

REPORT ON EXAMINATION
OF THE
FIREMEN'S INSURANCE COMPANY OF WASHINGTON D.C.
AS OF
DECEMBER 31, 2009

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
FIREMEN'S INSURANCE COMPANY OF WASHINGTON, D.C.
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 28th day of June, 2011

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

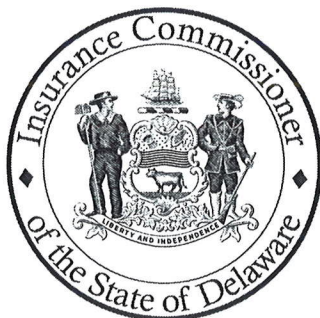
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2009 of the

FIREMEN'S INSURANCE COMPANY OF WASHINGTON, D.C.

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

Attest By: *Sonia C. Harris*

Date: 28 June 2011



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 28th day of June 2011.

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

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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March 7, 2011

SALUTATION

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 Stephen W. Robertson,
Secretary, Midwestern Zone
Commissioner of Insurance
Indiana Department of Insurance
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Indianapolis, Indiana 46204-2787

Honorable Sharon P. Clark,
Secretary, Southeastern Zone
Commissioner of Insurance
Kentucky Department of Insurance
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Honorable Mila Kofman
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Superintendent of Insurance
Department of Professional Regulation and
Financial Regulation
Maine Bureau of Insurance
34 State House Station
Augusta, Maine 04333-0034

Honorable Monica J. Lindeen
Secretary, Western Zone
Commissioner of Securities and Insurance
Montana State Auditor's Office
840 Helena Ave.
Helena, Montana 59601

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

Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 10.003E, dated February 18, 2010, an Association examination has been made of the affairs, financial condition and management of the

FIREMEN'S INSURANCE COMPANY OF WASHINGTON, D.C.

hereinafter referred to as "Company" or "FIC" incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 1209 Orange Street,

Firemen's Insurance Company of Washington, D. C.

Wilmington, Delaware. The examination was conducted at the main administrative office of the Continental Western Insurance Company, located at 11201 Douglas Avenue, Urbandale, IA 50306.

The examination was conducted concurrently with that of the Company's upstream parent Berkley Insurance Company (DE), and immediate insurance parent, Berkley Regional Insurance Company (DE), Delaware insurance subsidiaries: Berkley Specialty Insurance Company (DE), Admiral Insurance Company (DE), Admiral Indemnity Company (DE), Gemini Insurance Company (DE) and Midwest Employers Casualty Company (DE) and other state domestics. Separate reports of examination were completed and filed for each company by the respective state of domicile. The examination report thereon is respectfully submitted.

SCOPE OF EXAMINATION

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. The examination encompasses a general review of 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, 2009. Transactions subsequent to the examination date were reviewed where deemed necessary.

This examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook (Handbook). 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 material inherent risks within classified Company key activities, evaluating company

procedures and system controls used to mitigate those risks, and conducting targeted substantive procedures on accounts and areas determined to have unmitigated risks moderate and above. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report addresses regulatory issues revealed during the examination process.

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

This report of examination was confined to financial statements and comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material adjustments to the Company's financial statement that warranted disclosure in this examination report.

SUBSEQUENT EVENTS

Subsequent to December 31, 2009, the Company took the following action:

Firemen's Insurance Company of Washington, D. C.

- Effective June 28, 2010, the Board of Directors of the Company declared a \$3,219,038 ordinary dividend to be paid on or about September 29, 2010, to its sole shareholder, Berkley Regional Insurance Company (BRIC).
- Effective June 28, 2010, the Board of Directors of the Company established an Audit Committee for the Company. The committee members are made up of the Company Board of Director members.

COMPANY HISTORY

The Company was chartered in 1837 by a special Act of Congress of the United States of America as "The President and Directors of the Firemen's Insurance Company of Washington and Georgetown", a District of Columbia property and casualty insurance company. In July 1957, the Company adopted its present name, Firemen's Insurance Company of Washington, D.C.

In 1982, Firemen's became a member of the WRBC holding company system. In 1994, FIC re-domesticated from the District of Columbia to the State of Maryland.

In 1996, WRBC contributed 100 percent of FIC's issued and outstanding stock to BRIC, a wholly owned subsidiary of Berkley Insurance Company (BIC), WRBC is the ultimate parent.

On January 31, 2001, FIC re-domesticated from Maryland to the State of Delaware.

CORPORATE RECORDS

The recorded minutes of the sole shareholder and Board of Directors (Board) were reviewed for the period under examination. The recorded minutes of the Board adequately

Firemen's Insurance Company of Washington, D. C.

documented its meetings and approval of Company transactions and events, including the authorization of investments as required by 18 Del.C.13 § 1304.

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 (as amended) state that the affairs of the Company shall be managed by a Board composed of seven members; however, this number may be increased or decreased by a majority vote, or by amendment to the bylaws. The Board, by vote of a majority of the whole Board, may from time to time designate one or more committees. The bylaws provide that the committees shall keep regular minutes of their meetings and the findings of the committees shall be reported to the Board.

The Board serving as of December 31, 2009, was as follows:

<u>Name</u>	<u>Principal Occupation</u>
Eugene George Ballard	Senior Vice President and CFO, WRBC
William Robert Berkley, Jr.	President, Chief Operating Officer and Director, WRBC
Robert Paul Cole	Senior Vice President – Regional Operations, WRBC
Allen Ralph Latimer	Vice President, Treasurer and Chief Financial Officer, FIC
Ira Seth Lederman	Senior Vice President, General Counsel & Secretary, WRBC
Kevin Wesley Natrass	President and Chief Executive Officer, FIC
William Edelbute Yount	Vice President, FIC

Firemen's Insurance Company of Washington, D. C.

The Company's principal officers and their respective titles serving as of December 31, 2009 were as follows:

<u>Name</u>	<u>Title</u>
William Robert Berkley, Jr.	Director
Kevin Wesley Nattrass	President and Chief Executive Officer
Allen Ralph Latimer	Vice President, Chief Financial Officer and Treasurer
Laura Little Thorne	Vice President and Secretary
William Kirk Bonner	Vice President
Jeffrey Edward Bouton	Vice President
James Eric Lange, Jr.	Vice President
John Michael Lent	Vice President
Marianne Minnie Morosko	Vice President
Vickie Lynn Price	Vice President
William T. Gardner	Vice President
William Edelbute Yount	Vice President

It was noted that written correspondence was submitted to the Delaware Department of Insurance in regards to the changes in officers and directors during the period under examination in compliance with 18 Del. C. § 4919 "Change in Officer and Director Notice".

HOLDING COMPANY SYSTEM

The Company is a member of the WRBC insurance holding company system. WRBC operates in five segments of the property and casualty insurance business: specialty insurance,

Firemen's Insurance Company of Washington, D. C.

regional property and casualty insurance, alternative markets, reinsurance and international. As of December 31, 2009, the Company is a wholly-owned subsidiary of BRIC, a Delaware company and the sole stockholder. The ultimate parent is WRBC.

WRBC is a United States property and casualty insurance and insurance services holding company with operations throughout the U.S., as well as South America, Australia, Hong Kong, the United Kingdom and Continental Europe. WRBC is publicly traded on the New York Stock Exchange as "WRB". As of December 31, 2009, WRBC reported assets of \$17.3 billion and stockholders' equity of \$3.6 billion on a GAAP basis, held in excess of 160 separate legal entities.

Holding Company System

An organizational chart listing the Holding Company System in which the Company is a member as of December 31, 2009, is as follows:

W.R. Berkley Corporation

All American Agency Facilities, Inc.

Berkley Dean & Company, Inc.

Berkley Capital Investors, LP

Berkley Capital, LLC

Berkley Holdings Corp. Two

Berkley Holdings, LLC

Berkley Insurance Services, LLC

Berkley International, LLC

Berkley International Holdings, LLC

Berkley International Latinoamerica S. A.

Berkley International Aseguradora de Riesgos del Trabajo S. A.

Berkley International do Brasil Seguros S. A.

Berkley International Seguros, S. A. (99.6% Ownership)

Berkley International Seguros, S. A. (Uruguay)

Cotasy Corporation S. A.

Independencia Compania de Seguros de Vida, S. A.

BI China, Limited

Magaverse, Limited

Masterclass, Limited

Global Direct, LLC

Steamboat Advisory Services, Limited

Berkley Offshore Underwriting Managers UK, Limited

Berkley Life and Health Insurance Company

Berkley London Holdings, Inc.

W. R. Berkley London Finance, Limited

W. R. Berkley London Holdings, Limited

Firemen's Insurance Company of Washington, D. C.

W. R. Berkley Insurance (Europe), Limited

W. R. Berkley London Staff, Limited

Greenwich Knight Insurance Company

Greenwich AeroGroup, Inc.

Atlantic Aero Holdings, Inc.

Atlantic Aero, Inc.

Alamo Aerospace, LP

Mid-Atlantic Freight, Inc.

MartinAire Aviation LLC

Mid-Atlantic Freight GenPar, LLC

Banner Aerospace, Inc.

GCCUS, Inc.

DAC International, Inc.

Matrix Aviation, Inc.

NASAM Incorporated (formerly known as Banner Acquisition Corp. II)

Professional Aircraft Accessories, Inc.

Professional Aviation Associates, Inc.

Summit Aviation, Inc.

Western Acquisition Corp.

Western Aircraft, Inc.

J/I Holding Corporation

Admiral Insurance Company

Admiral Indemnity Company

Admiral Risk Insurance Services, Inc.

Armada Insurance Services, Inc.

Carolina Casualty Insurance Company

Berkley Specialty Insurance Services, LLC

Admiral Insurance Group, LLC

Berkley Professional Liability, LLC

Berkley Select, LLC (formerly known as Select Specialty Managers, LLC)

Berkley Specialty Underwriting Managers, LLC

Carolina Casualty Insurance Group, LLC

Clermont Specialty Managers, Ltd.

Monitor Liability Managers, LLC (formerly known as Monitor Liability Managers, Inc.)

Nautilus Insurance Group, LLC

Southwest International Underwriting Managers, Inc.

Vela Insurance Services, LLC (formerly known as Vela Insurance Services, Inc.)

Clermont Insurance Company

Jersey International Brokerage Corporation

Nautilus Insurance Company

Great Divide Insurance Company

Commodore Re Management Corporation

East Isles Reinsurance, Ltd.

Northwest International Underwriting Manager, Inc.

MADA Reciprocal Services, Inc.

Peyton Street Independent Financial Services Corporation (6)

Insurbanc

Queen's Island Insurance Company, Ltd.

Signet Star Holdings, Inc.

Berkley Insurance Company

Berkley Canada Inc. (formerly known as Berkley Underwriting Managers Canada, Ltd.)

Firemen's Insurance Company of Washington, D. C.

Berkley Regional Insurance Company

Acadia Insurance Company

Maine Compensation Services, Inc

Berkley Regional Insurance Services, LLC

Acadia Insurance Group, LLC

American Mining Insurance Group, LLC

Berkley Mid-Atlantic Group, LLC

Berkley North Pacific Group, LLC

Berkley Regional Specialty, LLC

Berkley Surety Group, LLC (formerly known as Berkley Surety Group, Inc.)

Continental Western Group, LLC

Regional Excess Underwriters, LLC

Union Standard Insurance Group, LLC

Berkley Regional Specialty Insurance Company

CGH Insurance Group, Inc.

American Mining Claims Service, Inc.

CGH Claims Service, Inc.

American Mining Insurance Company, Inc.

Deck Software, Inc.

Mining Insurance Markets, Inc.

Continental Western Insurance Company

Firemen's Insurance Company of Washington, D.C.

Tri-State Insurance Company of Minnesota

Union Insurance Company

Union Standard Insurance Company

Union Standard Management Company, Inc

Gemini Insurance Company

Key Risk Insurance Company

Midwest Employers Casualty Company

Berkley Alternative Markets Insurance Services, LLC

Berkley Medical Excess Underwriters, LLC

Berkley Administrators of Connecticut, Inc

Berkley Risk Administrators Company, LLC

All Claims of Nevada, Inc.

Berkley Risk Administrators of Texas, Inc.

Berkley Risk Services of Vermont, Inc.

Garnet Captive Services, LLC

Independent Plan Administrators, LLC

Rasmussen Agency, Inc.

Key Care, LLC

Key Risk Management Services, LLC (formerly Key Risk Management Services, Inc.)

Key Risk Underwriting Managers, LLC (formerly Key Risk Underwriting Managers, Inc.)

Midwest Employers Casualty Group, LLC

Midwest Employers Services, LLC

Preferred Employers Group, LLC

Select Marketing Insurance Services, LLC.

Riverport Insurance Services, LLC

Preferred Employers Insurance Company

Riverport Insurance Company

Reinserco, Inc

Merrill Management Corporation

Firemen's Insurance Company of Washington, D. C.

StarNet Insurance Company

Starnet Insurance Services, LLC

Berkley Accident and Health, LLC

Berkley Asset Protection Underwriters, LLC

Berkley Aviation, LLC

Berkley Facultative Reinsurance Services, LLC

Berkley Life Sciences, LLC

Berkley Net Underwriters, LLC

Berkley Offshore Underwriting Managers, LLC

Berkley Oil & Gas Specialty Services, LLC

Berkley Risk Solutions, LLC (formerly known as Berkley Risk Solutions, Inc.)

Berkley Technology Services LLC

Berkley Underwriting Partners, LLC

B F Re Underwriters, LLC

Facultative ReSources, Inc.

FinSecure, LLC

Lenpex, LLC

Signet Star Re, LLC

Watch Hill Fac Management, LLC

Surety-Pro Services, Inc.

WR Berkley Syndicate Holdings, Ltd (formerly known as WRBC (SH), Limited)

WRBC Corporate Member, Ltd

WR Berkley Syndicate, Ltd (formerly known as WRBC (ST), Limited)

Steamboat Asset Management, LLC

WRBC Transportation, Inc.

Interlaken Capital Aviation Holdings, Inc.

Interlaken Capital Aviation Services, Inc.

W. R. Berkley Capital Trust

W. R. Berkley Capital Trust II

W. R. Berkley Capital Trust III

MANAGEMENT CONTRACT AND/OR LENDING RELATIONSHIP (NON-OWNED)

MADA Insurance Exchange

Union Standard Lloyds

States Self-Insurers Trust

States Self Insurers Risk Retention Group

W. R. Berkley Syndicate 1967

A review of the Insurance Holding Company Annual Registration Statement filings (*Form B* and *Form C*) made by the Company for all years under examination revealed that the Company had complied with the requirements of 18 Del. Administrative Code 1801.

AFFILIATED AGREEMENTS

The following affiliated agreements were in effect as of December 31, 2009:

Management and Administrative Agreement

Effective January 1, 2009, the Company entered into a Management and Administrative Agreement with Berkley Mid-Atlantic Group, LLC (BMAG). This agreement provided for the Company to appoint BMAG as its legal representative and true and lawful attorney for the purpose of producing, underwriting, servicing all business in all states in which the Company is licensed as an insurer and for all lines of business for which it is licensed. Included in this agreement, BMAG is to perform all administration functions and services with respect to the business, the affairs, and operations of the Company. This agreement does not replace any other management and administrative agreements; rather, it allowed BMAG to service the business that was previously serviced by the Company, since the Company no longer had employees as of January 1, 2009. BMAG shall be subject to the Company's direction and ultimate authority.

Administrative Services Agreement

Effective January 1, 2008, the Company entered into an Administrative Services Agreement with Berkley Risk Administrators Company, LLC (BRAC). The Company was selected to administer a portion of workers' compensation residual market in the State of Delaware through a Servicing Carrier Contract whereas pursuant to the Administrative Services Agreement BRAC was to perform work as required under that Servicing Carrier Contract with the exception of certain retained services. BRAC was to receive fees allowable to the Company under the Servicing Carrier Contract less the fees for retained services.

Management Agreement

The company entered into a Management Agreement with Berkley Specialty Underwriting Managers LLC (BSUM) effective July 1, 2004. Pursuant to the Agreement, BSUM acts as the Company's representative for the purpose of producing, underwriting and servicing, certain lines of business on its behalf. Specifically, the business is commercial property and casualty lines of business for manufacturers, and contractors coverages, in the state of New York, including the handling and servicing of all claims and losses and legal actions resulting or arising there-from. Settlement is made quarterly.

Joint Services Agreement

Effective January 1, 2003, a Joint Services Agreement was executed among the Company, BRIC, Tri-State Insurance Company of Minnesota (TSIC), Continental Western Insurance Company (CWIC), Acadia Insurance Company (AIC), and various other affiliates within the BRIC group of companies. The agreement was filed with the Delaware Department of Insurance on March 14, 2003. Under the terms of the joint services agreement, any company (appointing company) may appoint other parties to the agreement to act as managers (servicing company) for the purpose of producing, underwriting and servicing certain business sourced through said other party including the handling and servicing of all claims, losses and legal actions resulting or arising there-from. Amounts due from the servicing company to the appointing company or vice versa, in connection with this agreement are to be settled in cash on a daily basis. At the direction of the appointing company, the servicing company will be instructed to settle such amounts either directly with the appointing company, or with BRIC as reinsurer of the appointing company's business and consistent with applicable agreements between the appointing company and BRIC. All such amounts paid to BRIC shall be considered full and final settlement with the appointing company. A statement of account for each quarter ending March 31, June 30, September 30 and

Firemen's Insurance Company of Washington, D. C.

December 31, shall be forwarded by the servicing company to the appointing company no later than thirty (30) days after the end of each quarter. Accounts settled on a daily basis are to be balanced quarterly pursuant to the quarterly reporting mentioned above. Any overages or shortages are to be remitted to by one party to the other as indicated by the reports within thirty (30) days of receipt of said report. This agreement remains in effect until cancelled by either party upon ninety (90) days prior written notice.

Computer Services Agreement

The Company and Berkley Technology Services LLC (BTS), an affiliate of WRBC, entered into a Computer Services Agreement, effective January 1, 2002. BTS provides the Company with computer and data processing services including programming, operations, network management and consulting as required.

Management Agreement

The Company and Clermont Specialty Managers, Ltd. (Clermont) entered into a Management Agreement effective April 28, 1997. Clermont serves as manager for producing, underwriting and servicing certain property, casualty, crime, automobile, directors and officers liability and liquor liability business. Clermont shall not bind the Company on policy limits greater than \$15 million unless advance approval is granted by the Company. Compensation to Clermont shall be made on an actual cost basis, settled quarterly.

Investment Advisory Agreement

The Company and Berkley Dean & Company, Inc. (Berkley Dean), a subsidiary of WRBC, entered into an Investment Advisory Agreement on June 1, 1996, and amended on July 24, 1998. Berkley Dean provides investment advisory services at an annual fee per terms in the Agreement based on the net asset value of the portfolio at the end of each quarter with billing rendered on a quarterly basis at one fourth of the annual rate.

Management Agreement

The Company and Berkley Surety Group, LLC (BSG) (formally Monitor Surety Managers, Inc.) and Monitor Liability Managers, Inc. (Monitor) entered into a Management Agreement effective August 1, 1995, and amended February 1, 1996. BSG serves as manager for producing, underwriting and servicing certain surety business. Monitor shall not bind the company on policy limits greater than \$15 million. BSG may submit risks above the limits outlined above for special acceptance by the Company. Compensation paid to these services shall be on an actual cost basis, with settlements to be made no later than thirty (30) days after the end of each quarter. It was noted that the Company had not amended this agreement to reflect the name change to Berkley Surety Group, LLC effective December 3, 2008.

Underwriting Management Agreement

Effective July 1, 1988, the Company entered into an Underwriting Management Agreement with Armada Insurance Services, Inc. (Armada, formerly known as C & F Surplus Insurance Brokers, Inc.) Armada serves as manager to receive and accept proposals of insurance from licensed brokers throughout the United States and registered Lloyd's brokers on certain property and casualty business.

Tax Allocation Agreement

The Company is included in a consolidated income tax return in accordance with the Tax Allocation Agreement with WRBC dated April 2, 1982, and amended effectively as of January 1, 1989. The provision for federal income tax is computed as if the Company were filing a separate federal income tax return. Benefits, which arise from tax credits and net operating losses, are allocated to the extent they are utilized in the consolidated federal income tax provision. Tax balances are settled quarterly.

TERRITORY AND PLAN OF OPERATION

The Company is a multiple line insurance carrier underwriting commercial property and casualty products, and is licensed in forty-eight (48) states and authorized in the District of Columbia. As of year-end 2009, 75.1% of the Company's direct business was written in six (6) states which were Maine, Maryland, New Hampshire, North Carolina, Pennsylvania, and Virginia.

The Company's three primary lines of business are commercial multiple peril, workers' compensation, and commercial auto liability. The Company utilizes the independent agency system to distribute its products. The Company appoints professional licensed agents who are recruited by means of past relationships and through membership in trade associations.

All business produced by the Company is ceded to its immediate parent, BRIC, whereby BRIC assumes all of the Company's net underwriting business. Simultaneously therewith, BRIC assumed the Company's beginning loss reserves, loss adjusting reserves, and unearned premium reserve in exchange for securities and other assets. Although the Company cedes all of its net underwriting business to BRIC, it retains all investment income and expense.

The Company's parent, BRIC, provides a reinsurance facility for eight regionally operated insurance companies comprised of seven direct subsidiaries and one indirect subsidiary, referred to collectively as the Regional Group. The regional companies primarily write standard commercial and personal lines insurance through independent agents. The Group consists of the Company, Berkley Regional Specialty Insurance Company (BRSIC), Acadia Insurance Company, Tri-State Insurance Company of Minnesota, Continental Western Insurance Company, Union Standard Insurance Company (USIC), Union Insurance Company (UIC) and Union Standard Lloyds Insurance Company.

The Regional Group operations are structured into four geographic regions resulting in decentralization of administrative and managerial functions. Each region utilizes several of the legal entities to issue business, depending on state licensing, rating tier and other filing requirements. Management and operations of the companies in each region are provided by the lead company.

The “Regional Market” lead companies in each of the four geographic areas are as follows:

1. New England – Acadia Insurance Company
2. Berkley Mid-Atlantic Group – Firemen’s Insurance Company of Washington, D. C.
3. Midwest – Continental Western Insurance Company
4. Southern – Union Insurance Company

GROWTH OF THE COMPANY

The following information was obtained from the Company’s filed Annual Statements and covers the two (2) year period from its last examination as of December 31, 2007, through this examination, December 31, 2009:

<u>Year</u>	<u>Gross Written Premiums</u>	<u>Net Written Premiums</u>	<u>Net Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus as Regards Policyholders</u>	<u>Net Income (Loss)</u>
2007	\$ 233,198,031	\$ 0	\$ 112,977,060	\$ 80,966,830	\$ 32,010,227	\$ 1,784,561
2008	186,548,464	0	93,122,638	59,500,358	33,622,280	1,489,271
2009	166,980,997	0	87,757,499	55,567,115	32,190,384	1,520,349

The changes over the examination period are as follows:

- A 28.4% decrease in Gross Written Premiums
- A 22.3% decrease in Net Admitted Assets
- A 31.4% decrease in Liabilities
- A 0.6% increase in Surplus as Regards Policyholders
- A 14.8% decrease in Net Income

Firemen's Insurance Company of Washington, D. C.

During the examination period, gross written premiums decreased in the amount of \$46.6 million (-20.0%) from 2007 to 2008, and decreased another \$19.6 million (-10.5%) from 2008 to 2009. The decrease for each year was due to the soft market conditions for which the Company is adhering to its business plan for sustaining adequate rates and quality underwriting standards.

LOSS EXPERIENCE

The Company cedes 100% of losses and loss adjustment expenses to BRIC, therefore, reserves for net loss and expenses unpaid as of the examination date were zero.

REINSURANCE

Assumed

The Company does not assume reinsurance.

Ceded

Effective January 1, 2000, the Company entered into a 100% quota share reinsurance agreement with BRIC under which the Company cedes 100% of the net liabilities arising under the policies, contracts and binders of insurance or reinsurance in force at the effective date or issued after that date and classified as property casualty insurance business by the Company.

ACCOUNTS AND RECORDS

The accounting and reporting financial functions are performed at various locations for profit centers within the Berkley Regional Insurance Group. Oversight of the accounting functions and statutory financial statement preparation for legal entities are performed at the offices located as follows: BRIC, CWIC, UIC and TSIC in Urbandale, Iowa; FIC in Glen Allen, Virginia; AIC in

Firemen's Insurance Company of Washington, D. C.

Westbrook, ME; and BRSIC in Scottsdale, AZ. Operational oversight for the sum of the profit centers is ultimately managed at WRBC.

The independent certified public accounting firm, KPMG 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.

The primary systems used in the operations of the Company were also evaluated. The consulting firm of INS Services, Inc. performed an Exhibit C review of the Company IT operations.

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*. Also in 2009, the Company adopted SSAP No. 43, *Revised – Loan- backed Structured Securities*.

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2009, as determined by this examination, along with supporting exhibits as detailed below:

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

ASSETS

DECEMBER 31, 2009

Assets	Ledger Assets	Non-Admitted Assets	Net-Admitted Assets	NOTES
Bonds	\$ 35,329,548	\$ 0	\$ 35,329,548	1
Preferred Stocks	0	0	0	
Common Stocks	0	0	0	
Cash	(1,072,953)	0	(1,072,953)	
Receivables for Securities	35,781	0	35,781	
Investment income due and accrued	491,475	0	491,475	
Premiums and Considerations:				
Uncollected premiums and agents balances	10,514,259	1,063,717	9,450,542	
Deferred premiums	41,866,162	0	41,866,162	
Current federal income tax recoverable	0	0	0	
Net deferred tax asset	2,847,646	2,769,745	77,901	
Guaranty funds receivable	725,358	0	725,358	
EDP equipment and software	78,087	25,372	52,715	
Furniture and equipment	1,002,207	1,002,207	0	
Receivables from parent, subsidiaries and affiliates	12,147	0	12,147	
AIPSO Receivable	8,145	0	8,145	
Equity & deposits in pools	50,516	0	50,516	
Fair plan receivables	662,244	0	662,244	
State assessments	68,418	500	67,918	
Total Assets	\$ 92,619,040	\$ 4,861,541	\$ 87,757,499	

LIABILITIES, SURPLUS AND OTHER FUNDS

DECEMBER 31, 2009

		NOTES
Losses	\$ 0	2
Reinsurance payable on paid losses and LAE	0	
Loss adjustment expenses	0	2
Commissions payable, contingent commissions and similar charges	5,128,510	
Other expenses	225,002	
Taxes, licenses and fees due and accrued	2,583,890	
Current federal and foreign income taxes	59,155	
Unearned premiums	0	
Advanced premiums	291,096	
Policyholders (dividends declared and unpaid)	1,132,227	
Ceded reinsurance premiums payable	43,474,223	
Drafts outstanding	192,704	
Payable to parent, subsidiaries and affiliates	<u>2,480,308</u>	
Total Liabilities	<u>\$ 55,567,115</u>	
Common capital stock	\$ 3,500,000	
Gross paid in and contributed surplus	19,717,835	
Unassigned funds (surplus)	<u>8,972,549</u>	
Surplus as regards policyholders	<u>\$ 32,190,384</u>	
Total liabilities, surplus and other funds	<u>\$ 87,757,499</u>	

SUMMARY OF OPERATIONS

DECEMBER 31, 2009

Underwriting Income

Premiums earned	\$ <u>0</u>
Deductions	
Losses incurred	\$ 0
Loss adjustment expenses incurred	0
Other underwriting expenses incurred	<u>0</u>
Total underwriting deductions	<u>\$ 0</u>
Net underwriting gain or (loss)	<u>\$ (0)</u>

Investment Income

Net investment income earned	\$ 1,544,367
Net realized capital gains or (losses)	<u>102,400</u>
Net investment gain or (loss)	<u>\$ 1,646,767</u>

Other Income

Gain on sale of asset	\$ 27,737
Total other income (loss)	<u>\$ 27,737</u>
Net income after dividends to policyholders and before federal income taxes	\$ 1,674,504
Federal income taxes	<u>154,155</u>
Net income	<u><u>\$ 1,520,349</u></u>

RECONCILIATION OF CAPITAL AND SURPLUS
FROM DECEMBER 31, 2007 to DECEMBER 31, 2009

Capital and Surplus Account

Capital and Surplus, December 31, 2007	\$ <u>32,010,227</u>
Net Income	\$ 3,009,620
Change in net unrealized capital gains	135,505
Change in net deferred income tax	(591,242)
Change in non-admitted assets and related items	988,502
Dividends to stockholder	(3,362,228)
Change in surplus as regards policyholders for the period	\$ <u>180,157</u>
Capital and Surplus, December 31, 2009	\$ <u><u>32,190,384</u></u>

ANALYSIS OF CHANGES IN THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

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

NOTES TO FINANCIAL STATEMENTS

(Note 1) Bonds

\$35,329,548

100% of the Company's bonds and mortgage-backed securities (MBS) are rated as Class 1 or Class 2 by the NAIC. The Company does not have any direct investments in subprime mortgage loans, direct investments in securities with underlying subprime mortgage exposure, or equity investments in subsidiary, controlled or affiliated entities with significant subprime mortgage exposure.

(Note 2) Losses

Loss Adjustment Expenses

\$ 0

\$ 0

INS Consultants, Inc. (INS) was retained by the Delaware Insurance Department to conduct a review of the Company's reserve methodologies and adequacy. INS evaluated the Company's book of business by line of business for losses and loss adjustment expenses (LAE). The conclusions reached by INS are largely based upon information supplied by the Company's staff, which included an in-depth actuarial analysis. The INS reserve analysis was performed on both a gross and net of reinsurance basis and did not address the collectability of reinsurance recoverables. The INS reserve review found the Company's combined Gross loss and LAE reserves were adequate to support the business underwritten.

Loss and LAE reserves are subject to errors of estimation arising from the fact that the ultimate liability for claims evaluated as of the valuation date are dependent on future contingent events which cannot always be anticipated. The possible occurrence of such events, as well as the inherent uncertainty associated with statistical estimates, allows no guarantee that the actual ultimate liabilities will be the same as the reserve levels described in this examination report. The review was conducted in conjunction with the current financial examination. Based on the review, INS has accepted the conclusion that additional actuarial reserves were not required as of December 31, 2009.

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

There were no prior examination report recommendations.

SUMMARY OF RECOMMENDATIONS

There were no examination findings or recommendations.

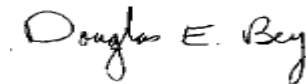
CONCLUSION

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/ (Decreases)
Assets	\$87,757,499	\$112,977,060	(\$25,219,561)
Liabilities	55,567,115	80,966,830	(25,399,715)
Policyholders Surplus	32,190,384	32,010,227	180,157

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc., and INS Services, Inc. and Company management and staff is acknowledged.

Respectfully submitted,



Douglas E. Bey, CFE
Examiner In-Charge
State of Delaware