

**REPORT ON EXAMINATION**  
**OF THE**  
**MAXUM CASUALTY INSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2008**

Karen Weldin Stewart, CIR-ML  
Commissioner



Delaware Department of Insurance

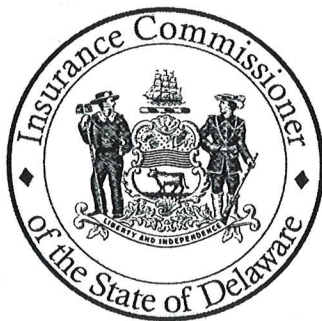
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2008 of the

**MAXUM CASUALTY INSURANCE COMPANY**

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

Attest By:           *Sonia C. Harris*          

Date: 15 July 2010



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 15th day of July 2010.

\_\_\_\_\_  
Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Karen Weldin Stewart, CIR-ML  
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION  
OF THE  
MAXUM CASUALTY INSURANCE 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.

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

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Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Dated this 15th day of July, 2010

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December 4, 2009

## SALUTATION

Honorable Alfred W. Gross  
Chairman, Financial Condition (E)  
Subcommittee, NAIC  
State Corporation Commission  
Bureau of Insurance  
P.O. Box 1157  
Richmond, Virginia 23218

Honorable Merle D. Scheiber  
Secretary, Midwestern Zone (III), NAIC  
South Dakota Division of Insurance  
Department of Revenue and Regulation  
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Honorable James J. Donelon, Commissioner  
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Honorable Karen Weldin-Stewart, CIR-ML  
Commissioner  
State of Delaware  
Department of Insurance  
Rodney Building  
841 Silver Lake Boulevard  
Dover, Delaware 19904

Dear Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 09.016, dated February 24, 2009, an examination has been made of the affairs, financial condition and management of the

## MAXUM CASUALTY INSURANCE COMPANY

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

Wilmington, Delaware. The examination was conducted at the principal offices of the Company located at 3655 North Point Parkway, Alpharetta, GA 30005. The examination report thereon is respectfully submitted.

### **SCOPE OF EXAMINATION**

The last examination was as of December 31, 2004. This examination covered the period of January 1, 2005, through December 31, 2008, and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company at December 31, 2008. Transactions subsequent to the examination date were reviewed where deemed necessary.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (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 inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

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

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.

The examination was conducted concurrently with that of affiliate Maxum Indemnity Company (MIC), also a Delaware domestic insurance company. Separate reports of examination were filed for each company.

### **SUMMARY OF SIGNIFICANT FINDINGS**

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

### **SUBSEQUENT EVENTS**

In August 2009, there was a transfer of 200,000 of the 500,000 voting shares of Northern Homelands Company (NH), the holding company of both the Company and MIC. The transaction involved the transfer of 200,000 of the voting shares from Edward Hamm, Sr. to two Grantor Retained Annuity Trusts for the benefit of Edward Hamm, Jr. Following the transaction, Edward Hamm, Sr. retained the majority control of the voting shares of NH and the

ultimate control of the Company. The Company obtained an exemption from the filing and approval requirements of 18 Del. C. §5003.

On July 30, 2009, the Company amended its bylaws. The amendment of the bylaws differentiates between persons elected by the Board of Directors and officers appointed by the Company's Chief Executive Officer.

### **COMPANY HISTORY**

The Company was incorporated on November 25, 1996, under the laws of the State of Georgia as Golden Isles Insurance Company (Golden). The original owner of the Company was Strickland Group, LLC, a managing general agency in Duluth, Georgia.

MIC purchased all the outstanding shares of Golden on July 9, 2004 and changed the name to Maxum Casualty Insurance Company. The Company filed a Certificate of Conversion and Certificate of Incorporation on December 4, 2007, re-domesticating to the State of Delaware.

During the period covered by this examination, gross paid-in and contributed surplus increased \$1,700,000 from \$4,000,000 in 2004 to \$5,700,000 in 2008. Additionally, common capital stock increased 1,200,000 from 1,800,000 in 2004 to 3,000,000 in 2008. The increase for the period is illustrated in the following schedule:

	Gross Paid-in & Contributed Surplus	Common Capital Stock
Ending Balance as of December 31, 2004	\$4,000,000	\$1,800,000
2005: Capital Contribution from MIC	1,700,000	1,000,000
2006: Capital Contribution from MIC	0	0
2007: Capital Contribution from MIC	0	200,000
2008: Capital Contribution from MIC	0	0
Ending Balance as of December 31, 2008	<u>\$5,700,000</u>	<u>\$3,000,000</u>

The capital contribution was reported to and approved prior to payment by the Delaware Insurance Department in accordance with 18 Del. C. §5005.

### **CORPORATE RECORDS**

The recorded minutes of the shareholder, 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, including approval of investments.

### **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 of Directors. The bylaws provide that the number of directors that shall constitute the whole Board shall not be less than three members or more than eleven. Each director shall be elected at the annual meeting of the shareholder and shall be elected to serve until his successor shall be elected.

The Board may, by resolution, designate one or more committees, each committee to consist of two or more of the directors. The Board has designated an Audit Committee, a Compensation Committee, and an Investment Committee. 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.

Dividends upon the capital stock may be declared by the Board at any regular or special meeting. Dividends may be paid in cash, property or in shares of capital stock.

The Board of Directors, duly elected in accordance with the Company's bylaws and serving as of December 31, 2008, is as follows:

<u>Name</u>	<u>Principal Occupation</u>
Gene George Gopon	Chairman of the Board of Directors of the Company and Consultant to the Company
Edward Hersey Hamm, Sr.	Chairman of the Board of Directors and ultimate controlling owner of Northern Homelands Company
Edward Hersey Hamm, Jr.	Vice President of the Company and President of Northern Homelands Company
Fred Marshall Turner II	President and Chief Executive Officer of the Company
Jerome Bernard Simon	Secretary of the Company and Northern Homelands Company; Partner, Mason Edelman Borman & Brand
Brian Keith Smith	President of Private Capital Management, Inc.
William Carl Peterson	CEO of Private Capital Management, Inc.
James Pius Wicker	Retired Partner, KPMG, LLC.

The bylaws state that the officers of the corporation shall be a President, Vice-President, Secretary and Treasurer, and such other officers as may from time to time be chosen by the Board. The following persons were elected as officers and were serving in that capacity at December 31, 2008.

<u>Name</u>	<u>Office</u>
Fred Marshall Turner II	President and Chief Executive Officer
Jerome Bernard Simon	Secretary
Karl Alan Waite	Senior Vice President and Chief Financial Officer
Donna Marie Biondich	Vice President
Matthew Van Burnett	Vice President
Charles Henry Clemens, Jr.	Senior Vice President
Robert Glenn Cloud Jr.	Vice President
Peter Frank DeJesso	Senior Vice President
Norma Gainey Dickson	Vice President
David Michael Green	Vice President
Edward Hersey Hamm, Jr.	Vice President
Douglas Lloyd Hathaway	Vice President
Rebekah Bacon Hutchings	Vice President
James Ray Pratte	Senior Vice President
Richard Vito Sforzo	Vice President
Nicholas Taube	Vice President

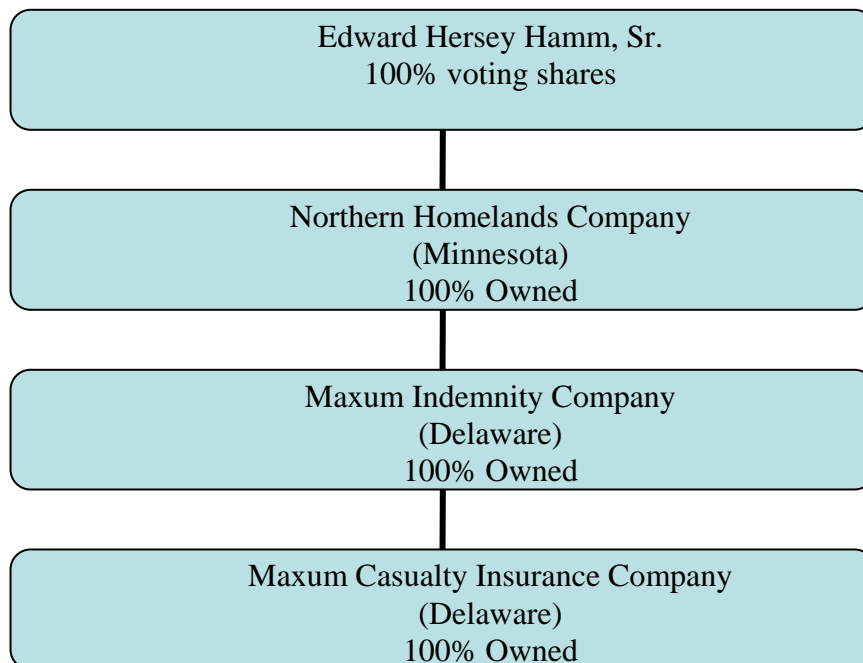
It was noted that written correspondence was submitted to the Delaware Department of Insurance in regards to the changes in officers and directors during the period under examination in compliance with 18 Del. C. §4919.

Following are the principal internal Board committees and their members as of December 31, 2008:

<u>Audit Committee</u>	<u>Compensation Committee</u>	<u>Investment Committee</u>
Edward Hersey Hamm Jr.	Edward Hersey Hamm Jr.	Gene George Gopon
Brian Keith Smith	Gene George Gopon	Fred Marshall Turner II
William Carl Peterson	William Carl Peterson	
James Pius Wicker	James Pius Wicker	

### **HOLDING COMPANY SYSTEM**

The Company is a member of an insurance holding company system as defined under Chapter 50, “Insurance Holding Companies” of the Delaware Insurance Code. The parent of the Company is MIC, which is 100% owned by NH, a Minnesota corporation. Edward Hersey Hamm, Sr. owns 100% of the voting stock of NH and is the ultimate controlling person. The following organizational chart depicts the Company’s relationship within the holding company system at December 31, 2008.



### **AFFILIATED AGREEMENTS**

The following agreements were in effect between the Company and its affiliates at December 31, 2008.

#### **Intercompany Service Agreement**

Effective September 15, 2004, the Company entered into a service agreement with its parent MIC. Under the agreement, the Company is provided all underwriting, loss adjustment, investment, and other general operating services on a cost basis from its parent MIC. The terms of the agreement require all amounts to be settled within thirty days after month's end.

#### **Tax Sharing Agreement**

Effective September 30, 2004, the Company entered into a tax sharing agreement with MIC and NH whereby the companies specify the manner in which they will share in the tax consequences of filing a consolidated federal income tax return. The method of allocation

among the companies is subject to Board approval. The allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return.

#### Intercompany Reinsurance Agreement

Effective July 8, 2004, the Company cedes 100% of direct written premium and 100% of losses and loss adjustment expenses to its parent, MIC. The ceding commission is equal to commission paid on the policies being ceded.

#### Investment Advisory Agreement

On January 1, 2006, the Company and its parent MIC executed an amendment to its Investment Advisory Agreement (Agreement), dated from January 1, 2003, with Private Capital Management, Inc. (PCM) a Minnesota corporation. The Company appointed and retained PCM as its investment adviser, agent and attorney-in-fact with full power and authority to act with respect to the Company's account. The Agreement may be terminated by either party upon 30 days written notice to the other party. Although this is not an affiliate agreement, it is noted in this report due to the fact that Brian Smith, President of PCM, and William Peterson, Chief Executive Officer of PCM, were elected to the Company's Board of Directors in 2007.

### **CORPORATE GOVERNANCE**

The Company does not have a formalized Corporate Governance Policy for proactively addressing and mitigating risk, including prospective business risks.

The Company operates under a corporate governance environment that includes the oversight and corporate direction of a Board of Directors and management. The Company and its parent, MIC, operate as one unit known as Maxum Specialty Insurance Group (MSIG).

MSIG operates through four underwriting divisions: Casualty Brokerage, Professional Liability, Binding/Programs and Transportation. Support is provided to these four profit centers by eight shared services departments: Executive & Administration, Marketing / Business Development, Specialty Claims, Transportation Claims, Information Technology (including Actuarial), Finance and Legal. The head of each division and department reports to the President and Chief Executive Officer. The Company's accounting function reports to the Controller and Chief Financial Officer.

The Company's governance process establishes the roles of its Audit Committee and Board of Directors. The Board of Directors is responsible for overseeing the internal controls over financial reporting established by management and the process by which management satisfies itself that they are working effectively. Board meetings are held at least twice yearly with additional special meetings as needed. The Board is apprised of the Company's financial position, operating results and objectives and strategies. Additionally, the Board is made aware of sensitive information, investigations, and improper acts in a sufficient and timely manner.

MSIG established an Audit Committee at the July 30, 2008 Board of Directors meeting. The purpose of the Audit Committee is to assist the Board of Directors in fulfilling the oversight responsibilities for the financial reporting process, the system of internal control, and the audit process. External auditors report directly to the Audit Committee.

MSIG does not have a dedicated internal audit department. Instead, there is a peer review process over the underwriting and claims functions. Each underwriting and claims division develops a survey for evaluating their files, and the peer review process is used to complete the survey on each file that is selected for review. Additionally, at least once per year, an independent consultant is engaged to audit the claim functions. These internal audits

are overseen by a Management Audit Committee composed of the President/Chief Executive Officer, Chief Financial Officer, Chief Information Officer, and General Counsel.

### **FIDELITY BONDS AND OTHER INSURANCE**

The Company maintained fidelity bond coverage up to \$1,000,000 with a deductible of \$25,000, which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC.

The Company also maintained General Liability, Excess Liability, Executive Risk Liability and Property insurance coverage.

### **PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company had no pension, stock ownership, or insurance plans as of December 31, 2008.

### **TERRITORY AND PLAN OF OPERATION**

At December 31, 2008, the Company was licensed in 28 states and continued to seek admission to become licensed in additional states. The territorial focus for the Company is primarily within the mid-section of the country, as states located in the Midwest, Rocky Mountain and Mid-Atlantic areas of the United States have typically provided a greater opportunity for Company underwriting profit. States with the largest premium volume are Georgia, Pennsylvania, Ohio, Utah and South Carolina. The Company focuses on stable and established trucking risks, offering a multi-line product that includes auto liability, physical damage, cargo, and general liability for heavy trucking accounts. The program is most competitive on hauling for long-term shippers on repetitive routes to familiar destinations. Risk

selection for trucking accounts is based on quality, stability, mileage, routes, radius and commodities hauled of an insured's operation. Preferred risks also include non-hazardous, dry, refrigerated or flatbed freight.

The Company produces business through general agents who have limited quoting and binding authority. The Company also produces business through wholesale brokers which is underwritten by the Company. These producers operate under either general agency contracts or broker agreements. Bound policies are subject to review by Company underwriters for compliance with underwriting and policy issuance guidelines, producer binding authority and adherence to quoted rates and terms.

All policy files are maintained and processed through the Company's underwriting system and all reporting is done by the Company's accounting department.

### **GROWTH OF THE COMPANY**

The following information was obtained from the Company's filed Annual Statements and covers the four year period since the previous exam:

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus as Regard Policyholders</u>	<u>Net Premium Written</u>	<u>Net Income</u>
2008	\$12,204,515	\$9,635,994	\$0	\$224,096
2007	11,344,117	9,412,367	0	258,856
2006	11,114,635	8,955,192	0	246,833
2005	10,219,772	8,709,497	0	178,858
2004	5,925,180	5,815,249	0	31,369

Net premiums written reflect the 100% cession to the parent company, MIC. Since December 31, 2004, the Company's financial results were as follows.

- Approximately 106% increase in admitted assets. This is primarily due to the increase of investments in bonds.

- Approximately 65.7% increase in capital and surplus. There was a \$2,700,000 capital contribution in 2005 and a \$200,000 capital contribution in 2006. The remainder of the change is primarily from an increase in net income.
- Approximately 614.4% increase in net income. The change in net income is primarily due to investment income earned.

### **LOSS EXPERIENCE**

There were no unusual values noted in the Company's reserve related IRIS ratios. The Company cedes 100% of its business to its parent, Maxum Indemnity Company (MIC).

### **REINSURANCE**

#### **Assumed**

The Company assumed approximately \$5,000 in premium during 2008 as part of a mandatory pool.

#### **Ceded**

Effective July 8, 2004, the Company cedes 100% of its business written under a quota share agreement with its parent, MIC. Total ceded premium to MIC amounted to \$23,275,692 for 2008. The majority of the business written by the Company and ceded to MIC was transportation business, including auto liability, motor truck cargo and truck physical damage.

### **ACCOUNTS AND RECORDS**

The Company maintains its records on a combination of client server, host, and network applications which utilize various reporting systems to record and report financial information.

The accounts and records reviewed 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, KPMG, LLP, audited the Company's records for the years ended 2005, 2006, 2007 and 2008. Audit reports and applicable work papers were made available for the examiners' use.

The accounts and records review 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 desk review of the Company IT operations.

During the course of the examination, the Company's books and records were reviewed and compared to reported items and values in the annual statements. No material discrepancies were noted during this review.

**STATUTORY DEPOSITS**

<u>State</u>	<u>Description</u>	<u>Book Value</u>	<u>Fair Value</u>
DE	Various Bonds	\$ 753,111	\$ 750,427
GA	Various Bonds	<u>1,547,597</u>	<u>1,559,763</u>
Total Benefit of All Policyholders		<u>\$2,300,708</u>	<u>\$2,310,190</u>
AR	Cash	\$ 110,000	\$ 110,000
IN	Wisconsin St Ser A, 4.75%, 5/1/2017	30,112	30,401
KS	Ohio St Higher Ed, 5%, 5/01/2020	25,749	23,472
NC	Forsyth County NC, 4.75%, 3/01/2018	314,758	312,561
NV	Various Bonds	234,988	230,380
OK	Various Bonds	342,390	333,662
SC	Various Bonds	126,250	126,878
SD	Anchorage AL, 4.75%, 1/01/13	89,746	91,775
TN	Various Bonds	<u>597,979</u>	<u>602,925</u>
Total All Other Special Deposits		<u>\$1,871,972</u>	<u>\$1,862,054</u>

The statutory deposit schedule above is correct as of December 31, 2008. It is noted that the Company's Annual Statement Schedule E - Part 3 – Special Deposit (Schedule) was not completed correctly for 2008. The Schedule included a deposit with Idaho with a book value of \$70,260 that had been redeemed during the year. The Schedule did not include a North Carolina deposit that was made before year end 2008 with a book value of \$314,758. The Company's Schedule D – Part 1 did properly list this security as a special deposit in accordance with NAIC Annual Statement instructions.

**It is recommended that the Company complete its Schedule E – Part 3 – Special Deposits in accordance with the NAIC's Annual Statement instructions.**

**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.

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

**ASSETS  
 DECEMBER 31, 2008**

<u>Assets</u>	<u>Ledger Assets</u>	<u>Non-Admitted Assets</u>	<u>Net-Admitted Assets</u>
Bonds	\$9,407,860		\$9,407,860
Cash	(44,707)		(44,707)
Investment income due and accrued	120,761		120,761
Amounts recoverable from reinsurers	167,613		167,613
Net deferred tax asset	23,408	\$23,408	0
Receivable from parent, subs and affiliates	2,546,760		2,546,760
Recovery receivable	6,228		6,228
<b>Total Assets</b>	<b>\$12,227,923</b>	<b>\$23,408</b>	<b>\$12,204,515</b>

**LIABILITIES, SURPLUS AND OTHER FUNDS  
DECEMBER 31, 2008**

		<u>Note</u>
Losses	\$ 0	1
Loss adjustment expenses	0	1
Taxes, licenses and fees	324,540	
Federal and foreign income taxes	12,474	
Net deferred tax liability	4,018	
Ceded reinsurance premiums payable	2,219,374	
Payable to parent, subsidiaries and affiliates	<u>8,115</u>	
 Total Liabilities	 <u>\$2,568,521</u>	
 Common capital stock	 \$3,000,000	
Gross paid in and contributed surplus	5,700,000	
Unassigned funds (surplus)	<u>935,994</u>	
 Surplus as Regards Policyholders	 <u>\$9,635,994</u>	
 <b>Total Liabilities, Surplus and Other Funds</b>	 <b><u>\$12,204,515</u></b>	

**STATEMENT OF INCOME**

**DECEMBER 31, 2008**

**Underwriting Income**

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

**Investment Income**

Net investment income earned	\$336,686
Net realized capital gains (losses)	<u>(64,227)</u>
Net investment gain or (loss)	\$272,459

**Other Income**

Net gain or (loss)	\$0
Finance and service charges not included in premiums	0
Aggregate write-ins for miscellaneous income	<u>0</u>
Total other income	\$0

Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$272,459
Federal income taxes	<u>48,363</u>
<b>Net Income</b>	<b><u>\$224,096</u></b>

**RECONCILIATION OF CAPITAL AND SURPLUS**  
**FROM DECEMBER 31, 2004 to DECEMBER 31, 2008**

**Capital and Surplus Account**

Capital and Surplus, December 31, 2004	\$5,815,249
Net Income	\$908,643
Change in net unrealized capital gains(losses)	0
Change in net deferred income tax	19,510
Change in non-admitted assets and related items	(23,408)
Change in provision for reinsurance	16,000
Capital paid in	1,200,000
Surplus paid in	<u>1,700,000</u>
Change in surplus as regards policyholders	<u>\$3,820,745</u>
<b>Capital and Surplus, December 31, 2008</b>	<b><u>\$9,635,994</u></b>

## ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

DECEMBER 31, 2008

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

### NOTES TO THE FINANCIAL STATEMENTS

<b><u>(Note 1) Losses</u></b>	<b><u>\$0</u></b>
<b><u>Loss Adjustment Expenses</u></b>	<b><u>\$0</u></b>

The above captioned amounts are the same as that reported by the Company in its 2008 Annual Statement.

The Department's consulting actuary INS Consultants Inc., (INS) was retained and performed an independent analysis of the Company's loss and loss adjustment expense (LAE) reserves as of December 31, 2008.

The INS review of loss and LAE consisted of analyzing the Company's book of business by line of business on a gross basis. Since 100% of the business written by the Company is ceded to Maxum Indemnity, the Company had no net exposure. The lines of business reviewed included automobile physical damage and commercial automobile liability. The Company's gross loss and LAE reserves are estimated to be adequate, based on the INS review.

The INS analysis employed standard reserving methodologies and techniques. Loss and LAE reserves are subject to errors of estimation arising from the fact that the ultimate liability for claims evaluated as of the evaluation date is 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 liability will be the same as the reserve levels at the evaluation date.

### **COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

The Company has taken the necessary actions to comply with the comments made in the 2004 examination report issued by the Georgia Department of Insurance.

### **SUMMARY OF RECOMMENDATIONS**

Examination findings and recommendations as of December 31, 2008 consisted of the following:

**It is recommended that the Company complete its Schedule E – Part 3 – Special Deposits in accordance with the NAIC’s Annual Statement instructions. (Statutory Deposits, page 16.)**

**CONCLUSION**

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

<b><u>Description</u></b>	<b><u>December 31, 2008</u></b>	<b><u>December 31, 2004</u></b>
Assets	<u>\$12,204,515</u>	<u>\$5,925,180</u>
Liabilities	\$2,568,521	\$109,931
Capital and Surplus	<u>9,635,994</u>	<u>5,815,249</u>
Total Liabilities, Capital, and Surplus	<u>\$12,204,515</u>	<u>\$5,925,180</u>

During the period under examination Assets increased \$6,279,335; Liabilities increased \$2,458,590 and Capital and Surplus increased \$3,820,745.

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

Respectfully submitted,



---

Nicholas Prumatico Jr., CFE  
Administrative Supervisor  
State of Delaware