Report

of the

Examination of

Blue Ridge Insurance Company

Sun Prairie, Wisconsin

As of December 31, 2008

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, *Governor*
Sean Dilweg, *Commissioner*

Wisconsin.gov

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ociinformation@wisconsin.gov
Web Address: oci.wi.gov

November 24, 2009

Honorable Sean Dilweg
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee, NAIC
Commissioner of Insurance
Commonwealth of Virginia
1300 East Main Street
Richmond, Virginia 23219

Honorable Paulette Thabault
Secretary, Northeastern Zone, NAIC
Commissioner of Insurance
State of Vermont
89 Main Street
Montpelier, Vermont 05620-3101

Commissioners:

In accordance with the instructions of the Wisconsin Commissioner of Insurance, a compliance examination has been made of the affairs and financial condition of:

BLUE RIDGE INSURANCE COMPANY
Sun Prairie, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Blue Ridge Insurance Company (BlueIns or the company) was conducted in 2005 as of December 31, 2004. The current examination covered the intervening period ending December 31, 2008, and included a review of such 2009 transactions as deemed necessary to complete the examination.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook, which sets forth guidance for planning and performing an examination to evaluate the financial condition and identify prospective risks of an insurer. This approach includes the obtaining of information about the company including corporate governance, the identification and assessment of inherent risks within the company, and the evaluation of system controls and procedures used by the company to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation and management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations.

The examination consisted of a review of all major phases of the company's operations and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance (OCI). The actuary reviewed the adequacy of the company’s loss and loss adjustment expense reserves. The actuary’s results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary’s conclusion.

II. HISTORY AND PLAN OF OPERATION

Blue Ridge Insurance Company was established in 1845 as Mutual Insurance Company of Washington County, Maryland. It was reorganized as a stock company under the same name on June 6, 1928. On February 21, 1935, the name was changed to The Blue Ridge Fire Insurance Company.

Over 70% of the outstanding stock of the company was purchased by Republic Insurance Company in July 1963. On April 22, 1964, the company changed its name to the one currently used. Republic Insurance Company continued to increase its ownership in BlueIns and by the end of 1973 it owned 100% of the capital stock of the company. On December 9, 1982, all of the outstanding stock of Republic Financial Services, Inc., Republic Insurance Company's parent, was acquired by Winterthur U.S. Holdings, Inc. Winterthur U.S. Holdings, Inc., is a wholly owned subsidiary of Winterthur Swiss Insurance Company.

Effective January 1, 1995, Winterthur Swiss Insurance Company restructured Republic Insurance Group into two geographically distinct operating units. The first operating unit, which retained the identity of the Republic Insurance Group, operated in the Southwest and Rocky Mountain regions of the United States. The second operating unit, then consisting only of Blue Ridge Insurance Company, operated in the Northeastern United States. This separation was accomplished through the upstream dividend of Blue Ridge Insurance Company's stock to Republic Financial Services, Inc., such that both the Republic Insurance Group and Blue Ridge Insurance Company were established as wholly owned subsidiaries of Republic Financial Services, Inc. Blue Ridge Insurance Company redomiciled to Connecticut on November 7, 1995, as part of this restructuring.

On October 6, 1995, Blue Ridge Insurance Company acquired all of the outstanding common stock of Southern Fund Insurance Company, then a dormant insurance corporation owned by affiliate, Southern Guaranty Insurance Company. On March 12, 1996, Southern Fund Insurance Company's name was changed to Blue Ridge Indemnity Company (BlueInd) and it redomiciled from Alabama to Connecticut.

On July 1, 1996, the company acquired all of the outstanding common stock of MassWest Financial Group, Inc., and its subsidiary, MassWest Insurance Company, Inc. (MassWest).

Effective January 1, 1997, Winterthur U.S. Holdings, Inc., became the company's immediate parent by an upward dividend from Republic Financial Services, Inc. Credit Suisse Group merged with the Winterthur Swiss Group on December 15, 1997. As a result of the merger, BlueIns became an indirect wholly owned subsidiary of the Credit Suisse Group.

Winterthur U. S. Holdings, Inc., contributed 100% of the capital stock of BlueIns to General Casualty Company of Wisconsin (GC-WI) on April 1, 2001. On July 1, 2001, GC-WI became the immediate parent of BlueInd and MassWest through an upward dividend of 100% of their stock from BlueIns. On August 11, 2003, the company redomiciled from Connecticut to Wisconsin.

Effective December 22, 2006, Credit Suisse Group finalized the sale of Winterthur Swiss Insurance Company to AXA. AXA is a French corporation managed under the oversight of a Management Board and a Supervisory Board. AXA's headquarters are located in Paris, France.

Effective May 31, 2007, AXA finalized the sale of Winterthur U.S. Holdings, Inc., and its consolidated subsidiaries to QBE Holdings, Inc., a subsidiary of Australian-based QBE Insurance Group Limited (QBE Limited). Winterthur U.S. Holdings, Inc., was renamed QBE Regional Companies (N.A.), Inc. (QBE Regional).

Currently, BlueIns records paid-up capital of $3,600,000 consisting of 1,800,000 shares of common stock with a $2.00 par value each. The company has 1,800,000 shares authorized. All outstanding shares of BlueIns are owned by GC-WI.

Since 1963, GC-WI has expanded the number of its subsidiaries and effectively heads its own holding company subsystem under QBE Regional, consisting of ten subsidiary insurers. Further information concerning the QBE Limited holding company group is included in the report under the section titled "Affiliated Companies."

GC-WI, its subsidiaries, Unigard Insurance Company and Unigard Indemnity Company are participants in an intercompany pooling arrangement. This arrangement is further described in this report under the section titled "Reinsurance." The company has no employees of its own and relies principally on GC-WI for the staff essential to run day-to-day operations. Minster Court Asset Management Pty Limited manages the company's investment operations, subject to the supervision of its boards of directors. Written agreements with affiliates are further described in this report under the section titled “Affiliated Companies.”

In 2008, the company wrote direct premium in New York of approximately $535,000. The company is licensed in the District of Columbia and the following states:

California	Maryland	Ohio
Connecticut	Massachusetts	Pennsylvania
Delaware	Missouri	South Carolina
Illinois	New Hampshire	Tennessee
Kansas	New Jersey	Vermont
Kentucky	New Mexico	Virginia
Louisiana	New York	Wisconsin

The company provides personal automobile coverages. The company’s Premier Auto product is a merit-rated product that matches pricing to the driving history of each driver listed for coverage by the policy, the type and usage of the vehicles and the age and marital status of each driver.

The company markets its products through independent agents located in New York. Currently, the company has contracted with approximately 80 agencies with appointments of 300 agents.

The following table is a summary of the net insurance premiums written by the company in 2008. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Fire	$ 121	$ 686,325	$ 121	$ 686,325
Allied lines	63	540,760	63	540,760
Farmowners multiple peril		416,167		416,167
Homeowners multiple peril	(19)	7,489,545	(19)	7,489,545
Commercial multiple peril		9,325,621		9,325,621
Inland marine		1,191,453		1,191,453
Earthquake		44,903		44,903
Worker's compensation	(13,871)	7,273,425	(13,871)	7,273,425
Other liability – occurrence		3,000,459		3,000,459
Products liability – occurrence		81,387		81,387
Private passenger auto liability	413,046	8,188,455	413,046	8,188,455
Commercial auto liability		7,589,774		7,589,774
Auto physical damage	135,996	8,446,408	135,996	8,446,408
Fidelity		47,620		47,620
Burglary and theft		13,751		13,751
Total All Lines	$535,336	$54,336,053	$535,336	$54,336,053

III. MANAGEMENT AND CONTROL

Board of Directors

The structure of the board of directors underwent substantial organizational changes during 2009. Prior to the change, the board of directors consisted of 7 members who were all executive officers of each company within the QBE Regional holding company group. There were two primary goals for the reorganization: (1) include outside members to the board and (2) create efficiencies by providing synchronization between the holding companies and the insurers under QBE Holdings, Inc. (QBE the Americas).

Currently, the holding companies under QBE the Americas have the same 5 board members. These board members are all executive officers within the QBE Limited holding company group, either in the U.S. or in Australia. The company categorizes insurance subsidiaries under QBE the Americas in two categories: (1) New York companies and QBE Regional parent companies (main insurers) and (2) QBE Regional subsidiaries and North Pointe companies (subsidiaries). Board members of main insurers include the same 5 members as the holding company groups, 3 additional executive officers, and 4 outside members for a total of 12 members. Wisconsin- and Washington-domiciled subsidiaries have 3 board members, all of which are executive officers; Colorado-domiciled have 4 members, and Indiana-domiciled has 5 members. Further information concerning QBE the Americas is included in the report under the section titled “Affiliated Companies.”

Directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Executive board members do not receive additional compensation for their service as directors. Outside board members receive $60,000 per annum for their service as directors. In addition, for services to QBE Holdings, Inc., outside board members receive $40,000 per annum as the Audit Committee Chairman, $15,000 per annum for the Benefits Committee Chairman, and $15,000 per annum for an Audit Committee member, as applicable.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
John Rumpler, Chairman [1] New York City, New York	President and Chief Executive Officer, QBE Holdings, Inc.	2010
Peter K. Christen Snoqualmie, Washington	President and Chief Executive Officer, QBE Regional Companies (N.A.), Inc.	2010
John R. Schanen Sun Prairie, Wisconsin	Vice President and Treasurer, QBE Regional Companies (N.A.), Inc.	2010

[1] Identifies an individual who is also a board member of holding company groups under QBE the Americas.

Officers of the Company

Executive compensation is allocated to each insurer based on its participant percentage in the intercompany pooling arrangement. The 2008 Compensation, reported below, represents the company's allocated expense. Executive officers serving at the time of this examination are as follows:

Name	Office	2008 Compensation
Peter K. Christen	President and Chief Executive Officer	$57,404
John R. Schanen	Vice President and Treasurer	22,237
Jennifer J. Vernon	Vice President, General Counsel and Corporate Secretary	14,244
John M. Bondura [1]	Regional Insurance Claims Officer	0
James J. Fiore [2]	Chief Underwriting Officer	0
L. Arne Chatterton [1]	Senior Vice President	0
Thomas M. Greenfield	Senior Vice President	19,367
Peter Logothetis	Senior Vice President and Chief Information Officer	23,176
Jerry B. Mackey [1]	Senior Vice President	0
Charles R. Valinotti [1]	Senior Vice President	0
Norman E. Donelson	Vice President and Chief Actuary	18,116
Kevin Root [1]	Controller	0

[1] Identifies officers who were appointed in December 2008 or during 2009. Compensation allocated to the company is based on its participant percentage in the intercompany pooling arrangement. BlueIns changed from a 6% pool participant during 2008 to a 0% participant during 2009.

[2] Mr. Fiore's compensation during 2008 was allocated to affiliates outside the intercompany pooling arrangement.

Further comment on executive compensation may be found in the "Summary of Examination Results" section of the report.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors; however, the board had not designated any committees at the time of examination. Board committees are appointed at the holding company level as follows:

QBE Insurance Group Limited

Chairman's Committee
Edwin J. Cloney, Chair
Belinda J. Hutchinson
Duncan A. Milson Ramsay
Francis M. O'Halloran

Audit Committee
Irene Yun Lien Lee, Chair
Leonard F. Bleasel
Duncan M. Boyle
Isabel F. Hudson
Belinda J. Hutchinson
Duncan A. Milson Ramsay

Remuneration Committee
Leonard F. Bleasel, Chair
Duncan M. Boyle
Edwin J. Cloney
Isabel F. Hudson
Duncan A. Milson Ramsay

Funding Committee
Edwin J. Cloney, Chair
Belinda J. Hutchinson
Duncan A. Milson Ramsay
Francis M. O'Halloran
Irene Yun Lien Lee

Investment Committee
Belinda J. Hutchinson, Chair
Charles L. Anthony Irby
Edwin J. Cloney
Irene Yun Lien Lee
Duncan A. Milson Ramsay
Francis M. O'Halloran

QBE Holdings, Inc.

Executive Committee
Francis M. O'Halloran, Chair
Christopher C. Fish
Vincent McLenaghan
John Rumpler

Benefits Committee
Peter K. Christen
Vincent Dekker
Rob Felix
Christopher C. Fish
Shaun Flynn
Nancy Kelly
Tim Lardinois
Anthony R. Przybyszewski

Capital & Investments sub-committee of the Executive Committee
James J. Fiore
Christopher C. Fish
Shaun Flynn
Vincent McLenaghan

Company Policy & Conflict of Interest Committee
Peter K. Christen
Alan J. Levin
Anthony R. Przybyszewski

Executive Management Risk Committee
Peter K. Christen
James J. Fiore
Christopher C. Fish
Shaun Flynn, Chair
Dean Harring
Laura Hinson
Nancy Kelly
Peter Maloney
Vincent McLenaghan
Robert Mezzasalma
John Murphy
Susan Rivera
Jose Sojo

QBE Regional Companies (N.A.), Inc.

Regional Risk & Control Committee

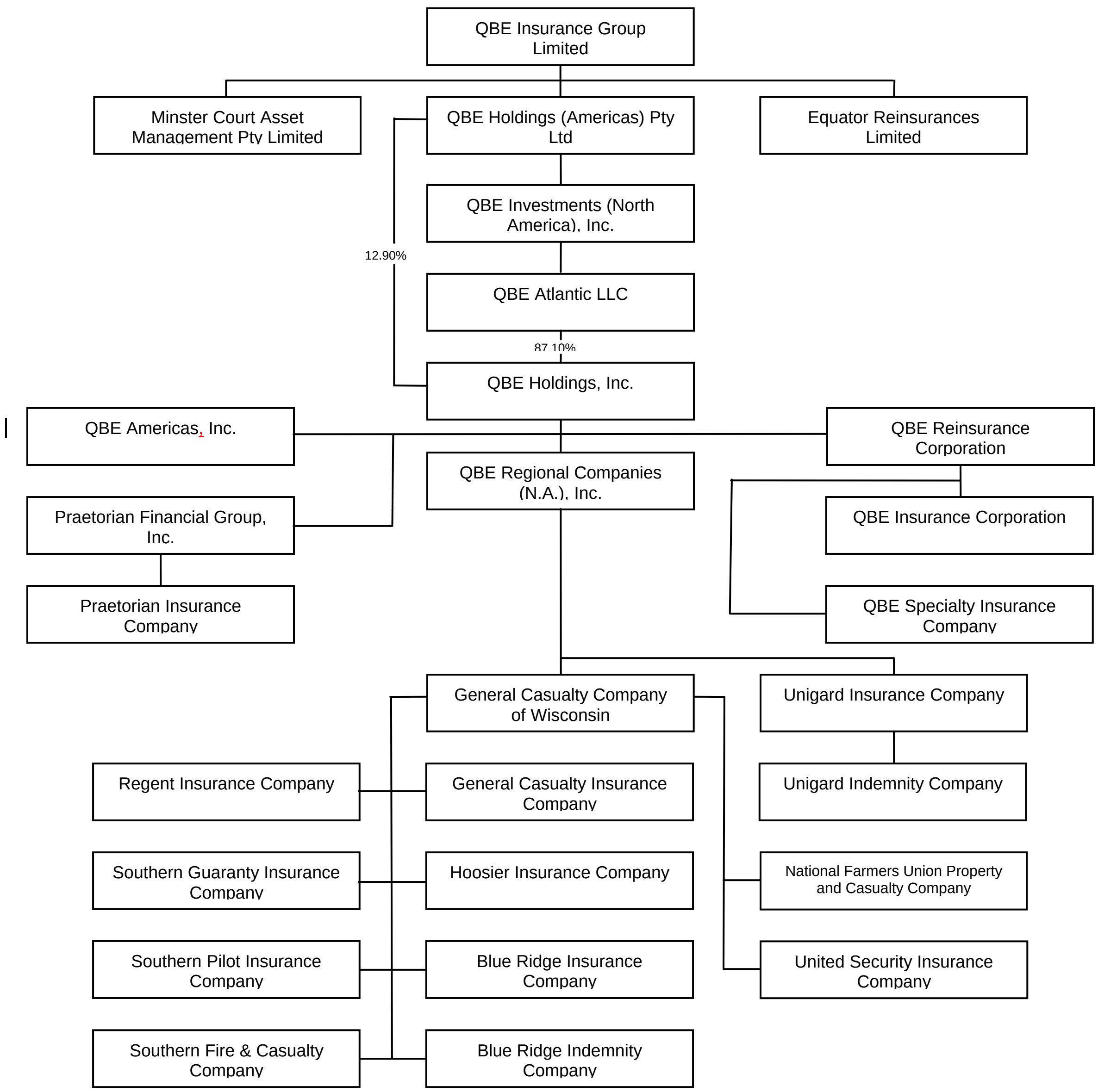
Ming-I Huang, Chair	Thomas M. Greenfield
John M. Bondura	Jerry B. Mackey
Tim Burke	John R. Schanen
Peter K. Christen	Charles R. Valinotti
Norman E. Donelson	Jennifer J. Vernon
Shaun Flynn	

In addition, QBE Regional Companies (N.A.), Inc., has adopted all of the committees of its parent, QBE Holdings, Inc.

IV. AFFILIATED COMPANIES

Blue Ridge Insurance Company is a member of a holding company system in which the ultimate parent is QBE Insurance Group Limited. QBE Limited is a publicly traded company incorporated under the laws of Australia. The principal businesses of the holding company system are conducted through its property and casualty insurance and reinsurance subsidiaries. The organizational chart below identifies the succession of control directly related to the company as well as other significant affiliates within the group. A brief description of these affiliates follows the organizational chart.

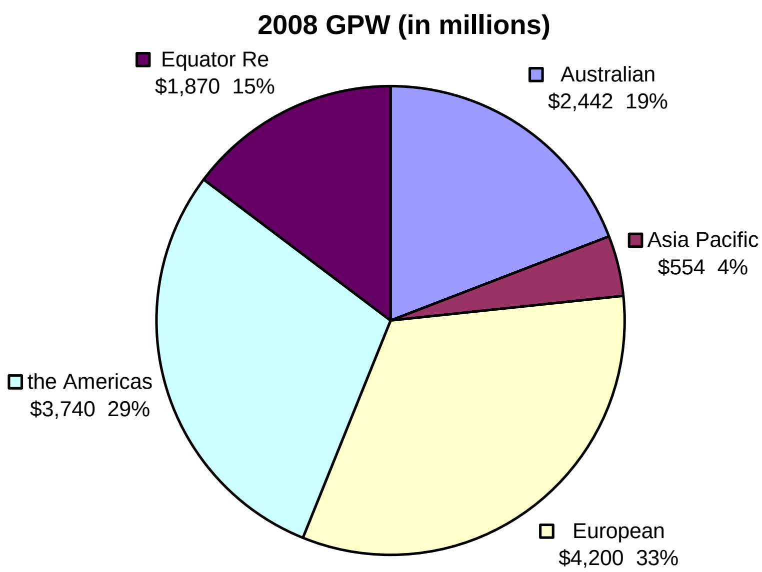
Organizational Chart



QBE Insurance Group Limited

QBE Insurance Group Limited was formed in 1886 in Townsville, Australia. Currently, the headquarters of QBE Limited is located in Sydney, Australia. QBE Limited is a publicly held company and is traded on the Australian Stock Exchange. The holding company group has a presence in every key insurance market with operations in 45 countries.

QBE Limited's organizational chart refers to five insurance segments: Australian, Asia Pacific, European, the Americas, and Equator Re. The following chart is a geographical split of QBE Limited's 2008 gross premium written (GPW).



The holding company group also has a segment devoted to investment management of the insurers. The following is a summary of operations of each segment:

Australian
General insurance operations throughout Australia providing all major lines of insurance coverage for personal and commercial risks.

Asia Pacific
General insurance operations in the Asia Pacific region, including 15 countries, providing coverage for personal, commercial and specialty risks, which includes professional and general liability, marine, corporate property and trade credit.

European
This segment consists of the Lloyd's of London (Lloyd's) division and QBE Insurance Europe. The Lloyd's division is the largest manager of capacity and the second largest provider of capital, providing general insurance and reinsurance business. QBE Insurance Europe consists of general

insurance operations in the UK, Ireland and 15 countries in mainland Europe. It also includes reinsurance business in Ireland.

the Americas
Conducts general insurance and reinsurance operations in North, Central and South America and Bermuda with its headquarters located in New York. QBE Limited first established a presence in the Americas in 1991.

Equator Re
QBE Limited's captive reinsurer based in Bermuda. Equator Reinsurances Limited provides reinsurance protection to the majority of the operating entities within the holding company group.

Investments
This segment provides for management of QBE Limited's investment portfolio. Over 99% of the members of the holding company group's investments are managed in-house.

As of December 31, 2008, the audited financial statements of QBE Limited reported assets of $33.967 billion, liabilities of $26.072 billion, and shareholders' equity of $7.894 billion. Operations for 2008 produced net income of $1.558 billion on revenues of $13.361 billion.

Minster Court Asset Management Pty Limited

Minster Court Asset Management Pty Limited (Minster) is an investment management firm incorporated in Australia which manages the assets of the U.S. insurance operations included under the investment segment of QBE Limited's operations. As of December 31, 2008, the special purpose financial report of Minster provided by management reported assets of $9.0 million, liabilities of $6.4 million, and shareholders' equity of $2.6 million. Operations for 2008 produced net income of $3.9 million on revenues of $24.2 million.

QBE Holdings (Americas) Pty Limited

QBE Holdings (Americas) Pty Limited is the vehicle whereby QBE Limited contributes capital to its operations in the Americas. As of December 31, 2008, the special purpose financial report of QBE Holdings (Americas) Pty Limited provided by management reported assets of $3.111 billion, liabilities of $984 million, and shareholders' equity of $2.127 billion. Operations for 2008 produced net income of $81 million on revenues of $97 million.

QBE Investments (North America), Inc.

QBE Investments (North America), Inc., is an intermediate holding company for the Americas. As of December 31, 2008, the finance report of QBE Investments (North America), Inc., provided by management reported assets of $3.543 billion, liabilities of $1.629 billion, and shareholders' equity of $1.914 billion. Operations for 2008 produced net income of $197 million on net investment income of $50 million and an income tax benefit of $147 million.

QBE Atlantic LLC

QBE Atlantic LLC, a Delaware limited liability company, was incorporated in June 2009. QBE Atlantic operates in the United Kingdom and is treated as a United Kingdom entity under United Kingdom tax laws.

QBE Holdings, Inc.

QBE Holdings, Inc., is an intermediate holding company for the Americas, primarily U.S. insurance operations. As of December 31, 2008, the finance report of QBE Holdings, Inc., provided by management reported assets of $4.500 billion, liabilities of $789 million, and shareholders' equity of $3.711 billion. Operations for 2008 produced net income of $314 million on net investment income of $307 million.

QBE Americas, Inc.

QBE Americas, Inc., was incorporated in Delaware on September 11, 2009, to become an insurance services company. It is intended that QBE Americas, Inc., will employ all the Americas employees, own and maintain business assets, and pay all operating expenses (direct expenses charged and shared expenses will be allocated to appropriate business units).

QBE Reinsurance Corporation

QBE Reinsurance Corporation's principal business is underwriting property and casualty reinsurance business which is primarily obtained through reinsurance intermediaries. As of December 31, 2008, the audited financial statements of QBE Reinsurance Corporation reported assets of $1.439 billion, liabilities of $900 million, and capital and surplus of $539 million. Operations for 2008 produced a net loss of $12 million on premiums of $544 million and net investment income of $64 million.

QBE Insurance Corporation

QBE Insurance Corporation writes primarily property and casualty lines and group accident and health lines of direct insurance business through program managers. As of

December 31, 2008, the audited financial statements of QBE Insurance Corporation reported assets of $611 million, liabilities of $338 million, and capital and surplus of $272 million. Operations for 2008 produced a net loss of $4 million on premiums of $128 million and net investment income of $8 million.

QBE Specialty Insurance Company

QBE Specialty Insurance Company primarily writes property and casualty insurance business through program managers and is eligible to write excess and surplus lines in all 50 states and the District of Columbia. As of December 31, 2008, the audited financial statements of QBE Specialty Insurance Company reported assets of $214 million, liabilities of $76 million, and capital and surplus of $138 million. Operations for 2008 produced a net loss of $3 million on premiums of $13 million and net investment income of $1 million.

Equator Reinsurances Limited

Equator Reinsurances Limited (Equator Re) is a captive reinsurer based in Bermuda providing reinsurance protection to the majority of the operating entities in the holding company group. As of December 31, 2008, the financial statements of Equator Reinsurances Limited provided by the company reported assets of $3.316 billion, liabilities of $2.643 billion, and shareholders' equity of $674 million. Operations for 2008 produced net income of $324 million on premiums of $1.594 billion and net investment income of $100 million.

QBE Regional Companies (N.A.), Inc.

QBE Regional Companies (N.A.), Inc., is the holding company for the entities included under the GC-WI intercompany pooling arrangement. As of December 31, 2008, the combined audited financial statements of QBE Regional reported assets of $2.429 billion, liabilities of $1.679 billion and capital and surplus of $751 million. Operations for 2008 produced net income of $160 million on premiums of $1.050 billion and net investment income of $41 million.

General Casualty Company of Wisconsin

GC-WI provides personal and commercial property and casualty insurance coverages primarily to Midwestern and Northeastern areas of the U.S. As of December 31, 2008, the combined audited financial statements of QBE Regional reported GC-WI having assets of $1,208 million, liabilities of $670 million, and capital and surplus of $538 million. Operations for 2008 produced net income of $172 million on premiums of $410 million and net investment income of 127 million.

General Casualty Insurance Company

General Casualty Insurance Company (GCIC) provides personal and commercial property and casualty insurance coverages primarily to Midwestern areas of the U.S. As of December 31, 2008, the combined audited financial statements of QBE Regional reported GCIC having assets of $161 million, liabilities of $115 million, and capital and surplus of $46 million. Operations for 2008 produced net income of $11 million on premiums of $74 million and net investment income of $3 million.

Regent Insurance Company

Regent Insurance Company (Regent) provides personal and commercial property and casualty insurance coverages primarily to Midwestern areas of the U.S. As of December 31, 2008, the combined audited financial statements of QBE Regional reported Regent having assets of $212 million, liabilities of $149 million, and capital and surplus of $63 million. Operations for 2008 produced net income of $14 million on premiums of $95 million and net investment income of $3 million.

Hoosier Insurance Company

Hoosier Insurance Company (Hoosier) provides personal and commercial property and casualty insurance coverages in the state of Indiana. As of December 31, 2008, the combined audited financial statements of QBE Regional reported Hoosier having assets of $94 million, liabilities of $66 million, and capital and surplus of $28 million. Operations for 2008 produced net income of $6 million on premiums of $42 million and net investment income of $2 million.

Blue Ridge Indemnity Company

Blue Ridge Indemnity Company provides personal property and casualty insurance coverages in the state of New York. As of December 31, 2008, the combined audited financial statements of QBE Regional reported BlueInd having assets of $46 million, liabilities of $33 million, and capital and surplus of $13 million. Operations for 2008 produced net income of $3 million on premiums of $21 million and net investment income of $1 million.

Southern Guaranty Insurance Company

Southern Guaranty Insurance Company (SGty) provides commercial property and casualty insurance coverages to Southeastern areas of the U.S. As of December 31, 2008, the combined audited financial statements of QBE Regional reported SGty having assets of $224 million, liabilities of $165 million, and capital and surplus of $59 million. Operations for 2008 produced net income of $16 million on premiums of $105 million and net investment income of $3 million.

Southern Pilot Insurance Company

Southern Pilot Insurance Company (SPilot) provides personal and commercial property and casualty insurance coverages to Southeastern areas of the U.S. As of December 31, 2008, the combined audited financial statements of QBE Regional reported SPilot having assets of $12.2 million, immaterial liabilities, and capital and surplus of $12.2 million. Operations for 2008 produced net income of $0.7 million on net investment income of $0.5 million.

Southern Fire & Casualty Company

Southern Fire & Casualty Company (SFire) provides personal and commercial property and casualty insurance coverages to Southeastern areas of the U.S. As of December 31, 2008, the combined audited financial statements of QBE Regional reported SFire having assets of $7.3 million, immaterial liabilities, and capital and surplus of $7.3 million. Operations for 2008 produced net income of $0.2 million on net investment income of $0.3 million.

National Farmers Union Property and Casualty Company

GC-WI purchased 100% interest of National Farmers Union Property and Casualty Company (NFU) and its wholly owned subsidiary, United Security Insurance Company (USIC), on October 31, 2008, from QBE Reinsurance Corporation for $190 million.

NFU provides personal and commercial property and casualty insurance coverages to Midwestern areas of the U.S. As of December 31, 2008, the audited financial statements of

NFU reported assets of $239 million, liabilities of $144 million, and capital and surplus of $96 million. Operations for 2008 produced net income of $5 million on premiums of $135 million and net investment income of $1 million.

United Security Insurance Company

United Security Insurance Company provides personal and commercial property and casualty insurance coverages to Midwestern areas of the U.S. As of December 31, 2008, the audited financial statements of USIC reported assets of $14.1 million, liabilities of $2.8 million, and capital and surplus of $11.2 million. Operations for 2008 produced a net loss of $0.9 million on premiums of $1.3 million and net investment income of $0.4 million.

Unigard Insurance Company

Unigard Insurance Company (UnigardIns) provides personal and commercial property and casualty insurance coverages to Western areas of the U.S. As of December 31, 2008, the combined audited financial statements of QBE Regional reported UnigardIns having assets of $560 million, liabilities of $348 million, and capital and surplus of $213 million. Operations for 2008 produced net income of $43 million on premiums of $210 million and net investment income of $19 million.

Unigard Indemnity Company

Unigard Indemnity Company (UnigardInd) provides personal and commercial property and casualty insurance coverages to Western areas of the U.S. As of December 31, 2008, the combined audited financial statements of QBE Regional reported UnigardInd having assets of $77 million, liabilities of $53 million, and capital and surplus of $23 million. Operations for 2008 produced net income of $5 million on premiums of $32 million and net investment income of $1 million.

Praetorian Insurance Company

Praetorian Insurance Company (Praetorian) concentrates on writing specialty property and casualty coverage not generally emphasized by standard insurance carriers. As of December 31, 2008, the audited financial statements of Praetorian reported assets of $1.063 billion, liabilities of $713 million, and capital and surplus of $350 million. Operations for

2008 produced net income of $19 million on premiums of $318 million and net investment income of $21 million.

Agreements with Affiliates

Affiliated reinsurance and trust agreements are discussed in the section of the report titled “Reinsurance.”

Internal Investment Management Agreement

Effective June 1, 2007, the company entered into an investment management agreement between Minster Court Asset Management Pty Limited and QBE Regional Companies (N.A), Inc., and each of its subsidiaries. In accordance with the agreement, Minster provides investment management services, including the investment and reinvestment of the company’s investment assets. The company provides Minster with investment guidelines, approved by the board of directors, which direct Minster with investment objectives, policies and restrictions. The assets in the investment account are being held in a custodial account. Minster is responsible for providing the company daily investment transactions within two days, monthly reporting within two days of month-end, and quarterly board of director reports two weeks before a board meeting. The company is to reimburse Minster a quarterly management fee for services rendered as follows:

Market Value of Fund	Fee per annum
Money market, cash and fixed interest	10.5 basis points
Equities	50.0 basis points

In addition, Minster is entitled to fees, as agreed by the company, in relation to securities lending and repurchase activities and in relation to transactions with another affiliated company managed by Minster. The agreement may be terminated by either party giving one-month notice. The company paid Minster $179,878 for these services in 2008.

Intercompany Management, Facilities and Services Agreement

Effective January 1, 2005, GC-WI entered into this service agreement with each of its subsidiaries. The agreement has been amended to include acquired subsidiaries or to terminate former subsidiaries. In accordance with this agreement, GC-WI provides administrative services such as executive management, administrative, personnel, facilities and other services as described. Original records and files of each subsidiary's business affairs and transactions are maintained by GC-WI. Fees for services provided are based on an allocation of the costs incurred by GC-WI in providing such services. At the end of each month GC-WI is to provide each subsidiary with a billing and settlement is due within 30 days of receipt. The agreement may be terminated immediately upon mutual consent or 90 days' written notice. The company paid GC-WI $362,510 for these services in 2008.

Service Agreement

Effective January 1, 2008, the company entered into this service agreement with certain named affiliates, currently including: Unigard Insurance Company, QBE Reinsurance Corporation, QBE Insurance Corporation, North Pointe Financial Services, Inc., Praetorian Financial Group, Inc., and each of the named party's U.S.-domiciled subsidiaries. In accordance with this agreement, each party may provide or receive management services such as information services, human resources, financial, tax, actuarial, legal, communications, internal audit, risk management, third-party vendor services, and any other services as described or requested. Fees for services provided are based on costs incurred by the company in providing such services. At the end of each month the provider of service is to bill the receiver and settlement is due within 45 days of receipt. The agreement may be terminated with 60 days' written notice. The company did not receive or provide services in 2008.

Tax Sharing Agreement

Effective January 1, 2008, QBE Investments (N.A.), Inc., and listed subsidiaries including QBE Regional and subsidiaries entered into a tax sharing agreement. In accordance with this agreement, the group allocates tax among its members specifically on the basis of the tax a member would be liable for if it filed a separate federal income tax return. Net operating loss and capital carryovers of the members shall be taken into account only to the extent such items were generated in a consolidated return year to which this agreement or a previous tax sharing agreement applied and the member has not previously been and is not otherwise compensated for the use of such tax benefit items.

Estimated tax payments are to be paid to the parent on a quarterly basis with final settlement within 30 days of the filing of the consolidated return. If any adjustments are necessary, the amount differing from the amount previously determined shall be paid within 10 business days after parent receipt of a refund or at least 5 days before the due date for payment of additional tax liability. This agreement applies to all taxable years beginning with the effective date unless it is amended or terminated in writing by mutual agreement of all parties to the agreement.

V. REINSURANCE

Reinsurance contracts reviewed contained proper insolvency provisions. Involuntary arrangements, such as mine subsidence funds and other involuntary excess funds, have provisions deemed appropriate by the governmental authorities that establish and administer them. Significant treaties and arrangements in force at the time of examination are summarized as follows.

Eighth Restatement Reinsurance Agreement

Effective January 1, 1976, GC-WI, Regent and GCIC entered into an intercompany pooling arrangement whereby the entire net business in force and produced as of that date was ceded to GC-WI and then redistributed between the participants on a pro rata basis. The Eighth Restatement Reinsurance Agreement was designed to reaffirm the basic provisions of the 1976 Agreement, as previously modified by the first seven restatements, and to reflect the current organizational makeup of the participants: GC-WI, its subsidiaries, Unigard Insurance Company and Unigard Indemnity Company. GC-WI remains the lead company and pool manager.

Pool participants have entered into certain quota share and/or loss portfolio agreements in which cessions are made prior to participation in the pooling arrangement. These reinsurance agreements are discussed below, as applicable to the company. Aside these cessions, participants cede 100% of remaining direct premiums, losses, loss adjustment expenses, and underwriting expenses to GC-WI. GC-WI, as the pool reinsurer, assumes on a severally liable basis and cedes to pool participants on a jointly and severally liable pro rata basis as follows:

General Casualty Company of Wisconsin	35.0%
Unigard Insurance Company	24.0
National Farmers Union Property and Casualty Company	12.0
Regent Insurance Company	9.0
Southern Guaranty Insurance Company	7.0
General Casualty Insurance Company	6.0
Hoosier Insurance Company	4.0
Unigard Indemnity Company	3.0
Blue Ridge Indemnity Company	0.0
Blue Ridge Insurance Company	0.0
Southern Fire and Casualty Company	0.0
Southern Pilot Insurance Company	0.0
United Security Insurance Company	0.0

GC-WI administers all aspects of the pooled business, including the placement of additional reinsurance, as approved by participants. Income and expenses related to investment operations and corporate taxes, including federal income taxes, are not included in the pooling.

Monthly accounting of all activity pursuant to the agreement is to be provided within 30 days after the close of each month. Settlements of any balances due shall be completed within 45 days after the close of each quarter. The agreement may be terminated by any participant at the end of any treaty year, with 90 days' written notice by any party.

Equator Re Quota Share and Loss Portfolio Reinsurance Agreements

Effective January 1, 2008, GC-WI, GCIC, Regent, BlueIns, BlueInd, SGty, SPilot, SFire and Hoosier Insurance Company (the cedents) entered into a quota share agreement with affiliate, Equator Reinsurances Limited. Equator Re reinsures 25% of the cedents' net liability with respect to direct business classified as commercial lines with the exception of commercial automobile and commercial umbrella that: (A) is written or renewed on or after the effective date or was in force as of the effective date of this contract and (B) was in force as of the effective date of this contract. Nuclear incident risks for both liability and physical damage are excluded. Under coverage (A), Equator Re is credited with the cedents' proportionate share of net premiums written for new business. Under coverage (B), Equator Re is credited with the cedents' proportionate share of unearned net premiums as of December 31, 2007, for business in force as of the effective date of this contract. The cedents receive a monthly ceding commission of 31.5% of net premium written or 31.5% of unearned net premium for coverages (A) and (B), respectively. Within 10 days after the execution of the agreement the cedents provided Equator Re a report summarizing its proportionate share of unearned net premiums as of December 31, 2007, for the business covered, less commission for coverage (B) and settlement according to the report. Quarterly accounting of all activity pursuant to the agreement is to be provided within 60 days after the close of each quarter. Settlements of any balances due shall be completed within 15 days after the receipt of accounting activity. The agreement may be terminated by any participant with 180 days' written notice by any party on any January 1st.

Effective January 1, 2008, GC-WI, GCIC, Regent, BlueIns, BlueInd, SGty, SPilot, SFire and Hoosier Insurance Company (the cedents) entered into a loss portfolio agreement with affiliate, Equator Reinsurances Limited. Equator Re reinsures 25% of the cedent's unpaid net liability incurred with respect to direct business as of December 31, 2007, classified as commercial lines with the exception of commercial automobile and commercial umbrella, and all subsequent development thereon. The total net liability of the cedents is not to exceed $1.2 billion. As consideration for its assumption of a portion of the cedents' unpaid net liability, Equator Re is credited with 25% of the sum of the cedents' unpaid net liability or $732,942,156. Within 10 days after the execution of the agreement the cedents provided Equator Re a report summarizing its proportionate share of unpaid net liability as of December 31, 2007, for the business covered and settlement according to the report. Quarterly accounting of all activity pursuant to the agreement is to be provided within 60 days after the close of each quarter. Settlements of any balances due shall be completed within 15 days after the receipt of accounting activity. The agreement may be terminated by any participant with 180 days' written notice by any party on any January 1st.

Pursuant to s. Ins 52.05, Wis. Adm. Code, and the Stipulation and Order issued by the Office of the Commissioner of Insurance on October 15, 2008, GC-WI, GCIC, Regent, BlueIns, BlueInd, SGty, SPilot, SFire and Hoosier Insurance Company (the beneficiaries) have entered into a trust agreement with Equator Re and Brown Brothers Harriman Trust Company, N.A. (the Trustee), dated as of January 1, 2008. Equator Re secures payments of amounts due the company under the quota share and loss portfolio reinsurance agreements by transferring assets to the Trustee for deposit into a trust account for the sole benefit of the beneficiaries. The amount held in the trust account should equal to 102% of Equator Re's obligations attributable to the reinsurance agreement. Equator Re's obligations are defined as the sum of losses and allocated loss expenses paid by the beneficiaries but not recovered from Equator Re; reserves for loss reported and outstanding; reserves for losses incurred but not reported; reserves for allocated loss expenses; and reserves for unearned premium. The agreement may be terminated only after Equator Re or the beneficiaries have given the Trustee a written notice of its intention to terminate the trust account. The agreement provides that written notification of termination should be delivered by the Trustee to Equator Re and the beneficiaries at least 45 days, but not more that 60 days, prior to termination of the trust account. Equator Re is responsible for reimbursing the Trustee for its expenses under the agreement.

Further discussion pertaining to the quota share and loss portfolio reinsurance agreements, and the related trust agreement the company has with Equator Re may be found in the "Summary of Examination Results" section of the report.

Excess of Loss and Catastrophe Reinsurance Portfolio

The company's ceded reinsurance portfolio for catastrophic and excess of loss coverages is assigned and placed by QBE the Americas located in New York City, with the company's approval. QBE the Americas uses the "group aggregate methodology" in development of their ceded reinsurance portfolio. The catastrophic and excess of loss coverages purchased encompasses all insurance subsidiaries of QBE the Americas. In determining adequate coverage, various loss scenarios are considered with the intent to protect the participants from a 100/200 year catastrophic event. The "group aggregate methodology" results in more buying power due to the centralization of reinsurance procurement. Exhibit A summarizes the company's ceded reinsurance portfolio for catastrophic and excess of loss coverages.

Exhibit A
QBE the Americas
2009 Excess of Loss and Catastrophe Reinsurance Portfolio

	Primary Reinsurer	Retention	Coverage	Limits	Terrorism Limit	Reinstatement(s)	Premium	Settlement	Intermediary
Property per Risk **Excess of Loss** Coverages for policies classified as property business with certain exceptions. Effective: 1/1/2009 Terminate: 1/1/2010	Equator Re - 100%	2,500,000	2,500,000 xs 2,500,000	2,500,000 each risk 5,000,000 one occurence	5,000,000 aggregate	9	1.411% of net premium earned 8,120,000 minimum 10,150,000 deposit premium	Premium within 90 days after termination; Losses within 30 days of billing	None
	Hiscox Syndicate Limited - 30%	5,000,000	5,000,000 xs 5,000,000	5,000,000 each risk 10,000,000 one occurrence	10,000,000 aggregate	8	0.799% of net premium earned 5,750,000 minimum 4,600,000 deposit premium		Aon Benfield Inc., or affiliate
	Hiscox Syndicate Limited - 20%	10,000,000	10,000,000 xs 10,000,000	10,000,000 each risk 10,000,000 one occurrence	20,000,000 aggregate	3	0.320% of net premium earned 1,840,000 minimum 2,300,000 deposit premium		
	Hiscox Syndicate Limited - 20%	20,000,000	30,000,000 xs 20,000,000	20,000,000 each risk 30,000,000 one occurrence	30,000,000 aggregate	3	0.174% of net premium earned 1,000,000 minimum 1,250,000 deposit premium		
	Hiscox Syndicate Limited - 15%	50,000,000	25,000,000 xs 50,000,000	50,000,000 each risk 25,000,000 one occurrence	25,000,000 aggregate	1	0.070% of net premium earned 400,000 minimum 500,000 deposit premium		
Property Catastrophe **Excess of Loss** Coverages for policies classified as property business with certain exceptions. Effective: 1/1/2009 Terminate: 1/1/2010	Everest Reinsurance Company - 11.1195%	55,000,000	45,000,000 xs 55,000,000	45,000,000 one occurrence	n/a	1	1.382% of net premium earned (2.436% for ZC Sterling business) 15,120,000 minimum 18,900,000 deposit premium	Premium within 90 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate
	Axis Specialty Limited - 10.0000%	100,000,000	75,000,000 xs 100,000,000	75,000,000 one occurrence	n/a	1	1.536% of net premium earned (2.706% for ZC Sterling business) 16,800,000 minimum 21,000,000 deposit premium		
	Renaissance Reinsurance Limited - 6.9400%	175,000,000	175,000,000 xs 175,000,000	175,000,000 one occurrence	n/a	1	2.080% of net premium earned (3.665% for ZC Sterling business) 22,750,000 minimum 28,437,500 deposit premium		
	Renaissance Reinsurance Limited - 11.2200%	350,000,000	275,000,000 xs 350,000,000	275,000,000 one occurrence	n/a	1	2.011% of net premium earned (3.544% for ZC Sterling business) 22,000,000 minimum 27,500,000 deposit premium		
Property Catastrophe Shortfall Excess **of Loss** Coverages for policies classified as property business with certain exceptions. Effective: 1/1/2009 Terminate: 1/1/2010	Swiss Reinsurance Company - 19.9998%	55,000,000	120,000,000 xs 55,000,000	120,000,000 one occurrence	n/a	1	0.79% of net premium earned (1.39% for ZC Sterling business) 8,603,413 minimum 10,754,266 deposit premium	Premium within 90 days after termination; Losses within 30 days of billing	None
	Swiss Reinsurance Company - 9.7400%	175,000,000	450,000,000 xs 175,000,000	450,000,000 one occurrence	n/a	1	0.52% of net premium earned (0.91% for ZC Sterling business) 5,634,785 minimum 7,043,481 deposit premium		
	Validus Reinsurance Limited - 5.0000%						0.26% of net premium earned (0.47% for ZC Sterling business) 2,892,600 minimum 3,615,750 deposit premium		Aon Benfield Inc., or affiliate

Exhibit A
QBE the Americas
2009 Excess of Loss and Catastrophe Reinsurance Portfolio

	Primary Reinsurer	Retention	Coverage	Limits	Terrorism Limit	Reinstate-ment(s)	Premium	Settlement	Intermediary
Property Reinstatement Premium <u>Protection</u> Coverages for policies classified as property business with certain exceptions. Effective: 1/1/2009 Terminate: 1/1/2010	Renaissance Reins Ltd - 33.000% DaVinci Reins Ltd - 22.000%	Reinstatement premium which may become payable under the "Property Catastrophe Excess of Loss" reinsurance agreement, effective January 1, 2009		1st Layer	n/a	n/a	1.3143% reinstatement factor 10,432,800 minimum and deposit premium	Premium within 150 days after termination; Losses within 90 days of billing	John B. Collins Associates, Inc.
	Actua Re Ltd/ Juniperus - 30.848%						1.1000% reinstatement factor 6,985,600 minimum 8,732,000 deposit premium		
	Renaissance Reins Ltd - 33.0% DaVinci Reins Ltd - 22.000%			2nd Layer	n/a	n/a	1.5000% reinstatement factor 8,820,000 minimum and deposit premium		
	Flagstone Reins Swiss (Bermuda) - 12.500%						1.1430% reinstatement factor 5,376,000 minimum 6,720,000 deposit premium		
	Renaissance Reins Ltd - 40.500% DaVinci Reins Ltd - 27.000%			3rd Layer	n/a	n/a	1.6923% reinstatement factor 7,820,300 minimum and deposit premium		
	Flagstone Reins Swiss (Bermuda) - 12.500%						1.2000% reinstatement factor 4,436,000 minimum 5,545,000 deposit premium		
	Renaissance Reins Ltd - 40.500% DaVinci Reins Ltd - 27.000%			4th Layer	n/a	n/a	1.6000% reinstatement factor 4,400,000 minimum and deposit premium		
	XL Re Limited - 7.500%						1.2000% reinstatement factor 2,640,000 minimum 3,300,000 deposit premium		
Property Aggregate Catastrophe <u>Excess of Loss</u> Coverages for policies classified as property business with certain exceptions. Effective: 1/1/2009 Terminate: 1/1/2010	Actua Re Ltd/ Juniperus - 50%	25,000,000	25,000,000 xs 25,000,000	2,000,000 deductible 10,000,000 one occurrence 25,000,000 aggregate	n/a	n/a	1.025% of net premium earned 8,120,000 minimum 10,000,000 deposit premium	Premium within 90 days after termination; Losses within 30 days of billing	Guy Carpenter & Company, LLC
	Equator Re - 50%								None
	Equator Re - 50%	50,000,000	25,000,000 xs 50,000,000	2,000,000 deductible 10,000,000 one occurrence 25,000,000 aggregate	n/a	n/a	0.451% of net premium earned 4,400,000 minimum 5,500,000 deposit premium		Guy Carpenter & Company, LLC

Exhibit A
QBE the Americas
2009 Excess of Loss and Catastrophe Reinsurance Portfolio

	Primary Reinsurer	Retention	Coverage	Limits	Terrorism Limit	Reinstate-ment(s)	Premium	Settlement	Intermediary
Casualty Clash **Excess of Loss** Coverages for excess liability classified as casualty business with certain exceptions. Effective: 1/1/2009 Terminate: 12/31/2009	Hannover Rueckversicherungs Aktiengesellschaft - 40%	2,500,000	7,500,000 xs 2,500,000 **10 year Sunset Clause**	7,500,000 one occurrence	n/a	1	1,000,000	Premium within 60 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate
Umbrella **Excess of Loss** Coverages for excess liability classified as umbrella with certain exceptions. Effective: 1/1/2009 Terminate: 12/31/2009	Hannover Rueckversicherungs Aktiengesellschaft - 30%	2,000,000 each policy after 4,000,000 annual aggregate	8,000,000 xs 2,000,000	8,000,000 one occurrence 16,000,000 for acts of terrorism during term	n/a	n/a	13.86% of net premium earned 8,800,000 minimum 11,000,000 deposit premium	Premium within 60 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate
Terrorism **Excess of Loss** Coverages for acts of terrorism for policies classified as property or casualty with certain exceptions. Effective: 1/1/2008 Terminate: 1/1/2010	Lloyd's Syndicate 2003 Catlin Underwriting, Inc. - 87.50%, and 2987 Brit Syndicates Limited - 12.50%	10,000,000	10,000,000 xs 40,000,000	40,000,000 one occurrence 80,000,000 per year aggregate	n/a	1	3,400,000 per year 6,800,000 deposit premium	Premium within 60 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate

Exhibit A
QBE the Americas
2009 Excess of Loss and Catastrophe Reinsurance Portfolio

	Primary Reinsurer	Retention	Coverage	Limits	Terrorism Limit	Reinstatement(s)	Premium	Settlement	Intermediary
Workers' Compensation Excess of Loss Coverages for excess liability for policies classified as workers' compensation with certain exceptions. Effective: 1/1/2009 Terminate: 12/31/2009	Lloyd's Syndicate 2003 Catlin Underwriting, Inc. - 30%	5,000,000	5,000,000 xs 5,000,000 **10 year Sunset Clause**	5,000,000 one occurrence 20,000,000 aggregate	n/a	n/a	0.78% of net premium earned 2,000,000 minimum 2,500,000 deposit premium	Premium within 60 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate
Workers' Compensation Catastrophe Excess of Loss Coverages for excess liability for policies classified as workers' compensation with certain exceptions. Effective: 1/1/2009 Terminate: 12/31/2009	Axis Specialty Limited - 20%	10,000,000	15,000,000 xs 10,000,000 **10 year Sunset Clause**	15,000,000 one occurrence 30,000,000 aggregate	n/a	n/a	0.59% of net premium earned 1,520,000 minimum 1,900,000 deposit premium	Premium within 60 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate
Workers' Compensation Contingency Catastrophe Excess of Loss Coverages for policies classified as workers' compensation with certain exceptions. Effective: 1/1/2009 Terminate: 1/1/2010	Lloyd's Syndicate 2003 Markel Syndicate Management Limited - 27%	175,000,000	5,000,000 xs 175,000,000 **10 year Sunset Clause**	5,000,000 one occurrence	n/a	1	0.021% of net premium earned 200,000 minimum 250,000 deposit premium	Premium within 90 days after termination; Losses within 30 days of billing	Aon Benfield Inc., or affiliate

Intercompany Allocation Agreement

Effective January 1, 2009, the company entered into this intercompany allocation agreement with respect to reinsurance agreements involving the following affiliates:

QBE Insurance Corporation	QBE Specialty Insurance Company
QBE Reinsurance Corporation	Redland Insurance Company
Praetorian Insurance Company	North Pointe Insurance Company
North Pointe Casualty Insurance Company	Capital City Insurance Company
General Casualty Company of Wisconsin	General Casualty Insurance Company
Southern Guaranty Insurance Company	Regent Insurance Company
Blue Ridge Insurance Company	Blue Ridge Indemnity Company
Southern Pilot Insurance Company	Southern Fire & Casualty Company
Hoosier Insurance Company	Unigard Insurance Company
Unigard Indemnity Company	United Security Insurance Company
National Farmers Union Property and Casualty Company	

The agreement addresses allocation of ceded reinsurance expenses and recoveries with respect to reinsurance contracts entered involving multiple affiliates as listed.

Losses and Loss Adjustment Expense
Each named ceding company is to recover an amount equal to the proportion of its incurred losses and loss adjustment expenses reinsured under the contract bears to the total incurred losses and loss adjustment expenses of all named affiliates reinsured under the contract.

Deposit Premium Expenses
Each named ceding company is to pay an amount of deposit premium equal to the proportion of its expected average annual incurred loss and loss adjustment expense under the contract bears to the total expected average annual incurred loss and loss adjustment expense of all named affiliates reinsured under the contract.

Reinstatement Premium Expenses
Each named ceding company is to pay an amount of reinstatement premium equal to the proportion of its incurred loss and loss adjustment expense recoverable under the contract bears to the total incurred loss and loss adjustment expense of all named affiliates reinsured under the contract.

The agreement includes an arbitration and indemnification clause and is governed by the laws of the state of New York.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2008, annual statement. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

Blue Ridge Insurance Company
Assets
As of December 31, 2008

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 30,953,863	$	$ 30,953,863
Stocks:			
Common stocks	10,083,633		10,083,633
Cash, cash equivalents, and short-term investments	72,974,595		72,974,595
Investment income due and accrued	943,202		943,202
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	4,490,601	511,487	3,979,114
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	16,394,906	14,591	16,380,315
Reinsurance:			
Amounts recoverable from reinsurers	2,447,860		2,447,860
Net deferred tax asset	7,031,704	2,931,792	4,099,912
Receivable from parent, subsidiaries, and affiliates	456,292		456,292
Write-ins for other than invested assets:			
Prepaid pension expense	1,346,183	1,346,183	0
Intangible pension asset	7,695	7,695	0
Total Assets	$147,130,534	$4,811,748	$142,318,786

Blue Ridge Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2008

Losses		$ 50,625,428
Loss adjustment expenses		12,367,275
Commissions payable, contingent commissions, and other similar charges		2,078,831
Other expenses (excluding taxes, licenses, and fees)		2,338,841
Taxes, licenses, and fees (excluding federal and foreign income taxes)		236,941
Current federal and foreign income taxes		985,436
Unearned premiums		26,308,620
Advance premium		200,218
Ceded reinsurance premiums payable (net of ceding commissions)		1,147,254
Remittances and items not allocated		6,250
Provision for reinsurance		192,600
Drafts outstanding		68,997
Write-ins for liabilities:		
Defined benefit plan additional minimum liability		2,094,006
Retrospective premium accrued		228,097
Total liabilities		98,878,794
Write-ins for special surplus funds:		
Common capital stock	$ 3,600,000	
Surplus notes	75,721,266	
Unassigned funds (surplus)	(35,881,274)	
Surplus as regards policyholders		43,439,992
Total Liabilities and Surplus		$142,318,786

Blue Ridge Insurance Company
Summary of Operations
For the Year 2008

Underwriting Income		
Premiums earned		$63,013,890
Deductions:		
Losses incurred	$25,852,975	
Loss adjustment expenses incurred	7,123,960	
Other underwriting expenses incurred	18,571,036	
Total underwriting deductions		51,547,971
Net underwriting gain (loss)		11,465,919
Investment Income		
Net investment income earned	5,059,873	
Net realized capital gains (losses)	(2,454,528)	
Net investment gain (loss)		2,605,345
Other Income		
Net gain (loss) from agents or premium balances charged off	(104,527)	
Finance and service charges not included in premiums	320,476	
Write-ins for miscellaneous income:		
Other miscellaneous income	(875)	
Total other income		215,074
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		14,286,338
Dividends to policyholders		1,042,598
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		13,243,740
Federal and foreign income taxes incurred		3,862,776
Net Income		$ 9,380,964

Blue Ridge Insurance Company
Cash Flow
For the Year 2008

Premiums collected net of reinsurance			$ 57,759,328
Net investment income			5,930,059
Miscellaneous income			215,074
Total			63,904,460
Benefit- and loss-related payments		$47,997,265	
Commissions, expenses paid, and aggregate write-ins for deductions		31,019,570	
Dividends paid to policyholders		1,042,598	
Federal and foreign income taxes paid (recovered)		3,065,767	
Total deductions			83,125,200
Net cash from operations			(19,220,740)
Proceeds from investments sold, matured, or repaid:			
Bonds	$49,644,486		
Stocks	7,349,113		
Net gains (losses) on cash, cash equivalents, and short-term investments	46,750		
Total investment proceeds		57,040,349	
Cost of investments acquired (long-term only):			
Bonds	48,088,306		
Stocks	22,226,622		
Total investments acquired		70,314,928	
Net cash from investments			(13,274,579)
Cash from financing and miscellaneous sources:			
Dividends to stockholders		(21,000,000)	
Other cash provided (applied)		(97,119)	
Net cash from financing and miscellaneous sources			(21,097,119)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			(53,592,438)
Cash, cash equivalents, and short-term investments:			
Beginning of year			126,567,033
End of Year			$ 72,974,595

Blue Ridge Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2008

Assets		$142,318,786
Less liabilities		98,878,794
Adjusted surplus		43,439,992
Annual premium:		
Lines other than accident and health	$54,336,053	
Less policyholder dividends	1,042,598	
	53,293,455	
Factor	20%	
Compulsory surplus (subject to a minimum of $2 million)		10,658,691
Compulsory Surplus Excess (or Deficit)		$ 32,781,301
Adjusted surplus (from above)		$ 43,439,992
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)		14,815,580
Security Surplus Excess (or Deficit)		$ 28,624,412

Blue Ridge Insurance Company
Reconciliation and Analysis of Surplus
For the Four-Year Period Ending December 31, 2008

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements:

	2008	**2007**	**2006**	**2005**
Surplus, beginning of year	$59,010,585	$57,887,958	$54,301,948	$52,265,515
Net income	9,380,964	3,680,897	5,939,832	6,452,736
Change in net unrealized capital gains/losses	(1,599,894)			(7,347)
Change in net deferred income tax	(920,785)	(540,842)	118,539	380,886
Change in nonadmitted assets	30,662	784,013	471,879	(1,966,181)
Change in provision for reinsurance	(148,600)	143,600	249,600	(33,800)
Dividends to stockholders	(21,000,000)	(2,960,000)	(3,200,000)	(3,868,150)
Write-ins for gains and (losses) in surplus:				
Change in defined benefit plan	(1,312,939)	14,959	6,160	1,078,289
Surplus, End of Year	$43,439,992	$59,010,585	$57,887,958	$54,301,948

Blue Ridge Insurance Company
Insurance Regulatory Information System
For the Four-Year Period Ending December 31, 2008

The company's NAIC Insurance Regulatory Information System results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

	Ratio	2008	2007	2006	2005
#1	Gross Premium to Surplus	126%	133%	147%	173%
#2	Net Premium to Surplus	125	132	146	169
#3	Change in Net Premiums Written	(30)	(8)	(8)	25
#4	Surplus Aid to Surplus	0	0	0	0
#5	Two-Year Overall Operating Ratio	87	90	88	88
#6	Investment Yield	3.7	5.0	4.7	4.0
#7	Gross Change in Surplus	(26)*	2	7	4
#8	Change in Adjusted Surplus	(26)*	2	7	4
#9	Liabilities to Liquid Assets	72	69	71	71
#10	Agents' Balances to Surplus	9	8	11	11
#11	One-Year Reserve Development to Surplus	(15)	3	(3)	0
#12	Two-Year Reserve Development to Surplus	(11)	0	(3)	5
#13	Estimated Current Reserve Deficiency to Surplus	(8)	(14)	(9)	2

The exceptional ratios Nos. 7 and 8 for 2008, relating to surplus, are the result of a dividend paid of $21,000,000 or 32.6% of surplus ($15,098,942 was considered extraordinary) to its parent, GC-WI. The company obtained regulatory approval to pay the extraordinary dividend. The dividend was used to facilitate acquisitions, partially fund debt service requirements as well as provide a normal dividend to QBE Regional.

Growth of Blue Ridge Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2008	$142,318,786	$ 98,878,794	$43,439,992	$9,380,964
2007	188,271,025	129,260,443	59,010,583	3,680,897
2006	186,726,000	128,838,042	57,887,958	5,939,832
2005	181,409,821	127,107,873	54,301,948	6,452,736
2004	163,438,329	111,172,814	52,265,515	8,652,247

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2008	$54,871,389	$54,336,053	$63,013,890	52.3%	33.8%	86.1%
2007	78,481,668	77,708,820	80,536,849	69.0	31.7	100.7
2006	85,057,794	84,733,898	84,635,582	65.6	29.7	95.3
2005	93,898,224	92,037,105	85,968,357	63.7	28.0	91.7
2004	90,001,631	73,767,472	74,739,825	67.3	28.0	95.3

Effective January 1, 2008, the company entered into a quota share and loss portfolio agreement with an affiliated company, Equator Reinsurances Limited. Under this agreement, the company ceded 25% of its new, renewal, in force and existing loss reserves for commercial lines excluding commercial auto and commercial umbrella. Gross premiums written were reduced in both the commercial and personal lines of business between 2007 and 2008. The company explains that the decrease is due to the continued impact of soft market conditions and reductions in premium associated with profit improvement strategies. In addition, during 2008, the company paid its parent, QBE Regional, a dividend amounting to $21,000,000 or 32.6% of surplus, causing a reduction of admitted assets and surplus.

The change in net premiums written between 2004 and 2005 is a result of the gross premium written of the following affiliates being added to the reinsurance pooling agreement: SPilot, SGty, Southern Guaranty Insurance Company of Georgia (sold May 30, 2007), SFire, UnigardIns, UnigardInd and Unigard Pacific Insurance Company (merged into UnigardIns December 31, 2007). The addition of new members to the pool was slightly offset by the company changing from a 7.5% pool participant to a 6% participant.

The company has reported net income in each year under examination. During 2007, the company recorded unfavorable development on prior accident years primarily reflecting an increase in environmental and asbestos reserves. As a result of an independent actuarial study, ultimate loss and loss adjusting expense reserves were increased which resulted in decreased profits.

Reconciliation of Surplus per Examination

The examination determined that there were no material misstatements of balance sheet accounts as reported by the company in its 2008 annual statement and did not make any reclassification of or adjustment to the year-end balances reported by the company. The examination determined that the company's surplus as regards policyholders as of December 31, 2008, was $43,439,992.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were nine specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Data Retention and Support Detail—It is recommended that the company maintain access to data systems for at least 3 years in accordance with s. Ins 6.80 (4) (b), Wis. Adm. Code.

   Action—Compliance

2. Reinsurance—It is recommended that the company develop and implement procedures to ensure that all reinsurance contracts are reviewed for compliance with state regulations.

   Action—Compliance

3. Reinsurance—It is recommended that the company notify the Office of the Commissioner of Insurance of all reinsurance transactions involving affiliated companies pursuant to s. 611.61 (1) (c), Wis. Stat.

   Action—Compliance

4. Reinsurance—It is recommended that the company calculate and report the correct amount in General Interrogatories Part 2 Interrogatory 13.1 in the Annual Statement.

   Action—Compliance

5. Reinsurance—It is recommended that the company properly answer Note 23 by including all unsecured reinsurers, including affiliated reinsurers, in accordance with the NAIC Annual Statement Instructions – Property and Casualty.

   Action—Compliance

6. Cash on Hand and on Deposit—It is recommended that the company define a procedure for establishing its year-end close date and follow it on a consistent basis. The company should establish its year-end close date for its bank accounts to be consistent with the year-end closing date. The company should also have a procedure in place to insure it complies with SSAP 9 and report any material event so as to keep the financial statements from being misleading.

   Action—Compliance

7. Loss Reserves—It is recommended that the company's appointed actuary include those comments in future Statements of Actuarial Opinion in accordance with the NAIC Annual Statement Instructions – Property and Casualty.

   Action—Compliance

8. Loss Reserves—It is recommended that the company's appointed actuary provide reconciliation of the actuarial data to Schedule P by Schedule P line of business, address any material discrepancies and provide a mapping between lines analyzed and Schedule P line of business.

   Action—Compliance

9. Advance Premium—It is recommended that the company report advance premiums in accordance with the NAIC Accounting Practices and Procedures Manual.

   Action—Compliance

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Biographical Information and Jurat Page Reporting

Section Ins 6.52 (4), Wis. Adm. Code, defines "officer" as the president, one or more vice presidents, secretary, treasurer, chief actuary, general counsel, comptroller and any person, however described, who enjoys in fact the executive authority of any such officers. The company did not file biographical affidavits for certain board-appointed officers who would meet the definition. The following is a listing of these individuals:

- James J. Fiore, Chief Underwriting Officer
- Norman E. Donelson, Vice President and Chief Actuary

Section Ins 6.52 (5), Wis. Adm. Code, requires that the company file a biographical report on any new director or officer within 15 days of appointment or election. Furthermore, the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions - Property and Casualty requires the company to identify officers, directors and any other positions in primary policy-making or managerial roles. The company did not identify the individuals listed above as officers or any other positions in primary policy-making or managerial roles. It is recommended that the company file biographical affidavits on all officers who have executive decision-making authority in accordance with s. Ins 6.52 (5), Wis. Adm. Code, and properly identify officers, directors and any other positions in primary policy-making or managerial roles on the jurat page of the annual statement in accordance with the NAIC Annual Statement Instructions - Property and Casualty.

Executive Compensation

The commissioner requires all insurance companies domiciled in the state to file a Report on Executive Compensation pursuant to ss. 601.42 and 611.63 (4), Wis. Stat. The report should include annual compensation of each director, the chief executive officer, four most highly paid officers or employees, and all officers and employees of the insurer whose compensation exceeded specified amounts. For an insurer of BlueIns' size, the specified amount of compensation was $100,000.

The company provides a defined benefit pension plan for all employees and a pension restoration plan for certain executive officers. The company did not include its expenses for either plan in the reported compensation for directors, officers and key employees. The company should include its expenses related to defined benefit and pension restoration plans on behalf of each reportable employee in its reporting of executive compensation. It is recommended that the company properly complete the Report on Executive Compensation as required by ss. 601.42 and 611.63 (4), Wis. Stat.

Equator Re Reinsurance Agreements and Trust

Effective January 1, 2008, GC-WI and subsidiary insurers GCIC, Regent, BlueIns, BlueInd, SGty, SPilot, SFire and Hoosier Insurance Company entered into a quota share and a loss portfolio reinsurance agreement with affiliate, Equator Reinsurances Limited. Equator Re reinsures 25% of GC-WI's and named subsidiary insurers' net liability with respect to direct business classified as commercial lines with the exception of commercial automobile and commercial umbrella business, as previously discussed. The business is accounted for as reinsurance ceded to GC-WI, who, in turn, records a retro-cession to Equator Re rather than a direct cession to Equator Re. GC-WI reports the entire amount ceded to Equator Re on Schedule F - Part 3 of the Annual Statement whereas the remaining participants do not report any cessions to Equator Re rather a cession to GC-WI in addition to the pooled amount. The companies are not reporting direct premiums ceded in accordance with its quota share and loss portfolio reinsurance agreements, the NAIC Annual Statement Instructions - Property and Casualty, or Statement of Statutory Accounting Principles (SSAP) No. 62. It is recommended that the company either amend its quota share and loss portfolio reinsurance agreements with Equator Re to reflect its current accounting practices or adhere to the agreements and account for the reinsurance in accordance with the current contract terms. It is further recommended that the company comply with the NAIC Annual Statement Instructions – Property and Casualty and SSAP No. 62.

Pursuant to s. Ins 52.05, Wis. Adm. Code, and the Stipulation and Order issued by the Office of the Commissioner of Insurance on October 15, 2008, GC-WI, GCIC, Regent, BlueIns, BlueInd, SGty, SPilot, SFire and Hoosier Insurance Company (the beneficiaries) have entered into a trust agreement with Equator Re and Brown Brothers Harriman Trust Company, N.A. (the Trustee), dated as of January 1, 2008. Equator Re secures payments of amounts due the company under the quota share and loss portfolio reinsurance agreements by transferring assets to the Trustee for deposit into a trust account for the sole benefit of the beneficiaries. The amount held in the trust account should equal to 102% of Equator Re's obligations attributable to the reinsurance agreement. The beneficiaries cede direct business under both the quota share and loss portfolio agreements. Neither the reinsurance agreements nor the trust agreement document how, in the event that recoveries are to be made from the trust, such recoveries would be allocated among the participants. It is recommended that the company amend its reinsurance trust agreement to include how recoveries are to be allocated among participants in the event that the reinsurer is unable to fulfill its responsibilities.

Affiliated Transactions

The company did not settle certain year-end affiliated transactions within the required timeframes of corresponding affiliated agreements as required by SSAP No. 25 (6). The Intercompany Pooling Agreement is to be settled within 45 days of the end of each quarter. The Intercompany Management, Facilities and Services Agreement and the Service Agreement are to be settled within 30 days and 45 days, respectively, after receipt of accounting statement (reasonably 45 or 60 days). Estimates pursuant to these affiliated agreements were settled on March 1, 2009, (60 days from year-end) and actual activity was settled on April 1, 2009 (90 days from year-end). Agreements should specify a definitive time in which agreements are to be settled. It is recommended that the company settle affiliated balances in the timeframe agreed upon in accordance with affiliated agreements and amend agreements to specify a definitive time of settlement.

Reserve Development and Documentation

The company's loss and loss adjusting expense (LAE) reserve analyses rely on data valued as of November 30, 2008. A roll forward of the estimates calculated with the November 30, 2008, data was performed by the company in order to obtain the December 31, 2008, loss and LAE reserve estimates. It is recommended that the company include in their actuarial report a comparison of the actual paid and incurred loss and LAE activity between November 30 and December 31 to the expected paid and incurred loss and LAE activity, for all accident years and for those lines which are analyzed with data valued as of November 30, and that adjustments be made to the estimates to reflect higher or lower than anticipated development. While the company displays its adjustments to the estimates for the most recent accident year, adjustments, where made, should be displayed for all accident years.

The company's actuarial reports generally lack proper documentation. The documentation included in future actuarial reports should comply with Actuarial Standard of Practice No. 9 which states that "Documentation should be sufficient for another actuary practicing in the same field to evaluate the work. The documentation should describe clearly the sources of data, material assumptions, and methods." Specific areas of the report which lack proper documentation include, but are not limited to, the following:

a. The triangular data used in the analysis is valued as of December 31 of each year while the last diagonal is valued as of November 30 of the latest year. The company should include a description of the various valuation dates in the triangular data and adjustments made to the loss development factors.
b. Description of the various reinsurance agreements with Equator Re.
c. Support for the methodology used in estimating the liabilities ceded to Equator Re.
d. Description of the non-reviewed items, such as Seaton cession, General Casualty assumed business, Unigard non-CAV items, additional Hoosier Insurance Co. cessions, General Casualty ceded to group aggregate cover, and General Casualty fronted business. The largest non-reviewed item represents an increase to loss reserves of $34.4 million.
e. Support for the methodology used in estimating the asbestos and environmental liabilities.

It is recommended that the company include sufficient documentation in its actuarial report including clear descriptions of sources of data, material assumptions, and methods in accordance with Actuarial Standard of Practice No. 9.

Retrospective and Earned but Unbilled Premiums

The notes to financial statements of the 2008 Annual Statement did not disclose that the company insures some worker's compensation business using retrospectively rated contracts. The NAIC's Annual Statement Instructions – Property and Casualty and SSAP No. 66 require that the company disclose certain criteria regarding the use of retrospectively rated contracts. It is the company's procedure to report the net of account balances for earned but unbilled premiums (EBUB) and retrospective premiums; positive balances are reported as premiums receivable and negative as a write-in liability. These balances should not be reported net of each other. Negative balances regarding EBUB, although rare, could be reported as a separate write-in liability or as an off-set to deferred premium; positive balances should be reported as deferred premium in accordance with the NAIC's Annual Statement Instructions – Property and Casualty and SSAP No. 6 and No. 53. The amount is to be reported separately within the title of the line item. Negative balances regarding retrospective premium are to be reported as a separate write-in liability; positive balances should be reported as accrued retrospective premiums in accordance with the NAIC's Annual Statement Instructions – Property and Casualty and SSAP No. 6 and No. 66. Reclassification of account balances was not considered necessary as account balances were determined to be immaterial. It is recommended that the company properly report earned but unbilled premiums and retrospective rated contracts in accordance with the NAIC's Annual Statement Instructions – Property and Casualty and SSAP Nos. 6, 53 and 66.

VIII. CONCLUSION

The company was established in 1845 as a property and casualty insurer under Maryland laws. The company redomiciled to Connecticut on November 7, 1995, then on August 11, 2003, redomiciled to Wisconsin. Effective December 22, 2006, Credit Suisse Group finalized the sale of Winterthur Swiss Insurance Company (former upstream parent of the company) to AXA. Effective May 31, 2007, AXA finalized the sale of Winterthur U.S. Holdings, Inc., (former subsidiary of Winterthur Swiss Insurance Company) and its consolidated subsidiaries to QBE Holdings, Inc., a subsidiary of Australian-based QBE Insurance Group Limited. Winterthur U.S. Holdings, Inc., was renamed QBE Regional Companies (N.A.), Inc.

The company markets personal automobile coverages in New York. GC-WI, its subsidiaries, Unigard Insurance Company and Unigard Indemnity Company are participants in an intercompany pooling arrangement of which BlueIns assumes 0% of pooled business as compared to 6% in 2008.

The examination resulted in nine recommendations related to filing biographical information on all directors and officers and reporting them on the jurat page, reporting executive compensation, reinsurance and trust agreements with an affiliate (Equator Re), affiliated transactions, reserve development and documentation, and reporting retrospective and earned but unbilled premiums.

The company achieved net income in each of the years under review. There were no reclassifications of account balances or adjustments to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2008, of $43,439,992, is accepted.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 45 - Biographical Information and Jurat Page Reporting—It is recommended that the company file biographical affidavits on all officers who have executive decision-making authority in accordance with s. Ins 6.52 (5), Wis. Adm. Code, and properly identify officers, directors and any other positions in primary policy-making or managerial roles on the jurat page of the annual statement in accordance with the NAIC Annual Statement Instructions - Property and Casualty.

2. Page 46 - Executive Compensation—It is recommended that the company properly complete the Report on Executive Compensation as required by ss. 601.42 and 611.63 (4), Wis. Stat.

3. Page 46 - Equator Re Reinsurance Agreements and Trust—It is recommended that the company either amend its quota share and loss portfolio reinsurance agreements with Equator Re to reflect its current accounting practices or adhere to the agreements and account for the reinsurance in accordance with the current contract terms.

4. Page 46 - Equator Re Reinsurance Agreements and Trust—It is further recommended that the company comply with the NAIC Annual Statement Instructions – Property and Casualty and SSAP No. 62.

5. Page 47 - Equator Re Reinsurance Agreements and Trust—It is recommended that the company amend its reinsurance trust agreement to include how recoveries are to be allocated among participants in the event that the reinsurer is unable to fulfill its responsibilities.

6. Page 47 - Affiliated Transactions—It is recommended that the company settle affiliated balances in the timeframe agreed upon in accordance with affiliated agreements and amend agreements to specify a definitive time of settlement.

7. Page 48 - Reserve Development and Documentation—It is recommended that the company include in their actuarial report a comparison of the actual paid and incurred loss and LAE activity between November 30 and December 31 to the expected paid and incurred loss and LAE activity, for all accident years and for those lines which are analyzed with data valued as of November 30, and that adjustments be made to the estimates to reflect higher or lower than anticipated development.

8. Page 48 - Reserve Development and Documentation—It is recommended that the company include sufficient documentation in its actuarial report including clear descriptions of sources of data, material assumptions, and methods in accordance with Actuarial Standard of Practice No. 9.

9. Page 49 - Retrospective and Earned but Unbilled Premiums—It is recommended that the company properly report earned but unbilled premiums and retrospective rated contracts in accordance with the NAIC's Annual Statement Instructions – Property and Casualty and SSAP Nos. 6, 53 and 66.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Randy Milquet, CFE	Insurance Financial Examiner, Advanced
Sarah Haeft	Insurance Financial Examiner
Karl Albert, CFE	Insurance Financial Examiner
Gene Renard, AFE	Insurance Financial Examiner
Terry Lorenz	Insurance Financial Examiner
Richard Fluhr, CFE	Examiner, Representing the State of Ohio

Respectfully submitted,

Rebecca Easland, CFE
Examiner-in-Charge