

REPORT ON EXAMINATION
OF THE
PARTNERRE AMERICA INSURANCE COMPANY
AS OF
DECEMBER 31, 2013

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 OF EXAMINATION, made as of December 31, 2013 of the

PARTNERRE AMERICA INSURANCE COMPANY

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

Attest By: Brandi Biddle

Date: September 29, 2014



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 29th day of September, 2014.

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 OF EXAMINATION
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PARTNERRE AMERICA INSURANCE COMPANY
AS OF
DECEMBER 31, 2013

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 29th day of September, 2014

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SALUTATION

August 26, 2014

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

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 14.019 dated March 5, 2014, an examination has been made of the affairs, financial condition and management of

PARTNERRE AMERICA INSURANCE COMPANY

hereinafter referred to as "Company" or "PRAIC", 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 19801. The examination was conducted at the main administrative office of the Company, located at One Greenwich Plaza, Greenwich, Connecticut 06830. The examination report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The previous examination was performed as of December 31, 2008. This examination covered the period of January 1, 2009 through December 31, 2013.

This examination was conducted in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware. The Handbook requires the examiners plan and perform an 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 the 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, and the Company's compliance with Statutory Accounting Principles and applicable annual statement instructions.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

During the course of the examination, consideration was given to work performed by the Company's external auditor Deloitte & Touche, LLP (D&T). Certain work papers prepared by D&T for their 2013 audit have been incorporated into the work papers of this examination if deemed appropriate.

Consideration was also given to work performed by PartnerRe Ltd.'s Corporate Audit Group and certain work papers have been incorporated into the work papers of this examination if deemed appropriate.

In addition to items hereinafter incorporated as a part of this report, the following were reviewed without exception and made part of the work papers of this examination:

Fidelity Bonds and Other Insurance
Pensions, Stock Ownership and Insurance Plans

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings.

SUBSEQUENT EVENTS

A review was performed in compliance with the Handbook which requires review of financial statements, transactions and corporate records subsequent to the examination date. There were no material subsequent events which required disclosure in this examination report.

COMPANY HISTORY

On December 31, 2008, the Company was a wholly owned subsidiary of Paris Re S.A., which was owned by Paris Re Holdings Ltd. On December 7, 2009, PartnerRe Ltd. completed the acquisition of 100% of the outstanding common shares of Paris Re Holdings Ltd. (Switzerland). Paris Re Holdings Ltd. was merged with and into a wholly owned subsidiary of PartnerRe Ltd. The Company was acquired from Paris Re S.A. by PartnerRe Holdings S.A., on November 30, 2010. On December 1, 2012, the Company's name was changed from PARIS RE America Insurance Company to PartnerRe America Insurance Company. On December 17, 2012 the Board of Directors voted, after obtaining all U.S. regulatory approvals, to change the Company's parent company from PartnerRe Holdings SA to PartnerRe U.S. Corporation. As such, PartnerRe Holdings SA distributed 100% of PartnerRe America Insurance Company to

PartnerRe Holdings Europe Limited and in turn PartnerRe Holdings Europe Limited contributed 100% of PartnerRe America Insurance Company to PartnerRe U.S. Corporation (Parent). As a result, PartnerRe U.S. Corporation holds 100% of PartnerRe America Insurance Company, effective December 17, 2012.

In December 2012, the Parent acquired Presidio Reinsurance Group, a specialty accident and health reinsurance and insurance Managing General Underwriter whose employees are now employed by the Company and now referred to as PartnerRe Health.

Capitalization

The Certificate of Incorporation provides that the Company has 55,000 shares of common stock authorized, of which 50,000 shares are issued and outstanding, at \$60 par value per share. The capital represented by the 50,000 shares of common stock issued and outstanding is \$3,000,000.

As of December 31, 2013, all outstanding shares of the Company's common stock were owned by the Parent, PartnerRe U.S. Corporation.

During the period under examination, gross paid-in and contributed surplus decreased by \$85,000,000 due to the payment of an extraordinary capital distribution in 2011 to PartnerRe Holdings S.A. As illustrated below, there was no change in common capital stock.

	Common Capital Stock	Gross Paid-in & Contributed Surplus
December 31, 2008	\$3,000,000	\$138,869,740
December 31, 2009	0	0
December 31, 2010	0	0
December 31, 2011	0	(\$85,000,000)
December 31, 2012	0	0
December 31, 2013	\$3,000,000	\$ 53,869,740

CORPORATE RECORDS

The recorded minutes and written resolutions of the Company's shareholder and Board of Directors (Board) 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 the approval of investments as required by 18 Del.C §1304 "Authorization; record of investments".

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

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 is managed by the Board. The bylaws provide that the number of directors that constitute the whole Board should not be less than three members or more than nine. Each director is elected for a term of one year and until such director's successor is elected and qualified.

The Board, by vote of a majority of the whole Board, may from time to time designate one or more committees.

At December 31, 2013, the members of the Board of Directors together with their principal business affiliations were as follows:

Name	Principal Occupation
John Noel Adimari	Head of Risk Management Services of PartnerRe Ltd.
Dennis Earl Heinzig	President of PRAIC, Chairman (April 30, 2014 – present)
Laurie Ann Desmet	Chief Operations Officer of PartnerRe Ltd.
Marvin Pestcoe	Chairman of PRAIC (January 22, 2013 – April 30, 2014)
Thomas Lester Forsyth	Senior Vice President, General Counsel & Corporate Secretary of PRAIC, Executive Vice President, General Counsel & Corporate Secretary of Partner Reinsurance Company of the U.S. & PartnerRe Insurance Company of New York
Andrew John Turnbull	Group Strategy & Business Development Officer for PartnerRe Ltd.

Committees

In 2011, the Company formed a Subsidiary Audit Committee of the Board of Directors which is comprised of members of senior management. The Company's ultimate controlling parent, PartnerRe Ltd. (PRE Ltd.), is a Sarbanes-Oxley Act compliant corporation with an independent Audit Committee. Pursuant to the NAIC's Model Audit Rule, PartnerRe Ltd.'s Audit Committee has agreed to act as the independent Audit Committee for PartnerRe America Insurance Company.

Officers

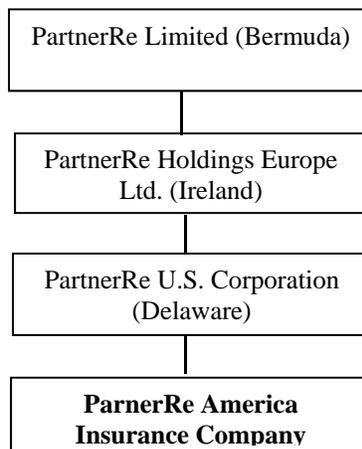
The bylaws state that the officers of the corporation shall consist of a President, a Secretary, a Treasurer, and may, at the discretion of the Board of Directors, include one or more Executive Vice Presidents and a Chief Executive Officer. The following persons were elected as officers and were serving in that capacity at December 31, 2013:

Name	Principal Occupation
Dennis Earl Heintzig	President and Chief Executive Officer
Thomas Lester Forsyth	Senior Vice President, General Counsel & Corporate Secretary
Marta Juliana Shevchik	Vice President and Controller
John Bullitt Wong	Senior Vice President, Chief Financial Officer and Treasurer

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.

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 Company is a wholly owned subsidiary of PartnerRe U.S. Corporation, a wholly owned subsidiary of PartnerRe Holdings Europe Limited. The ultimate parent is PRE Ltd., a Bermuda holding company. The following depicts an abbreviated organizational chart of the Company’s relationship within the holding company system at December 31, 2013.



Intercompany Agreements

The Company is party to agreements with affiliates, which were entered into prior to and during the period covered by this examination and remain in effect as of December 31, 2013. These agreements were disclosed to the Delaware Department of Insurance and approved as required by 18 Del. C. §5005(a)(2)d. These agreements are summarized below.

Capital Management Maintenance Agreement

Effective July 1, 2010, the Company entered into a Capital Management Maintenance Agreement with PRE Ltd., its ultimate parent. The agreement provides that PRE Ltd. will provide financial support based on certain financial thresholds. The aggregate amount of contributions allowed during the life of the agreement is \$200 million. No contributions have been made related to this agreement since its inception.

Guarantee Agreement

Effective December 31, 2013, the Company entered into a guarantee with PRE Ltd. whereby PRE Ltd. guarantees to the Company all present and future obligations of each reinsurer when such reinsurer is unable to meet any or all its obligations to pay the Company pursuant to the terms of the applicable reinsurance agreement.

Service Agreement

Effective July 1, 2010, the Company entered into a service agreement with PartnerRe Miami Inc., (PRM). Under the terms of this agreement, the Company obtained services from PRM in assistance with carrying on its business, in compliance with applicable local laws and regulations as needed and requested by the Company. Services included cash management and treasury, general accounting and reporting, financial controlling, financial and external communication, actuarial, information technology, organization, security, and internal

communication, technical support for underwriting, technical accounting, tax, compliance and legal, claims services and services with respect to such other matters as the parties mutually agreed in writing from time to time. This agreement was replaced by the Master Service Agreement below effective January 1, 2012.

Service Agreement

Effective July 1, 2010, the Company entered into a Service Agreement with PartnerRe Connecticut Inc., (PRCT). Under the terms of this agreement, the Company obtained services from PRCT to assist in carrying on its business, in compliance with applicable local laws and regulations as needed and requested by the Company. Services included underwriting, technical support for underwriting, claims services and services with respect to such other matters as the parties mutually agreed in writing from time to time. This agreement was replaced by the Master Service Agreement below effective January 1, 2012.

Master Service Agreement

Effective January 1, 2012, the Company entered into an agreement with affiliates PartnerRe Miami, Inc. (PRM) and PRCT. Under the terms of this agreement, PRM provides claims, reinsurance accounting, finance and accounting, legal and corporate compliance, reserving, office management, executive and corporate human resources and information technology services to the Company. PRCT provides finance and accounting, legal and corporate compliance, and office management to the Company.

Service Agreement

Effective July 1, 2010, the Company became a party to an existing agreement with Partner Reinsurance Company of the U.S. (PRUS) and other affiliates namely PartnerRe Asset Management Corporation (PRAM), PartnerRe New Solutions Inc., PRE Ltd., PartnerRe

Principal Finance Inc., PartnerRe Capital Markets Corp, PRM and PRCT. Under the terms of the Agreement, PRUS provides claims, underwriting, accounting and legal services to the Company and similar and additional resources to the Affiliates.

Service Agreement

Effective June 1, 2013, the Company entered into a Service Agreement with affiliate Presidio Excess Insurance Services, Inc. (PXS). Under the terms of this agreement, the Company provides actuarial, cash management and treasury, claims and cost management, finance and external communication, financial controlling, general accounting and reporting, information technology, organization, security and internal communication, tax, compliance and legal, technical accounting, technical support for underwriting and underwriting services to PXS.

Advisement and Investment Management Agreement

Effective January 1, 2012, the Company entered into an Advisement and Investment Management Agreement with PRAM. Under the terms of this agreement, the Company appointed PRAM to act as its investment manager providing investment management and investment advice and recommendation, with respect to certain assets with the Company's investment portfolios.

Tax Allocation Agreement

The Company became a party to an existing Tax Allocation agreement effective December 3, 2012 that includes PartnerRe U.S. Corporation, PartnerRe Insurance Company of New York, PRAM, PartnerRe New Solutions, Inc., PartnerRe Principal Finance Inc., PartnerRe Capital Markets Corp., PartnerRe Finance I Inc. and PartnerRe Finance II Inc. Effective March 11, 2013, Presidio Reinsurance Group Inc., PXS and Presidio Reinsurance Corporation were also added to the agreement. Under the terms of the agreement, PartnerRe U.S. Corporation

computes the federal tax liability and the liability for each member of the group. The federal income tax provision is computed on a separate return basis and provides that the members of the consolidated group receive reimbursement for any foreign tax credits, investment credits, losses of any loss carry over generated by it, to the extent actually used in the consolidated return and not used by the group in computing its separate return liability.

TERRITORY AND PLAN OF OPERATION

At December 31, 2013, the Company was licensed to write business in 47 states and the District of Columbia. The remaining 3 states are licensed as accredited reinsurers.

As previously mentioned, the Parent acquired Presidio Reinsurance Group in December, 2012. Presidio Reinsurance Group operates offices in California, Kansas and Minnesota. The PartnerRe Health business is insurance and reinsurance offered to entities bearing medical risk; e.g. Health Maintenance Organizations, Employer and Health Plans, and Provider Organizations located primarily throughout the United States. The business written is predominately excess of loss policies, but also includes proportional medical reinsurance offered to insurance companies, captive insurance companies and risk retention groups. This business is now the primary business for the Company.

Effective January 1, 2013, certain accident and health reinsurance treaties and insurance policies which had formerly been written by Presidio Excess Insurance Services (PXS) on behalf of unrelated insurance carriers began renewing on the Company's paper in late 2013. In 2013, PartnerRe Health principally operated as a Managing General Agent (MGA), writing all of its business on behalf of third party insurance companies and earning a fee for producing the business. The third party insurance companies then ceded a portion of the original business

written through quota-share reinsurance agreements to Presidio Reinsurance Corporation such that PartnerRe Health participated in the original premiums and losses incurred related to the business it produced and ensuring an alignment of interests with the third party insurance companies. Presidio Reinsurance Corporation, a Montana domiciled captive owned by Presidio Reinsurance Group is now an affiliate of the Company. During 2013, the Company obtained the necessary licenses and approvals and began transitioning the portfolio to the Company. As of January 1, 2014, virtually all of the PartnerRe Health business is originated directly, without the use of third party insurance companies. As such, the Company's direct and assumed premiums are expected to increase in 2014.

Regarding the other business of the Company (outside of PartnerRe Health), most treaties and insurance policies, with effective dates on or after July 1, 2010, were renewed by an affiliate, Partner Reinsurance Europe SE. The only reinsurance contracts/policies (outside of accident and health business) renewed by the Company between this date and the end of 2013 were in the following segments:

- Automobile ("Private passenger auto liability" and "Auto physical damage")
- Space (covering satellite launch and orbit risks)
- Facultative ("Reinsurance – non-proportional assumed property")

The automobile business listed above pertains to a small automobile portfolio which the Company insures in the state of California through a Managing General Agent. In 2002, the Company made the strategic decision to exit the program business segment and issued a cancellation notice to the MGA. Replacement carriers were identified, however, renewal business was required to be written for an additional period of time, subject to the individual state rules and regulations related to the exit strategy from specific markets. This portfolio is non-cancelable and it is managed by a third-party managing general agent. All the insurance

exposures in this California auto portfolio are retroceded to third parties with no net risk to the Company.

Insurance protection was also provided by the Company for several satellite launches and facultative risks with effective dates in 2012 and 2013.

GROWTH OF THE COMPANY

The following information was extracted from copies of the Company's filed Annual Statements, for each year indicated, and covers the period since the Company's last examination.

<u>Year</u>	<u>Net Admitted Assets</u>	<u>Total Liabilities</u>	<u>Total Capital and Surplus</u>	<u>Net Written Premiums</u>	<u>Net Income / (Loss)</u>
2009	\$283,496,903	\$125,157,327	\$158,339,576	\$29,845,275	\$8,284,514
2010	\$327,297,850	\$177,915,764	\$149,382,086	\$80,427,314	\$165,096
2011	\$206,619,075	\$122,729,504	\$83,889,571	\$9,321,111	\$17,514,128
2012	\$185,739,688	\$63,945,904	\$121,793,784	\$2,068,776	\$34,104,036
2013	\$169,444,930	\$40,923,431	\$128,521,499	\$(153,483)	\$790,302

The significant changes relate to the commutation of a reinsurance agreement in 2010; the payment of an extraordinary capital distribution of \$85,000,000 to PartnerRe Holdings S.A.; a new strategy for the company after full integration into the PartnerRe organization in 2011; the release of Space related reserves in 2012; and a Loss Portfolio Transfer effective January 1, 2013 subsequently discussed in the Reinsurance section of this report.

LOSS EXPERIENCE

There were no significant changes in reserves for incurred losses and loss adjustment expenses attributable to insured events of accident year 2012 and prior in the year ended December 31, 2013.

REINSURANCE

The affiliated ceded agreements were disclosed to the Delaware Department of Insurance and approved as required by 18 Del. C. §5005(a)(2)e. The ceded and assumed reinsurance is summarized as follows:

Assumed

The reinsurance assumed is the excess of loss reinsurance products offered to Health Maintenance Organizations and Health Plans throughout the United States and medical reinsurance, which is a reinsurance product offered to insurance companies, captive insurance companies and risk retention groups.

Ceded

Effective April 1, 2010, the Company entered into a Novation Agreement with Partner Reinsurance Europe Ltd. to terminate all interests and liabilities under a Quota Share Treaty with PARIS RE Switzerland AG covering facultative business written by the Company incepting on or after July 1, 2010.

Effective January 1, 2013, the Company entered into a Quota Share Retrocession Agreement with its affiliate, PartnerRe US. The agreement provides that PartnerRe US will accept a 90% quota share participation in the Company's new and renewal business for underwriting year 2013, covering all lines of business.

Effective January 1, 2013, the Company entered into a Loss Portfolio Transfer (LPT) reinsurance contract with its affiliate, Partner Reinsurance Company of the U.S. The agreement provides that the Company cede 100% of its reinsurance liabilities recorded at December 31, 2012. The consideration paid was equal to the amount of the net statutory reserves (loss, allocated losses and unearned premiums) for approximately \$35 million. There was no surplus

gain from this transaction with the affiliate and as such it was accounted for as prospective reinsurance. The Delaware Department of Insurance concurred with the accounting treatment regarding the LPT reinsurance contract.

ACCOUNTS AND RECORDS

The accounts and records review included an evaluation of the Company's operational and organizational controls. The areas evaluated included computer systems, accounting systems, organizational structures and the processing structure. The general ledger account balances were reconciled and traced to amounts reported in the Annual Statement for the most recent year under review. All balance sheet accounts were summarized and traced to the appropriate asset exhibits and liability lines within the Annual Statement.

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. The processes were reviewed and key risks identified for each key area. Operational and organizational controls for these risks were identified and tested in compliance with the Handbook.

The key financial systems utilized are as follows:

Application	Business Process	Key Activity
SICS	Policy Management, Claims Management, Reinsurance Management, Producer Management	Premiums, Claims, Financial Reporting
Oracle	Records Management	Records Management
PeopleSoft 9	General Ledger, Accounting	Financial Reporting
PAM	Investments	Investments
IDW	Data Warehouse	Management Reporting
PAS	Policy Management, Claims Management, Reinsurance Management	Premiums, Claims, Financial Reporting
Microsoft GP Dynamics	General Ledger, Accounting	Financial Reporting

INS Services, Inc. reviewed the Evaluation of Controls in Information Systems in accordance with standards established by the National Association of Insurance Commissioners and determined the controls were operating effectively.

STATUTORY DEPOSITS

The following statutory deposits were on file with the following states:

State	Book Value	Fair Value
Arkansas	\$100,024	\$100,086
Delaware	3,144,152	3,114,672
Georgia	50,000	50,000
Kansas	605,755	610,195
Kentucky	99,927	100,086
Massachusetts	551,698	513,985
Nebraska	99,914	100,086
New Mexico	299,314	302,832
North Carolina	316,114	317,974
South Carolina	150,010	150,129
Tennessee	129,641	131,128
Texas	126,411	125,004
Puerto Rico	<u>1,022,310</u>	<u>964,900</u>
Total	<u>\$6,695,270</u>	<u>\$6,581,077</u>

The special deposits were confirmed as of December 31, 2013.

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2013, 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
- Reconciliation of Capital and Surplus for the Examination Period
- Schedule of Examination Adjustments

The narrative on the reserve related balances is presented in the Notes to the Financial Statements section of this report.

Assets
As of December 31, 2013

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 122,038,799		\$ 122,038,799
Cash equivalents and short-term investments	20,870,187		20,870,187
Receivable for securities	14,941,029		14,941,029
Investment income due and accrued	545,492		545,492
Premiums and considerations:			-
Uncollected premiums and agents' balances	3,733,332	-	3,733,332
Deferred premiums, agents' balances and installments	422,150		422,150
Reinsurance:			-
Amounts recoverable from reinsurers	3,267,569		3,267,569
Current federal and foreign income tax recoverable & interes	3,536,738		3,536,738
Net deferred tax asset	664,158	664,158	-
Receivable from parent, subsidiaries and affiliates	89,634		89,634
Furniture and equipment, including health care delivery asset:	68,829	68,829	-
Aggregate write-ins	186,152	186,152	-
Total Assets excluding Separate Accounts	<u>\$ 170,364,069</u>	<u>\$ 919,139</u>	<u>\$ 169,444,930</u>
From Separate Accounts	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 170,364,069</u>	<u>\$ 919,139</u>	<u>\$ 169,444,930</u>

Liabilities, Surplus and Other Funds
As of December 31, 2013

<u>Liabilities, Surplus and Other Funds</u>		<u>Notes</u>
Losses	\$ 1,263,427	1
Reinsurance payable on paid losses and loss adjustment expenses	20,633	
Loss adjustment expenses	155,645	1
Other expenses	3,348,109	
Taxes, licenses and fees	60,651	
Advanced premium	194,502	
Ceded reinsurance premiums payable	11,465,904	
Funds held by company under reinsurance treaties	2,458,424	
Amounts held or retained by company for account of others	699	
Remittances and items not allocated	(848,204)	
Provision for reinsurance	590,000	
Payable to parent, subsidiaries and affiliates	484,963	
Payable for securities	21,719,946	
Aggregate write ins	8,732	
Total liabilities excluding Separate Accounts	<u>40,923,431</u>	
From Separate Accounts	-	
Total Liabilities	<u>\$ 40,923,431</u>	
Common capital stock	\$ 3,000,000	
Preferred capital stock	-	
Surplus notes	-	
Gross paid-in and contributed surplus	53,869,740	
Aggregate write-ins for special surplus funds	-	
Unassigned funds	71,651,759	
Surplus	<u>\$ 128,521,499</u>	
Total Liabilities, Capital and Surplus	<u>\$ 169,444,930</u>	

Statement of Income

As of December 31, 2013

Premiums Earned	\$ 1,602,255
Losses incurred	1,494,032
Loss adjustment expenses (LAE) incurred	(453,891)
Other underwriting expenses incurred	3,557,332
Aggregate write-ins for underwriting deductions	<u>-</u>
Net underwriting gain (loss)	<u>(2,995,218)</u>
Net investment income earned	\$ 2,852,647
Net realized capital gains	<u>(488,823)</u>
Net investment income	<u>2,363,824</u>
Net gain (loss) from agents' or premium balances charged off	\$ (1,072,391)
Aggregate write-ins for miscellaneous income	<u>(17,843)</u>
Total other income	<u>(1,090,234)</u>
Net income before dividends to policyholders and before federal tax	\$ (1,721,628)
Dividends to policyholders	-
Federal and foreign income taxes incurred	<u>(2,511,930)</u>
Net income	<u>\$ 790,302</u>

Capital and Surplus Account
As of December 31, 2013

Capital and Surplus, December 31, 2012	\$ 121,793,784
Net income (loss)	790,302
Change in net unrealized capital gains or (losses)	-
less capital gains tax	(25,246)
Change in net unrealized foreign exchange capital gain (loss)	-
Change in net deferred income tax	(1,258,013)
Change in nonadmitted assets	765,652
Change in provision for reinsurance	<u>6,455,020</u>
Net change in capital and surplus for the year	<u>6,727,715</u>
Capital and surplus, December 31, 2012	<u>\$ 128,521,499</u>

**Reconciliation of Capital and Surplus
From December 31, 2008 to December 31, 2013**

Capital and Surplus, December 31, 2008		\$ 153,042,839
Net income (Loss)		60,858,076
Additions:		
Change in net unrealized capital gains	3,757	
Change in nonadmitted assets	3,442,693	
Change in provision for reinsurance	122,000	
Aggregate write in for gains and losses	-	
Total Additions		3,568,450
Deductions:		
Change in net unrealized foreign exchange capital gains	(1,525,709)	
Change in net deferred income tax	(2,422,157)	
Surplus Adjustment: Paid-in	(85,000,000)	
Surplus Adjustment: Transferred to capital	-	
Dividends to stockholders	-	
Aggregate write in for gains and losses	-	
Total Deductions		(88,947,866)
Capital and Surplus, December 31, 2013		\$ 128,521,499

Schedule of Examination Adjustments

There were no examination adjustments.

NOTES TO FINANCIAL STATEMENTS

<u>(Note 1)</u>	<u>Losses</u>	<u>\$1,263,427</u>
	<u>Loss Adjustment Expenses</u>	<u>\$ 155,645</u>

The above-captioned amounts, which are the same as those reported by the Company in its Annual Statement, have been accepted for purposes of this report.

The Delaware Department of Insurance retained the services of INS Consultants (INS), to conduct an independent review of the Company's loss and LAE reserves as of December 31, 2013. The INS analysis was performed using a risk-focused approach according to the guidelines contained in the Handbook.

The conclusions set forth in the INS report are based on information provided by the Company, including the 2013 Annual Statements and the related 2013 Statement of Actuarial Opinion with underlying actuarial work papers.

In INS' opinion, Company booked net loss and LAE reserves as of December 31, 2013 are reasonably stated.

SUMMARY OF RECOMMENDATIONS

No examination report recommendations were noted as a result of this examination.

CONCLUSION

The following schedule shows a comparison of the results from the December 31, 2008 examination to the 2013 Annual Statement balances, with changes between:

Description	December 31, 2008	December 31, 2013	Increase (Decrease)
Assets	\$ 276,904,770	\$ 169,444,930	\$(107,459,840)
Liabilities	\$ 123,861,931	\$ 40,923,431	\$ (82,938,500)
Common Capital Stock	\$ 3,000,000	\$ 3,000,000	\$ -
Surplus Notes	-	-	-
Gross paid in and contributed surplus	138,869,740	53,869,740	(85,000,000)
Aggregate Write-in for special surplus funds	-	-	-
Unassigned funds (surplus)	11,173,099	71,651,759	60,478,660
Total Capital and Surplus	\$ 153,042,839	\$ 128,521,499	\$ (24,521,340)
Total Liabilities, Capital and Surplus	\$ 276,904,770	\$ 169,444,930	\$(107,459,840)

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

Respectfully submitted,



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 Examiner-In-Charge
 State of Delaware
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