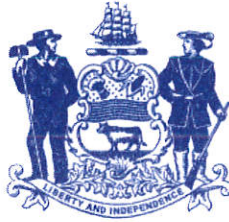


ORGANIZATIONAL EXAMINATION
OF
DELEA FOUNDERS INSURANCE TRUST
AS OF
AUGUST 15, 2014

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 ORGANIZATIONAL EXAMINATION, made as of August 15, 2014 of the

DELEA FOUNDERS INSURANCE TRUST

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

Attest By: Brandi Biddle

Date: December 11, 2014



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 11th day of December, 2014.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

ORGANIZATIONAL EXAMINATION
OF THE
DELEA FOUNDERS INSURANCE TRUST
AS OF
AUGUST 15, 2014

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 read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 11th day of December, 2014

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SALUTATION

August 15, 2014

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

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 14.098, dated August 11, 2014, an Organizational Examination has been conducted of the

DeLea Founders Insurance Trust

hereinafter referred to as “DFIT” or “the Group”, incorporated under the laws of the State of Delaware as a workers compensation self-insured group of public employers under Title 18, Chapter 4 of the Delaware Insurance Code.

The Group’s administrative office address is located at 1783 Friends Way, 3rd Floor, Camden, Delaware 19934.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with the Group's application for a domestic Certificate of Authority in the State of Delaware. The Group's corporate records, records applicable to and attendant with its application, as well as financial data as of August 15, 2014, have been reviewed.

HISTORY

The Group was organized in 2007 and submitted an application to the Delaware Department of Insurance (the Department) on October 15, 2007, requesting approval to operate as a workers compensation self-insured group. The Commissioner granted conditional approval on October 18, 2007, and issued a Certificate of Authority on October 19, 2007. Effective April 7, 2008, the Group requested that its Certificate of Authority be terminated because it was not able to meet the minimum requirements in the conditional approval letter.

The Group remained dormant until it submitted a new application to the Department on June 17, 2014, again requesting approval to operate as a workers compensation self-insured group.

MANAGEMENT AND CONTROL

Board of Trustees

The Group's Board of Trustees consists of nine members representing local governments with membership in the Group. The number of trustees serving, as listed below, is consistent with Article V of the Group's bylaws:

<u>Name</u>	<u>Entity</u>
Ted Becker	Lewes
Mike Petit de Mange	Kent County Levy Court
Gene Dvornick	Georgetown
Teresa Tieman	Harrington
Bill Barthel	New Castle City
Sam Callender	Cheswold
Sam Cooper	Rehoboth Beach
Melvin Cusick	South Bethany
Bob Magee	Middletown

Committees of the Board of Trustees

There were no elected committees of the Board of Trustees as of the examination date.

Officers

The current officers of the Group are as follows:

<u>Name</u>	<u>Title</u>
Ted Becker	Chairperson
Mike Petit de Mange	Vice Chairperson
Gene Dvornick	Secretary
Teresa Tieman	Finance Secretary

HOLDING COMPANY SYSTEM

The Group is a sole operating entity and will not be a member of an Insurance Holding Company System as of the examination date.

FIDELITY BOND

The Group’s management administrator, Strategic Insurance Partners (SIP), has a certificate of insurance for a fidelity bond covering employee dishonesty in the amount of \$100,000, which meets the requirements of 18 Del. C. §404(b)(6).

Upon being granted a Certificate of Authority, the Group’s anticipated premiums and claims processing service provider, AmeriHealth, shall obtain a fidelity bond in the amount of \$20.0 million.

In accordance with 18 Del. C. §404(b)(7), it is recommended that within 60 days of obtaining a Certificate of Authority, the Group must provide the Department with the executed fidelity bond for service provider AmeriHealth against criminal liability with a limit of \$20.0 million.

SURETY BOND AND SPECIAL DEPOSIT

To obtain and to maintain its Certificate of Authority, a workers’ compensation self-insurance group shall comply with the following requirement of §404(b)(2) “Security in a form and amount prescribed by the Commissioner which shall be provided by a surety bond, security deposit or financial security endorsement, or any combination thereof. If a surety bond is used to meet the security requirement, it shall be issued by a corporate surety company authorized to transact business in this State”, “assigned to and made negotiable by the Chairperson of the Industrial Accident Board and the Commissioner pursuant to a trust document acceptable to the Commissioner”. The Department of Labor has required the Company to obtain a surety bond in the amount of \$750,000. The Department of Insurance prescribed requirement is \$100,000.

In accordance with 18 Del. C. §404(b)(2), it is recommended that the Company amend the surety bond to be made negotiable to the Chairperson of the Industrial Accident Board and the Commissioner of Insurance.

AGREEMENTS

Program Administrator

The Group has named Strategic Insurance Partners (SIP) of Nutley, New Jersey as the Program Administrator (Administrator). SIP has many years of experience in developing and managing programs in other states similar to the proposed program for Delaware. The Program Administrator has the following duties and responsibilities:

- (1) The Administrator shall act as the Executive Director to carry out the policies established by the Board of Trustees to otherwise administer and provide for the day-to-day management of DFIT.
- (2) The Administrator shall advise the Board of Trustees on Risk Management matters and shall prepare a draft Risk Management Plan.
- (3) The Administrator shall maintain underwriting data and assist DFIT in the purchase of insurance.
- (4) The Administrator shall monitor the performance of the Insurance Carriers.
- (5) The Administrator shall perform due diligence on a continuing basis to monitor the insurance carrier markets, and develop any carrier relationships necessary to insure the best possible placements of insurance of DFIT Members.
- (6) The evaluation of the member's exposures.
- (7) The explanation of the coverage available from DFIT.
- (8) The preparation of reports, applications, statements of values, etc., required by the carriers.
- (9) The review of the member's assessment and assisting in the preparation of the member's insurance budget.

- (10) The review of losses and engineering reports and providing assistance to the Member's Safety Committee.
- (11) Providing an annual safety and training plan for both the group and for individual Members.
- (12) Assisting in the claims settlement process.
- (13) Advise Members of industry changes applicable to programs covered by the DFIT.
- (14) Make recommendations, based on the evolution and growth of the Membership and insurance market conditions, on the best methods of insurance risk transfer.
- (15) Manage the processes and assist DFIT Membership in making any changes to the Program designs.
- (16) The Program Administrator shall, on no less than a quarterly basis, provide the Board of Trustees with a status report including but not limited to a summation of DFIT's activity and comments on previously and newly reported claims.
- (17) The Program Administrator shall perform such other duties as required by DFIT, and the laws and regulations of the State of Delaware.

The Group does not have any employees and does not intend to have employees. Instead, the Group's management will be provided by SIP pursuant to an executed management agreement.

Claims Handling

Upon being granted a Certificate of Authority, the Group intends to enter into an administrative services agreement with services provider AmeriHealth Casualty Insurance Company (AmeriHealth) for premiums collection/processing and claims processing. AmeriHealth and its affiliate CompServices write premiums and administer self-insured

programs for over 1,800 customers. AmeriHealth is the current excess provider and claims manager for the current program. There have been no issues with the existing service.

In accordance with 18 Del. C. §404(a)(3), it is recommended that within 60 days of obtaining a Certificate of Authority, the Group must provide the Department with the executed administrative services agreement with AmeriHealth.

PLAN OF OPERATION

The DFIT program is sponsored by the Delaware League of Local Governments. The Group was started with 11 founding members in 2008. Since that time, the Group has grown to 21 municipalities, including Kent County, Delaware, as follows:

List of Current Group Members

Member
Camden, Town of
Camden-Wyoming Sewer & Water Authority
Cheswold, Town of
Delaware City, City of
Delmar, Town of
Dewey Beach, Town of
Elsmere, Town of
Georgetown, Town of
Harrington, City of
Kent County
Laurel, Town of
Lewes, City of
Magnolia, Town of
Middletown, Town of
Milton, Town of
New Castle, City of
Ocean View, Town of
Rehoboth Beach, City of
South Bethany, Town of
Townsend, Town of
Wyoming, Town of

DFIT's objectives include the following:

1. Providing group members with a long-term alternative as a means of stabilizing the otherwise cyclical nature of insurance expenditures;
2. Maintaining a pro-active safety and loss prevention program specific to issues inherent in government operations.
3. Aggressively evaluating, defending and/or settling claims which fall within the coverage afforded through DFIT.
4. Maintaining a conservative funding posture in an effort to ensure long term financial security and stability.

As disclosed in the Commissioner's Memorandum dated October 15, 2007, the Department received an application from DFIT for a Certificate of Authority to operate as a workers' compensation self-insurance group. The Commissioner's signature of approval was granted on October 18, 2007. Effective April 7, 2008, DFIT requested that the Certificate of Authority dated October 19, 2007 to form a workers' compensation self-insurance group be terminated due to DFIT not being able to meet the minimum requirements for issuance of a Certificate of Authority as outlined in the Department's October 18, 2007 conditional approval letter. On June 17, 2014, the Department received an application from DFIT for a Certificate of Authority to operate as a workers' compensation self-insurance group. Consistent with the filing in 2007, DFIT's submitted application and subsequent operations are subject to Chapter 4 of Title 18. Since 2008, the program has been administered by AmeriHealth Property and Casualty Company. DFIT confirmed that Safety National Casualty Corporation ("Safety National") will be providing the specific & aggregate coverage. Safety National's ultimate parent is Tokio Marine Holdings, Inc. Safety National received an A+ (Superior) rating from A.M. Best. As the

program moves from AmeriHealth, program credits have been transferred into DFIT. The premiums were transferred free and clear from AmeriHhealth. The breakdown of DFIT Program credits of \$1,051,771 return premiums for 2010-2012 policy years is as follows:

Insured Name	Policy#	Eff. Date	Exp. Date	Credit Balance
Town of Dewey Beach	003000000001110	7/1/2010	7/1/2011	3,960.00
Town of Dewey Beach	003000000001111	7/1/2011	7/1/2012	(32,337.00)
Town of Dewey Beach	003000000001112	7/1/2012	7/1/2013	(24,997.00)
<hr/>				(53,374.00)
Kent County	003000000002110	7/1/2010	7/1/2011	16,656.00
Kent County	003000000002111	7/1/2011	7/1/2012	(162,225.00)
Kent County	003000000002112	7/1/2012	7/1/2013	(163,562.00)
<hr/>				(309,131.00)
Town of Camden	003000000005110	7/1/2010	7/1/2011	2,690.00
Town of Camden	003000000005111	7/1/2011	7/1/2012	(11,599.00)
Town of Camden	003000000005112	7/1/2012	7/1/2013	(8,734.00)
<hr/>				(17,643.00)
Town of Cheswold Inc.	003000000006110	7/1/2010	7/1/2011	377.00
Town of Cheswold Inc.	003000000006111	7/1/2011	7/1/2012	(1,644.00)
Town of Cheswold Inc.	003000000006112	7/1/2012	7/1/2013	(1,241.00)
<hr/>				(2,508.00)
Town of Georgetown	003000000007110	7/1/2010	7/1/2011	5,616.00
Town of Georgetown	003000000007111	7/1/2011	7/1/2012	(36,463.00)
Town of Georgetown	003000000007112	7/1/2012	7/1/2013	

DeLea Founders Insurance Trust

Insured Name	Policy#	Eff. Date	Exp. Date	Credit Balance
				(34,822.00)
Town of Georgetown				(65,669.00)
Town of Townsend	003000000008110	7/1/2010	7/1/2011	85.00
Town of Townsend	003000000008111	7/1/2011	7/1/2012	(1,818.00)
Town of Townsend	003000000008112	7/1/2012	7/1/2013	(1,586.00)
Town of Townsend				(3,319.00)
Town of Wyoming	003000000009110	7/1/2010	7/1/2011	471.00
Town of Wyoming	003000000009111	7/1/2011	7/1/2012	(2,940.00)
Town of Wyoming	003000000009112	7/1/2012	7/1/2013	(2,781.00)
Town of Wyoming				(5,250.00)
City of Delaware City	003000000010110	7/1/2010	7/1/2011	639.00
City of Delaware City	003000000010111	7/1/2011	7/1/2012	(4,029.00)
City of Delaware City	003000000010112	7/1/2012	7/1/2013	(3,693.00)
City of Delaware City				(7,083.00)
City of Lewes	003000000011110	7/1/2010	7/1/2011	5,886.00
City of Lewes	003000000011111	7/1/2011	7/1/2012	(41,872.00)
City of Lewes	003000000011112	7/1/2012	7/1/2013	(33,184.00)
City of Lewes				(69,170.00)
City of New Castle	003000000012110	7/1/2010	7/1/2011	7,114.00
City of New Castle	003000000012111	7/1/2011	7/1/2012	(77,578.00)
City of New Castle	003000000012112	7/1/2012	7/1/2013	(81,542.00)
City of New Castle				(152,006.00)

DeLea Founders Insurance Trust

Insured Name	Policy#	Eff. Date	Exp. Date	Credit Balance
City of Rehoboth Beach	003000000013110	7/1/2010	7/1/2011	11,547.00
City of Rehoboth Beach	003000000013111	7/1/2011	7/1/2012	(95,085.00)
City of Rehoboth Beach	003000000013112	7/1/2012	7/1/2013	(114,044.00)
City of Rehoboth Beach				(197,582.00)
Camden-Wyoming Sewer & Water Authority	003000000014110	7/1/2010	7/1/2011	957.00
Camden-Wyoming Sewer & Water Authority	003000000014111	7/1/2011	7/1/2012	(5,504.00)
Camden-Wyoming Sewer & Water Authority	003000000014112	7/1/2012	7/1/2013	(4,496.00)
Camden-Wyoming Sewer & Water Authority				(9,043.00)
Town of Magnolia	003000000017110	7/1/2010	7/1/2011	42.00
Town of Magnolia	003000000017111	7/1/2011	7/1/2012	(296.00)
Town of Magnolia	003000000017112	7/1/2012	7/1/2013	(368.00)
Town of Magnolia				(622.00)
Town of Ocean View	003000000018110	7/1/2010	7/1/2011	2,033.00
Town of Ocean View	003000000018111	7/1/2011	7/1/2012	(18,917.00)
Town of Ocean View	003000000018112	7/1/2012	7/1/2013	(15,709.00)
Town of Ocean View				(32,593.00)
Town of Laurel	003000000019110	7/1/2010	7/1/2011	3,541.00
Town of Laurel	003000000019111	7/1/2011	7/1/2012	(26,125.00)
Town of Laurel	003000000019112	7/1/2012	7/1/2013	(16,436.00)
Town of Laurel				(39,020.00)
Town of South Bethany	003000000020110	7/1/2010	7/1/2011	1,653.00
Town of South Bethany	003000000020111	7/1/2011	7/1/2012	

DeLea Founders Insurance Trust

Insured Name	Policy#	Eff. Date	Exp. Date	Credit Balance
				(12,041.00)
Town of South Bethany	003000000020112	7/1/2012	7/1/2013	(8,646.00)
Town of South Bethany				(19,034.00)
Town of Delmar	003000000021110	7/1/2010	7/1/2011	981.00
Town of Delmar	003000000021111	7/1/2011	7/1/2012	(8,502.00)
Town of Delmar	003000000021112	7/1/2012	7/1/2013	(6,373.00)
Town of Delmar				(13,894.00)
City of Harrington	003000000022110	7/31/2010	7/1/2011	2,251.00
City of Harrington	003000000022111	7/1/2011	7/1/2012	(17,420.00)
City of Harrington	003000000022112	7/1/2012	7/1/2013	(16,765.00)
City of Harrington				(31,934.00)
Town of Milton	003000000025111	7/1/2011	7/1/2012	(13,126.00)
Town of Milton	003000000025112	7/1/2012	7/1/2013	(9,770.00)
Town of Milton				(22,896.00)
Grand Total				(1,051,771.00)

Summary by Policy Year	
2010	66,499.00
2011	(569,521.00)
2012	(548,749.00)
Total:	(1,051,771.00)

Please refer to notes to financials for conditions related to these amounts.

18 Del. C. §404(b)(4) requires an estimated annual standard premium of \$250,000 during a group's first year of operation. Additionally 18 Del. C. §404(a)(9) requires proof of payment to the group by each member of not less than 25% of that member's 1st year estimated annual net premium on a date prescribed by the Commissioner. Each payment shall be considered to be part of the 1st-year premium payment of each member if the proposed group is granted a certificate of approval. Based on the Group's pro forma financial statements, the estimated premium contributions in the first year of operation are \$1.8 million.

In accordance with 18 Del. C. §404(b)(4), and 18 Del. C. §404(a)(9) it is recommended that within 60 days of obtaining a Certificate of Authority, the Group must provide the Department with proof of payment to the Group by each member of not less than 25% of that member's 1st year estimated annual net premiums, and have an estimated annual standard premium of \$250,000 during the group's first year of operation.

Upon being granted a Certificate of Authority, the Group plans to purchase specific and aggregate workers compensation coverage from Safety National Casualty Corporation (Safety National), an A+ rated (Superior) company by A.B. Best. Safety National's parent is Tokio Marine Holdings, Inc.

In accordance with 18 Del. C. §404(b)(3), it is recommended that within 60 days of obtaining a Certificate of Authority, the Group must provide the Department with the executed specific and aggregate excess insurance policy with Safety National. Additionally this policy must be in force before any risk is accepted.

18 Del. C. §407(1)(a) requires the Company to maintain responsibility for all monies collected or disbursed from the group and segregate all monies into a claims fund account and an administrative fund account. At least 70% of the net premium shall be placed into a designated depository for the sole purpose of paying claims, allocated claims expenses, reinsurance or excess insurance and special fund contributions, including 2nd injury and other loss-related funds. This shall be called the "claims fund account". The remaining net premium

shall be placed into a designated depository for the payment of taxes, general regulatory fees and assessments and administrative costs. This shall be called the "administrative fund account."

In accordance with 18 Del. C. §407(1)(a), it is recommended that within 60 days of obtaining a Certificate of Authority, the Group must provide the Department with bank statements illustrating compliance.

18 Del. C. §408(c), (d) & (e) has specific wording that may require inclusion of wording in Article 3, Section 7 of the Trust regarding group membership, termination and liability. 18 Del. C. §417 has specific wording that may require amendments to the Company bylaws.

Section 408 (c) states "The group shall pay all workers' compensation benefits for which each member incurs liability during its period of membership. A member who elects to terminate its membership or is canceled by a group remains jointly and severally liable for workers' compensation obligations of the group and its members which were incurred during the canceled or terminated member's period of membership."

Section 408(d) states "A group member is not relieved of its workers' compensation liabilities incurred during its period of membership except through payment by the group or the member of required workers' compensation benefits."

The group believes these sections are addressed in Article III, Section 7, Subsection 3 of the Trust which provides: Any member that withdraws or is terminated pursuant to this subsection will assume sole responsibility for all workers' compensation and employers' liability claims against it which relate to occurrences which take place after the Termination Date. A terminated member can be assessed for shortfalls in the future for those period(s) prior to the Termination Date or for periods the terminating member participated in the Trust. Any shortfall generated in future years would be the responsibility of the members of the Trust.

Section 408(e) states “the insolvency or bankruptcy of a member does not relieve the group or any other member of liability for the payment of any workers' compensation benefits incurred during the insolvent or bankrupt member's period of membership.”

The group concurs that the Trust Agreement does not address this issue because the Members are municipalities. It is the group’s opinion that it is very rare and highly unlikely that a municipality will file for bankruptcy. In addition, municipalities have the ability to raise taxes to pay any shortfall.

Section 417 states “(a) Any monies for a fund year in excess of the amount necessary to fund all obligations for that fund year may be declared to be refundable by the Board of Trustees not less than 12 months after the end of the fund year with the Commissioner's approval.” “(b) Each member shall be given a written description of the refund plan at the time of application for membership. A refund for any fund year shall be paid only to those employers who remain participants in the group for the entire fund year. Payment of a refund based on a previous fund year shall not be contingent on continued membership in the group after that fund year.”

The group has indicated that the purpose of the Trust Agreement is to provide a general framework for the operation of the Trust but to allow the Trustees flexibility to address day to day situations individually. Even though the Trust Agreement does not track the exact language of section 417 it does address the section (e.g. allow for refunds and provide an accounting and reporting mechanism for the members of the fund money).

A review of the Article II, Section B of the bylaws noted that Group “may offer property, casualty and employee benefits”. Title 18 Del. C. ch. 4 approval is only for workers compensation.

It is recommended that within six (6) months of the issuance of the Certificate of Authority, the Company shall provide the Department with

- 1.) Proof of revisions to Article 3, Section 7 of the Trust Agreement to include language consistent with the statutory language found in 18 Del. C. § 408(c), (d) and (e).**
- 2.) Proof of revisions to Article XI, Section C of the bylaws to include language consistent with the statutory language found in 18 Del. C. § 417 regarding refunds.**
- 3.) Proof of revisions to the Trust Agreement and bylaws to remove references to other types of insurance, outside of workers' compensation insurance, that may be offered by the Company, including references to property and casualty insurance, employee benefits insurance and employers' liability insurance.**

REINSURANCE

The Group has no plans for reinsurance at this time.

SURPLUS REQUIREMENTS

18 Del. C. §404(b)(1) requires a combined net worth of all members of at least \$1.0 million. The net worth of Kent County, Delaware, the largest member of the Group, was \$75.4 million as reported at June 13, 2013, of which \$48.9 million was unrestricted.

FINANCIAL DATA

The financial position of the Group as of the examination date, as determined by this organizational examination, was as follows:

	<u>Assets</u>	<u>Note</u>
Cash	<u>\$1,051,771</u>	1
Total Admitted Assets	<u>\$1,051,771</u>	
 <u>Liabilities and Surplus</u> 		
Premium Deposit liability	<u>\$1,051,771</u>	2
Total Liabilities	<u>\$1,051,771</u>	
Gross Paid In and Contributed Surplus	\$ 0	
Unassigned Funds	<u>0</u>	
Surplus as Regards Members	<u>\$ 0</u>	3
Total Liabilities and Surplus	<u>\$1,051,771</u>	

Estimated Revenues and Expenses

	<u>7/1/2014</u>	<u>7/1/2015</u>	<u>7/1/2016</u>
Revenues			
Member Funding Contributions:			
Premium contributions:	\$ 1,819,214	\$ 2,356,660	\$ 2,435,777
Contributions from retro dividends:	1,051,771	500,000	-
Self-Insurance tax contributions:	41,763	86,032	88,613
Investment Income	25,897	47,086	63,732
Total Revenues	<u>\$ 2,938,645</u>	<u>\$ 2,989,778</u>	<u>\$ 2,588,122</u>
Expenses			
<i>Incurred losses and loss adjustment expenses</i>			
Paid losses and loss adjustment expenses	\$ 228,501	\$ 235,356	\$ 242,417
Case and loss adjustment expense reserves	380,835	392,260	404,028
Liability for incurred but not reported claims	914,005	941,425	969,668
Total incurred losses and loss adjustment expenses	<u>\$ 1,523,341</u>	<u>\$ 1,569,041</u>	<u>\$ 1,616,112</u>
<i>Operating Expenses</i>			
Excess insurance premiums	\$ 291,882	\$ 306,476	\$ 321,800
Program administration fees	202,583	208,660	219,094
Self-insurance bond premium	22,500	22,500	22,500
Third party administration (claims)	46,000	47,380	48,801
Safety & loss control service fee	24,000	24,720	25,462
Actuarial fees	17,500	17,500	17,500
Financial auditor fees	20,000	20,000	20,000
Bank fees & custodial expense	2,000	2,000	2,000
Regulatory fees	850	850	850
Self-insurance Tax	41,763	86,032	88,613
Miscellaneous fees & expenses	50,000	51,500	53,045
Total operating expenses	<u>\$ 719,078</u>	<u>\$ 787,618</u>	<u>\$ 819,664</u>
Total Expenses	<u>\$ 2,242,419</u>	<u>\$ 2,356,660</u>	<u>\$ 2,435,777</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 696,226</u>	<u>\$ 633,118</u>	<u>\$ 152,345</u>

Fidelity Bond

Page 4

In accordance with 18 Del. C. §404(b)(7), it is recommended that within 60 days of obtaining a Certificate of Authority, the Group must provide the Department with the executed fidelity bond for services provider AmeriHealth against criminal liability with a limit of \$20.0 million.

Surety Bond

Page 4

In accordance with 18 Del. C. §404(b)(2), it is recommended that the Company amend the surety bond to be made negotiable to the Chairperson of the Industrial Accident Board and the Commissioner of Insurance.

Agreements

Page 7

In accordance with 18 Del. C. §404(a)(3), it is recommended that within 60 days of obtaining a Certificate of Authority, the Group must provide the Department with the executed administrative services agreement with AmeriHealth.

Plan of Operation

Page 13

In accordance with 18 Del. C. §404(b)(4), and 18 Del. C. §404(a)(9) it is recommended that within 60 days of obtaining a Certificate of Authority, the Group must provide the Department with proof of payment to the Group by each member of not less than 25% of that member's 1st year estimated annual net premiums, and have an estimated annual standard premium of \$250,000 during the group's first year of operation.

Plan of Operation

Page 13

In accordance with 18 Del. C. §404(b)(3), it is recommended that within 60 days of obtaining a Certificate of Authority, the Group must provide the Department with the executed specific and aggregate excess insurance policy with Safety National. Additionally this policy must be in force before any risk is accepted

Plan of Operation

Page 14

In accordance with 18 Del. C. §407(1)(a), it is recommended that within 60 days of obtaining a Certificate of Authority, the Group must provide the Department with bank statements illustrating compliance.

Plan of Operation

Page 15

It is recommended that within six (6) months of the issuance of the Certificate of Authority, the Company shall provide the Department with

- 1.) Proof of revisions to Article 3, Section 7 of the Trust Agreement to include language consistent with the statutory language found in 18 Del. C. § 408(c), (d) and (e).**
- 2.) Proof of revisions to Article XI, Section C of the bylaws to include language consistent with the statutory language found in 18 Del. C. § 417 regarding refunds.**
- 3.) Proof of revisions to the Trust Agreement and bylaws to remove references to other types of insurance, outside of workers' compensation insurance,**

that may be offered by the Group, including references to property and casualty insurance, employee benefits insurance and employers' liability insurance.

CONCLUSION

Based on the organizational examination conducted as of August 15, 2014, the financial condition of the Group is as follows:

Assets	\$ 1,051,771
Liabilities	<u>(1,051,771)</u>
Surplus as Regards Members	<u>\$ 0</u>

Upon completion of the organizational examination, the Group has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully Submitted,



Anthony Cardone, CPA, CFE
Supervisor
Department of Insurance
State of Delaware