REPORT ON EXAMINATION

OF THE

DELOS INSURANCE COMPANY

AS OF

DECEMBER 31, 2007

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 ON EXAMINATION, made as of December 31, 2007 of the

Delos Insurance Company

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

Attest By: Sonia C. Harris

Date: 22 June 2009

Insurance Commissioner of the State of Delaware

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 22nd day of June 2009.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

REPORT ON EXAMINATION

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DELOS INSURANCE COMPANY

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DECEMBER 31, 2007

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 22nd day of June, 2009

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April 16, 2009

SALUTATION

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

Honorable Alfred W. Gross
Chairman, Financial Condition
Committee, NAIC
State Corporation Commission
P. O. Box 1157
Richmond, VA 23218

Honorable Eleanor Kitzman
Secretary Southeastern Zone
Department of Insurance
State of South Carolina
300 Arbor Lake Drive, Suite 1200
Columbia, SC 29223

Dear Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority Number 08-036, an examination has been made of the affairs, financial condition and management of

DELOS INSURANCE COMPANY

hereinafter referred to as "Company" incorporated under the laws of the State of Delaware. The examination was conducted at the administrative office of the Company located at 120 West 45th Street, New York, New York. The examination of the Company was conducted concurrently with that of its affiliate; Naxos Insurance Company. Separate reports of examination were filed for each Company.

The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last financial condition examination of the Company covered the period from January 1, 2002 through December 31, 2004. This examination covered the period from January 1, 2005 through December 31, 2007 and consisted of a general survey of the Company's business policies and practices; management, any corporate matters incident thereto; a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed to the extent deemed necessary.

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

The general procedure of the examination followed rules established by the National Association of Insurance Commissioners (NAIC) Committee on Financial Condition Examiners Handbook as adopted by the Delaware Insurance Department under Delaware Insurance Code Section 526, and generally accepted statutory insurance examination standards.

In addition to items noted in this report, the following topics were reviewed and are included in the workpapers of this examination:

Fidelity Bonds
Agent and Employee Welfare
NAIC Ratios
Legal actions
Regulatory agency correspondence
All asset and liability items not mentioned

The examination was conducted in accordance with the Association Plan of Examination guidelines established by the NAIC. No other states participated in the examination.

In planning and conducting the examination, consideration was given to the concepts of materiality and risk, and examination efforts were directed accordingly. The workpapers of the Company's public accountant prepared in support of the Company's annual audit were reviewed, and utilized to the extent deemed appropriate and practical.

HISTORY

The Company was incorporated on November 18, 1977 and commenced business on January 1, 1978. The Company's name was changed on September 23, 1997, from Sirius Reinsurance Corporation to Sirius America Insurance Company (Sirius America), as filed with the Delaware Secretary of State.

Prior to January 1, 2000, the Company acted primarily as a reinsurer under the terms of a management agreement with Gerling Global Reinsurance Corporation of America, (GGRCA) formerly Constitution Reinsurance Corporation, whereby the Company assumed the majority of its business from GGRCA under various quota share agreements. This relationship was terminated on December 31, 1999, at which time the reinsurance agreements with GGRCA were canceled. All of these agreements have been terminated and commuted with a portfolio return of all unearned premiums and/or loss reserves.

Prior to July 15, 2002, the Company was a wholly-owned subsidiary of ABB Holdings, Inc. which is ultimately owned by ABB, Ltd., of Zurich, Switzerland. On July 15, 2002, ownership of the Company was transferred from ABB Holdings, Inc. to Sirius International Insurance Corporation (SIIC), an affiliated company. SIIC is a wholly-owned subsidiary of ABB

Financial Services AB, which is in turn owned by ABB AB. Both of these entities are owned 100% by the ultimate parent ABB, Ltd. of Zurich, Switzerland.

On December 9, 2003, White Mountains Insurance Group, Ltd. announced that it had entered into a definitive agreement with ABB Ltd. to acquire Sirius International Insurance Corporation, Sirius America Insurance Company, and Scandinavian Reinsurance Company Ltd. On April 16, 2004, the transaction was completed with ownership of the Company transferred to Folksamerica Reinsurance Company, which in turn is a wholly-owned subsidiary of Folksamerica Holding Company, Inc., a wholly-owned subsidiary of White Mountains Re Holding, Inc. The ultimate parent company is White Mountains Insurance Group, LTD.

On April 19, 2006, Lightyear Delos Acquisition Corp., Lightyear Fund II, L.P., and Lehman Merchants Banking Partners III, L.P. filed a plan with the Delaware Department of Insurance to acquire control of Sirius America Insurance Company through the acquisition of 100% of the outstanding capital stock of Sirius America. Under the terms of a stock purchase agreement dated August 2, 2006 Lightyear Delos Acquisition Corp, a Delaware corporation, acquired all of the outstanding shares of Sirius America Insurance Company from Folksamerica Holding Company, Inc. Upon completion of the sale, the Company changed its name from Sirius America to Delos Insurance Company.

CAPITALIZATION

At December 31, 2007, the Company’s authorized capital was $4,200,000 consisting of 42,000 issued and outstanding shares of common stock at a par value of $100 per share. The following changes occurred in the capital and surplus accounts since the prior examination.

	Common Capital Stock	Gross Paid-in and Contributed	Unassigned Surplus	Total
December 31, 2004	$ 4,200,000	$ 43,459,439	$ 34,537,870	$ 82,197,309
2005 Operations (1)			10,190,716	10,190,716
2006 Operations (1)			10,623,728	10,623,728
2007 Operations (1)			5,917,460	5,917,460
Capital changes: (2)				
Surplus paid-in 2005		15,000,000		15,000,000
Surplus paid-in 2006		85,832,119		85,832,119
Dividends to stockholder in 2007 (3)			(2,000,000)	(2,000,000)
December 31, 2007	$ 4,200,000	$ 144,291,558	$ 59,269,774	$ 207,761,332

1. Operations is defined as net income, change in net unrealized capital gains or (losses), change in net unrealized foreign exchange capital gain (loss), change in net deferred income tax, change in non-admitted assets and change in provision for reinsurance.
2. Capital changes were due to surplus contributions by the Company's prior parent Sirius International Insurance Company in 2005 and 2006.
3. The Company's board of directors approved two $1 million dividends to be paid to the Company's only shareholder, Lightyear Delos Acquisition Corp. in 2007. See DIVIDENDS TO STOCKHOLDER below for payment information.

DIVIDENDS TO STOCKHOLDER

The Company declared two dividends in the amount of $1,000,000 each in 2007. The first $1 million dividend was declared on July 20, 2007, approved August 21, 2007, and paid on September 4, 2007. The second dividend was declared on November 19, 2007, approved December 6, 2007 and paid on December 10, 2007.

Subsequent to December 31, 2007, the Company declared a dividend in the amount of $1,250,000 on May 29, 2008, approved June 12, 2008, and paid on June16, 2008.

MANAGEMENT AND CONTROL

Pursuant to the General Corporation Law 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 its Board of Directors.

Shareholder

In accordance with Article II, Section 2 of the Company's bylaws the annual shareholder's meeting shall be held each year on a date to be determined by resolution of the Board of Directors.

Board of Directors

In accordance with Article III, Section 2 of its bylaws the number of directors could be changed from time to time allowing for no less than five (5) and no more than fifteen (15) members.

The members of the Board of Directors serving as of December 31, 2007, were as follows:

Director's Name	Principal Business Affiliation
Dr. Detlef Steiner, Chairman of the Board	Lightyear Delos Acquisition Corp.
William Francis Davis	Delos Insurance Company
Mary Elizabeth Sbaschnig	Delos Insurance Company
Grace Ann Meek	Delos Insurance Company
Bryan Triplett McCully	Delos Insurance Company

Committees

In accordance with Article III, Section 7 of its bylaws the board may designate one or more committees, each committee to consist of one or more of the directors of the corporation. As of December 31, 2007 the board of directors had not appointed any committees.

Officers

In accordance with Article IV, Section 1 of its bylaws the officers of the Company are to be a chairman of the board, a chairman of the executive/finance committee, a president, a treasurer, a secretary and such vice presidents, assistant treasurers, assistant secretaries or other officers and agents as may be elected or appointed by the Board of Directors.

As of December 31, 2007 the Company's principal officers and their respective titles are as follows:

Officer	Title
Dr. Detlef Steiner	Chairman of the Board
William Francis Davis	President and Chief Executive Officer
Bryan Triplett McCully	Senior Vice President and Secretary
Grace Ann Meek	Senior Vice President and Chief Business Officer
Mary Elizabeth Sbaschnig	Senior Vice President and Chief Administrative Officer
Joseph Robert Raia	Senior Vice President and Director Internal Audit
Scott George Van Pelt	Senior Vice President and Chief Accounting Officer
John Michael Kornobis	Vice President and Treasurer
Laura Joosten	Vice President and Financial Operations Controller
John Anthony Duffy	Vice President and Actuary ACAS
Keith Andrew Walsh	Vice President and Actuary FCAS, MAAA

Conflict of Interest

The Company maintains a formal written conflict of interest policy, under which officers and directors are required to complete and sign a conflict of interest statement each year. The signed conflict of interest statements were reviewed and no conflicts of interests were noted.

Corporate Records

The Company's corporate records were reviewed for the period under examination. The Company amended its Certificate of Incorporation effective August 2, 2006 to change its name from Sirius America Insurance Company to Delos Insurance Company. The Company also amended their bylaws in Article I, Section 1 to change their address and their name to Delos Insurance Company.

AGREEMENTS

Income Tax Allocation Agreement

Effective August 2, 2006, the Company entered into a tax sharing and allocation agreement with Lightyear Delos Acquisition Corp. (Lightyear Acquisition), the Company's ultimate parent. Effective May 1, 2007, Naxos Insurance Company (Naxos) was included as a party and a member of the "Affiliated Group" as defined in the agreement. The purpose of the agreement was to establish fair and equitable reimbursement obligations that Lightyear Acquisition and affiliated group members have with respect to each other arising out of the filing of a consolidated federal income tax return and to establish the federal income tax liability of the affiliated group in accordance with the IRS Code, Section 1552. This agreement was amended January 1, 2008.

Services Agreement

The Company entered into a services agreement with Lightyear Delos Acquisition Corp. (Lightyear Acquisition), its ultimate parent, effective August 2, 2006. Lightyear Acquisition was to provide advisory and consulting services to the Company as described and included in the Management Services Agreement between Lightyear Acquisition and Lightyear Capital LLC noted below. This services agreement was amended April 11, 2007 which reduced the annual fees for this services agreement from $1,835,500 to $1,385,000.

Management Services Agreement

Effective April 11, 2006, Lightyear Acquisition and Lightyear Capital LLC (Lightyear Capital) entered into a management services agreement whereby Lightyear Capital would provide advisory and consulting services to Lightyear Acquisition, its affiliates and their representative officers or employees. This agreement stipulates that Lightyear Capital is to provide advisory and consulting services to Lightyear Acquisition related to advice regarding the structure terms, conditions and other provisions, distribution and timing of debt and equity offerings and advice regarding relationships with the Company's and its subsidiaries' lenders and bankers. Lightyear Acquisition pays a flat "ongoing advisory fee" for these services quarterly. The annual fee is $1,000,000 for this management agreement. These fees are transferred to the Company as provided for in the services agreement between Lightyear Acquisition and the Company noted above.

Management Services Agreement

Effective April 1, 2007, the Company entered into a management services agreement with Naxos Insurance Company (Naxos), a wholly-owned subsidiary. The services provided by the Company include but are not limited to: the Company is to engage in marketing activities on behalf of Naxos; to recommend program managers to administer business written and to recommend third party administrators (claim managers) to handle servicing of claims on behalf of Naxos; the Company will access and review the books of program managers and claim managers, prepare and file all reports, statements, documents, or notices as required by law for Naxos, and assist in the maintenance of corporate books and record of Naxos. The Company's compensation for providing these services is a percentage of unallocated expenses for the current year.

Non Affiliated Agreements

Investment Management Agreement

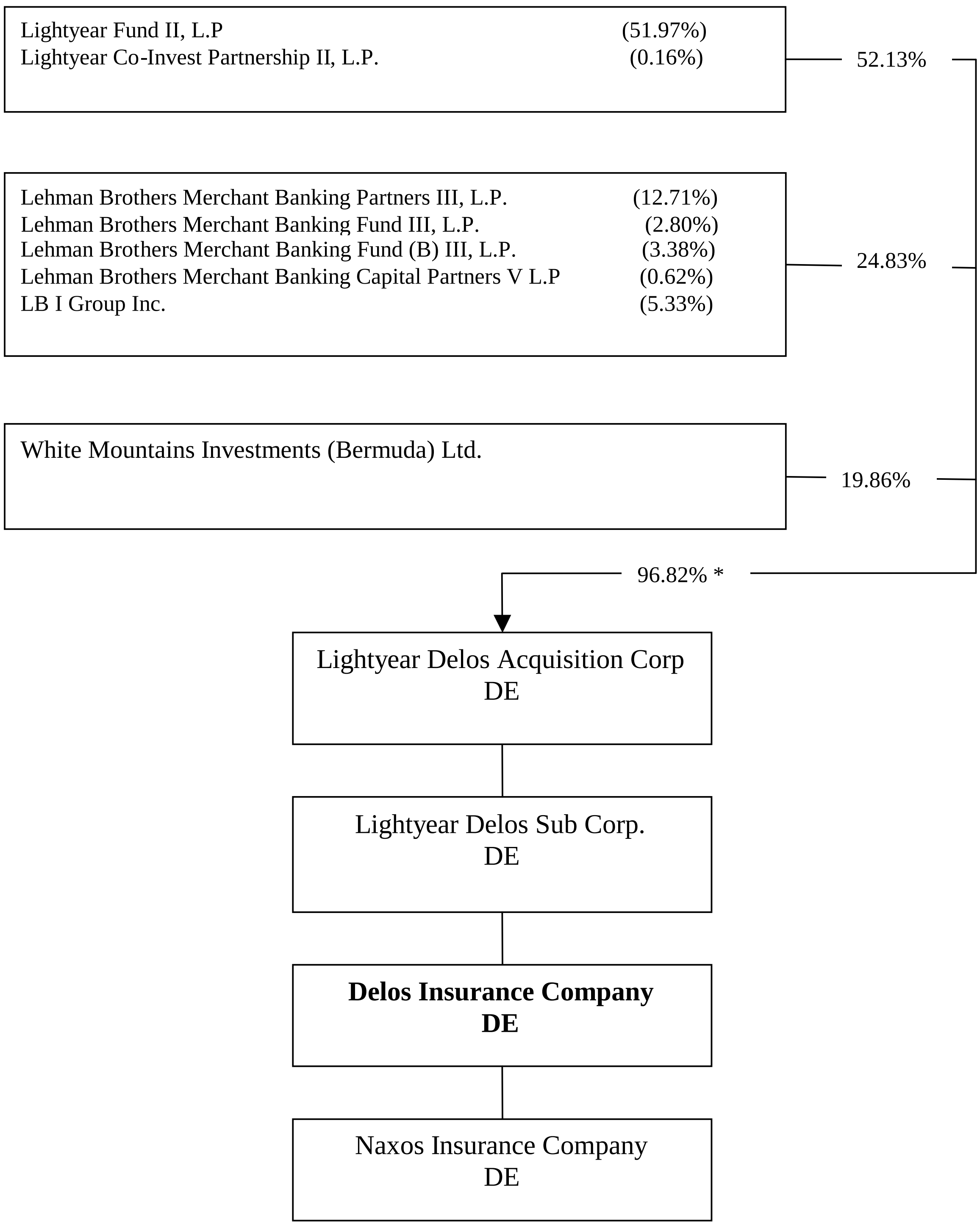
The Company entered into an investment agreement with White Mountains Advisors LLC effective May 28, 2004 and amended August 2, 2006 as a result of sale of the Company's stock to Lightyear Delos Acquisition Corp. The agreement calls for White Mountains Advisors LLC to manage on a continuous basis the Company's investment account in accordance with the investment objectives communicated in writing by Company management and written guidelines.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System under the ultimate parent company, Lightyear Delos Acquisition Corporation (Lightyear Acquisition). Lightyear Acquisition is owned 52.1% by Lightyear Fund II, L.P., a Delaware limited partnership, 24.8% by Lehman Brothers Merchant Banking Partners III L.P, a Delaware limited partnership, and 19.9% by White Mountains Investment (Bermuda) Ltd., a Bermuda company. For the year ended 2007, Lightyear Delos Acquisition Corp. consolidated financial statements showed assets of $752.7 million and stockholders' equity of $191.5 million.

The following organizational chart of Delos Insurance Company identifies the relationships between its parent, affiliates and subsidiaries as of December 31, 2007.

Delos Insurance Company



* The remaining 3.18% is owned by individuals
Ownership is 100% unless otherwise indicated

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2007 the Company was licensed to transact business in all 50 states and the District of Columbia.

In 2007 the Company wrote 47% of its business in California and 10% of its business in New Jersey.

Plan of Operation

Under its new ownership and management, the Company has become a direct writer through program management agreements with various program administrators (PAs) to write its business throughout the United States. Program administrators provide services including but not limited to: billing and collection of premiums, policy accounting, audit for additional premiums, pay various management expenses, premium financing, policy termination, and other ancillary services related to the business produced and managed. The Company had 28 active program management agreements as of December 31, 2007. Program business is underwritten through guidelines established by the Company.

Program Business

The following table lists the five largest program administrators, by premium volume, for 2007. These administrators produced over 70% of direct premiums for the Company. Following this table is a brief description of each program administrator.

Program Administrator	2007 Gross Premiums Written	Percentage to Total	Primary Types of Business Written	Primary Territory
KRM Risk Management	$ 63,185,226	24.04%	Workmen's Compensation	CA,
FirstComp Underwriters Group, Inc.	39,302,962	14.95%	Workmen's Compensation	CT, HI, NV,VA
UCA General Insurance Services	31,390,393	11.94%	Commercial Multi-Peril Boiler & Machinery	CA, NV, AZ, WA, UT, ID
International Medical Group Stop Loss, Inc.	27,736,962	10.55%	Group Accident & Health	IN, MI, TX, WI
G & G Underwriters, Inc.	26,026,909	9.90%	Commercial Multi-Peril Liability Other Than Auto BI - Occurrence Commercail Auto No-	NJ, PA
Total for top five producers	$ 187,642,452	71.39%		
Total Gross Premiums Written	$ 262,834,523			

KRM Risk Management (KRM), located in Fresno, California, is a managing general underwriter established in 1993 that provides underwriting, policy issuance, premium billing and audit services to insurance companies offering workers compensation coverage in California for various classes of insureds. KRM first contracted with the Company effective January 1, 2007. As of December 31, 2007, the estimated number of agents used by KRM was approximately one hundred.

FirstComp Underwriters Group, Inc. (FirstComp), located in Omaha, Nebraska, is a managing general agent (MGA) that provides workers' compensation coverage to small to medium sized businesses, primarily in Connecticut, Hawaii, Nevada and Virginia. FirstComp first contracted with the Company effective October 1, 2006, and as of year end 2007, had an agency force of approximately 6,100.

UCA General Insurance Services (UCA), located in Cypress, California, is a managing general agency that was established in 1984 to assist Asian insurance agents market their products. The primary line of business written by UCA for the Company was commercial multi-peril insurance targeted at Asian owned businesses such as hotels/motels, restaurants and grocery stores in California, Nevada, Arizona, Washington, Utah and Idaho. UCA first contracted with the Company effective April 1, 2002, and as of year end 2007, possessed an agency force of over two hundred active agents.

International Medical Group Stop Loss, Inc. (IMG), located in Indianapolis, Indiana, is a general agent established in 1998 that markets two accident and health related products, specific stop-loss and aggregate stop-loss primarily in Michigan, Texas and Wisconsin. The specific stop-loss limits the financial risk for any one individual that may incur claims under a self-funded employee health plan. The aggregate stop-loss product limits the employer's exposure for all individuals in the plan. IMG first contracted with the Company effective May 1, 1999 and as of year end 2007, the estimated number of agents used by IMG was fifty-seven.

G & G Underwriters, LLC. (G & G), located in Lawrenceville, New Jersey, is a general agent that was established in 1997 to write small to medium sized commercial accounts primarily in Delaware, New Jersey and Pennsylvania. G & G first contracted with the Company effective January 1, 2001 and as of the year end 2007, the estimated number of agents used by G & G was ninety.

Claims Administration

Through claim manager agreements, the Company utilizes various third party administrators (TPAs) to administer its claims functions for direct business written by the program administrators throughout the United States. Claim managers or TPAs provide services, such as, but not limited to: investigate all reported claims; evaluate any coverage issues; establish appropriate reserves; deny claims; adjust, settle and bring to a conclusion those claims that the claims administrator determines the Company is obligated to pay; identify and gather all information necessary to recover benefits of the Company for salvage, subrogation or contribution; assign litigated claims to legal counsel; prepare checks, settlement agreements, releases, and record and track all reserves and reserve changes. The Company had twenty-nine active claims management agreements as of December 31, 2007.

The following table lists the five largest claims administrators by paid claim volume for 2007. A brief description of the each claims administrator is below the table.

Claims Managers TPAs	2007 Claims Paid	Percentage to Total	Claims Paid for PA Written Business
GAB Robins North America, Inc.	$ 12,670,057	14.30%	G & G Commercial Program Inter-Cas, LTD - Auto Fac Inter-Cas, LTD - Umbrella
International Medical Administrators, Inc.	14,179,437	16.01%	International Medical Group
UTC Risk Management Services, Inc.	20,891,927	23.58%	Inter-Reco Commerical
Criterion Claims Solutions	11,099,025	12.53%	Paige - Ruane Seaboard
Precision Risk Management	10,205,087	11.52%	UCA General Insurance
Total Paid Claims by top 5 TPAs	$ 69,045,533	77.94%	
Total Direct Paid Claims in 2007	$ 88,586,039		

GAB Robins North America, Inc. (GAB) provides risk management services and solutions for the property and casualty insurance market. Founded in 1932 and based in Parsippany, New Jersey, GAB provides TPA services including developing and implementing general property and liability claims management programs. The Company and GAB executed a Claims Management Agreement effective June 1, 2005 for the G&G Commercial Program. Licensed in the state of New Jersey, the primary lines of business handled by GAB on the G&G Program are property, commercial general liability and commercial auto.

International Medical Administrators, Inc. (IMA) is a wholly-owned subsidiary of International Medical Group, Inc. (IMG) and was incorporated on November 19, 1992. IMA was founded by experienced medical insurance and stop-loss insurance executives for the purpose of providing administrative services in those areas. IMA is licensed in Indiana, Kansas and Pennsylvania and provides claim administration services in those states that do not require licensure of TPAs. The Company executed a Claims Management Agreement with IMA effective August 1, 1999 for the IMG Accident and Health Stop Loss Program. The primary lines of business handled by IMA on the IMG Program are accident and health stop loss.

UTC Risk Management Services, Inc. (UTC) was established in 2001 as a wholly owned subsidiary of Inter-Reco, Inc. Licensed in the State of New York and located in Woodbury, New York, UTC specializes in New York General Liability claims, focusing on the construction industry and related liability claims impacted by New York Labor Law. Delos and UTC executed a Claims Management Agreement effective December 15, 2001 for the Inter-Reco Commercial General Liability Program. The primary line of business handled by UTC on the Inter-Reco Program is commercial general liability.

Criterion Claims Solutions (Criterion), established in 2000, and located in Omaha, Nebraska, is a third party administrator (TPA) that provides comprehensive, nationwide claims administration and management services. Criterion is licensed in the following states: AR, GA, IL, IN, LA, ME, MD, MO, MT, NE, NH, NM, OH, OK, PA, SD, TX and WA. Delos and Criterion executed a Claims Management Agreement effective September 1, 2001 for the Seaboard Underwriters Commercial Automobile Program, primarily commercial auto. The Company and Criterion executed a Claims Management Agreement effective September 1, 2001 for the Paige-Ruane, Inc. Contingent Lessor Liability/PD Program.

Precision Risk Management, Inc. (PRM), located in Cypress, California, was formed in 1985 as a wholly-owned subsidiary of UCA General Insurance (UCS). PRM adjusts property and commercial liability claims on business written through UCA. UCA is licensed in California. Delos executed a Claims Management Agreement with PRM effective April 1, 2002 for the UCA Commercial BOP Program.

GROWTH OF COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the period from the prior examination to December 31, 2007:

Year	Net Written Premiums	Net Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2004*	$ 105,954,188	$ 287,899,980	$ 205,702,670	$ 82,197,309	$ 2,536,247
2005	86,936,878	309,603,112	202,215,087	107,388,025	7,834,794
2006	63,218,328	370,444,382	166,600,510	203,843,872	9,640,452
2007	186,171,603	462,981,753	255,220,421	207,761,332	3,015,924

*Reflects prior examination changes, no current examinations changes made.

As noted in the HISTORY section above, the Company's stock was sold to Lightyear Delos Acquisition Corp. effective August 2, 2006. Most of the above financial data was affected by this ownership change and new management strategies. The Company added seven new program administrators to write new direct business in 2007 and the Company's decision to use less quota share reinsurance in 2007 attributed to the nearly 195% increase in net written premiums from 2006 to 2007. The over 60% increase in surplus as regards to policyholders was due to $100.8 million in additional paid in surplus since 2005. The almost 200% decline in net income from 2006 would be attributable to the increase in direct premiums written in 2007 and the acquisition cost associated for that new business.

The growth over the examination period has taken the form of the following:

- A 43% increase in net written premiums
- A 38% increase in admitted assets
- A 19% increase in liabilities
- A 60% increase in surplus as regards policyholders

REINSURANCE

Premiums written, reinsurance assumed, and reinsurance ceded by the Company during 2007 was as follows:

Direct Written	$ 262,834,523
Reinsurance Assumed from Affiliates	$ 0
Reinsurance Assumed from Non-Affiliates	4,755,401
Subtotal Reinsurance Assumed	$ 4,755,401
Reinsurance Ceded to Affiliates	$ 0
Reinsurance Ceded to Non-Affiliates	81,418,321
Subtotal Reinsurance Ceded	$ 81,418,321
Net Premiums Written and Earned During Year	$ 186,171,603

Assumed – from Affiliates

Quota Share Reinsurance Agreement with Naxos Insurance Company (Naxos)

Effective July 1, 2007, the Company entered into a Quota Share Agreement with Naxos, its wholly-owned subsidiary, to assume 90% of Naxos' net retained liabilities under policies. Naxos was to be paid a one percent ceding commission plus acquisition cost. Naxos did not write business during the examination period, therefore the Company did not assume business in 2007 from this agreement. Naxos did not begin writing business until 2008. The ceding commission to be paid Naxos was amended to three percent effective July 1, 2008.

Assumed – from Non-Affiliates

Other assumed business is primarily from a reinsurance agreement written by the Company with one of its program administrators, Deans & Homer. The Company assumed approximately $4.5 million in 2007 under this arrangement. The remainder of the assumed business is derived from statutorily mandated pools and associations.

Ceded

As noted in the TERRITORY AND PLAN OF OPERATION section of this report, the Company used numerous program administrators to write its business in 2007. Most program administrators had either a quota share, facultative, and/or excess of loss reinsurance agreements on the business written by that program administrator for the Company. Ceding percentages for the above noted various reinsurance agreements range from ten percent to one hundred percent.

In addition to these reinsurance agreements mentioned above, the Company had first, second, third, and fourth layers workers' compensation excess of loss reinsurance coverage. The first and second layers reinsurance contracts were written specific to the program administrators writing the workers' compensation business. The third and fourth layers were written for all workers' compensation business regardless of the program administrator writing this business. These agreements had various effective dates and various reinsurers. Listed below is a summary of these four layers of workers' compensation limits and coverage;

Layer	Company's Retention	Reinsurer's Limit of Liability *	
	Ultimate Net Loss in respect to each Occurrence	Ultimate Net Loss in respect to each Occurrence	Ultimate Net Loss in respect to each Occurrences from Policies Covered
First Layer	$ 1,000,000	$ 4,000,000	$ 20,000,000 to Unlimited
Second Layer	$ 5,000,000	$ 5,000,000	$ 15,000,000
Third Layer	$ 10,000,000	$ 10,000,000	$ 20,000,000
Fourth Layer	$ 20,000,000	$ 10,000,000	$ 20,000,000

* Each reinsurance agreement had different limits for acts of terrorism.

The above four layers of coverage for workers' compensation equates to $29 million in excess of $1 million. The Company's ultimate net loss in respect to each occurrence net loss from workers' compensation is $1 million.

ACCOUNTS AND RECORDS

The accounts and records reviewed 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 uses "Great Plains" software for the general ledger application. The Great Plains software consists of multiple modules including accounts payable and general ledger Integration Management as well as other financial reports, including a trial balance report that is utilized by the Company. The Company utilizes SICSnt (storebrand International Contracts System) to capture all insurance related transactions for direct, reinsurance and ceded business.

An external accounting firm audits the statutory financial statement of the Company annually. The Company's external firm reviewed its internal control structure in order to establish the necessary audit procedures required to express an opinion. No significant or qualifying deficiencies were found to exist in the design or operation of the Company's internal control structure.

Based on the examination review of the filed Annual Statements, observations and subsequent discussions with management, the accounting systems and procedures were found to conform to insurance accounting practices and requirements.

FINANCIAL STATEMENTS

The following financial statements as determined by this examination are presented herein:

Analysis of Assets, as of December 31, 2007
Liabilities, Surplus and Other Funds, as of December 31, 2007
Underwriting and Investment Exhibit - Statement of Income, which includes the Capital and Surplus Account for the one-year period ending December 31, 2007

Analysis of Assets
As of December 31, 2007

	Assets	Non-Admitted Assets	Admitted Assets	Notes
Bonds	$ 265,636,959	$	$ 265,636,959	1
Common stocks	55,351,253		55,351,253	
Cash	53,433,114		53,433,114	
Receivable for securities	11,418,004		11,418,004	
Subtotal cash and invested assets	$ 385,839,330	$	$ 385,839,330	
Investment income due and accrued	$ 2,570,214	$	$ 2,570,214	
Premium and considerations:				
Uncollected premiums and agents' balances in course of collection	4,247,746	598,863	3,648,883	
Deferred Premiums, agents balances and installments booked but	49,458,028		49,458,028	
Reinsurance:				
Amounts recoverable from reinsurers	7,847,746		7,847,746	
Funds held by or deposited with reinsured companies	215,372		215,372	
Current federal and foreign income taxes recoverable	480,324		480,324	
Net deferred tax asset	12,029,853	4,920,798	7,109,055	
Electronic data processing equipment and software	844,185	68,996	775,189	
Furniture and equipment	309,964	309,964		
Receivable from parent, subsidiaries and affiliates	362,631		362,631	
Remittances and items not allocated	4,650,371		4,650,371	
Leasehold improvements	285,299	285,299		
Prepaid Expense	24,610		24,610	
Totals	$ 469,165,673	$6,183,920	$ 462,981,753	

Liabilities, Surplus and Other Funds
As of December 31, 2007

			Notes
Losses		$ 128,714,878	2
Reinsurance payable on paid loss and loss adjustment expenses		32,282	
Loss adjustment expenses		17,658,329	2
Commissions payable, contingent commissions and similar charges		4,617,690	
Other expenses		2,275,075	
Taxes, licenses and fees		7,289,554	
Unearned premiums		75,011,228	
Ceded reinsurance premiums payable		12,466,810	
Funds held by company under reinsurance treaties		1,462,831	
Amounts withheld or retained by company for account of others		1,721,270	
Provision for reinsurance		1,672,250	
Drafts Outstanding		1,144,231	
Payable to parent, subsidiaries and affiliates		2,050,287	
Retroactive Reinsurance Reserve		(896,294)	
Total Liabilities		$ 255,220,421	
Capital stock		$ 4,200,000	
Gross paid in and contributed surplus	$ 144,291,558		
Unassigned funds (surplus)	59,269,774		
Surplus		203,561,332	
Surplus as regards policyholders		$ 207,761,332	
Total		$ 462,981,753	

Underwriting and Investment Exhibit: Statement of Income
As of December 31, 2007

		Notes
Underwriting Income		
Premiums earned	$ 138,552,359	
Deductions		
Losses incurred	$ 65,223,753	
Loss expenses incurred	22,382,217	
Other underwriting expenses incurred	58,334,366	
Other underwriting loss	4,472	
Total underwriting deductions	$ 145,944,808	
Net underwriting gain or (loss)	$ (7,392,449)	
Investment Income		
Net investment income earned	$ 14,461,807	
Net realized capital gains or (losses)	2,077,200	
Net investment gain or (loss)	$ 16,539,007	
Other Income		
Finance and service charges not included in premiums	$ 21,162	
Fines and Penalties	(18,405)	
Other interest expense	(98,768)	
Other Expense and Income	252,472	
Total other income	$ 156,461	
Net income before dividends to policyholders and before federal income taxes	$ 9,303,019	
Federal income taxes incurred	6,287,095	
Net income	$ 3,015,924	
Capital and surplus account		
Capital and surplus, December 31, 2006	$ 203,843,872	
Gains and (losses) in surplus		
Net income	$ 3,015,924	
Change in net unrealized capital gains or (losses) less capital gains tax	(1,225,333)	
Change in net unrealized foreign exchange capital gain (loss)	23,288	
Change in net deferred income tax	6,276,270	
Change in non-admitted assets	(1,949,590)	
Change in provision for reinsurance	(223,099)	
Dividends to stockholders	(2,000,000)	
Change in surplus as regards policyholders for the year	$ 3,917,460	
Surplus as regards policyholders, December 31, 2006	$ 207,761,332	

FINANCIAL CHANGES

No financial changes were made as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Bonds: $265,636,959

The Company's bond holdings totaled $265.7 million and comprised almost 57% of total adjusted admitted assets and almost 69% of the Company's total invested assets, at December 31, 2007. Security composition for the year ending 2007 was comprised of the following:

U.S. Goverments	$ 77.9 million
Special Revenue	30.4 million
Industrial & Miscellaneous	142.4 million
Other Countries	15.0 million
	$265.7 million

Of the Company's total bond holdings, $250.7 million or 94.4% were categorized as Class 1, with respect to NAIC credit quality standards. All other bonds were categorized as Class 2 with a book value of $15,000,000. All investments were rated by the SVO, Moody's and Standard and Poor's with similar quality ratings.

Note 2 – Loss Reserves: $128,714,878

Note 2 – Loss Adjustment Expenses: $17,658,329

Loss and loss adjustment expense reserves (LAE) represent 57.4% of the Company's liabilities and incurred but not reported reserves (IBNR) constituted 61.2% of loss reserves at year-end 2007.

INS Consultants, Inc. (INS) was retained by the Delaware Insurance Department to conduct a review of the Company's reserve methodologies and adequacy. INS evaluated the Company's business by program and where applicable, line of business within program for loss and allocated loss adjustment expenses. The conclusions reached by INS are largely based upon information supplied by the Company's staff, which included an in-depth actuarial analysis. The INS reserve analysis was performed on both a gross and net of reinsurance basis and did not address the collectibility of reinsurance recoverables. Underlying data was tested through a review of open and paid claim files and actual payments made with no exceptions noted. The aggregated actuarial data provided by the Company was verified and reconciled to Schedule P of the Company's filed annual statement.

Loss and LAE reserves are subject to errors of estimation arising from the fact that the ultimate liability for claims evaluated as of the valuation date are 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 described in this examination report. As a result of this study, the reserves were accepted as reported by the Company at December 31, 2007.

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

A recommendation was made in the prior examination that the Company should enter into written contractual agreement with Folksamerica, formalizing this agreement and that this agreement be submitted as required to the Delaware Department of Insurance for approval.

The Company's ownership was subsequently changed rendering this recommendation not applicable.

SUMMARY OF RECOMMENDATIONS

No recommendations were made in this examination report.

CONCLUSION

As a result of this examination, the financial condition of the Delos Insurance Company, as of December 31, 2007, was determined as follows:

Description	12/31/2007 Current Examination	12/31/2004 Prior Examination	Changes Increase (Decrease)
Assets	$462,981,753	$287,899,980	$ 175,081,773
Liabilities	$255,220,421	$205,702,671	$ 49,517,750
Common capital stock	4,200,000	4,200,000	0
Gross paid in and contributed capital	144,291,558	43,459,439	100,832,119
Unassigned funds (surplus)	59,269,774	34,537,870	24,731,904
Total surplus as regards policyholders	$207,761,332	$ 82,197,309	$ 125,564,023
Totals	$462,981,753	$287,899,980	$ 175,081,773

Since the last examination, the Company's assets have increased $175,081,773; liabilities have increased $49,517,750 and capital and surplus as reguards policyholders increased $125,564,023. In addition to the undersigned, acknowledgment is made of the assistance provided by the Delaware Insurance Department's consulting actuarial firm, INS Consultants, Inc.

Respectfully submitted,

Thomas W. Gay, Jr.

Thomas W. Gay, CFE
Examiner-in-Charge
State of Delaware
Northeastern Zone, NAIC

SUBSEQUENT EVENTS

Subsequent to December 31, 2007, the Company declared a dividend in the amount of $1,250,000 on May 29, 2008, approved June 12, 2008, and paid on June 16, 2008.

On September 15, 2008, Lehman Brothers, (Lehman) the manager of five (5) separate funds with investments totaling 24.8% in the Company's ultimate parent, Lightyear Delos Acquisition Corp. (Lightyear Acquisition), filed for Chapter 11 bankruptcy protection. As represented by management, this filing is not anticipated to have any effect on Lightyear Acquisition as the investment is fully funded and there is no mechanism by which Lehman may unilaterally withdraw its invested funds in Lightyear Acquisition. Any sale of Lightyear Acquisition shares held by these funds must be done in accordance with the terms of the Stockholder's Agreement executed by the Lehman entities and all other Lightyear Acquisition shareholders.

As of September 30, 2008, the Company had increased its' investments in non-affiliate common stocks by $13.3 million, from $26.8 million to $40.1 million. Due to stock market conditions as of the third quarter the Company had identified almost $6 million in unrealized losses for its common stock investments.