

REPORT ON EXAMINATION

OF THE

MID-CONTINENT EXCESS AND SURPLUS INSURANCE
COMPANY

AS OF

DECEMBER 31, 2011

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

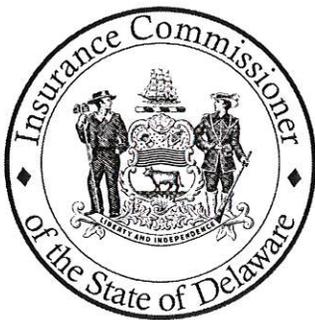
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2011 of the

MID-CONTINENT EXCESS & SURPLUS INSURANCE COMPANY

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

Attest By: Brandi Biddle

Date: April 30, 2013



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 30th day of April, 2013.

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

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
MID-CONTINENT EXCESS & SURPLUS INSURANCE COMPANY
AS OF
DECEMBER 31, 2011

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart", is written over a horizontal line.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 30th day of April, 2013

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SALUTATION

March 6, 2013

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

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certification Number 12.016 dated the 22nd day of March, 2012, a financial examination has been made of the affairs, financial condition and management of the

MID-CONTINENT EXCESS AND SURPLUS INSURANCE COMPANY

hereinafter referred to as (Company or MCESIC) incorporated under the laws of the State of Delaware. The statutory home office was located at The Corporation Trust Company, 1209 Orange Street, Wilmington, DE 19801. The main administrative office of the Company was 1437 South Boulder Drive, Tulsa, Oklahoma 74119. The examination of the Company was conducted concurrently with that of its Delaware domestic affiliates, American Empire Surplus Lines Insurance Company (AESLIC), Great American E&S Insurance Company (GAESIC), and Great American Fidelity Insurance Company (GAFIC). Separate reports of examination were filed for each company. The report of this examination is respectfully submitted.

SCOPE OF EXAMINATION

The Company was incorporated on July 10, 2009, but did not begin writing business until 2010. The last examination was an organizational examination of the Company performed as of January 31, 2010 covering the Company's corporate records and financial data. This examination

covered the period from January 1, 2010 through December 31, 2011, and encompassed 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, 2011. Transactions subsequent to the examination date were reviewed where deemed necessary.

The financial examination of the Company was conducted concurrently with examinations of other subsidiaries of American Financial Group, Inc. (AFG), with the Ohio Department of Insurance (Ohio Department) as the domiciliary lead state. Other state regulators involved in the coordinated examination that conducted concurrent full scope financial examinations as of December 31, 2011, included: the California Department of Insurance (California Department), the Illinois Department of Insurance (Illinois Department), the New York Department of Financial Services (New York Department) and the Texas Department of Insurance (Texas Department).

AFG maintains control and oversight of all insurance operations in the group. The group specializes in niche property and casualty (P&C) markets, as well as life, annuity and health operations, managed through intercompany pooling arrangements or pools. There are a total of four (4) P&C pools overseen by AFG as follows: GAI Pool, American Empire Pool, Mid-Continent Pool and Republic Indemnity Pool. Operations of the GAI and American Empire pools are based in Cincinnati, Ohio with the Mid-Continent pool operations in Tulsa, Oklahoma and the Republic Indemnity pool operations in Los Angeles, California. The life, annuity and health operations are conducted in Cincinnati, Ohio and Austin, Texas. Included in the scope of this coordinated examination and identified below are the four (4) P&C pools, the companies within each pool, the domiciliary location of the companies and the business they produce. Review of all the companies below resided in the Ohio Department's examination project as the lead state. The work performed within the examination project supports this report.

<u>GAI Pool</u>	<u>Domiciliary Location</u>
Great American Alliance Insurance Company	OH
Great American Assurance Company	OH
Great American Casualty Insurance Company	OH
Great American Contemporary Insurance Company	OH
Great American E&S Insurance Company	DE
Great American Fidelity Insurance Company	DE
Great American Insurance Company	OH
Great American Insurance Company of New York	NY
Great American Protection Insurance Company	OH
Great American Security Insurance Company	OH
Great American Spirit Insurance Company	OH

The GAI Pool, led by Great American Insurance Company, is AFG's largest property and casualty group. The group writes business in all 50 states, the District of Columbia, Puerto Rico and Canada, providing specialized commercial insurance products through approximately 12,000 independent agents and brokers. The group is one of the largest writers, based on premium volume, of multi-peril crop insurance, a business in which it has been engaged since 1925. Great American Insurance Company retains 100% of the pooled business.

<u>Republic Indemnity Pool</u>	<u>Domiciliary Location</u>
Republic Indemnity Company of America	CA
Republic Indemnity Company of California	CA

The Republic Indemnity Pool provides workers' compensation and excess workers' compensation coverages, with business in California accounting for approximately 75% of the pool's direct written premium. Effective July 1, 2007, as part of management's diversification efforts, excess workers' compensation business was initiated in several new states. Republic Indemnity's workers' compensation book is produced through approximately 1,200 brokerage firms, writing small and medium sized risks, with a focus on skilled classes and small retail operations, deemphasizing construction and other higher risk classes. Republic Indemnity

Mid-Continent Excess and Surplus Insurance Company

Company of America retains 97% of the pooled business and Republic Indemnity Company of California retains 3%.

Mid-Continent Pool

Domiciliary Location

Mid-Continent Assurance Company	OH
Mid-Continent Casualty Company	OH
Mid-Continent Excess and Surplus Insurance Company	DE
Oklahoma Surety Company	OH

The Mid-Continent Pool's core product offerings are primarily comprised of general and product liability, surety and inland marine. Historically, the group specialized in serving the oil and gas industry, but shifted its focus to other programs in response to ongoing consolidation of that industry. Business is written through approximately 500 independent agents. Mid-Continent Casualty Company retains 94% of the pooled business while Mid-Continent Assurance Company and Oklahoma Surety Company retain 3% a piece.

American Empire Pool

Domiciliary Location

American Empire Insurance Company	OH
American Empire Surplus Lines Insurance Company	DE

The American Empire Pool is an excess and surplus lines operation dealing primarily with wholesale type licensed excess and surplus lines brokers. It entertains all types of commercial property and casualty business in the surplus lines market, opportunistically shifting the classes it writes in response to marketplace needs. Business is distributed through approximately 200 surplus lines brokers. AESLIC retains 90% of the pooled business and AEIC 10%.

As a coordinated effort and following the risk-focused surveillance financial examination format, examiners from both the Ohio Department and the Delaware Department of Insurance (Delaware) identified and assessed risks and evaluated controls with respect to the key functional

activities and processes of the GAI, American Empire and Mid-Continent pools. The GAI pool contains two Delaware domiciled insurance companies, GAESIC and GAFIC, which have 0% participation in the pool. In addition, the Delaware insurance company MCESIC has 0% participation in the Mid-Continent pool. AESLIC is a 90% participant in the American Empire pool, with American Empire Insurance Company (AEIC), an Ohio domiciled company, as a 10% participant. Based on the above participating percentages within the four pooling arrangements, and as part of the coordinated examination effort, it was determined that the Ohio Department would assume the lead on the examination of the GAI and Mid-Continent pool's identified key functional activities, while Delaware would assume the lead on the examination of the American Empire pool key functional activities and processes. The Delaware examination team coordinated and regularly communicated their review of Company management and operations with the Ohio Department to the fullest extent possible in order to avoid duplication of efforts and to leverage relevant work completed. All examinations were conducted in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (NAIC Handbook) and the respective states' statutes and regulations.

During the examination, consideration was given to work performed by the Company's independent accounting firm Ernst & Young, LLP (E&Y). Certain auditor work papers were incorporated into the work papers of the examiners where it was deemed appropriate. In addition, we reviewed, relied on and leveraged off certain Sarbanes Oxley (SOX) work, completed by Internal Audit at the direction of E&Y, related to operations of the Company. Based upon review of E&Y's work papers, specific account analysis, the assessment of management and the American Financial Group, Inc. organization (as a whole), the assessment of account specific and cycle controls, and the assessment of the internal control environment, an overall assessment for each of the Company's identified risks was determined. Where an overall assessment of a risk was

determined to be low, no substantive procedures were deemed necessary. For risks with a moderate overall assessment, limited or analytical examination procedures were performed. Detail testing was performed on risks with an overall assessment of high. In the remaining areas, we identified examination procedures to specifically address concerns or risk areas noted, based on professional judgment.

In addition to items noted in this report, the following topics were reviewed without material exception and are included in the work papers of this examination:

- Conflict of Interest
- NAIC Ratios
- Legal Actions
- Regulatory Agency Correspondence
- All Asset and Liability Items not mentioned

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

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings as a result of this examination.

SUBSEQUENT EVENTS

There were no reportable subsequent events to this examination.

COMPANY HISTORY

The Company was originally incorporated under the laws of the State of Delaware on July 10, 2009, as the Mid-Continent Excess and Surplus Insurance Company, a wholly-owned subsidiary of the Mid-Continent Casualty Company. The registered office of the Company is located at 1209 Orange Street, Wilmington, Delaware 19801.

The Company is a member of a holding company system wholly owned by Great American Holding, Inc. The ultimate parent, AFG, is a publicly traded company. Additional comments are included under the caption “Insurance Holding Company System.”

Common Capital Stock

The Company’s authorized capital was \$2,500,000, consisting of 100 issued and outstanding shares of common stock at no-par value. There was no change in Common Capital Stock during the period covered by this examination. The Company's Gross Paid-in and Contributed Surplus was \$12,500,000. There was no change in Gross Paid-in and Contributed Surplus during the period covered by this examination.

Dividends

During the period under examination the Company did not pay any dividends.

Contributions

On August 17, 2009, the Company received a \$12.5 million capital contribution.

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 the approvals, ratifications, and transactions that occurred during the meetings.

MANAGEMENT AND CONTROL

Directors

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

Article II, Section 8 of the corporate bylaws states that the Board shall consist of no fewer than four (4) and no more than twelve (12) members. As of the examination date the Board was comprised of seven (7) members. Directors were elected for one-year terms at the annual meeting of the stockholder. Individuals elected and serving on the Board at December 31, 2011, were:

Directors

Principal Business Affiliation

Ronald James Brichler

Director & Executive Vice President
Great American Insurance Company

Hubert Michael Coon

Director, President & Chief Operating Officer
Mid-Continent Casualty Company

Gary John Gruber

Director & Executive Vice President
Great American Insurance Company

Karen Holley Horrell

Director, Senior Vice President, Executive
Counsel & Secretary
Great American Insurance Company

Donald Dumford Larson

Director, President & Chief Operating Officer
Great American Insurance Company

Eve Cutler Rosen

Director, Senior Vice President, General
Counsel & Assistant Secretary
Great American Insurance Company

David John Witzgall

Director, Senior Vice President, Chief
Financial Officer & Treasurer
Great American Insurance Company

The Company's bylaws provide for the Board to designate one or more internal committees, each committee to consist of not less than (3) directors who shall serve for one year and until their successors are appointed. As of December 31, 2011, the Board had appointed the following committees.

Executive Committee

Ronald J. Brichler
Gary J. Gruber
Donald D. Larson

Finance Committee

Ronald J. Brichler
Gary J. Gruber
David J. Witzgall

A review of Company's corporate records showed that regular business of the Shareholder and the Board was conducted via written consents in lieu of regular meetings.

Officers

In accordance with Article V, Section 1 of the Company's bylaws, the officers of the Company shall consist of a Chairman of the Board, a President, one or more Vice Presidents, a Treasurer, one or more Secretaries, and such other Assistant Vice Presidents, Assistant Treasurers, or other officers as from time to time may appear to the Board as necessary or desirable. As of December 31, 2011, the Company's principal officers and their respective titles are as follows:

<u>Name</u>	<u>Title</u>
Donald Dumford Larson	Chairman
Ronald James Brichler	Vice Chairman
Hubert Michael Coon	President & Chief Operating Officer
Loretta Fay Jessee	Secretary
Gregory Patrick Jones	Senior Vice President, Chief Financial Officer & Treasurer
James Steven Davis	Senior 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 AFG holding company system, pursuant to 18 Del. C. §50 "Insurance Holding Company System". AFG is a holding company that, through subsidiaries, is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of traditional fixed and indexed annuities and a variety of

supplemental insurance products. AFG's specialty property and casualty insurance operations consist of approximately 30 niche insurance businesses offering a wide range of commercial coverages. AFG's statutory combined ratio averaged 87.4% for the period 2009 to 2011 as compared to 102.7% for the property and casualty industry over the same period (Source: A.M. Best).

The following abbreviated organizational chart, that included the Company, illustrates the identities and relationships between its parent, affiliates and subsidiaries as of December 31, 2011.

<u>Company</u>	<u>Domiciliary Location</u>
American Financial Group, Inc.	OH
APU Holding Company	OH
GAI Insurance Company, Ltd.	BM
<i>Republic Indemnity Company of America*</i>	CA
<i>Republic Indemnity Company of California*</i>	CA
GAI Holding Bermuda Ltd.	BM
GAI Indemnity, Ltd	BM
Marketform Group Limited	GB
Marketform Holdings Limited	GB
Lavenham Underwriting Limited	GB
Sampford Underwriting Limited	GB
Great American Financial Resources, Inc.	DE
AAG Holding Company, Inc.	OH
Great American Life Insurance Company	OH
Aerielle IP Holdings, LLC	OH
Annuity Investors Life Insurance Company	OH
GALIC – Stoneleigh, LLC	FL
GALIC Pointe, LLC	FL
Manhattan National Holding Corporation	OH
Manhattan National Life Insurance Company	IL
Loyal American Holding Corporation	OH
Loyal American Life Insurance Company	OH
American Retirement Life Insurance Company	OH
Great American Life Assurance Company	OH
United Teacher Associates Ltd.	TX
United Teacher Associates Insurance Company	TX

Mid-Continent Excess and Surplus Insurance Company

Ceres Group, Inc.	DE
Central Reserve Life Insurance Company	OH
Provident American Life & Health Insurance Company	OH
United Benefit Life Insurance Company	OH
Continental General Corporation	NE
Continental General Insurance Company	OH
Great American Holding, Inc.	OH
Agricultural Services, LLC	OH
<i>American Empire Surplus Lines Insurance Company*</i>	DE
<i>American Empire Insurance Company*</i>	OH
American Empire Underwriters	TX
<i>Mid-Continent Casualty Company*</i>	OH
<i>Mid-Continent Assurance Company*</i>	OH
<i>Mid-Continent Excess and Surplus Insurance Company*</i>	DE
<i>Mid-Continent Specialty Insurance Services, Inc.*</i>	OK
<i>Oklahoma Surety Company*</i>	OH
Great American International Insurance Limited	IE
Premier International Insurance Company	TC
<i>Great American Insurance Company*</i>	OH
FCIA Management Insurance Company, Inc.	NY
GAI Warranty Company of Canada, Inc.	CN
Global Premier Finance Company	OH
<i>Great American Alliance Insurance Company*</i>	OH
<i>Great American Assurance Company*</i>	OH
<i>Great American Casualty Insurance Company*</i>	OH
<i>Great American Contemporary Insurance Company*</i>	OH
<i>Great American E & S Insurance Company*</i>	DE
<i>Great American Fidelity Insurance Company*</i>	DE
<i>Great American Insurance Company of New York*</i>	NY
<i>Great American Lloyd's Insurance Company*</i>	TX
<i>Great American Protection Insurance Company*</i>	OH
<i>Great American Security Insurance Company*</i>	OH
<i>Great American Spirit Insurance Company*</i>	OH
National Interstate Corporation	OH
Hudson Indemnity, Ltd.	KY
National Interstate Insurance Company	OH
National Interstate Insurance Company of Hawaii, Inc.	OH
Triumphe Casualty Company	OH
Vanliner Group, Inc.	DE
Vanliner Insurance Company	MO
Penn Central U.K. Limited	GB

Insurance (GB) Limited	GB
Pinecrest Place, LLC	FL
Professional Risk Brokers, Inc.	IL

* *Companies included in and examined concurrently within the review of AFG*

AFFILIATED AGREEMENTS

The Company entered into various agreements with members of its affiliated group, in an effort to obtain efficiencies in operations and limit cost, and therefore had the following intercompany agreements and arrangements in effect as of December 31, 2011.

General Services Agreement

The Company is a party to a General Services Agreement among certain affiliates of AFG, which states that any member of the holding company may provide administrative services to any other member. The original agreement was effective August 1, 1996. Services are based on cost.

Investment Services Agreement

The Company became a party to an Investment Services Agreement on August 17, 2009. The agreement is with an affiliate, American Money Management Corporation (AMM) and states that AMM shall provide advice and management of the Company's investment portfolio. Such advice will be subject to the Company's approval and in accordance with its investment guidelines. Reimbursement of expenses incurred by AMM is to be paid quarterly and is prorated on the basis of the proportion of the Company's portfolio to the total portfolio value administered by AMM.

Tax Allocation Agreement

The Company entered into a Tax Allocation Agreement with AFG and subsidiaries dated December 31, 2005. Pursuant to the tax allocation agreement, the Company's tax expense will be determined based upon its inclusion in the consolidated tax return of American Financial Group, Inc. and its subsidiaries. Estimated payments are to be made quarterly during the year. Following

year-end, additional settlements will be made on the original due date of the return and, when extended, at the time the return is filed. The method of allocation among the companies under the agreement is based upon separate return calculations with current credit for net losses to the extent the losses provide a benefit in the consolidated tax return.

FIDELITY BOND AND OTHER INSURANCE

As of the examination date, the Company was covered by a Financial Institution Bond (Fidelity Bond) provided to American Financial Group, Inc. (AFG) and its named subsidiaries. The coverage was provided by Travelers, with a single loss limit of liability of \$25,000,000, which exceeded the suggested minimum limits of insurance per the NAIC Handbook.

In addition to the fidelity coverage, AFG provided general insurance coverage for itself and its subsidiary companies including the Company.

TERRITORY AND PLAN OF OPERATION

The Company, as of the examination date, was approved to write surplus lines in 30 states and licensed to write direct business in the State of Delaware. For the year ending 2011, the Company wrote 93.7% of its surplus lines business in the following two states; Oklahoma (70.2%) and Florida (23.5%).

The Company offers surplus lines through an affiliated producer named Mid-Continent Specialty Insurance Services, Inc. and also through non-affiliated wholesale and retail producers. The company generates business through the existing Mid-Continent Group retail agency force. Long term marketing and distribution plans include the appointment of new retail and wholesale agents and placement of business through selected non-affiliated wholesale brokers and/or program administrators with limited underwriting and binding authority subject to the Company's underwriting guidelines and policy forms.

GROWTH OF THE COMPANY

The Company was incorporated July 10, 2009, and began writing business in 2011. Financial data compiled from the Company's 2010 and 2011 Annual Statements is summarized as follows:

<u>Year</u>	<u>Net Admitted Assets</u>	<u>Surplus as Regards Policyholders</u>	<u>Net Premium Written</u>	<u>Net Income</u>
2011	15,872,603	15,861,269	0	476,870
2010	15,376,904	15,375,298	0	367,930

Net admitted assets and surplus as regards policyholders increased primarily as a result of investment income.

LOSS EXPERIENCE

The Company participated in a 100% intercompany reinsurance pooling agreement with its parent, Mid-Continent Casualty Company, through which all business written by the Company is ceded with no business assumed. Therefore, no net losses incurred on business written by the Company were reflected in Schedule P.

As taken from the Company's Annual Statement 2011 Five-Year Historical Exhibit, Gross Losses Paid was \$0 in 2011 and 2010.

REINSURANCE

Pooling Agreement

The Company is party to an inter-company reinsurance pooling agreement. Participants in the agreement include Mid-Continent Casualty Company (MCC), Oklahoma Surety Company (OSC), Mid-Continent Assurance Company (MCA), and the Company. The effect of the reinsurance agreement is to transfer all direct insurance liabilities to the parent, MCC, but no retrocession is made back to the Company from the Pool.

A schedule of the Company's 2011 net premiums written is as follows:

Direct		\$	100,025
Assumed			-
Ceded:			
Affiliates	\$	100,025	
Non-Affiliates		<u>-</u>	
Total ceded			<u>100,025</u>
Total net premiums		\$	<u><u>-</u></u>

Ceded

The Company maintains a reinsurance pooling agreement with certain affiliates as described above.

ACCOUNTS AND RECORDS

The accounts and records reviewed included an evaluation of the Company's operation and organization controls. The areas evaluated included computer systems, accounting systems, organization structure and the processing structure.

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 controls were identified and tested and the Company's methodology for assessing the effectiveness of the established mitigation factors was evaluated.

Ernst & Young, LLP audited the statutory financial statements of the Company for the years under examination and issued an unqualified opinion in each year. Ernst & Young, LLP reviewed the internal control structure of the Company in order to establish necessary audit procedures required to express an opinion on the December 31, 2011, financial statements. No

material qualifying deficiencies were found to exist in either the design or oversight of the internal control structure of the Company.

During the course of the examination, the Company's books and records were reviewed and compared to reported items in the annual statements. No material discrepancies were noted during the review. Based on the examination review of the Company's accounts and records related to its filed annual statements, observations, discussions with management, and the review of financial reporting processes and controls, the Company's accounting systems, processes, and procedures were found to conform to required insurance accounting practices.

STATUTORY DEPOSITS

The Company's state statutory deposits were on file with the following states:

<u>STATE</u>	<u>Deposits for the Benefit of All</u>		<u>All Other Special Deposits</u>	
	<u>Policyholders</u>			
	<u>Book Adjusted</u>		<u>Book Adjusted</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Arkansas	\$ -	\$ -	\$ 108,310	\$ 112,476
Delaware	2,942,420	3,149,642		
TOTAL DEPOSITS	<u>\$ 2,942,420</u>	<u>\$ 3,149,642</u>	<u>\$ 108,310</u>	<u>\$ 112,476</u>

FINANCIAL STATEMENTS

The following pages contain the Company's Financial Statements for the year ending December 31, 2011, as determined by this examination, with supporting exhibits as detailed below:

Assets
Liabilities, Surplus and Other Funds

Statement of Income
Reconciliation of Capital and Surplus

It should be noted that the various schedules and exhibits may not add to the totals shown due to rounding.

Assets
December 31, 2011

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 14,221,813	\$ -	\$ 14,221,813	(1)
Cash, cash equivalents & short-term investments	1,438,231	-	1,438,231	
Subtotals, cash & invested assets	<u>\$ 15,660,044</u>	<u>\$ -</u>	<u>\$ 15,660,044</u>	
Investment income due & accrued	188,415	-	188,415	
Net deferred tax asset	16,450	-	16,450	
Receivables from parent, subsidiaries & affiliates	7,694	-	7,694	
Totals	<u><u>\$ 15,872,603</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,872,603</u></u>	

**Liabilities, Surplus and Other Funds
December 31, 2011**

Other expenses	\$ 1,945
Current federal & foreign income taxes	9,389
Total liabilities	\$ 11,334
Common capital stock	\$ 2,500,000
Gross paid in & contributed surplus	12,500,000
Unassigned funds (surplus)	861,269
Surplus as regards policyholders	\$ 15,861,269
Totals	\$ 15,872,603

**Statement of Income
December 31, 2011**

INVESTMENT INCOME

Net investment income earned	\$ 494,924
Net realized capital gains (losses) less capital gains tax	16,345
Net investment gain (loss)	\$ 511,269

OTHER INCOME

Miscellaneous income	\$ (2,994)
Total other income	\$ (2,994)

Net income after dividends to policyholders, after capital gains & before all other federal & foreign income taxes	508,275
Federal & foreign income taxes incurred	31,405
Net income	\$ 476,870

**Reconciliation of Capital and Surplus
December 31, 2011**

CAPITAL & SURPLUS ACCOUNT

Capital and Surplus, December 31, 2009	\$	15,000,019
Net Income	\$	844,800
Change in net deferred income tax		16,450
Change in surplus as regards policyholders 2009-2011	\$	861,250
Capital and Surplus, December 31, 2011	\$	15,861,269

SCHEDULE OF EXAMINATION ADJUSTMENTS

There were no financial statement adjustments made as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

Assets:

(1) Bonds \$14,221,813

Investments in bonds are reported at values (amortized cost) adopted and approved by the Securities Valuation Office (SVO) of the NAIC. Bonds owned by the Company as of December 31, 2011, are as follows:

	<u>Statement Value</u>
US Governments	\$ 361,492
US States, Territories & Possessions	773,035
US Political Subdivisions of States	2,416,501
US Special Revenue & Special Assessment	10,271,913
Industrial & Miscellaneous	398,872
Total	<u>\$14,221,813</u>

Of the Company's bond holdings, 100.0% were categorized as Class 1 or 2 with respect to NAIC creditquality standards. Bonds comprised 90.8% of the Company's total cash and invested assets and 89.6% of the Company's total net admitted assets.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The current December 31, 2011, examination will be the first full-scope financial examination performed on this Company. There were no prior examination recommendations.

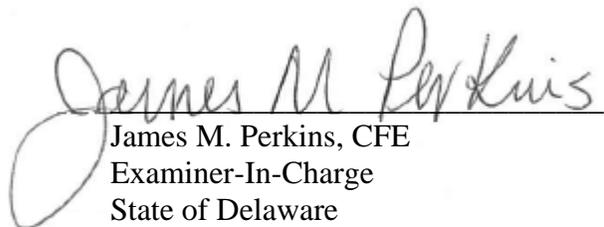
SUMMARY OF RECOMMENDATIONS

No recommendations were made as a result of this examination.

CONCLUSION

Appreciation is extended to each examination team member of the Ohio Department of Insurance whose examination work was relied upon for specific Company operational areas reviewed in this coordinated examination. In addition, the assistance and cooperation of the consulting actuarial firm, INS Consultants, Inc., the Company's outside audit firm Ernst & Young, LLP, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,


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Examiner-In-Charge
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