REPORT ON EXAMINATION

OF THE

MAXUM INDEMNITY 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 INDEMNITY COMPANY

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

Attest By: Brenda Biddle

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

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Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

REPORT OF EXAMINATION

OF THE

MAXUM INDEMNITY 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

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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. 13.017, dated March 25, 2013, an examination has been made of the affairs, financial condition and management of the

MAXUM INDEMNITY COMPANY

hereinafter referred to as "Company" or "MIC", 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 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 that of the Company’s subsidiary Maxum Casualty Insurance Company (MCIC), 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

On January 2, 2003, the Company was purchased as a clean shell by Northern Homelands Company (Northern Homelands) and the name was changed to Maxum Indemnity Company. The shell, Caliber One Indemnity Company, was previously owned by PMA Capital Insurance Company.

On July 9, 2004, the Company purchased 100% of the stock of Golden Isles Insurance Company, a property and casualty insurance company domiciled in Georgia through 2006. The name was changed from Golden Isles Insurance Company to MCIC after the purchase was completed. The state of domicile was changed to Delaware in 2007.

The Company paid dividends to its parent, Northern Homelands, as follows:

2010	$460,000
2011	$65,000
2012	$405,000

The dividends were considered ordinary in accordance with 18 Del. C. §5005.

During the period covered by this examination, gross paid-in and contributed surplus increased $10,197,426 from $51,959,991 in 2008 to $62,157,417 in 2012. The increase for the period is illustrated in the following schedule. Common capital stock remained $3,500,000 during the period under examination.

Ending Balance as of December 31, 2008	$51,959,991
2009 Capital Contribution from Northern Homelands	10,016,376
2010 Capital Contribution from Northern Homelands	22,013
2011 Capital Contribution from Northern Homelands	31,567
2012 Capital Contribution from Northern Homelands	127,470
Ending Balance as of December 31, 2012	$62,157,417

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 John 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 parent of the Company is 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.

Edward Hersey Hamm, Sr. 2009 GRAT 2
Edward Hersey Hamm, Sr. 2010 GRAT 2
(100% Voting Shares)

Northern Homelands Company
32-0027433
MN

Maxum Indemnity Company
DE
51-0097283
100% Owned

Maxum Casualty Insurance Company
DE
58-2281249
100% Owned

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 affiliate, MCIC. Under the agreement, the Company is to provide all underwriting, loss adjustment, investment, and other general operating services on a cost basis to its subsidiary MCIC. 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 MCIC 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 assumed 100% of direct written premium and 100% of losses and loss adjustment expenses from its subsidiary, MCIC, 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 MCIC pool their net written premiums and net liabilities with MIC assuming 84% of the pool and MCIC assuming 16% of the pool.

Enterprise System Rental Agreement with Northern Homelands Company

The Company has an Enterprise System Rental Agreement dated December 30, 2003 with Edward H. Hamm, Sr., Director of the Company and the majority owner of the Company's parent, Northern Homelands. The Enterprise System is used for processing the Company's policies and claims and the agreement terms are on a month to month basis.

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

The Company 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 expenses were $165,430 for 2012.

TERRITORY AND PLAN OF OPERATION

At December 31, 2012, the Company was licensed as an excess and surplus lines carrier in Delaware. The Company is approved as a non-admitted insurer in 48 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. The largest volumes of business are written in California, Florida and Texas.

The Company is composed of six underwriting divisions: Casualty Brokerage, Professional Liability, and Binding/Programs focus on traditional surplus lines business primarily encompassing general liability, umbrella and small commercial package lines of coverage. The Transportation Division writes coverage for small to medium trucking accounts on an admitted basis. MCIC is the direct writer for the admitted business. The Special Property Division commenced business in 2009 and underwrites property surplus lines business primarily focused on shared and excess layers for catastrophe-exposed business and fire risks. The Specialty Inland Marine Division commenced business in 2011 and writes specialty inland marine exposures which include builder's risk, installation, infrastructure, motor truck cargo, equipment and other traditional inland marine coverages.

The Company produces business through professional surplus lines 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	$286,981,558	$96,704,313	$72,455,169	$ 846,211
2011	262,125,375	95,370,826	60,771,851	6,144,291
2010	249,027,686	87,296,144	60,298,989	5,958,000
2009	215,674,840	81,251,684	54,411,001	4,924,568
2008	169,201,403	63,710,401	45,865,781	367,178

The Company has experienced steady growth since the prior examination. 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 $91.3 million. Between December 31, 2011, and December 31, 2012, $24.2 million was paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now $63.1

million. Re-estimation of unpaid claims and claim adjustment expenses resulted in $3.9 million prior-year downward development since December 31, 2011 to December 31, 2012.

REINSURANCE

Assumed

Effective January 1, 2011, the Company assumed 100% of the business written under a reinsurance pooling agreement with its wholly-owned subsidiary, MCIC. The Company and MCIC pool their net written premiums and net liabilities with MIC assuming 84% of the pool and MCIC assuming 16% 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 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, 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 a 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, AR, AP, 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, the Company'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 and determined the controls were operating properly.

STATUTORY DEPOSITS

Listed below are the Company's statutory deposits.

State	Book Value	Fair Value
DE	$2,664,631	$2,887,513
Total Benefit of All Policyholders	$2,664,631	$2,887,513
MA	$ 127,512	$ 140,716
NJ	279,065	287,076
NM	127,512	140,716
NY	2,644,829	2,865,228
Total All Other Special Deposits	$3,178,918	$3,433,736

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 INDEMNITY COMPANY
ASSETS
DECEMBER 31, 2012

Assets	Ledger Assets	Non-Admitted Assets	Net-Admitted Assets
Bonds	$ 197,945,886		$ 197,945,886
Preferred stocks	3,261,285		3,261,285
Common stocks	28,387,489		28,387,489
Cash and short-term investments	8,875,425		8,875,425
Receivable for securities	97,098		97,098
Investment income due and accrued	2,321,823		2,321,823
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	24,474,146	$ 835,101	23,639,045
Deferred premiums	13,329,319	138,808	13,190,511
Amounts recoverable from reinsurers	1,389,933		1,389,933
Current federal income tax recoverable	2,014,209		2,014,209
Net deferred tax asset	6,766,400	1,328,882	5,437,518
EDP equipment and software	1,749,547	1,486,389	263,158
Furniture and equipment	447,534	447,534	0
Receivable from parent, subs and affiliates	8,564		$8,564
Prepaid expenses	99,973	100,274	-301
Recovery receivable	380,072	230,157	149,915
Total Assets	$ 291,548,703	$ 4,567,145	$ 286,981,558

MAXUM INDEMNITY COMPANY
LIABILITES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2012

			NOTES
Losses	$	75,691,592	1
Reinsurance payable on paid losses and loss adjustment expenses		702,113	
Loss adjustment expenses		29,832,592	1
Commissions payable		422,608	
Other expenses		2,310,440	
Taxes, licenses and fees		342,821	
Unearned premiums		36,275,174	
Ceded reinsurance premiums payable		11,294,818	
Funds held by company under reinsurance treaties		26,903,545	
Amounts withheld or retained by company		3,152,784	
Payable to parent, subsidiaries and affiliates		3,010,181	
Payable for securities		338,577	
Total Liabilities	$	190,277,245	
Common capital stock	$	3,500,000	
Gross paid in and contributed surplus		62,157,417	
Unassigned funds (surplus)		31,046,896	
Surplus as regards policyholders	$	96,704,313	
Total liabilities, surplus and other funds	$	286,981,558	

MAXUM INDEMNITY COMPANY
STATEMENT OF INCOME
DECEMBER 31, 2012

Premiums earned	$ 67,486,961
Deductions	
Losses incurred	41,526,473
Loss adjustment expenses incurred	11,906,163
Other underwriting expenses incurred	20,745,812
Total underwriting deductions	$ 74,178,448
Net underwriting gain or (loss)	$ (6,691,487)
Investment Income	
Net investment income earned	6,727,062
Net realized capital gains (losses), less capital gains tax	717,375
Net investment gain or (loss)	$ 7,444,437
Other Income	
Net gain or (loss)	(33,251)
Finance and service charges not included in premiums	44,169
Aggregate write-ins for miscellaneous income	(1,058,615)
Total other income	$ (1,047,697)
Net Income, after dividends to policyholders, but before federal & foreign income taxes	(294,747)
Federal income taxes	(1,140,958)
Net Income	$ 846,211

MAXUM INDEMNITY 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	$63,710,401
Net Income	$ 17,873,070
Change in net unrealized capital gains	3,215,609
Change in net deferred income tax	568,082
Change in non-admitted assets and related items	(70,123)
Cumulative effect of changes in accounting principle	597,041
Surplus adjustments paid in	10,197,426
Dividends to stockholder	(930,000)
Aggregate write-ins for gains and losses in surplus	1,542,807
Change in surplus as regards policyholders for the year under examination	$ 32,993,912
Capital and Surplus, December 31, 2012	$ 96,704,313

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**	**$75,691,592**
	Loss Adjustment Expenses	**$29,832,592**

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

There were no recommendations in the prior examination report.

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	$286,981,558	$169,201,403
Liabilities	$190,277,245	$105,491,002
Capital and Surplus	$ 96,704,313	$ 63,710,401

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

Respectfully submitted,

Lu Ann D. Therrell

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