REPORT ON EXAMINATION

OF THE

MAXUM CASUALTY INSURANCE 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

MAXUM CASUALTY INSURANCE COMPANY

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

Attest By: ______________________

Date: May 7, 2014

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 7th day of May, 2014.

____
Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

REPORT OF EXAMINATION

OF THE

MAXUM CASUALTY INSURANCE 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 7th day of May, 2014

TABLE OF CONTENTS

SALUTATION

April 7, 2014

Honorable Karen Weldin-Stewart-CIR-ML,
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. 13.016, dated March 25, 2013, an examination has been made of the affairs, financial condition and management of the

MAXUM CASUALTY INSURANCE COMPANY

hereinafter referred to as "Company" or "MCIC", incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 1209 Orange Street, Wilmington, Delaware. The examination was conducted at the principal offices of the Company located at 3655 North Point Parkway, Alpharetta, GA 30005. The examination report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last examination was performed as of December 31, 2008. This examination covered the period of January 1, 2009, through December 31, 2012, and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company at December 31, 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 (NAIC Handbook)* and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware. The *NAIC Handbook* requires that examiners 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 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 applicable annual statement instructions.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, KPMG, LLP (KPMG). Certain auditor work papers have been incorporated into the work papers of the examiners if deemed appropriate and in accordance with the *NAIC Handbook*.

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

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

SUMMARY OF SIGNIFICANT FINDINGS

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

SUBSEQUENT EVENTS

In August, 2013, the Board of Directors voted to exit the Transportation business based on unprofitability since inception and the lack of substantive future profit potential.

COMPANY HISTORY

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

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

During the period covered by this examination, gross paid-in and contributed surplus increased $3 million from $5.7 million in 2008 to $8.7 million in 2010. Additionally, common capital stock increased $500,000 from $3 million in 2008 to $3.5 million in 2010. The increase for the period is illustrated in the following schedule.

	Gross Paid-in & Contributed Surplus	Common Capital Stock
Ending Balance as of December 31, 2008	$5,700,000	$3,000,000
2009 Capital Contribution from MIC	0	0
2010 Capital Contribution from MIC	3,000,000	500,000
2011 Capital Contribution from MIC	0	0
2012 Capital Contribution from MIC	0	0
Ending Balance	$8,700,000	$3,500,000

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

CORPORATE RECORDS

The recorded minutes of the shareholder, Board of Directors (Board), and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including approval of investments.

MANAGEMENT AND CONTROL

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and business of the Company shall be managed by the Board. The bylaws provide that the number of directors that shall constitute the whole Board shall not be less than three members or more than eleven. Each director shall be elected at the annual meeting of the shareholder and shall be elected to serve until his successor shall be elected.

The Board may, by resolution, designate one or more committees, each committee to consist of two or more of the directors. The Board has designated an Audit Committee, Investment Committee, Personnel and Compensation Committee and an Enterprise Risk Management Committee. The bylaws provide that the committees shall keep regular minutes of their meetings and the findings of the committees shall be reported to the Board.

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

The Board of Directors, duly elected in accordance with the Company's bylaws and serving as of December 31, 2012, is as follows:

Name	Principal Occupation
Edward Hersey Hamm, Sr.	Controlling owner of Northern Homelands Company
Edward Hersey Hamm, Jr.	Chairman of the Board, Shareholder of Northern Homelands Company
Fred Marshall Turner II	President and Chief Executive Officer of the Company, Shareholder of Northern Homelands Company
Jerome Bernard Simon	Secretary of the Company, Shareholder of Northern Homelands Company; Partner, Mason Edelman Borman & Brand
Brian Keith Smith	President of Private Capital Management, Inc., Shareholder of Northern Homelands Company
William Carl Peterson	CEO of Private Capital Management, Inc., Shareholder of Northern Homelands Company
James Pius Wicker	Retired Partner, KPMG, LLC. Shareholder of Northern Homelands Company

Kenneth John LeStrange	Former Chairman/CEO Endurance Specialty Holdings, Ltd./Aon Corporation, Shareholder of Northern Homelands Company

The bylaws state that the officers of the corporation shall be a President, Vice-President, Secretary and Treasurer, and such other officers as may from time to time be chosen by the Board of Directors. The following persons were elected as officers and were serving in that capacity at December 31, 2012:

Name	Office
Fred Marshall Turner II	President and Chief Executive Officer
Jerome Bernard Simon	Secretary
Karl Alan Waite	Senior Vice President and Chief Financial Officer
Phillip Wayne Burch	Vice President
Matthew Van Burnett	Vice President
Charles Henry Clemens, Jr.	Senior Vice President
Gary Edward Micetich	Senior Vice President
William Burrows Nelson V	Senior Vice President
Edward Paul Neuberger	Senior Vice President
David Michael Green	Senior Vice President
Edward Hersey Hamm, Jr.	Vice President
Douglas Lloyd Hathaway	Vice President
Rebekah Bacon Hutchings	Vice President
James Ray Pratte	Senior Vice President

Richard Vito Sforzo	Senior Vice President
Tracy Grant Wade	Vice President

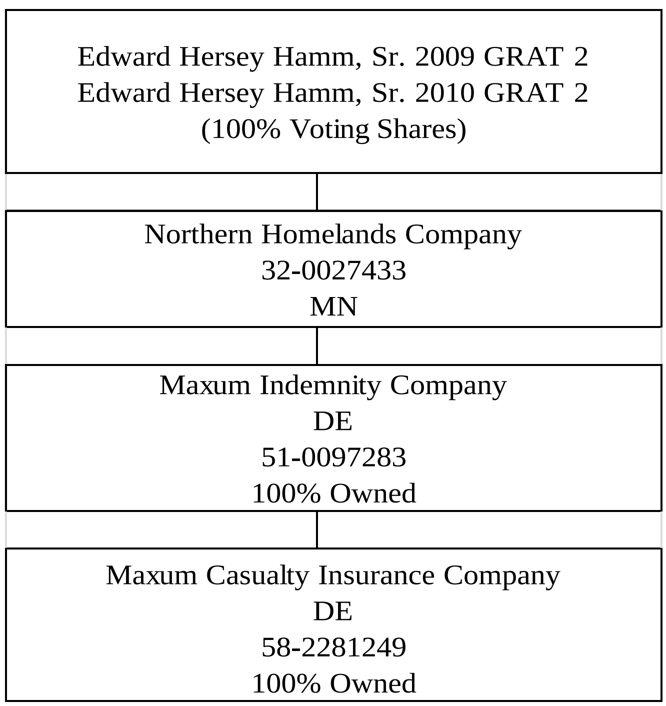
During the period under examination, in addition to the previously established committees, the Company established an Enterprise Risk Management Committee (ERM). The ERM Committee reviews the Company's processes and establishes and addresses key risks for the Company. The Company also has numerous internal committees, including the Internal Enterprise Risk Management Committee. The following are the principal board committees and their members as of December 31, 2012:

Personnel and Compensation Committee	Audit Committee
James Pius Wicker, Chairman	Kenneth LeStrange, Chairman
Edward Hersey Hamm, Jr.	William Carl Peterson
Kenneth John LeStrange	James Pius Wicker
William Carl Peterson	

Investment Committee	Enterprise Risk Management Committee
Edward Hersey Hamm, Jr.	Brian Keith Smith, Chairman
Fred Marshall Turner II	Edward Hersey Hamm, Jr.
	Kenneth John LeStrange
	William Carl Peterson

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined under 18 Del.C., ch. 50, “Insurance Holding Companies”. The Company is 100% owned by Maxum Indemnity Company (MIC), which is owned by Northern Homelands Company (Northern Homelands), a Minnesota corporation. Edward Hersey Hamm, Jr. and GRAT’s for his benefit own 500,000 shares of Class A stock which represents all voting stock. Several employees along with members of the Board of Directors have minority ownership (non-voting stock) in Northern Homelands. The following organizational chart depicts the Company’s relationship within the holding company system at December 31, 2012.



AFFILIATED AGREEMENTS

The following agreements were in effect between the Company and its affiliates at December 31, 2012:

Intercompany Service Agreement

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

Tax Sharing Agreement

Effective September 30, 2004, the Company entered into a tax sharing agreement with MIC and Northern Homelands whereby the companies specify the manner in which they will share in the tax consequences of filing a consolidated federal income tax return. The method of allocation among the companies is subject to Board approval. The allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. An amendment to this agreement on April 12, 2010, was not submitted in a Form D filing at least 30 days before the effective date as required by 18 Del. C. §5005(a)(2)d.

Therefore,

> **It is recommended that the Company comply with 18 Del. C. §5005(a)(2)d and file Form D filings for all management agreements, service contracts, and all cost-sharing arrangements at least 30 days before the effective date.**

Reinsurance Pooling Agreement

Effective July 8, 2004, the Company ceded 100% of direct written premium and 100% of losses and loss adjustment expenses to its parent, MIC, per the Intercompany Reinsurance Agreement. Effective January 1, 2011, the Intercompany Reinsurance Agreement was replaced with a Reinsurance Pooling Agreement. Pursuant to the terms of the agreement, the Company and MIC pool their net written premiums and net liabilities with MIC assuming 84% of the pool and MCIC assuming 16% of the pool.

Investment Advisory Agreement

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

FIDELITY BONDS AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to $1,000,000 with a deductible of $50,000, which adequately covered the suggested minimum amount of coverage for the Company, as recommended by the NAIC.

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

The limits of coverage in the current bond meet the amount of fidelity bond insurance suggested by the *NAIC Handbook*.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

MIC provides a nonqualified defined compensation plan to a group of employees, who are limited based on their compensation level, in their ability to receive the full 6% Company match on their deferred compensation under the qualified defined contribution pension plan. Those employees are offered an option to defer compensation under a nonqualified plan to the extent needed to allow them to receive the full 6% match equivalent to other employees. The Company's share of expenses for the nonqualified defined compensation plan provided by MIC was $31,510 for 2012.

TERRITORY AND PLAN OF OPERATION

At December 31, 2012, the Company was licensed in 50 states and the District of Columbia. States with the largest premium volume are Illinois, Ohio, Pennsylvania, Missouri and Texas. The Company focuses on writing commercial transportation coverage, offering a multi-line product that includes auto liability, auto physical damage, and motor truck cargo.

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

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Surplus as Regards Policyholders	Net Premium Written	Net Income
2012	$54,308,891	$14,953,196	$13,800,985	$(472,524)
2011	49,568,417	15,170,722	11,575,593	715,442
2010	17,043,126	13,715,042	0	310,028
2009	12,558,420	9,852,196	0	303,867
2008	12,204,515	9,635,994	0	224,096

Net premiums written reflect the 100% cession to the parent company, MIC for 2008, 2009 and 2010. Net written premiums for 2011 and 2012 are the result of the Reinsurance Pooling Agreement effective January 1, 2011. The increase in assets in 2011 and 2012 are a result of the transfer of assets to MCIC pursuant to the terms of the reinsurance pooling agreement. The notable drop in net income in 2012 was due to the underwriting losses driven by incurred property catastrophe losses and unfavorable results associated with the Transportation Division.

LOSS EXPERIENCE

Reserves as of December 31, 2011 were $17.4 million. Between December 31, 2011, and December 31, 2012, $4.6 million was paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now $12.0 million. Re-estimation of unpaid claims and claim adjustment expenses resulted in $0.7 million prior-year downward development since December 31, 2011 to December 31, 2012.

REINSURANCE

Assumed

Effective January 1, 2011, the Company and MIC pool their net written premiums and net liabilities with MCIC assuming 16% of the pool and MIC assuming 84% of the pool. Prior to January 1, 2011, MIC assumed 100% of the business written by MCIC under the Intercompany Reinsurance Agreement.

Ceded

The Company cedes 100% of its business written to MIC pursuant to the terms of the Reinsurance Pooling Agreement.

The Company has a corporate property catastrophe contract effective April 1, 2012 that covers the Binding/Programs, Transportation, Specialty Inland Marine and Special Property Divisions on a loss occurring basis. The first layer covers all perils with a limit of $5 million and retention of $5 million. The second layer covers all perils with a limit of $10 million in excess of $10 million. The third layer covers all perils with a limit of $20 million in excess of $20 million. The fourth layer covers all perils with a limit of $20 million for earthquake and $7 million for windstorm in excess of $40 million.

The Binding/Programs, Professional Liability, Casualty Brokerage and Transportation Divisions additionally have their own respective Excess of Loss contracts effective April 1, 2012, each with a limit of $500,000 and retention of $500,000, ceding commission of 32.5% and varying gross premium rates for each division. All divisions are 100% placed except for Transportation, which was 80% placed. There is a quota share contract in place for the net retention on the four divisions net of their respective Excess of Loss contracts. The Quota share percentages are 35% for Binding/Programs and Professional Liability and 25% for Casualty Brokerage and Transportation. Limits per occurrence are $175,000 for Binding/Programs and Professional Liability and $125,000 on Casualty Brokerage and Transportation. Limits per treaty year are 110% loss and ALAE ratio, ceding commission is 35%, profit margin is 7.75% and interest credit is 3.75% (posted quarterly to the Funds Withheld Account based on average quarterly balance in the account).

There are two Excess and Umbrella Casualty contracts, one shared by Casualty Brokerage and Binding/Programs Divisions and a second just for Professional Liability. The first contract covers limits above $1 million for primary policies and excess and umbrella policies. Section A covers supported Excess and Umbrella policies and has a limit of $10 million and 92.50% cession, Section B covers Unsupported Excess and Umbrella Policies and has a limit of $5 million and 87.50% cession and Section C covers Primary General Liability Policies with a limit of $5 million, retention of $1 million and 92.50% cession. The Ceding Commission is 30%. The second contract is for Professional Liability. Section A covers supported Excess policies and has a limit of $5 million and 95% cession, Section B covers unsupported Excess policies and has a limit of $5 million and 92.50% cession and Section C covers Primary Professional Liability policies with a limit of $4 million, retention of $1 million and 95% cession. The ceding commission is 30%.

For Special Property and Specialty Inland Marine, there is a quota share contract and an excess of loss contract effective March 1, 2012. The quota share contract is risk attaching and has a limit of $7.5 million with retention of $3.75 million (at 50% placement), ceding commission of 29.50% and occurrence limit of 225% of subject premium. The excess of loss contract is loss occurring and has a limit of $5.0 million and retention of $2.5 million and an annual aggregate of $15.0 million. This treaty was placed at 50%.

The Company also has the option to purchase facultative reinsurance if its active treaties do not meet its reinsurance needs.

The Company maintains a reinsurance broker agreement with Aon Benfield for services such as structuring and placing reinsurance, providing actuarial services, treaty invoicing, treaty settlement, treaty accounting and reinsurance claims processing and settlement services, and other services agreed on by management.

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 independent certified public accounting firm, KPMG, audited the Company’s records for the years under examination. Audit reports and applicable work papers were made available for the examiners’ use.

The accounts and records review included an assessment of the Company’s risk management process in identifying and controlling risks in the key operational areas of the Company. In making the assessment in each key area, processes were reviewed, risks were identified, and operational and organizational controls were identified and tested in compliance with the *NAIC Handbook*.

The Company has its own data center in Alpharetta, GA which houses its financially significant applications. It has another IT location in Warminster, PA used for the development staff and some back up functions. The system is comprised of both purchased and in-house developed systems which all run on the Microsoft Windows platform and network. The key financial systems utilized are as follows:

a) Microsoft Dynamics GP (General Ledger) – Accounting software which houses the Maxum Financials including G/L, AP, AR, Cash Management, and Fixed Asset modules. The Microsoft Dynamics GP System runs on Windows Server 2003 and utilizes a MS SQL 2000 database.

b) Enterprise System – The Enterprise System is a transactional system used to support policy and endorsement issuance, policy underwriting, and claims processing. The Enterprise System interfaces with the Data Warehouse and Microsoft Dynamics GP to send claims payments and deductible billing information. The Enterprise System runs on Windows Server 2003 and utilizes a MS SQL 2000 database.

c) Data Warehouse – The Data Warehouse is Maxum's principal reporting system that provides functionality to close reporting periods and create journal entries to import into Microsoft Dynamics GP. The Data Warehouse runs on Windows Server 2003 and utilizes a MS SQL 2000 database.

d) FRx Software – The FRx software links to the Microsoft Dynamics GP Database. The software generates reports that are used to populate spreadsheets. The reports are used to create the financial statement spreadsheets.

Investment activity is imported/entered into SunGard iWorks, Maxum's investment accounting software.

INS Services, Inc. reviewed the Evaluation of Controls in Information Systems in accordance with standards established by the National Association of Insurance Commissioners.

STATUTORY DEPOSITS

Listed below are the Company's statutory deposits.

State	Book Value	Fair Value
DE	$ 2,613,107	$2,796,117
Total Benefit of All Policyholders	$ 2,613,107	$2,796,117
FL	$ 214,175	$ 230,866
GA	77,593	82,118
KS	11,052	10,976
MA	122,505	134,709
NV	217,989	219,186
NH	504,520	517,338
NM	463,388	480,905
NC	307,759	328,182
SC	126,415	131,909
SD	11,052	10,976
VA	404,383	431,138
Total All Other Special Deposits	$2,460,831	$2,578,303

The special deposits were confirmed as of December 31, 2012.

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2012:

Assets
Liabilities, Surplus and Other Funds
Statement of income
Reconciliation of Capital and Surplus
Analysis of Changes in the Financial Statements

MAXUM CASUALTY INSURANCE COMPANY
ASSETS
DECEMBER 31, 2012

Assets	Ledger Assets	Non-Admitted Assets	Net-Admitted Assets
Bonds	$ 43,549,312		$ 43,549,312
Preferred Stocks	535,320		535,320
Common Stocks	800,736		800,736
Cash and short-term investments	1,066,421		1,066,421
Investment income due and accrued	516,030		516,030
Uncollected premiums and agents' balances	1,958,773		1,958,773
Deferred premiums	218,697	$ 21,870	196,827
Amounts recoverable from reinsurers	1,347,960		1,347,960
Current federal income tax recoverable	388,417		388,417
Net deferred tax asset	1,247,376	335,532	911,844
Receivable from parent, subs and affiliates	3,007,846		3,007,846
Recovery receivable	73,244	43,839	29,405
Total Assets	$ 54,710,132	$ 401,241	$ 54,308,891

MAXUM CASUALTY INSURANCE COMPANY
LIABILITES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2012

			NOTES
Losses	$	14,417,651	1
Reinsurance payable on paid losses and loss adjustment expenses		1,280,056	
Loss adjustment expenses		5,682,397	1
Commmissions payable, contingent commissions and other similar cl		28,595	
Other expenses		440,173	
Taxes, licenses and fees		65,299	
Unearned Premiums		6,904,075	
Ceded reinsurance premiums payable		5,404,400	
Funds held by company under reinsurance treaties		5,124,484	
Payable to parent, subsidiaries and affiliates		8,564	
Total Liabilities	$	39,355,694	
Common capital stock		3,500,000	
Gross paid in and contributed surplus		8,700,000	
Unassigned funds (surplus)		2,753,196	
Surplus as Regards Policyholders	$	14,953,196	
Total Liabilities, Surplus and Other Funds	$	54,308,890	

MAXUM CASUALTY INSURANCE COMPANY
STATEMENT OF INCOME
DECEMBER 31, 2012

Underwriting Income		
Premiums earned	$	12,854,660
Deductions		
Losses incurred		7,909,804
Loss adjustment expenses incurred		2,267,841
Other underwriting expenses incurred		3,951,584
Total underwriting deductions	$	14,129,229
Net underwriting gain or (loss)	$	(1,274,569)
Investment Income		
Net investment income earned		1,132,328
Net realized capital gains (losses)		58,008
Net investment gain or (loss)	$	1,190,336
Other Income		
Aggregate write-ins for miscellaneous income		(201,641)
Total other income	$	(201,641)
Net Income, after dividends to policyholders, but before federal & foreign income taxes		(285,874)
Federal income taxes		186,650
Net Income	$	(472,524)

MAXUM CASUALTY INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
FROM DECEMBER 31, 2008 to DECEMBER 31, 2012

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2008		$9,635,994
Net Income	$	856,813
Change in net unrealized capital gains		(3,486)
Change in net deferred income tax		1,227,986
Change in non-admitted assets and related items		(377,833)
Cumulative effect of changes in accounting principle		113,722
Capital paid in		500,000
Surplus paid in		3,000,000
Change in surplus as regards policyholders for the year under examination	$	5,317,202
Capital and Surplus, December 31, 2012	$	14,953,196

ANALYSIS OF CHANGES IN THE FINANCIAL STATEMENTS DECEMBER 31, 2012

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

NOTES TO THE FINANCIAL STATEMENTS

(Note 1) Losses **$14,417,651**

Loss Adjustment Expenses **$ 5,682,397**

The above captioned amounts are the same as that reported by the Company in its 2012 Annual Statement.

The Department's consulting actuary, INS Consultants Inc., (INS) was retained and performed an independent analysis of the Company's gross and net loss and loss adjustment expense (LAE) reserves as of December 31, 2012.

The INS review of loss and LAE consisted of analyzing the Company's book of business by line of business on both a net and gross basis. The reserves were reviewed by underwriting divisions for the following: Casualty Brokerage, Professional Liability, Binding, Transportation, Special Property and Specialty Inland Marine. The Company's net and gross loss and LAE reserves are estimated to be adequate, based on the INS review.

The INS analysis and findings are based upon the prevailing standards of the Casualty Actuarial Society and the American Academy of Actuaries. Loss and LAE reserves are subject to errors of estimation arising from the fact that the ultimate liability for claims evaluated as of the evaluation date is dependent on future contingent events which cannot always be anticipated. The possible occurrence of such events, as well as the inherent uncertainty associated with statistical estimates, allows no guarantee that the actual ultimate liabilities will be the same as the reserve levels at the evaluation date.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The Company has complied with prior examination report write-ups.

SUMMARY OF RECOMMENDATIONS

Examination findings and recommendations as of December 31, 2012 consisted of the following:

An amendment to the Tax Sharing Agreement between Maxum Indemnity Company, Maxum Casualty Insurance Company, and Northern Homelands, effective April 12, 2010 was not submitted on a Form D filing with the Delaware Department of Insurance.

Therefore;

> **It is recommended that the Company comply with 18 Del. C. §5005(a)(2)d and file Form D filings for all management agreements, service contracts, and all cost-sharing arrangements at least 30 days before the effective date.**

CONCLUSION

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

Description	December 31, 2012	December 31, 2008
Assets	$54,308,891	$12,204,515
Liabilities	$39,355,694	$2,568,521
Capital and Surplus	$14,953,196	$9,635,994

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

Respectfully submitted,

Lu Ann D. Therrell
Examiner In-Charge
State of Delaware