REPORT ON EXAMINATION

OF THE

WILMINGTON INSURANCE COMPANY

AS OF

DECEMBER 31, 2005

I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of DECEMBER 31, 2005 of the

WILMINGTON INSURANCE COMPANY

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

ATTEST BY: ______________________

DATE: 24 MAY 2007

In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 24TH DAY OF MAY, 2007.

____

Insurance Commissioner

REPORT ON EXAMINATION

OF THE

WILMINGTON INSURANCE COMPANY

AS OF

December 31, 2005

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

Consideration has duly been 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.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 24TH Day of MAY 2007.

TABLE OF CONTENTS

December 1, 2006

Honorable Matthew Denn
Insurance Commissioner
State of Delaware
Rodney Building
841 Silver Lake Boulevard
Dover, Delaware 19901

Dear Commissioner:

In compliance with instructions contained in Certificate of Authority No. 06.031, an examination has been made of the affairs, financial condition and management of the

WILMINGTON INSURANCE COMPANY

hereinafter referred to as "WIC" or "Company", incorporated under the laws of the State of Delaware as a stock company with its home office located at 1313 North Market Street, Suite 3230, Wilmington, Delaware 19801. All examination analysis was performed at this location.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

The last examination was conducted as of December 31, 2002. This examination covered the three year period of January 1, 2003 to December 31, 2005, and consisted of a general survey of the Company's business policies and practices; management, any corporate matters incident thereto; a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

The format of this report is designed to explain the procedures employed on examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible officials during the course of the examination.

The general procedures of the examination followed the rules established by the National Association of Insurance Commissioners' (NAIC) Committee on Financial Condition Examiners Handbook, and generally accepted statutory insurance examination standards.

In addition to items hereinafter incorporated as part of the written report, the following were checked and made a part of the workpapers of this examination:

Other Corporate insurance
Conflict of interest statements
All asset and liability items not mentioned

HISTORY

WIC was organized and incorporated as a stock insurance company under the laws of the State of Delaware on August 17, 1995. The Company's Certificate of Authority dated January 6, 1997, authorizes WIC to transact the business of property and various lines of liability insurance. The Company's Certificate of Authority was amended on May 4, 1998 to include Workers' Compensation & Employers' Liability.

CAPITALIZATION

The following changes occurred in the capital accounts since the previous examination as reported in the Company's Annual statements:

	Common Capital Stock	Gross Paid in and contributed Surplus	Unassigned Funds	Totals
December 31, 2002	$750,000	$1,957,405	$(465,796)	$2,241,609
Net income			284,019	284,019
Change in net unrealized capital gains			49,422	49,422
Change in net deferred income tax			(85,564)	(85,564)
Change in nonadmitted assets			78,462	78,462
Issuance of capital stock	730,000	(730,000)		
Additional paid in		400,000		400,000
December 31, 2005	$1,480,000	$1,627,405	$(139,457)	$2,967,948

In December of each year under examination, the Company issued additional shares of stock at $100 par:

Beginning balance	7,500
2003	2,500
2004	2,400
2005	2,400
TOTAL shares	14,800

The changes in the Capital accounts were made to satisfy statutory requirements in Puerto Rico and in anticipation of applying for admission in Maryland.

DIVIDENDS TO STOCKHOLDERS

There were no dividends declared or paid during the examination period.

HOLDING COMPANY SYSTEM

The Company is a wholly owned subsidiary of Wilmington Holdings Corporation. Trident Commercial Corporation owns sixty-five percent of Wilmington Holdings and the following three individuals own Trident:

Manual San Juan III, Esq.
Dr. Victoria San Juan
Constance San Juan

Trident Commercial Corporation (Trident) is a holding company for the various business interests of its stockholders. In addition to Wilmington Insurance Company (WIC), these interests include:

American Commercial Corp – investment holding company (Puerto Rico)
American Foreign Underwriters Corp – insurance agency (Puerto Rico)
Iberia Risk Services, Inc. – insurance agency and reinsurance intermediary (DE)
American Foreign Commodities Corp – import/export and trading company (DE)

The remaining owners of Wilmington Holdings Corporation consist of Brim Inc., Camille Girod, Desha Girod, Paulette Girod, Amando Lasa Esq., Miguel Perez Comas, Luis Rivera Siaca, Sandokan Corporation, and Strategic Planners Inc..

It should be noted that the 2004 and 2005 audits of Trident have not been completed and the reports have not been issued.

MANAGEMENT AND CONTROL

The day-to-day operations of the Company are managed by a Board of Directors, elected by the stockholders. The persons elected and serving as Directors of the Company at December 31, 2005 were:

Director and Position	Principal Business Affiliation
Jose Del Valle Chairman and CEO	Trident Commercial Corporation
Daniel Koch President	Wilmington Insurance Company
Ignacio Rivera Corporate Secretary	Lawyer, Private Practice

The officers of WIC are elected by the Board of Directors and are to hold office until a successor is elected. Those persons serving as of December 31, 2005 were:

Name	Title
Jose Del Valle	Chairman and Chief Executive Officer
Daniel Koch	President and Assistant Secretary
Ignacio Rivera	Corporate Secretary

CORPORATE RECORDS

The bylaws were not amended during the examination period. However, the Certificate of Incorporation was amended on July 9, 2005 as follow:

> The amount of total authorized capital stock of this corporation was increased from $1,250,000 to $2,000,000 with the number of shares increased from 12,500 to 20,000.

During the examination review of reinsurance contracts, it was noted that Scott Foltz was listed as a Senior Vice President and Chief Operating officer in the Property Facultative Quota Share agreement with Lloyds. For Scott Foltz to sign contracts on the Company's behalf, he needs to be an officer of the corporation, or be appointed by the Board specifically to do so. In the review of the minutes, there is no mention of Foltz being elected as an officer. He was appointed the Chairman and President in the third quarter of 2005 but withdrew as an officer in the fourth quarter of 2005 due to potential conflicts of interest.

It is recommended that the Board appoint any person signing contracts for the Company, and that the Board needs to appoint all officers in accordance with the bylaws with documentation in the minutes.

GROWTH OF COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the years under examination:

Year	Admitted Assets	Policyholders Surplus	Net Premiums Written	Net Income
2005	$5,170,622	$2,967,948	$724,788	$24,138
2004	5,316,893	2,946,200	606,226	8,855
2003	4,951,251	2,498,201	1,702,321	251,026
2002	3,876,301	2,241,609	714,317	188,777

The Company reported net income in all years under examination. Additional capital of $400,000 was contributed in 2004. The changes in net written premiums were due to the termination of two of the Company's assumed reinsurance programs (Motor Truck Cargo and Restaurant and Tavern). These programs required participant to have more than $5,000,000 in surplus to participate, and the Company could not comply.

The premium written by the Company during the examination was as follows:

Year	Direct Written	Assumed	Ceded	Net Written
2005	$3,065,380	$(491)	$2,340,101	$724,788
2004	2,728,690	208,725	2,331,189	606,226
2003	2,209,947	1,430,860	1,938,486	1,702,321
2002	1,605,011	416,947	1,307,641	714,317

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed to write in Delaware, North Dakota, the District of Columbia and Puerto Rico. As of December 31, 2005, direct premiums written by jurisdiction were

$2,795,770 in the State of Delaware and $269,610 in Puerto Rico. Lines of business written in 2005, by percentage of premium, were as follows:

Homeowners Multi peril	(45.4%)
Commercial Multi peril	(51.0%)
Fire	(3.3%)
Other liability – occurrence	(.3%)

Wilmington Insurance Company distributes its products and services through independent agencies in Delaware only, with over 160 appointed producers. The Company does not use a TPA or a MGA. There are no exclusive agency agreements.

The Puerto Rico premium is from one policy written by Wilmington Insurance Company as a fronting arrangement. The business is 100% reinsured.

The Company will continue to focus on its core program, Property and General Liability insurance offered to specialty types of Delaware exposures, including: barber and beauty shops; exercise clubs; small home builders; small business owners; restaurants; funeral homes and coastal homeowners.

The Company has found a niche in the market along the Delaware shoreline (Atlantic Ocean, Delaware Bay and Delaware River). Approximately 80% of the Company's business is within 5 miles of the shoreline.

The company owners have taken a slow but steady approach to increasing the business of the Company. However the Company does not prepare a business plan each year and the last one prepared was in 2004. Therefore,

It is recommended that the Company develop a new business plan to cover the period until the next examination.

REINSURANCE

For the year ended December 31, 2005, the Company reported the following distribution of premium written:

Direct	$3,065,380
Assumed	(491)
Ceded	2,340,101
Net	$ 724,788

Assumed:

There are two assumed reinsurance programs the Company participated in during the examination period, however as of January 2005 both are in run-off.

- Quota share agreement covering business assumed from the Bristol Management Group, LTD. The Company was a 10% subscribing reinsurer on a 100% quota share agreement covering the first $1,000,000 of net liability.
- 5% participant up to $1,000,000 per occurrence and $2,000,000 Annual aggregate on Hospitality business written by the Recreational Coverage Association, Inc.

Ceded:

The Company writes the majority of its business in Sussex County, Delaware. Due to Sussex County's close proximity to the Atlantic Ocean, these risks present an increased risk of catastrophic type losses from high winds from Hurricanes and major storms. The Company protects itself from significant losses through three separate agreements:

- The Company has entered into a Property Facultative Quota share agreement with the Lloyd's of London Syndicates. The coverages have changed annually as noted below:

Year	Quota Share	Risk per insured, any one location
2002	100%	$1,000,000
2003	100%	$1,250,000
2004	95%	$1,250,000
2005	90%	$2,000,000

The aggregate limit for 2005 was $600,000,000.

- The Company has entered into a Property Catastrophe Excess of Loss Agreement with Odyssey America Reinsurance Corporation. The Coverage provided is 95% of the Ultimate Net loss in excess of the Company's retention of $250,000 each loss event, but not exceeding the limit of liability of 95% of the next $550,000 of Ultimate Net Loss with respect to such loss event, or 95% of $1,100,000 with respect to all loss events.

- The Company has entered into a Casualty Excess of Loss agreement With Motors Insurance Corporation. The reinsurer shall be liable for the amount by which the ultimate net loss exceeds $150,000 (retention) but shall never exceed $1,350,000 ultimate net loss, each Loss Occurrence.

It should be noted that in 2003 and 2004, the Company maintained a separate excess of loss property treaty for its non-coastal business. Due to the lack of premium volume, that treaty was terminated and all property business is ceded to the Lloyds of London Quota share agreement discussed above.

INTERCOMPANY AGREEMENTS

On August 31, 2001, the Company entered into a memorandum of understanding with Trident Commercial Corporation for office space and consulting services. WIC will charge Trident an amount equal to 11% of the rent paid by WIC. In addition, WIC will provide such consulting services as agency appointments, risk management issues, and matters of corporate governance to Trident on a needed basis at $200 per hour for the services rendered. Based upon a recommendation in the prior examination report, this memorandum of understanding was amended on November 6, 2003 to require payment for these services within 90 days after the end of the year.

During the examination period, an understanding was reached that the compensation for the office space and consulting services would be fixed at $68,800, which equaled historical records of consulting time and service provided. However, there is no support for the calculation of this amount and its reasonableness, nor is there any mention of this agreed upon amount in the minutes of the Board of Director meetings. Therefore,

> **It is recommended that the Company either charge Trident based upon the approved amended memorandum of understanding or modify this agreement. In addition, the Board of Directors should discuss and approve all transactions occurring between related parties/affiliates.**

SIGNIFICANT OPERATING RATIOS

For 2005, the Company reported two values outside the usual range of the NAIC IRIS programs. These ratios were:

		Unusual Values		
Number	Name	Over	Under	Company
5	Two year overall operating ratio	100	-	103
6	Investment yield	6.5	3.0	1.9

The Company contends that the unusual value of the operating ration was due to overstated assumed losses, the Company hopes to recover some of these expenses. The investment yield was due to the Company’s conservative investment philosophy, with most of the assets being held in cash and cash equivalents in a low interest environment.

ACCOUNTS AND RECORDS

The accounting firm of Buffamante Whipple Buttafaro, P.C. (BWB) audited the Company's 2003 and 2004 financial statements. In 2005, the Company needed to change auditors because BWB was no longer licensed in the state of Delaware. Therefore, in 2005 the firm of Brown, Schultz Sheridan and Fritz (BSSF) audited the financial statements. The examination reviewed BSSF's 2005 audit workpapers and utilized them to the fullest extent possible.

BWB continues to be a consultant to the Company on matters of accounting, taxes and the preparation of the quarterly and Annual Statements.

Per the NAIC's Fidelity Insurance Calculation Exhibit, the Company should maintain a Fidelity Bond with a minimum coverage of $100,000 to $125,000. The Company maintains Commercial Umbrella Coverage along with Business Owners Special Property Coverage, which included $50,000 in Employee Dishonesty protection. This coverage was increased to $100,000 effective September 13, 2006. Due to the continued growth of the Company,

It is recommended that the Company increase their Employee Dishonesty Coverage to at least $125,000 and continually monitor this policy to ensure adequate coverage.

FINANCIAL STATEMENTS

The Company's financial position on December 31, 2005 and the results of operations for 2005 are presented in the following statements:

ASSETS
December 31, 2005

	Assets	Non-admitted Assets	Net Admitted Assets	Notes
Bonds	$776,432		$776,432	1
Cash and Cash Equilvalents	3,825,417	$671,818	3,153,599	2
Investment income due and accrued	32,271		32,271	
Premiums and Considerations:				
Uncollected premiums and agents balances in course of collection	46,937	(59,745)	106,682	3
Installments booked but deferred and not yet Due	293,276		293,276	
Amounts recoverable from reinsurers	66,304		66,304	
Funds held by or deposited with reinsured companies		(2,500)	2,500	2
Net deferred tax asset	112,366	91,377	20,989	4
Electronic data processing equipment and Software	9,820		9,820	
Furniture and equipment	3,985	3,985	0	
Receivable from parent	68,800		68,800	
TOTALS	$5,235,608	$704,935	$4,530,673	

LIABILITIES, SURPLUS AND OTHER FUNDS
December 31, 2005

		Notes
Losses	$1,074,272	5
Reinsurance payable on paid losses	41,012	3
Loss adjustment expenses	352,000	
Commissions payable	63,404	
Other expenses	41,000	
Taxes, licenses and fees	5,516	
Unearned premiums	247,138	
Ceded reinsurance premiums payable	419,344	
Remittances and items not allocated	35,532	3
Total liabilities	$2,279,218	
Common Capital stock	$1,480,000	
Gross paid in and contributed capital	1,627,405	
Unassigned funds (surplus)	(855,950)	
Surplus as regards policyholders	$2,251,455	
Total	$4,530,673	

STATEMENT OF INCOME
December 31, 2005

Premiums earned		$631,834
Losses incurred	$346,943	
Loss expenses incurred	178,681	
Other underwriting expenses incurred	186,046	
Total underwriting deductions		$711,670
Net underwriting loss		($79,836)
Net investment income earned	$88,157	
Net realized capital losses	(11,144)	
Net investment gain		$77,013
Miscellaneous receipts		26,961
NET INCOME		$24,138

CAPITAL AND SURPLUS ACCOUNT
December 31, 2005

Surplus as regards policyholders, December 31, 2004		$2,946,200
Net income	$24,138	
Change in net unrealized capital gains	11,677	
Change in net deferred income tax	(55,145)	
Change in non-admitted assets	(675,415)	
Capital changes: Paid in	240,000	
Surplus adjustments: Paid in	(240,000)	
Change in surplus as regards policyholders for the year		($694,745)
Surplus as regards policyholders, December 31, 2005		$2,251,455

SCHEDULE OF EXAMINATION ADJUSTMENTS

	Per Company	Per Examination	Surplus Change
ASSETS			
Cash and Cash Equivalents	$3,825,417	$3,153,599	($671,818)
Uncollected premiums	40,933	106,682	65,749
Funds held by or deposited with reinsured companies	0	2,500	2,500
Net deferred tax asset	57,369	20,989	(36,380)
LIABILITIES			
Reinsurance payable on paid losses	0	41,012	(41,012)
Remittances and items not allocated	0	35,532	(35,532)
Total examination adjustments			($716,493)
Company policyholder surplus as of December 31, 2005			2,967,948
Examination surplus as of December 31, 2005			$2,251,455

NOTES TO FINANCIAL STATEMENTS

Note 1. Bonds $776,432

The Company's bond portfolio was comprised of fifteen (15) individual bonds. Fourteen (14) were listed with a NAIC Designation of "1", with eleven (11) of the bonds being issued in Puerto Rico.

Note 2. Cash and Cash Equivalents $3,153,599

The value accepted by the examination is $671,818 less than the amount reported by the Company. The difference is comprised of non-admitting some assets and reclassifying of other assets.

A substantial portion of the Company's Cash is Certificates of Deposit pledged as collateral for the two Letters of Credit (LOCs) provided for two assumed reinsurance agreements, which are in run-off. (See the Reinsurance section of this report for information on the two assumed agreements).

The LOCs total $1,402,547 and are secured by $1,485,000 in certificates of deposit. At December 31, 2005, there were only $524,670 in case reserves, $250,000 in IBNR reserves, and $41,012 in reinsurance payable on paid losses. Therefore, the Company has pledged an excess of $669,318 in assets, as shown below, as collateral on these liabilities:

	LOC	Pledged Assets	Case Reserves	IBNR Reserves	Reins Payable Paid Losses	Excess
RCA program	$861,165	$900,000	$316,478	$150,000	$41,012	$392,510
Bristol program	$541,382	$585,000	$208,192	$100,000	-0-	$276,808
Totals	$1,402,547	$1,485,000	$524,670	$250,000	$41,012	$669,318

The excess value will be non-admitted in accordance with SSAP # 62 Section 20.

It is recommended that the Company comply with SSAP # 4 and non-admit the excess of assets pledged over the accompanying liabilities.

As was noted in the prior examination, the company includes as Cash a $2,500 balance being held by BMG in escrow as a working claims account on a reinsurance program.

It is again recommended that the Company reclassify $2,500 of the Cash balance to Funds Held by Reinsurer.

The examination noted that the Company had old reconciling items (many over a year outstanding) relating to their bank accounts. These items included outstanding checks and uncleared journal entries. Most of the uncleared journal entries were improperly imputed and need to be corrected.

The Company needs to establish procedures for the timely follow up on reconciling items that do not clear within one or two months after they are listed on the bank reconciliations.

Note 3. Uncollected Premiums $106,682

The balance above is $65,749 greater than the amount reported by the Company ($40,933). The difference is comprised of two reclassifications and additional non-admitted assets.

Included in the Company's "Outstanding Receivables Report" were over 35 policy listings that contained negative balances. Most were outstanding for a year or more, with one balance dating back to May 2001. There were three that occurred in December 2005, which could represent advance premiums, but the examination will treat the entire $35,532 as Remittances and Items not Allocated. Uncollected Premiums will be increased by that amount with an identical liability balance established.

It is recommended that the Company allocate resources to review the Outstanding Receivables Report at least quarterly to follow up on old balances and to properly account for any negative listings.

Since some of the negative balances reclassified above to Remittances and Items not Allocated were netted against positive balances that were outstanding for greater than 90 days, the examination summarized the positive balances that were over 90 days outstanding which resulted in a total of $16,799. This results in $10,795 of additional non-admitted assets, over the $6,004, which was non-admitted by the Company.

Also netted against the Uncollected Premiums was $41,012 due on the RCA reinsurance program. This amount needs to be reclassified as Reinsurance Payable on Paid Losses and LAE per Annual Statement instructions.

Finally, during the course of the examination period, a large fluctuation in balances was noted. The balances reported during the examination period were as follows:

	Uncollected Premiums	Booked but Deferred
2003	$214,458	$68,309
2004	$148,505	$38,780
2005	$40,933	$293,276

The Company explained that in 2003 and 2004, they incorrectly reversed the reporting of Uncollected Premiums and Premiums Booked but Deferred. In 2005 they noted and corrected the error.

It is recommended that the Company use increased care in the preparation of the Annual Statement.

Note 4. <u>Net Deferred Tax Asset</u> <u>$20,989</u>

The balance accepted by the examination is $36,380 less than the amount reported by the Company ($57,369).

The Company's federal income tax return is consolidated with Wilmington Holdings Corporation. The Company did not pay any taxes during the examination period due to net operating loss carryforward (NOLs). As of 12/31/05, the Company reported that there remained $106,700 in net operating losses that are available to offset future income taxes. The Deferred Tax Asset reported at 12/31/05 was comprised of the following three amounts which are expected to reverse within one year:

Addback of unearned premium	$49,428
Tax discount of loss reserves	12,305
Net operating losses carryforwarded	107,000
Total	$168,732
Tax rate	34%
DTA	$57,369

With the Company reporting positive net income over the last five years, it seemed unrealistic that any NOLs would remain. The examination requested a breakdown of the $107,000 NOL by year for analysis purposes. Upon review, the Company discovered that all of the remaining NOLs, on a consolidated basis, were attributable only to Wilmington Holdings Corp.. The deferred tax asset (DTA) relating to NOLs ($107,000 X 34% = $36,380) will be non-admitted by the examination.

Note 5. Losses $1,074,272

The Company’s reported Loss reserves as of December 31, 2005 were comprised of the following:

Case -	Direct	$1,163,588
	Assumed	524,670
	Ceded	(1,045,986)
	Net	642,272
IBNR -	Direct	606,000
	Assumed	250,000
	Ceded	(424,000)
	Net	432,000
TOTAL		$1,074,272

Both the Company's CPA firm, Brown Schultz Sheridan Fritz (using a specialist; Legnier Consulting group, Inc.), and an independent contracted company, Grace Actuarial Consulting, Inc, tested and reviewed the adequacy of the Company's established reserves. The actuaries found that the Company's reserves fell within the accepted ranges and therefore the Company's reserves were considered to be adequate/reasonable.

INS Consultants reviewed the underlying paid and incurred development factors used by Grace Actuarial Consulting in their loss projections and the paid development factors and ratio development factors in their loss adjustment expense projections. INS concluded that the underlying data and factor selections were reasonable. The carried reserves are acceptable.

The examination noted nothing that would indicate that the balances needed adjustment.

STATUS OF PREVIOUS EXAMINATION RECOMMENDATIONS

The prior examination report, as of December 31, 2002, contained nine (9) recommendations. Those findings with their current status are as follows:

- It was recommended that all Directors and Officers be reported on the Annual Statement Jurat page.

No exceptions were noted as of 12/31/05.

- It was recommended that the Board of Directors approve all investment transactions and approve previous minutes of Board meetings.

Both of these items were noted during the current examination period.

- It was recommended that the Company either modify its agreement with Trident to require a different timetable for payment or settle within 30 days.

  The agreement was amended to require settlement within 90 days after the end of the year.

- It was recommended that the Company make certain that its investments have been properly submitted to the NAIC SVO for evaluation each year.

  No exceptions were noted during the current examination.

- It was recommended that the Company properly report funds held. In addition, reconcile bank account balances should be reported.

The examination will again have a recommendation concerning the need to re-class one cash account to "Funds Held by Reinsurer".

- It was recommended that the Company report its Special Deposits in Annual Statement Schedule E - Part 2.

  Special Deposits were properly reported as of December 31, 2005

- It was recommended that the Company set up Gross reserves instead of net.

  Reserves were reported as Gross.

- It was recommended that an LAE reserve be estimated for each established claim.

  The Company now establishes an LAE reserve for each claim.

- It was recommended that the Company annually compare their agents' licensing records to those maintained by the Delaware Insurance department.

This examination did not perform any market conduct review.

RECOMMENDATIONS

The Company's attention is directed to the following examination recommendations:

- It is recommended that any person signing contracts for the Company must be appointed by the Board of Directors and that the Board needs to appoint all officers in accordance with the bylaws with documentation in the minutes. (Corporate Records, page 6)
- It is recommended that the Company develop a new business plan to cover the period until the next examination. (Territory and Plan of Operations , page 7)
- It is recommended that the Company either charge Trident based upon the approved amended memorandum of understanding or modify this agreement. In addition, the Board of Directors should discuss and approve all transactions occurring between related parties/affiliates. (Intercompany Agreements, page 10)
- However, due to the continued growth of the Company it is recommended that the Company increase their Employee Dishonesty Coverage to at least $125,000 and continually monitor this policy to ensure adequate coverage. (Accounts and Records, page 11)
- It is recommended that the Company comply with SSAP # 62, Section 20 and non-admit the excess of assets pledged over the accompanying liabilities. (Cash, page 16)
- It is again recommended that the Company reclassify $2,500 of the Cash balance to Funds Held by Reinsurer. (Cash, page 16)

- It is recommended that the Company establish procedures for a timely follow up on reconciling items that do not clear within one or two months after they are listed on the bank reconciliations. (Cash, page 16)
- It is recommended that the Company allocate resources to review the Outstanding Receivables Report at least quarterly to follow up on old balances and to properly account for any negative listings. (Uncollected premiums, page 17)
- It is recommended that the Company use increased care in the preparation of the Annual Statement. (Uncollected Premiums, page 17)

SUMMARY COMMENTS

The following items of significance were noted during the examination:

- The examination has proposed adjustments totaling $716,493 or 24.1% of surplus.
- The examination report contains nine recommendations for the improvement of the Company's operations.

CONCLUSION

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

Description	Current Examination	December 31, 2002 Examination	Changes Increases (Decreases)
Assets	$4,530,673	$3,876,301	$654,372
Liabilities	$2,279,218	$1,634,692	$644,526
Policyholder Surplus	$2,251,455	$2,241,609	$ 9,846

In addition to the undersigned, James Blair, CFE, CPA, served as the examination supervisor.

Respectfully submitted,

DLC, CPA, CFE
Examiner in Charge
Department of Insurance
State of Delaware