATIONAL INSURANCE COMPANY OF DELAWARE
ASSETS
DECEMBER 31, 2009

Assets	Ledger Assets	Non-Admitted Assets	Net-Admitted Assets	Notes
Bonds	\$65,005,509		\$65,005,509	1
Cash and Short Term Investments	7,334,579		7,334,579	1
Investment income due and accrued	1,089,777		1,089,777	
Reinsurance:				
Amounts recoverable from reinsurers	289,259		289,259	
Net deferred tax asset	3,771,630	\$ 3,479,068	292,562	
Receivable from parent, subsidiaries and affiliates	6,100,351		6,100,351	
	<hr/>			
Total Assets	\$83,591,105	\$3,479,068	\$80,112,037	
	<hr/> <hr/>			

AMERICAN INTERNATIONAL INSURANCE COMPANY OF DELAWARE

LIABILITES, SURPLUS AND OTHER FUNDS

DECEMBER 31, 2009

		NOTES
Losses	\$ 18,238,852	2
Reinsurance payable on paid losses	1,418,743	2
Loss adjustment expense	5,470,907	2
Current federal and foreign income taxes	67,494	
Ceded reinsurance premiums payable	(100)	
Payable to parents subsidiaries and affiliates	1,448	
Total Liabilities	<u>\$ 25,197,344</u>	
Common capital stock	\$ 5,000,000	
Gross paid in and contributed surplus	13,500,000	
Unassigned funds (surplus)	<u>36,414,693</u>	
Surplus as regards policyholders	<u>\$ 54,914,693</u>	
Total liabilities, surplus and other funds	<u>\$ 80,112,037</u>	

AMERICAN INTERNATIONAL INSURANCE COMPANY OF DELAWARE

SUMMARY OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

Underwriting Income

Premiums earned	\$ 18,970,679
Deductions	
Losses incurred	\$ 10,841,234
Loss adjustment expenses incurred	2,367,487
Other underwriting expenses incurred	2,508,350
Aggregate write ins for underwriting deductions	(31,178)
Total underwriting deductions	<u>\$ 15,685,893</u>
Net underwriting gain or (loss)	<u>\$ 3,284,786</u>

Investment Income

Net investment income earned	\$ 3,246,345
Net realized capital gains (losses)	150,014
Net investment gain or (loss)	<u>\$ 3,396,359</u>

Other Income

Net gain or (loss) from agents or premium balances charged off	\$ (154,862)
Finance and services charges not included in premiums	393,877
Total other income	<u>\$ 239,015</u>

Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$ 6,920,160
Federal income taxes	498,742
Net Income	<u><u>\$ 6,421,418</u></u>

AMERICAN INTERNATIONAL INSURANCE COMPANY OF DELAWARE

RECONCILIATION OF CAPITAL AND SURPLUS
FROM DECEMBER 31, 2008 to DECEMBER 31, 2009

Capital and Surplus Account

Capital and Surplus, December 31, 2008	\$ <u>48,302,552</u>
Net Income	\$ 6,421,418
Change in net deferred income tax	(924,739)
Change in non-admitted assets and related items	1,056,357
Aggregate write-ins for gains and losses in surplus	<u>59,105</u>
Change in surplus as regards policyholders for the year	<u>\$ 6,612,141</u>
Capital and Surplus, December 31, 2009	<u>\$ 54,914,693</u>

ANALYSIS OF CHANGES IN THE FINANCIAL STATEMENTS

There were no financial adjustments to the Company's financial statements as a result of this examination.

NOTES TO THE FINANCIAL STATEMENTS

1) <u>Bonds</u>	<u>\$65,005,509</u>
1) <u>Short term Investments</u>	<u>\$ 7,334,579</u>

Investments comprised of \$72,340,088 or 90.2% of admitted assets. Procedures were performed to confirm the existence of ownership of the investments reported on Schedule D, Part 1 and other investment schedules. These procedures were performed without exception. The Company has no mortgage loans including real estate loans, debt restructuring, reverse mortgages, loan-backed securities, repurchase agreements or real estate. The Company does not lend securities. The Company has no derivative instruments. The Company continues to invest primarily in Bonds with ratings of "1" per the NAIC SVO. The Company's Board of Directors (Board) delegated to the Farmers Group Investment Committee the authority to approve all investment transactions and decisions that affect the Company, provided that the Company's Board, on an annual basis, approves the Investment Guidelines and all securities acquisitions and disposals. These Investment Guidelines relate to quality, maturity, and diversification of the investments to mitigate market risk factors.

2) <u>Losses</u>	<u>\$18,238,852</u>
2) <u>Reinsurance payable on paid losses and lae</u>	<u>\$ 1,418,743</u>
2) <u>LAE</u>	<u>\$ 5,470,907</u>

As of December 31, 2009, the reserves for Losses and LAE have been reduced by credits for anticipated salvage and subrogation of \$1.4 million. The Company's Loss and LAE reserves amount to \$23.7 million, a decrease of \$3.8 million or 13.7% from year-end 2008. As a result of the inter-company pooling agreement, the Company will not be retaining any losses with a date of loss on and after July 1, 2009.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The Company has complied with all recommendations from the prior Report on Examination.

SUMMARY OF RECOMMENDATIONS

Examination findings and recommendations as of December 31, 2009 consisted of the following:

It is recommended that the Company settle intercompany balances according to the Amended and Restated Inter-Company Pooling Agreement (page 7).

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>	December 31, 2009 <u>Examination</u>	December 31, 2007 <u>Examination</u>	Changes Increases/ <u>Decreases</u>
Assets	\$80,112,037	\$197,381,204	(\$117,269,167)
Liabilities	\$25,197,344	\$152,179,327	(\$126,981,983)
Capital and Surplus	\$54,914,693	\$ 45,201,877	\$ 9,712,816

In addition to the undersigned, James Blair Jr. CFE, CPA (Examination Supervisor) participated in the examination. The assistance of INS Services, Inc. is acknowledged.

Respectfully submitted,



Albert M. Piccoli, Sr., CFE
Examiner In-Charge
State of Delaware