

REPORT ON EXAMINATION
OF THE
NATIONAL REINSURANCE CORPORATION
AS OF
DECEMBER 31, 2008

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, 2008 of the

NATIONAL REINSURANCE CORPORATION

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

Attest By: *Sonia C. Harris*

Date: 29 June 2010



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 29th day of June 2010.

A handwritten signature in black ink, appearing to be "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner



REPORT ON EXAMINATION
OF THE
NATIONAL REINSURANCE CORPORATION
AS OF
DECEMBER 31, 2008

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.

A handwritten signature in black ink, appearing to be "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 29th day of June, 2010

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SALUTATION

June 29, 2010

Honorable Alfred W. Gross
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NAIC
Commissioner
Bureau of Insurance
Virginia State Corporation Division
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Honorable Karen Weldin Stewart, CIR-ML
Commissioner
Delaware Department of Insurance
Rodney Building
841 Silver Lake Blvd.
Dover, Delaware 19904

Commissioners/Directors:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority Number 09.011, dated May 13, 2009, an examination has been made of the affairs, financial condition and management of the

NATIONAL REINSURANCE CORPORATION

hereinafter referred to as "Company" or "NRC" and 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, 19801. The examination was conducted at the main administrative offices of the Company, located at 120 Long Ridge Road, Stamford, CT, 06902-1843.

The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The last examination was conducted as of December 31, 2005. This examination covers the period since that date through December 31, 2008. Transactions subsequent to the latter date were reviewed where deemed necessary.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (FCEH Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware. The FCEH Handbook requires that we plan and perform the 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 current and prospective inherent risks to which the Company is exposed, and evaluating its 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 and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination report only addresses regulatory information revealed by the examination process.

During the course of this examination, consideration was given to work performed by the Company's Internal Audit Department (IAD) and by the external accounting firm, Deloitte & Touche, LLP (D&T) of New York, New York. Certain auditor workpapers have been incorporated into the workpapers of this examination and have been utilized in determining the scope and areas of emphasis in conducting the examination.

National Reinsurance Corporation

The examination was conducted concurrently with that of affiliates General Reinsurance Corporation (GRC) and North Star Reinsurance Corporation (NSR), also Delaware domestic insurance companies. Separate reports of examination were filed for each company.

HISTORY

The Company was incorporated under the laws of Delaware in 1973 but remained inactive until August 31, 1977, at which time it was activated to become the surviving company of a merger with The Eagle Fire Insurance Company of New York (originally incorporated in 1806) and was renamed National Reinsurance Corporation.

After a number of ownership changes through the ensuing years, on October 3, 1996, the Company's direct parent, National Re Corporation (NRN) became a wholly-owned subsidiary, through acquisition, of GRC. Effective December 21, 1998, the Company then became a member of the Berkshire Hathaway Inc. (Berkshire) holding company structure when, through a merger agreement, GRC's parent company GRN became a wholly-owned subsidiary of Berkshire.

Effective December, 2006, the Company's direct parent NRN was dissolved, and the Company is now a wholly-owned direct subsidiary of GRC.

The Company has one wholly-owned subsidiary, Fairfield Insurance Company, which is domiciled in Connecticut.

Capitalization

The Company has 50,000 shares of common stock authorized, with a par value of \$ 100 per share. All shares are issued and outstanding and are currently held by the Company's immediate parent, GRC. There were also no changes to the \$191,666,510 of gross paid in and contributed surplus during the examination period.

National Reinsurance Corporation

During the examination period, the Company paid dividends as follows to its parent:

2006	\$38,000,000
2007	\$65,000,000
2008	\$62,000,000

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

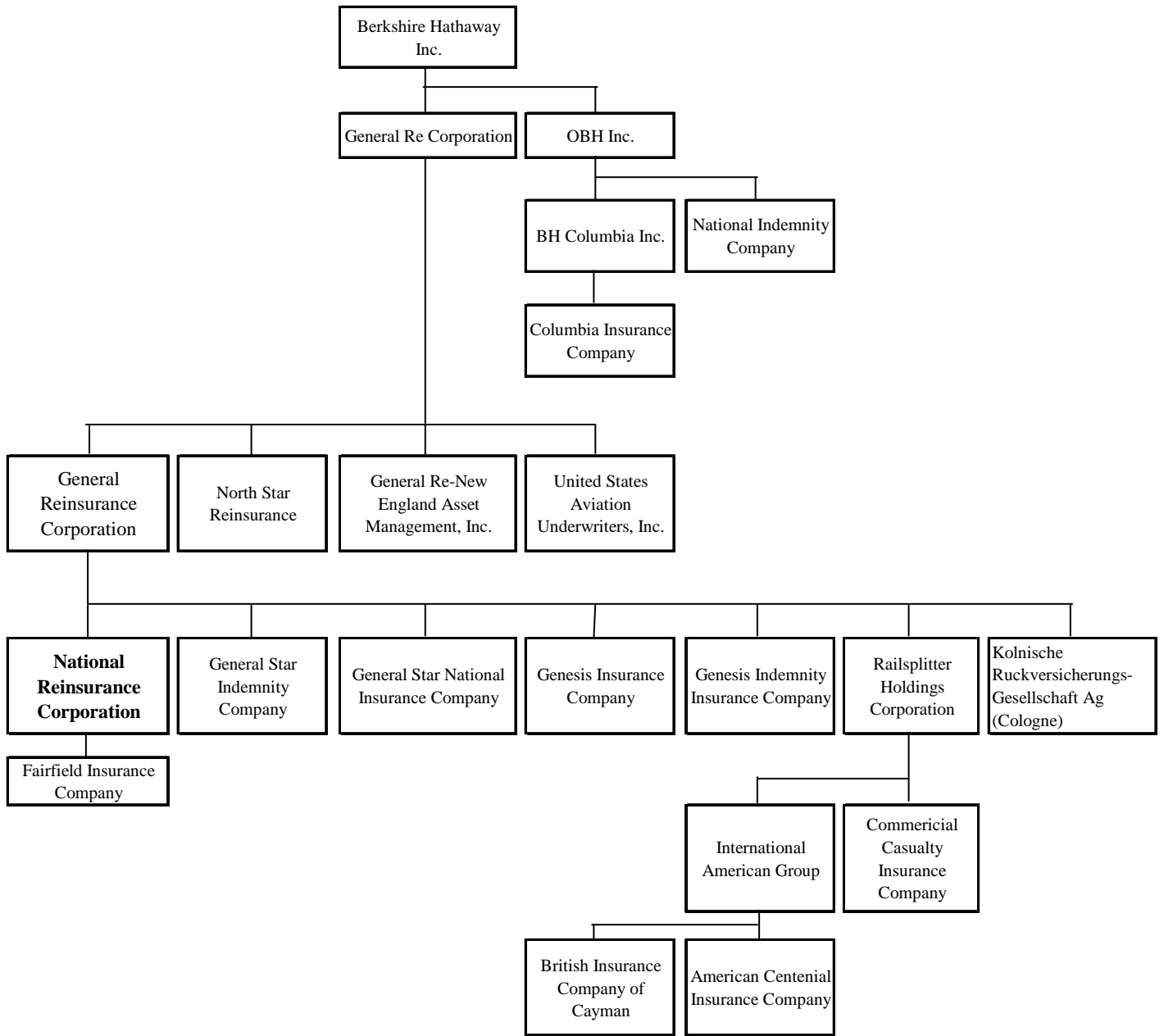
MANAGEMENT AND CONTROL

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined at 18 *Del. C.* § 50, “Insurance Holding Company System Registration.” The Company’s direct parent is GRC, which is owned by GRN, a Delaware holding company. The GRN group of companies provides global reinsurance and financial service operations in over 75 cities in 29 countries, and provides reinsurance in approximately 136 countries. GRN in turn is owned by Berkshire, a publicly traded holding company whose subsidiaries overall engage in a number of diverse business activities including property and casualty insurance and reinsurance, utilities and energy, finance, manufacturing, services and retailing.

The following is an abbreviated organizational chart as of December 31, 2008.

National Reinsurance Corporation



The above entities are all 100% owned. Mr. Warren Buffett is considered the ultimate controlling person over the holding company system, owning approximately 31.8% of Berkshire.

Board of Directors and Officers

The business affairs and corporate activities are vested in a Board of Directors. The bylaws provide that the number of directors shall be established by the Board of Directors or by

National Reinsurance Corporation

action of the stockholder and shall consist of not less than seven (7) members. Directors are elected annually at the annual stockholders' meeting, and serve until a successor is elected and qualified. A majority of the Board of Directors, but no less than five (5) members, shall constitute a quorum for the transaction of business.

The bylaws provide that the Officers of the Company shall be a Chairman of the Board, a President, a Treasurer, a Secretary and such other offices with titles as shall from time to time be set by resolution by the board.

The Board of Directors and Officers duly appointed or elected and serving as of December 31, 2008 were as follows:

<u>Director</u>	<u>Primary Business Affiliation</u>
William George Gasdaska, Jr.	Chief Financial Officer, Treasurer and Senior Vice President General Re Corporation and General Reinsurance Corporation
John Vincent Regan *	Senior Vice President and Controller General Reinsurance Corporation
Damon Nicholas Vocke	Senior Vice President, Secretary and General Counsel General Re Corporation and General Reinsurance Corporation
Leslie Jean Davis	Vice President and Assistant General Counsel General Reinsurance Corporation
Daniel Kevin Lyons *	Senior Vice President and Chief Actuary General Reinsurance Corporation
Adam David Roberts *	Vice President and Assistant General Counsel General Reinsurance Corporation
Jack Jeffrey Whittle *	Vice President and Assistant General Counsel General Reinsurance Corporation

Officers

Title

William George Gasdaska, Jr. *	Chairman, Chief Executive Officer, President
Damon Nicholas Vocke	Secretary, General Counsel, Vice President
John Vincent Regan *	Treasurer

* Indicates newly appointed/elected during the examination period

National Reinsurance Corporation

Committees

The bylaws provide for the Board to appoint such standing committees and/or special committees, each consisting of two (2) or more directors, to perform such duties and make such investigations and reports as the Board by resolution may determine. Additionally the Board of Directors may appoint an Executive Committee with the powers and authority of the Board in the management of the Company. During the examination period there were no such committees appointed by the Board. It was noted, however, that certain committees have been appointed by the GRN Board of Directors whose decisions can impact the entire GRN group of companies. Two (2) of the eight (8) GRN Board members also serve on the Company's Board. The committees include an Audit Committee, a Risk Committee (oversees the corporate governance and risk assessment process), and a Complex Transaction Committee (oversees risk transfer related issues and contracts issued by its entities).

Members of these committees serving as of December 31, 2008 were as follows;

<u>GRN Risk Committee</u>	<u>GRN Audit Committee</u>	<u>GRN Complex Transaction Committee</u>
Franklin Montross IV	Franklin Montross IV	Franklin Montross IV
Imre John Cholnoky	Imre John Cholnoky	William Gasdaska, Jr.
William Gasdaska, Jr.	William Gasdaska, Jr.	Damon Vocke
Damon Vocke	Damon Vocke	Other individuals are also
Salvatore Curiale*	Slavatore Curiale*	Invited to participate,
John Regan	Members of the Berkshire	including the Chief
Daniel Lyons	Audit Committee also	Actuary and GRN's
Nicholas Canelos	participate in these meetings	independent Board member
Adrienne Mageras		
Kenneth Lundgren		
Jonathan Hewitt		
Sigfried Kuon		
Winfried Heinen		
Teresa McTague		

National Reinsurance Corporation

Janice Englesbe

Sandra Bell

* Indicates member is independent

Corporate Governance

The Company operates under a corporate governance environment that includes certain oversight and corporate direction from both the upstream parent Berkshire and from GRN, and the Board of Directors and management of the Company. The control consciousness is developed throughout the organization through a sound organizational structure that allows for ease of communication across the entity, a conscious commitment to integrity, promoting ethical values and competence of employees, the assignment of clear authority and responsibility, an open management philosophy and operating style and a commitment to the development of resources.

In addition, the governance process establishes the roles of the GRN board, and the GRN Audit, Risk, and Complex Transactions Committee in the establishment of a sound risk management process that has a pervasive influence on the way business activities are structured, objectives and strategies are established and risks identified. It also influences risk assessment, control activities, information and communication systems, monitoring activities, and antifraud programs.

The Audit Committee assists management in significantly influencing the “tone at the top”. In its fiduciary role, the Board along with the Risk Committee is responsible for overseeing the internal controls over financial reporting established by management and the process by which management satisfies itself that they are working effectively. They are also responsible for assessing the risk of financial fraud by management and ensuring that controls are in place to prevent, deter and detect such fraud. The oversight controls extend to

National Reinsurance Corporation

understanding management's strategic initiatives, risk management processes (including antifraud programs) and controls as well as the internal and external audit plans and procedures for addressing risks within the organization.

Internal audit, in its oversight capacity, has broad knowledge about the Company which enables it to identify operational deficiencies as well as indicators of fraud. Internal audit assists in the monitoring of organizational objectives, the adherence with policies and procedures and the deterrence of fraud by examining and evaluating the effectiveness of the operational processes and the adequacy and effectiveness of internal controls as part of their audits. The scope of the Internal Audit program is coordinated with the Company's independent accountants to ensure adequate coverage and maximum efficiency. Each year, a comprehensive risk-based audit plan is prepared and presented to the Audit Committee and to senior management.

Conflict of Interest Policy

The upstream parent company, GRN, maintains a formal written Policy Statement on Conflict of Interest procedures under which the subsidiaries participate. In accordance with these procedures, conflict of interest compliance questionnaires are required to be completed by all directors, officers and employees on an annual basis. Currently compliance is ensured through the use of an electronic process which tracks completed and outstanding forms, and the Company was noted to have complied with its conflict of interest procedures for the period under review.

Intercompany Agreements

The Company participated in the following inter-company service and administrative type agreements that were in effect as of December 31, 2008:

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Expense and Tax Allocation Agreement

Effective October 3, 1996, the Company and GRN entered into an expense and tax allocation agreement.

Each of the parties can provide services to the other that includes administration, underwriting services, personnel, investment, EDP, treaty services, medical and such other expenses and taxes of any kind, rent, employee benefits and directors fees. Fees charged shall be based on time, number of employees, company assets, rent space or other agreed upon cost allocation methods.

The consolidated tax liability is allocated among affiliates in the ratio that each affiliate's separate return tax liability bears to the sum of the separate return tax liabilities of all affiliates that are members of the consolidated group. Estimated payments are required to be made by the respective affiliates to GRN and if such member is in a tax loss position that member will establish an account receivable from GRN.

General Services Agreement

Effective September 1, 1998, the Company entered into a general services agreement whereby GRC provides, without limitation, such services as; administration, communications and public relations, actuarial, audit, executive, legal, personnel, comptroller, employee benefits and benefit plans, accounting, tax and other financial services.

Investment Management Agreement

Effective June 1, 2003 and last amended October 1, 2006, the Company entered into an investment management agreement with General Re-New England Asset Management, Inc. (NEAM), whereby NEAM will make investment decisions for the Company in accordance with investment restrictions and guidelines as stated in the agreement. All investment transactions require prior approval from the Company except for transactions in the "short term pool" account.

National Reinsurance Corporation

This agreement was amended and restated effective January 1, 2009. No significant changes in the overall provisions in the agreement were noted.

Joint Asset Agreement

Effective January 1, 1989 and as amended and restated on February 1, 2007 with amendments through July 1, 2009 (to reflect changes in non-insurance participants), a joint asset agreement was established between and among the Company and certain other subsidiaries of GRN in order to improve the investment returns on contributed funds. The companies joined together, creating a short term pool fund to which each participant contributes cash in excess of general working capital. Each participant jointly owns a percentage of the assets in the pool and shares in the investment income/loss in proportion to its contributed assets. Participants may cancel their participation and withdraw their contributions upon notice to the manager. GRC has been appointed as the manager and investment advisor for the jointly owned assets comprising the pool fund.

Master Loan Agreement

Effective March 1, 1993 and as amended and restated on February 1, 2007 with amendments through July 1, 2009, a master loan agreement was established between and among GRN and certain of its subsidiaries to create an inter-company short term loan facility to reduce each participant's level of short term investments while retaining sufficient liquidity to pay current obligations through affiliate borrowings as needed. GRC manages the short term loan facility and is authorized to make loans by affiliates to affiliates requesting such a loan. Loans bear interest from the date funds are advanced until the date repaid and the rate of interest shall be the average rate currently received by participants on their short term investments. Loans are to be outstanding for no longer than six months, and borrowing affiliates may repay the loans at any time without penalty. Where necessary to allow for the loaned amount to be an admissible

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asset, the borrowing entity is responsible for providing collateral sufficient to cover 100% of the value of the loan.

The amended and restructured Master Loan Agreement was properly submitted to and approved by the Delaware Department of Insurance. As of December 31, 2008, there were no loans outstanding due to the Company and only minimal transactions during the year in conjunction with this agreement.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to transact the business of insurance in all states, the District of Columbia, Puerto Rico and Canada. There were no changes to the states or territories in which the Company is authorized to do business during the period under review.

The Company operated as a professional reinsurer and was primarily engaged in writing property and casualty business from insurance companies domiciled in the United States and selected international markets. Beginning in 1997, however, all new and renewal business was transferred to GRC, its parent, and the Company is currently inactive with no business being written since that time.

GROWTH OF THE COMPANY

The following information was extracted from the Company's filed Annual Statements and shows the changes in the Company since the last examination:

Year	Net Admitted Assets	Surplus as Regards Policyholders	Gross Premiums Written *	Net Premiums Earned	Net Income
2008	\$699,890,734	\$541,585,210	\$ 81,407	\$ 18,837	\$18,210,837
2007	\$785,706,383	\$622,095,928	\$(10,657,046)	\$ (8,971,964)	\$21,251,483
2006	\$849,770,747	\$670,741,251	\$ (1,111,662)	\$ 6,869,098	\$38,116,040
2005	\$868,549,126	\$668,626,880	\$ (4,976,590)	\$(195,068,906)	\$ 9,514,401

* Reinsurance assumed.

National Reinsurance Corporation

Net premiums earned in 2005 were substantially impacted by the implementation of the Loss Portfolio and Quota Share agreements executed with affiliates National Indemnity Company and Columbia Insurance Company. Other fluctuations noted to the categories above can be attributed to the impact from the running off of the operations, and from the changes to the retrospective premium adjustment calculations as the losses on the business develop out.

REINSURANCE

Assumed Reinsurance Business

The Company has assumed only a small amount of business from several non-affiliated reinsurers, all of which are related to run-off contracts.

Ceded Reinsurance

Effective January 1, 2005 the Company and certain of the Company's North American property and casualty affiliates entered into a loss portfolio contract and a quota share reinsurance contract with two other affiliates, National Indemnity Company and Columbia Insurance Company. The agreements cover any retained direct and assumed business (with a few minor exceptions).

The loss portfolio contract provides a 50% reinsurance cover for losses paid on business written on or before December 31, 2004, subject to an overall aggregate limit of \$11,155 million. The 50% reinsurance cover under this contract is shared between National Indemnity Company (80%) and Columbia Insurance Company (20%).

The quota share contract provides a 50% reinsurance cover for net losses paid on business written on or after January 1, 2005. The 50% reinsurance cover under this contract is also shared between National Indemnity Company (80%) and Columbia Insurance Company (20%).

ACCOUNTS AND RECORDS

Premium and claim transactions are administered and maintained on legacy electronic data processing systems, which are shared by the GRN subsidiaries. Although data in many instances automatically feeds between these legacy systems, postings into the statutory general ledger, SAP, primarily occur on a manual basis. Personal computers and file servers support financial reporting and analysis. The systems are maintained by personnel located in Trumbull.

The Company's investments are managed and administered by an affiliate, General Re-New England Asset Management, Inc. (NEAM), which utilizes the CAMRA system. The investment related transactions are also posted manually by the Finance Department into the general ledger.

The Company's financial statements were audited by the firm of D&T. D&T issued an unqualified opinion of the audited statutory financial statements for all years under examination review. Workpapers prepared by D&T in connection with the annual audit were reviewed and, where deemed appropriate, have been utilized and incorporated into the examination workpapers.

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, operational and organizational controls were identified and tested and the Company's methodology for assessing the effectiveness of the established mitigation factors was evaluated.

The primary systems used in the operations of the Company were also evaluated. The Information Systems (IS) portion of the examination was performed by INS Services, Inc. The review was performed in accordance with the FCEH Handbook. The review of IS controls included IS management and organizational controls; application and operating system software change controls; system and program development controls; overall systems documentation;

National Reinsurance Corporation

logical and physical security controls; contingency planning; local and wide area networks, personal computers, and mainframe controls. Control testing performed by the Company's SOX and Internal Audit functions and by D&T was evaluated, and testing of end user computing and IS outsourcing controls were performed in making the evaluation. As a result of the procedures performed, the IS Examination Team obtained reasonable assurance that IS general controls and general application controls were functioning as management intended and that an effective system of controls is in place and conducive to the accuracy and reliability of financial information processed and maintained by the Company. There are no reportable items related to our review of IS controls.

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2008, as determined by this examination:

Assets

Liabilities, Surplus and Other Funds

Statement of Income including Capital and Surplus Account

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Assets
As of December 31, 2008

	Ledger	Non-Admitted	Net Admitted	<u>Notes</u>
	<u>Assets</u>	<u>Assets</u>	<u>Assets</u>	
Bonds	\$ 171,024,227	\$ 0	\$ 171,024,227	1
Stocks:				
Preferred	87,006,063	1,532,771	85,473,292	
Common	83,929,340		83,929,340	
Cash, cash equivalents, and short-term investments	332,832,687		332,832,687	2
Investment income due and accrued	4,975,358		4,975,358	
Uncollected premiums and agents' balances in course of collection	1,484,130	721,343	762,787	
Accrued retrospective premiums	16,540,282		16,540,282	
Amounts recoverable from reinsurance	3,949,997		3,949,997	
Funds held by or deposited with reinsured co.'s	40,187		40,187	
Net deferred tax asset	<u>15,366,122</u>	<u>15,003,545</u>	<u>362,577</u>	
 Total assets	 <u>\$ 717,148,393</u>	 <u>\$ 17,257,659</u>	 <u>\$ 699,890,734</u>	

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**Liabilities, Surplus and Other Funds
As of December 31, 2008**

		<u>Notes</u>
Losses	\$ 128,218,138	3
Reinsurance payable on paid losses and LAE	1,092,013	
Loss adjustment expenses	17,509,023	3
Contingent commissions	(381,803)	
Other expenses	21,110	
Current federal and foreign income taxes	2,855,663	
Unearned premiums	531,313	
Funds held under reinsurance treaties	38,325	
Provision for reinsurance	7,905,822	
Payable to parent, subsidiaries and affiliates	1,009,147	
Loss and loss adjustment expense payable on direct business	(493,365)	
Unclaimed checks	138	
Total liabilities	<u>\$ 158,305,524</u>	
Common capital stock	\$ 5,000,000	
Gross paid-in and contributed surplus	191,666,510	
Unassigned funds (surplus)	344,918,700	
Surplus as regards policyholders	<u>\$ 541,585,210</u>	
Totals	<u>\$ 699,890,734</u>	

National Reinsurance Corporation**Statement of Income
As of December 31, 2008****UNDERWRITING INCOME**

Premiums earned	\$ <u>18,837</u>
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DEDUCTIONS

Losses incurred	\$ (2,089,254)
Loss expenses incurred	1,599,103
Other underwriting expenses incurred	<u>104,104</u>
Total underwriting deductions	<u>(386,047)</u>
Net underwriting gain or (loss)	\$ 404,884

INVESTMENT INCOME

Net investment income earned	\$ 30,141,123
Net realized capital gains or (losses)	<u>56,276</u>
Net investment gain or (loss)	\$ 30,197,399

OTHER INCOME

Net gain (loss) from agents' or premium balances charged off	\$ (949,189)
Total other income	\$ (949,189)

Net income before dividends to policyholders and before federal income taxes	\$ 29,653,094
Dividends to policyholders	<u>0</u>
Net income after dividends to policyholder but before federal income taxes	\$ 29,653,094
Federal and foreign income taxes incurred	<u>11,442,257</u>
Net income	<u>\$ 18,210,837</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2007	\$ <u>622,095,928</u>
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GAINS AND (LOSSES) IN SURPLUS

Net income	\$ 18,210,837
Net unrealized capital gains or (losses)	(18,250,182)
Change in net unrealized foreign exchange capital gain	(7,365,757)
Change in net deferred income tax	5,380,431
Change in non-admitted assets	(16,428,491)
Change in provision for reinsurance	(57,556)
Dividend to shareholders	<u>(62,000,000)</u>
Change in surplus as regards policyholders for the year	<u>\$ (80,510,718)</u>

Surplus as regards policyholders, December 31, 2008	<u>\$ 541,585,210</u>
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NOTES TO FINANCIAL STATEMENTS

Note 1 – Bonds

\$171,024,227

The above captioned amount is the same as that reported by the Company in its 2008 Annual Statement.

Bonds comprised 24.4% of total admitted assets, of which 48.3% were rated Class 2 or higher by the NAIC Securities Valuations Office. Bonds not in good standing were carried at NAIC designated values. The total of all Mortgage/Asset backed type of securities comprised less than 5% of the Company's bond portfolio at December 31, 2008, providing only minimal exposure to mortgage loans with below-prime borrowers.

Note 2 – Cash

\$332,832,687

The above captioned amount represents 47.6% of total admitted assets, and is the same as that reported by the Company in its 2008 Annual Statement.

The cash balance is comprised of cash (\$120,824), cash equivalents \$113,221,098 and short term investments \$219,732,413. Included within the cash equivalents balance is \$38,254,181, the Company's portion of the "Gen Re Short Term Pool" account as governed under the provisions of the Joint Asset Agreement.

Note 3 – Losses

\$128,218,138

Loss Adjustment Expenses

17,509,023

Total

\$145,727,161

INS Consultants, Inc. was retained by the Delaware Insurance Department to conduct an actuarial review of the Company's reserve methodologies and adequacy. Based on the review, the Company's reported total loss and loss adjustment expense reserves as of December 31, 2008 of \$145,727,161 were found to be reasonably stated.

National Reinsurance Corporation

The underlying loss data was tested through a review of paid claims and open reserves. The aggregated actuarial data provided by the Company was verified and balanced to Schedule P of the Company's filed Annual Statement.

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

There were four (4) recommendations contained within the prior examination report. Each of these recommendations was reviewed along with applicable follow up actions performed by the Company, and the Company was determined to be in compliance with the prior report recommendations.

SUMMARY OF RECOMMENDATIONS

There were no recommendations included within this report.

SUBSEQUENT EVENTS

There were no subsequent events noted that would have a significant impact on the Company.

CONCLUSION

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

<u>Description</u>	<u>December 31 2005,</u>	<u>December 31, 2008</u>	<u>Difference</u>
Assets	\$868,549,126	\$699,890,734	\$(168,658,392)
Liabilities	\$199,920,246	\$158,305,524	\$ (41,614,722)
Capital and Surplus	\$668,628,880	\$541,585,210	\$(127,043,670)

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

Respectfully submitted,



Mary L. Rodack, CFE
Examiner-In-Charge
State of Delaware