REPORT ON EXAMINATION

OF THE

WORK FIRST CASUALTY COMPANY

AS OF

DECEMBER 31, 2012

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, 2012 of the

WORK FIRST CASUALTY COMPANY

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

Attest By: Brandi Biddle

Date: June 24, 2014

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 June, 2014.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

REPORT OF EXAMINATION

OF THE

WORK FIRST CASUALTY COMPANY

AS OF

DECEMBER 31, 2012

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.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 24th day of June, 2014

841 Silver Lake Blvd., Dover, DE 19904-2465 • www.delawareinsurance.gov
(302) 674-7300 Dover • (302) 739-5280 fax • (302) 577-5280 Wilmington

TABLE OF CONTENTS

SALUTATION 1

SCOPE OF EXAMINATION 1

SUMMARY OF SIGNIFICANT FINDINGS 3

SUBSEQUENT EVENTS 4

HISTORY OF THE COMPANY 4

Common Capital Stock and Paid-in and Contributed Surplus 5

Dividends to Stockholders 5

MANAGEMENT AND CONTROL 5

HOLDING COMPANY SYSTEM 7

Intercompany Management and Services Agreements 9

External Management and Services Agreements 10

TERRITORY AND PLAN OF OPERATION 11

REINSURANCE 12

PRIOR EXAMINATION REPORT RECOMMENDATIONS 13

ACCOUNTS AND RECORDS 13

GROWTH OF THE COMPANY 15

STATUTORY DEPOSITS 16

FINANCIAL STATEMENTS 17

Assets 18

Liabilities, Surplus and Other Funds 19

Statement of Income 20

Capital and Surplus Account 21

Changes in Financial Statements Resulting from the Examination 21
Reconciliation of Surplus From Prior Examination 22
NOTES TO FINANCIAL STATEMENTS 22
Assets 22
Liabilities Surplus and Other Funds 24
SUMMARY OF RECOMMENDATIONS 25
CONCLUSION 26

SALUTATION

May 11, 2014

Honorable Karen Weldin Stewart, CIR-ML
Commissioner
Delaware Department of Insurance
841 Silver Lake Blvd., Suite100
Dover, DE 19904

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 13.022, an examination has been made of the affairs, financial condition and management of the

WORK FIRST CASUALTY COMPANY

hereinafter referred to as "Company" or "WFCC", incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 3511 Silverside Road, Wilson Building, Suite 202, Wilmington, DE 19810. The examination was conducted at the principal offices of the Company located at 2650 South Decker Lake Blvd, Suite 500, Salt Lake City, UT 84119.

SCOPE OF EXAMINATION

The last examination was as of December 31, 2009. This examination covered the three year period from January 1, 2010, through December 31, 2012, 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, 2012. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook). The NAIC Handbook requires that we plan and perform the examination to evaluate financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and annual statement instructions when applicable to domestic state regulations.

All Company activities and operational processes deemed material were considered in accordance with the risk focused examination process and guidelines contained in the Handbook. This examination report describes operations and addresses regulatory issues revealed during the examination process.

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

Corporate Records
Fidelity Bonds and Other Insurance
Legal Action
Pensions, Stock Ownership and Insurance Plans
Loss Experience

SUMMARY OF SIGNIFICANT FINDINGS

1. In calculating its Deferred Tax Asset (DTA) admissibility, the Company used the wrong Risk Based Capital (RBC) amount, using a 3-year threshold instead of a 1-year threshold. This resulted in the admitted amount of the deferred tax asset being overstated by $402,229.

It is recommended that the Company use the proper threshold period in the future in calculating the Deferred Tax Asset admissibility.

2. The Company did not value two real estate properties held for sale and acquired in a foreclosure proceeding at the lower of cost or appraised value less cost to sell. The following chart shows the company value and the examination change: In calculating the value of the property, the examiner assumed a 6% cost of selling the property.

Description	Book Value	Appraised Value	Cost to Sell	Examination Value	Difference
7566 W Trails Dr. Glendale AZ	$ 762,806	$ 735,000	$ 44,100	$ 690,900	$ 71,906
7560 W Trails Dr. Glendale AZ	752,446	725,000	43,500	681,500	70,946
Totals	$ 1,515,252	$ 1,460,000	$ 87,600	$ 1,372,400	$ 142,852

The examination resulted in an adjustment to real estate held for sale in the amount of $142,852.

It is recommended that the Company determine book value for property acquired through a foreclosure of a mortgage loan at the lower of cost or appraised value less the cost to sell.

3. The Company's custodial agreement did not meet the NAIC custodial agreement standards with TD Ameritrade.

It is recommended that the Company change the agreement to meet the minimum standards established by the NAIC.

SUBSEQUENT EVENTS

On February 20, 2013, SOS Staffing Services (SOS Staffing), Inc. (an affiliate), announced that Elwood Staffing of Columbus, Indiana purchased them. The purchase removed SOS Staffing as a member of the Holding Company System.

In September 2013, Hire Calling Holding Company was dissolved and was no longer a part of the holding company system.

HISTORY OF THE COMPANY

As of December 31, 2004, the Company (previously Monumental General Casualty Corporation, a Maryland domicile), was a wholly owned subsidiary of AEGON USA, Inc.

Effective December 21, 2005, 100% of the issued and outstanding shares of common stock of the Company were acquired by Hire Calling Holding Company (HCHC), an unrelated Oregon holding company. Pursuant to Section 7-304 of the Insurance Article, Annotated Code of Maryland, the request for approval of the acquisition of control of the Company was granted by the Maryland Insurance Administration on December 15, 2005.

Effective December 15, 2005, the Maryland Insurance Administration also approved Articles of Amendment and Restatement of the Company changing its name to Work First Casualty Company. The name change became effective on January 13, 2006. Effective June 1, 2006, the Company was re-domesticated to Delaware.

On August 16, 2010, Richard L. Wendt, the ultimate owner of the Company, passed away. After Mr. Wendt's death, The Richard L. Wendt Revocable Living Trust, dated March 8, 1995, replaced him as the ultimate owner. Nancy Wendt (widow of Mr. Wendt), Mark Wendt and Roderick Wendt (both sons of Mr. Wendt) collectively have been assigned as Trustees.

Roderick Wendt had been appointed as single Trustee to manage the Trust's ownership of Hire Calling Holding Company (HCHC), the parent company of Work First Casualty Company.

Common Capital Stock and Paid-in and Contributed Surplus

As of December 31, 2012, the Company had 160,000 authorized shares of common capital stock with a par value of $30.00 per share. Of those authorized shares, the Company had 101,894 issued and outstanding shares for a total common capital stock reported amount of $3,056,820.

Gross paid in and contributed surplus increased by $3,430,516 during the examination period. The increase in contributed surplus was the result of a contribution by the parent of an asset valued at $3,430,516. At December 31, 2012 the total Gross Paid in and Contributed Surplus was $8,887,782.

Dividends to Stockholders

The Company did not pay any dividends during the examination period.

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, all corporate powers and its business, property and affairs are managed by or under the direction of the Board of Directors (Board).

Stockholder

In accordance with Article I, Section 1 of the Company's bylaws, the annual shareholders meeting shall be held each year on a date and time designated by the Board of Directors.

Board of Directors

Article II, Section 2 of the bylaws states that the number of directors shall be specified from time to time by resolution of the Board of Directors but shall be no more than nine (9) nor less than three (3).

The members of the Board of Directors serving as of December 31, 2012 were as follows:

Director's Name	Principal Business Affiliation
Roderick Carl Wendt	Chief Executive Officer of JELD-WEN Inc.
John Wistar Courtney	President, Next-Job, Inc.
Douglas Paul Kintzinger	CEO and President IMS Capital Management, Inc.
James Christopher Madden	President and Secretary, WFCC
James Kenneth Steen	Chief Executive Officer, Director of WFCC

Committees

Article III, Section 1 of the bylaws provides that the board may appoint from among its members, an Executive Committee or such other committees as the Board may deem advisable, including an Investment Committee (Section 5). As of December 31, 2012, the Board had appointed an Audit Committee. The Audit Committee consisted of the following members:

Committee Members Name	Principal Business Affiliation
Douglas P. Kintzinger	Chairman of the Board, WFCC
James C. Madden	President, Secretary, WFCC

Blaine S. Moon, Company CFO and Treasurer, was appointed to the Audit Committee as an Ad Hoc non-voting member.

Officers

Article IV, Section 1 of the bylaws provides that executive officers shall be a Chairman of the Board, a Vice Chairman of the Board (if the Board so determines), a Chief Executive Officer, a President and one or more Vice Presidents, a Secretary and a Treasurer. One person may hold two positions but may not serve concurrently as both president and vice president. Officers are appointed annually by the Board, and if any position becomes vacant during the year, the Board can appoint a replacement during the year.

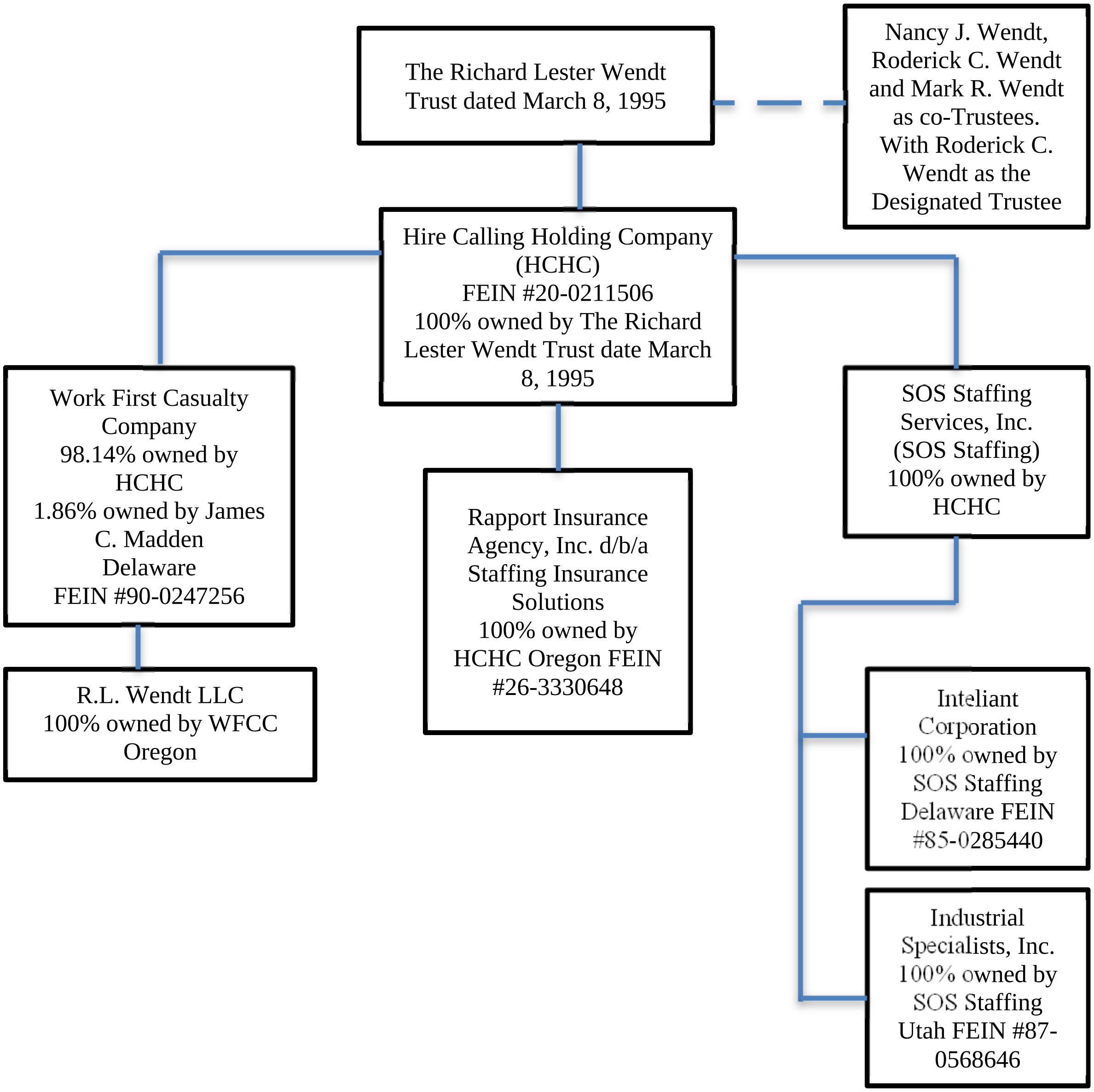
As of December 31, 2012, the Company's principal officers and their respective titles were as follows:

Officer	Title
Douglas Paul Kintzinger	Chairman of the Board
James Kenneth Steen	Chief Executive Officer
James Christopher Madden	President and Secretary
Blaine Spencer Moon	Chief Financial Officer and Treasurer
Stephanie Jo Korab	Vice President and Assistant Secretary
Deborah Annette Nowak	Vice President – Claims & Loss Prevention
Bruce Allen Winterrowd	Vice President – Underwriting and Marketing

HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System. As of December 31, 2012, it was a wholly owned subsidiary of Hire Calling Holding Company (HCHC), an Oregon holding company, which is ultimately owned by The Richard L. Wendt Trust dated March 8, 1995.

The following chart illustrates the Company and its affiliates within the Holding Company System as of December 31, 2012:



In February 2013, SOS Staffing Services Inc. was sold to an unaffiliated party and in September 2013, Hire Calling Holding Company was dissolved. These changes have not been reflected in the above Organization Chart.

Intercompany Management and Services Agreements

The Company had the following material intercompany agreements and arrangements in effect as of December 31, 2012:

Consolidated Federal Income Tax allocation Agreement

The Company entered into a consolidated federal income tax allocation agreement with Hire Calling Holding Company (HCHC), its parent, and other includable subsidiary companies. This agreement was effective for the examination period. Each includable subsidiary company remits their current tax liabilities at least quarterly and HCHC will simultaneously remit any tax refund and or benefits to the subsidiary companies no later than ninety (90) days after the end of the previous calendar quarter. The agreement provides for the filing of a consolidated tax return with HCHC. Each company is to have its tax liability or refund calculated as if it were filing a separate federal income tax return. Timely settlements between the affiliates are required by the terms of the agreement.

Administrative Services Agreement

Effective January 1, 2009, the Company entered into an Amended and Restated Administrative Services Agreement with SOS Staffing Services, Inc. (SOS), a Utah corporation. SOS provides the day-to-day administration of the Company's bookkeeping, accounting and related needs, which includes preparation of balance sheets, profit and loss statements, management reports, and income tax returns; making disbursements (other than related to premiums and claims); assisting with the handling of legal matters before all insurance departments; and assisting with the handling of matters with the National Council on Compensation Insurance and other state compensation rating bureaus. The Company reimbursed SOS on a year-to-date determined monthly rate for general accounting services, information technology services, legal services, collections and human resource services. The monthly fee in 2011 and 2012 was $12,000.

Agency Marketing Agreement

Effective September 8, 2008, the Company entered into an agency marketing agreement with affiliate Rapport Insurance Agency, Inc. (dba Staffing Insurance Solutions), an Oregon corporation located in Klamath Falls, OR. This agreement appoints Staffing Insurance Solutions to act as a general agent for the Company to sell its workers' compensation products to SOS and other affiliated staffing companies. The Commissions paid to Rapport Insurance Agency in 2012 were not material.

External Management and Service Agreements

In addition to the above intercompany agreements, the Company had the following material external agreements in effect at December 31, 2012:

Agency Marketing Agreement

Effective various dates, the Company entered into agency marketing agreements with eight various non-affiliated agents, to act as nonexclusive Agent of Record for insurance coverage made available through the Company, as described in the proposals (only workers' compensation coverage for staffing companies). The agents were allowed a commission based on the premiums collected by, and on business submitted through, the Company.

Claim Service and Funding Agreement

The Company hired Broadspire Inc. to act as a Third Party Administrator for claims. Broadspire started to administer new claims on October 1, 2010. The agreement calls for Broadspire to provide claims services with the Company pre-funding a Broadspire bank account to pay claims.

Custodial Agreement

The Company is party to two custodial agreements for the purpose of safekeeping invested assets with TD Ameritrade Institutional. The Custodial Agreements cover the bond and stock accounts.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2012, the Company was licensed to transact business in the District of Columbia and forty-five (45) states. Currently, the Company only writes business in thirty-seven (37) states and the District of Columbia.

Plan of operation

The Company provides workers' compensation insurance to its affiliate, SOS Staffing, Inc. (SOS), and other temporary staffing companies. The Company uses affiliated and non-affiliated agents and a General Agent to write its business. The Company's affiliated agency, Rapport Insurance Agency, Inc. (dba Staffing Insurance Solutions), only sells to SOS. The Company's "Agency Marketing Agreements" and other related agency agreements are discussed in Intercompany and External Agreements.

Currently, the Company is involved with several brokers that have staffing practices. If a temporary staffing prospect is identified and in need of a viable broker, the Company will utilize Rapport, their in house brokerage entity, to write the business.

All underwriting functions for workers' compensation business written are performed by the Company, with assistance coming from its only general agent, for polices written over the Company's standard premium limit of $25,000.

REINSURANCE

The Company's reinsurance program includes mandatory participation as a member of the National Council on Compensation Insurance, Inc. (NCCI). As a participant, the Company assumes assigned risk pool business on a pro-rata basis from NCCI designated states. The Company has two layers of excess of loss protection for its workers' compensation written business.

For 2012, the Company reported the following distribution of net premiums written:

Direct written premiums	$ 22,943,734
Reinsurance assumed from affiliates	- 0 -
Reinsurance assumed from non-affiliates	905,392
Subtotal reinsurance assumed	905,392
Reinsurance ceded to affiliates	- 0 -
Reinsurance ceded to non-affiliates	1,772,954
Subtotal reinsurance ceded	1,772,954
Net premiums written during year	$ 22,076,172

Assumed

As a member of the NCCI, the Company participates in NCCI assumed risk pool business. Businesses needing workers' compensation coverage that are unable to be placed with private carriers have an alternative market through the assigned risk pools managed by NCCI. All carriers within NCCI share in the underlying risks based on their pro-rata share of insurance premium written. Premiums, losses, underwriting expenses, and investment income are assigned to participating companies and reported quarterly by NCCI.

Ceded

Effective April 1, 2012, the Company entered into first and second excess of loss reinsurance agreements with various reinsurers as follows:

1st XOL – 100% of $4 million ultimate net loss, excess of $1 million

2nd XOL – 100% of $5 million ultimate net loss, excess of $5 million.

Notwithstanding the above, with respect to employer's liability coverage, the agreements provide that the reinsurers' limit of liability is $2 million ultimate net loss, each loss occurrence.

The Company has ceded to three (3) unauthorized other non-U.S. Insurers. The Company is the beneficiary of an irrevocable standby letter of credit issued by the Bank of America for the benefit of these unauthorized reinsurers.

PRIOR EXAMINATION REPORT RECOMMENDATIONS

As a result of the last examination of the Company, the following findings and related recommendations were made:

It was recommended that the Company obtain adequate fidelity bond coverage on officers, directors, or employees.

It was recommended that the Company non-admit investment income due and accrued over 90 days past due.

The Company was found to be in compliance with the above recommendations.

ACCOUNTS AND RECORDS

The accounts and records review 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 Company operates in a computer-dominated environment. The Company records financial transactions into the Oracle General Ledger System.

The accounts and records review included an assessment of the Company's risk management process in identifying and controlling risks in the key operational areas. In making the assessment in each key area, processes were reviewed, risks were identified, operation and organization controls were identified and tested and the Company's methodology for assessing the effectiveness of the established mitigation factors was evaluated.

The consulting firm of INS Services, Inc. performed a review of the Company's global controls over its information and technology IT environment, but did not perform any testing of identified controls to determine their effectiveness in mitigating identified significant IT risks. Accordingly, LOW reliance was placed during the examination on Company embedded application controls. Based on this, testing application controls was not relied upon, nor was the testing of detail reduced.

Larson and Company PC audited the statutory financial statements of the Company for the years under examination and issued an unqualified opinion in each year. As part of the audit, a review of the internal control structure of the Company was performed in order to establish necessary audit procedures required to express an opinion on the December 31, 2012 financial statements. One significant deficiency was noted; there was an error in the calculation of statutory risk based capital that was not prevented or detected by the Company's internal controls. Data was incorrectly omitted from the calculation due to human error. This error resulted in incorrect reporting of statutory risk based capital to regulators. The Delaware Department of Insurance informed the Company and the Company has since corrected their calculation of statutory risk based capital.

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the period from the prior examination to December 31, 2012:

Year	Net Admitted Asset	Surplus as Regards Policyholders	Gross Premiums Written	Net Income
2009	$ 35,117,282	$12,201,917	$18,566,530	$ 7,797
2010	40,283,670	10,322,031	22,459,589	(1,569,160)
2011	41,756,481	6,740,544	30,897,943	(2,357,367)
2012	44,579,974	7,811,985	23,849,126	(3,663,604)

The increase in premiums in 2011 was the result of the Company expanding and taking on new Customers. The results were not favorable and the Company changed it risk appetite and no longer writes polices on certain class codes. The increase in surplus in 2012 was the result of a capital contribution of $3.4 million.

STATUTORY DEPOSITS

The Company had the following statutory deposits at December 31, 2012:

State	Type of Deposit	Book Value	Fair Value
DE	Bonds	$ 2,545,469	$ 2,622,928
Total for the benefit of all policyholders		$ 2,545,469	$ 2,622,928
AZ	Bonds	$ 763,614	$ 779,769
AR	Bonds	104,113	104,495
DE	Bonds	121,727	121,727
FL	Bonds	160,776	160,129
GA	Bonds	87,694	88,316
ID	Bonds	264,760	265,811
IL	Bonds	102,689	110,649
KS	Bonds	99,712	103,179
KY	Bonds	105,919	110,353
MA	Bonds	100,110	100,481
MO	Bonds	269,916	270,181
MT	Bonds	25,027	25,120
NE	Bonds	132,435	133,002
NV	Bonds	351,907	349,997
NM	Bonds	222,798	215,751
OR	CD	919,000	919,000
RI	Bonds	98,994	100,646
VA	Bonds	565,394	557,538
Total other special deposits		$ 4,496,585	$ 4,516,144

FINANCIAL STATEMENTS

The following pages contain the Company's Financial Statements for the year ending December 31, 2012, as determined by this examination, along with supporting exhibits as detailed below:

Assets
Liabilities, Capital and Surplus
Statement of Income and Capital and Surplus Account
Changes in Financial Statement Resulting from Examination
Reconciliation of Surplus from Prior Examination

Assets

As of December 31, 2012

	Assets	Nonadmitted Assets	Net Admitted Assets	Note
Bonds	$ 17,806,942		$ 17,806,942	1
Stocks:				
Common stocks	14,846,326		14,846,326	
Real Estate:				
Properties occupied by the company	914,765		914,765	2
Properties held for the production of income	1,396,100		1,396,100	2
Properties held for sale	1,417,400		1,417,400	2
Cash and short term investments	1,662,932		1,662,932	
Other invested assets	4,180,516		4,180,516	3
Subtotals cash and invested assets	$ 42,224,981		$ 42,224,981	
Investment income due and accrued	243,725		243,725	
Premiums and considerations:				
Uncollected premiums and agents balances in the course of collection	493,858		493,858	
Reinsurance:				
Amounts recoverable from reinsurers	74,552		74,552	
Other amounts receivable	61,693		61,693	
Net deferred tax asset	4,401,994	3,799,289	602,705	4
Electronic data processing equipment and software	107,478		107,478	
Write ins for other than invested assets	344,418	118,518	225,900	
Totals	$ 47,952,699	$ 3,917,807	$ 44,034,892	

Liabilities, Surplus and Other Funds

As of December 31, 2012

		Note
Losses	$ 30,913,133	5
Loss adjustment expenses	4,475,024	
Commissions payable, contingent comm and other similar charges	87,128	
Other expenses	494,988	
Taxes, licenses and fees	175,645	
Unearned premiums	537,926	
Ceded reinsurance premiums payable	48,039	
Amounts withheld or retained by company for account of others	10,725	
Payable to parent subsidiaries and affiliates	25,380	
Total Liabilities	$ 36,767,988	
Common capital stock	$ 3,056,820	
Gross paid in and contributed surplus	8,887,782	
Unassigned funds (surplus)	(4,677,698)	6
Surplus as regards policyholders	$ 7,266,904	
Totals	$ 44,034,892	

Statement of Income

For the One Year Period Ended December 31, 2012

UNDERWRITING INCOME		
Premiums earned	$	22,360,303
DEDUCTIONS		
Losses incurred	$	17,765,197
Loss adjustment expenses incurred		4,943,088
Other underwriting expenses incurred		5,341,834
Aggregate write-ins for underwriting deductions		- 0 -
Total underwriting deductions	$	28,050,119
Net Income of protected cells		- 0 -
Net underwriting gain (loss)	$	(5,689,816)
INVESTMENT INCOME		
Net investment income earned		1,323,620
Net realized capital gains (losses) less capital gains tax		658,296
Net investment gain (loss)	$	1,981,916
OTHER INCOME		
Net gain (loss) from agents' or premium balances charged off (amount recovered $54,000 amount charged off $3)	$	53,997
Finance and service charges not included in premiums		- 0 -
Aggregate write-ins for miscellaneous income		- 0 -
Total other income	$	53,997
Net income after dividends to policyholders after capital gains tax and before all other federal and foreign taxes	$	(3,653,903)
Dividends to policyholders		- 0 -
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	$	(3,653,903)
Federal and foreign income taxes incurred		9,701
Net income	$	(3,663,604)

Capital and Surplus Account

As of December 31, 2012

		Note
Surplus as regards policyholders December 31 prior year	$ 6,740,544	
Net income	(3,663,604)	
Change in net unrealized capital gains or (losses) less capital gains tax of ($77,137)	946,995	
Change in deferred income tax	1,145,538	4
Change in non-admitted assets	(1,333,085)	
Surplus adjustments:		
Paid in	3,430,516	
Change in surplus as regards policyholders for the year	$ 526,360	
Surplus as regards policyholders, December 31, current year	$ 7,266,904	

Changes in Financial Statements Resulting from the Examination

Annual Statement Line	Per Company	Per Examination	Difference
Real Estate:			
Properties held for sale	$ 1,560,252	$ 1,417,400	$ 142,852
Net deferred tax asset	1,004,934	602,705	402,229
Unassigned Funds	(4,132,617)	(4,677,698)	(545,081)

Reconciliation of Surplus from Prior Examination

Surplus as regards policyholders December 31 2009	$ 12,201,917
Net income	$ (7,590,130)
Change in net unrealized capital gains or (losses) less capital gains tax	(269,131)
Change in deferred income tax	1,864,186
Change in non-admitted assets	(2,370,454)
Surplus adjustments:	
Paid in	3,430,516
Change in surplus as regards policyholders for the year	$ (4,935,013)
Surplus as regards policyholders, December 31, current year	$ 7,266,904

NOTES TO FINANCIAL STATEMENTS

Assets

Note 1 – Bonds: $ 17,806,942

The Company's bond holdings totaled $17.81 million and were approximately 40% of total admitted assets and 42% of cash and invested assets. Security composition for the year ended 2012 was as follows:

U.S. Government	$ 2,489,836
U.S. Special Revenue and Special Assessment Obligations and All non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions	3,238,863
U.S. Industrial and Miscellaneous	11,661,593
Other Countries Industrial and Miscellaneous	$ 416,650

The Company's bond holdings were made up of 83% class 1 and 2 bonds, 13% class 3 and 4% class 4, with respect to NAIC credit quality standards.

Note 2 - Real Estate $ 3,728,265

The Company owned five (5) real estate properties as follows:

Property occupied by the Company:

The carrying value of real estate occupied by the Company was $914,765. This property is an office building in Klamath, OR occupied by the Company's parent Hire Calling Holding Company.

Property held for production of income:

The carrying value of real estate held for the production of income was $1,396,100. The properties were an office building in Klamath, OR ($87,600) and 1,093 acres of timberland in Klamath County, OR ($1,308,500)

Property held for sale:

The carrying value of real estate held for sale reported by the Company was $1,560,252. The real estate consisted of three (3) properties, one a vacant developed lot in Klamath, Oregon ($45,000) and two homes in Glendale AZ ($762,806 and $752,446). The two homes in Glendale AZ were carried at an amount greater than the appraised value, less the cost to sell. The examination adjusted the Company's real estate held for sale to $1,417,400, a difference of ($142,852) to reflect the value of the property as the appraised value, less the cost to sell.

Note 3 - Other Invested Assets: $4,180,516

The assets consisted of an LLC that owned an office building in Klamath Falls, OR and a Collateral Loan supported by Real Estate in Mexico. The LLC was contributed to the Company as a Capital Contribution in September 2012. The Collateral Loan is to Chileno Bay Development Partners LP, which is developing a 1,260-acre tract of land along the Sea of Cortez, near Cabo San Lucas, Mexico. When specific land is sold off to build a Hotel, the

Company's loan will be repaid. (The Collateral Loan was paid in full November 2013)

Note 4 – Net Deferred Tax Asset: $602,705

The asset was $402,229 less than that reported by the Company. The difference was the result of the Company using a 3-year threshold instead of a 1-year threshold in determining the admitted amount for this asset. The change resulted in an increase in non-admitted assets of $402,229.

Liabilities Surplus and Other Funds

Note 5 – Losses and Loss Adjustment Expenses: $35,388,157

INS Consultants Inc. (INS) performed an analysis of the Company's Loss and LAE reserves as of December 31, 2012 on both a gross and net basis. The net discounted reserves, compared to the Company's booked reserves, resulted in the following differences: INS estimated net Loss and LAE reserves of $36.9 million are $1.5 million higher than the Company's booked net Loss and LAE reserves of $35.4 million. The difference represents 4.3% of December 31, 2012 net Annual Statement reserves and 19.4% of policyholder surplus as of December 31, 2012. Although the amount was considered within reasonable estimates due to difference being 19.4% of policyholder surplus, the actuary reviewed the actual results for 2013 and it was determined no adjustment was needed..

Note 6 - Unassigned Funds (Surplus): $4,677,698

The unassigned surplus was $545,081 less than that reported by the Company due to examination changes in the value of real estate and the admitted value of the net deferred tax asset.

SUMMARY OF RECOMMENDATIONS

The following recommendations were made as a result of this examination:

In calculating the Deferred Tax Asset (DTA) admissibility, the company used the wrong RBC amount, using a 3-year threshold instead of a 1-year threshold. This resulted in the admitted amount of the deferred tax asset being overstated by $402,229.

It is recommended that the Company use the proper threshold period in the future in calculating the Deferred Tax Asset admissibility.

The Company did not value two real estate properties held for sale and acquired in a foreclosure proceeding at the lower of cost or appraised value less cost to sell.

It is recommended that the Company determine book value for property acquired cost to sell.

The Company's custodial agreement did not meet the NAIC custodial agreement standards with TD Ameritrade.

It is recommended that the Company change the agreement to meet the minimum standards established by the NAIC.

CONCLUSION

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc. and Delaware's consulting Information System firm, INS Services Inc. is acknowledged. In addition, the cooperation of the Company's outside audit firm, Larson & Rosenberger and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted

Richard Randour

Richard Randour, CFE
Examiner-In-Charge
State of Delaware